

Globe International Limited

ABN 65 007 066 033

Appendix 4D

Half-Year Report for the period ended 31 Dec 2013

Lodged with the ASX under Listing Rule 4.2A

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Globe International Limited

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Appendix 4D

Half-Year Report - 31 Dec 2013

Results for Announcement to the Market

	Half-year 2013 \$'000	Half-year 2012 \$'000	Movement \$'000	Movement %
Net sales	51,374	43,852	7,522	17.2
Revenue from ordinary activities	51,569	44,224	7,345	16.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2,351	892	1,459	163.6
Net profit after tax attributable to members (NPAT)	818	148	670	452.7

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 2013
Net tangible asset backing per ordinary security	0.57	0.53

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 2013

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

Financial performance

The Group reported earnings before interest, tax, depreciation and amortisation (EBITDA) of \$2.4 million, including the release of \$0.6 million of restructuring provisions, for the six months ended 31 December 2013, compared to an EBITDA of \$0.9 million reported in the six months to 31 December 2012. Net profit after tax (NPAT) was \$0.8 million for the half-year, which is \$0.7 million above the \$0.1 million NPAT reported in the prior corresponding period.

Reported net sales for the half-year of \$51.4 million were 17.2% above the same time last year. In constant currency terms net sales were 6.5% higher than the prior corresponding period.

The increase in net sales was largely driven by growth initiatives such as FXD and Stussy in Australia, as well as continued growth in Globe branded European sales. In North America, sales decline offset some of the revenue growth from the other regions.

The \$1.5 million increase in operating profits (EBITDA) over the prior corresponding period is mainly due to the top-line revenue growth. In addition, the profitability of the North American division, which struggled in the second half of last financial year, was improved compared to that period, as a result of cost cuts and the release of restructuring provisions during the half

Financial position

At 31 December 2013, the Group had available net cash of \$9.1million (June 2013: \$6.4 million) and additional available financing facilities of \$4.1 million (June 2013: \$3.7 million). The increase in net cash reserves is mainly due to the \$2.4m in cash generated from operations during the half year (December 2012: \$0.2 million).

MATTERS SUBSEQUENT TO THE END OF THE HALF YEAR

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

DIVIDENDS

The directors do not recommend the payment of an interim dividend for the half year ended 31 December 2013.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

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 2013.

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 pursuant to section 306(3) of the *Corporations Act 2001*



.....
Paul Isherwood AO
Chairman

Melbourne
26 February 2014



Auditor's Independence Declaration

As lead auditor for the review of Globe International Limited for the half year ended 31 December 2013 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.

A handwritten signature in black ink that reads 'Lisa Harker'.

Lisa Harker
Partner
PricewaterhouseCoopers

Melbourne
26 February 2014

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GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Consolidated income statement

For the half-year ended 31 December 2013

	Half-year	
	2013	2012
	\$'000	\$'000
Revenue from continuing operations	51,569	44,224
Other income	-	36
Changes in inventories of finished goods and work in progress	1,154	1,279
Inventories purchased	(28,877)	(25,200)
Employee benefits expense	(8,322)	(7,260)
Depreciation and amortisation expense	(508)	(527)
Finance costs	(56)	(10)
Selling, distribution and administrative expenses	(13,172)	(12,145)
Profit / (loss) before related income tax expense	1,788	397
Income tax (expense) / benefit	(970)	(249)
Profit / (loss) for the half year attributable to members of Globe International Limited	818	148

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

Basic EPS (cents)	1.97	0.36
Diluted EPS (cents)	1.97	0.36

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 2013

	Half-year	
	2013 \$'000	2012 \$'000
Profit / (loss) for the half year attributable to members of Globe International Limited	818	148
Other comprehensive income / (expense)		
Changes in fair value of cash flow hedges	(405)	(22)
Exchange differences on translation of foreign operations	1,136	(49)
Income tax relating to components of other comprehensive income	(60)	(782)
Other comprehensive income / (expense) for the half year, net of tax	671	(853)
Total comprehensive income / (expense) for the half year	1,489	(705)

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 2013

	Dec 2013 \$'000	June 2013 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	11,550	6,412
Trade and other receivables	14,107	11,743
Inventories	17,931	15,900
Prepayments	764	863
Derivative financial instruments	-	361
Current tax assets	6	91
Total current assets	<u>44,358</u>	<u>35,370</u>
Non current assets		
Property, plant and equipment	1,478	1,715
Other financial assets	1,536	1,482
Intangible assets	17,084	17,059
Deferred tax assets	2,947	3,437
Total non-current assets	<u>23,045</u>	<u>23,693</u>
Total assets	<u>67,403</u>	<u>59,063</u>
LIABILITIES		
Current liabilities		
Trade and other payables	18,086	13,548
Interest bearing liabilities	2,437	-
Current tax liabilities	198	6
Derivative financial instruments	44	-
Provisions	1,111	1,607
Total current liabilities	<u>21,876</u>	<u>15,161</u>
Non-current liabilities		
Deferred tax liabilities	4,279	4,114
Provisions	533	537
Other	152	177
Total non-current liabilities	<u>4,964</u>	<u>4,828</u>
Total liabilities	<u>26,840</u>	<u>19,989</u>
NET ASSETS	<u>40,563</u>	<u>39,074</u>
Equity		
Contributed equity	144,223	144,223
Treasury Shares	(487)	(487)
Reserves	(8,184)	(8,855)
Retained profits/(losses)	(94,989)	(95,807)
Total equity	<u>40,563</u>	<u>39,074</u>

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 2013

	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 2012	144,223	(487)	323	(4)	(10,245)	(88,812)	44,998
Total comprehensive income / (expense) for the half year	-	-	-	(14)	(839)	148	(705)
<i>Transactions with owners in their capacity as owners:</i>							
Dividends paid	-	-	-	-	-	(1,036)	(1,036)
Balance as at 31 Dec 2012	144,223	(487)	323	(18)	(11,084)	(89,700)	43,257
Balance at 1 July 2013	144,223	(487)	323	251	(9,429)	(95,807)	39,074
Total comprehensive income / (expense) for the half year	-	-	-	(278)	949	818	1,489
<i>Transactions with owners in their capacity as owners:</i>							
Dividends paid	-	-	-	-	-	-	-
Balance at 31 Dec 2013	144,223	(487)	323	(27)	(8,480)	(94,989)	40,563

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 2013

	Half-year	
	2013	2012
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	51,504	44,755
Payments to suppliers and employees (inclusive of goods and services tax)	(49,051)	(44,551)
Interest received	1	42
Interest and other costs of finance paid	(56)	(10)
Income taxes received / (paid)	51	(63)
Net cash inflow / (outflow) from operating activities	2,449	173
Cash flows from investing activities		
Payment for property, plant and equipment	(140)	(442)
Payment for purchase of trademark	(98)	-
Net cash inflow / (outflow) from investing activities	(238)	(442)
Cash flows from financing activities		
Proceeds from borrowing	2,437	-
Dividends paid	-	(1,037)
Net cash inflow / (outflow) from financing activities	2,437	(1,037)
Net increase / (decrease) in cash held	4,648	(1,306)
Cash and cash equivalents at the beginning of the half year	6,412	10,157
Effect of exchange rates on cash holding in foreign currencies - gain / (loss)	490	30
Cash at the end of the reporting period	11,550	8,881

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 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose interim financial report for the half-year reporting period ended 31 December 2013 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 2013, 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.

(a) Fair value

The only financial assets or financial liabilities carried at fair value are cash flow hedges. The directors consider the cash flow hedges to be Level 2 financial instruments because, unlike Level 1 financial instruments, their measurement is derived from inputs other than quoted prices that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices). There have been no transfers between levels 1, 2 and 3 for recurring fair value measurements during the half-year. The cash flow hedges fair values' have been obtained from third party valuations derived forward exchange rates at the balance sheet date.

The fair value of the cash flow hedges at 31 December 2013 was a liability of \$44,000 (June 2013: \$361,000 asset)

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 2013

NOTE 2. SEGMENT INFORMATION (cont'd)

(b) Segment Results

Half Year 2013	Australasia \$'000	North America \$'000	Europe \$'000	Unallocated (1) \$'000	Total \$'000
Total Segment Revenue	<u>21,351</u>	<u>18,358</u>	<u>11,860</u>	<u>-</u>	<u>51,569</u>
Segment Result (EBITDA) (1)	3,012	(180)	1,178	(1,659)	2,351
Depreciation	(232)	(82)	(88)	-	(402)
Amortisation	<u>-</u>	<u>(98)</u>	<u>(8)</u>		<u>(106)</u>
Total Segment Result (EBIT)	<u>2,780</u>	<u>(360)</u>	<u>1,082</u>	<u>(1,659)</u>	<u>1,843</u>
				Net Interest (expense) / Income	<u>(55)</u>
				Operating profit before tax	1,788
				Income tax (expense) / benefit	<u>(970)</u>
				Net profit / (loss) after tax	<u>818</u>

Half Year 2012	Australasia \$'000	North America \$'000	Europe \$'000	Unallocated (1) \$'000	Total \$'000
Total Segment Revenue	<u>16,276</u>	<u>19,645</u>	<u>8,261</u>	<u>-</u>	<u>44,182</u>
Segment Result (EBITDA) (1)	2,341	(239)	247	(1,457)	892
Depreciation	(232)	(57)	(48)	-	(337)
Amortisation	<u>(55)</u>	<u>(129)</u>	<u>(6)</u>	<u>-</u>	<u>(190)</u>
Total Segment Result (EBIT)	<u>2,054</u>	<u>(425)</u>	<u>193</u>	<u>(1,457)</u>	<u>365</u>
				Net Interest (expense) / Income	<u>32</u>
				Operating profit before tax	397
				Income tax (expense) / benefit	<u>(249)</u>
				Net profit / (loss) after tax	<u>148</u>

(1) The Segment Result (EBITDA) includes an "Unallocated" segment, which primarily comprises Corporate expenses.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the accounts

For the half-year ended 31 December 2013

NOTE 3. FINANCING FACILITIES

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

	Dec 2013 \$'000	June 2013 \$'000
Secured non-recourse receivables financing facilities		
- amount used	1,770	2,884
- amount unused	216	212
	<u>1,986</u>	<u>3,096</u>
Secured debtor financing facilities		
- amount used	2,437	-
- amount unused	1,320	1,776
	<u>3,757</u>	<u>1,776</u>
Secured inventory financing facilities		
- amount used	-	-
- amount unused	2,584	1,548
	<u>2,584</u>	<u>1,548</u>
Secured multi-option financing facilities		
-amount used	-	-
-amount unused	-	141
	<u>-</u>	<u>141</u>
Bank guarantee facilities		
- amount used	397	373
- amount unused	-	-
	<u>397</u>	<u>373</u>

NOTE 4. RESTRUCTURING PROVISIONS

	Dec 2013 \$'000	June 2013 \$'000
Restructuring Costs	102	545
<i>Movement in restructuring provisions:</i>		
		Half Year
		2013 2012
Balance at 1 July	545	-
<i>Movements during the half year:</i>		
Provisions utilised	(220)	-
Provisions released	(230)	-
Impacts of foreign exchange rates	7	-
Balance at 31 December	<u>102</u>	<u>-</u>

- (a) Provisions released relate to estimated restructure costs in North America that were ultimately not incurred. In addition to the \$0.5m of restructuring provisions held at 30 June 2013, there was also a \$0.6m inventory provision recognized in relation to the North American restructure. During the half-year, \$0.4m of that inventory provision was released to the income statement as management was able to secure far more favorable pricing than was anticipated to clear the discontinued products.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the accounts

For the half-year ended 31 December 2013

NOTE 5. DIVIDENDS

In respect of the half-year ended 31 December 2013, the directors have resolved that no interim dividend will be paid.

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

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 14 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 2013 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 pursuant to section 303(5) of the *Corporations Act 2001*.



.....
Paul Isherwood AO
Chairman

Melbourne
26 February 2014



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 (the Company), which comprises the balance sheet as at 31 December 2013, 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, selected explanatory notes and the directors' declaration for Globe International Limited Group (the consolidated entity). The consolidated entity comprises 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 internal 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 Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 2013 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. 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*.

PricewaterhouseCoopers, ABN 52 780 433 757

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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 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 2013 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Lisa Harker

Lisa Harker
Partner

Melbourne
26 February 2014

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