

Globe International Limited

ABN 65 007 066 033

Appendix 4D

Half-Year Report for the period ended 31 Dec 2015

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 2015

Results for Announcement to the Market

Consolidated Entity

	Half-year 2015 \$'000	Half-year 2014 \$'000	Movement \$'000	Movement %
Net sales	78,834	65,985	12,849	19.5%
Revenue from ordinary activities	79,130	66,211	12,919	19.5%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	4,241	2,750	1,492	54.2%
Net profit after tax attributable to members (NPAT)	2,904	1,582	1,322	83.6%

Parent Entity

	Half-year 2015 \$'000	Half-year 2014 \$'000	Movement \$'000	Movement %
Net profit after tax attributable to members (NPAT)	3,821	2,175	1,646	75.7%

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

Record date for determining entitlements to the dividend

18 March 2016

NTA Backing	Current Period	Previous Period 30 June 2015
Net tangible asset backing per ordinary security	0.79	0.75

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 2015.

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 continued revenue growth and an improvement in profitability for the six months ended 31 December 2015, as set out below:

- Revenue of \$ 79.1 million grew 19% over the prior corresponding period (10% in constant currency).
- Earnings before interest, tax, depreciation and amortization (EBITDA) of \$4.2 million grew 54% over the same time last year.
- Net Profit After Tax (NPAT) of \$ 2.9 million for the half year was \$ 1.3 million ahead of the prior corresponding period.

Financial Performance

The Group's reported net sales for the half year were \$78.8 million, an increase of 19%, which drove the underlying profitability improvement. This revenue and profitability improvement was a consequence of recent investments and diversification into new markets and brands.

The stand out from a regional perspective was Australia with revenue growth of 36%, with all branded divisions in Australia contributing. In Europe, sales though flat in reported currency, declined 4% in local currency as a result of hardgoods sales falling in the region as compared to a high point this time last year. In North America, while sales grew 16% in reported currency terms, in local currency, sales declined 6% after a softening of retail in the USA in the second quarter of the financial year.

Branded highlights included Globe apparel which continued to grow in all regions, work-wear brand FXD and Australia's 4Front division.

The significant growth in revenue translated to reported earnings before interest, tax, depreciation and amortisation (EBITDA) of \$4.2 million for the half year, as compared to \$2.8 million at the same time last year.

Financial Position

At 31 December 2015, the Group had available net cash of \$7.3 million, which is \$3.0 million lower than the \$10.3 million net cash reserves at 30 June 2015. The utilisation of cash during the half year is principally a result of increased investment in working capital to facilitate continuing sales growth and to fund the \$1.7 million 2015 final dividend paid October 2015. The underlying ageing profile of major working capital accounts such as accounts receivable and inventory remains satisfactory.

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 14 April 2016.

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 2015.

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
23 February 2016



Auditor's Independence Declaration

As lead auditor for the audit of Globe International Limited for the half-year 31 December 2015, 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.

A handwritten signature in black ink that reads 'Alison Tait'.

Alison Tait
Partner
PricewaterhouseCoopers

Melbourne
23 February 2016

PricewaterhouseCoopers, ABN 52 780 433 757
*Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE
VIC 3001*
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Consolidated income statement

For the half-year ended 31 December 2015

	Half-year	
	2015	2014
	\$'000	\$'000
Revenue from continuing operations	79,130	66,211
Changes in inventories of finished goods and work in progress	9	5,083
Inventories purchased	(43,429)	(40,353)
Employee benefits expense	(10,709)	(9,763)
Depreciation and amortisation expense	(353)	(346)
Finance costs	(117)	(88)
Selling, distribution and administrative expenses	(20,757)	(18,422)
Profit before related income tax expense	3,774	2,322
Income tax (expense) / benefit	(870)	(740)
Profit for the half year attributable to members of Globe International Limited	2,904	1,582

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

Basic EPS (cents)	7.00	3.82
Diluted EPS (cents)	7.00	3.82

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 2015

	Half-year	
	2015	2014
	\$'000	\$'000
Profit for the half year attributable to members of Globe International Limited	<u>2,904</u>	<u>1,582</u>
Other comprehensive income / (expense)		
Changes in fair value of cash flow hedges	(522)	1,026
Exchange differences on translation of foreign operations	897	1,817
Income tax relating to components of other comprehensive income	<u>29</u>	<u>(666)</u>
Other comprehensive income for the half year, net of tax	<u>404</u>	<u>2,177</u>
Total comprehensive income for the half year	<u>3,308</u>	<u>3,759</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 2015

	Dec 2015 \$'000	June 2015 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	7,301	10,296
Trade and other receivables	19,251	14,266
Inventories	30,164	30,591
Prepayments	810	1,018
Derivative financial instruments	149	381
Current tax assets	35	7
Total current assets	<u>57,710</u>	<u>56,559</u>
Non current assets		
Property, plant and equipment	1,249	1,388
Other financial assets	1,881	1,789
Deferred tax assets	4,169	3,949
Total non-current assets	<u>7,299</u>	<u>7,126</u>
Total assets	<u>65,009</u>	<u>63,685</u>
LIABILITIES		
Current liabilities		
Trade and other payables	24,104	28,965
Interest bearing liabilities	5,280	-
Current tax liabilities	-	957
Derivative financial instruments	290	-
Provisions	1,247	1,290
Total current liabilities	<u>30,921</u>	<u>31,212</u>
Non-current liabilities		
Deferred tax liabilities	627	602
Provisions	495	517
Other	40	77
Total non-current liabilities	<u>1,162</u>	<u>1,196</u>
Total liabilities	<u>32,083</u>	<u>32,408</u>
NET ASSETS	<u>32,926</u>	<u>31,277</u>
Equity		
Contributed equity	144,223	144,223
Treasury Shares	(487)	(487)
Reserves	(6,420)	(6,824)
Retained profits/(losses)	(104,390)	(105,635)
Total equity	<u>32,926</u>	<u>31,277</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 2015

	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 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 as at 31 December 2014	144,223	(487)	323	550	(7,894)	106,527	30,188
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
<i>Transactions with owners in their capacity as owners:</i>							
Dividends paid	-	-	-	-	-	(1,659)	(1,659)
Balance at 31 December 2015	144,223	(487)	323	(104)	(6,639)	(104,390)	32,926

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 2015

	Half-year	
	2015	2014
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	78,425	65,905
Payments to suppliers and employees (inclusive of goods and services tax)	(83,409)	(64,552)
Interest received	3	5
Interest and other costs of finance paid	(117)	(88)
Income taxes received / (paid)	(1,839)	(640)
Net cash inflow / (outflow) from operating activities	(6,937)	630
Cash flows from investing activities		
Payment for property, plant and equipment	(182)	(341)
Net cash inflow / (outflow) from investing activities	(182)	(341)
Cash flows from financing activities		
Proceeds from/(repayments of) borrowings	5,280	(1,472)
Dividends paid	(1,659)	-
Net cash inflow / (outflow) from financing activities	3,621	(1,472)
Net increase / (decrease) in cash held	(3,498)	(1,183)
Cash and cash equivalents at the beginning of the half year	10,296	9,605
Effect of exchange rates on cash holding in foreign currencies - gain / (loss)	503	491
Cash at the end of the reporting period	7,301	8,913

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 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose interim financial report for the half-year reporting period ended 31 December 2015 has been prepared on the basis of accounting policies consistent with the 30 June 2015 annual report, with the exception of the following new accounting standards effective from 1 July 2015:

- 2010-2012 Annual Improvements Cycle
- 2011-2013 Annual Improvements Cycle
- *AASB 15 Revenue* from contracts with customers,

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 18 which covers revenue arising from the sale of goods and rendering of services and AASB 111 which covers construction contracts. The new standard is effective for the first interim period within annual reporting periods beginning on or after 1 January 2018 and will allow early adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements, however it is not expected to have a material impact on the results of the Group. At this stage, the Group is unable to estimate the effects on the Group's financial statements and the Group will conduct a more detailed assessment in this regard over the next twelve months. The Group does not expect to adopt the new standard prior to 1 January 2018.

In addition to the above, the Group's assessment of the impact of the new standard AASB 9 relating to Financial Instruments is set out below:

AASB 9 Financial Instruments. AASB 9 addresses the classification, measurement and derecognition of financial assets and liabilities and sets out new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments note. The standard is not applicable until 1 January 2018, at the earliest, but is available for early adoption. The Group has made a preliminary assessment of the impact of the revised standard with regards to classification and measurement, and it is not expected to have a significant impact on the Group's financial statements. The Group has decided not to early adopt any parts of AASB 9. In order to apply the new hedging rules, the Group would have to adopt AASB 9 and the consequential amendments to AASB 7 and AASB 139 in their entirety

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 2015, 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*.

(a) Fair value

The only financial assets or financial liabilities carried at fair value are cash flow hedges. The measurement of cash flow hedges 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). The cash flow hedges fair values' have been obtained from third party valuations derived from forward exchange rates at the balance sheet date.

The fair value of the cash flow hedges at 31 December 2015 was a net liability of \$141,000 (June 2015: \$381,000 asset)

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the accounts

For the half-year ended 31 December 2015

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 are allocated to each region 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. Whilst the segment results so derived are predominantly related to the operating segment within the geographical region of that segment, a portion of the segment result in each case is derived from countries outside that geographical region and aggregated into that segment. The basis for this aggregation is that the segments have similar economic characteristics and are similar in terms of the products sold, the type and class of the customer for the products and the distribution methods for the products.

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 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 2015

NOTE 2. SEGMENT INFORMATION_(cont'd)

(b) Segment Results

Half Year 2015	Australasia \$'000	North America \$'000	Europe \$'000	Unallocated (1) \$'000	Total \$'000
Total Segment Revenue	<u>35,734</u>	<u>24,816</u>	<u>18,580</u>		<u>79,130</u>
Segment Result (EBITDA) (1)	5,473	(2,302)	3,699	(2,629)	4,241
Depreciation	<u>(206)</u>	<u>(91)</u>	<u>(56)</u>		<u>(353)</u>
Total Segment Result (EBIT)	<u>5,267</u>	<u>(2,393)</u>	<u>3,643</u>	<u>(2,629)</u>	<u>3,888</u>
				Net Interest (expense) / Income	<u>(114)</u>
				Operating profit before tax	<u>3,774</u>
				Income tax (expense) / benefit	<u>(870)</u>
				Net profit / (loss) after tax	<u>2,904</u>

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>(82)</u>
				Operating profit before tax	<u>2,322</u>
				Income tax (expense) / benefit	<u>(740)</u>
				Net profit / (loss) after tax	<u>1,582</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 2015

NOTE 3. FINANCING AND BANK GUARANTEE FACILITIES

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

	Dec 2015 \$'000	June 2015 \$'000
Secured receivables financing facilities		
- amount used (non-recourse North American facility)	1,437	2,502
- amount used (full-recourse Australian facility)	4,370	-
- amount unused	1,858	3,568
	<u>7,665</u>	<u>6,070</u>
Secured inventory financing facilities		
- amount used	-	-
- amount unused	1,820	1,750
	<u>1,820</u>	<u>1,750</u>
Secured multi-option financing facilities		
-amount used (full-recourse Australian facility)	910	-
-amount unused	1,682	1,742
	<u>2,592</u>	<u>1,742</u>
TOTAL FINANCING FACILITIES		
-amount used (non-recourse North American facility)	1,437	2,502
-amount used ((full recourse-Australian facilities)	5,280	-
-amount unused	5,360	7,060
	<u>12,077</u>	<u>9,562</u>
Bank guarantee facilities		
- amount used	518	497
- amount unused	46	79
	<u>564</u>	<u>576</u>

NOTE 4. DIVIDENDS

In respect of the half-year ended 31 December 2015, the Directors have determined that a fully franked interim dividend of 3 cents per share will be paid to shareholders on 14 April 2016. This dividend will be paid out of the Company's profits earned in the current half-year.

NOTE 5. PARENT ENTITY FINANCIAL INFORMATION

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

	2015 \$'000	2014 \$'000
Net assets as at 31 December	40,109	38,392
Net profit for the half-year ended 31 December before tax	4,939	3,009
Net profit for the half-year ended 31 December after tax	3,821	2,175

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the accounts

For the half-year ended 31 December 2015

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 15 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 2015 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
23 February 2016



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 2015, 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 2015 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

Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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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 2015 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
23 February 2016

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