

Globe International Limited

ABN 65 007 066 033

Appendix 4D

Half-Year Report for the period ended 31 Dec 2014

Lodged with the ASX under Listing Rule 4.2A

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Globe International Limited

ABN 65 007 066 033

Appendix 4D

Half-Year Report - 31 Dec 2014

Results for Announcement to the Market

	Half-year 2014 \$'000	Half-year 2013 \$'000	Movement \$'000	Movement %
Net sales	65,985	51,374	14,611	28.4%
Revenue from ordinary activities	66,211	51,569	14,642	28.4%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2,750	2,351	401	17.1%
Net profit after tax attributable to members (NPAT)	1,582	818	764	93.4%

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 2015

NTA Backing	Current Period	Previous Period 30 June 2014
Net tangible asset backing per ordinary security	\$0.73	\$0.64

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 2014.

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 reported significant and continued revenue growth and an improvement in profitability for the six months ended 31 December 2014, as set out below:

- Revenue of \$66.2 million grew 28% over the prior corresponding period (27% in constant currency).
- Earnings before interest, tax, depreciation and amortization (EBITDA) of \$2.8 million grew 17% over the same time last year.

Financial Performance

All regions reported double digit revenue growth for the half-year, contributing to the \$14.6 million or 28% increase in revenue reported by the Group. This growth in revenue drove the underlying profitability improvement. This revenue and profitability improvement came from multiple sources across the Group, as a consequence of the investment and diversification into new markets and brands over recent years.

The stand-outs from a regional perspective were Australia and Europe, with constant currency revenue growth of 23% and 59% respectively. In Australia, revenue growth for the half-year came from all divisions including Globe, Hardcore, 4Front and the Group's proprietary work-wear brand FXD. In Europe, the Globe brand continued to grow across all categories of footwear, apparel and skate hardgoods. Finally, the 12% increase in revenue in North America came from Dwindle skate hardgoods, Globe apparel and the addition of licensed brands Fallen and Zero.

The significant growth in revenue translated to reported earnings before interest, tax, depreciation and amortisation (EBITDA) of \$2.8 million for the half-year. This result represents a 17% increase in EBITDA over the same time last year. Excluding the release of \$0.6 million of restructuring provisions reported in the prior period, the half-on-half increase in EBITDA was \$1.0m, representing a 55% increase in underlying operating profitability.

Net Profit After Tax (NPAT) of \$1.6 million for the half year was significantly higher than the \$0.8m reported in the prior corresponding period.

Financial Position

At 31 December 2014, the Group had available net cash of \$8.9million, which is \$0.8m higher than the \$8.1 million net cash reserves at 30 June 2014. Cash generated from profits during the half-year was mainly reinvested back into the business through higher working capital to fund top line sales growth. Despite the increase in working capital, the underlying ageing profile of accounts receivable and inventory improved considerably as both asset classes had a higher proportion of balances in the "current" category at 31 December 2014 than they did at 30 June 2014 and 31 December 2013.

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 have determined that a fully franked interim dividend of 3 cents per share will be paid to shareholders on 27 March 2015.

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 2014.

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



.....
Paul Isherwood AO
Chairman

Melbourne
27 February 2015



Auditor's Independence Declaration

As lead auditor for the review of Globe International Limited for the half year ended 31 December 2014 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 'Alison Tait'.

Alison Tait
Partner
PricewaterhouseCoopers

Melbourne
27 February 2015

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GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Consolidated income statement

For the half-year ended 31 December 2014

	Half-year	
	2014	2013
	\$'000	\$'000
Revenue from continuing operations	66,211	51,569
Changes in inventories of finished goods and work in progress	5,083	1,154
Inventories purchased	(40,353)	(28,877)
Employee benefits expense	(9,763)	(8,322)
Depreciation and amortisation expense	(346)	(508)
Finance costs	(88)	(56)
Selling, distribution and administrative expenses	(18,422)	(13,172)
Profit before related income tax expense	2,322	1,788
Income tax (expense) / benefit	(740)	(970)
Profit for the half year attributable to members of Globe International Limited	1,582	818

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

Basic EPS (cents)	3.82	1.97
Diluted EPS (cents)	3.82	1.97

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 2014

	Half-year	
	2014 \$'000	2013 \$'000
Profit for the half year attributable to members of Globe International Limited	1,582	818
Other comprehensive income / (expense)		
Changes in fair value of cash flow hedges	1,026	(405)
Exchange differences on translation of foreign operations	1,817	1,136
Income tax relating to components of other comprehensive income	(666)	(60)
Other comprehensive income for the half year, net of tax	<u>2,177</u>	<u>671</u>
Total comprehensive income for the half year	<u>3,759</u>	<u>1,489</u>

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 2014

	Dec 2014 \$'000	June 2014 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	8,913	9,605
Trade and other receivables	17,133	13,911
Inventories	24,529	19,687
Prepayments	1,201	830
Derivative financial instruments	800	-
Current tax assets	6	5
Total current assets	<u>52,582</u>	<u>44,038</u>
Non current assets		
Property, plant and equipment	1,396	1,335
Other financial assets	1,675	1,459
Deferred tax assets	3,556	3,605
Total non-current assets	<u>6,627</u>	<u>6,399</u>
Total assets	<u>59,209</u>	<u>50,437</u>
LIABILITIES		
Current liabilities		
Trade and other payables	26,327	20,004
Interest bearing liabilities	-	1,472
Current tax liabilities	450	456
Derivative financial instruments	-	227
Provisions	1,186	1,092
Total current liabilities	<u>27,963</u>	<u>23,251</u>
Non-current liabilities		
Deferred tax liabilities	390	120
Provisions	555	512
Other	113	125
Total non-current liabilities	<u>1,058</u>	<u>757</u>
Total liabilities	<u>29,021</u>	<u>24,008</u>
NET ASSETS	<u>30,188</u>	<u>26,429</u>
Equity		
Contributed equity	144,223	144,223
Treasury Shares	(487)	(487)
Reserves	(7,021)	(9,198)
Retained profits/(losses)	(106,527)	(108,109)
Total equity	<u>30,188</u>	<u>26,429</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 2014

	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 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
Balance as at 31 December 2013	144,223	(487)	323	(27)	(8,480)	(94,989)	40,563
Balance at 1 July 2014	144,223	(487)	323	(160)	(9,361)	(108,109)	26,429
Total comprehensive income / (expense) for the half -year	-	-	-	710	1,467	1,582	3,759
Balance at 31 December 2014	144,223	(487)	323	550	(7,894)	106,527	30,188

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 2014

	Half-year	
	2014	2013
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	65,905	51,504
Payments to suppliers and employees (inclusive of goods and services tax)	(64,552)	(49,051)
Interest received	5	1
Interest and other costs of finance paid	(88)	(56)
Income taxes received / (paid)	(640)	51
Net cash inflow / (outflow) from operating activities	630	2,449
Cash flows from investing activities		
Payment for property, plant and equipment	(341)	(140)
Payment for purchase of trademark	-	(98)
Net cash inflow / (outflow) from investing activities	(341)	(238)
Cash flows from financing activities		
Proceeds from/(repayments of) borrowings	(1,472)	2,437
Net cash inflow / (outflow) from financing activities	(1,472)	2,437
Net increase / (decrease) in cash held	(1,183)	4,648
Cash and cash equivalents at the beginning of the half year	9,605	6,412
Effect of exchange rates on cash holding in foreign currencies - gain / (loss)	491	490
Cash at the end of the reporting period	8,913	11,550

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 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose interim financial report for the half-year reporting period ended 31 December 2014 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 2014, 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 2014 was an asset of \$800,000 (June 2014: \$227,000 liability)

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 2014

NOTE 2. SEGMENT INFORMATION (cont'd)

(b) Segment Results

Half Year 2014	Australasia \$'000	North America \$'000	Europe \$'000	Unallocated (1) \$'000	Total \$'000
Total Segment Revenue	<u>26,314</u>	<u>21,327</u>	<u>18,570</u>	-	<u>66,211</u>
Segment Result (EBITDA) (1)	3,486	(1,733)	3,498	(2,501)	2,750
Depreciation	<u>(211)</u>	<u>(99)</u>	<u>(36)</u>	-	<u>(346)</u>
Total Segment Result (EBIT)	<u>3,275</u>	<u>(1,832)</u>	<u>3,462</u>	<u>(2,501)</u>	<u>2,404</u>
				Net Interest (expense) / Income	<u>(83)</u>
				Operating profit before tax	2,322
				Income tax (expense) / benefit	<u>(740)</u>
				Net profit / (loss) after tax	<u>1,582</u>

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>51,569</u>
Segment Result (EBITDA) (1)	3,012	(180)	1,178	(1,659)	2,351
Depreciation	<u>(232)</u>	<u>(82)</u>	<u>(88)</u>	-	<u>(402)</u>
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>

(1) The Segment Result (EBITDA) includes an "Unallocated" segment, which comprises Corporate expenses and unallocated unrealised foreign exchange losses.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the accounts

For the half-year ended 31 December 2014

NOTE 3. FINANCING AND BANK GUARANTEE FACILITIES

The Group had access to the following financing and bank guarantee facilities at the reporting date:

	Dec 2014 \$'000	June 2014 \$'000
Secured receivables financing facilities		
- amount used (non-recourse North American facility)	2,532	2,312
- amount used (full-recourse Australian facility)	-	1,472
- amount unused	5,242	1,233
	<u>7,774</u>	<u>5,017</u>
Secured inventory financing facilities		
- amount used	-	-
- amount unused	2,348	1,103
	<u>2,348</u>	<u>1,103</u>
Secured multi-option financing facilities		
- amount used	-	-
- amount unused	1,112	1,086
	<u>1,112</u>	<u>1,086</u>
TOTAL FINANCING FACILITIES		
- amount used	2,532	3,785
- amount unused	8,702	3,422
	<u>11,234</u>	<u>7,207</u>
Bank guarantee facilities		
- amount used	491	385
- amount unused	79	-
	<u>570</u>	<u>385</u>

NOTE 4. RESTRUCTURING PROVISIONS

	Dec 2014 \$'000	June 2014 \$'000
Restructuring Costs	-	-
<i>Movement in restructuring provisions:</i>		
	Half Year	
	2014	2013
Balance at 1 July	-	545
<i>Movements during the half year:</i>		
Provisions utilised	-	(220)
Provisions released (a)	-	(230)
Impacts of foreign exchange rates	-	7
Balance at 31 December	<u>-</u>	<u>102</u>

(a) Provisions released during the half year 2013 relate to estimated restructure costs in North America that were provided for at 30 June 2013, but ultimately were not incurred. There were no restructuring costs provided for at 30 June 2014.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the accounts

For the half-year ended 31 December 2014

NOTE 5. DIVIDENDS

In respect of the half-year ended 31 December 2014, the Directors have determined that a fully franked interim dividend of 3 cents per share will be paid to shareholders on 27 March 2015. This dividend will be paid out of the Company's profits earned in the current half-year.

NOTE 6. PARENT ENTITY FINANCIAL INFORMATION

The summary financial statements for the parent entity show the following aggregate amounts:

	2014 \$'000	2013 \$'000
Net assets as at 31 December	38,392	35,676
Net profit for the half-year ended 31 December before tax	3,009	2,428
Net profit for the half-year ended 31 December after tax	2,175	1,706

NOTE 7. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

NOTE 8. 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 2014 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
27 February 2015



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 2014, 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 2014 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 2014 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*.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive, flowing script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Alison Tait' in a cursive, flowing script.

Alison Tait
Partner

Melbourne
27 February 2015

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