

# **Globe International Limited**

ABN 65 007 066 033

## **Appendix 4E**

### **Preliminary Final Report - Year ended 30 June 2004**

Lodged with the ASX under Listing Rule 4.3A

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**Globe International Limited**  
**Appendix 4E**  
**Preliminary Final Report-**  
**Year ended 30 June 2004**

**Results for Announcement to the Market**

				\$'000
<b>Revenue</b> from ordinary activities	Down	9.4%	to	187,593
<b>Profit/(loss)</b> from ordinary activities after tax attributable to members	Up	939.6%	to	7,110
<b>Net profit/(loss)</b> for the year attributable to members	Up	939.6%	to	7,110

<b>Dividends/distributions</b>	Amount per security	Franked amount per security
Final dividend	1 cent	1 cent
Interim dividend	Nil	Nil

**Record date** for determining entitlements to the dividend

<b>NTA Backing</b>	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	17.9c	15.5c

**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 Globe International Limited ("the Company") and its controlled entities (collectively "Globe") for the year ended 30 June 2004.

#### DIRECTORS

The name and position of each director of the Company in office during the whole of the financial year and up to the date of this report.

Director	Age	Experience	Directors' interests in Ordinary Shares of GLB
Paul Isherwood FCA Non-Executive Chairman	65	Paul Isherwood was appointed to the Board of Directors in March 2001 and elected Chairman in March 2003. He is a former Partner and National Executive Chairman of Partners of Coopers & Lybrand, Chartered Accountants. Paul is also Chairman of Stadium Australia Management Limited, Munich Reinsurance Company of Australasia Limited and NM Rothschild Australia Holdings Pty Limited and is a director of St George Bank Limited. Paul is a member of the Audit & Risk Management committee.	1,200,000
Norman O'Bryan SC B.A.(Hons),LL.B.(Hons), BCL(Oxon.) Non-Executive Director	46	Norman O'Bryan was appointed to the Board of Directors in July 2002. He is a Senior Counsel at the Victorian Bar, President of the Baker Heart Research Institute and a Rhodes Scholar. Norman has written extensively on securities legislation in Australia and between 2001 and 2003, was Senior Counsel Assisting the HIH Royal Commission. Norman is Chairman of the Company's Audit and Risk Management committee.	1,406,750
Philip Brass B Comm. Non-Executive Director	56	Philip Brass was appointed to the Board of Directors in May 2003. He is the former Chairman of NM Rothschild Australia Holdings Pty Limited and various Rothschild group companies. He is Chairman of UCMS Pty Ltd. Mr. Brass was the Managing Director of Pacific Dunlop Limited (88-96) and has extensive experience and expertise in the Australian retail and consumer goods industry. He is an active member of a number of Australian and international industry and professional associations and has represented Australia at APEC Business Forums. He is also a past Chairman of the International Business Leaders' Advisory Council for the Mayor of Shanghai and from 1998, returns annually to Shanghai as an honorary council member. Philip is a member of the Company's Audit and Risk Management committee.	1,800,000
Stephen Hill Executive Director	42	Stephen Hill co-founded Globe in 1984, remains a major shareholder in the business, and has extensive expertise in the development of growth initiatives and market positioning strategies for the Company. Stephen is a former champion skateboarder and remains an active participant.	121,312,810
Peter Hill Executive Director	40	Peter Hill co-founded Globe in 1984 and maintains a significant shareholding in the business. He is a major contributor to the strategic market direction and brand development of the business. Peter is a former skateboarding champion and maintains an extensive interest in extreme action sports.	121,312,810

## **GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES**

### **Directors' Report**

#### **PRINCIPAL ACTIVITIES**

The principal activities of the economic entity during the financial year were the design, development and distribution of youth fashion apparel, footwear and skate equipment for the "Action Sports" market under both proprietary brands and other licensed and distributed brands.

No significant change in the nature of those activities has occurred during the period, other than by the acquisition of complementary entities and businesses referred to herein.

#### **CHANGES IN STATE OF AFFAIRS**

No changes in the state of affairs of Globe have occurred, other than those referred to under post balance date events below.

#### **POST BALANCE DATE EVENTS**

There are no post balance date events.

#### **DIVIDENDS**

A final dividend of \$4,146,378 was declared on 25 August 2004 and is payable on 27 September 2004, to those shareholders who are registered on 15 September 2004.

#### **SUMMARY OF OPERATIONS**

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

#### **FUTURE DEVELOPMENTS**

No further commentary on future developments is included in this report as the directors are of the opinion that such commentary would likely result in unreasonable prejudice to the economic entity.

**GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES**

**Directors' Report**

**MEETINGS OF DIRECTORS**

Details of attendances by directors at board meetings and committees of the board during the financial year were as follows:

	Board Meetings		Audit and Risk Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Paul Isherwood	9	9	5	5
Peter Hill	9	9	*	*
Stephen Hill	9	9	*	*
Norman O'Bryan	9	9	5	5
Philip Brass	9	9	5	5

\* Not a member of relevant committee.

**REMUNERATION REPORT**

Please refer to Note 26 on page 29 of the accompanying Financial Statements for further information.

Details of the nature and amount of each element of remuneration for each director of the Company and each of the 5 officers of the Company and of the consolidated entity receiving the highest emoluments for the year ended 30 June 2004 are set out in the following tables.

**DIRECTORS OF GLOBE INTERNATIONAL LIMITED**

Name	Primary	Post-employment	Total
	Cash Salary & fees \$	Super-annuation \$	
Paul Isherwood	120,000	12,800	132,800
Norman O'Bryan	34,400	36,450	70,850
Philip Brass	60,000	-	60,000
Peter Hill	-	-	-
Stephen Hill	-	-	-
<b>Total</b>	<b>214,400</b>	<b>49,250</b>	<b>263,650</b>

**TOP 5 REMUNERATED EXECUTIVES OF GLOBE INTERNATIONAL LIMITED (PARENT ENTITY)**

Name	Primary		Post-employment	Equity	Total \$
	Cash salary & fees \$	Cash bonus \$	Super-annuation \$	Performance Rights \$	
Michael Sonand	378,811	-	43,707	66,667	489,185
Stephen Kelly	233,974	-	21,058	33,333	288,365
Francis Truscott	150,030	50,000	12,202	26,667	238,899
Matthew Wong	200,000	-	11,002	26,667	237,669
Noel Forsyth	144,240	22,500	16,762	-	187,252
<b>Total</b>	<b>1,107,055</b>	<b>72,500</b>	<b>104,731</b>	<b>153,334</b>	<b>1,437,620</b>

**GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES**

**Directors' Report**

**TOP 5 REMUNERATED EXECUTIVES OF THE CONSOLIDATED ENTITY**

Name	Primary		Post-employment	Equity	Total \$
	Cash salary & fees \$	Cash bonus \$	Super-annuation \$	Performance Rights \$	
Michael Sonand	378,811	-	43,707	66,667	489,185
Rodney Mullen (1)	399,576	133,641	-	-	533,217
Gary Valentine (1)	390,636	7,021	-	26,667	424,324
Marc McKee (1)	279,775	116,020	-	-	395,795
John Sherwood (1)	369,330	-	-	-	369,330
<b>Total</b>	<b>1,818,128</b>	<b>256,682</b>	<b>43,707</b>	<b>93,334</b>	<b>2,211,851</b>

(1) US based executives

**ENVIRONMENTAL REGULATIONS**

The economic entity is not subject to particular or significant environmental regulation in respect of its activities.

**INSURANCE OF OFFICERS**

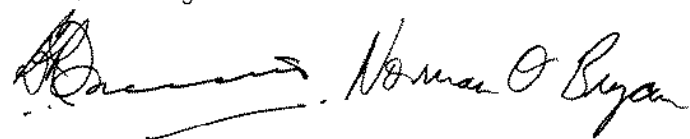
During the financial year, Globe International Limited paid a premium of \$52,723 to insure the directors, secretary and senior management of the Company.

The liabilities insured include legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company and its controlled entities, but not in respect of obligations owed to the Company, or if they are found liable in such proceedings.

Signed in accordance with a resolution of the board of directors.

Melbourne

Dated this 25<sup>th</sup> August 2004



Paul Isherwood  
Chairman

Norman O'Bryan  
Director

**GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES**

**Statements of Financial Performance**

For the year ended 30 June 2004

	Notes	Consolidated		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from ordinary activities	2	187,593	207,083	88,098	84,262
Changes in inventories of finished goods and work in progress		1,736	(13,967)	715	(3,941)
Materials and consumables used		(93,351)	(100,801)	(44,054)	(35,860)
Employee benefits expense		(22,605)	(31,150)	(11,764)	(10,938)
Depreciation and amortisation expense	3	(7,166)	(60,009)	(1,051)	(1,098)
Borrowing costs expense	3	(1,185)	(2,357)	(1)	(30)
Selling, general and administrative expenses		(52,991)	(63,616)	(22,180)	(33,240)
<b>Profit/(loss) from ordinary activities before income tax expense</b>		12,031	(64,817)	9,762	(845)
Income tax (expense) / benefit relating to ordinary activities	4	(4,754)	5,118	(2,806)	392
<b>Profit/(loss) from ordinary activities after related income tax expense</b>		7,277	(59,699)	6,956	(453)
Net profit attributable to outside equity interests		(167)	-	-	-
<b>Net profit/(loss) attributable to members of Globe International Limited</b>	5	7,110	(59,699)	6,956	(453)
Net exchange difference on translation of financial report of self-sustaining foreign operations	6	38	(5,130)	9,022	(8,938)
<b>Total revenues, expenses and valuation adjustments attributable to members of Globe International Limited recognised directly in equity</b>		38	(5,130)	9,022	(8,938)
<b>Total changes in equity attributable to members of Globe International Limited other than those resulting from transactions with owners as owners</b>	7	7,148	(64,829)	15,978	(9,391)
<b>Basic Earnings Per Share (cents per share)</b>	8	1.7	(14.4)	-	-
<b>Diluted Earnings Per Share (cents per share)</b>	8	1.7	(14.4)	-	-

The above statements of financial performance should be read in conjunction with the accompanying notes.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Statements of Financial Position

As at 30 June 2004

	Notes	Consolidated		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Current assets</b>					
Cash	9	31,404	26,422	15,370	12,680
Receivables	10	34,008	27,640	18,423	15,703
Inventories	11	22,469	20,733	9,919	9,204
Other	17	6,129	6,225	2,473	4,185
<b>Total current assets</b>		<b>94,010</b>	<b>81,020</b>	<b>46,185</b>	<b>41,772</b>
<b>Non current assets</b>					
Receivables	10	-	-	64,573	53,084
Property, plant and equipment	12	7,453	7,775	3,839	3,707
Investments	13	954	502	80,238	80,300
Intangible assets	15	69,403	71,799	3,523	658
Deferred tax assets	16	7,137	8,652	885	1,326
Other	17	6	519	-	-
<b>Total non current assets</b>		<b>84,953</b>	<b>89,247</b>	<b>153,058</b>	<b>139,075</b>
<b>Total assets</b>		<b>178,963</b>	<b>170,267</b>	<b>199,243</b>	<b>180,847</b>
<b>Current liabilities</b>					
Accounts payable	18	17,581	10,587	6,236	4,385
Interest bearing liabilities	19	6,544	8,851	-	-
Current tax liabilities	20	1,661	3	-	-
Provisions	27	1,104	974	1,038	914
<b>Total current liabilities</b>		<b>26,890</b>	<b>20,415</b>	<b>7,274</b>	<b>5,299</b>
<b>Non current liabilities</b>					
Interest bearing liabilities	19	7,617	12,840	-	-
Deferred tax liabilities	20	507	528	429	136
Provisions	27	384	334	384	334
<b>Total non current liabilities</b>		<b>8,508</b>	<b>13,702</b>	<b>813</b>	<b>470</b>
<b>Total liabilities</b>		<b>35,398</b>	<b>34,117</b>	<b>8,087</b>	<b>5,769</b>
<b>Net assets</b>		<b>143,565</b>	<b>136,150</b>	<b>191,156</b>	<b>175,078</b>
<b>Equity</b>					
Contributed equity	21	184,167	184,067	184,167	184,067
Reserves	6	(5,867)	(5,905)	-	(9,022)
Retained profits/(losses)	5	(34,902)	(42,012)	6,989	33
Outside equity interest	22	167	-	-	-
<b>Total equity</b>	7	<b>143,565</b>	<b>136,150</b>	<b>191,156</b>	<b>175,078</b>

The above statements of financial position should be read in conjunction with the accompanying notes

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Statements of Cash Flows

For the year ended 30 June 2004

	Notes	Consolidated		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers		190,738	241,784	94,597	94,296
Payments to suppliers and employees		(170,655)	(203,888)	(83,785)	(81,579)
Interest received		581	548	490	788
Interest and other costs of finance paid		(1,185)	(1,924)	(1)	(30)
Income taxes paid		(2,012)	(12,087)	(467)	(6,384)
<b>Net cash provided by operating activities</b>	30 (a)	<u>17,467</u>	<u>24,433</u>	<u>10,834</u>	<u>7,091</u>
<b>Cash flows from investing activities</b>					
Payment for property, plant and equipment	12	(2,352)	(5,286)	(1,206)	(765)
Payment for investments		-	(538)	-	-
Proceeds on disposal of fixed assets	2	43	-	14	-
Payment for acquisition of controlled entity net of cash acquired	14	(1,652)	(52,135)	(1,652)	(52,135)
Payment for trademarks and other intangibles		(256)	-	(156)	-
<b>Net cash used in investing activities</b>		<u>(4,217)</u>	<u>(57,959)</u>	<u>(3,000)</u>	<u>(52,900)</u>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		-	-	-	-
Repayment of borrowings		(7,820)	(9,810)	-	(909)
Net advances to controlled entities		-	-	(5,144)	(1,209)
Dividends paid (including pre-acquisition to minorities in controlled entities)		-	(10,352)	-	(10,352)
Proceeds from share issue		-	80,367	-	80,367
Cost of share issue, prospectus and initial listing		-	(2,352)	-	(2,352)
<b>Net cash provided by (used in) financing activities</b>		<u>(7,820)</u>	<u>57,853</u>	<u>(5,144)</u>	<u>65,545</u>
<b>Net increase in cash held</b>		5,430	24,327	2,690	19,736
<b>Cash at beginning of the financial year</b>		26,422	4,141	12,680	(7,056)
Effect of exchange rates on cash holdings in foreign currencies		(448)	(2,046)	-	-
<b>Cash at the end of the financial year</b>	9	<u>31,404</u>	<u>26,422</u>	<u>15,370</u>	<u>12,680</u>

The above statements 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 year ended 30 June 2004

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

The financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on an accrual basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

Information about how the transition to Australian equivalents to IFRS is being managed, and the key differences in accounting policies that are expected to arise, is set out in note 1(r).

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report.

##### (a) Principles of Consolidation

The consolidated accounts comprise the accounts of Globe International Limited ("Parent Entity") a company limited by shares, domiciled and incorporated in Australia, and all of its controlled entities. A controlled entity is any entity controlled by Globe International Limited. Control exists where Globe International Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Globe International Limited to achieve the objectives of Globe International Limited. A list of controlled entities is contained in Note 14 to the financial statements.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

##### (b) Income Tax

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense shown in the profit and loss account is based on the operating profit before income tax adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit before income tax and taxable income, are brought to account as either a provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits arising from timing differences are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits arising from tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the expectation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

## GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

### Notes to the Accounts

For the year ended 30 June 2004

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *Tax consolidation legislation*

Globe International Limited and its wholly owned Australian controlled entities have decided to implement tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has not yet been notified of this decision.

As a consequence, Globe International Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

##### **(c) Foreign currency transactions and balances**

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. The gains or losses arising from conversion of short-term assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities before income tax.

Hedging is undertaken in order to minimise possible adverse financial effects of movements in exchange rates on specific purchases of goods and services. Gains or costs arising upon entry into hedging transactions, together with subsequent exchange gains or losses resulting from those transactions are deferred to the date of the purchase and included in the measurement of the purchase.

The assets and liabilities of overseas controlled entities, which are self-sustaining, are translated into Australian currency at rates of exchange current at balance date, while its' revenues and expenses are translated at average exchange rates during the year. Exchange differences arising on translation are taken directly to foreign currency translation reserve.

##### **(d) Acquisitions of assets**

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Goodwill is brought to account on the basis described in Note 1 (j).

##### **(e) Revenue recognition**

Amounts disclosed as revenue are net of returns, trade allowances, goods and services tax (GST) and other taxes paid.

Revenue from a sale is recorded when goods have been despatched to a customer pursuant to a sales order and the associated risks have passed to the carrier or customer.

Royalties are recognised in the period in which underlying sales are made by the licensee.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

##### **(f) Inventories**

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct material, direct labour and an appropriate proportion variable and fixed overhead expenditure, the latter being allocated on the basis of

**GLOBE INTERNATIONAL LIMITED**

**Notes to the Accounts**

**For the year ended 30 June 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

normal operating expenditure. Costs are assigned to inventory based on standard costs which closely approximate actual costs.

**(g) Property, plant and equipment**

Property, plant and equipment are carried at cost less accumulated depreciation or amortisation. Depreciation is calculated to write off the cost of each item over its expected useful life to the economic entity. The carrying amount of each item of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the employment of the asset in the normal course of business and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The expected useful lives for each class of depreciable assets are:

<u>Class of Asset</u>	<u>Useful Life</u>
Leasehold Improvements	Period of Lease
Motor Vehicles	7 years
Plant & Equipment	4-13 years
Office Equipment, Furniture and Fittings	4-15 years
Leased Assets	3-5 years

**(h) Investments**

Non-current investments are brought to account at cost or at directors' valuation. The carrying amount of each investment is reviewed annually by directors to ensure that it is not in excess of the recoverable amount. The recoverable amount is assessed from the investment's current market value or the underlying net assets in the particular entities. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

**(i) Leases**

Finance leases are capitalised at the present value of the minimum lease payments. A corresponding lease liability is also established and each lease payment is allocated between the liability and the finance charges.

The leased asset is amortised on a straight line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. Leased assets held at the reporting date are being amortised over periods ranging from 3 – 5 years.

Operating lease payments are expensed as incurred.

**(j) Intangible assets**

***Goodwill***

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over the period during which the benefits are expected to arise, subject to a maximum of 20 years.

The directors have a policy of regularly reviewing the carrying value of goodwill and to the extent the value exceeds the recoverable amount, the decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the write-down occurs.

## GLOBE INTERNATIONAL LIMITED

### Notes to the Accounts

For the year ended 30 June 2004

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (j) Intangible assets (continued)

###### **Trademarks, licences and other intellectual property.**

Trademarks and licences are brought to account at purchased cost or fair value as determined in accordance with Note 1(d), when the consideration is non-monetary. Trademarks & licences are amortised on a straight line basis over their expected useful life, presently between 10 to 20 years.

Expenditure incurred in maintaining trademarks, developing, maintaining or enhancing trade names, copyright and other intellectual property including technical know how, patents and registered designs, is written off against operating profit in the period in which it is incurred.

The directors have a policy of regularly reviewing the carrying value of each trademark and licence and to the extent the value exceeds the recoverable amount, the decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the write-down occurs.

##### (k) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred and include interest on bank overdrafts and short term and long term borrowings.

##### (l) Employee Benefits

###### **Wages, salaries and annual leave**

Provision is made for the economic entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liabilities are settled. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

###### **Superannuation**

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

###### **Long Service Leave**

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits at the amounts expected to be paid when the liabilities are settled. Amounts expected to be settled after one year have been measured at the present value of the estimated future cash flows. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

###### **Employee benefits on-costs**

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefit to which they relate are recognised as liabilities.

###### **Equity-based compensation benefits**

Equity based compensation benefits are provided to employees via the Globe Employee Share Plan, Option Plan and Executive Long Term Incentive Plan. Information relating to these plans is set out in note 27.

No accounting entries are made in relation to the Globe Employee Option plan until the options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. There are no amounts recognised in the remuneration of executive's note 26 due to the remote probability of exercise due to the low share price relative to the exercise price.

The cost of shares purchased on market and then transferred to employees for no cash consideration under the employee share plan is recognised as a liability and as part of employee benefit costs when the employee become entitled to the shares.

## GLOBE INTERNATIONAL LIMITED

### Notes to the Accounts

#### For the year ended 30 June 2004

The cost of shares purchased on market to deliver against the Performance Rights under the Executive Long term Incentive Plan are expensed in three equal instalments over a three year period to match the vesting of the Performance Rights.

#### (m) Cash

For the purpose of the statement of cash flows, cash includes:

- cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- investments in money market instruments with less than 30 days to maturity.

#### (n) Earnings per share

##### Basic earnings per share

Basic earnings per share is determined by dividing the operating profit after income tax by the weighted average number of ordinary shares outstanding during the financial year.

##### Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### (o) Rounding of amounts

The parent entity has applied relief available under ASIC Class Order 98/100 and accordingly, amounts in the financial report have been rounded off to the nearest \$1,000.

#### (p) Comparative figures

Where required by accounting standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

#### (q) Web site Costs

Costs in relation to the development and maintenance of web sites are charged as expenses in the period in which they are incurred.

#### (r) International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee.

## GLOBE INTERNATIONAL LIMITED

### Notes to the Accounts

#### For the year ended 30 June 2004

The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained losses as at 1 July 2004.

The consolidated entity has established a project team to manage the transition to Australian equivalents to IFRS, including training of staff and system and internal control changes necessary to gather all the required information. The project team is chaired by the Chief Financial Officer and reports to the audit committee. To date the project team has analysed most of the Australian equivalents to IFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available and some of these choices are still being analysed to determine the most appropriate accounting policy for the consolidated entity.

The major changes identified to the consolidated entity's existing accounting policies to date, include the following:

(i) *Income tax*

Under the Australian equivalent to IAS 12 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

(ii) *Intangible assets – goodwill*

Under the Australian equivalent to IFRS 3 *Business Combinations*, amortisation of goodwill will be prohibited, and will be replaced by an annual impairment test focusing on discounted future cash flows associated with the related cash generating unit.

This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise and not exceeding 20 years.

(iii) *Financial Instruments*

Under the Australian equivalent to IAS 39 *Financial Instruments: Recognition and Measurement* there will be changes as a result of:

- Foreign exchange contracts held for hedging purposes being accounted for as cash flow hedges. Changes in the fair value of those contracts will be recognised directly in the profit and loss account until the hedged transaction occurs, in which case the amounts recognised in the profit and loss account will be included in the initial cost of the assets acquired. Currently, the costs or gains arising under contracts together with any realised or unrealised gains from measurement are included in assets or liabilities as deferred losses or deferred gains.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been fully reviewed yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the consolidated entity's financial position and reported results.

**GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES**

**Notes to the Accounts**

For the year ended 30 June 2004

**NOTE 2. REVENUE**

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Revenue from operating activities</b>				
Net sales	184,220	204,548	85,505	78,784
Royalty income	1,507	1,447	338	1,934
	<u>185,727</u>	<u>205,995</u>	<u>85,843</u>	<u>80,718</u>
<b>Revenue from outside the operating activities</b>				
Exchange gains net	740	-	1,285	-
Interest income (i)	581	548	490	788
Proceeds on disposal of fixed assets	43	-	14	-
Other income	502	540	466	2,756
	<u>1,866</u>	<u>1,088</u>	<u>2,255</u>	<u>3,544</u>
Total revenue from ordinary activities	<u>187,593</u>	<u>207,083</u>	<u>88,098</u>	<u>84,262</u>
(i) Interest received from:				
Related Entities	-	-	-	291
Other entities	581	548	490	497
Total interest income	<u>581</u>	<u>548</u>	<u>490</u>	<u>788</u>

**NOTE 3. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES**

Profit/(loss) from ordinary activities before income tax includes the following specific gains and expenses:-

**Gains**

Net gain on disposal of fixed assets	1	-	-	-
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**Expenses**

Cost of sales	95,782	115,418	43,340	41,802
Bad and doubtful debts	143	1,742	75	(45)
Provision for write down in Investment in Other to recoverable amount	(399)	412		

**Borrowing costs**

Interest & finance charges paid	1,185	2,357	1	30
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**Depreciation**

Leasehold improvements	1,074	1,347	206	50
Motor vehicles	50	80	24	24
Plant & equipment	340	370	89	104
Office equipment, furniture and fittings	1,116	2,197	732	920
Total Depreciation	<u>2,580</u>	<u>3,994</u>	<u>1,051</u>	<u>1,098</u>

Write down of inventory to net realisable value	959	3,886	91	1,345
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Net loss on disposal of fixed assets	-	2,212	9	40
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**Amortisation**

Goodwill	2,430	35,592	-	-
Trademarks	1,724	19,893	-	-
Licences	432	530	-	-
Total Amortisation	<u>4,586</u>	<u>56,015</u>	<u>-</u>	<u>-</u>

**Operating lease expenses**

Rent for premises	3,785	4,279	2,233	1,698
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**Remuneration of the auditors of the holding company (in whole dollars)**

	2004 \$	2003 \$	2004 \$	2003 \$
- Audit of the holding company	195,000	255,000	195,000	255,000
- Audit of controlled entities	99,627	20,000	-	-
- Other services	170,333	23,000	150,235	23,000
	<u>464,960</u>	<u>298,000</u>	<u>345,235</u>	<u>278,000</u>

**Remuneration of other auditors**

- Audit of controlled entities	-	275,000	-	-
	<u>-</u>	<u>275,000</u>	<u>-</u>	<u>-</u>

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2004

NOTE 4. INCOME TAX

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
The income tax expense for the financial year differs from the amount calculated on the profit / (loss). The differences are reconciled as follows:-				
Profit / (loss) from ordinary activities before income tax expense	12,031	(64,817)	9,762	(845)
Income tax calculated at 30%	3,610	(19,445)	2,928	(253)
<b>Tax effect of permanent differences:</b>				
Non deductible amortisation	997	16,025	-	-
Non allowable expenditures	19	67	19	6
Non assessable foreign currency translation	10	(30)	-	-
Deductible capital allowances	(145)	(145)	(145)	(145)
Other	-	(193)	-	-
(Over-provision) / under provision prior year	14	(8)	4	-
Differences in tax on overseas income	249	(1,389)	-	-
<b>Income tax expense/(benefit)</b>	<b>4,754</b>	<b>(5,118)</b>	<b>2,806</b>	<b>(392)</b>

NOTE 5. RETAINED PROFITS / (LOSSES)

	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Retained profits / (losses) at beginning of the financial year	(42,012)	17,687	33	486
Net profit / (loss) attributable to the members of the parent entity	7,110	(59,699)	6,956	(453)
Dividends provided for or paid	-	-	-	-
Retained profits/(losses) at the reporting date	<b>(34,902)</b>	<b>(42,012)</b>	<b>6,989</b>	<b>33</b>

NOTE 6. FOREIGN CURRENCY TRANSLATION RESERVE

	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Foreign currency translation reserve at beginning of the financial year	(5,905)	(775)	(9,022)	(84)
Increase / (decrease) recognised in statement of financial performance	38	(5,130)	9,022	(8,938)
Foreign currency translation reserve at the reporting date	<b>(5,867)</b>	<b>(5,905)</b>	<b>-</b>	<b>(9,022)</b>

**GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES**

**Notes to the Accounts**

For the year ended 30 June 2004

**NOTE 7. EQUITY**

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Total equity at the beginning of the financial year	136,150	118,159	175,078	101,649
Total changes in equity recognised in the statement of financial performance	7,148	(64,829)	15,978	(9,391)
Transactions with owners as owners:				
Contributions of equity	100	85,172	100	85,172
Payment of costs associated with owner's equity contributions	-	(2,352)	-	(2,352)
Total changes in outside equity interest	167	-	-	-
Total equity at the reporting date	<u>143,565</u>	<u>136,150</u>	<u>191,156</u>	<u>175,078</u>

**NOTE 8. EARNINGS PER SHARE**

	2004	2003
Earnings used in calculation of basic earnings per share (\$'000)	7,110	(59,699)
Basic earnings per share (cents per share)	1.7	(14.4)
The weighted average number of shares on issue during the year used in calculation of basic earnings per share	414,505,769	414,365,201
Earnings used in calculation of diluted earnings per share (\$'000)	7,110	(59,699)
Diluted earnings per share (cents per share)	1.7	(14.4)
The weighted average number of shares on issue during the year used in calculation of diluted earnings per share	414,505,769	414,365,201

**NOTE 9. CASH**

	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Cash at bank	25,332	20,125	9,298	6,383
Short dated bills of exchange	6,072	6,297	6,072	6,297
	<u>31,404</u>	<u>26,422</u>	<u>15,370</u>	<u>12,680</u>
Reconciliation of Cash				
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the balance sheet as follows:				
Cash	<u>31,404</u>	<u>26,422</u>	<u>15,370</u>	<u>12,680</u>

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2004

NOTE 10. RECEIVABLES

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Current</b>				
Trade debtors	34,083	27,676	16,820	15,456
Less: Provision for doubtful debts	(906)	(1,245)	(333)	(550)
	<u>33,177</u>	<u>26,431</u>	<u>16,487</u>	<u>14,906</u>
Other debtors	831	1,209	1,936	797
	<u>34,008</u>	<u>27,640</u>	<u>18,423</u>	<u>15,703</u>
<b>Non Current</b>				
Amounts receivable from:				
Controlled entities	-	-	64,573	53,084
	<u>-</u>	<u>-</u>	<u>64,573</u>	<u>53,084</u>

NOTE 11. INVENTORIES

Raw materials – at cost	2,324	2,725	-	464
Work in progress – at cost	682	525	574	525
Finished goods – at cost	13,281	8,836	4,546	2,568
Raw materials – at net realisable value	704	62	704	42
Finished goods – at net realisable value	5,478	8,585	4,095	5,605
	<u>22,469</u>	<u>20,733</u>	<u>9,919</u>	<u>9,204</u>

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

Leasehold improvements – at cost	6,323	5,471	2,074	1,835
Less: accumulated depreciation	(2,516)	(1,470)	(532)	(325)
	<u>3,807</u>	<u>4,001</u>	<u>1,542</u>	<u>1,510</u>
Motor vehicles – at cost	337	421	109	167
Less: accumulated depreciation	(216)	(229)	(41)	(75)
	<u>121</u>	<u>192</u>	<u>68</u>	<u>92</u>
Plant and equipment – at cost	2,656	2,483	710	684
Less: accumulated depreciation	(1,581)	(1,283)	(330)	(241)
	<u>1,075</u>	<u>1,200</u>	<u>380</u>	<u>443</u>
Office equipment, furniture & fittings	7,125	5,962	4,488	3,569
Less: accumulated depreciation	(4,675)	(3,580)	(2,639)	(1,907)
	<u>2,450</u>	<u>2,382</u>	<u>1,849</u>	<u>1,662</u>
<b>Total property, plant and equipment</b>	<u>7,453</u>	<u>7,775</u>	<u>3,839</u>	<u>3,707</u>

**GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES**

**Notes to the Accounts**

For the year ended 30 June 2004

**NOTE 12. PROPERTY, PLANT AND EQUIPMENT (continued)**

**Reconciliation of movement in carrying values**

Reconciliations of the carrying values of each class of property, plant and equipment at the beginning and end of the current financial year for the parent entity are as follows:

**PARENT COMPANY**

**FIXED ASSETS**

Reconciliation of movement in carrying values	Leasehold improvements \$'000	Motor Vehicles \$'000	Plant & equipment \$'000	Office Equipment, Furniture & Fittings \$'000	Total \$'000
Carrying value at the beginning of financial year	1,510	92	443	1,662	3,707
Additions	238	23	26	919	1,206
Depreciation	(206)	(24)	(89)	(732)	(1,051)
Disposal of fixed assets	-	(23)	-	-	(23)
<b>Carrying value at the reporting date</b>	<b>1,542</b>	<b>68</b>	<b>380</b>	<b>1,849</b>	<b>3,839</b>

Reconciliations of the carrying values of each class of property, plant and equipment at the beginning and end of the current financial year for the consolidated entity are as follows:

**CONSOLIDATED ENTITY - FIXED ASSETS**

Reconciliation of movement in carrying values	Leasehold improvements \$'000	Motor Vehicles \$'000	Plant & equipment \$'000	Office Equipment, Furniture & Fittings \$'000	Total \$'000
Carrying value at the beginning of financial year	4,001	192	1,200	2,382	7,775
Additions	954	23	169	1,206	2,352
Assets of entities acquired during the financial year	-	-	72	-	72
Foreign Currency Translation gain / (loss) on Fixed Assets of overseas subsidiaries	(74)	(4)	(26)	(20)	(124)
Depreciation	(1,074)	(50)	(340)	(1,116)	(2,580)
Disposal of fixed assets	-	(40)	-	(2)	(42)
<b>Carrying value at the reporting date</b>	<b>3,807</b>	<b>121</b>	<b>1,075</b>	<b>2,450</b>	<b>7,453</b>

**NOTE 13. INVESTMENTS**

Notes	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Shares in controlled entities (Note 14) at cost	-	-	80,234	80,258
Investment in other entities	950	910	-	38
Provision for write down to recoverable amount	-	(412)	-	-
Shares in other corporations - at cost	4	4	4	4
	<b>954</b>	<b>502</b>	<b>80,238</b>	<b>80,300</b>

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2004

NOTE 14. CONTROLLED ENTITIES

Name	Country	Ownership Interest	
		2004 %	2003 %
<b>Parent Entity:</b>			
Globe International Limited	Australia		
<b>Entities under the control of Globe International Ltd</b>			
Hardcore Enterprises Pty Ltd	Australia	100	100
<b>Entities under the control of Hardcore Enterprises Pty Ltd*</b>			
<i>(In 2003 all entities were under the control of Globe International Ltd)</i>			
Mooks Pty Ltd*	Australia	100	
Stussy Sista Pty Ltd.*	Australia	100	
Globe International Nominees Pty Ltd*	Australia	100	
Globe International (NZ) Ltd	New Zealand	100	
Stussy (Holdings) Pty Ltd*	Australia	100	
Globe Europe ApS	Denmark	100	
Osata Enterprises, Inc.	United States	100	
<b>Entities under the control of Stussy (Holdings) Pty Ltd</b>			
Stussy (Australia) Pty Ltd*	Australia	100	100
<b>Entities under the control of Globe Europe ApS</b>			
Globe Europe BV	Netherlands	100	100
Globe France SAS	France	100	-
<b>Entities under the control of Globe France SAS</b>			
Quattra SC	France	100	-
<b>Entities under the control of Quattra SC</b>			
Grind Distribution SARL	France	100	-
<b>Entities under the control of Osata Enterprises, Inc.</b>			
Kuglobe Australia Pty Ltd	Australia	100	100
Kuglobe, Inc.	United States	100	100
<b>Entities under the control of Kuglobe, Inc.</b>			
Kubic Marketing, Inc.	United States	100	100
<b>Entities under the control of Kubic Marketing, Inc.</b>			
Diaxis LLC	United States	100	100
Skateboard World Industries, Inc.	United States	100	100
<b>Entities under the control of Globe International Nominees Pty Ltd</b>			
World Brands Pty Ltd	Australia	50.1	-

\* Party to Deed of Cross Guarantee dated 29 June 2001 – relief from preparing financial statements obtained under ASIC Class Order 94/1418.

**GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES**

**Notes to the Accounts**

For the year ended 30 June 2004

**NOTE 14. CONTROLLED ENTITIES (continued)**

**Acquisition of Controlled Entities (2004)**

On 1 February 2004, the parent entity through its wholly owned subsidiary Globe France SAS acquired 100% of the issued ordinary voting shares of Quattra, an action board sports footwear and apparel distributor. The operating results of the new controlled entity and its' subsidiary, SARL Grind SAS, have been included in the consolidated statement of financial performance since the date of acquisition.

In the event that certain pre-determined gross profit targets are achieved by the controlled entity & its subsidiaries for the years ended 30 June 2005 - 30 June 2007, additional consideration will be payable to the vendors. As at the date of this report it is not possible to determine if any future payments will be made.

Details of the acquisition are as follows:

	<b>2004</b>
	<b>\$'000</b>
<b>Fair Value of Assets and Liabilities Acquired</b>	
Receivables	987
Inventories	1,327
Other Current Assets	247
Property, Plant & Equipment	72
Trade Creditors & Accruals	(1,129)
Income Taxes Payable	(137)
Bank Loan	(1,236)
Cash	196
<b>Net Assets Acquired</b>	<b>327</b>
<b>Goodwill on Consolidation</b>	<b>1,521</b>
<b>Cash Consideration</b>	<b>1,848</b>

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Outlay of cash to acquire controlled entity net of cash acquired</b>				
Cash consideration	1,848	52,135	1,848	52,135
<b>Less balances acquired</b>				
Cash	(196)	-	(196)	-
Outflow of cash	<u>1,652</u>	<u>52,135</u>	<u>1,652</u>	<u>52,135</u>

## GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

### Notes to the Accounts

For the year ended 30 June 2004

#### NOTE 14. CONTROLLED ENTITIES (continued)

##### Acquisition of Controlled Entities (2003)

On 2 July 2002 the parent entity acquired 100% of the issued shares of Kubic Marketing, Inc. The operating results of the newly controlled entity have been included in the consolidated statement of financial performance since the date of acquisition.

In the event that certain pre-determined EBITDA targets are reached by the controlled entity for the year ended 30 June 2004, additional consideration of US\$3.5m is payable to ex-kubic shareholders. Where the earnout is paid to key management, the earnout will be satisfied through the issue of Globe shares. At the date of this report no additional payments are anticipated.

Details of the acquisition are as follows:

	<b>2003</b>
	<b>\$'000</b>
<b>Purchase Consideration</b>	68,594
Less: Consideration satisfied by the issue of Globe Int'l Shares	(4,805)
Less: Deferred Notes Issued	(11,654)
	<hr/>
<b>Cash Consideration</b>	<b>52,135</b>
	<hr/>
<b>Fair Value of Assets and Liabilities Acquired</b>	
Receivables	9,177
Inventories	14,599
Prepaid Expenses	2,165
Other Current Assets	4,036
Deferred Income Taxes	1,800
Property, Plant & Equipment	4,086
Trademarks	28,636
Deposits and Other Assets	911
Trade Creditors & Accruals	(8,583)
Finance Leases	(248)
Bank Loan	(8,929)
Deferred tax Liability	(559)
Subordinated Notes	(10,583)
Other Liabilities	(385)
<b>Net Assets Acquired</b>	<hr/> <b>36,123</b>
	<hr/>
<b>Goodwill on Consolidation</b>	<b>32,471</b>
	<hr/>
	<b>68,594</b>

**GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES**

**Notes to the Accounts**

**For the year ended 30 June 2004**

**NOTE 14. CONTROLLED ENTITIES (continued)**

*STATEMENT OF FINANCIAL PERFORMANCE – ASIC Class Order Closed Group*

A deed of cross guarantee between Hardcore Enterprises Pty Ltd, Mooks Pty Ltd, Globe International Nominees Pty Ltd, Stussy (Australia) Pty Ltd, Stussy Sista Pty Ltd, Stussy (Holdings) Pty Ltd ("the subsidiaries") and Globe International Limited was entered into on 29 June 2001 and relief was obtained from preparing financial statements for the subsidiaries under ASIC Class Order 94/1418. Under the deed each entity guarantees to support the liabilities and obligations of the others. The Statement of Financial Performance for the year ended 30 June 2004 and Statement of Financial Position as at 30 June 2004 for the closed group, which is also the extended closed group, comprising Globe International Limited and the subsidiaries is as follows:

**STATEMENT OF FINANCIAL PERFORMANCE**

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue from ordinary activities	104,463	108,562
Changes in inventories of finished goods and work in progress	1,779	(3,672)
Materials and consumables used	(50,663)	(50,594)
Employee benefits expense	(12,218)	(12,411)
Depreciation and amortisation expense	(4,415)	(4,817)
Borrowing Costs expense	(1)	-
Selling, General and Administrative Expenses	(30,826)	(39,055)
<b>Profit/(loss) from ordinary activities before income tax expense</b>	<b>8,119</b>	<b>(1,987)</b>
Income tax expense relating to ordinary activities	(2,976)	(85)
<b>Net profit/(loss) attributable to members of the closed group</b>	<b>5,143</b>	<b>(2,072)</b>
Net exchange difference on translation of financial report of self-sustaining foreign operations	(1,059)	(15,261)
<b>Total revenues, expenses and valuation adjustments attributable to members of the closed group recognised directly in equity</b>	<b>(1,059)</b>	<b>(15,261)</b>
<b>Total changes in equity attributable to members of the closed group other than those resulting from transactions with owners as owners</b>	<b>4,084</b>	<b>(17,333)</b>

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2004

NOTE 14. CONTROLLED ENTITIES (continued)

STATEMENT OF FINANCIAL POSITION - ASIC Class Order Closed Group

STATEMENT OF FINANCIAL POSITION

	2004	2003
	\$'000	\$'000
<b>Current assets</b>		
Cash	23,640	20,305
Receivables	17,829	18,503
Inventories	11,674	9,895
Other	2,617	5,401
<b>Total current assets</b>	<u>55,760</u>	<u>54,104</u>
<b>Non current assets</b>		
Receivables	5,700	-
Property, plant and equipment	3,924	3,740
Investments	77,296	78,342
Intangible assets	48,120	50,907
Deferred tax assets	885	945
<b>Total non current assets</b>	<u>135,895</u>	<u>133,934</u>
<b>Total assets</b>	<u>191,655</u>	<u>188,038</u>
<b>Current liabilities</b>		
Accounts payable	6,313	7,007
Interest bearing liabilities	-	-
Current tax liabilities	-	155
Provisions	1,038	914
<b>Total current liabilities</b>	<u>7,351</u>	<u>8,076</u>
<b>Non current liabilities</b>		
Deferred tax liabilities	431	324
Provisions	384	334
<b>Total non current liabilities</b>	<u>815</u>	<u>658</u>
<b>Total liabilities</b>	<u>8,166</u>	<u>8,734</u>
<b>Net assets</b>	<u>183,490</u>	<u>179,304</u>
<b>Equity</b>		
Contributed equity	184,167	184,067
Reserves	(15,771)	(14,713)
Retained profits	15,094	9,950
<b>Total equity</b>	<u>183,490</u>	<u>179,304</u>

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2004

NOTE 15. INTANGIBLE ASSETS

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Trademarks	51,892	52,054	-	658
Less: accumulated amortisation	(23,072)	(21,663)	-	-
	<u>28,820</u>	<u>30,391</u>	<u>-</u>	<u>658</u>
Licences	4,583	4,583	3,267	-
Less: accumulated amortisation	(1,532)	(1,100)	-	-
	<u>3,051</u>	<u>3,483</u>	<u>3,267</u>	<u>-</u>
Goodwill at cost	78,060	76,283	276	-
Less: accumulated amortisation	(40,528)	(38,358)	(20)	-
	<u>37,532</u>	<u>37,925</u>	<u>256</u>	<u>-</u>
Total intangibles	<u>69,403</u>	<u>71,799</u>	<u>3,523</u>	<u>658</u>

NOTE 16. DEFERRED TAX ASSETS

Future income tax benefit attributable to timing differences	3,907	2,392	885	934
Future income tax benefit attributable to tax losses	3,230	6,260	-	392
	<u>7,137</u>	<u>8,652</u>	<u>885</u>	<u>1,326</u>

NOTE 17. OTHER ASSETS

<b>Current</b>				
Prepayments	2,902	3,120	1,168	1,784
Trade deposits	109	23	-	-
Income Tax Refund Receivable	3,118	3,082	1,305	2,401
	<u>6,129</u>	<u>6,225</u>	<u>2,473</u>	<u>4,185</u>
<b>Non current</b>				
Prepayments	-	66	-	-
Trade Deposits	-	431	-	-
Deferred Expenses	6	22	-	-
	<u>6</u>	<u>519</u>	<u>-</u>	<u>-</u>

NOTE 18. ACCOUNTS PAYABLE

Trade creditors	11,569	4,804	3,318	1,795
Other creditors and accruals	6,012	5,783	2,918	2,590
	<u>17,581</u>	<u>10,587</u>	<u>6,236</u>	<u>4,385</u>

**GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES**

**Notes to the Accounts**

For the year ended 30 June 2004

**NOTE 19. INTEREST BEARING LIABILITIES**

	Notes	Consolidated		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Current - Secured</b>					
Bank Loan		1,254	-	-	-
Finance leases	25	-	200	-	-
		<u>1,254</u>	<u>200</u>		
<b>Current - Unsecured</b>					
Subordinated and Deferred Notes	33(a)	5,290	8,851	-	-
		<u>6,544</u>	<u>8,851</u>		
<b>Non current - Unsecured</b>					
Subordinated and Deferred Notes	33(a)	7,617	12,840	-	-
		<u>7,617</u>	<u>12,840</u>		

The bank loan has been secured by a pledge over the shares of a controlled entity. Details of interest rates applicable to this loan are specified in Note 33 (a).

The finance lease in 2003 was secured by a lien over computer equipment. Details of interest rates applicable to this lease are specified in Note 33 (a).

**NOTE 20. TAX LIABILITIES**

<b>Current</b>					
Provision for income tax		1,661	3	-	-
<b>Non current</b>					
Deferred income tax		507	528	429	136

**NOTE 21. CONTRIBUTED EQUITY**

Paid-up Capital					
414,637,811 (2003-414,453,860) fully paid ordinary shares		184,167	184,067	184,167	184,067

Movements in contributed equity for the year	No. of Shares				
Balance at beginning of year	414,453,860	184,067	101,247	184,067	101,247
Shares issued under agreement to purchase Sandolls footwear business	183,951	100		100	
Shares issued pursuant to exercise of Options (2003)	-	-	367	-	367
Placement of Shares (Kubic purchase) (2003)	-	-	80,000	-	80,000
Issue of Shares (Kubic purchase) (2003)	-	-	4,805	-	4,805
Transactions Costs (2003)	-	-	(2,352)	-	(2,352)
Balance at the reporting date	414,637,811	184,167	184,067	184,167	184,067

**GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES**

**Notes to the Accounts**

For the year ended 30 June 2004

**NOTE 22. OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES**

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Interest in:				
- Share Capital	-	-	-	-
- Reserves	-	-	-	-
- Retained Profits	167	-	-	-
	<u>167</u>	<u>-</u>	<u>-</u>	<u>-</u>

**NOTE 23. DIVIDENDS**

**Subsequent Event**

Since the end of the financial year, the directors declared a final, fully franked dividend of 1 cent per share

	<u>4,146</u>	<u>-</u>	<u>4,146</u>	<u>-</u>
--	--------------	----------	--------------	----------

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2004 and will be recognised in subsequent financial reports

**NOTE 24. FRANKING ACCOUNT**

Franking account balance at 30% tax rate

	<u>11,430</u>	<u>10,842</u>	<u>11,430</u>	<u>2,286</u>
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**NOTE 25. CAPITAL AND LEASING COMMITMENTS**

(a) Finance lease commitments:

Payable

- not later than 1 year

- later than 1 year, not later than 5 years

Minimum finance lease payments

Less: future finance charges

Finance lease liabilities

Included in the accounts as interest-bearing liabilities (Note 19):

Current

Non current

	-	202	-	-
	-	-	-	-
	-	<u>202</u>	-	-
	-	<u>(2)</u>	-	-
	-	<u>200</u>	-	-
	-	-	-	-
	-	200	-	-
	-	-	-	-
	-	<u>200</u>	-	-

(b) Operating lease commitments:

Non cancellable operating leases contracted for but not capitalised in the financial statements

Payable

- not later than 1 year

- later than 1 year but not later than 5 years

-later than 5 years

	3,412	4,352	2,335	2,213
	11,732	14,475	7,086	6,863
	4,123	6,115	4,123	5,659
	<u>19,267</u>	<u>24,942</u>	<u>13,544</u>	<u>14,735</u>

## GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

### Notes to the Accounts

For the year ended 30 June 2004

#### NOTE 26. DIRECTOR AND EXECUTIVE DISCLOSURES

##### Directors

The names of parent entity directors who have held office at any time during the financial year are:

##### *Chairman – non executive director*

Paul Isherwood

##### *Executive directors*

Peter Hill

Stephen Hill

##### *Non-executive directors*

Norman O'Bryan

Philip Brass

##### Executives (other than directors) with the greatest authority for strategic direction and management

Name	Position	Employer
Michael Sonand	Chief Executive Officer	Globe International Limited
Stephen Kelly	Chief Financial Officer	Globe international Limited
Matthew Hill	Global Strategic Development	Osata Enterprises Inc
Gary Valentine	President Globe US	Osata Enterprises Inc.
Bob Sayre	President Dwindle Distribution	Osata Enterprises Inc.
Matthew Wong	President Europe	Globe International Limited
Harry Truscott	President Australasia	Globe International Limited

##### Remuneration of directors and executives

###### *Principles used to determine the nature and amount of remuneration*

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- compensation linked and aligned to performance
- transparency
- capital management

In consultation with external remuneration consultants, the company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation. It is aligned with shareholders interests in the following respects:

- it has economic profit as a core component of plan design
- it focuses on sustained growth in share price and delivering constant profitability as well as focusing the executive on key non-financial drivers of value
- it attracts and retains high calibre executives, as it:
  - rewards capability and experience
  - reflects competitive reward for contribution to shareholder growth
  - provides a clear structure for earning rewards
  - provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

#### NOTE 26. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

## GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

### Notes to the Accounts

For the year ended 30 June 2004

*Principles used to determine the nature and amount of remuneration (continued)*

#### *Non-executive directors*

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. Non-executive directors do not participate in any incentive schemes.

#### *Directors' fees*

The current base remuneration was last reviewed with effect from April 1 2003. The Chairman's remuneration is inclusive of committee fees while non-executive directors receive additional yearly fees for membership of the audit committee. The two executive and founding directors of the Company have elected not to be paid directors' fees.

#### *Retirement allowances for directors*

There are no retirement allowances for directors. Directors may, however, elect to have a portion of their remuneration paid into their personal superannuation plans.

#### *Executive pay*

The executive pay and reward framework has four components:

- base pay
- short-term performance incentives
- long-term incentives
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

#### *Base pay*

The base pay is structured as a total employment cost package which may be delivered as a mix of cash and prescribed non-financial benefits at the executive's discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases fixed in any senior executive's contracts.

#### *Short term incentives*

Should the company achieve a pre-determined profit target set by the board then a pool of short-term incentive (STI) is available for executives for allocation during the annual review. Using a profit target ensures variable award is only available when value has been created for shareholders and when profit is consistent with the business plan. The incentive pool is leveraged for performance above the threshold to provide an incentive for executive out-performance.

Each executive has a target STI opportunity depending on the accountabilities of the role and impact on organisation or business unit performance. For senior executives the maximum target bonus opportunity is 100% of their base salary.

The short term bonus payments may be adjusted up or down the line with under or over achievement against the target performance levels at the discretion of the board.

The STI annual target payment is reviewed annually.

**GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES**

**Notes to the Accounts**

For the year ended 30 June 2004

**NOTE 26. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)**

**Remuneration of directors and executives (continued)**

*Details of remuneration*

Details of the remuneration of each director of the Company and each of the specified executives of the consolidated entity, including their personally-related entities, are set out in the following tables:

**Directors of Globe International Limited**

	Primary	Post-employment	
Name	Cash Salary & fees	Super-annuation	Total
	\$	\$	\$
Paul Isherwood	120,000	12,800	132,800
Norman O'Bryan	34,400	36,450	70,850
Philip Brass	60,000	-	60,000
Peter Hill	-	-	-
Stephen Hill	-	-	-
<b>Total</b>	<b>214,400</b>	<b>49,250</b>	<b>263,650</b>

**Specified executives of the consolidated entity**

Name	Primary		Post	Equity	Total
	Cash Salary & fees	Cash bonus	Super-annuation	Performance Rights	
	\$	\$	\$	\$	\$
Michael Sonand	378,811	-	43,707	66,667	489,185
Gary Valentine (1)	390,636	7,021	-	26,667	424,324
Stephen Kelly	233,974	-	21,058	33,333	288,365
Robert Sayre (1)	227,684	32,182	-	26,667	286,533
Francis Truscott	150,030	50,000	12,202	26,667	238,899
Matthew Wong (1)	200,000	-	11,002	26,667	237,669
Matthew Hill (1)	120,927	-	-	26,667	147,594
<b>Total</b>	<b>1,702,062</b>	<b>89,203</b>	<b>87,969</b>	<b>233,335</b>	<b>2,112,569</b>

1) US/Europe based executives

*Share based compensation* – Employee Share Option Plan (ESOP)

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant Date	Expiry date	Exercise Price	Value per Option at grant date	Date exercisable
25-May-01	25-May-06	\$1.00	\$0.73	All are exercisable
9-Jan-02	9-Jan-07	\$2.40	\$0.88	1/3 after 9 Jan 03; 1/3 after 9 Jan 04; 1/3 after 9 Jan 05
1-Jul-02	1-Jul-07	\$1.65	\$0.66	1/3 after 1 Jul 03; 1/3 after 1 Jul 04; 1/3 after 1 Jul 05

One option converts to one ordinary share. Staff eligible to participate in the plan are those who have been continuously employed by the consolidated entity for a period of at least one year. Options are awarded to employees based on past service and/or performance conditions.

The options are issued free of charge. They are exercisable over three years. One third of the options granted vest each year of employment completed. Other than the payment of the exercise price there are no other pre-requisites for the exercise of the options providing participants are employees of the consolidated entity when exercised.

## GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

### Notes to the Accounts

For the year ended 30 June 2004

#### NOTE 26. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

##### Remuneration of directors and executives (continued)

Exercise price of the initial options was the 2001 initial public offer prospectus subscription price of \$ 1.00 per share.

In respect of subsequent options issued the exercise price will be the weighted average price of Globe International Limited ordinary shares for the period 5 days prior to the offer of the options.

Options expire after five years from the date of grant.

Options do not carry any voting, dividend or rights issues entitlement

##### Share based compensation –Executive Long Term Incentive Plan (LTIP)

The terms and conditions of each grant of performance rights affecting remuneration in this or future reporting periods are as follows:

Grant Date	Expiry date	Vesting Hurdle*	Vesting Date
29 October 2003	29 October 2006	\$0.60	29 October 2004
29 October 2003	29 October 2006	\$0.78	29 October 2005
29 October 2003	29 October 2006	\$1.01	29 October 2006

\* Vesting hurdle in year 1 is an absolute share price hurdle based on the average price over a period after the announcement of results. Vesting hurdles in years 2 & 3 are also based on achieving an average price over a period after the announcement of results, with an additional focus on Total Shareholder Return.

There is nil consideration payable by the participant to the Company for performance rights awarded under the LTIP.

The holder of the performance rights is not entitled to voting or dividend rights until the performance rights vest and the shares are issued.

The performance rights, subject to performance criteria vest in equal annual instalments over three years on each anniversary of the grant date. If the performance criteria are not satisfied those rights will not vest and will be carried forward. If the performance criteria are not satisfied on the vesting date in year three the entire issue of performance rights lapse.

##### Share based compensation –Employee Share Scheme

None of the directors or the specified executives are permitted to participate in the Employee Share Scheme.

##### Service Agreements

Remuneration and other terms of employment of the Chief Executive Officer and the specified executives are formalised in service agreements. Each of these agreements provides for the provision of performance-related cash bonuses and participation if applicable in other long term incentive plans. Other major provisions of the agreements relating to remuneration are set out below.

##### Michael Sonand, Chief Executive Officer

- initial term 1 year - shall continue thereafter unless either party provides 3 months notice of termination
- contract will be reviewed annually in line with company policy
- no termination payments

##### Stephen Kelly, Chief Financial Officer

- initial term 1 year - shall continue thereafter unless either party provides 6 months notice of termination until June 2006, thereafter 3 months notice of termination is required
- contract will be reviewed annually in line with company policy
- no termination payments

##### Matthew Hill, Global Strategic Development

- no formal contract

**GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES**

**Notes to the Accounts**

For the year ended 30 June 2004

**NOTE 26. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)**

**Equity instrument disclosures relating to directors and executives (continued)**

Gary Valentine, President Globe North America

- no formal contract

Bob Sayre, President Dwindle North America

- no expiry on contract – 3 months notice period
- contract will be reviewed annually in line with company policy
- no termination payments

Matthew Wong, President Globe Europe

- no formal contract

Harry Truscott, President Globe Australasia

- no formal contract

*Option holdings*

The number of options over ordinary shares in the company held during the financial year by each of the specified executives of the consolidated entity, including their personally related entities, are set out below. No further issues of options will be made under this plan.

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and Exercisable at the end of the year
Michael Sonand	500,000	-	-	-	500,000	266,667
Stephen Kelly	-	-	-	-	-	-
Matthew Hill	-	-	-	-	-	-
Gary Valentine	550,000	-	-	-	550,000	550,000
Matthew Wong	550,000	-	-	-	550,000	550,000
Robert Sayre	-	-	-	-	-	-
Harry Truscott	250,000	-	-	-	250,000	250,000

*Performance Rights holdings*

The number of Performance Rights over ordinary shares in the company held during the financial year by each of the specified executives of the consolidated entity, including their personally related entities, are set out below.

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and Exercisable at the end of the year
Michael Sonand	-	500,000	-	-	500,000	-
Stephen Kelly	-	250,000	-	-	250,000	-
Matthew Hill	-	200,000	-	-	200,000	-
Gary Valentine	-	200,000	-	-	200,000	-
Matthew Wong	-	200,000	-	-	200,000	-
Bob Sayre	-	200,000	-	-	200,000	-
Harry Truscott	-	200,000	-	-	200,000	-

**GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES**

**Notes to the Accounts**

For the year ended 30 June 2004

**NOTE 26. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)**

**Other transactions with directors and specified executives**

*Shareholdings*

The number of shares in the company held during the financial year by each director of the Company and each of the five specified executives of the consolidated entity, including their personally related entities, are set out below

Name	Balance at the start of the year	Received during the year on the exercise of performance rights and/or options	Other changes during the year	Balance at the end of the year
<b>Directors of Globe International Limited</b>				
<b>Ordinary Shares</b>				
Paul Isherwood	1,065,000	-	135,000	1,200,000
Peter Hill	121,312,810	-	-	121,312,810
Stephen Hill	121,312,810	-	-	121,312,810
Norman O'Bryan	1,106,750	-	300,000	1,406,750
Philip Brass	1,472,475	-	327,525	1,800,000
<b>Specified executives of the consolidated entity</b>				
<b>Ordinary Shares</b>				
Michael Sonand	-	-	646,000	646,000
Stephen Kelly	-	-	300,000	300,000
Matthew Hill	12,762,189	-	-	12,762,189
Gary Valentine	800,000	-	250,000	1,050,000
Bob Sayre	-	-	-	-
Matthew Wong	1,175,000	-	-	1,175,000
Harry Truscott	150,000	-	-	150,000

*Directors*

Peter Hill and Stephen Hill were directors of the company throughout the financial period. Peter and Stephen Hill are both directors of Osaka Enterprises Pty Ltd. The Company rents property from this entity on commercial terms and during the financial year ended 30 June 2004, the Company paid rent to the entity of \$30,000.

Peter Hill and Stephen Hill are directors of Whyte House Productions Pty Ltd. During the financial year ended 30 June 2004, the company paid \$534,113 for production and promotion services provided by Whyte House Productions Pty Ltd on competitive, arms length terms.

Aggregate amounts of each of the above types of other transactions with directors of the Company are set out below.

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Rent of office buildings /warehouse	30,000	33,000	30,000	33,000
Promotional work carried out by director related entities	534,113	311,000	534,113	311,000

**GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES****Notes to the Accounts**

For the year ended 30 June 2004

**NOTE 27. EMPLOYEE BENEFITS****Employee benefits and related on-costs liabilities**

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Current</b>				
Employee benefits	1,104	974	1,038	914
	<u>1,104</u>	<u>974</u>	<u>1,038</u>	<u>914</u>
<b>Non current</b>				
Employee benefits	384	334	384	334
	<u>384</u>	<u>334</u>	<u>384</u>	<u>334</u>
Aggregate employee benefits liability	<u>1,488</u>	<u>1,308</u>	<u>1,422</u>	<u>1,248</u>

**Employee numbers**

	2004 Number	2003 Number	2004 Number	2003 Number
No. of employees at year-end	360	382	207	194

*(a) Employee Share Option Plan (ESOP)*

The terms of the employee share option plan are as follows:

One option converts to one ordinary share. Staff eligible to participate in the plan are those who have been continuously employed by the consolidated entity for a period of at least one year. Options are awarded to employees based on past service and/or performance conditions.

The options are issued free of charge. They are exercisable over three years. One third of the options granted vest each year of employment completed. Other than the payment of the exercise price there are no other pre-requisites for the exercise of the options.

Exercise price of the initial options was the 2001 initial public offer prospectus subscription price of \$ 1.00 per share.

In respect of subsequent options issued the exercise price will be the weighted average price of Globe International Limited ordinary shares for the period 5 days prior to the offer of the options.

Options expire after five years from the date of grant.

Options do not carry any voting, dividend or rights issues entitlement

No further issues will be made under this ESOP.

**GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES**

**Notes to the Accounts**

For the year ended 30 June 2004

**NOTE 27. EMPLOYEE BENEFITS (continued)**

Set out below is a summary of the options granted under the plan.

Grant Date	Expiry Date	Exercise Price	Balance start of the year	Issued during the year	Exercised during the year	Lapsed during the year	Balance at the end of the year
<b>Consolidated and parent entity – 2004</b>							
24-May-01	24-May-06	\$ 1.00	8,725,918	-	-	265,510	8,460,408
9-Jan-02	9-Jan-07	\$ 2.40	300,000	-	-	-	300,000
27-Jun-02	27-Jun-07	\$ 1.53	100,000	-	-	100,000	-
1-Jul-02	1-Jul-07	\$ 1.65	590,000	-	-	95,000	495,000
<b>Total</b>			<b>9,715,918</b>	<b>-</b>	<b>-</b>	<b>460,510</b>	<b>9,255,408</b>
<b>Consolidated and parent entity - 2003</b>							
24-May-01	24-May-06	\$ 1.00	9,732,645	-	376,958	629,769	8,725,918
9-Jan-02	9-Jan-07	\$ 2.40	300,000	-	-	-	300,000
27-Jun-02	27-Jun-07	\$ 1.53	100,000	-	-	-	100,000
1-Jul-02	1-Jul-07	\$ 1.65	-	590,000	-	-	590,000
<b>Total</b>			<b>10,132,645</b>	<b>590,000</b>	<b>376,958</b>	<b>629,769</b>	<b>9,715,918</b>

	2004 Number	2003 Number	2004 Number	2003 Number
Options Vested at the reporting date (b) <i>Employee Share Scheme</i>	8,898	5,950	8,898	5,950

A scheme under which shares may be issued by the Company to employees for no cash consideration was implemented by the Company during the 2004 financial year. All Australian resident permanent employees (excluding directors and executives participating in the LTIP) who have been continuously employed by the consolidated entity for a period of at least one year as at 31 December each year, are eligible to participate in the scheme. Employees may elect not to participate. At the Board's discretion, eligible employees may be offered up to \$1,000 worth of fully paid ordinary shares per year in Globe International Limited for no cash consideration.

The number of shares issued to participants in the scheme is the offer amount divided by the weighted average price at which the company's shares traded on the Australian Stock Exchange during the five days immediately before the date of offer.

	Consolidated		Parent Entity	
	2004 Number	2003 Number	2004 Number	2003 Number
Shares issued under the plan to participating employees on 27 February 2004.	259,080	-	259,080	-

Shares issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment by the consolidated entity. In all other respects the shares rank equally with other fully-paid ordinary shares on issue.

Each participant was issued with 2,040 shares worth \$1,000.00 based on the weighted average market price of \$0.49.

(c) *Executive Long Term Incentive Plan (LTIP)*

A scheme under which senior executives are awarded Performance Rights was approved by shareholders at the 2003 Annual General Meeting. The terms of the LTIP are as follows:

There is nil consideration payable by the participant to the Company for Performance Rights awarded under the LTIP.

**NOTE 27. EMPLOYEE BENEFITS (continued)**

## GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

### Notes to the Accounts

For the year ended 30 June 2004

The holder of the Performance Rights is not entitled to voting or dividend rights until the Performance Rights vest and the Shares are issued.

The Performance Rights, subject to performance criteria vest in equal annual instalments over three years on each anniversary of the Award date. If the Performance Criteria are not satisfied those Rights will not vest and will be carried forward. If the Performance Criteria are not satisfied on the Vesting Date in year three the entire issue of Performance Rights lapse.

Set out below is a summary of the Performance Rights issued under the plan.

Instalment	Award Date	Vesting Dates	No Issued	TSR Vesting Hurdle	Rights vested during the year
1	29 Oct 2003	29 October 2004	716,670	\$0.60*	-
2	29 Oct 2003	29 October 2005	716,669	\$0.78	-
3	29 Oct 2003	29 October 2006	716,661	\$1.01	-

\* Vesting hurdle in year 1 is an absolute share price hurdle based on the average price over a period after the announcement of results. Vesting hurdles in years 2 & 3 are also based on achieving an average price over a period after the announcement of results, with an additional focus on Total Shareholder Return.

#### (d) Superannuation

The Company and its controlled entities contribute to various industry superannuation fund plans. The plans operate on an accumulation basis and provide lump sum benefits for members on retirement in addition to death and disablement insurance. The contributions of the Company and its controlled entities are based on negotiated agreements with employees or employee groups.

## NOTE 28. RELATED PARTY DISCLOSURES

### Directors and specified Executives

Disclosures relating to directors and specified executives are set out in Note 26

### Wholly-owned group

Transactions with Related Parties in the wholly owned group.

During the financial year the parent entity and controlled entities entered into the following transactions with related parties, which were wholly owned at any time during the year.

- Loans were advanced and repayments received on long term intercompany accounts;
- Interest was charged on outstanding intercompany balances;
- Salary and related cost recharges were made by a related and subsequently controlled entity;
- Provision of marketing and logistics services by a related and subsequently controlled entity;
- Management fees were received from a controlled entity;
- Royalties were received from a controlled entity.

Payments for intercompany transactions are made through the intercompany loan accounts, which are subject to extended payment terms.

Amounts payable and receivable from parties in the wholly owned group are set out in the notes to these accounts.

The ownership interests in related parties in the consolidated entity are disclosed in Note 14.

All transactions with controlled entities have been eliminated on consolidation.

### Ultimate controlling entity

The ultimate controlling entity is Globe International Limited.

### Other related party transactions

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Payments to purchase inventory	4,509	3,549	-	-

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2004

NOTE 29. FINANCIAL REPORTING BY SEGMENTS

Industry Segment

The consolidated entity operates predominantly in the Action Sports footwear, apparel and accessories market

2004 Geographical Segments

	Australasia	North America	Rest of The World	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to customers outside the consolidated entity	101,019	53,430	29,771	-	184,220
Other Revenue	1,924	1,419	30	-	3,373
<b>Total Revenue</b>	<b>102,943</b>	<b>54,849</b>	<b>29,801</b>		<b>187,593</b>
Segment Result (EBITDA)	10,350	3,559	5,892	-	19,801
Less : depreciation	1,117	1,436	27	-	2,580
Less : amortisation of goodwill	-	-	262	2,168	2,430
Less : amortisation of intangibles	708	478	970	-	2,156
Less : net interest paid (received)	(560)	1,141	23	-	604
<b>Operating Profit/(Loss) Before Tax</b>	<b>9,085</b>	<b>504</b>	<b>4,610</b>	<b>(2,168)</b>	<b>12,031</b>
Consolidated Profit Before Tax					12,031
Less : Tax Expense					4,754
<b>Consolidated Operating Profit After Tax</b>					<b>7,277</b>
<b>Segment Assets</b>	<b>70,053</b>	<b>38,963</b>	<b>32,671</b>	<b>32,276</b>	<b>178,963</b>
<b>Segment Liabilities</b>	<b>11,959</b>	<b>21,151</b>	<b>2,288</b>	<b>-</b>	<b>35,398</b>
Acquisition of property, plant and equipment and other non-current segment assets	1,254	1,034	164	-	2,452
Depreciation and amortisation	1,825	1,914	1,259	2,168	7,166

NOTE 29. FINANCIAL REPORTING BY SEGMENTS

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2004

(continued)

2003 Geographical Segments

	Australasia	North America	Rest of The World	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to customers outside the consolidated entity	90,181	76,476	37,891	-	204,548
Other Revenue	1,237	1,298	-	-	2,535
<b>Total Revenue</b>	<b>91,418</b>	<b>77,774</b>	<b>37,891</b>	<b>-</b>	<b>207,083</b>
Segment Result (EBITDA)	7,341	(16,074)	5,734	-	(2,999)
Less : depreciation	1,149	2,830	15	-	3,994
Less : amortisation of goodwill	-	33,455	-	2,137	35,592
Less : amortisation of intangibles	1,270	18,184	969	-	20,423
Less : net interest paid (received)	(433)	2,242	-	-	1,809
<b>Operating Profit/(Loss) Before Tax</b>	<b>5,355</b>	<b>(72,785)</b>	<b>4,750</b>	<b>(2,137)</b>	<b>(64,817)</b>
Consolidated Profit/(Loss) Before Tax					(64,817)
Less : Tax Benefit					(5,118)
<b>Consolidated Operating Loss After Tax</b>					<b>(59,699)</b>
<b>Segment Assets</b>	<b>60,402</b>	<b>42,554</b>	<b>29,386</b>	<b>37,925</b>	<b>170,267</b>
<b>Segment Liabilities</b>	<b>6,195</b>	<b>27,456</b>	<b>466</b>	<b>-</b>	<b>34,117</b>
<b>Acquisition of property, plant and equipment and other non-current segment assets</b>	<b>1,420</b>	<b>46</b>	<b>4,667</b>	<b>-</b>	<b>6,133</b>
<b>Depreciation and amortisation</b>	<b>2,419</b>	<b>54,469</b>	<b>984</b>	<b>2,137</b>	<b>60,009</b>

Intersegment Transactions

Segment Revenue and Operating Profit Before Tax excludes the effect of the following material inter-segment transfers which are eliminated on consolidation

	2004	2003
	\$ 000	\$ 000
Payments due to Australasia from North America	-	1,933
Payments due to North America from Australasia	1,866	7,367

NOTE 30. NOTES TO THE STATEMENT OF CASH FLOWS

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2004

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>(a) Reconciliation of net cash provided by operating activities to profit from ordinary activities after income tax</b>				
Operating profit / (loss) after taxation	7,277	(59,699)	6,956	(453)
Loss / (gain) on disposal of non current assets	(1)	2,212	9	40
Depreciation of non current assets	2,580	3,994	1,051	1,098
Amortisation of non current assets	4,586	56,015	-	-
Charges to other provisions	(121)	2,443	135	245
Foreign currency translation	(497)	(8,081)	-	-
Changes in net asset and liabilities adjusted for effects of purchase of controlled entities during the financial year:				
(Increase)/Decrease in current receivables	(5,758)	31,332	(1,581)	5,902
(Increase)/Decrease in inventory	(409)	13,967	(715)	3,942
(Increase)/Decrease in prepayments/deposits	133	4,686	616	634
(Increase)/Decrease in other current assets	625	3,464	(1,139)	681
Increase/(Decrease) in creditors / provisions / accruals	9,052	(25,900)	5,502	(4,998)
<b>Net cash provided by/(used in) operating activities</b>	<b>17,467</b>	<b>24,433</b>	<b>10,834</b>	<b>7,091</b>
<b>(b) Finance facilities</b>				
Credit standby arrangements:				
Secured bank overdraft facility:				
- amount used	-	1,799	-	-
- amount unused	6,000	22,108	6,000	7,566
	<u>6,000</u>	<u>23,907</u>	<u>6,000</u>	<u>7,566</u>
Other bank facilities				
-amount used	1,088	-	1,088	-
-amount unused	112	-	112	-
	<u>1,200</u>	<u>-</u>	<u>1,200</u>	<u>-</u>
Letters of credit				
- amount used	7,026	4,082	5,283	2,434
- amount unused	7,111	-	8,854	-
	<u>14,137</u>	<u>4,082</u>	<u>14,137</u>	<u>2,434</u>

NOTE 31. NON-CASH FINANCING AND INVESTING ACTIVITIES

Part acquisition of business by means of share issue	100	-	100	-
Part acquisition of controlled entity by means of share issue	-	4,805	-	4,805
	<u>100</u>	<u>4,805</u>	<u>100</u>	<u>4,805</u>

NOTE 32. CONTINGENT LIABILITIES

Letters of credit

## GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

### Notes to the Accounts

#### For the year ended 30 June 2004

Letters of credit executed and outstanding at balance date amount to \$7.0 million. These relate to the purchase of inventory during the 2004/2005 financial year.

#### **Quattraj Grind Earn out**

In the event that certain pre-determined gross profit targets are achieved by the controlled entity & its subsidiaries for the years ended 30 June 2005 - 30 June 2007, additional consideration will be payable to the vendors. As at the date of this report it is not possible to determine if any future payments will be made.

#### **Sandolls Earn out**

In the event that certain pre-determined profit targets are achieved by the brand for the calendar year ended 31 December 2008, additional consideration will be payable to the vendors. As at the date of this report it is not possible to determine if any future payments will be made.

## NOTE 33. FINANCIAL INSTRUMENTS

### *(a) Interest rate risk*

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

**Fixed interest maturing in:**

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2004

	Average interest rate (%)	Floating interest rate	1 year or less	over 1 year to 5 years	more than 5 years	Non-interest bearing	Total
<b>2004 (\$'000)</b>							
<b>Financial assets</b>							
Cash	2.8%	26,587	-	-	-	4,817	31,404
Trade receivables	N/A	-	-	-	-	33,177	33,177
Other receivables	N/A	-	-	-	-	831	831
		<u>26,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,825</u>	<u>65,412</u>
<b>Financial liabilities</b>							
Interest bearing liabilities - secured	3.8%	-	1,254	-	-	-	1,254
Interest bearing liabilities - unsecured	8.6%	-	5,290	7,617	-	-	12,907
Accounts payable	N/A	-	-	-	-	17,581	17,581
Lease liabilities	N/A	-	-	-	-	-	-
		<u>-</u>	<u>6,544</u>	<u>7,617</u>	<u>-</u>	<u>17,581</u>	<u>31,742</u>
<b>2003 (\$'000)</b>							
<b>Financial assets</b>							
Cash	4.5%	20,232	-	-	-	6,190	26,422
Trade receivables	N/A	-	-	-	-	26,431	26,431
Other receivables	N/A	-	-	-	-	1,209	1,209
		<u>20,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,830</u>	<u>54,062</u>
<b>Financial liabilities</b>							
Interest bearing liabilities	6.0%	-	8,651	12,840	-	-	21,491
Accounts payable	N/A	-	-	-	-	10,587	10,587
Lease liabilities	8.6%	-	200	-	-	-	200
		<u>-</u>	<u>8,851</u>	<u>12,840</u>	<u>-</u>	<u>10,587</u>	<u>32,278</u>

**GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES**

**Notes to the Accounts**

For the year ended 30 June 2004

**NOTE 33. FINANCIAL INSTRUMENTS (continued)**

*(b) Off balance sheet derivative financial instruments*

The consolidated entity enters into forward exchange contracts to minimise the possible adverse financial effects of movements in exchange rates on specific purchases of goods and services. Gains or costs arising upon entry into such hedging transactions, together with subsequent exchange gains or losses resulting from those transactions are deferred up to the date of the purchase and included in the measurement of the purchase.

Details of outstanding contracts as at 30 June 2004 are as follows:

	Buy US\$'000	Maturity	Average exchange Rate	Sell A\$'000
2004	-	-	-	-
2003	2,917	0 – 6 mths	0.6410	4,552

The following gains /(losses) have been deferred at 30 June 2004

	2004 \$'000	2003 \$'000
Unrealised losses	-	(179)

*(c) Credit risk exposures*

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Except for the following concentrations of credit risks, the economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

The following table details the economic entity's maximum credit risk exposure as at the reporting date without taking account of the value of any collateral or other security obtained. At balance date the following amounts are receivable (Australian dollar equivalents):

	Maximum credit risk	
	2004 \$'000	2003 \$'000
Australian dollars	17,335	15,241
United States dollars	12,063	9,730
New Zealand dollars	3,606	2,669
Euro dollars	1,004	-
<b>Total Receivables</b>	<b>34,008</b>	<b>27,640</b>

*(d) Net fair value of financial assets and liabilities*

The consolidated entity's financial assets and liabilities reported as assets and liabilities in the Statement of Financial Position are carried at amounts that approximate net fair value.

**GLOBE INTERNATIONAL LIMITED**

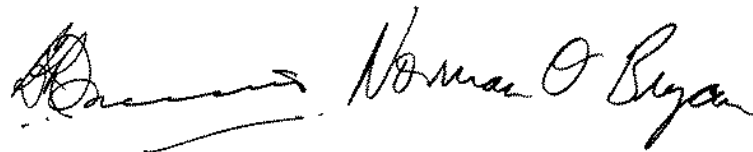
**Directors' Declaration**

The directors declare that:

- (1) the financial statements and notes, as set out on pages 7 to 43 are in accordance with the Corporations Act 2001;
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the Company's and economic entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date;
  
- (2) in the directors' opinion :
  - (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
  - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
  - (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 14 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 14.

This declaration is made in accordance with a resolution of the Board of directors.

Dated 25<sup>th</sup> August 2004



.....  
Paul Isherwood  
Chairman

.....  
Norman O'Bryan  
Director

## Independent audit report to the members of Globe International Limited

### Audit opinion

In our opinion, the financial report of Globe International Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Globe International Limited and the Globe International Group (defined below) as at 30 June 2004, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

### Scope

#### The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Globe International Limited (the company) and the Globe International Group (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

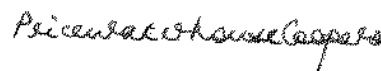
### **Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers



Lisa Harker  
Partner



Melbourne  
25 August 2004

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