

Headline Group Limited
Appendix 4D
For the half year ended 31 December 2008

Headline Group Limited

ACN 060 199 082

INTERIM FINANCIAL REPORT

HALF YEAR ENDED 31 DECEMBER 2008

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Headline Group Ltd
 Appendix 4D
 For the half year ended 31 December 2008

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Dec 08 \$ 000	% Change	Dec 07 \$ 000
Revenues from sales of goods	7,367	(12)%	8,378
Profit from operating activities before tax	308	732%	37
Net profit after tax for the period attributable to members	583	186%	(678)
Basic earnings per share (cents)	0.49	n/a	(0.56)
Diluted earnings per share (cents)	0.49	n/a	(0.56)
Weighted no. of shares ('000)	119,690		120,882
Net tangible asset backing per ordinary share (cents)	13.5	(3)%	13.9

DIVIDENDS

Dividends (distributions)

	Amount per Security	Franked amount per security
Interim dividend	Nil	Nil
Previous corresponding period	Nil	Nil

FINANCIAL INFORMATION

See financial statements as attached.

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HEADLINE

Group Limited

On behalf of the Board, I am pleased to present the Interim Financial Report for the half year ended 31 December 2008.

As most shareholders would be aware Headline has harvested all operating divisions with the exception of Skansen. The company's cash resources now position it very well to take advantage of increasingly attractive market valuations and investment alternatives. In addition to developing the scale of Skansen's operations via acquisition and monetizing the online asset of the business, the focus of the Board is to deploy the available funds in the business in a transaction with substantial value creation potential.

Result

Headline Group Limited ("HLD" or "the Company") is satisfied that it can report a net profit before tax result of \$308,000 for the half year ended 31 December 2008. This compares to a net profit before tax of \$37,000 for the same period in 2007.

While the business has achieved a positive half year result given the economic downturn, we remain cautious regarding Skansen's trading projections for the upcoming six months. Prudent cost management initiatives are being implemented to provide the company the best chance of achieving its end of year targets.

- **Summary of results**

Skansen, HLD's remaining operating business, continued to perform near to expected levels in terms of revenue achieving Net Sales over the 6 months of \$7.4 million. Gross Margin levels were slightly lower than projections largely due to the decline in the Australian Dollar. Net corporate expenses were reduced by 70% as compared to the same period last year.

HLD's final 6-month positive result after tax of \$0.58 million benefited from the over-provision in the Company's last financial report ended 30 June 2008. The claim was in respect to past royalties associated with MRA and Central Station. Following HLD's audit, the settlement with AMCOS and Destra was finalized at \$276,000 resulting in an over-provision of \$246,000.

In addition, the HLD's result reflects a small profit on the sale of the 152 Lisarow property of \$103,000. The greatest benefit of the sale of the property however is in the impact on HLD's cash position, which is now at \$10.0 million.

Given the economic slowdown, the Company provides an impairment charge of \$198,000 for the remaining unsold property at Lisarow.

The Company remains debt free and expects its cash position to rise to circa \$12.0 million in the medium term following the settlement of the remaining property for sale in Lisarow and reductions in working capital at Skansen.

- **Performance Improvement**

The Board instituted organizational changes at Skansen which will result in approximately \$0.5 million in savings over the coming year. Investments in additional marketing competency at Skansen has improved the company's platform from which to grow.

- **Board**

The makeup of HLD's Board was previously 5 directors, but it has recently been functioning with 4 members. Taking into account the size of the business and associated costs, the directors have taken the initiative not to extend the Board. Mr. Gordon Elkington will assume the role of Executive Chairman, continuing his role in management and positioning of the Company. Mr. Brent Dennison will as of March 1st become the Managing Director of Headline, with a focus on the investment strategy of the Company as it relates to the company's positive cash position.

- **Dividends**

It remains the Board's intention to return to payment of dividends utilising our franking credits. Given

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HEADLINE

Group Limited

the current retail environment, responsibly the decision will be held over to the end of the financial year, taking into account the full year's profit.

- **Looking Forward**

Given the speed at which the environment is changing, causing difficulty for an increasing number of businesses and investors, HLD is starting to see greater deal flow where substantial long term value may be created.

At November's AGM, the Board articulated its stringent framework for evaluating investment opportunities and we continue to be extremely diligent in applying this approach. As such, we are targeting resilient businesses positioned well in a recession and on companies that can provide sustained growth trajectories based on ongoing demand for their products and services, for example scarce resources.

The Board takes this opportunity to thank our stakeholders and employees for their continued commitment and ongoing support.

Thank you.



Gordon Elkington
Managing Director
26 February 2009

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Headline Group Limited
Appendix 4D
For the half year ended 31 December 2008

Headline Group Limited

ACN 060 199 082

INTERIM FINANCIAL REPORT

HALF YEAR ENDED 31 DECEMBER 2008

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Headline Group Limited

DIRECTORS' REPORT

Your directors submit their report for the half year ended 31 December 2008.

DIRECTORS

The names of the directors of the Company in office during the half year and until the date of this report unless otherwise stated are:

Gordon Elkington (Managing Director)

Gordon Elkington was appointed to the Board of Headline Group Limited on 31 October 2004.

Roger Montgomery (Non-executive)

Roger Montgomery was appointed to the Board of Headline Group Limited on 21 July 2008.

Brent Dennison (Executive Director)

Brent Dennison was appointed to the Board of Headline Group Limited on 21 July 2008.

George Choo (Executive Director & Chief Financial Officer)

George Choo was appointed to the Board of Headline Group Limited on 10 June 2008.

FORMER DIRECTOR

John Fox (Chairman)

John Fox resigned as Chairman and Director on 21 July 2008.

COMPANY SECRETARY

Ian Gordon

Ian Gordon was appointed as Company Secretary on 9 October 2007.

Headline Group Limited

DIRECTORS' REPORT

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The makeup of HLD's Board was previously 5 directors, but it has recently been functioning with 4 members. Taking into account the size of the business and associated costs, the directors have taken the initiative not to extend the Board. Mr. Gordon Elkington will assume the role of Executive Chairman, continuing his role in management and positioning of the Company. Mr. Brent Dennison will as of March 1st become the Managing Director of Headline, with a focus on the investment strategy of the Company as it relates to the company's positive cash position.

- **Dividends**

It remains the Board's intention to return to payment of dividends utilising our franking credits. Given the current retail environment, responsibly the decision will be held over to the end of the financial year, taking into account the full year's profit.

Headline Group Limited
DIRECTORS' REPORT

- **Looking Forward**

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At November's AGM, the Board articulated its stringent framework for evaluating investment opportunities and we continue to be extremely diligent in applying this approach. As such, we are targeting resilient businesses positioned well in a recession and on companies that can provide sustained growth trajectories based on ongoing demand for their products and services, for example scarce resources.

The Board takes this opportunity to thank our stakeholders and employees for their continued commitment and ongoing support.

Thank you.



Gordon Elkington
Managing Director
26 February 2009

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Chartered Accountants
& Business Advisers

Auditor's Independence Declaration

As lead auditor for the review of Headline Group Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Headline Group Limited and the entities it controlled during the half year.

PKF

John Bresolin
Partner

Sydney, 26 February 2009

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HEADLINE GROUP LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Notes	CONSOLIDATED	
		6 Months	6 Months
		31 Dec 2008	31 Dec 2007
		\$'000	\$'000
Continuing operations			
Revenue		7,642	8,616
Total revenue	2	7,642	8,616
Cost of sales		(4,063)	(4,412)
Gross profit		3,579	4,204
Other income	2	406	2
Administration expenses		(2,841)	(3,024)
Distribution expenses		(41)	(27)
Marketing expenses		(339)	(204)
Occupancy expenses		(161)	(489)
Depreciation	3	(92)	(74)
Finance costs	3	(5)	(1)
Operating expenses		(3,479)	(3,819)
Impairment of fixed assets (property)		(198)	-
Debt forgiveness		-	(350)
Profit from continuing operations before income tax		308	37
Income tax (expense) / benefit	8	275	(391)
Profit/(Loss) from continuing operations after income tax		583	(354)
Loss from discontinuing operations after income tax	7	-	(324)
Net Profit/(Loss) attributable to members of Headline Group Limited		583	(678)
Earnings/(loss) per share for profit from continuing operations attributable to members of Headline Group Limited			
Basic earnings/(loss) per share (cents per share)		0.49	(0.56)
Diluted earnings/(loss) per share (cents per share)		0.49	(0.56)
Dividends per share		-	-

The accompanying notes form an integral part of this Consolidated Income Statement.

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HEADLINE GROUP LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Notes	CONSOLIDATED	
		31 Dec 2008	30 June 2008
		\$'000	\$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		9,475	7,154
Trade and other receivables		4,314	3,606
Inventories		1,475	1,604
Current tax asset		59	109
Other assets		274	97
		<u>15,597</u>	<u>12,570</u>
Assets classified as held for sale	4	1,782	4,622
TOTAL CURRENT ASSETS		<u>17,379</u>	<u>17,192</u>
NON-CURRENT ASSETS			
Property, plant and equipment		583	583
Deferred income tax asset		214	178
TOTAL NON-CURRENT ASSETS		<u>797</u>	<u>761</u>
TOTAL ASSETS		<u>18,176</u>	<u>17,953</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		1,468	1,148
Provisions	6	288	782
Borrowings		12	-
		<u>1,768</u>	<u>1,930</u>
Liabilities directly associated with the assets classified as held for sale	4	81	321
TOTAL CURRENT LIABILITIES		<u>1,849</u>	<u>2,251</u>
NON-CURRENT LIABILITIES			
Provisions		111	99
Borrowings		20	-
TOTAL NON-CURRENT LIABILITIES		<u>131</u>	<u>99</u>
TOTAL LIABILITIES		<u>1,980</u>	<u>2,350</u>
NET ASSETS		<u>16,196</u>	<u>15,603</u>
EQUITY			
Issued capital		31,001	31,001
Reserves		(111)	13
Accumulated losses		(14,694)	(15,411)
TOTAL EQUITY		<u>16,196</u>	<u>15,603</u>

The accompanying notes form an integral part of this Consolidated Balance Sheet.

HEADLINE GROUP LIMITED & CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

CONSOLIDATED

	Attributable to equity holders of the consolidated entity				
	Issued capital	Share option reserve	Foreign currency reserve	Retained losses	Total
	\$'000	\$'000	\$' 000	\$'000	\$'000
As at 1 July 2007	31,050	175	(33)	(13,672)	17,520
Currency translation differences	-	-	(117)	-	(117)
Net income (expense) recognised directly in equity	-	-	(117)	-	(117)
Net loss for the period	-	-	-	(678)	(678)
Total recognised income and expenses for the period	-	-	(117)	(678)	(795)
Share based payments	-	(41)	-	41	-
As at 31 December 2007	31,050	134	(150)	(14,309)	16,725
As at 1 July 2008	31,001	134	(121)	(15,411)	15,603
Currency translation differences	-	-	10	-	10
Net income (expense) recognised directly in equity	-	-	10	-	10
Net Profit for the period	-	-	-	583	583
Total recognised income and expenses for the period	-	-	10	583	593
Share based payments	-	(134)	-	134	-
As at 31 December 2008	31,001	-	(111)	(14,694)	16,196

The accompanying notes form an integral part of the Consolidated Statement of Changes in Equity

HEADLINE GROUP LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Notes	
	6 Months 31 Dec 2008	6 Months 31 Dec 2007
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	7,183	8,122
Payments to suppliers and employees	(7,786)	(8,556)
Finance costs	(5)	(1)
Income tax refund	58	62
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(550)	(373)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(680)	(138)
Proceeds from sale of property	3,000	3,351
Interest received	275	578
Repaid deferred Central Station settlement	276	(500)
NET CASH FLOWS FROM INVESTING ACTIVITIES	2,871	3,291
CASH FLOWS FROM FINANCING ACTIVITIES		
Share buyback	-	1
NET CASH FLOWS FROM FINANCING ACTIVITIES	-	1
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,321	2,919
Cash and cash equivalents at beginning of period	7,154	4,352
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9,475	7,271

The accompanying notes form an integral part of the Consolidated Cash Flow Statement.

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HEADLINE GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose financial report for the half year ended 31 December 2008 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half year financial report should be read in conjunction with the financial report for the year ended 30 June 2008 and considered together with any public announcements made by Headline Group Limited during the half year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies and methods of computation are the same as those adopted in the most recent financial report.

HEADLINE GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Notes	CONSOLIDATED	
		6 Months 31 Dec 2008	6 Months 31 Dec 2007
		\$'000	\$'000
2. REVENUE			
Revenue from sales of goods		7,367	8,378
Interest received – external parties		275	238
Total revenues from ordinary activities		7,642	8,616
OTHER INCOME			
Profit on sale of property (Lisarow)		103	-
Write back of provision for royalty claims		246	-
Rental Income		57	2
		406	2
3. EXPENSES AND LOSSES/(GAINS)			
(a) Expenses – continuing operations			
Depreciation of non-current assets		92	74
Bad and doubtful debts			
Trade debtors - other persons		40	18
Finance costs expensed			
Interest expense - other persons/corporations		5	1
Total finance costs expensed		5	1
Employee benefits expense			
Wages and salaries		1,905	2,435
Workers compensation costs		62	19
Superannuation costs		128	124
		2,095	2,578

HEADLINE GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

4. ASSETS AND LIABILITIES HELD FOR SALE

a) Details of operations disposed

One property at Lisarow (Gosford, NSW) was sold in 2008. The remaining property is included in the assets and liabilities of operations held for sale.

The major classes of assets and liabilities as at:

	31 December 2008	30 June 2008
	\$'000	\$'000
Assets		
Land & Buildings	1,782	4,622
Assets classified as held for sale	<u>1,782</u>	<u>4,622</u>
Liabilities		
Deferred tax liabilities	81	321
Liabilities directly associated with assets classified as held for resale	<u>81</u>	<u>321</u>

CONSOLIDATED

6 Months 31 Dec 2008	6 Months 31 Dec 2007
\$'000	\$'000

5. DIVIDENDS PAID

Dividends paid during the half year periods

-	-
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6. PROVISIONS

On 19 August 2008, Headline received a claim from the Australian Mechanical Copyright Owners Society Limited for an amount of \$522,000. The claim arose due to AMCOS's recent audit conducted on Destra who purchased the Entertainment Division on 30 September 2006.

Responsibly, a provision had been recognised for this amount in the results for the period ended 30 June 2008.

In October 2008, the claim was settled at \$267,333. This resulted in a write back of \$254,667 from the provision account.

Together with this settlement, Headline Group received the final payment of vendor finance from Destra.

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HEADLINE GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

7. SEGMENT INFORMATION

Primary segment

6 Months 31 December 2008

Business Segments

	Giftware	Property	Others	Total
	\$'000	\$'000	\$'000	\$'000
REVENUE				
Sales to external customers	7,367	-	-	7,367
	7,367	-	-	7,367
Unallocated revenue	-	-	-	681
Total segment revenue	-	-	-	8,048
RESULT				
Segment result	514	(53)	-	461
Unallocated revenue less unallocated expenses	-	-	-	(153)
Consolidated entity result	-	-	-	308
Income tax (expense)/benefit	-	-	-	275
Net profit for the year	-	-	-	583
Assets and liabilities				
Segment assets	6,110	2,322	-	8,432
	-	-	-	8,432
Unallocated assets	-	-	-	9,744
Total assets	-	-	-	18,176
Segment liabilities	1,521	90	-	1,611
	-	-	-	1,611
Unallocated liabilities	-	-	-	369
Total liabilities	-	-	-	1,980
Other segment information				
Capital expenditure	65	682	25	772
Depreciation	84	15	8	107

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HEADLINE GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

7. SEGMENT INFORMATION (continued)

6 Months 31 Dec 2007

Business Segments

	Continuing operations				Discontinued operations				Consolidated
	Giftware	Other	Total continuing	Housewares	Giftware (UK)	Property	Other	Total discontin- tinuing	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
REVENUE									
Sales to customers outside consolidated entity	8,287	-	8,287	(3)	(12)	-	26	11	8,298
Other revenues from customers outside consolidated entity	-	-	-	-	-	-	-	-	-
Total segment revenue	8,287	-	8,287	(3)	(12)	-	26	11	8,298
RESULT									
Segment result	1,356	(1,318)	38	(416)	349	80	19	32	70
Finance costs			(1)	16	-	-	-	16	15
Unallocated expenses			-	-	-	-	-	-	-
Consolidated entity result			37	(400)	349	80	19	48	85
Income tax			(391)	(493)	90	31	-	(372)	(763)
Net profit/(loss) for the year			(354)	(893)	439	111	19	(324)	(678)

6 Months 30 June 2008

Assets and liabilities

Segment assets	5,324	-	-	-	-	4,653	-	-	9,977
Unallocated assets	-	-	-	-	-	-	-	-	7,976
Total assets	-	-	-	-	-	-	-	-	17,953
Segment liabilities	1,069	-	-	-	-	365	-	-	1,434
Unallocated liabilities	-	-	-	-	-	-	-	-	916
Total liabilities	-	-	-	-	-	-	-	-	2,350
Other segment information									
Capital expenditure	363	-	-	-	-	-	-	-	363
Depreciation	64	-	-	-	-	22	6	-	92

8. Income tax benefit

The Income tax benefit represents the reversal of deferred tax liability arising from sale of Lisarow Property.

9. EVENTS SUBSEQUENT TO REPORTING DATE

No other matters or circumstances have arisen since the end of period which significantly affected the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the financial year subsequent to 31 December 2008.


Headline Group Limited and Controlled Entities DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

The directors of Headline Group Limited declare that:

- (a) in the directors' opinion the financial statements and notes set out on pages 5 to 13, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 2008 and of their performance, for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Gordon Elkington
Managing Director

26 February 2009



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Headline Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Headline Group Limited ("the Company"), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement or description of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at 31 December 2008 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Headline Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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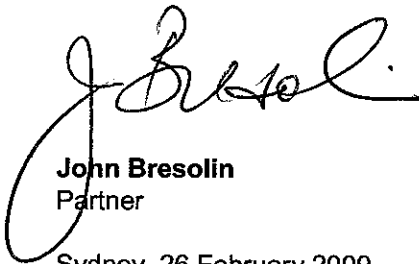
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Headline Group Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and *Corporations Regulations 2001*.



PKF



John Bresolin
Partner

Sydney, 26 February 2009

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