Globe International Limited

ABN 65 007 066 033

Appendix 4D

Half-Year Report for the period ended 31 December 2019

Lodged with the ASX under Listing Rule 4.2A

Contents	**Page**

This interim financial report includes the consolidated financial statements of the consolidated entity consisting of Globe International Limited and its subsidiaries. Unless otherwise noted, all financial information relates to the consolidated group.

Globe International Limited
ABN 65 007 066 033

Appendix 4D
Half-Year Report - 31 December 2019
Results for Announcement to the Market

Consolidated Entity

	Half-year 2019 $'000	Half-year 2018 $'000	Movement $'000	Movement %
Net sales	77,848	77,893	(45)	(0.1)
Revenue from ordinary activities	77,960	78,117	(157)	(0.2)
Earnings before interest and tax (EBIT)	4,219	4,448	(229)	(5.1)
Net profit after tax attributable to members (NPAT)	3,884	4,262	(378)	(8.9)

Dividends	Amount per security	Franked portion of dividend	Franked amount per security
Interim dividend	5 cents	0%	nil

Record date for determining entitlements to the dividend 6 March 2020

NTA Backing	Current Period 31 December 2019	Previous Period 30 June 2019
Net tangible asset backing per ordinary security	$1.05	$1.06

Explanation of Result

Please refer to 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 2019.

DIRECTORS

The following persons were directors of the Company during the whole of the half-year period:

Norman O'Bryan AM SC
Peter Hill
Stephen Hill

REVIEW OF OPERATIONS

The consolidated entity, compared to the prior corresponding period (pcp), reported a decrease in profits, despite reported net sales being flat, predominantly due to the downward pressure on margins caused by foreign exchange rates and US tariff increases. The key statistics for the half-year were as follows:

- Net sales of $77.8 million were in line with the prior corresponding period in reported currency, but were 2% lower in constant currency.
- Earnings before interest and tax (EBIT) of $4.2 million were 5% or $0.2 million lower than the pcp. This result includes the one-off profit from the sale of the US based Dwindle brands during the half-year, net of other one-off expenses.
- Net profit after tax (NPAT) of $3.9 million for the half year was 9% lower than the pcp.
- Cash generated from operations during the period was $5.5 million, which represented a $10 million positive turn-around from the $4.5 million utilization of cash in operations in the prior corresponding period.
- The interim unfranked dividend of 5 cents compares to the 6 cents paid for the 2019 interim dividend.

The 2% constant currency decline in net sales was due to the divestment of the Dwindle brands during the half year. Net sales for the continuing business actually grew by $4.6 million or 7% during the half-year, in constant currency terms. This growth was driven by the North American division where sales grew by 26% fuelled by Salty Crew, Impala, Globe skateboards and FXD. The European division reported net sales growth of 7% which came from the same brands. In Australia, net sales were 1% lower than the same time last year due to the decline in the Streetwear division, which off-set growth in these same brands.

Earnings before interest and tax (EBIT) of $4.2 million included $1.8 million of earnings from one-off significant items. The one-off items included the $3.7 million profit from the divestment of the Dwindle brands, off-set by $1.9 million of legal fees incurred in relation to a copyright infringement lawsuit that was concluded during the half-year. Excluding these one-off items, EBIT was $2.4 million, which was lower than the prior corresponding period (before significant items) by $1.4 million. The strengthening of the USD was a major factor in the lower profitability, with the deterioration in the weighted average AUD/USD buying rate resulting in a $2.5 million reduction in gross profit dollars, which was only partially off-set by USD product cost reductions and wholesale price increases. In addition, the increase in US tariffs on Chinese imports had a negative impact on gross margins earned in that region.

Cash flows from operations were significantly improved in the half-year, compared to the prior financial year. After utilizing $3.5m in cash from operations during the 12 months to 30 June 2019, the business returned to positive cash flows from operations, with $5.5 million generated in the 6 months to 31 December 2019. The major driver of these operating cash flows was the $3.3 million reduction in working capital during the half-year, which was largely a result of the correction to inventory holdings following the excess inventory situation experienced during the second half of the 2019 financial 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 an unfranked final dividend of 7 cents per share, in respect of the 2019 financial year. This dividend, amounting to $2.9 million, was paid to shareholders on 19 September 2019. The payment of this dividend took total dividends paid in respect of the 2019 financial year to 13 cents, amounting to $5.4 million paid to shareholders.

In respect of the half-year ended 31 December 2019, the Directors have determined that an interim dividend of 5 cents per share will be paid to shareholders paid on 20 March 2020. This dividend, amounting to $2.1 million will be unfranked (2019: $2.5 million) and paid out of the Company's profit reserves.

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 2019.

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.*

....
Norman O'Bryan AM SC
Chairman

Melbourne
20 February 2020

Auditor's Independence Declaration

As lead auditor for the review of Globe International Limited for the half-year ended 31 December 2019, 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.

Jon Roberts
Partner
PricewaterhouseCoopers

Melbourne
20 February 2020

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GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Income statement

For the half-year ended 31 December 2019

	Notes	Half-year 2019 $'000	Half-year 2018 $'000
Revenue from contracts with customers		**77,960**	**78,117**
Profit from the sale of the Dwindle trademarks	3	3,745	-
Changes in inventories of finished goods and work in progress		(2,945)	5,664
Inventories purchased		(39,376)	(47,176)
Selling, distribution and administrative expenses		(21,856)	(19,865)
Employee benefits expense		(11,232)	(11,684)
Depreciation and amortisation expense *		(2,074)	(589)
Finance costs *		(466)	(111)
Profit before related income tax expense		3,756	4,356
Income tax (expense) / benefit		128	(94)
Profit for the half year attributable to members of Globe International Limited		**3,884**	**4,262**

** Includes the impact of the adoption of AASB16 Leases in the current period.*

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

	2019	2018
Basic EPS (cents)	9.37	10.28
Diluted EPS (cents)	9.37	10.28

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

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Statement of comprehensive income

For the half-year ended 31 December 2019

	Half-year	
	2019	**2018**
	$'000	**$'000**
Profit for the half year attributable to members of Globe International Limited	**3,884**	**4,262**
Other comprehensive income / (expense)		
Changes in fair value of cash flow hedges	(651)	(185)
Exchange differences on translation of foreign operations	(194)	805
Income tax relating to components of other comprehensive income	206	59
Other comprehensive income for the half year, net of tax	(639)	679
Total comprehensive income for the half year	**3,245**	**4,941**

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

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Balance sheet

As at 31 December 2019

ASSETS	**Dec 2019 $'000**	**June 2019 $'000**
Current assets		
Cash and cash equivalents	13,479	9,495
Trade and other receivables	19,186	24,178
Inventories	28,762	31,069
Prepayments	2,371	2,039
Derivative financial instruments	5	289
Current tax assets	55	383
Total current assets	63,858	67,453
Non current assets		
Property, plant and equipment	1,396	1,541
Right-of-use assets	9,913	-
Intangible assets	433	650
Other assets	1,961	1,959
Deferred tax assets	4,538	4,150
Total non-current assets	18,241	8,300
Total assets	**82,099**	**75,753**
LIABILITIES		
Current liabilities		
Trade and other payables	23,012	27,093
Current lease liability	2,969	-
Borrowings	1,394	1,638
Derivatives financial instruments	367	-
Current tax liabilities	-	33
Provisions	1,274	1,278
Total current liabilities	29,016	30,042
Non-current liabilities		
Non-current lease liability	8,157	-
Provisions	757	707
Other liabilities	-	472
Total non-current liabilities	8,914	1,179
Total liabilities	**37,930**	**31,221**
NET ASSETS	**44,169**	**44,532**
Equity		
Contributed equity	144,223	144,223
Treasury Shares	(487)	(487)
Reserves	(6,153)	(5,514)
Retained profits/(losses)	(93,414)	(93,690)
Total equity	**44,169**	**44,532**

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

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Statement of changes in equity

As at 31 December 2019

	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 2018	144,223	(487)	323	596	(6,698)	(96,911)	**41,046**
Profit for the year	-	-	-	-	-	4,262	**4,262**
Other comprehensive income	-	-	-	(126)	805	-	**679**
Total comprehensive income for the year	-	-	-	(126)	805	4,262	**4,941**
Transactions with owners in their capacity as owners:							
Dividends paid	-	-	-	-	-	(2,488)	**(2,488)**
Balance at 31 December 2018	144,223	(487)	323	470	(5,893)	(95,137)	**43,499**
Balance at 1 July 2019	144,223	(487)	323	202	(6,039)	(93,690)	**44,532**
Adoption of AASB 16 *leases*	-	-	-	-	-	(706)	**(706)**
Profit for the year	-	-	-	-	-	3,884	**3,884**
Other comprehensive income	-	-	-	(456)	(183)	-	**(639)**
Total comprehensive income for the year	-	-	-	(456)	(183)	3,884	**3,245**
Transactions with owners in their capacity as owners:							
Dividends paid	-	-	-	-	-	(2,902)	**(2,902)**
Balance at 31 December 2019	144,223	(487)	323	(254)	(6,222)	(93,414)	**44,169**

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

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Statement of cash flows

For the half-year ended 31 December 2019

	Half-year 2019 $'000	Half-year 2018 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	85,955	83,951
Payments to suppliers and employees (inclusive of goods and services tax) *	(80,255)	(87,674)
Interest received	4	19
Interest and other costs of finance paid *	(466)	(111)
Income taxes received / (paid)	219	(635)
Net cash inflow / (outflow) from operating activities	**5,457**	**(4,450)**
Cash flows from investing activities		
Payment for property, plant and equipment	(218)	(253)
Net proceeds from the sale of Dwindle trademarks	3,413	-
Net cash inflow / (outflow) from investing activities	**3,195**	**(253)**
Cash flows from financing activities		
Dividends paid	(2,902)	(2,488)
Principal payments for leases *	(1,429)	-
Repayment of borrowings	(244)	-
Net cash inflow / (outflow) from financing activities	**(4,575)**	**(2,488)**
Net increase / (decrease) in cash held	**4,077**	**(7,191)**
Cash and cash equivalents at the beginning of the half year	9,495	16,801
Effect of exchange rates on cash holding in foreign currencies - gain / (loss)	(93)	258
Cash at the end of the reporting period	**13,479**	**9,868**

** Includes the impact of the adoption of AASB16 Leases in the current period.*

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the half-year report

This consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The interim report does not include all of the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Globe International Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the Listing Rules of the ASX.

The interim report is presented in Australian dollars and is rounded to the nearest thousand dollars ($1,000) or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investment Commission Corporations Instrument 2016/191.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, with the exception of the introduction of new accounting standards – the details of which are included in Note x below.

(b) Fair value of financial instruments

Classification and measurement

Financial assets and liabilities, excluding derivatives, are measured at amortised cost less, in the case of trade receivables, expected lifetime losses recognised from initial recognition of the 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. They are initially recognised at fair value on the date the derivative contract is entered into, and are subsequently remeasured to their fair value through other comprehensive income to the extent that they are effective based on quoted market prices at the end of the reporting period. The quoted market price used is the current bid price.

The consolidated entity does not hold any “financial assets at fair value through profit and loss”.

Other investments, presented as 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.

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

Impairment

Financial assets are measured at amortised cost, with the value of impairment determined using an expected credit loss model. 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 other investments and financial assets 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
Segment revenue includes all sales of goods and receipts from licensing income, but excludes interest income. There are no inter-segment revenues.

Segment Result
Earnings before interest, and tax (EBIT) is the basis for the segment result as this is the most common measure used by the CEO and the board of directors to measure the performance of the operating segments. Segment result excludes the following items as these costs are excluded by management when assessing the performance of the operating segments:

- Central corporate costs;
- Investments in new brands and new technologies for new products;
- Trademark protection costs where these costs (a) relate to a global brand; and (b) are significant.

These costs are "unallocated" in the segment report. All other costs are predominantly allocated to the segments based on the location of the expenditure, or based on a reasonable allocation of costs where the costs are centrally incurred. Globe brand development costs, including marketing creation and product design and development, are incurred centrally. To determine segment profitability, these costs are allocated by one-third to each of the operating segments for management and segment reporting purposes. Where applicable, when internal allocations are modified in order to report segment performance to the CEO and board of directors, prior year figures are represented within the segment report to ensure comparability to the current period.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the accounts

For the half-year ended 31 December 2019

NOTE 2. SEGMENT INFORMATION (continued)

(b) Segment Results

Half-year ended 31 Dec 2019	**Australasia $'000**	**North America $'000**	**Europe $'000**	**Unallocated $'000**	**Total $'000**
Segment Revenue	**42,354**	**22,961**	**12,641**	**-**	**77,956**
Segment Result (EBIT)	4,950	2,923	(30)	(3,624)	4,219
				Net Interest (expense) / Income	(463)
				Operating profit before tax	**3,756**
				Income tax (expense) / benefit	128
				Net profit after tax	**3,884**

Half-year ended 31 Dec 2018	**Australasia $'000**	**North America $'000**	**Europe $'000**	**Unallocated $'000**	**Total $'000**
Segment Revenue	42,776	23,593	11,729	-	78,098
Segment Result (EBIT)	7,348	(646)	422	(2,676)	4,448
				Net Interest (expense) / Income	(92)
				Operating profit before tax	**4,356**
				Income tax (expense) / benefit	(94)
				Net profit after tax	**4,262**

NOTE 3. PROFIT ON SALE OF DWINDLE TRADEMARKS

On 9 August 2019, the consolidated entity sold its suite of US based Dwindle brands to Highline Industries Corporation. This divestment was part of the Group's ongoing strategic overhaul to reduce the number of smaller brands and move towards having fewer brands in each product category. Following this change the company has a much better balance of apparel, footwear and skateboard hardgoods brands proportionate to the revenue of each product category. The Group remains fully committed to the skateboard market and the boardsports distribution channel through its remaining brands, including Globe and the retained distribution rights for Dwindle in Australia, New Zealand, the UK and Spain. Meanwhile the Dwindle brands and personnel will find a suitable home at the hardgoods-focused Highline Industries. The transaction includes the sale of the brands, working capital, domain names, social media accounts and the personnel attached to the Dwindle business. The details of the sale of the business are included below:

	$'000
Consideration received in cash	6,449
Deferred consideration (payable November 2020)	662
Total consideration	7,111
Less: carrying value of net assets sold	(1,405)
Less: transaction costs	(1,631)
Preliminary profit on sale	4,075
Less: Provision against deferred settlement	(330)
Recognised profit on sale, before tax	**3,745**

NOTE 4. SIGNIFICANT ITEMS

	Notes	**Half-year 2019 $'000**	**Half-year 2018 $'000**
Earnings before interest and tax (EBIT) for the half-year includes the following significant and one-off items:			
Profit from sale of Dwindle trademarks	3	3,745	-
Legal costs associated with trademark legal case		(1,942)	-
Write-back of provision for legal settlement		-	674
Net impact of significant items on EBIT		1,803	674

NOTE 5. DIVIDENDS

During the half-year, the Company paid an unfranked final dividend of 7 cents per share, in respect of the 2019 financial year. This dividend, amounting to $2.9 million, was paid to shareholders on 19 September 2019. The payment of this dividend took total dividends paid in respect of the 2018 financial year to 13 cents, amounting to $5.4 million paid to shareholders.

In respect of the half-year ended 31 December 2019, the Directors have determined that an interim dividend of 5 cents per share will be paid to shareholders paid on 20 March 2020. This dividend, amounting to $2.1 million will be unfranked (2019 interim dividend: $2.5 million) and paid out of the Company's profit reserves.

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.

NOTE 8. NEW ACCOUNTING STANDARDS INTRODUCED DURING THE HALF YEAR

AASB 16 Leases - Effective for reporting periods on or after 1 January 2019

This note explains the impact of the adoption of AASB 16 *Leases* on the consolidated entity's financial statements and discloses the new accounting policy that has been applied from 1 July 2019. The consolidated entity has adopted AASB 16 from 1 July 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised from 1 July 2019.

(a) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the consolidated entity recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of remaining lease payments, discounted using the consolidated entity's regional incremental borrowing rates. The weighted average incremental borrowing rate applied to the leases on 1 July 2019 was 5.7%.

A reconciliation of the operating lease commitments note as disclosed at 30 June 2019 to the opening lease liability as at 1 July 2019 is outlined below:

	1 July 2019 $'000's
Operating lease commitments disclosed at 30 June 2019	13,091
Discounted using the lessee's incremental borrowing rate at the date of initial application	(1,861)
Less: short terms and low value leases recognised on a straight-line basis as expense	(133)
Add: Adjustments as a result of difference treatment of options to renew	787
Add/(less): sub-lease income recognised on a straight line basis	200
Lease liability recognised as at 1 July 2019 on adoption of AASB 16	**12,084**
Of which are:	
Current lease liabilities	2,714
Non-current lease liabilities	9,370

The associated right-of-use assets for majority of leases were measured on a retrospective basis based on the lease liability. For some leases, the asset was measured on a retrospective basis as if the new rules had always been applied, as is allowed under the transition requirements of the standard. The recognised right-of-use assets relate to the following types of assets:

	31 Dec 2019	1 July 2019
Property	9,831	10,804
Office equipment	70	109
Plant & equipment	12	17
Total right-of-use assets	9,913	10,930

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- Right of Use assets – increased by $10.9 million
- Lease Liabilities – increased by $12.1 million
- Other accruals – decreased by $0.5 million
- Retained losses – increased by $0.7 million

The change in accounting policy has affected the following items in the income statement for the 6 months to 31 December 2019:

- Finance costs - increased by $0.4 million
- Depreciation and amortisation – increased by $1.5 million
- Selling, distribution and administrative expenses – reduced by $1.9 million

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- The accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-to-use asset at the date of initial application; and
- The use of professional judgement in determining the lease term, where the contract contains options to extend or terminate the lease.

NOTE 8. NEW ACCOUNTING STANDARDS INTRODUCED DURING THE HALF YEAR (continued)

(b) New accounting policy for leases

The consolidated entity leases various offices, warehouses, retail stores, equipment and cars. Rental contracts are typically made for fixed periods of 3 to 8 years, but may have extension options available beyond this point. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the end of the 2019 financial year, all leases were classified as operating expenses and payments made in relation to those leases (net of incentives) were charged to profit and loss on a straight-line basis over the period of the lease.

From 1 July 2019, where the consolidated entity has entered into a lease contract for the right to control the use of an asset over the lease term, the present value of future lease commitments is recognised as a liability on the balance sheet at commencement date, with the corresponding asset recognised as a right-of-use asset.

The lease liability represents the present value of the expected future lease payments, discounted at the consolidated entity's regional external borrowing rates. To determine the value of expected future lease payments, the consolidated entity considers:

- The lease term, which includes the non-cancellable period of the lease plus any options available that the consolidated entity is reasonably certain to exercise; and
- Those lease payments which must be factored into the value of the liability, including:
  - Fixed payments, net of any lease incentives receivable;
  - Variable lease payments that are based on an index or a rate; and
  - Payment of penalties for terminating the lease, if the least term reflects the lessee exercising that option.

Each lease payment is allocated between the liability and finance costs. Any change to the valuation of the future lease payments (due to change in discount rate, variable lease payments based on an index or rate, or the lease term) results in the re-measurement of both the lease liability and the right-to-use asset.

The right of use assets are classified as leases of property or plant and equipment and are carried at cost less accumulated depreciation and impairment loss. The assets are amortised on a straight line basis over the shorter of the asset's useful life and the lease term.

Where leases are short term or where the underlying asset is of low value, we have elected to not apply the requirements of AASB 16 and as such, amounts are expensed as incurred.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 6 to 16 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 2019 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*.

Norman O Bryan

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Norman O'Bryan AM SC
Chairman

Melbourne
20 February 2020

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) and the entities it controlled during the half-year (together the Group), which comprises the balance sheet as at 31 December 2019, the statement of comprehensive income, statement of changes in equity, statement of cash flows and income statement for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

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 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 gives a true and fair view and 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 half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 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:

1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

Jon Roberts
Partner

Melbourne
20 February 2020

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