

Globe International Limited

ABN 65 007 066 033

Appendix 4E Preliminary Final Report - Year ended 30 June 2005

Lodged with the ASX under Listing Rule 4.3A

Contents	Page
Results for Announcement to the Market	2
Directors' report (Review of Operations)	3 - 10
Auditors Independence Declaration	11
Preliminary consolidated statement of financial performance	12
Preliminary consolidated statement of financial position	13
Preliminary consolidated statement of cash flows	14
Notes to the accounts	15 - 44
Directors' declaration	45
Audit Report	46 - 47

Globe International Limited
Appendix 4E
Preliminary Final Report-
Year ended 30 June 2005

Results for Announcement to the Market

				\$'000
Revenue from ordinary activities	Up	10%	to	206,178
Profit from ordinary activities after tax attributable to members	Down	(95%)	to	367
Net profit for the year attributable to members	Down	(95%)	to	367

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	nil	nil
Interim dividend	1.0c	100%

Record date for determining entitlements to the dividend

n/a

NTA Backing	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	16.2 cents	17.9 cents

Explanation of Result

Please refer attached media release for a review 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 2005.

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	66	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	47	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	57	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 was Chairman of UCMS Pty Ltd up to March 2005. 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. In addition to the above, Philip was a director of Securenet Ltd up to September 2003.	1,800,000
Stephen Hill Executive Director	43	Stephen Hill co-founded Globe in 1984, remains a major shareholder in the business. Stephen is a former champion skateboarder and remains an active participant.	121,312,810
Peter Hill Executive Director	41	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

COMPANY SECRETARY

Name	Age	Experience
Gerhard M. Correa B.Com, Grad Dip Bus, CPA	44	Gerhard Correa was appointed as the Company Secretary in November 2004. Gerhard joined the Company in November 2000 as Financial Controller and was actively involved in the IPO process that led to the listing of the Company in May 2001. Prior to joining the Company, Gerhard held senior accounting positions with Motorola Australia Pty Ltd (1992 to 1996) and Sportsgirl Sportscraft Pty Ltd (1996 to 2000).

PRINCIPAL ACTIVITIES

The principal activities of the consolidated 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.

POST BALANCE DATE EVENTS

There are no post balance date events.

DIVIDENDS

A final fully franked dividend for the year ended 30 June 2004, of \$ 4.146 million (1 cent per share), was paid to members on 27 September 2004.

An interim fully franked dividend for the half year ended 31 December 2004, of \$ 4.146 million (1 cent per share), was paid to members on 4 April 2005.

The directors resolved not to pay a final dividend.

SUMMARY OF OPERATIONS

The Group's earnings before interest, tax, depreciation and amortization ("EBITDA") was \$10.9 million.

Net profit of the Group after all charges and minority interests was \$0.4 million.

Total sales were up 10% to \$202.5 million showing increases in all regions with particularly robust growth in the Globe brand in North America and Europe.

The Group's financial position remains strong as demonstrated by our ability to grow working capital in support of increased sales, return cash to the shareholders by way of dividend and retire interest bearing debt throughout the year.

AUSTRALASIA

Australasia sales were \$110.8 million, an improvement of 8% over the previous year's sales of \$102.6 million. EBITDA margin was 6.3%.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

SUMMARY OF OPERATIONS (continued)

NORTH AMERICA

Dwindle sales in local currency terms improved by 15.5% over last year and returned a positive EBITDA in the second half, the first for two years, resulting in positive EBITDA for the year.

Globe continued to gather momentum and sales were up 23.4% over last year in local currency terms. This improvement resulted in EBITDA increasing by 66% over last year in local currency terms. Globe and Gallaz shoes in North America have continued to perform strongly and will be key drivers to success in this market.

EUROPE

The transformation of the European business model continued throughout the year and is now complete. Sales increased by 10% over last year however EBITDA margin was reduced to 1.4% due to the cost of building the infrastructure needed to execute the longer term strategy for this region. Current sell-through of Globe products in recent months has been positive and growth prospects remain strong.

OUTLOOK

Over the next 12 months the strategies for growth and the benefit of recent Globe marketing initiatives will continue to be demonstrated. The investment in marketing ahead of sales has been an important factor in successfully re-establishing brand credentials. Significant marketing successes such as Globe World Cup skateboarding, the signing of the Hobgoods in surf and Mark Appleyard in skate and the outstanding success of the Globe WCT surfing event have all contributed towards a solid foundation for improved sales and profit growth.

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 consolidated entity.

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	4	4
Peter Hill	9	9	*	*
Stephen Hill	9	9	*	*
Norman O'Bryan	9	9	4	4
Philip Brass	9	9	4	4

* Not a member of relevant committee.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

REMUNERATION REPORT

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.

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.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

REMUNERATION REPORT (continued)

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 paid in cash and reviewed annually.

Long term incentive plan ("LTIP")

The objective of the LTIP is to reward senior executives in a manner which aligns this remuneration with the creation of shareholder wealth.

As such LTIP grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the consolidated entity's performance against the relevant long term performance hurdles.

LTIP grants to executives are delivered in the form of performance rights. As at the date of this report the relevant performance hurdles have not been met, accordingly none of the performance rights have vested. Since the listing of the Company in 2001, the earnings of the consolidated entity have not been sufficient to meet the vesting hurdles set out in the LTIP.

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 2005 are set out in the following tables.

DIRECTORS OF GLOBE INTERNATIONAL LIMITED

Name	2005			2004		
	Primary	Post-employment		Primary	Post-employment	
	Cash Salary & fees \$	Super-annuation \$	Total \$	Cash Salary & fees \$	Super-annuation \$	Total \$
Paul Isherwood	120,000	12,800	132,800	120,000	12,800	132,800
Norman O'Bryan	34,400	36,450	70,850	34,400	36,450	70,850
Philip Brass	60,000	-	60,000	60,000	-	60,000
Peter Hill	-	-	-	-	-	-
Stephen Hill	-	-	-	-	-	-
Total	214,400	49,250	263,650	214,400	49,250	263,650

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

REMUNERATION REPORT (continued)

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 (3)	330,416	-	30,516	-	360,932
Stephen Kelly (3)	300,000	-	27,000	-	327,000
Frank Dammenhayn	153,333	26,000	10,810	-	190,143
Steven Douglas	150,000	26,000	11,089	-	187,089
Noel Forsyth	150,076	22,500	10,852	-	183,428
Total	1,083,825	74,500	90,267	-	1,248,592

TOP 5 REMUNERATED EXECUTIVES OF THE CONSOLIDATED ENTITY

Name	Primary		Post-employment	Equity	Total
	Cash salary & fees \$	Cash bonus \$	Super-annuation \$	Performance Rights \$	
Matthew Wong (1) (3)	527,705	-	52,840	-	580,545
Matthew Hill (2) (3)	458,873	-	-	-	458,873
Gary Valentine (2) (3)	364,963	6,636	-	-	371,599
John Sherwood (2)	345,056	-	-	-	345,056
Michael Sonand (3)	330,416	-	30,516	-	360,932
Total	2,027,013	6,636	83,356	-	2,117,005
Specified Executives of the Consolidated Entity Total	1,981,957	6,636	110,356	-	2,098,949

(1) Europe based executive (2) US based executives (3) Specified Executives of consolidated entity

2004 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
Total	1,702,062	89,203	87,969	233,335	2,112,569

(1) US based executives

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

REMUNERATION REPORT (continued)

CASH BONUSES

For each cash bonus included in the above tables, the percentage of the available bonus that was earned or paid in the current financial year, and the percentage that was forfeited because performance criteria were not met, is set out below:

Name	Paid	Forfeited
Matthew Hill	-	100 %
Michael Sonand	-	100 %
Stephen Kelly	-	100 %
Matthew Wong	-	100 %
Gary Valentine	1.8 %	98.2 %
Frank Dammenhayn	100 %	-
Steven Douglas	100 %	-
Noel Forsyth	100 %	-
John Sherwood	-	100 %

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.

Matthew Hill, Chief Executive Officer

- initial term 6 years commencing from 15 September 2004
- base salary package to be reviewed annually by the Board of Directors
- 12 months notice of termination by either party until 15 September 2007. Thereafter period of notice to be given by employee is 3 months and by employer is 12 months

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

All other specified executives are subject to standard employment contracts, where duration is unlimited and a standard notice period of six weeks applies.

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.

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.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

REMUNERATION REPORT (continued)

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.

In addition to the above, the award of up to a further 5,000,000 Performance Rights to Matthew Hill was approved by the shareholders at the 2004 Annual General Meeting. The Performance Criteria and the scheme to award such Performance Rights to Matthew Hill is currently being reviewed by the Board and has not been finalized as at the date of this report.

ENVIRONMENTAL REGULATIONS

The consolidated 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 \$50,350 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 civil penalty or criminal proceedings.

NON-AUDIT SERVICES

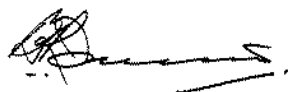
The following non-audit services were provided by the consolidated entity's auditor, PricewaterhouseCoopers. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. PricewaterhouseCoopers received, or are due to receive, \$150,324 from the consolidated entity in relation to tax compliance services rendered during the financial year.

A copy of the auditor's independence declaration, as required under section 307C of the Corporations Act 2001 is set out on page 11.

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

Melbourne

Dated this 24th August 2005



Paul Isherwood
Chairman



Norman O'Bryan
Director

PricewaterhouseCoopers
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Auditors' Independence Declaration

As lead auditor for the audit of Globe International Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Globe International Limited and the entities it controlled during the period.



Chris Dodd
Partner
PricewaterhouseCooper

Melbourne
24 August 2005

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Statements of Financial Performance

For the year ended 30 June 2005

	Notes	Consolidated		Parent Entity	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue from ordinary activities	2	206,178	187,593	87,032	88,098
Changes in inventories of finished goods and work in progress		9,669	1,736	1,321	715
Materials and consumables used		(116,260)	(93,351)	(43,117)	(44,054)
Employee benefits expense		(27,845)	(22,605)	(12,938)	(11,764)
Depreciation and amortisation expense	3	(7,305)	(7,166)	(1,199)	(1,051)
Borrowing costs expense	3	(908)	(1,185)	(370)	(1)
Selling, general and administrative expenses		(60,555)	(52,991)	(25,672)	(22,180)
Profit from ordinary activities before income tax expense		2,974	12,031	5,057	9,762
Income tax expense relating to ordinary activities	4	(1,985)	(4,754)	(990)	(2,806)
Profit from ordinary activities after related income tax expense		989	7,277	4,067	6,956
Net profit attributable to outside equity interests	22	(622)	(167)	-	-
Net profit attributable to members of Globe International Limited	5	367	7,110	4,067	6,956
Net exchange difference on translation of financial report of self-sustaining foreign operations	6	(2,879)	38	-	9,022
Total revenues, expenses and valuation adjustments attributable to members of Globe International Limited recognised directly in equity		(2,879)	38	-	9,022
Total changes in equity attributable to members of Globe International Limited other than those resulting from transactions with owners as owners	7	(2,512)	7,148	4,067	15,978
Basic Earnings Per Share (cents per share)	8	0.09	1.7		
Diluted Earnings Per Share (cents per share)	8	0.09	1.7		

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 2005

	Notes	Consolidated		Parent Entity	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current assets					
Cash	9	8,137	31,404	3,245	15,370
Receivables	10	47,470	34,008	20,280	18,423
Inventories	11	32,137	22,469	11,240	9,919
Other	17	4,246	6,129	1,330	2,473
Total current assets		91,990	94,010	36,095	46,185
Non current assets					
Receivables	10	-	-	73,297	64,573
Property, plant and equipment	12	7,360	7,453	4,478	3,839
Investments	13	855	954	80,234	80,238
Intangible assets	15	66,017	69,403	3,523	3,523
Deferred tax assets	16	6,585	7,137	1,102	885
Other	17	-	6	-	-
Total non current assets		80,817	84,953	162,634	153,058
Total assets		172,807	178,963	198,729	199,243
Current liabilities					
Accounts payable	18	27,131	17,581	7,884	6,236
Interest bearing liabilities	19	8,587	6,544	1,700	-
Current tax liabilities	20	999	1,661	241	-
Provisions	27	1,060	1,104	992	1,038
Total current liabilities		37,777	26,890	10,817	7,274
Non current liabilities					
Interest bearing liabilities	19	833	7,617	-	-
Deferred tax liabilities	20	572	507	572	429
Provisions	27	468	384	468	384
Total non current liabilities		1,873	8,508	1,040	813
Total liabilities		39,650	35,398	11,857	8,087
Net assets		133,157	143,565	186,872	191,156
Equity					
Contributed equity	21	184,109	184,167	184,109	184,167
Reserves	6	(8,746)	(5,867)	-	-
Retained profits/(losses)	5	(42,828)	(34,902)	2,763	6,989
Outside equity interest	22	622	167	-	-
Total equity	7	133,157	143,565	186,872	191,156

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 2005

	Notes	Consolidated		Parent Entity	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash flows from operating activities					
Receipts from customers		198,835	190,738	93,756	94,597
Payments to suppliers and employees		(205,891)	(170,655)	(88,345)	(83,785)
Interest received		291	581	218	490
Interest and other costs of finance paid		(908)	(1,185)	(370)	(1)
Income taxes received / (paid)		292	(2,012)	1,420	(467)
Net cash provided by operating activities	30 (a)	<u>(7,381)</u>	<u>17,467</u>	<u>6,679</u>	<u>10,834</u>
Cash flows from investing activities					
Payment for property, plant and equipment	12	(2,877)	(2,352)	(1,842)	(1,206)
Proceeds on disposal of property, plant and equipment	2	-	43	-	14
Proceeds on disposal of investments	2	6	-	6	-
Payment for trademarks and other intangibles		-	(256)	-	(156)
Proceeds on disposal of trademarks and other intangibles	15	230	-	-	-
Payment for businesses	30(b)	(1,067)	-	-	-
Payment for acquisition of controlled entity net of cash acquired	14	-	(1,652)	-	(1,652)
Net cash used in investing activities		<u>(3,708)</u>	<u>(4,217)</u>	<u>(1,836)</u>	<u>(3,000)</u>
Cash flows from financing activities					
Proceeds from borrowings		1,700	-	1,700	-
Repayment of borrowings		(4,255)	(7,820)	-	-
Net advances to controlled entities		-	-	(10,317)	(5,144)
Dividends paid	7	(8,293)	-	(8,293)	-
Dividends paid to minority interests		(167)	-	-	-
Cost of share issue, prospectus and initial listing	7	(58)	-	(58)	-
Net cash provided by (used in) financing activities		<u>(11,073)</u>	<u>(7,820)</u>	<u>(16,968)</u>	<u>(5,144)</u>
Net increase in cash held		(22,162)	5,430	(12,125)	2,690
Cash at beginning of the financial year		31,404	26,422	15,370	12,680
Effect of exchange rates on cash holdings in foreign currencies		(1,105)	(448)	-	-
Cash at the end of the financial year	9	<u>8,137</u>	<u>31,404</u>	<u>3,245</u>	<u>15,370</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 2005

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 34.

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 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Income Tax (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.

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.

GLOBE INTERNATIONAL LIMITED

Notes to the Accounts

For the year ended 30 June 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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 consolidated 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

(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

Operating lease payments are expensed as incurred.

GLOBE INTERNATIONAL LIMITED

Notes to the Accounts

For the year ended 30 June 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 consolidated 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 consolidated 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.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Employee Benefits (continued)

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 and in the Remuneration Report which is set out on pages 6 to 10 of the Directors Report.

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, as set out in the Directors Report, 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.

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) Major event costs

Costs associated with major promotional events are expensed at the first date at which, each distinct part of the promotional campaign occurs.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

NOTE 2. REVENUE

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue from operating activities				
Net sales	202,470	184,220	84,182	85,505
Royalty income	1,705	1,507	314	338
	<u>204,175</u>	<u>185,727</u>	<u>84,496</u>	<u>85,843</u>
Revenue from outside the operating activities				
Exchange gains net	525	740	599	1,285
Interest income from unrelated entities	291	581	218	490
Proceeds on disposal of property, plant and equipment	-	43	-	14
Proceeds on disposal of investments	6	-	6	-
Proceeds on disposal of trademarks and other intangibles	755	-	-	-
Other income	426	502	1,713	466
	<u>2,003</u>	<u>1,866</u>	<u>2,536</u>	<u>2,255</u>
Total revenue from ordinary activities	<u>206,178</u>	<u>187,593</u>	<u>87,032</u>	<u>88,098</u>

NOTE 3. PROFIT FROM ORDINARY ACTIVITIES

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

Gains

Net gain on disposal of property, plant and equipment	-	1	-	-
Net gain on disposal of investments	2	-	2	-
Net gain on disposal of trademarks and other intangibles	755	-	-	-

Expenses

Cost of sales	106,591	91,615	41,796	43,339
Bad and doubtful debts	379	143	50	75
Provision for write down in Investments to recoverable amount	-	(399)	-	-
Write down of inventory to net realisable value	932	959	(6)	91
Net loss on disposal of property, plant and equipment	24	-	4	9

Borrowing costs

Interest & finance charges paid	908	1,185	370	1
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Operating lease expenses

Rent for premises	3,817	3,785	2,416	2,233
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Depreciation

Leasehold improvements	1,092	1,074	368	206
Motor vehicles	43	50	18	24
Plant & equipment	440	340	98	89
Office equipment, furniture and fittings	1,111	1,116	715	732
Total Depreciation	<u>2,686</u>	<u>2,580</u>	<u>1,199</u>	<u>1,051</u>

Amortisation

Goodwill	2,502	2,430	-	-
Trademarks	1,701	1,724	-	-
Licences	416	432	-	-
Total Amortisation	<u>4,619</u>	<u>4,586</u>	<u>-</u>	<u>-</u>

Remuneration of the auditors of the holding company (in whole dollars)

	2005 \$	2004 \$	2005 \$	2004 \$
- Audit of the holding company	207,140	195,000	207,140	195,000
- Audit of controlled entities	108,359	99,627	-	-
- Other services	150,324	170,333	86,680	150,235
	<u>465,823</u>	<u>464,960</u>	<u>293,820</u>	<u>345,235</u>

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

NOTE 4. INCOME TAX

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:-				
Profit from ordinary activities before income tax expense	2,974	12,031	5,057	9,762
Income tax calculated at 30%	892	3,610	1,517	2,928
Tax effect of permanent differences:				
Non deductible amortisation	1,025	997	-	-
Non allowable expenditures	19	19	15	19
Non deductible / (non assessable) foreign currency translation	-	10	(397)	-
Deductible capital allowances	(145)	(145)	(145)	(145)
Under provision prior year	-	14	-	4
Differences in tax on overseas income	194	249	-	-
Income tax expense/(benefit)	1,985	4,754	990	2,806

NOTE 5. RETAINED PROFITS / (LOSSES)

	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Retained profits / (losses) at beginning of the financial year	(34,902)	(42,012)	6,989	33
Net profit attributable to the members of the parent entity	367	7,110	4,067	6,956
Dividends provided for or paid	(8,293)	-	(8,293)	-
Retained profits / (losses) at the reporting date	(42,828)	(34,902)	2,763	6,989

NOTE 6. FOREIGN CURRENCY TRANSLATION RESERVE

	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Foreign currency translation reserve at beginning of the financial year	(5,867)	(5,905)	-	(9,022)
Increase / (decrease) recognised in statement of financial performance	(2,879)	38	-	9,022
Foreign currency translation reserve at the reporting date	(8,746)	(5,867)	-	-

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

NOTE 7. EQUITY

	Notes	Consolidated		Parent Entity	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Total equity at the beginning of the financial year		143,565	136,150	191,156	175,078
Total changes in equity recognised in the statement of financial performance		(2,512)	7,148	4,067	15,978
Transactions with owners as owners:					
Contributions of equity		-	100	-	100
Payment of costs associated with owner's equity contributions		(58)	-	(58)	-
Payment of dividends to members	23	(8,293)	-	(8,293)	-
Total changes in outside equity interest		455	167	-	-
Total equity at the reporting date		<u>133,157</u>	<u>143,565</u>	<u>186,872</u>	<u>191,156</u>

NOTE 8. EARNINGS PER SHARE

		2005	2004
Earnings used in calculation of basic earnings per share (\$'000)		367	7,110
Basic earnings per share (cents per share)		0.09	1.7
The weighted average number of shares on issue during the year used in calculation of basic earnings per share	21	414,637,811	414,505,769
Earnings used in calculation of diluted earnings per share (\$'000)		367	7,110
Diluted earnings per share (cents per share)		0.09	1.7
The weighted average number of shares on issue during the year used in calculation of diluted earnings per share	21	414,637,811	414,505,769

NOTE 9. CASH

		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash at bank		7,820	25,332	3,245	9,298
Short dated bills of exchange		317	6,072	-	6,072
		<u>8,137</u>	<u>31,404</u>	<u>3,245</u>	<u>15,370</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	33	<u>8,137</u>	<u>31,404</u>	<u>3,245</u>	<u>15,370</u>

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

NOTE 10. RECEIVABLES

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current				
Trade debtors	46,997	34,083	18,310	16,820
Less: Provision for doubtful debts	(1,382)	(906)	(365)	(333)
	<u>45,615</u>	<u>33,177</u>	<u>17,945</u>	<u>16,487</u>
Other debtors	1,855	831	2,335	1,936
	<u>47,470</u>	<u>34,008</u>	<u>20,280</u>	<u>18,423</u>
Non Current				
Amounts receivable from:				
Controlled entities	-	-	73,297	64,573
	<u>-</u>	<u>-</u>	<u>73,297</u>	<u>64,573</u>

NOTE 11. INVENTORIES

Raw materials – at cost	491	2,324	-	-
Work in progress – at cost	123	682	99	574
Finished goods – at cost	25,405	13,281	8,183	4,546
Raw materials – at net realisable value	1,861	704	878	704
Finished goods – at net realisable value	4,257	5,478	2,080	4,095
	<u>32,137</u>	<u>22,469</u>	<u>11,240</u>	<u>9,919</u>

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

Leasehold improvements – at cost	7,445	6,323	3,253	2,074
Less: accumulated depreciation	(3,696)	(2,516)	(992)	(532)
	<u>3,749</u>	<u>3,807</u>	<u>2,261</u>	<u>1,542</u>
Motor vehicles – at cost	335	337	109	109
Less: accumulated depreciation	(263)	(216)	(59)	(41)
	<u>72</u>	<u>121</u>	<u>50</u>	<u>68</u>
Plant and equipment – at cost	3,363	2,656	1,028	710
Less: accumulated depreciation	(2,050)	(1,581)	(428)	(330)
	<u>1,313</u>	<u>1,075</u>	<u>600</u>	<u>380</u>
Office equipment, furniture & fittings	7,985	7,125	4,836	4,488
Less: accumulated depreciation	(5,759)	(4,675)	(3,269)	(2,639)
	<u>2,226</u>	<u>2,450</u>	<u>1,567</u>	<u>1,849</u>
Total property, plant and equipment	<u>7,360</u>	<u>7,453</u>	<u>4,478</u>	<u>3,839</u>

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

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	1,542	68	380	1,849	3,839
Additions	1,087	-	318	437	1,842
Depreciation	(368)	(18)	(98)	(715)	(1,199)
Disposal of fixed assets	-	-	-	(4)	(4)
Carrying value at the reporting date	2,261	50	600	1,567	4,478

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	3,807	121	1,075	2,450	7,453
Additions	1,208	-	744	925	2,877
Foreign Currency Translation gain / (loss) on Fixed Assets of overseas subsidiaries	(174)	(6)	(59)	(21)	(260)
Depreciation	(1,092)	(43)	(440)	(1,111)	(2,686)
Disposal of fixed assets	-	-	(7)	(17)	(24)
Carrying value at the reporting date	3,749	72	1,313	2,226	7,360

NOTE 13. INVESTMENTS

Notes	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Shares in controlled entities (Note 14) at cost	-	-	80,234	80,234
Investment in other entities	855	950	-	-
Shares in other corporations - at cost	-	4	-	4
	855	954	80,234	80,238

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

NOTE 14. CONTROLLED ENTITIES

Name	Country	Ownership Interest	
		2005 %	2004 %
Parent Entity:			
Globe International Limited	Australia		
Entities under the control of Globe International Ltd			
Hardcore Enterprises Pty Ltd	Australia	100	100
Entities under the control of Hardcore Enterprises Pty Ltd*			
Mooks Pty Ltd*	Australia	100	100
Stussy Sista Pty Ltd.*	Australia	100	100
Globe International Nominees Pty Ltd*	Australia	100	100
Globe International (NZ) Ltd	New Zealand	100	100
PSC Skateboarding Pty Ltd* (formerly Stussy (Holdings) Pty Ltd)	Australia	100	100
Globe Europe ApS	Denmark	100	100
Osata Enterprises, Inc.	United States	100	100
Entities under the control of Stussy (Holdings) Pty Ltd			
Stussy (Australia) Pty Ltd*	Australia	100	100
Entities under the control of Globe Europe ApS			
Globe Europe BV	Netherlands	100	100
Globe Europe SAS	France	100	100
Globe GB Limited	UK	100	-
Entities under the control of Globe Europe SAS			
Quattra SC	France	100	100
Entities under the control of Quattra SC			
Grind Distribution SARL	France	100	100
Entities under the control of Osata Enterprises, Inc.			
Kuglobe Australia Pty Ltd	Australia	100	100
Kuglobe, Inc.	United States	100	100
Entities under the control of Kuglobe, Inc.			
Kubic Marketing, Inc.	United States	100	100
Entities under the control of Kubic Marketing, Inc.			
Diaxis LLC	United States	100	100
Skateboard World Industries, Inc.	United States	100	100
Entities under the control of Globe International Nominees Pty Ltd			
World Brands Pty Ltd	Australia	50.1	50.1
Globe International (Asia) Limited	Hong Kong	100	100

* 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 2005

NOTE 14. CONTROLLED ENTITIES (continued)

Acquisition of Controlled Entities (2005)

There were no controlled entities acquired during the current period.

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 and its subsidiaries for the years ended 30 June 2005 - 30 June 2007, additional consideration will be payable to the vendors. There are no payments due in relation to the year ended 30 June 2005. As at the date of this report it is not possible to determine if any future payments will be made in relation to the remaining years.

Details of the acquisition are as follows:

	2004
	\$'000
Fair Value of Assets and Liabilities Acquired	
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
Net Assets Acquired	327
Goodwill on Consolidation	1,521
Cash Consideration	1,848

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Outlay of cash to acquire controlled entity net of cash acquired				
Cash consideration	-	1,848	-	1,848
Less balances acquired				
Cash	-	(196)	-	(196)
Outflow of cash	-	1,652	-	1,652

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

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, PSC Skateboarding Pty Ltd (formerly 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 2005 and Statement of Financial Position as at 30 June 2005 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

	2005	2004
	\$'000	\$'000
Revenue from ordinary activities	89,162	104,463
Changes in inventories of finished goods and work in progress	(184)	1,779
Materials and consumables used	(43,722)	(50,663)
Employee benefits expense	(13,796)	(12,218)
Depreciation and amortisation expense	(4,435)	(4,415)
Borrowing Costs expense	(370)	(1)
Selling, General and Administrative Expenses	(27,451)	(30,826)
Profit/(loss) from ordinary activities before income tax expense	(796)	8,119
Income tax expense relating to ordinary activities	(95)	(2,976)
Net profit/(loss) attributable to members of the closed group	(891)	5,143
Net exchange difference on translation of financial report of self-sustaining foreign operations	(5,532)	(1,059)
Total revenues, expenses and valuation adjustments attributable to members of the closed group recognised directly in equity	(5,532)	(1,059)
Total changes in equity attributable to members of the closed group other than those resulting from transactions with owners as owners	(6,423)	4,084

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

NOTE 14. CONTROLLED ENTITIES (continued)

STATEMENT OF FINANCIAL POSITION - ASIC Class Order Closed Group

STATEMENT OF FINANCIAL POSITION

	2005	2004
	\$'000	\$'000
Current assets		
Cash	3,858	23,640
Receivables	17,729	17,829
Inventories	11,491	11,674
Other	1,393	2,617
Total current assets	<u>34,471</u>	<u>55,760</u>
Non current assets		
Receivables	22,020	5,671
Property, plant and equipment	4,617	3,924
Investments	73,508	77,296
Intangible assets	44,990	48,120
Deferred tax assets	1,102	885
Total non current assets	<u>146,237</u>	<u>135,896</u>
Total assets	<u>180,708</u>	<u>191,656</u>
Current liabilities		
Accounts payable	7,956	6,313
Interest bearing liabilities	1,700	-
Current tax liabilities	304	-
Provisions	992	1,038
Total current liabilities	<u>10,952</u>	<u>7,351</u>
Non current liabilities		
Deferred tax liabilities	572	431
Provisions	468	384
Total non current liabilities	<u>1,040</u>	<u>815</u>
Total liabilities	<u>11,992</u>	<u>8,166</u>
Net assets	<u>168,716</u>	<u>183,490</u>
Equity		
Contributed equity	184,109	184,167
Reserves	(21,303)	(15,771)
Retained profits	5,910	15,094
Total equity	<u>168,716</u>	<u>183,490</u>

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

NOTE 15. INTANGIBLE ASSETS

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Trademarks	51,892	51,892	-	-
Less: accumulated amortisation	(24,773)	(23,072)	-	-
	<u>27,119</u>	<u>28,820</u>	<u>-</u>	<u>-</u>
Licences	4,583	4,583	3,267	3,267
Less: accumulated amortisation	(1,948)	(1,532)	-	-
	<u>2,635</u>	<u>3,051</u>	<u>3,267</u>	<u>3,267</u>
Goodwill at cost	79,293	78,060	276	276
Less: accumulated amortisation	(43,030)	(40,528)	(20)	(20)
	<u>36,263</u>	<u>37,532</u>	<u>256</u>	<u>256</u>
Total intangibles	<u>66,017</u>	<u>69,403</u>	<u>3,523</u>	<u>3,523</u>

(1) During the period, the consolidated entity disposed of a trademark which had a nil carrying value. A debtor has been recognised in Note 10 to reflect the deferred settlement of the transaction.

NOTE 16. DEFERRED TAX ASSETS

Future income tax benefit attributable to timing differences	3,901	3,907	1,102	885
Future income tax benefit attributable to tax losses	2,684	3,230	-	-
	<u>6,585</u>	<u>7,137</u>	<u>1,102</u>	<u>885</u>

NOTE 17. OTHER ASSETS

Current				
Prepayments	3,763	2,902	1,330	1,168
Trade deposits	67	109	-	-
Income Tax Refund Receivable	416	3,118	-	1,305
	<u>4,246</u>	<u>6,129</u>	<u>1,330</u>	<u>2,473</u>
Non current				
Deferred Expenses	-	6	-	-
	<u>-</u>	<u>6</u>	<u>-</u>	<u>-</u>

NOTE 18. ACCOUNTS PAYABLE

Trade creditors	19,457	11,569	4,512	3,318
Other creditors and accruals	7,674	6,012	3,372	2,918
	<u>27,131</u>	<u>17,581</u>	<u>7,884</u>	<u>6,236</u>

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

NOTE 19. INTEREST BEARING LIABILITIES

	Notes	Consolidated		Parent Entity	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current - Secured					
Bank Loan	33(a)	1,700	1,254	1,700	-
Current - Unsecured					
Subordinated and Deferred Notes	33(a)	6,887	5,290	-	-
		<u>8,587</u>	<u>6,544</u>	<u>1,700</u>	<u>-</u>
Non current - Secured					
Bank Loan	33(a)	833	-	-	-
Non current - Unsecured					
Subordinated and Deferred Notes	33(a)	-	7,617	-	-
		<u>833</u>	<u>7,617</u>	<u>-</u>	<u>-</u>

The bank loans have been secured by a floating charge over the assets of certain controlled entities. Details of interest rates applicable to these loans are specified in Note 33 (a).

NOTE 20. TAX LIABILITIES

Current					
Provision for income tax		999	1,661	241	-
Non current					
Deferred income tax		572	507	572	429

NOTE 21. CONTRIBUTED EQUITY

Paid-up Capital 414,637,811 (2004: 414,637,811) fully paid ordinary shares		184,109	184,167	184,109	184,167
Movements in contributed equity for the year	No. of Shares				
Balance at beginning of year	414,637,811	184,167	184,067	184,167	184,067
Shares issued under agreement to purchase Sandolls footwear business	-	-	100	-	100
Recovery of GST on transaction costs relating to the IPO	-	(58)	-	(58)	-
Balance at the reporting date	414,637,811	184,109	184,167	184,109	184,167

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

NOTE 22. OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Interest in Retained Profits	622	167	-	-

NOTE 23. DIVIDENDS

Fully franked final dividend of 1 cent per share paid on 27 September 2004 for the year ended 30 June 2004

4,146	-	4,146	-
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Fully franked interim dividend of 1 cent per share paid on 4 April 2005 for the half year ended 31 December 2004

4,146	-	4,146	-
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NOTE 24. FRANKING ACCOUNT

Franking account balance at 30% tax rate

6,496	11,430	6,496	11,430
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NOTE 25. COMMITMENTS

(a) Operating lease commitments:

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

- not later than 1 year	4,077	3,412	2,732	2,335
- later than 1 year but not later than 5 years	14,366	11,732	9,740	7,086
- later than 5 years	2,977	4,123	2,977	4,123
	21,420	19,267	15,449	13,544

(b) Sponsorship commitments:

Minimum event and rider sponsorship commitments contracted for but not capitalised in the financial statements payable:

- not later than 1 year	4,545	1,549	745	-
- later than 1 year but not later than 5 years	10,379	1,317	760	-
	14,924	2,866	1,505	-

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

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
Matthew Hill	Chief Executive Officer	Osata Enterprises Inc.
Stephen Kelly	Chief Financial Officer	Globe international Limited
Michael Sonand	Chief Operating Officer & President Australasia	Globe International Limited
Gary Valentine	President North America	Osata Enterprises Inc.
Matthew Wong	President Europe	Globe Europe SAS

REMUNERATION OF DIRECTORS AND EXECUTIVES

On 7th July 2005 "Corporations Amendments Regulations 2005 (No. 4)" was issued which modified the operation of Part 2M of the Corporations Act 2001.

The purpose of the Regulation is to remove the duplication of the presentation of information about the remuneration of directors and executives which is currently required under Section 300A of the Corporations Act and under Accounting Standard AASB 1046 "Director and Executive Disclosures by Disclosing Entities

The company has elected to avail of the relief granted by the Corporation Amendments Regulations 2005 (No.4) and accordingly the remuneration details of directors and specified executives has been disclosed on pages 6 to 10 of the Directors Report under the heading "Remuneration Report".

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	All are exercisable
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 2005

NOTE 26. DIRECTOR AND EXECUTIVE DISCLOSURES (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

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	433,333
Stephen Kelly	-	-	-	-	-	-
Matthew Hill	-	-	-	-	-	-
Gary Valentine	550,000	-	-	-	550,000	550,000
Matthew Wong	550,000	-	-	-	550,000	550,000

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 (1)	200,000	-	-	(200,000)	-	-

(1) Bob Sayre's employment with the consolidated entity ceased on 10 January 2005

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

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
Directors of Globe International Limited				
Ordinary Shares				
Paul Isherwood	1,200,000	-	-	1,200,000
Peter Hill	121,312,810	-	-	121,312,810
Stephen Hill	121,312,810	-	-	121,312,810
Norman O'Bryan	1,406,750	-	-	1,406,750
Philip Brass	1,800,000	-	-	1,800,000
Specified executives of the consolidated entity				
Ordinary Shares				
Michael Sonand	646,000	-	65,000	711,000
Stephen Kelly	300,000	-	93,981	393,981
Matthew Hill	12,762,189	-	-	12,762,189
Gary Valentine	1,050,000	-	(50,000)	1,000,000
Matthew Wong	1,175,000	-	-	1,175,000

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 2005, the Company paid rent to the entity of \$30,000 (2004: \$30,000).

Peter Hill and Stephen Hill are directors of Whyte House Productions Pty Ltd. During the financial year ended 30 June 2005, the consolidated entity paid \$538,522 (2004: \$534,113) for production and promotion services provided by Whyte House Productions Pty Ltd on competitive, arms length terms and, of this, the parent entity paid \$409,126 (2004: \$534,113).

NOTE 27. EMPLOYEE BENEFITS

(a) *Employee benefits and related on-costs liabilities*

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current				
Employee benefits	1,060	1,104	992	1,038
	<u>1,060</u>	<u>1,104</u>	<u>992</u>	<u>1,038</u>
Non current				
Employee benefits	468	384	468	384
	<u>468</u>	<u>384</u>	<u>468</u>	<u>384</u>
Aggregate employee benefits liability	<u>1,528</u>	<u>1,488</u>	<u>1,460</u>	<u>1,422</u>

Employee numbers

	2005 Number	2004 Number	2005 Number	2004 Number
No. of full-time equivalent employees at year-end	359	360	186	207

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

NOTE 27. EMPLOYEE BENEFITS (continued)

(b) 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.

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
Consolidated and parent entity – 2005							
24-May-01	24-May-06	\$ 1.00	8,460,408	-	-	1,553,830	6,906,578
9-Jan-02	9-Jan-07	\$ 2.40	300,000	-	-	-	300,000
27-Jun-02	27-Jun-07	\$ 1.53	-	-	-	-	-
1-Jul-02	1-Jul-07	\$ 1.65	495,000	-	-	220,000	275,000
Total			9,255,408	-	-	1,773,830	7,481,578

Consolidated and parent entity - 2004

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
Total			9,715,918	-	-	460,510	9,255,408

	2005 Number 000's	2004 Number 000's	2005 Number 000's	2004 Number 000's
Options Vested at the reporting date	7,389	8,898	7,389	8,898

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

NOTE 27. EMPLOYEE BENEFITS (continued)

(c) *Employee Share Scheme*

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	
	2005	2004	2005	2004
	Number	Number	Number	Number
Shares issued under the plan to participating employees on 27 February 2004.	Nil	259,080	Nil	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.

(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.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

NOTE 28. RELATED PARTY DISCLOSURES (continued)

Other related party transactions

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Payments to purchase inventory	8,333	4,509	-	-

NOTE 29. FINANCIAL REPORTING BY SEGMENTS

Industry Segment

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

2005 Geographical Segments

	Australasia \$'000	North America \$'000	Rest of The World \$'000	Unallocated \$'000	Total \$'000
Sales to customers outside the consolidated entity	109,395	62,574	30,501	-	202,470
Other Revenue	1,068	2,640	-	-	3,708
Total Revenue	110,463	65,214	30,501	-	206,178
Segment Result (EBITDA)	6,744	3,705	447	-	10,896
Less : depreciation	1,233	1,217	236	-	2,686
Less : amortisation of goodwill			228	2,274	2,502
Less : amortisation of intangibles	669	478	970	-	2,117
Less : net interest paid (received)	39	450	128	-	617
Operating Profit/(Loss) Before Tax	4,803	1,560	(1,115)	(2,274)	2,974
Consolidated Profit Before Tax					2,974
Less : Tax Expense					1,985
Consolidated Operating Profit After Tax					989
Segment Assets	58,750	50,704	27,315	36,038	172,807
Segment Liabilities	16,630	22,116	904	-	39,650
Acquisition of property, plant and equipment and other non-current segment assets	1,921	386	570	-	2,877
Depreciation and amortisation	1,902	1,695	1,434	2,274	7,305

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

NOTE 29. FINANCIAL REPORTING BY SEGMENTS (continued)

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
Total Revenue	102,943	54,849	29,801		187,593
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
Operating Profit/(Loss) Before Tax	9,085	504	4,610	(2,168)	12,031
Consolidated Profit Before Tax					12,031
Less : Tax Benefit					4,754
Consolidated Operating Profit After Tax					7,277
Segment Assets	70,053	38,963	32,671	32,276	178,963
Segment Liabilities	11,959	21,151	2,288	-	35,398
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

Intersegment Transactions

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

	2005	2004
	\$ 000	\$ 000
Payments due to North America from Australasia	-	1,866

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

NOTE 30. NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
(a) Reconciliation of net cash provided by operating activities to profit from ordinary activities after income tax				
Operating profit after taxation	989	7,277	4,067	6,956
Loss / (gain) on disposal of property, plant and equipment	24	(1)	4	9
Loss / (gain) on disposal of investments	(2)	-	(2)	-
Loss / (gain) on disposal of trademarks and other intangibles	(755)	-	-	-
Depreciation of property, plant and equipment	2,686	2,580	1,199	1,051
Amortisation of trademarks and other intangibles	4,619	4,586	-	-
Charges to other provisions	448	(121)	58	135
Foreign currency translation	(3,023)	(497)	-	-
Changes in net asset and liabilities adjusted for effects of purchase of controlled entities during the financial year:				
(Increase)/Decrease in current receivables	(12,437)	(5,758)	(1,458)	(1,581)
(Increase)/Decrease in inventory	(9,668)	(409)	(1,321)	(715)
(Increase)/Decrease in other current assets	(1,427)	758	137	(523)
Increase/(Decrease) in creditors / provisions / accruals	11,165	9,052	3,995	5,502
Net cash provided by/(used in) operating activities	(7,381)	17,467	6,679	10,834
(b) Acquisition of businesses				
During the year the consolidated entity purchased from two European distributors the exclusive sales rights for parts of France and the whole of the United Kingdom for a combined cost of A\$1.1m. The goodwill associated with these acquisitions will be written-off in accordance with the accounting policy outlined in Note 1(j).				
(c) Finance facilities				
Credit standby arrangements:				
Secured multi-option borrowing facility				
- amount used	1,700	-	1,700	-
- amount unused	9,979	6,000	8,300	6,000
	11,679	6,000	10,000	6,000
Bank guarantee facilities				
-amount used	1,179	1,088	1,179	1,088
-amount unused	21	112	21	112
	1,200	1,200	1,200	1,200
Letters of credit				
- amount used	4,456	7,026	2,468	5,283
- amount unused	4,681	7,111	6,669	8,854
	9,137	14,137	9,137	14,137

NOTE 31. NON-CASH FINANCING AND INVESTING ACTIVITIES

	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Part acquisition of business by means of share issue	-	100	-	100
	-	100	-	100

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

NOTE 32. CONTINGENT LIABILITIES

Letters of credit

Letters of credit executed and outstanding at balance date amount to \$4.5 million (2004: \$7.0m). These relate to the purchase of inventory during the 2005/2006 financial year.

Quattra / 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. There is no additional consideration due in relation to the year ended 30 June 2005. As at the date of this report it is not possible to determine if any future payments will be made in relation to the remaining years.

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:

	Average interest rate (%)	Floating interest rate	Fixed interest maturing in:			Non-interest bearing	Total
			1 year or less	over 1 year to 5 years	more than 5 years		
2005 (\$'000)							
Financial assets							
Cash	4.6%	1,966	-	-	-	6,171	8,137
Trade receivables	N/A	-	-	-	-	45,615	45,615
Other receivables	N/A	-	-	-	-	1,855	1,855
		<u>1,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,641</u>	<u>55,607</u>
Financial liabilities							
Interest bearing liabilities - secured	5.1%	-	1,700	833	-	-	2,533
Interest bearing liabilities - unsecured	9.4%	-	6,887	-	-	-	6,887
Accounts payable		-	-	-	-	27,131	27,131
		<u>-</u>	<u>8,587</u>	<u>833</u>	<u>-</u>	<u>27,131</u>	<u>36,551</u>
2004 (\$'000)							
Financial assets							
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>
Financial liabilities							
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
		<u>-</u>	<u>6,544</u>	<u>7,617</u>	<u>-</u>	<u>17,581</u>	<u>31,742</u>

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

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.

There were no foreign exchange contracts outstanding as at 30 June 2005 or 30 June 2004.

(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 consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

The following table details the consolidated 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	
	2005	2004
	\$'000	\$'000
Australian dollars	23,627	17,335
United States dollars	12,806	10,206
Canadian dollars	3,389	1,857
New Zealand dollars	3,404	3,606
Euros	3,294	1,004
Great British Pound	950	-
Total Receivables	47,470	34,008

(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 AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

NOTE 34. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards ("AIFRS") as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements ("Australian GAAP") applicable for reporting periods ended 30 June 2005. The adoption of AIFRS 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.

The consolidated entity has established a project team to manage the transition to AIFRS, 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. The project is achieving its scheduled milestones and the consolidated entity is expected to be in a position to fully comply with the requirements of AIFRS for the 30 June 2006 financial year.

To date the project team has:

- Completed its analysis of all the current AIFRS standards;
- Identified a number of accounting policy changes that will be required; and
- Where possible, quantified the impact of those changes on both the parent entity's and the consolidated entity's profit and loss statements for the year ended 30 June 2005 and the balance sheets as at 1 July 2004 and 30 June 2005.

Impact of transition of AIFRS

The impact of transition to AIFRS, as outlined below, is based on AIFRS standards that management expect to be in place when preparing the first complete AIFRS financial report (being the half-year ended 31 December 2005). Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the parent entity's and consolidated entity's financial position, results of operations and cash flows in accordance with AIFRS. This note provides only a summary and therefore, further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

There is a significant amount of judgement involved in the preparation of the reconciliations from current Australian GAAP to AIFRS, and consequently the final reconciliations as presented in the first financial report prepared in accordance with AIFRS may vary materially from the reconciliations provided in this Note, predominantly due to:

- changes in financial reporting requirements that are relevant to the parent entity's and consolidated entity's first complete AIFRS financial report arising from new or revised accounting standards or interpretations issued by the Australian Accounting Standards Board subsequent to the preparation of this financial report
- additional guidance on the application of AIFRS in a particular industry or to a particular transaction
- changes to the parent entity's or consolidated entity's operations.

The rules for the first time adoption of AIFRS are set out in AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 1 July 2004. The Standard allows a number of exemptions to this general principle to assist in the transition to reporting under AIFRS. Details of the AASB 1 elections that the consolidated entity has selected for adoption are included in this Note.

The significant changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations and the elections expected to be made under AASB 1 are set out below:

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

NOTE 34. IMPACT OF ADOPTING AIFRS (continued)

(i) *Income taxes*

On transition to AIFRS, under AASB 112 *Income Taxes*, the balance sheet method of tax effect accounting will be adopted, rather than the liability method applied currently under Australian GAAP.

Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes. Income tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided will be based on the temporary difference, using tax rates enacted or substantively enacted at reporting date. Deferred tax in relation to goodwill for which amortisation is not tax deductible will never be provided for, in accordance with AASB 112.

The expected impacts of the change in basis and the transition adjustments on the deferred tax balances and the tax expense for the financial year ended 30 June 2005, on both the consolidated entity and the parent entity, have not yet been fully quantified as there is some uncertainty in relation to the application of this standard.

(ii) *Intangible assets*

Goodwill

On transition to AIFRS, under AASB 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.

Other Intangible Assets

On transition to AIFRS, under AIFRS 138 *Intangible Assets*, it is not mandatory to amortise other intangible assets that are considered to have an indefinite useful life. Other intangible assets with definite useful lives will continue to be carried at cost and amortised over their useful lives. These assets will be tested for impairment if an indication of potential impairment arises. Other intangible assets with indefinite useful lives will not be amortised. They will be carried at cost and tested for impairment at least annually. Changes in useful life on transition to AIFRS will be accounted for prospectively.

This will not have an impact on the parent entity. The expected impacts on the consolidated balance sheets as at 1 July 2004 and 30 June 2005, and the impact on the consolidated profit and loss statement for the year ended 30 June 2005, can not be reliably determined due to the uncertainty associated with the calculation of tax under the new standards in relation to this class of asset.

(iii) *Leased Assets*

On transition to AIFRS, under AASB 117 *Leases*, the operating lease expenditure for rental properties is required to be expensed on a straight-line basis over the lease term. Under current Australian GAAP, rental expenditure is expensed as incurred.

The impacts on the balance sheets as at 1 July 2004 and 30 June 2005, and the impact on the profit and loss statement for the year ended 30 June 2005, for both the consolidated entity and the parent entity, net of tax, are:

Increase / (Decrease)	Impact on 1 July 2004 balance sheet			Impact on Profit/(loss) from ordinary activities for the year ended 30 June 2005		Cumulative impact on 30 June 2005 balance sheet		
	Assets \$000	Liabilities \$000	Total Equity \$000	EBT \$000	NPAT \$000	Assets \$000	Liabilities \$000	Total Equity \$000
Consolidated entity	139	464	(325)	(144)	(100)	183	608	(425)
Parent entity	139	464	(325)	(144)	(100)	183	608	(425)

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Accounts

For the year ended 30 June 2005

NOTE 34. IMPACT OF ADOPTING AIFRS (continued)

(iv) *Business combinations*

As permitted by the election available under AASB 1, the classification and accounting treatment of business combinations that occurred prior to 1 July 2003 have not been restated in preparing the opening AIFRS balance sheet.

Business combinations that occurred on or after 1 July 2003 will be restated to comply with AIFRS. All business combinations will be accounted for by applying the purchase method. As at 30 June 2005, no material adjustments are expected for the parent entity or the consolidated entity.

(v) *Foreign currency*

Under AASB 121 *Effects of changes in foreign exchange rates*, on future disposals of foreign operations the amount recognised in the foreign currency translation reserve attributable to the foreign operation is to be included in the calculation of gain or loss on disposal and recycled through the current year income statement. Due to this new requirement, AASB 1 allows an election to reset the existing foreign currency translation reserve to nil. The consolidated entity will make this election. Accordingly the balance of the foreign currency translation reserve as at 1 July 2004 (\$5.9 million) will be transferred to Retained Earnings. This will have no impact on the balance sheets of the consolidated entity as at 1 July 2004 and 30 June 2005.

(vi) *Financial Instruments*

The consolidated entity has considered the documentation and effective measurement requirements in relation to the designation of specific hedges required under AASB 139 *Financial Instruments: Recognition and Measurement*. Based on the consolidated entity's current hedging policy (as defined in Note 33), the consolidated entity will meet the requirements of AASB 139.

As at 30 June 2004 and 30 June 2005, there are no adjustments expected for the consolidated entity or the parent entity.

GLOBE INTERNATIONAL LIMITED

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes, as set out on pages 12 to 44, and remuneration disclosures on pages 6 to 10, are in accordance with the Corporations Act 2001, including;
 - (a) complying with Accounting Standards and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; 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 has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial reporting period ending 30 June 2005.

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

Dated 24th August 2005



.....
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 on pages 12 to 45 and remuneration disclosures, on pages 6 to 10, of Globe International Limited:

- give 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 2005, and of their performance for the year ended on that date, and
- (d) are presented in accordance with the *Corporations Act 2001*, AASB 1046 *Director and Executive Disclosures by Disclosing Entities* (AASB 1046) and other 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, remuneration disclosures 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 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives ("remuneration disclosures") as required by AASB 1046, under the heading "remuneration report" on pages 6 to 10 of the directors' report, as permitted by the *Corporations Regulations 2001*.

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. The directors are also responsible for the remuneration disclosures contained in the directors' 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 and the remuneration disclosures comply with AASB 1046 and the *Corporations Regulations 2001*. 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

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

(continued)

conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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.

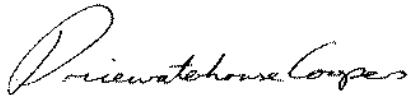
Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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



Chris Dodd
Partner

Melbourne
24 August 2005

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