Registered Office: C/- McBurney & Partners, Level 10, 68 Pitt Street, Sydney, NSW 2000
Telephone: (02) 9230 0808; Facsimile: (02) 9230 0807

26 February, 2010

For immediate release

RESULTS FOR ANNOUNCEMENT TO THE MARKET

This announcement is of the Appendix 4D Half Yearly Report and Accounts for the half year ended 31 December 2009 for Headline Group Limited.

Headline Group Limited

Ian Gordon
Company Secretary

Headline Group Limited

ACN 060 199 082

INTERIM FINANCIAL REPORT

HALF YEAR ENDED 31 DECEMBER 2009

Headline Group Ltd
Appendix 4D
For the half year ended 31 December 2009

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Dec 09 $ 000	% Change	Dec 08 $ 000
Revenues from sales of goods	16,764	Up 128%	7,367
Profit from operating activities before tax attributable to members	405	Up 31%	308
Net profit after tax for the period attributable to members	8	Down 99%	583
Basic earnings per share (cents) attributable to members	0.01	n/a	0.49
Diluted earnings per share (cents) attributable to members	0.01	n/a	0.49
Weighted no. of shares ('000)	119,690		119,690
Net tangible asset backing per ordinary share (cents)	8.30	Down 39%	13.5

DIVIDENDS

Dividends (distributions)	Amount per Security	Franked amount per security
Interim dividend	Nil	Nil
Previous corresponding period	Nil	Nil

Details of entities over which control has been gained or lost during the period

On 1st October 2009, Headline acquired the 73% of the Kids Central / Early Learning Centre business, a leading retailer in the parent's and children's fashion and toys retail industry. For further information, please refer to the attached interim financial report.

HEADLINE

Group Limited

Half Year Result and Business Update

The Headline board is pleased to announce its half year results that indicate the HLD businesses are performing in line with the projections presented at the November Annual General Meeting.

In the November 2009 presentation to shareholders, we estimated that the operating EBITDA for the combined Skansen KCG business would be $1.9M in 2009/10 – we are on track to achieve this, and – most importantly – the launch of Mothercare is on schedule.

The first Mothercare store will open on March 5th 2010 at Chadstone in Victoria and this will be followed by the opening of the landmark Doncaster store in early April 2010. We are finalizing lease negotiations and Kids Central store conversions that will see Mothercare available in 15 locations around the country by the end of August 2010. Significantly, we anticipate our first large scale parenting centre format to open in Melbourne in July 2010.

Shareholders will hopefully be pleased with the positive market response to the investment into Kids Central, and in particular the launch of Mothercare. HLD's capital growth well outstripped the market performance, and there has been a notable increase in investor interest in the growth profile of the HLD strategy.

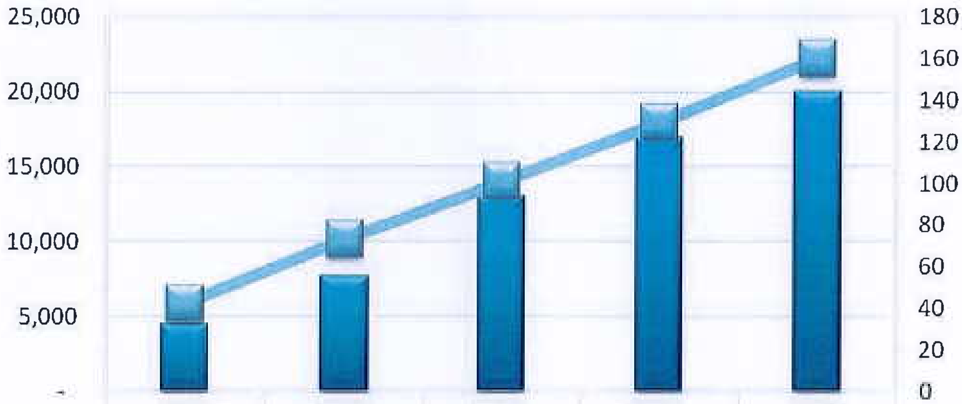
Since October 2009 when HLD entered the business, the Kids Central and Early Learning Centre stores have traded well above last year's levels when looking at a like-for-like comparison. While the overall retail market segment reported very modest gains, and in some cases negative sales growth performances, the Kids Central/Early Centre Stores posted 10+% like-for-like growth. Overall GP performance was up 4% - a significant result for the company. The Beanie Kids business continued to report positive earnings each month, reflecting the result of the restructuring efforts in the business in the 2008/09 year.

Overall, HLD can report a positive earnings result for the 6 month period – despite incurring the non-operating transaction expenses and financing costs associated with completing the Mothercare / Kids Central investment. HLD reports a half Year Net Profit before tax and prior to allowing for minority interests of $690k and we are forecasting a break-even result for the 2009/10 year due to the one-off type Mothercare store opening costs and the building of the organization required to sustain the projected growth path that is being embarked upon. As we foreshadowed at the AGM, the Profit & Loss impact of the Mothercare investment will begin to felt in the 2010/11 year as sales are projected to exceed $70M – up from the forecast $42M in this financial year.

The HLD half year performance is made up of a consolidated EBITDA including minority interest before abnormal items of $1.8M. Abnormal once-off transaction related expenses and restructuring costs were $674k, with Interest and Depreciation being $357k. Critically, the cash position of HLD and of Skansen KCG was very much in line with projected levels - $4.5M at the HLD level, and post all transaction expenses, $3.3M at Skansen KCG. We are anticipating that the HLD cash reserves will be boosted by a further $1.9M following the imminent sale of the remaining Lisarow land and buildings.

HEADLINE
Group Limited

As reported earlier, the initial Mothercare store openings are locked in for March and April 2010. Perhaps the most exciting element of our accelerated rollout is the degree to which Mothercare UK is providing the kind of support that was envisaged at the time of the transaction. We are benefiting from the depth of Mothercare's expertise and international presence in every facet of our roll out – from store design services to leveraging readily available marketing and brand positioning material. In addition, the Australian organization is evolving to the very excited and dedicated team that will drive the business to the $160M of revenue we are targeting for 2013/14.



	2010	2011	2012	2013	2014
Total Retail Sales Area m2	4,500	7,700	13,000	17,000	20,000
Proj. Skansen KCG Revenue ($M)	42	73	101	129	160

Total Retail Sales Area m2   Proj. Skansen KCG Revenue ($M)

Key milestones achieved thus far:

- Mothercare's exclusive and exciting product has arrived and will be priced at very competitive prices
- The high quality Mothercare fixtures and fittings have arrived and are currently being installed. We believe they are creating a retail ambience not yet experienced in this retail segment in Australia.
- Several key sites are under negotiation for further store roll out in Melbourne, Sydney, and Queensland.
- A new distribution warehouse has been established to service the Eastern seaboard.
- Marketing initiatives are in place and ready to support the March 2010 launch.
- Management and staff expertise have been strengthened via:
  - Mothercare Australia National Operations Manager appointed, procured from the UK business
  - Hiring of Store Managers of the first Mothercare stores with extensive experience in the Australian parenting and baby retail segment
  - Specialised training programs from Mothercare experts for our store personnel designed to inject the Mothercare "DNA" into the Australian operations
  - Establishment of our absolutely unique in-store Midwife service

HEADLINE
Group Limited

Summary

The milestones detailed above represent the cornerstones of what we believe will become an icon business in our retail segment over the coming four years. The board remains committed to accelerating the growth of the Mothercare roll out wherever possible. As such we will continue to apply all resources to the stated strategic objectives of achieving market leadership, evaluating synergistic acquisition opportunities as they arise.

Regards,

Gordon Elkington
Executive Chairman
26 February 2010

Headline Group Limited

ACN 060 199 082

INTERIM FINANCIAL REPORT

HALF YEAR ENDED 31 DECEMBER 2009

CONTENTS

Headline Group Limited

DIRECTOR'S REPORT

Your directors submit their report on the consolidated entity ('the Group') consisting of Headline Group Limited ('the Company') and the entities it controlled at the end of, or during, the half-year ended 31 December 2009.

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

Brent Dennison (Managing 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.

Donald Ross Bartlett (Executive Director)
Ross Bartlett was appointed to the Board of Headline Group Limited on 1 September 2009.

COMPANY SECRETARY

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

REVIEW OF OPERATIONS

The HLD half year performance is made up of a consolidated EBITDA including minority interest before abnormal items of $1.8M. Abnormal once-off transaction related expenses and restructuring costs were $674k, with Interest and Depreciation being $357k. Critically, the cash position of HLD and of Skansen KCG was very much in line with projected levels - $4.5M at the HLD level, and post all transaction expenses, $3.3M at Skansen KCG. We are anticipating that the HLD cash reserves will be boosted by a further $1.9M following the imminent sale of the remaining Lisarow land and buildings.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporation Act 2001 is set out on page 5.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

This report is made in accordance with a resolution of directors.

Gordon Elkington
Executive Chairman
26 February 2010

Half Year Result and Business Update

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CHAIRMAN'S REPORT

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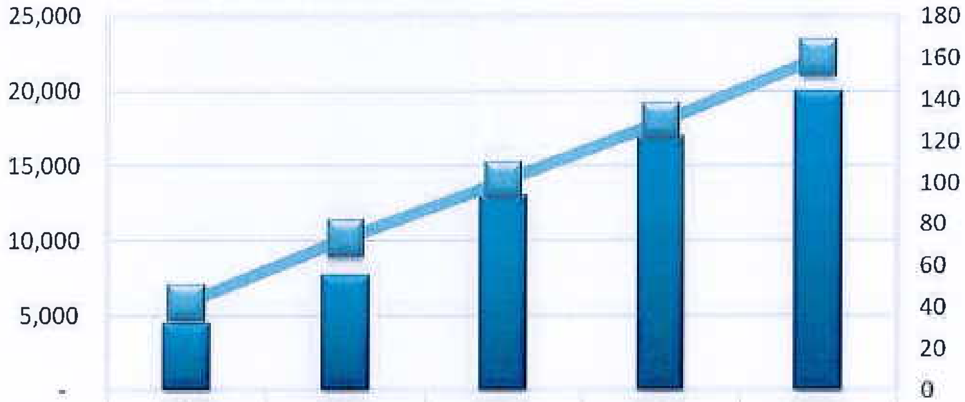

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Headline Group Limited
CHAIRMAN'S REPORT

Summary

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Thank you,

Gordon Elkington
Executive Chairman
26 February 2010

PKF

Chartered Accountants
& Business Advisers

HEADLINE GROUP LIMITED

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Headline Group Limited for the half year ended 31 December 2009, 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

PKF

J. Bresol

John Bresolin
Partner

Dated 26 February 2010

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au
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Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
DX 10173 | Sydney Stock Exchange | New South Wales

HEADLINE GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Notes	CONSOLIDATED	
		6 Months 31 Dec 2009	6 Months 31 Dec 2008
		$'000	$'000
Continuing operations			
Revenue		16,904	7,642
Total revenue	2	16,904	7,642
Cost of sales		(8,147)	(4,063)
Gross profit		8,757	3,579
Other income	2	-	406
Administration expenses		(5,136)	(2,841)
Distribution expenses		(54)	(41)
Marketing expenses		(396)	(339)
Occupancy expenses		(1,983)	(161)
Depreciation and amortisation	3	(405)	(92)
Finance costs	3	(93)	(5)
Operating expenses		(8,067)	(3,479)
Impairment of fixed assets (property)		-	(198)
Profit from continuing operations before income tax		690	308
Income tax (expense) / benefit		(494)	275
Profit after income tax		196	583
Other comprehensive income			
Exchange differences on translation of foreign operations		-	10
Profit after income tax		196	583
Total comprehensive income for the half year		196	593

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

HEADLINE GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	CONSOLIDATED	
	6 Months 31 Dec 2009	6 Months 31 Dec 2008
	$'000	$'000
Profit is attributable to:		
Members of Headline Group Limited	**8**	583
Non-controlling interest	**188**	-
	196	583
Total comprehensive income is attributable to:		
Members of Headline Group Limited	**8**	593
Non-controlling interest	**188**	-
	196	593
Earnings/(loss) per share for profit from continuing operations attributable to members of Headline Group Limited		
Basic earnings/(loss) per share (cents per share)	**0.01**	0.49
Diluted earnings/(loss) per share (cents per share)	**0.01**	0.49
Earnings/(loss) per share for profit attributable to members of Headline Group Limited		
Basic earnings/(loss) per share (cents per share)	**0.01**	0.49
Diluted earnings/(loss) per share (cents per share)	**0.01**	0.49

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

HEADLINE GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Notes	CONSOLIDATED 31 Dec 2009 $'000	30 June 2009 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		8,112	9,632
Trade and other receivables		2,322	2,606
Inventories		3,972	1,020
Other assets		162	45
		14,568	13,303
Assets classified as held for sale	4	1,795	1,804
TOTAL CURRENT ASSETS		16,363	15,107
NON-CURRENT ASSETS			
Property, plant and equipment		4,115	521
Intangibles	8	6,218	-
Deferred income tax asset		393	251
TOTAL NON-CURRENT ASSETS		10,726	772
TOTAL ASSETS		27,089	15,879
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		4,252	1,149
Borrowings		2,902	11
Current tax liabilities		495	-
Derivative financial instruments		-	272
Provisions	6	569	214
		8,218	1,646
Liabilities directly associated with the assets classified as held for sale	4	84	84
TOTAL CURRENT LIABILITIES		8,302	1,730
NON-CURRENT LIABILITIES			
Borrowings		2,332	16
Provisions	6	334	83
TOTAL NON-CURRENT LIABILITIES		2,666	99
TOTAL LIABILITIES		10,968	1,829
NET ASSETS		16,121	14,050

HEADLINE GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Notes	CONSOLIDATED	
		31 Dec 2009	30 June 2009
		$'000	$'000
EQUITY			
Issued capital	7	**31,001**	31,001
Reserves		**(8)**	(111)
Accumulated losses		**(16,832)**	(16,840)
Equity attributable to the members of Headline Group Limited		**14,161**	14,050
Non-controlling interest		**1,960**	-
TOTAL EQUITY		**16,121**	14,050

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

HEADLINE GROUP LIMITED & CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

CONSOLIDATED

	Issued capital $'000	Share option reserve $'000	Convertible note option reserve $' 000	Foreign currency reserve $' 000	Accumulated losses $'000	Total $'000	Non-controlling Interest $'000	Total equity $'000
As at 1 July 2008	31,001	134	-	(121)	(15,411)	15,603	-	15,603
Foreign currency translation differences	-	-	-	10	-	10	-	10
Net Profit for the period	-	-	-	-	583	583	-	583
Total comprehensive income for the period	-	-	-	10	583	593	-	593
Transactions with owners in their capacity as owners								
Share based payments	-	(134)	-	-	134	-	-	-
As at 31 December 2008	31,001	-	-	(111)	(14,694)	16,196	-	16,196
As at 1 July 2009	**31,001**	-	-	**(111)**	**(16,840)**	**14,050**	-	**14,050**
Net Profit for the period	-	-	-	-	**8**	**8**	**188**	**196**
Total comprehensive income for the half year	-	-	-	-	**8**	**8**	**188**	**196**
Non-controlling interest on Kids Central acquisition	-	-	-	-	-	-	**1,772**	**1,772**
Issue of convertible notes – equity component, net of deferred tax	-	-	**103**	-	-	**103**	-	**103**
As at 31 December 2009	**31,001**	-	**103**	**(111)**	**(16,832)**	**14,161**	**1,960**	**16,121**

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 2009

	Notes	CONSOLIDATED	
		6 Months 31 Dec 2009	6 Months 31 Dec 2008
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**16,589**	7,183
Payments to suppliers and employees		**(17,715)**	(7,786)
Finance costs		**(93)**	(5)
Income tax refund		**-**	58
NET CASH FLOWS USED IN OPERATING ACTIVITIES		**(1,219)**	(550)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash acquired on business combination		**438**	-
Purchases of property, plant and equipment and intangibles assets		**(279)**	(680)
Proceeds from sale of property		**-**	3,000
Interest received		**140**	275
Repaid deferred Central Station settlement		**-**	276
NET CASH FLOWS FROM INVESTING ACTIVITIES		**299**	2,871
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**521**	-
Repayment of borrowings		**(1,121)**	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(600)**	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(1,520)**	2,321
Cash and cash equivalents at beginning of period		**9,632**	7,154
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**8112**	9,475

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation
This general purpose financial report for the half year ended 31 December 2009 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 2009 and considered together with any public announcements made by Headline Group Limited during the half year ended 31 December 2009 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 and corresponding interim reporting period, except as set out below.

(b) Changes in accounting policy
Headline changed some of its accounting policies as a result of the new or revised accounting standards which become operative for the annual reporting period commencing 1 July 2009. The affected policies and standards that impact Headline financial statements are:

(i) Principles of consolidation
AASB 127 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is different to the Group's previous accounting policy where transactions with minority interests were treated as transactions with parties external to the group.

The standard also specifies the accounting when control is lost. Any remaining interest in the entity must now be re-measured to fair value and a gain or loss is recognized in profit or loss. This is consistent with the entity's previous accounting policy if significant influence is not retained.

The Group will in future allocate losses to the non-controlling interest in its subsidiaries even if the accumulated losses should exceed the non-controlling interest in the subsidiary's equity. Under the previous policy, excess losses were allocated to the parent entity.

Lastly, dividends received from investments in subsidiaries, jointly controlled entities or associates after 1 July 2009 are recognised as revenue even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a result of the dividend payment. Under the entity's previous policy, these dividends would have been deducted from the cost of the investment.

The changes were implemented prospectively from 1 July 2009. There has been no impact on the current period as none of the non-controlling interests have a deficit balance. There have also been no transactions whereby an interest in an entity is retained after the loss of control of that entity and no dividends paid out of pre-acquisition profits.

(ii) Business combinations
AASB 3 (revised) continues to apply the acquisition method to business combinations, but with some significant changes.

All payment to purchase a business are now recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently re-measured through the income statement. Under the Group's previous policy, contingent payments were only recognized when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognized as part of the cost of acquisition and therefore included in goodwill.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(ii) Business combinations (continued)
Non-controlling interest in an acquiree are now recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognized at its share of the acquiree's net assets.

If the Group recognises acquired deferred tax assets after the initial acquisition accounting there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

The changes were implemented prospectively from 1 July 2009 and affected the accounting for the acquisition of the Kids Central / Early Learning Centre business disclosed in Note 11. Contingent consideration of $122,000 was recognised at fair value on 1 October 2009 and acquisition related costs of $451,000 were expensed as incurred.

(iii) Segment reporting
The Group has applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a change to the reportable segments presented, as the previously reported giftware, property and others segments have changed into the retail and giftware segments.

The retail segment includes the operations of the Kids Central and Early Learning Centre stores and giftware segment includes the operations of the giftware wholesale distribution business.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as the Board of Directors that make strategic decisions.

(c) Intangibles
Goodwill
Goodwill representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is recognised as an asset and not amortised, but tested for impairment annually and whatever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the statement of comprehensive income.

There was no impairment of goodwill for the half-year ended 31 December 2009.

Other intangibles – Licences and development right
Other intangibles include costs associated with the acquisition of the development right of the Mothercare name and store concept, as well as the acquisition of the Kids Central and Early Learning Centre licences.
Other intangibles will be amortised over a period between 10 – 20 years. There was no impairment of other intangibles for the half-year ended 31 December 2009.

(d) Convertible Notes
The fair value of the liability portion of a convertible notes issued during the period (refer Note 11) is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the convertible notes option reserve. This is recognised and included in equity, net of income tax effects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Notes	CONSOLIDATED	
		6 Months 31 Dec 2009	6 Months 31 Dec 2008
		$'000	$'000
2. REVENUE			
Revenue from sales of goods		**16,764**	7,367
Interest received – external parties		**140**	275
Total revenues from ordinary activities		**16,904**	7,642
OTHER INCOME			
Profit on sale of property (Lisarow)		-	103
Write back of provision for royalty claims		-	246
Rental Income		-	57
		-	406
3. EXPENSES AND LOSSES/(GAINS)			
(a) Expenses – continuing operations			
Depreciation and amortisation of non-current assets		**405**	92
Bad and doubtful debts			
Trade debtors - other persons		**17**	40
Finance costs expensed			
Interest expense - other persons/corporations		**93**	5
Total finance costs expensed		**93**	5

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 2009	30 June 2009
	$'000	$'000
Assets		
Land & Buildings	**1,768**	1,775
Other assets	**27**	29
Assets classified as held for sale	**1,795**	1,804
Liabilities		
Trade and other payables	**5**	5
Deferred tax liabilities	**79**	79
Liabilities directly associated with assets classified as held for resale	**84**	84

	CONSOLIDATED	
	6 Months 31 Dec 2009	6 Months 31 Dec 2008
	$'000	$'000
5. DIVIDENDS PAID		
Dividends paid during the half year periods	**-**	-
6. PROVISIONS		
Non-current:		
Provision for Make Good (leases)	**80**	-
Provision for Long Service Leave	**254**	83
	334	83
Current:		
Provision for Annual Leave	**569**	214
7. EQUITY		
119,690,390 ordinary shares fully paid	**31,001**	31,001

	CONSOLIDATED	
	6 Months 31 Dec 2009	6 Months 31 Dec 2008
	$'000	$'000
8. INTANGIBLES		
Licences and development rights	**3,129**	-
Less Accumulated Amortisation	**(59)**	-
Goodwill	**3,148**	-
	6,218	-

9. LEASE EXPENDITURE COMMITMENTS

Operating Leases

Future operating lease rentals (minimum lease payments) of premises, plant and equipment not provided for in the financial statements and payable under non-cancellable operating leases.

- not later than one year	**6,100**	280
- later than one year and not later than five years	**31,600**	850
	37,700	1,130

The operating lease commitments relate to leases for Kids Central and Early Learning Centre stores and office and warehousing premises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

10. SEGMENT INFORMATION

6 Months 31 December 2009

Operating Segments

	Retail	Giftware	Total
REVENUE	**$'000**	**$'000**	**$'000**
Sales to external customers	11,651	5,113	**16,764**
	11,651	5,113	**16,764**
Interest revenue	-	-	**140**
Total segment revenue			**16,904**
RESULT			
Segment contribution	2,300	1,071	**3,371**
Unallocated expenses			**(2,681)**
Net profit and Loss from continuing operations before tax			**690**
Income tax (expense)/benefit			**(494)**
Net profit for the year			**196**
Assets			
Segment assets	16,998	3,863	**20,861**
Add : Unallocated Corporate Assets			**6,228**
Total Assets			**27,089**

10. SEGMENT INFORMATION (continued)

6 Months 31 December 2008

Operating Segments

	Retail	Giftware	Total
REVENUE	**$'000**	**$'000**	**$'000**
Sales to external customers	-	7,367	**7,367**
	-	7,367	**7,367**
Interest and unallocated revenue	-	-	**681**
Total segment revenue			**8,048**
RESULT			
Segment contribution	-	1,756	**1,756**
Unallocated expenses			**(1,448)**
Net profit and Loss from continuing operations before tax			**308**
Income tax (expense)/benefit			**275**
Net profit for the year	-	-	**583**
Assets			
Segment assets	-	**6,110**	**6,110**
Add : Unallocated Corporate Assets			**12,066**
Total Assets			**18,176**

11. BUSINESS COMBINATION

On 1 October 2009, Headline through a controlled entity, Skansen KCG Pty Ltd acquired the business assets and liabilities of the Kids Central / Early Learning Centre. The assets and liabilities from the acquisition are as follows:

Purchase consideration:	**$'000**
Issued convertible notes	**2,500**
Ordinary shares issued by Skansen KCG	**1,649**
Contingent consideration	**123**
Total purchase consideration	**4,272**

The assets and liabilities of the combined business at fair value are as follows:

Cash and cash equivalents	**438**
Trade receivables	**193**
Inventories	**4,151**
Other current assets	**443**
Property, plant and equipment	**4,003**
Intangibles – licences and development right	**2,780**
Deferred tax assets	**185**
Trade creditors and other payables	**(6,622)**
Convertible Notes	**(1,100)**
Trade Finance	**(2,370)**
Employee Entitlements	**(537)**
Related party payables	**(440)**
Net identifiable assets acquired	**1,124**
Add Goodwill	**3,148**
	4,272

The net cash inflow from the acquired business was $438,000

The goodwill is attributable to the Kids Central and Mothercare / Early Learning Centre (ELC) existing network and systems as well as the expected growth from the further development of the businesses. Synergies are expected to be achieved once the highly successful model of Mothercare's Parenting Centres across Australia has been rolled out. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition-related costs of $ 451,000 are included in the administration expenses in the statement of comprehensive income.

Contingent consideration

The contingent consideration of $123,000 is the fair value of the expected future earn-out payable to Mike Lewis. Mr. Lewis will receive an earn-out up to a maximum of $351,000 in shares in Skansen KCG, if certain performance criteria are met. The contingent consideration is calculated by reference to the probability of weighted future expected earnings of the Kids Central business.

Revenue and profit contribution

The acquiree contributed revenues of $11.7 million and net contribution of $2.3 million to the Group for the period from 1 October 2009 to 31 December 2009. The contribution of the acquiree to the revenue and profit or loss of the consolidated entity if the acquisition had occurred on 1 July 2009 has not been disclosed as the acquiree has been restructured since acquisition and it is impracticable at this stage to determine its contribution since 1 July 2009.

The initial accounting for the acquisition has only been provisionally determined pending finalisation of the fair values assigned to the net identifiable assets acquired.

12. 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 2009.

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 6 to 20, 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 2009 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
Executive Chairman

26 February 2010

PKF

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, which comprises the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the consolidated entity comprising Headline Group Limited and the entities it controlled at 31 December 2009 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 2009 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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& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT (continued)

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 2009 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

PKF

J. Bresolin

John Bresolin
Partner
Sydney, 26 February 2010

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