Globe International Limited
ABN 65 007 066 033

Appendix 4D
Half-Year Report for the period ended 31 December 2016

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 December 2016

Results for Announcement to the Market

Consolidated Entity

	Half-year 2016 $'000	Half-year 2015 $'000	Movement $'000	Movement %
Net sales	70,478	78,834	(8,356)	(10.6)
Revenue from ordinary activities	70,708	79,130	(8,422)	(10.6)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	3,202	4,241	(1,039)	(24.5)
Net profit after tax attributable to members (NPAT)	2,495	2,904	(409)	(14.1)

Dividends / Distributions	Amount per security	Franked amount per security
Interim dividend	3 cents	3 cents

Record date for determining entitlements to the dividend: 10 March 2017

NTA Backing	Current Period 31 December 2016	Previous Period 30 June 2016
Net tangible asset backing per ordinary security	0.84	0.80

Explanation of Result

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

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 2016.

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 consolidated entity, compared to the prior corresponding period (pcp), reported a decline in revenues and profits but remained profitable and generated strong cash flows for the half year. The decline in revenues and profits was due mainly to the foreshadowed downturn in the skateboard hardgoods market in the Northern Hemisphere.

- Revenues of $70.7 million were 11% below the pcp (9% down in constant currency).
- Earnings before interest, tax, depreciation and amortization (EBITDA) of $3.2 million were $1.0 million below the pcp.
- Net profit after tax (NPAT) of $2.5 million for the half year was $0.4 million below the pcp.
- Cash-flows generated from operations during the period were $6.7 million, a turn-around compared to the $6.9 million used in operations in the pcp.

Financial Performance

Reported net sales of $70.5 million for the half year were $8.4 million below the same time last year. The negative impact of the sales decline was somewhat off-set by higher margins and lower costs, resulting in EBITDA of $3.2M, which was $1.0 million lower than the prior corresponding period.

The reduction in revenues came largely from a decline in skateboard hardgoods in the North American and European businesses. These divisions reported lower net sales than the prior corresponding period of 26% and 35% respectively. The bulk of the decline occurred in the first quarter of the year with the rate of decline slowing significantly in Q2.

In contrast the Australian business continued to be the stand-out performer, with reported revenue growth of 16% for the half year ended 31 December 2016. This growth came largely from the region's streetwear and workwear divisions.

During the period, the North American division continued a process of restructure which has resulted in improved margins, lower cost base and an adjustment to brand mix in that division. The restructuring has included the acquisition of an interest in the surf, fish, dive and sail apparel brand, Salty Crew effective 1 January, 2017. The brand, while in its infancy, provides a new growth engine for North America and enables that division to increase its sales in the apparel sector and to access more diverse distribution channels.

Financial Position

Cash flows from operations for the period were $6.7 million, compared to $6.9 million cash used in operations in the prior corresponding period. The positive cash flows were driven largely by the reduction in excess hardgoods inventory over the period, as well as an improvement in the ageing of accounts receivables compared to the same time last year.

MATTERS SUBSEQUENT TO THE END OF THE HALF YEAR

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

DIVIDENDS

During the half year, the Company paid a fully franked final dividend of 3 cents per share, in respect of the 2016 financial year. This dividend amounting to $1.244 million was paid to shareholders on 14 October 2016. The payment of this dividend took total dividends paid in respect of the 2016 financial year to 6 cents, amounting to $2.488 million paid to shareholders.

In respect of the half-year ended 31 December 2016, the Directors have determined that a fully franked interim dividend of 3 cents per share will be paid to shareholders on 24 March 2017 (2016 interim dividend: $1.244 million). This dividend will be paid out of the Company's profits earned in the current half-year.

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 2016

ROUNDING OF AMOUNTS

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and therefore the amounts contained in this report and in the financial report have been rounded to the nearest $1,000, 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
21 February 2017

Auditor's Independence Declaration

As lead auditor for the audit of Globe International Limited for the half-year 31 December 2016, 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 audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Globe International Limited and the entities it controlled during the period

Alison Tait
Partner
PricewaterhouseCoopers

Melbourne
21 February 2017

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GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Consolidated income statement

For the half-year ended 31 December 2016

	Half-year	
	2016	2015
	$'000	$'000
Revenue from continuing operations	70,708	79,130
Changes in inventories of finished goods and work in progress	(9,266)	9
Inventories purchased	(29,105)	(43,429)
Employee benefits expense	(10,639)	(10,709)
Depreciation and amortisation expense	(257)	(353)
Finance costs	(142)	(117)
Selling, distribution and administrative expenses	(18,485)	(20,757)
Profit before related income tax expense	2,814	3,774
Income tax (expense) / benefit	(319)	(870)
Profit for the half year attributable to members of Globe International Limited	2,495	2,904

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

Basic EPS (cents)	6.02	7.00
Diluted EPS (cents)	6.02	7.00

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

Consolidated statement of comprehensive income

For the half-year ended 31 December 2016

	Half-year 2016 $'000	Half-year 2015 $'000
Profit for the half year attributable to members of Globe International Limited	2,495	2,904
Other comprehensive income / (expense)		
Changes in fair value of cash flow hedges	1,235	(522)
Exchange differences on translation of foreign operations	(172)	897
Income tax relating to components of other comprehensive income	(407)	29
Other comprehensive income for the half year, net of tax	656	404
Total comprehensive income for the half year	3,151	3,308

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 2016

ASSETS	Dec 2016 $'000	June 2016 $'000
Current assets		
Cash and cash equivalents	13,700	9,017
Trade and other receivables	17,644	17,378
Inventories	19,208	28,244
Prepayments	2,626	640
Derivative financial instruments	740	-
Current tax assets	194	882
Total current assets	54,112	56,161
Non current assets		
Property, plant and equipment	1,303	1,118
Other financial assets	1,899	1,851
Deferred tax assets	2,532	3,771
Total non-current assets	5,734	6,740
Total assets	59,846	62,901
LIABILITIES		
Current liabilities		
Trade and other payables	18,615	22,014
Interest bearing liabilities	4,587	4,945
Current tax liabilities	24	14
Derivative financial instruments	-	495
Provisions	1,113	1,330
Total current liabilities	24,339	28,798
Non-current liabilities		
Deferred tax liabilities	-	593
Provisions	498	459
Other	90	39
Total non-current liabilities	588	1,091
Total liabilities	24,927	29,889
NET ASSETS	34,919	33,012
Equity		
Contributed equity	144,223	144,223
Treasury Shares	(487)	(487)
Reserves	(6,271)	(6,927)
Retained profits/(losses)	(102,546)	(103,797)
Total equity	34,919	33,012

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 2016

	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 at 1 July 2015	144,223	(487)	323	260	(7,407)	(105,635)	31,277
Profit / (Loss) for the year	-	-	-	-	-	2,904	2,904
Other comprehensive income / (expense)	-	-	-	(364)	768	-	404
Total comprehensive income / (expense) for the year	-	-	-	(364)	768	2,904	3,308
Transactions with owners in their capacity as owners:							
Dividends paid	-	-	-	-	-	(1,659)	(1,659)
Balance at 31 December 2015	144,223	(487)	323	(104)	(6,639)	(104,390)	32,926
Balance at 1 July 2016	144,223	(487)	323	(349)	(6,901)	(103,797)	33,012
Profit / (Loss) for the year	-	-	-	-	-	2,495	2,495
Other comprehensive income / (expense)	-	-	-	861	(205)	-	656
Total comprehensive income / (expense) for the year	-	-	-	861	(205)	2,495	3,151
Transactions with owners in their capacity as owners:							
Dividends paid	-	-	-	-	-	(1,244)	(1,244)
Balance at 31 December 2016	144,223	(487)	323	512	(7,106)	(102,546)	34,919

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 2016

	Half-year	
	2016	2015
	$'000	$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	72,704	78,425
Payments to suppliers and employees (inclusive of goods and services tax)	(66,577)	(83,409)
Interest received	11	3
Interest and other costs of finance paid	(142)	(117)
Income taxes received / (paid)	657	(1,839)
Net cash inflow / (outflow) from operating activities	6,653	(6,937)
Cash flows from investing activities		
Payment for property, plant and equipment	(433)	(182)
Net cash inflow / (outflow) from investing activities	(433)	(182)
Cash flows from financing activities		
Proceeds from / (repayments of) borrowings	(358)	5,280
Dividends paid	(1,244)	(1,659)
Net cash inflow / (outflow) from financing activities	(1,602)	3,621
Net increase / (decrease) in cash held	4,618	(3,498)
Cash and cash equivalents at the beginning of the half year	9,017	10,296
Effect of exchange rates on cash holding in foreign currencies - gain / (loss)	65	503
Cash at the end of the reporting period	13,700	7,301

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and on the basis of accounting policies consistent with the 30 June 2016 annual report. The accounting policy with regards to the fair value measurement of financial assets and liabilities is disclosed below, in accordance with *AASB 134*.

(a) Fair value of financial instruments

Classification

The consolidated entity classifies its financial assets and financial liabilities in the following categories: all receivables, payables and borrowings are classified as “loans, payables and receivables”. Forward exchange contracts, which are entered into in the normal course of business to hedge certain foreign exchange exposures, are classified as “derivative financial instruments”. The consolidated entity does not hold any “financial assets at fair value through profit and loss”, as derivatives qualify for hedge accounting, nor does it hold any “held-to-maturity investments”. Other investments are presented as other assets.

Recognition and measurement

Loans, payables and receivables are initially measured at fair value and subsequently measured at amortised cost less, in the case of trade receivables, a provision for doubtful receivables. Derivatives are initially recognized at fair value on the date the derivative contract is entered into, and are subsequently measured at fair value based on quoted market prices at the end of the reporting period. The quoted market price used is the current bid price. Other assets are initially recognised at fair value plus transaction costs. These assets are subsequently measured at cost less impairment losses, as the fair value cannot be reliably measured.

With the exception of other assets, for which the fair value cannot be reliably measured, the fair value of the consolidated entity’s financial assets and liabilities is materially equal to their carrying value.

Impairment

The consolidated entity assesses at each balance date whether there is objective evidence that any financial asset or group of financial assets or other asset is impaired. In the case of other investment assets, a significant or prolonged decline in the future benefit to be recovered from the asset is considered as an indicator that the asset is impaired. Impairment losses on investments and receivables are recognised directly in the income statement.

NOTE 2. SEGMENT INFORMATION

(a) Description of Segments

Operating segments are determined in accordance with AASB 8 *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. Ultimately, there are many ways that the business is broken down for internal reporting, depending on the user and the purpose of the report. From a product perspective, information may be reported by brand (Globe, Almost, Stussy etc), by product category (footwear, apparel, hardgoods) or by market (action sports, streetwear or workwear). None of these bases for reporting is more predominantly used than the other. The only consistent break-down of the business from a management reporting perspective is by region. Accordingly, management has determined that there are three operating segments based on the geographical location of each of the regional offices. Each regional office is headed by a President or Vice President. These operating segments are Australasia, North America and Europe. Management and the Board monitor the performance of each of these segments separately and consistently.

Segment revenues, expenses and results within each region are based on the location of the divisional office that generated the sale or expense, rather than the location of the end customer or underlying activity. Segment revenues and expenses 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 Deprecation and Amortisation (EBITDA), with the exception of Corporate expenses which do not relate to any single segment and are treated as unallocated.

NOTE 2. SEGMENT INFORMATION (cont'd)

(b) Segment Results

Half Year 2016	Australasia	North America	Europe	Unallocated	Total
	$'000	$'000	$'000	$'000	$'000
External Segment Revenue	41,273	17,742	11,682	-	70,697
Internal Segment Revenue	-	12	-	-	12
Total Segment Revenue	41,273	17,754	11,682	-	70,709
Segment Result (EBITDA)	6,513	(1,535)	656	(2,432)	3,202
Depreciation	(116)	(84)	(57)	-	(257)
Total Segment Result (EBIT)	6,397	(1,619)	599	(2,432)	2,945
				Net Interest (expense) / Income	(131)
				Operating profit before tax	2,814
				Income tax (expense) / benefit	(319)
				Net profit after tax	2,495

Half Year 2015	Australasia	North America	Europe	Unallocated	Total
	$'000	$'000	$'000	$'000	$'000
External Segment Revenue	35,734	24,768	18,580	-	79,082
Internal Segment Revenue	-	45	-	-	45
Total Segment Revenue	35,734	24,813	18,580	-	79,127
Segment Result (EBITDA)	5,473	(2,302)	3,699	(2,629)	4,241
Depreciation	(206)	(91)	(56)	-	(353)
Total Segment Result (EBIT)	5,267	(2,393)	3,643	(2,629)	3,888
				Net Interest (expense) / Income	(114)
				Operating profit before tax	3,774
				Income tax (expense) / benefit	(870)
				Net profit after tax	2,904

NOTE 4. DIVIDENDS

During the half year, the Company paid a fully franked final dividend of 3 cents per share, in respect of the 2016 financial year. This dividend amounting to $1.244 million was paid to shareholders on 14 October 2016. The payment of this dividend took total dividends paid in respect of the 2016 financial year to 6 cents, amounting to $2.488 million paid to shareholders.

In respect of the half-year ended 31 December 2016, the Directors have determined that a fully franked interim dividend of 3 cents per share will be paid to shareholders on 24 March 2017 (2016 interim dividend: $1.244 million). This dividend will be paid out of the Company's profits earned in the current half-year.

NOTE 5. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

NOTE 6. 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 2016 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
21 February 2017

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 2016, 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 2016 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.*

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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 2016 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

Alison Tait
Partner

Melbourne
21 February 2017

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