

# Globe International Limited

ABN 65 007 066 033

## Appendix 4D

### Half-Year Report for the period ended 31 Dec 2011

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 2011

Results for Announcement to the Market

	Half-year 2011 \$'000	Half-year 2010 \$'000	Movement \$'000	Movement %
Net sales	42,267	45,869	(3,602)	(7.9%)
Revenue from ordinary activities	42,690	46,402	(3,712)	(8.0%)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,500	1,881	(381)	(20.3%)
Net profit / (loss) after tax attributable to members	761	924	(163)	(17.6%)

Dividends / Distributions	Amount per security	Franked amount per security
Interim dividend	Nil	Nil

Record date for determining entitlements to the dividend

N/A

NTA Backing	Current Period	Previous Period 30 June 2011
Net tangible asset backing per ordinary security	\$0.66	\$0.68

### 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 2011.

## 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 recorded a net profit after tax (NPAT) of \$0.8 million for the half-year ended 31 December 2011, which is marginally lower than the NPAT reported (\$0.9 million) in the prior corresponding 6 month period ended December 2010.

The Group generated \$1.5 million of earnings before interest, tax, depreciation and amortisation (EBITDA), which includes net \$1.0 million in other income relating to proceeds from the settlement of a legal case. This compares to the EBITDA profit of \$1.8 million earned in the prior corresponding half-year. The underlying profitability of the group versus the prior corresponding period is most significantly affected by downward pressure on gross margins as a consequence of changes in sales mix.

Reported net sales for the half-year of \$42.3 million were 8% below the same time last year, largely due to the strengthening of the Australian dollar. In constant currency terms net sales were flat on the prior corresponding period. The European division continues to be a stand-out performer for the group as it grows market share despite difficult macroeconomic conditions. The Australian business is maintaining sales levels in a tough market, and sales in the North American business were down versus the prior corresponding period in single digit percentage terms after a period of solid growth in the 2011 financial year.

On 31 December 2011, the Group had available cash reserves of \$8.9 million (June 2011: \$12.3 million), and available financing facilities of \$3.9 million (June 2011: \$3.4 million). The utilisation of cash during the half-year is principally a result of the \$2.1m dividend paid on 30 September 2011, as well as \$1.2 million of cash used in operating activities during the half-year - mainly to fund working capital requirements largely of a seasonal nature.

Regarding the outlook for the second half of this financial year, while there are some promising signs for the business, the performance for the next six to twelve months remains difficult to predict given uncertainty in markets. We anticipate continued stability for the Group and expect profitability to be largely consistent with the first half, excluding the settlement proceeds.

## MATTERS SUBSEQUENT TO THE END OF THE HALF YEAR

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

## DIVIDENDS

A final dividend for the year ended 30 June 2011 of 5c per fully paid ordinary share (2010: 5 cents) was paid to members during the half year. The aggregate amount of dividend, which was paid on 30 September 2011 out of profits earned in the year ended 30 June 2011, was \$2.1 million (2010: \$2.1 million). The dividend was fully franked based on tax paid at 30%, based on the directors' assessment that the dividend was eligible to be franked. On 1 September 2011, the directors announced that there may be some uncertainty as to whether this dividend was frankable, due to the Commissioner's view as expressed in the Australian Tax Office's ("ATO") Draft Fact Sheet, issued in June 2011. However, subsequent to this in December 2011, the Commissioner has presented a revised position in a Draft Tax Ruling (TR 2011/D8). Based on this Draft Tax Ruling, the directors believe that there is no longer any uncertainty that the 2011 final dividend was appropriately franked.

The directors do not recommend the payment of an interim dividend for the half year ended 31 December 2011.

# GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

## Directors' Report

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5 and forms part of the Directors' Report for the half-year ended 31 December 2011.

### 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.



.....  
Paul Isherwood AO  
Chairman

Melbourne  
23 February 2012



## **Auditor's Independence Declaration**

As lead auditor for the review of Globe International Limited for the half year ended 31 December 2011, 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 blue ink that reads 'Lisa Harker'.

Lisa Harker  
Partner  
PricewaterhouseCoopers

Melbourne  
23 February 2012

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# GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

## Consolidated income statement

For the half-year ended 31 December 2011

	Notes	Half-year	
		2011 \$'000	2010 \$'000
<b>Revenue from continuing operations</b>		<b>42,690</b>	<b>46,402</b>
Other income		1,125	218
Changes in inventories of finished goods and work in progress		2,057	1,234
Inventories purchased		(25,329)	(25,985)
Employee benefits expense		(7,091)	(7,051)
Depreciation and amortisation expense		(580)	(615)
Impairment of intangible assets	(3)	-	(95)
Finance costs		(4)	(9)
Selling, distribution and administrative expenses		(11,896)	(12,808)
Profit / (loss) before related income tax expense	(3)	972	1,291
Income tax (expense) / benefit	(3)	(211)	(367)
<b>Profit / (loss) for the half year attributable to members of Globe International Limited</b>		<b>761</b>	<b>924</b>

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

Basic EPS	1.84 cents	2.23 cents
Diluted EPS	1.84 cents	2.23 cents

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 2011

	Half-year	
	2011	2010
	\$'000	\$'000
<b>Profit / (loss) for the half year attributable to members of Globe International Limited</b>	<b>761</b>	<b>924</b>
<b>Other comprehensive income / (expense)</b>		
Changes in fair value of cash flow hedges	171	(397)
Exchange differences on translation of foreign operations	214	(3,305)
Income tax relating to components of other comprehensive income	(106)	722
Other comprehensive income / (expense) for the half year, net of tax	<u>279</u>	<u>(2,980)</u>
<b>Total comprehensive income / (expense) for the half year</b>	<b><u>1,040</u></b>	<b><u>(2,056)</u></b>

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 2011

	Dec 2011 \$'000	June 2011 \$'000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	8,856	12,320
Trade and other receivables	13,520	12,208
Inventories	14,605	12,587
Prepayments	637	676
Derivative financial instruments	10	-
Current tax assets	-	440
<b>Total current assets</b>	<u>37,628</u>	<u>38,231</u>
<b>Non current assets</b>		
Property, plant and equipment	1,781	1,832
Other financial assets	1,353	1,280
Intangible assets	18,704	18,848
Deferred tax assets	3,481	3,314
<b>Total non current assets</b>	<u>25,319</u>	<u>25,274</u>
<b>Total assets</b>	<u>62,947</u>	<u>63,505</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	11,710	11,455
Derivative financial instruments	-	160
Current tax liabilities	8	-
Provisions	1,022	959
<b>Total current liabilities</b>	<u>12,740</u>	<u>12,574</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	3,730	3,444
Provisions	435	414
Other	178	176
<b>Total non-current liabilities</b>	<u>4,343</u>	<u>4,034</u>
<b>Total liabilities</b>	<u>17,083</u>	<u>16,608</u>
<b>NET ASSETS</b>	<u>45,864</u>	<u>46,897</u>
<b>Equity</b>		
Contributed equity	144,223	144,223
Treasury Shares	(487)	(487)
Reserves	(9,759)	(10,038)
Retained profits/(losses)	(88,113)	(86,801)
<b>Total equity</b>	<u>45,864</u>	<u>46,897</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 2011

	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
<b>Balance as at 1 July 2010</b>	144,223	(487)	323	77	(7,221)	(85,817)	<b>51,098</b>
Total comprehensive income / (expense) for the year	-	-	-	(279)	(2,701)	924	<b>(2,056)</b>
<i>Transactions with owners in their capacity as owners:</i>							
Dividends paid	-	-	-	-	-	(2,073)	<b>(2,073)</b>
<b>Balance as at 31 Dec 2010</b>	<b>144,223</b>	<b>(487)</b>	<b>323</b>	<b>(202)</b>	<b>(9,922)</b>	<b>(86,966)</b>	<b>46,969</b>
<b>Balance at 1 July 2011</b>	144,223	(487)	323	(111)	(10,250)	(86,801)	<b>46,897</b>
Total comprehensive income / (expense) for the year	-	-	-	118	161	761	<b>1,040</b>
<i>Transactions with owners in their capacity as owners:</i>							
Dividends paid	-	-	-	-	-	(2,073)	<b>(2,073)</b>
<b>Balance at 31 Dec 2011</b>	<b>144,223</b>	<b>(487)</b>	<b>323</b>	<b>7</b>	<b>(10,089)</b>	<b>(88,113)</b>	<b>45,864</b>

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 2011

	Half-year	
	2011	2010
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	42,415	46,723
Payments to suppliers and employees (inclusive of goods and services tax)	(43,891)	(45,711)
Interest received	57	128
Interest and other costs of finance paid	(4)	(9)
Income taxes received / (paid)	184	(76)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>(1,239)</b>	<b>1,055</b>
<b>Cash flows from investing activities</b>		
Payment for property, plant and equipment	(320)	(307)
<b>Net cash inflow / (outflow) from investing activities</b>	<b>(320)</b>	<b>(307)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(2,073)	(2,073)
Cash removed from / (placed on) restricted deposit with banks as security	-	139
<b>Net cash inflow / (outflow) from financing activities</b>	<b>(2,073)</b>	<b>(1,934)</b>
<b>Net increase / (decrease) in cash held</b>	<b>(3,632)</b>	<b>(1,186)</b>
Cash and cash equivalents at the beginning of the half year	12,320	14,860
Effect of exchange rates on cash holding in foreign currencies - gain / (loss)	168	(1,231)
<b>Cash at the end of the reporting period</b>	<b>8,856</b>	<b>12,443</b>

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 2011

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose interim financial report for the half-year reporting period ended 31 December 2011 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 2011, 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.

#### 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 2011

NOTE 2. SEGMENT INFORMATION (cont'd)

(b) Segment Results

Half Year 2011	Australasia \$'000	North America \$'000	Europe \$'000	Unallocated (1) \$'000	Total \$'000
Total Segment Revenue	<u>13,645</u>	<u>21,375</u>	<u>7,613</u>	-	<u>42,633</u>
Segment Result (EBITDA)	1,534	1,324	448	(1,806)	1,500
Depreciation	(243)	(71)	(57)	-	(371)
Amortisation	<u>(74)</u>	<u>(128)</u>	<u>(7)</u>	-	<u>(209)</u>
Total Segment Result (EBIT)	<u>1,217</u>	<u>1,125</u>	<u>384</u>	<u>(1,806)</u>	<u>920</u>
				Net Interest (expense) / Income	<u>52</u>
				Operating profit before tax	972
				Income tax (expense) / benefit	<u>(211)</u>
				Net profit / (loss) after tax	<u>761</u>

Half Year 2010	Australasia \$'000	North America \$'000	Europe \$'000	Unallocated (1) \$'000	Total \$'000
Total Segment Revenue	<u>13,377</u>	<u>25,939</u>	<u>6,958</u>	-	<u>46,274</u>
Segment Result (EBITDA)	1,610	1,663	127	(1,519)	1,881
Depreciation	(233)	(93)	(41)	-	(367)
Amortisation	(74)	(166)	(8)	-	(248)
Impairment	<u>(95)</u>	-	-	-	<u>(95)</u>
Total Segment Result (EBIT)	<u>1,208</u>	<u>1,404</u>	<u>78</u>	<u>(1,519)</u>	<u>1,171</u>
				Net Interest (expense) / Income	<u>120</u>
				Operating profit before tax	1,291
				Income tax (expense) / benefit	<u>(367)</u>
				Net profit / (loss) after tax	<u>924</u>

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

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the accounts

For the half-year ended 31 December 2011

NOTE 3. PROFIT / (LOSS) FOR THE HALF-YEAR

	Half Year	
	2011	2010
	\$'000	\$'000
Profit / (loss) for the half-year includes the following expenses that are unusual because of their nature, size or incidence:		
<i>Impacts on profit before tax:</i>		
Impairment of intangible assets	-	(95)
Total significant items – profit before tax	-	(95)
<i>Impacts on income tax expense:</i>		
Tax effect of significant items	-	29
Total significant items - income tax expense	-	29
Net impact of significant items on half-year profit / (loss)	-	(66)

NOTE 4. FINANCING FACILITIES

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

	Dec	June
	2011	2011
	\$'000	\$'000
Secured receivables financing facilities		
- amount used	-	776
- amount unused	3,926	2,592
	3,926	3,368
Secured multi-option borrowing facilities		
- amount used	-	-
- amount unused	127	135
	127	135
Bank guarantee facilities		
-amount used	311	302
-amount unused	-	-
	311	302

NOTE 5. DIVIDENDS

During the half-year a final dividend (of 5 cents per fully paid ordinary share) was recognised relating to the year ended 30 June 2011 (2010: 5 cents). The aggregate amount of the dividend paid was \$2.1 million (2010: \$2.1 million). The dividend was fully franked based on tax paid at 30%, and was paid on 30 September 2011.

In respect of the half-year ended 31 December 2011, the directors have resolved that no interim dividend will be paid.

NOTE 6. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

NOTE 7. CONTINGENCIES

There are no contingent assets or liabilities.

## 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 2011 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.



.....  
Paul Isherwood AO  
Chairman

Melbourne  
23 February 2012



## **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, which comprises the balance sheet as at 31 December 2011, and the income statement, the 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 (the consolidated entity). The consolidated entity comprises both Globe International Limited 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 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 2011 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 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

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

Lisa Harker  
Partner

Melbourne  
23 February 2012

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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