

Globe International Limited

ABN 65 007 066 033

Appendix 4D

Half-Year Report for the period ended 31 Dec 2010

Lodged with the ASX under Listing Rule 4.2A

Contents	Page
Results for announcement to the market	2
Directors' Report	3
Auditor's independence declaration	5
Consolidated income statement	6
Consolidated statement of comprehensive income	7
Consolidated balance sheet	8
Consolidated statement of changes in equity	9
Consolidated statement of cash flows	10
Notes to the accounts	11 - 13
Directors' declaration	14
Independent Auditor's review report to members	15 -16

Globe International Limited

ABN 65 007 066 033

Appendix 4D

Half-Year Report - 31 Dec 2010

Results for Announcement to the Market

	Half-year 2010 \$'000	Half-year 2009 \$'000	Movement \$'000	Movement %
Net sales	45,869	46,926	(1,057)	(2.3%)
Revenue from ordinary activities	46,402	47,527	(1,125)	(2.4%)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,881	3,264	(1,383)	(42.4%)
Net profit / (loss) after tax attributable to members	924	832	92	11.0%

Dividends / Distributions	Amount per security	Franked amount per security
Interim dividend	Nil	Nil

Record date for determining entitlements to the dividend

N/A

NTA Backing	Current Period	Previous Period 30 June 2010
Net tangible asset backing per ordinary security	\$0.67	\$0.74

Explanation of Result

Please refer attached media release for a review and explanation of the financial results.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

Your directors present their report on the consolidated entity of Globe International Limited ("the Company") and its controlled entities (collectively "the Group") as at the end of, or during, the half-year ended 31 December 2010.

DIRECTORS

The following persons were directors of the Company during the whole of the half-year and up to the date of this report:

Paul Isherwood AO
Peter Hill
Stephen Hill

REVIEW OF OPERATIONS

The Group recorded a net profit after tax (NPAT) of \$0.9 million for the half-year ended 31 December 2010, which is an 11% improvement on NPAT reported (\$0.8 million) for the half year ended 31 December 2009 (the prior corresponding period).

Reported net sales for the half-year of \$45.9 million were 4% up on the prior corresponding period in constant currency terms (2% down in reported currency terms). This underlying growth in net sales is driven by the Globe brand sales trends in both North America and Europe, offset by the sales performance in Australasia which was impacted by poor trading conditions in the Australian retail sector during the half-year.

The Group generated \$1.9 million of earnings before interest, tax, depreciation and amortisation (EBITDA), compared to profit of \$3.3 million in the prior corresponding half-year. The operating result for the half-year is impacted by adverse foreign exchange rate movements, as well as gross margin pressures due to a difficult retail environment and rising input costs.

The Group continues to maintain a healthy balance sheet, with additional cash of \$1.1 million generated from operations during the half-year. As at the end of the half-year ended 31 December 2010, the Group had available cash reserves of \$12.4 million, additional unutilised financing facilities of \$3.2 million, and no debt. Working capital continues to be tightly managed, with both debtors ageing and inventory holdings in line with internal expectations.

MATTERS SUBSEQUENT TO THE END OF THE HALF YEAR

There are no matters to report subsequent to the end of the half year.

DIVIDENDS

A final dividend for the year ended 30 June 2010 of 5c per fully paid ordinary share (2009: nil) was paid to members during the half year. The dividend was fully franked based on tax paid at 30%. The aggregate amount of dividend, which was paid on 14 October 2010 out of retained earnings at 30 June 2010, was \$2.1 million (2009: nil).

The directors do not recommend the payment of an interim dividend for the half year ended 31 December 2010.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5 and forms part of the Directors' Report for the half-year ended 31 December 2010.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



.....
Paul Isherwood AO
Chairman

Melbourne
25 February 2011

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Auditor's Independence Declaration

As lead auditor for the review of Globe International Limited for the half year ended 31 December 2010, 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 Globe International Limited and the entities it controlled during the period.

Lisa Harker

Lisa Harker
Partner
PricewaterhouseCoopers

Melbourne
25 February 2011

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Consolidated income statement

For the half-year ended 31 December 2010

	Notes	Half-year	
		2010	2009
		\$'000	\$'000
Revenue from continuing operations		46,402	47,527
Other income		218	-
Changes in inventories of finished goods and work in progress		1,234	(1,872)
Inventories purchased		(25,985)	(23,346)
Employee benefits expense		(7,051)	(6,525)
Depreciation and amortisation expense		(615)	(699)
Impairment of intangible assets	(3)	(95)	(421)
Finance costs		(9)	(89)
Selling and administrative expenses		(12,808)	(12,486)
Profit / (loss) before related income tax expense	(3)	1,291	2,089
Income tax (expense) / benefit	(3)	(367)	(1,257)
Profit / (loss) for the half year attributable to members of Globe International Limited		924	832

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (EPS):

Basic EPS	2.23 cents	2.01 cents
Diluted EPS	2.23 cents	2.01 cents

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

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Consolidated statement of comprehensive income

For the half-year ended 31 December 2010

	Half-year	
	2010	2009
	\$'000	\$'000
Profit / (loss) for the half year attributable to members of Globe International Limited	924	832
Other comprehensive income / (expense)		
Changes in fair value of cash flow hedges	(397)	447
Exchange differences on translation of foreign operations	(3,305)	(1,998)
Income tax relating to components of other comprehensive income	722	(135)
Other comprehensive income / (expense) for the half year, net of tax	(2,980)	(1,686)
Total comprehensive income / (expense) for the half year	(2,056)	(854)

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

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Consolidated balance sheet

As at 31 December 2010

	Dec 2010 \$'000	June 2010 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	12,443	14,860
Trade and other receivables	13,175	14,035
Inventories	12,400	11,164
Prepayments	664	886
Derivative financial instruments	-	109
Current tax assets	386	651
Total current assets	39,068	41,705
Non current assets		
Property, plant and equipment	2,087	2,249
Other financial assets	1,352	1,612
Intangible assets	19,210	19,954
Deferred tax assets	3,494	3,137
Total non current assets	26,143	26,952
Total assets	65,211	68,657
LIABILITIES		
Current liabilities		
Trade and other payables	12,800	12,336
Derivative financial instruments	288	-
Current tax liabilities	16	96
Provisions	1,088	1,056
Total current liabilities	14,192	13,488
Non-current liabilities		
Deferred tax liabilities	3,484	3,532
Provisions	422	406
Other	144	133
Total non-current liabilities	4,050	4,071
Total liabilities	18,242	17,559
NET ASSETS	46,969	51,098
Equity		
Contributed equity	144,223	144,223
Treasury Shares	(487)	(487)
Reserves	(9,801)	(6,821)
Retained profits/(losses)	(86,966)	(85,817)
Total equity	46,969	51,098

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Consolidated statement of changes in equity

For the half-year ended 31 December 2010

	Contributed equity \$'000	Treasury Shares \$'000	Share based payment reserve \$'000	Cash-flow hedge reserve \$'000	Foreign Currency Translation reserve \$'000	Retained profits / (losses) \$'000	Total equity \$'000
Balance as at 1 July 2009	144,223	(455)	323	(324)	(4,761)	(87,131)	51,875
Total comprehensive income / (expense) for the year	-	-	-	312	(1,998)	832	(854)
Balance as at 31 Dec 2009	144,223	(455)	323	(12)	(6,759)	(86,299)	51,021
Balance at 1 July 2010	144,223	(487)	323	77	(7,221)	(85,817)	51,098
Total comprehensive income / (expense) for the year	-	-	-	(279)	(2,701)	924	(2,056)
<i>Transactions with owners in their capacity as owners:</i>							
Dividends paid	-	-	-	-	-	(2,073)	(2,073)
Balance at 31 Dec 2010	144,223	(487)	323	(202)	(9,922)	(86,966)	46,969

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Consolidated statement of cash flows

For the half-year ended 31 December 2010

	Half-year	
	2010	2009
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	46,723	50,796
Payments to suppliers and employees (inclusive of goods and services tax)	(45,711)	(46,783)
Interest received	128	34
Interest and other costs of finance paid	(9)	(89)
Income taxes received / (paid)	(76)	(897)
Net cash inflow / (outflow) from operating activities	1,055	3,061
Cash flows from investing activities		
Payment for property, plant and equipment	(307)	(101)
Payment for purchase of licences, trademarks and distribution rights	-	(74)
Net cash inflow / (outflow) from investing activities	(307)	(175)
Cash flows from financing activities		
Dividends paid	(2,073)	-
Cash removed from / (placed on) restricted deposit with banks as security	139	-
Net cash inflow / (outflow) from financing activities	(1,934)	-
Net increase / (decrease) in cash held	(1,186)	2,886
Cash and cash equivalents at the beginning of the half year	14,860	11,285
Effect of exchange rates on cash holding in foreign currencies - gain / (loss)	(1,231)	(904)
Cash at the end of the reporting period	12,443	13,267

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the accounts

For the half-year ended 31 December 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose interim financial report for the half-year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of the year ended 30 June 2010, the Directors' Report included within this half year report, and any public announcements made by Globe International Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporation Act 2001*.

The principal accounting policies adopted in the preparation of the financial report are consistent with those of the previous financial year and corresponding interim reporting period, except as noted below.

(a) *Change in accounting estimates*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

During the current half year, management has revised its assumption about the useful life of one of the consolidated entity's trademarks. This trademark was previously assumed to be an intangible asset with a remaining life of 23 years, but management now estimates that the brand has a remaining life of 8 years. This change in assumption is due to certain changes in the international distribution strategy for the brand, which will result in an initial increase in sales, but which may ultimately shorten the expected longevity of the brand. As a result of the revision to this accounting estimate, this intangible asset will be amortised over its remaining useful life, beginning from 1 July 2010. The revised amortisation charge is \$169,000 per annum. Prior to the change in assumption, the annual amortisation charge was \$60,000.

NOTE 2. SEGMENT INFORMATION

(a) **Description of Segments**

Operating segments are determined in accordance with AASB 108 *Operating Segments*. To identify the operating segments of the business, management has considered the business from both a product and geographic perspective, as well as considering the way information is reported internally to management and the Board of Directors. As the business deals in predominantly one business segment – the sale of goods in the Action Sports market, management has determined that there are three operating segments based on the geographical location of each of the Divisional offices, each of which is headed by a Divisional President. These operating segments are Australasia, North America and Europe. Management and the Board monitor the performance of each of these segments separately.

Segment revenues, expenses and results may include transfers between segments. Such transfers are priced on an arms-length basis and are eliminated on consolidation.

Segment revenue includes all sales of goods and receipts from licensing income, but excludes interest income.

Segment result is after the allocation of all operating expenses, which are considered to be all expenses included in Earnings Before Interest Tax Depreciation and Amortisation (EBITDA), with the exception of Corporate expenses which do not relate to any single segment and are treated as unallocated.

Total Segment Result is after deducting non-operating expenses from the segment result, including depreciation, amortisation and impairment charges.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the accounts

For the half-year ended 31 December 2010

NOTE 2. SEGMENT INFORMATION (cont'd)

(b) Segment Results

Half Year 2010	Australasia \$'000	North America \$'000	Europe \$'000	Unallocated (1) \$'000	Total \$'000
Total Segment Revenue	13,377	25,939	6,958	-	46,274
Segment Result (EBITDA)	1,610	1,663	127	(1,519)	1,881
Depreciation	(233)	(93)	(41)	-	(367)
Amortisation	(74)	(166)	(8)	-	(248)
Impairment	(95)	-	-	-	(95)
Total Segment Result (EBIT)	1,208	1,404	78	(1,519)	1,171
				Net Interest (expense) / Income	120
				Operating profit before tax	1,291
				Income tax (expense) / benefit	(367)
				Net profit / (loss) after tax	924

(1) "Unallocated" expenses represent Corporate expenses.

Half Year 2009	Australasia \$'000	North America \$'000	Europe \$'000	Unallocated (1) \$'000	Total \$'000
Total Segment Revenue	14,716	24,492	8,856	-	48,064
Internal Segment Revenue	-	(571)	-	-	(571)
External Segment Revenue	14,716	23,921	8,856	-	47,493
Segment Result (EBITDA)	1,538	2,190	613	(1,077)	3,264
Depreciation	(157)	(124)	(84)	-	(365)
Amortisation	(74)	(251)	(9)	-	(334)
Impairment	(421)	-	-	-	(421)
Total Segment Result (EBIT)	886	1,815	520	(1,077)	2,144
				Net Interest (expense) / Income	(55)
				Operating profit before tax	2,089
				Income tax (expense) / benefit	(1,257)
				Net profit / (loss) after tax	832

(1) "Unallocated" expenses represent Corporate expenses.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the accounts

For the half-year ended 31 December 2010

NOTE 3. PROFIT / (LOSS) FOR THE HALF-YEAR

	Half Year	
	2010	2009
	\$'000	\$'000
Profit / (loss) for the half-year includes the following expenses that are unusual because of their nature, size or incidence:		
<i>Impacts on profit before tax:</i>		
Impairment of intangible assets	(95)	(421)
Total significant items – profit before tax	(95)	(421)
<i>Impacts on income tax expense:</i>		
Tax effect of significant items	29	126
Derecognition of deferred tax assets relating to unutilised tax losses (1)	-	(691)
Total significant items - income tax expense	29	(565)
Net impact of significant items on half-year profit / (loss)	(66)	(986)

- (1) There were no tax losses that were not recognised during the current half year. The tax assets that were derecognised during the prior period were made up of both current and prior period tax losses.

NOTE 4. FINANCING FACILITIES

The consolidated entity had access to the following borrowing facilities at the reporting date:

	Dec 2010 \$'000	June 2010 \$'000
Secured receivables financing facilities		
- amount used	1,091	1,833
- amount unused	2,776	3,754
	3,867	5,587
Secured multi-option borrowing facilities		
- amount used	-	-
- amount unused	392	430
	392	430
Bank guarantee facilities		
-amount used	311	437
-amount unused	-	-
	311	437

NOTE 5. DIVIDENDS

During the half-year a final dividend (of 5 cents per fully paid ordinary share) was recognised relating to the year ended 30 June 2010 (2009: nil). The aggregate amount of the dividend paid was \$2.1 million (2009: nil). The dividend was fully franked based on tax paid at 30%, and was paid on 14 October 2010.

In respect of the half-year ended 31 December 2010, the directors have not recommended the payment of an interim dividend.

NOTE 6. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There are no matters to report subsequent to the end of the half year.

NOTE 7. CONTINGENCIES

There are no contingent assets or liabilities.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 13 are in accordance with the *Corporations Act 2001*, including;
 - (i) complying with Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Globe International Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



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Paul Isherwood AO
Chairman

Melbourne
25 February 2011

INDEPENDENT AUDITOR'S REVIEW REPORT to the members of Globe International Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Globe International Limited, which comprises the balance sheet as at 31 December 2010 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for Globe International Limited (the consolidated entity). The consolidated entity comprises both Globe International Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

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 consolidated entity's financial position as at 31 December 2010 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 Globe International 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. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

**Independent review report to the members of
Globe International Limited (continued)**

Independence

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

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 Globe International 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 2010 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*.



PricewaterhouseCoopers



Lisa Harker
Partner

Melbourne
25 February 2011

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