

Globe International Limited

ABN 65 007 066 033

Appendix 4E Preliminary Final Report Year ended 30 June 2009

Lodged with the ASX under Listing Rule 4.3A

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This financial report covers both the separate financial statements of Globe International Limited as an individual entity and the consolidated financial statement for the consolidated entity consisting of Globe International Limited and its subsidiaries.

Globe International Limited is a company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office is 42 Barkly Street, St Kilda, Victoria, 3182. The financial statements are presented in Australian currency and were authorised for issue by the directors on 25 August 2009. The company has the power to amend and re-issue these financial statements.

Globe International Limited

Results for Announcement to the Market

				\$'000
Revenue from continuing operations	Down	(3.9%)	to	117,575
Earnings/(Loss) Before Interest, Tax, Depreciation and Amortisation (EBITDA) – <i>before significant items</i>	Down	(146.9%)	to	(1,304)
Earnings/(Loss) Before Interest, Tax, Depreciation and Amortisation (EBITDA)	Down	(684.0 %)	to	(4,459)
Net Profit / (Loss) after tax – <i>before significant items</i>	Down	(1,166%)	to	(2,397)
Net profit / (loss) after tax attributable to members	Up	63.9 %	to	(8,868)

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	nil	nil
Interim dividend	nil	nil

Record date for determining entitlements to the dividend

n/a

NTA Backing	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	\$0.70	\$0.87

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" or the "consolidated entity") for the year ended 30 June 2009.

DIRECTORS

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

Name, position and qualifications	Experience	Directors' interests in Ordinary Shares of GLB
Paul Isherwood AO FCA Independent Non-Executive Chairman	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 the Munich Reinsurance Australian Group Companies and is a director of Australand Holdings Limited Group. Paul was a member of the Company's Board Audit and Risk Committee.	200,000
Richard Alcock B Com, LLB Independent Non-Executive Director	Richard Alcock was appointed to the Board of Directors in February 2007 and resigned on 16 December 2008. Richard was the Chairman of the Company's Board Audit and Risk Committee. Richard is the Managing Director of Merrill Lynch International (Australia) Limited. He is a former Senior Partner, Head of Governance and Chairman of the Ethics Committee of the law firm Allens Arthur Robinson with wide ranging experience in the financial services industry and in the media, communications, sports and entertainment industries. Richard's other directorships include Art Exhibitions Australia Limited, The Sydney Children's Hospital Foundation Limited and The University of New South Wales Foundation Limited.	N/A
Stephen Hill Executive Director	Stephen Hill co-founded Globe in 1984, remains a shareholder in the business, and has extensive expertise in the development of growth initiatives and market positioning strategies for the Company. Stephen is an active skateboarder.	11,881,281
Peter Hill Executive Director	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 and motorsports.	11,881,281

COMPANY SECRETARY

Name and qualifications	Experience
Gerhard M. Correa B Com, Grad Dip Bus, CPA	Gerhard Correa was appointed as the Company Secretary in November 2004. Gerhard joined the Company in November 2000 as Financial Controller. He was actively involved in the IPO process that led to the listing of the Company in May 2001 and played a key role in the capital restructuring of the company during 2007 and 2008. Prior to joining the Company, Gerhard held senior accounting positions with Motorola Australia Pty Ltd (1992 to 1996) and Sportsgirl Sportscraft Group Pty Ltd (1996 to 2000).

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were the design, development, marketing and distribution of youth fashion apparel, footwear and skate hardgoods for the "Action Sports" market under predominantly proprietary brands along with some other distributed brands.

CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Company during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the end of the financial year, it has been announced that there is some uncertainty about the future viability of CIT Group Inc ("CIT"), who provide financing to the consolidated entity's North American subsidiaries, as is disclosed in Note 26(c) of these financial statements. Details of this uncertainty have been outlined in CIT's filings with the US Securities and Exchange Commission ("SEC"). The potential impact on the consolidated entity, should there be any further deterioration in CIT's financial situation, is disclosed in Note 36 *Post Balance Date Events* of the Financial Statements.

DIVIDENDS

No dividends have been paid in the current or prior financial years. The directors do not recommend the payment of a dividend for the year ended 30 June 2009.

REVIEW OF OPERATIONS

Financial Performance

The consolidated entity's net sales for the financial year were \$116.9 million (2008: 122.5 million), below the prior corresponding period by 3%. In constant currency terms net sales were below the prior corresponding period by 14%, as the consolidated entity felt the impact of the global economic downturn in all regions. In North America and Europe net sales were lower by 20% and 7% in local currency respectively, and in Australasia sales decreased by 4.4% (after adjusting for retail store closures).

The consolidated entity reported an Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") loss of \$4.5 million for the financial year (2008: \$0.8m profit). The \$5.7 million EBITDA loss reported in the first half of the financial year was followed by a second half EBITDA profit of \$1.2 million. Net Profit after Tax ("NPAT"), for the financial year was a loss of \$8.9 million (2008: \$24.6 million), with a first half loss of \$9.3 million being followed by a second half profit of \$0.4 million.

The loss for the financial year was driven by declining revenues, \$3.2 million of one-off restructuring costs and by the derecognition of \$4.7 million of tax assets associated with carry forward tax losses. The derecognition of these assets has no cash flow impact in the current or future periods. This accounting treatment does not impact the underlying value of the losses, which are available to carry forward indefinitely against future taxable profits in the relevant jurisdictions.

Financial Position

At 30 June 2009, the consolidated entity's financial position is sound. Globe reported positive cash flows from operating activities of \$6.7 million for the full year. As a result, the consolidated has net cash assets of \$11.3 million at 30 June 2009 (2008: \$7.1 million), healthy working capital balances and no borrowings.

FUTURE DEVELOPMENTS AND RESULTS

No further commentary on future developments and expected results 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.

ENVIRONMENTAL REGULATIONS

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

Directors' Report

MEETINGS OF DIRECTORS

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

	Board Meetings		Board Audit and Risk Committee Meetings (1)	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Paul Isherwood	7	7	5	5
Peter Hill	7	7	*	*
Stephen Hill	7	7	*	*
Richard Alcock (2)	4	4	4	4

* Not a member of relevant committee.

(1) The Board Audit and Risk Committee (BARC) was dissolved in February 2009. All such matters are now handled by the Board as a whole.

(2) Richard Alcock resigned from his position as Non-Executive Director and Chairman of the BARC on 16 December 2008.

REMUNERATION REPORT (AUDITED)

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

The information provided under headings A – D includes remuneration disclosures that are required under the *Corporations Act 2001* and the *Corporations Regulations 2001* and have been audited. The disclosures in section E are additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001* which have also been audited.

Remuneration of directors and executives

A. Principles used to determine the nature and amount of remuneration

The objective of the Company's executive remuneration framework is to ensure remuneration for performance is competitive and appropriate for the results delivered. The framework aligns executive remuneration with the achievement of both strategic group objectives and individual business unit plans. The Board ensures that executive remuneration satisfies the following key criteria for good remuneration governance practices:

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

The executive remuneration framework is aligned with shareholders interests in the following respects:

- it has economic profit as one of the components of plan design, as well as focusing the executive on key non-financial drivers of value.
- it attracts and retains high calibre executives, as it:
 - remunerates capability and experience
 - reflects competitive remuneration for contribution to achieving and exceeding individual business unit targets, which ultimately contributes to shareholder growth.
 - provides a clear structure for earning remuneration
 - provides recognition for contribution to the achievement of the Company's goals and objectives.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

REMUNERATION REPORT (AUDITED) (continued)

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. The founding directors of the Company have elected not to be paid directors' fees for the previous six years.

Non-Executive Directors' fees

The current base remuneration was last reviewed with effect from 1 October 2008, resulting in a reduction in the fees paid to individual directors. The Chairman's and non executive director's remuneration are inclusive of audit committee fees.

Retirement allowances

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

EXECUTIVES

The executive remuneration 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.

Executive base pay

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

Executives are offered a competitive base pay that comprises a fixed component as base pay.

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

During the current financial year, certain senior executive's base pay was reduced as part of the cost base restructure that the consolidated entity has undertaken in light of current market conditions

Short term incentives ("STI")

Each executive has an STI opportunity which is based on a mix of both quantitative and qualitative targeted performance levels. These targets are set individually for each executive depending on the accountabilities of their roles. The quantitative targets are based on the executive's relevant business unit performance levels. This ensures that the incentive is directly linked to areas of individual control, while at the same time ensuring that such incentives are ultimately linked to the creation of shareholder wealth through improved business unit performance. Both quantitative and qualitative targets are set by the Board and the CEO at the start of each financial year.

During the year the Company did not pay any cash bonuses under this STI plan and all such entitlements were forfeited.

Long term incentive plan ("LTIP")

The objective of the LTIP is to remunerate senior executives in a manner which aligns their remuneration with the creation of shareholder wealth. As such LTIP grants are only made to senior executives. LTIP grants to executives are delivered in the form of performance rights. These performance rights are linked to pre-determined EPS targets and growth as the Board believes this to be the most relevant performance measure as it aligns closely to the creation of wealth for shareholders.

As at the date of this report the earnings of the consolidated entity have not been sufficient to meet the vesting hurdles for the first tranche, as set out in the LTIP. As a result, the first tranche of rights have lapsed.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

REMUNERATION REPORT (AUDITED) (continued)

B. Details of Remuneration

Details of the nature and amount of each element of remuneration for each director and the key management personnel (as defined in AASB 124 Related Party Disclosures) of the Company and the consolidated entity are set out in the following tables. The key management personnel of the consolidated entity are the directors of the Company, the Chief Executive Officer (CEO) and those executives that report directly to the CEO.

In addition, these tables include the details of the five executives of the Company and the consolidated entity who received the highest remuneration during the financial year.

DIRECTORS OF GLOBE INTERNATIONAL LIMITED

	2009			2008		
	Short-term benefits	Post-employment benefits		Short-term benefits	Post-employment benefits	
Name	Cash Salary \$	Super-annuation \$	Total \$	Cash Salary \$	Super-annuation \$	Total \$
Paul Isherwood	125,574	3,176	128,750	137,615	12,385	150,000
Richard Alcock (1)	42,431	3,819	46,250	91,743	8,257	100,000
Peter Hill	-	-	-	-	-	-
Stephen Hill	-	-	-	-	-	-
Total	168,005	6,995	175,000	229,358	20,642	250,000

(1) Richard Alcock resigned from his position of Non Executive Director on 16 December 2008.

KEY MANAGEMENT PERSONNEL (KMP) AND TOP 5 REMUNERATED EXECUTIVES

2009 - CONSOLIDATED ENTITY

	Short-term benefits		Post-employment benefits	Other benefits	
Name	Cash salary \$	Cash bonus \$	Super-annuation \$	Other social security (3) \$	Total \$
Matthew Hill (2) <i>Chief Executive Officer</i>	641,087	-	-	-	641,087
Matthew Wong (1) <i>President – Global Product</i>	304,694	-	59,848	35,544	400,086
Gary Valentine (2) <i>President - North America</i>	339,199	-	-	-	339,199
Bod Boyle (2) <i>President - Dwindle</i>	297,354	-	-	-	297,354
Jessica Hogan <i>Chief Financial Officer</i>	206,250	-	13,745	-	219,995
Scott Lewis <i>President - International</i>	200,000	-	13,745	-	213,745
Gerhard Correa <i>Company Secretary</i>	130,000	-	12,211	-	142,211
John Sherwood (2) <i>Vice President – North American Sales</i>	333,138	-	-	-	333,138

(1) Europe based executive for part of the year (2) US based executive (3) Represents compulsory contributions imposed by the French Government to cover other social benefits which are mainly in the nature of unemployment, health and life insurances.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

REMUNERATION REPORT (AUDITED) (continued)

KEY MANAGEMENT PERSONNEL (KMP) AND TOP 5 REMUNERATED EXECUTIVES (continued)

2009 - THE COMPANY

	Short-term benefits		Post-employment benefits	
Name	Cash salary \$	Cash bonus \$	Super-annuation \$	Total \$
Jessica Hogan <i>Chief Financial Officer</i>	206,250	-	13,745	219,995
Scott Lewis <i>President – International</i>	200,000	-	13,745	213,745
Gerhard Correa <i>Company Secretary</i>	130,000	-	12,211	142,211
Steve Douglas <i>Vice President – International Marketing</i>	161,000	-	13,745	174,745
Frank Dammenhayn <i>Vice President – Apparel</i>	160,000	-	13,745	173,745

2008 - CONSOLIDATED ENTITY

	Short-term benefits		Post-employment benefits	Other benefits	
Name	Cash salary \$	Cash bonus \$	Super-annuation \$	Other social security (3) \$	Total \$
Matthew Hill (2) <i>Chief Executive Officer</i>	613,587	334,635	-	-	948,222
Matthew Wong (1) (3) <i>President - Europe</i>	296,264	94,423	98,224	65,579	554,490
Gary Valentine (2) <i>President - North America</i>	311,966	121,305	-	-	433,271
Bod Boyle (2) <i>President - Dwindle</i>	262,293	119,214	-	-	381,507
Steve Douglas <i>President – Australia</i>	160,000	60,000	13,129	-	233,129
Frank Dammenhayn <i>President – Australia</i>	160,000	40,000	13,129	-	213,129
Jessica Hogan <i>Chief Financial Officer</i>	150,000	50,000	13,129	-	213,129
Gerhard Correa <i>Company Secretary</i>	130,000	13,000	11,700	-	154,700
John Sherwood (2) <i>Vice President – North American Sales</i>	301,376	43,503	-	-	344,879

(1) Europe based executive (2) US based executive (3) Represents compulsory contributions imposed by the French Government to cover other social benefits which are mainly in the nature of unemployment, health and life.

REMUNERATION REPORT (AUDITED) (continued)

KEY MANAGEMENT PERSONNEL (KMP) AND TOP 5 REMUNERATED EXECUTIVES (continued)

2008 - THE COMPANY

	Short-term benefits		Post-employment benefits	
Name	Cash salary \$	Cash bonus \$	Super-annuation \$	Total \$
Steve Douglas <i>President – Australia</i>	160,000	60,000	13,129	233,129
Frank Dammenhayn <i>President – Australia</i>	160,000	40,000	13,129	213,129
Jessica Hogan <i>Chief Financial Officer</i>	150,000	50,000	13,129	213,129
Gerhard Correa <i>Company Secretary</i>	130,000	13,000	11,700	154,700
Noel Forsyth <i>Vice President - Footwear</i>	160,000	33,000	13,129	206,129
Stephen Pace <i>Vice President – Australian Finance, IT, Operations</i>	161,772	18,000	12,132	191,904

C Service Agreements

Remuneration and other terms of employment of the Chief Executive Officer are formalised in a service agreement. This agreement includes the provision of performance-related cash bonuses and participation in the long term incentive plan. Other major provisions of the agreement relating to remuneration are set out below.

- 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 2010
- Cash bonus up to a maximum of 75% of base remuneration based on, but not limited to, the achievement of certain profitability criteria, completion of certain strategic objectives and satisfactory conduct of all duties as Chief Executive Officer.
- Participation in the Executive LTIP.
- During the financial year the CEO volunteered a reduction in his annual base salary of US \$85,000 due to the performance of the Company and the expected impacts of difficult international trading conditions. This reduction was effective on 1 October 2008.

All other key management personnel are subject to employment contracts, where duration is unlimited and standard notice periods of six to twelve weeks apply. In addition, key management personnel are eligible to participate in both short and long term incentive plans.

D. Share Based Compensation**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 on each anniversary of the Award date. If the Performance Criteria for any year are not satisfied, those Performance Rights relating to that year will lapse and will not be carried forward.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

REMUNERATION REPORT (AUDITED) (continued)

Executive Long Term Incentive Plan (LTIP) (continued)

There have been a series of Rights awarded under this plan since 23 January 2007, none of which have vested, and all of which have since lapsed, been cancelled, or been replaced. Set out below is a summary of the performance rights that are currently in existence under this Plan. These Performance Rights were issued on 1 November 2007, based solely on EPS hurdles. The share price of the Company on 1 November 2007 was \$ 1.27. The details of these replacement Performance Rights are as follows:

Tranche	Vesting Dates	No Issued	Rights vested during the year
1	30 Aug 2008	506,667	-
2	30 Aug 2009	506,667	-
3	30 Aug 2010	506,667	-

Details of the hurdles required to be achieved prior to the vesting of Performance Rights under each of the tranches are as follows:

Tranche 1 (506,667 shares) - Measurement date of vesting 30 August 2008

EPS Growth	% of shares under this tranche vesting
Less than 5%	Nil
Equal to 5%	50%
Greater than 5% but less than 10%	Pro rata between 50.1% to 99.9%
Equal to or greater than 10%	100%

Prior to any shares vesting under Tranche 1, the minimum EPS that had to be achieved for the year ended 30 June 2008 was 4.95 cents. This was not achieved, and these rights did not vest on 30 August 2008, and accordingly the rights have since lapsed.

Tranche 2 (506,667 shares) - Measurement date of vesting 30 August 2009

EPS Growth	% of shares under this tranche vesting
Less than 12.5%	Nil
Equal to 12.5%	50%
Greater than 12.5% but less than 50%	Pro rata between 50.1% to 99.9%
Equal to or greater than 50%	100%

Prior to any shares vesting under Tranche 2, the minimum EPS that must be achieved for the year ended 30 June 2009 is 5.57 cents. If the minimum EPS is not achieved, then no shares will vest under this tranche even if the EPS growth rates have been achieved. This was not achieved, so these rights will not vest on 30 August 2009.

Tranche 3 (506,667 shares) - Measurement date of vesting 30 August 2010

EPS Growth	% of shares under this tranche vesting
Less than 12.5%	Nil
Equal to 12.5%	50%
Greater than 12.5% but less than 50%	Pro rata between 50.1% to 99.9%
Equal to or greater than 50%	100%

Prior to any shares vesting under Tranche 3, the minimum EPS that must be achieved for the year ended 30 June 2010 is 6.26 cents. If the minimum EPS is not achieved, then no shares will vest under this tranche even if the EPS growth rates have been achieved.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

REMUNERATION REPORT (AUDITED) (continued)

Executive Long Term Incentive Plan (LTIP) (continued)

Limiting of exposure to risk in relation to performance rights by key management personnel

The Company's performance rights are based wholly on EPS hurdles and not market based conditions. As the Company has no performance rights which are granted on market based conditions, it is not necessary for the board to formulate a policy in relation to key management personnel limiting their exposure to risk in relation to these performance rights.

E. Additional Information (unaudited)

Having regard to the changes between the opening and closing trading prices during the 2009 financial year and each of the previous four financial years, there has been no increase in shareholder wealth over the last five years. However as a contribution to shareholder wealth, the Company has returned \$40.6 million to shareholders during this period, by way of a return of capital of \$32.0 million in 2007 and a return of capital of \$8.6 million in 2008.

INSURANCE OF OFFICERS

During the financial year, Globe International Limited paid premiums to insure the directors, secretary and senior management of the Company. The amount of such premiums is confidential as per the terms of the insurance contract.

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

Certain 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, \$310,051 (2008: \$371,161) from the consolidated entity for non-audit services rendered during the financial year, predominantly in relation to capital restructuring and taxation compliance and advice.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the Board of Directors.

Melbourne

Dated this 25th August 2009



.....
Paul Isherwood
Chairman

PricewaterhouseCoopers
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Auditor's Independence Declaration

As lead auditor for the audit of Globe International Limited for the year ended 30 June 2009, 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 year.



Lisa Harker
Partner
PricewaterhouseCoopers

Melbourne
25th August 2009

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Income statements

For the year ended 30 June 2009

		Consolidated		The Company	
	Notes	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue from continuing operations	4	117,575	122,315	26,061	27,102
Other Income	4	-	-	1,581	1,205
Changes in inventories of finished goods and work in progress		(1,595)	356	(402)	(700)
Inventories purchased		(61,925)	(60,914)	(12,135)	(11,464)
Employee benefits expense		(18,574)	(19,061)	(4,038)	(4,581)
Depreciation and amortisation expense	5	(1,480)	(1,704)	(419)	(613)
Impairment of property, plant and equipment	5	-	(31)	-	-
Impairment of intangible assets	5	-	(20,608)	-	-
Finance costs	5	(92)	(98)	-	-
Selling and administrative expenses		(39,819)	(41,197)	(11,090)	(9,052)
Provision against investment in subsidiary	5	-	-	-	(19,262)
Provision for receivable from subsidiary	5	-	-	-	(10,000)
Profit / (loss) before related income tax expense		(5,910)	(20,942)	(442)	(27,365)
Income tax (expense) / benefit	8(a)	(2,958)	(3,655)	(5,796)	(1,354)
Profit / (loss) from continuing operations attributable to members of Globe International Limited	24	(8,868)	(24,597)	(6,238)	(28,719)

Earnings per share attributable to members of the Company (EPS):

Basic EPS (cents per share)	35	(21.39)	(59.32)
Diluted EPS (cents per share)	35	(21.39)	(59.32)

The above income statements should be read in conjunction with the accompanying notes.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Balance sheets

As at 30 June 2009

		Consolidated		The Company	
	Notes	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	9	11,285	7,346	1,098	1,151
Trade and other receivables	10	15,008	21,337	3,521	3,947
Inventories	11	13,877	15,261	4,684	4,890
Prepayments		925	2,130	337	1,495
Current tax assets	16	455	289	-	-
Total current assets		41,550	46,363	9,640	11,483
Non current assets					
Trade and other receivables	10	-	-	34,141	35,989
Property, plant and equipment	13	1,492	1,762	619	784
Other financial assets	14	1,471	680	36,181	36,181
Intangible assets	15	22,670	22,891	-	-
Deferred tax assets	16	3,293	6,774	2,544	5,689
Total non current assets		28,926	32,107	73,485	78,643
Total assets		70,476	78,470	83,125	90,126
LIABILITIES					
Current liabilities					
Trade and other payables	17	12,412	12,106	2,466	3,029
Borrowings	18	-	70	-	-
Derivative financial instruments	12	463	124	463	120
Current tax liabilities	19	28	1,157	-	-
Provisions	20	1,316	1,387	510	566
Total current liabilities		14,219	14,844	3,439	3,715
Non-current liabilities					
Borrowings	18	-	142	-	-
Deferred tax liabilities	19	3,994	4,045	-	262
Provisions	20	367	352	367	352
Other	21	21	195	-	-
Total non-current liabilities		4,382	4,734	367	614
Total liabilities		18,601	19,578	3,806	4,329
NET ASSETS		51,875	58,892	79,319	85,797
Equity					
Contributed equity	22	143,768	143,768	143,768	143,768
Reserves	23	(4,762)	(6,613)	(1)	239
Retained profits/(losses)	24	(87,131)	(78,263)	(64,448)	(58,210)
Total equity		51,875	58,892	79,319	85,797

The above balance sheets should be read in conjunction with the accompanying notes.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Statements of changes in equity

For the year ended 30 June 2009

	Notes	Consolidated		The Company	
		2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
Total equity at the beginning of the year		58,892	94,355	85,797	123,126
Cash flow hedge reserve movement (net of tax)	23(b)	(237)	(26)	(240)	(10)
Net Exchange difference on translation of financial reports of foreign controlled entities	23(a)	2,088	(2,240)	-	-
Net income / (expense) recognised directly in equity		1,851	(2,266)	(240)	(10)
Profit / (loss) for the year		(8,868)	(24,597)	(6,238)	(28,719)
Total recognised income / (expense) for the year		(7,017)	(26,863)	(6,478)	(28,729)
Transactions with equity holders in their capacity as equity holders:					
Return of capital to equity holders	22	-	(8,600)	-	(8,600)
Total equity at the end of the year attributable to members of Globe International Limited		51,875	58,892	79,319	85,797

The above statements of changes in equity 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 2009

		Consolidated		The Company	
	Notes	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		130,014	123,195	30,378	29,872
Payments to suppliers and employees (inclusive of goods and services tax)		(121,827)	(124,270)	(28,661)	(28,301)
Interest received		121	734	50	405
Interest and other costs of finance paid		(92)	(97)	-	-
Income taxes received / (paid)		(1,551)	(2,522)	-	246
Net cash provided by/ (used in) operating activities		6,665	(2,960)	1,767	2,222
Cash flows from investing activities					
Payment for property, plant and equipment	13	(673)	(718)	(254)	(324)
Payment for trademarks and other intangibles	15	(228)	(631)	-	-
Payment for investments		(729)	-	-	-
Net cash provided by / (used in) investing activities		(1,630)	(1,349)	(254)	(324)
Cash flows from financing activities					
Cash placed on restricted deposit with banks as security		(746)	-	(500)	-
Net advances to controlled entities		-	-	(1,066)	(6,785)
Repayment of borrowings		-	(1,555)	-	-
Repayment of finance leases		(212)	(385)	-	-
Return of Capital received from a subsidiary		-	-	-	8,600
Return of Capital paid to shareholders of the Company	22	-	(8,600)	-	(8,600)
Net cash provided by/ (used in) financing activities		(958)	(10,540)	(1,566)	(6,785)
Net increase/ (decrease) in cash and cash equivalents		4,077	(14,849)	(53)	(4,887)
Cash and cash equivalents at beginning of the financial year		7,346	22,634	1,151	6,038
Effect of exchange rates on cash holdings in foreign currencies		(138)	(439)	-	-
Cash and cash equivalents at the end of the financial year	9	11,285	7,346	1,098	1,151

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 financial statements

For the year ended 30 June 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Globe International Limited as an individual entity and the consolidated entity consisting of Globe International Limited and its subsidiaries.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Globe International Limited complies with International Financial Reporting Standards (IFRS).

The consolidated entity has not elected to early adopt any relevant accounting standards and amendments that have been published but that are not mandatory for 30 June 2009 reporting periods. The consolidated entity's assessment of the impact of these new standards and interpretations is set out in Note 1(ae).

Historical Cost Convention

These financial statements have been prepared under the historical cost convention, modified as required by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical Accounting Estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are discussed further in Note 1(af).

(b) Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Globe International Limited ("the Company") as at 30 June 2009 and the results of all subsidiaries for the year then ended. Globe International Limited and all its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Principles of Consolidation (continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the consolidated entity (refer Note 1(l)). Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are deconsolidated from the date that control ceases.

The consolidated entity applies a policy of treating transactions with minority interests as transactions with parties external to the consolidated group. Minority interests in the results of controlled entities are shown separately in the consolidated income statement and consolidated balance sheet respectively.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Globe International Limited.

(ii) Employee Share Trust

The consolidated entity has formed a trust to administer the consolidated entity's Executive Long Term Incentive Plan. The trust is consolidated as the substance of the relationship is such that the trust is controlled by the consolidated entity. Shares held by the trust are disclosed as ordinary shares and deducted from equity.

(c) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate for each jurisdiction adjusted by:

- changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements;
- the utilisation or derecognition of tax assets associated with net operating losses, temporary differences and foreign tax credits;
- prior year adjustments between the tax provided and the tax return ultimately lodged; and
- provisions for estimated tax liabilities in relation to on-going tax audits or disputes with tax authorities.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Income Tax (continued)

Tax consolidation legislation

Globe International Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as at 1 July 2003. The head entity, Globe International Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone tax payer in its own right.

In addition to its own current and deferred tax amounts, Globe International Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable or payable to other entities in the group. Details about the tax funding agreement are disclosed in Note 8 *Income Tax Expense*.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the consolidated entity's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Globe International Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Group companies

The assets and liabilities of overseas controlled entities 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.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, goods and services tax (GST) and other taxes paid. Revenue from a sale to a wholesale customer is recorded when goods have been despatched to a customer pursuant to a sales order and the associated risks have passed to the customer. Revenue from retail sales is recognised when a retail store sells a product to the customer. Royalties are recognised in the period in which underlying sales are made by the licensee. Interest revenue is recognised on a proportional basis using the effective interest rate method.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Segment reporting

An operating segment is identified as a discrete business segment whose results are reported to the chief operating decision maker. The chief operating decision maker has been identified as the Chief Executive Officer ("CEO"). Sales and profitability of operating segments is reported in line with how information is presented internally for management review.

(g) 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.

(h) Leases

Leases of property, plant and equipment where the consolidated entity has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(i) 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.

(j) Major event costs

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

(k) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation, and other financial assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined based on fair value less costs to sell. For the purposes of assessing impairment, assets are consolidated at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(l) Business Combinations

The purchase method of accounting is used for all business combinations 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Business Combinations (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the consolidated entity's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1 (r)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(m) Cash and cash equivalents

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 within three months to maturity (if applicable). Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(n) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts, principally on 30 day terms. A provision for doubtful receivables is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the assets carrying amount and the present value of estimate future cash flow, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

Other receivables are comprised of amounts receivable under a factoring arrangement and amounts due as a result of transactions outside the normal course of business. A provision for doubtful other receivables is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the other receivable.

(o) 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 expenditure. Costs are assigned to inventory based on standard costs which closely approximate actual costs. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling costs.

(p) Investments and other financial assets

Classification

The consolidated entity classifies its financial assets in the following categories: all receivables are classified as "loans and receivables"; investments are classified as "available-for-sale assets"; and derivatives are classified as derivative financial instruments. The consolidated entity does not hold any "financial assets at fair value through profit and loss" or any "held-to-maturity investments".

Recognition and measurement

Regular purchases and sales of financial assets are recognized on trade-date – the date on which the consolidated entity commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. These assets are subsequently measured at fair value unless the fair value can not be reliably measured, in which case they are carried at cost less impairment losses. Receivables are carried at amortised cost using the effective interest rate method.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Investments and other financial assets (continued)

Impairment

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of investments held for sale, a significant or prolonged decline in the future benefit to be recovered from the asset is considered as an indicator that the financial asset is impaired. Impairment losses on investments and receivables are recognised directly in the income statement.

(q) Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation or amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. All subsequent costs, including repairs and maintenance, are expensed as incurred.

Depreciation on plant and equipment is calculated using the straight line method to allocate cost, net of the residual value, over estimated useful lives as follows:

<u>Class of Asset</u>	<u>Useful Life</u>
Leasehold Improvements and leased assets	Period of Lease
Motor Vehicles	7 years
Computer Equipment	3 years
Plant & Equipment	4-10 years
Office Equipment, Furniture and Fittings	4-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(k)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(r) Intangible assets

(i) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the consolidated entity's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired (note 1(k)), and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the consolidated entity's investment in the specific distribution channel and/or region of operation.

(ii) *Trademarks and licences*

Trademarks and licences that have a finite useful life are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of trademarks and licences over their estimated useful lives, which vary from 5 to 30 years.

Trademarks and licences that have an indefinite useful life are carried at cost less impairment losses. These assets are assumed to have nil tax cost bases, unless specific deductions are available. These assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired (Note 1(k)).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Derivatives

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The consolidated entity designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

The consolidated entity documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as risk management objective and strategy for undertaking various hedge transactions. The consolidated entity also documents its assessment of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in the cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 12. Movements in the hedging reserve in shareholders' equity are shown in Note 23. The credit risk and foreign exchange risk associated with these instruments is disclosed in Note 2 *Financial Instruments*.

Cash Flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash-flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost of the asset.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments may not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(t) Trade and other payables

These amounts represent liabilities for goods and services to the consolidated entity prior to the end of the financial year which are unpaid. The amounts that are unpaid are generally payable within 30 days of recognition.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(v) Provisions

Provisions for legal claims, restructuring and other obligations are recognised when the group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are recognised at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects the current market assessments of the time value of money and the risks specific to the liability. Where relevant, the increase in the provision due to the passage of time is recognised as interest expense.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(x) Employee Benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised as provisions in respect of employee's services up to the reporting date and are measured at the nominal value of amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Superannuation

The consolidated entity makes contributions to various accumulating employee superannuation funds, or foreign equivalent funds, which are charged as expenses when incurred. The consolidated entity does not contribute to any defined benefit funds.

Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Short-term incentive plans

The consolidated entity recognises a liability and an expense for bonuses payable under various short term incentive plans. Short term incentive plans are based on the achievement of targeted performance levels set at the beginning of each financial year. Further information relating to these is included in the Remuneration Report which is set out on pages 5 to 11 of the Directors' Report. The consolidated entity recognises a liability to pay short term incentives when contractually obliged based on the achievement of the stated performance levels, or where there is a past practice that has created a constructive obligation.

Share based payments

Share based compensation benefits are provided to employees via the Globe Employee Share Plan ('ESP'), Option Plan ('ESOP') and Executive Long Term Incentive Plan ('LTIP'). Information relating to these plans is included in Note 27 *Key Management Personnel Disclosures* and in the Remuneration Report which is set out on pages 5 to 11 of the Directors' Report.

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

The fair value of rights granted under the LTIP is recognised as an employee benefit expense with a corresponding increase in equity.

In relation to rights granted with non-market vesting conditions (for example, based on EPS targets), the best available estimate of the number of performance rights expected to vest is used at the reporting date to determine the employee benefit expense for the period. This estimate is revised at each future reporting date if subsequent information indicates that the number of performance rights expected to vest differs from previous estimates and a corresponding adjustment is made to the employee benefit expense in those future periods.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. If the entity acquires its own equity instruments as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit and loss and the consideration paid including any directly attributable incremental costs, net of tax, is recognised directly in equity.

(z) 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.

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

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.

(aa) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(ab) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of the acquisition of the asset or part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included within other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as an operating cash flow.

(ac) Rounding of amounts

The Company has applied relief available under ASIC Class Order 98/0100 and accordingly, amounts in the financial report have been rounded off to the nearest one thousand dollars or, in certain cases, to the nearest dollar.

(ad) Comparative figures

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ae) New accounting standards and UIG interpretations

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. In addition, the consolidated entity elected to early adopt AASB 8 *Operating Segments* in the previous financial year. The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised in the financial statements of the Company or the consolidated entity, however they have impacted certain disclosures presented in the financial statements.

As noted in Note 1(a), at the date of authorisation of the financial report the following relevant Standards and Interpretations were issued but not yet effective:

(i) *Revised AASB 101 Presentation of Financial Statements*. Applicable to annual reporting periods beginning on or after 1 January 2009. Application of the revised standard is not expected to have any impact on the results of the consolidated entity, but may impact certain disclosures.

(ii) *Revised AASB 3 Business Combinations*. Applicable to annual reporting periods beginning on or after 1 January 2009. Application of the revised standard may impact the amounts recognised in the financial statements in future reporting periods. The revised AASB 3 provides additional guidance on how to apply the acquisition method in accounting for business combinations, including clarifying that acquisition-related costs must be expensed in the period in which the costs are incurred, not added to the cost of the business combination as is current practice. AASB is applicable prospectively to all business combinations for which the acquisition date is on or after 1 July 2009.

(iii) *Revised AASB 127 Consolidated and Separate Financial Statements*. Applicable to annual reporting periods beginning on or after 1 January 2009. Application of the revised standard is not expected to have any impact on the results of the consolidated entity, but may impact certain disclosures.

(iv) *AASB 2008-7 Cost of an investment in a subsidiary, jointly controlled entity or associate*. Applicable to annual reporting periods beginning on or after 1 January 2009. Application of the revised standard is not expected to have any impact on the results of the consolidated entity, but may impact certain disclosures and the results of the Company based on future transactions.

(af) Critical Accounting estimates

Accounting estimates are assumptions that are used to determine the financial performance and position at a point in time. These estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events, that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a risk of causing potentially material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Estimated Impairment of Goodwill and Intangible Assets with indefinite lives*

The consolidated entity tests annually whether goodwill and intangible assets with indefinite lives have suffered any impairment, in accordance with the accounting policy stated in Note 1(k). The recoverable amounts of cash generating units with goodwill have been determined based on value-in use calculations, and those with indefinite lived intangible assets have been determined based on fair value less costs to sell. These calculations require the use of assumptions. Refer to Note 15 *Intangible Assets* for details of these assumptions.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(af) Critical Accounting estimates (continued)

(ii) *Fair value estimates*

The fair value estimates of financial assets and liabilities must be estimated for recognition, measurement and disclosure purposes.

The nominal value less estimated credit adjustments of trade and other receivables and payables are assumed to approximate their fair values.

The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The fair value of financial liabilities for disclosure purposes is estimated by discounting future contractual cash flows at the relevant interest rate or the current market interest rate that is available to the consolidated entity for similar financial instruments, where there is no relevant interest rate.

(iii) *Taxation estimates*

The current year income tax expense and current tax payable are determined in accordance with note 1(c).

The carrying value of Deferred Tax Assets relating to tax losses is determined based on the estimated probability of recovery of those losses in future periods. Refer to Note 16 *Tax Assets* for the details of these estimates.

NOTE 2. FINANCIAL RISK MANAGEMENT

The consolidated entity's activities expose it to a variety of financial risks; credit risk, market risk (including currency risk, and interest rate risk), and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. These derivatives are used exclusively for hedging purposes and not as trading or speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include monitoring the financial performance of the primary exposures to credit-risk, ageing analysis for credit risk and sensitivity analysis for foreign exchange risk.

The Board of Directors has the ultimate responsibility for the establishment and oversight of the risk management framework. The Board works with the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") to establish the overall risk and control framework. The CEO and CFO are then delegated the authority and responsibility to assess specific risks, set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and procedures are reviewed regularly by the CEO and CFO to reflect changes in market conditions and the Company's and consolidated entity's activities. The CEO and CFO report to the Board on a regular basis in relation to the risk and control framework. The consolidated entity and the Company have written policies in place, covering specific areas, such as foreign exchange risk and credit risk.

The consolidated entity and the Company hold the following instruments as at the reporting date:

	Consolidated		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	11,285	7,346	1,098	1,151
Trade and other receivables	15,008	21,337	3,521	3,947
Other financial assets	1,471	680	36,181	36,181
Net amounts receivable from subsidiaries	-	-	34,141	35,989
	<u>27,764</u>	<u>29,363</u>	<u>74,941</u>	<u>77,268</u>
Financial liabilities				
Trade and other payables	12,412	12,106	2,466	3,029
Borrowings	-	212	-	-
Derivative financial instruments	463	124	463	120
	<u>12,875</u>	<u>12,442</u>	<u>2,929</u>	<u>3,149</u>

NOTE 2. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk

Whilst overall credit risk management is overseen by the Board, the day to day management of credit risk is conducted at a regional level by CEO, CFO and regional management teams. Credit risk arises from cash and cash equivalents, forward exchange contracts, deposits with banks as well as credit exposures to trade and other receivables.

Cash, cash equivalents and deposits are placed with reputed international banks. The counterparties to forward exchange contracts are also reputed international banks and financial institutions.

There are no significant concentrations of credit risk in relation to trade receivables, in the consolidated entity or the Company, as there are a large number of customers. In the case of the consolidated entity, these customers are internationally dispersed. To minimise exposure to credit risk, the consolidated entity and the Company have policies in place to ensure that sales of products are made to customers with an appropriate credit history. Credit history is verified mainly through trade references and reports from credit rating agencies where available. Credit limits are established for each customer, which are reviewed on a regular basis. When a customer is deemed uncreditworthy no credit is granted and payment is secured either by a letter of credit or prepayment for the goods. Goods are sold subject to retention of title clauses in those regions where such clauses are legally accepted, so that in the event of default the consolidated entity and the Company may have a secured claim in certain circumstances. In some instances personal guarantees are obtained from customers. No collateral is required for trade receivables.

Other receivables includes sundry receivables and, in the consolidated entity, amounts due from factors. The exposure to credit risk on amounts due from factors is monitored through regular review of financial performance and updates provided by ratings agencies.

Other financial assets in the consolidated entity represent available-for-sale investments in other entities. In the Company, other financial assets and net amounts receivable from subsidiaries largely represent investments in subsidiaries which, based on future profitability projections of the subsidiaries are tested annually for impairment.

Note 26 (a) contains quantitative details of the consolidated entity's and the Company's exposure to credit risk.

(b) Market risk

(i) Foreign exchange risk

The consolidated entity and the Company operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily in respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities in a currency that is not the consolidated entity's functional currency, or the functional currency of one of its subsidiaries. The risk is measured using sensitivity analysis and projections of future commercial transactions. Forward contracts are used to manage foreign exchange risk associated with inventory purchases.

The consolidated entity's risk management policy is for each region to hedge up to 75% of forecast foreign currency denominated inventory purchases over a six month period. All hedges of projected purchases qualify as "highly probable" forecast transactions for hedge accounting purposes.

The consolidated entity and the Company do not hedge its net investments in foreign subsidiaries denominated in foreign currency as those currency positions are considered long term in nature. Any foreign exchange gains or losses are taken to the foreign currency translation reserve on consolidation.

Note 26 (b)(i) contains quantitative details and sensitivity analysis of the consolidated entity's and the Company's exposure to foreign exchange risk.

(ii) Interest rate risk

The consolidated entity's and the Company's main interest rate risk during the financial year resulted from movements in interest rates on interest earned on surplus funds placed on deposit or at call with banks. These funds are placed in interest bearing accounts on short term maturities and are not hedged with interest rate derivatives. During the financial year, the consolidated entity entered into receivables financing agreements, as discussed in Note 26(c). Under the terms of the agreements, the consolidated entity is exposed to interest rate risks, to the extent that the available facilities are utilised.

The interest expense incurred during the financial year by the consolidated entity and the Company on borrowings and advances under factoring arrangements was not material in nature. Accordingly, no sensitivity analysis has been conducted.

Note 26 (b)(ii) contains quantitative details of the consolidated entity's and the Company's exposure to interest rate risk.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 2. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

The consolidated entity and the Company finances its operations by a combination of net cash from operating activities, the reinvestment of surplus cash, short-term bank debt and during this financial year and the introduction of the sale of receivables to factoring institutions. Liquidity risk is the risk that the consolidated entity and the Company may not be able to access funding when required, for both day-to-day requirements and to support its strategic activities.

Liquidity risk is managed by continuously monitoring forecast and actual cash flows and matching the maturities of financial assets against liabilities. In many cases trade receivables are financially incentivised to pay on time; and credit terms with both customers and suppliers of goods and services are negotiated to minimise the gap between payment and collection.

Due to the seasonal nature of the cash flows and the requirement for working capital funding at times throughout the year, funding facilities are maintained with reputed banks and financial institutions. Management regularly reviews the forecast levels of available facilities in line with cash flow requirements. In addition, management maintains relationships with key financial institutions that may be able to provide alternate sources of funding.

Note 26 (c) contains quantitative details of the consolidated entity's and the Company's exposure to liquidity risk.

NOTE 3. SEGMENT REPORT

(a) Description of Segments

The consolidated entity has three operating segments – Australasia, North America and Europe, which are the consolidated entity's regional business units. In determining these segments, management has considered the way information is reported internally to the Chief Executive Officer and the Board of Directors. Each of these divisions is headed by a Divisional President, and the Board monitors the performance of each of these segments separately.

The consolidated entity deals in predominantly one business segment which is the same in each geographical region – the sale of footwear, apparel, accessories and skateboarding hardgoods in the Action Sports market.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 3. SEGMENT REPORT (continued)

(b) Reportable Segment Information

The segment information provided to the CEO and the Board of Directors for the reportable segments is as follows:

2009	Notes	Australasia \$'000	North America \$'000	Europe \$'000	Unallocated \$'000	Total \$'000
<u>Segment Revenue</u>						
Total Segment Revenue		34,634	59,955	24,282	-	118,871
Internal Segment revenue		-	(1,417)	-	-	(1,417)
External Segment Revenue		34,634	58,538	24,282	-	117,454
<u>Segment Profit / (Loss)</u>						
Segment EBITDA		956	(691)	(1,468)	(3,256)	(4,459)
<i>Significant Items included in EBITDA</i>						
Restructuring and one-off items	6	1,654	361	962	178	3,155
Depreciation and amortisation	5	598	720	162	-	1,480
Net interest revenue	4	81	-	40	-	121
Finance costs	5	11	80	1	-	92
<i>Other material non-cash items</i>						
Impairment of receivables	5	338	758	531	-	1,627
Impairment inventories	5	414	(4)	-	-	410
<u>Segment Assets and Liabilities</u>						
Reportable segment assets		18,098	27,100	11,330	56,538	
Reportable segment liabilities		4,311	8,572	9,687	22,570	
Acquisition of non-current assets		263	541	97	901	
Investments in other financial assets		-	729	-	729	

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 3. SEGMENT REPORT (continued)

(b) Reportable Segment Information (continued)

2008	Notes	Australasia \$'000	North America \$'000	Europe \$'000	Unallocated \$'000	Total \$'000
<u>Segment Revenue</u>						
Total Segment Revenue		37,780	62,401	23,155	-	123,336
Internal Segment revenue		-	(1,755)	-	-	(1,755)
External Segment Revenue		37,780	60,646	23,155	-	121,581
<u>Segment Profit / (Loss)</u>						
Segment EBITDA		1,179	5,584	(388)	(5,610)	765
<i>Significant Items included in EBITDA</i>						
UK litigation expenses	6	-	-	-	(2,020)	(2,020)
Depreciation and amortisation	5	(832)	(725)	(147)	-	(1,704)
Interest revenue	4	482	162	90	-	734
Finance costs	5	(61)	(37)	-	-	(98)
<i>Other material non-cash items</i>						
Impairment of receivables	5	63	(188)	(702)	-	(827)
Impairment inventories	5	(433)	87	115	-	(231)
Impairment of property, plant and equipment	5	(31)	-	-	-	(31)
Impairment of Intangible assets	5	-	-	-	(20,608)	(20,608)
		Australasia \$'000	North America \$'000	Europe \$'000	Total \$'000	
<u>Segment Assets and Liabilities</u>						
Reportable segment assets		22,645	23,668	14,075	60,388	
Reportable segment liabilities		5,569	8,057	7,912	21,538	
Acquisition of non-current assets		324	286	108	718	

(c) Reconciliations

(i) Segment Revenues

Segment revenues include the revenue on sale of goods and royalty income earned. Segment revenues include transfers between segments. Such transfers are priced on an arms-length basis and are eliminated on consolidation at a segment reporting level.

Segment revenue reconciles to total revenue from continuing operations as follows:

	2009 \$'000	2008 \$'000
Total segment revenue	118,871	123,336
Elimination of inter-segment revenue	(1,417)	(1,755)
Interest revenue	121	734
Continuing business total revenue	117,575	122,315

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 3. SEGMENT REPORT (continued)

(ii) Segment EBITDA

Segment EBITDA is the most common measure used by the CEO and the Board of Directors to measure the performance of the operating segments based on a measure of adjusted EBITA. The measurement basis excludes the cost of central corporate costs, which are included as "unallocated" in the segment report. Certain Globe branded costs, including global marketing and events and footwear design, development, sourcing and production, are incurred centrally. To determine segment profitability, these costs are allocated one third to each segment for management reporting purposes. All other costs are allocated to regions based on the location of the spend.

Segment EBITDA reconciles to total operating profit before tax as follows:

	Notes	2009 \$'000	2008 \$'000
Total segment EBITDA		(1,203)	6,375
Unallocated Corporate expenses		(3,256)	(3,590)
Unallocated UK litigation expenses	6	-	(2,020)
Continuing business EBITDA		<u>(4,459)</u>	<u>765</u>
Depreciation and amortisation		(1,480)	(1,704)
Impairment of assets		-	(20,639)
Interest revenue		121	734
Finance costs		<u>(92)</u>	<u>(98)</u>
Profit / (Loss) before tax from continuing operations		<u>(5,910)</u>	<u>(20,942)</u>

(ii) Segment Assets

Segment Assets are allocated to the segments based on the operations of the segment and the physical location of the asset. Net intercompany receivables are included in the segments as applicable. Intangible assets are allocated to the segment that owns the assets and the associated rights, with the exception of certain Globe intangible assets which are unallocated. Current and deferred tax assets are not considered to be segment assets. Reportable segment assets are reconciled to total assets as follows:

	2009 \$'000	2008 \$'000
Total segment assets	56,538	60,388
Elimination of inter-segment loans	(7,991)	(7,162)
Unallocated Intangible assets	18,181	18,181
Current and deferred tax assets	<u>3,748</u>	<u>7,063</u>
Total assets	<u>70,476</u>	<u>78,470</u>

(ii) Segment Liabilities

Segment Liabilities are allocated to the segments based on the operations of the segment. Net intercompany payables are included in the segments as applicable. Borrowings are included in segment liabilities as these are either short-term financing loans related to cash on hand, or finance lease assets related to the property, plant and equipment used to generate operating cash flows. Current and deferred tax liabilities are not considered to be segment liabilities. Reportable segment liabilities are reconciled to total liabilities as follows:

	2009 \$'000	2008 \$'000
Total segment liabilities	22,570	21,538
Elimination of inter-segment loans	(7,991)	(7,162)
Current and deferred tax liabilities	<u>4,022</u>	<u>5,202</u>
Total liabilities	<u>18,601</u>	<u>19,578</u>

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 3. SEGMENT REPORT (continued)

(d) Other information

Information about revenues from external customers and non-current assets in Australia, the entity's country of domicile, and any other material individual countries is disclosed below. These revenues are allocated based on the location of the customer. Non-current assets are allocated based on the location of the asset, or the country which derives income from the asset in the case of investments and intangible assets. Assets that are not allocated to reporting segments are excluded from regional assets.

	External Segment Revenues		External Non-Current Assets	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Australia	30,468	34,078	625	960
United States	38,573	41,383	5,894	5,224
Other foreign countries	48,413	46,120	933	968
Unallocated deferred taxes		-	3,293	6,774
Unallocated intangible assets	-	-	18,181	18,181
Total	117,454	121,581	28,926	32,107

NOTE 4. REVENUE AND OTHER INCOME

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue:				
Sale of goods	116,862	120,676	25,997	26,687
Royalty income	592	905	13	10
Finance income	121	734	51	405
	117,575	122,315	26,061	27,102
Other income:				
Other income	-	-	1,581	1,205

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 5. EXPENSES

	Consolidated		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Profit / (loss) from ordinary activities of the continuing operations, before income tax, includes the following specific expenses:				
Cost of sales	63,520	60,558	12,537	12,164
Bad and doubtful debts	1,627	827	333	(64)
Provision for receivable from subsidiary	-	-	-	10,000
Write down of inventory to net realisable value	410	231	413	330
Borrowing costs				
Interest & finance charges paid	92	98	-	-
Operating lease expenses				
Rent for premises	2,998	3,166	642	643
Depreciation				
Leasehold improvements	325	456	120	161
Plant & equipment	29	67	-	-
Office equipment, furniture and fittings	588	719	299	452
Leased Assets	89	134	-	-
Total Depreciation	1,031	1,376	419	613
Amortisation				
Amortisation of Trademarks	430	311	-	-
Amortisation of other intangibles	19	17	-	-
Total Amortisation	449	328	-	-
Total depreciation and amortisation	1,480	1,704	419	613
Impairment of property, plant and equipment	-	31	-	-
Impairment of intangible assets	-	20,608	-	-
Impairment of investment in subsidiary	-	-	-	19,262

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 6. SIGNIFICANT ITEMS

	Notes	Consolidated		The Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Profit (loss) for the year includes the following items for which disclosure is relevant in explaining the financial performance of the continuing operations:					
Legal costs associated with trademark litigation	30	-	(2,020)	-	-
Non-recurring restructuring expenses		(3,155)	-	(183)	-
Write-down in recoverable amount of goodwill	15	-	(20,608)	-	-
Write-down of investment in subsidiary	5	-	-	-	(19,262)
Provision for individually significant doubtful trade and other receivables, including subsidiaries		-	-	-	(10,000)
Total significant items		(3,155)	(22,628)	(183)	(29,262)
Income tax (expense) / benefit associated with items above		946	606	55	3,000
Derecognition of deferred tax assets relating to unutilised tax losses	8	(4,666)	(2,000)	(4,320)	(5,000)
Provision for potential tax liabilities associated with on-going tax audits	8	404	(800)	-	-
Total significant income tax (expense) / benefit		(3,316)	(2,194)	(4,265)	(2,000)
Net significant items impacting the continuing operations		(6,471)	(24,822)	(4,448)	(31,262)

NOTE 7. NOTES TO THE STATEMENT OF CASH FLOWS

	Notes	Consolidated		The Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(a) Reconciliation of net cash provided by operating activities to profit / (loss) from ordinary activities after income tax					
Operating profit / (loss) after taxation		(8,868)	(24,597)	(6,238)	(28,719)
Impairment of intangible assets	5	-	20,608	-	-
Impairment of fixed assets	5	-	31	-	-
Depreciation and amortisation - continuing operations	5	1,480	1,704	419	613
Derecognition of deferred tax assets (tax losses)	6	4,666	2,000	4,320	5,000
Provision for impairment of investment in subsidiary	5	-	-	-	19,262
Provision for receivable from subsidiary	5	-	-	-	10,000
Net exchange gains / (losses) on net assets		1,833	(1,565)	-	-
Changes in operating asset and liabilities as reported:					
(Increase)/Decrease in trade receivables		9,178	265	929	(264)
(Increase)/Decrease in other receivables and prepayments		(898)	(343)	1,156	(765)
(Increase)/Decrease in inventories		1,384	(776)	206	766
Increase/(Decrease) in other payables/provisions/accruals		415	1,461	(501)	(271)
Increase/(Decrease) in net taxes payable		(2,525)	(1,748)	1,476	(3,400)
Net cash provided by/(used in) operating activities		6,665	(2,960)	1,767	2,222

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 8. INCOME TAX EXPENSE

	Consolidated		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
(a) Income tax expense recognised in the income statement				
Prior year under / (over)	(206)	206	-	(759)
Current tax including tax loss derecognition	2,426	2,357	5,657	2,023
Deferred tax relating to temporary differences	738	1,092	139	90
Total income tax expense / (benefit)	2,958	3,655	5,796	1,354

The deferred income tax (benefit) / expense included in income tax expense relates to the reversal of temporary differences.

	Consolidated		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
(b) Numerical reconciliation between tax expense and pre-tax profit				
Profit / (loss) from continuing operations before income tax	(5,910)	(20,942)	(442)	(27,365)
Income tax expense / (benefit) calculated at 30%	(1,773)	(6,283)	(133)	(8,210)
Increase / (decrease) in tax due to:				
Prior year under / (over)	(206)	206	-	(759)
Impairment of goodwill	-	6,182	-	-
Impairment of investment in subsidiary	-	-	-	5,779
Provision for potential tax liabilities associated with on-going tax audits	(404)	800	-	-
Non deductible / (non assessable) foreign currency translation	-	-	1,607	(453)
Non allowable expenditures	239	93	2	8
Revenue losses and temporary differences derecognised	4,666	2,000	4,320	5,000
Expiry of foreign income tax credits	277	212	-	-
Differences in tax on overseas income	159	445	-	-
Other	-	-	-	(11)
Income tax expense / (benefit)	2,958	3,655	5,796	1,354

(c) Deferred tax recognised directly in equity

Income tax expense / (benefit) relating to cash flow hedges	102	(38)	103	(36)
	102	(38)	103	(36)

(d) Tax consolidation legislation

Globe International Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in Note 1(c).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Globe International Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Globe International Limited for any current tax payable assumed and are compensated by Globe International Limited for any current tax receivable and deferred taxes relating to unused tax losses or unused tax credits that are transferred to Globe International Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 8. INCOME TAX EXPENSE (continued)

(e) Franking Account

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Franking account balance at 30% tax rate	6,691	6,691	6,691	6,691

NOTE 9. CASH AND CASH EQUIVALENTS

	Note	Consolidated		The Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash at bank		10,574	5,420	1,098	1,151
Short dated bills of exchange		711	1,926	-	-
	(a)	11,285	7,346	1,098	1,151

(a) Reconciliation of cash and cash equivalents to the statement of cash flow

Cash at the end of the financial year as shown in the statement of cash flows is consistent with items in the balance sheets.

(b) Credit risk and interest rate risk

The consolidated entity's general exposure and management of credit risk and interest rate risk is discussed in Note 2 *Financial Risk Management*. The detailed exposure to these risks as at the current balance date is disclosed in Note 26 *Financial Instruments*.

NOTE 10. TRADE AND OTHER RECEIVABLES

	Notes	Consolidated		The Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current					
Trade receivables		14,480	23,473	3,420	4,176
Less: Provision for doubtful receivables		(2,972)	(2,787)	(530)	(357)
		11,508	20,686	2,890	3,819
Other receivables	(c)	2,616	472	77	51
Restricted cash on deposit	26	746	-	500	-
Trade deposits		138	179	54	77
	26	15,008	21,337	3,521	3,947
Non Current					
Amounts receivable from subsidiaries		-	-	80,783	82,631
Provision for receivable from subsidiary	32	-	-	(46,642)	(46,642)
Net receivable from subsidiaries		-	-	34,141	35,989

(a) Fair Value

The consolidated entity's financial assets are carried in the balance sheet at amounts that approximate fair value.

(b) Credit risk and interest rate risk

The consolidated entity's general exposure and management of credit risk and interest rate risk is discussed in Note 2 *Financial Risk Management*. The detailed exposure to these risks as at the current balance date is disclosed in Note 26 *Financial Instruments*.

(c) Other receivables

This amount includes \$2.2 million (2008: nil) relating to amounts recoverable under trade receivables factoring arrangements – refer to Note 26 for further information. Other amounts generally arise from transactions outside the usual operating activities of the consolidated entity. Collateral is not normally obtained.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 11. INVENTORIES

	Consolidated		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Raw materials – at cost	385	340	-	-
Work in progress – at cost	6	43	-	-
Finished goods – at cost	10,971	10,975	2,655	2,320
Finished goods – at net realisable value	2,515	3,903	2,029	2,570
	<u>13,877</u>	<u>15,261</u>	<u>4,684</u>	<u>4,890</u>

NOTE 12. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Forward exchange contracts – cash flow hedge asset / (liability)	<u>(463)</u>	<u>(124)</u>	<u>(463)</u>	<u>(120)</u>

(a) Forward exchange contracts

The consolidated entity enters into forward exchange contracts, in the normal course of business, to hedge certain foreign exchange exposures, as discussed in Note 2 *Financial Risk Management*. These contracts are hedging highly probable forecasted purchases for the ensuing seasons, and are timed to mature when payments for major shipments for each season are due. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the consolidated entity effectively adjusts the initial measurement of the inventory recognised in the balance sheet by the related amount deferred in equity. For details of the hedging instruments outstanding as at balance date, refer to Note 26 *Financial Instruments*.

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

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

CONSOLIDATED ENTITY - 2008	Leasehold Imp'ments \$'000	Leased Assets \$'000	Plant & Equipment \$'000	Office Equipment, Furniture & Fittings \$'000	Total GROUP \$'000
Balance at the start of the year	942	254	70	1,200	2,466
Additions	83	-	36	599	718
Depreciation	(456)	(134)	(67)	(719)	(1,376)
Impairment charges	-	(31)	-	-	(31)
Foreign currency translation gain / (loss) on fixed assets of overseas subsidiaries	(13)	-	(3)	1	(15)
Carrying value at the reporting date	<u>556</u>	<u>89</u>	<u>36</u>	<u>1,081</u>	<u>1,762</u>
CONSOLIDATED ENTITY – 2009	Leasehold Imp'ments \$'000	Leased Assets \$'000	Plant & Equipment \$'000	Office Equipment, Furniture & Fittings \$'000	Total GROUP \$'000
Balance at the start of the year	556	89	36	1,081	1,762
Additions	98	-	64	511	673
Depreciation	(325)	(89)	(29)	(588)	(1,031)
Foreign currency translation gain / (loss) on fixed assets of overseas subsidiaries	19	-	3	66	88
Carrying value at the reporting date	<u>348</u>	<u>-</u>	<u>74</u>	<u>1,070</u>	<u>1,492</u>

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 13. PROPERTY, PLANT AND EQUIPMENT (continued)

THE COMPANY - 2008	Leasehold Imp'ments \$'000	Office Equipment, Furniture & Fittings \$'000	Total COMPANY \$'000
Balance at the start of the year	412	661	1,073
Additions	-	324	324
Depreciation	(161)	(452)	(613)
Carrying value at the reporting date	251	533	784

THE COMPANY - 2009	Leasehold Imp'ments \$'000	Office Equipment, Furniture & Fittings \$'000	Total COMPANY \$'000
Balance at the start of the year	251	533	784
Additions	-	254	254
Depreciation	(120)	(299)	(419)
Carrying value at the reporting date	131	488	619

NOTE 14. OTHER FINANCIAL ASSETS

		Consolidated		The Company	
	Notes	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Shares in subsidiaries	33	-	-	36,181	36,181
Investments in other entities (available for sale)		1,471	680	-	-
		1,471	680	36,181	36,181

NOTE 15. INTANGIBLE ASSETS

	Goodwill	Trademarks – indefinite life	Trademarks – finite life	Other intangible assets – finite life	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED					
At 30 June 2007					
Cost	65,345	23,160	17,129	-	105,634
Accumulated amortisation and impairment	(44,737)	(4,979)	(12,562)	-	(62,278)
Net book amount	20,608	18,181	4,567	-	43,356
Year ended 30 June 2008					
Opening net book amount	20,608	18,181	4,567	-	43,356
Additions	-	-	104	527	631
Amortisation charge	-	-	(311)	(17)	(328)
Effects of foreign currency	-	-	(160)	-	(160)
Impairment charge	(20,608)	-	-	-	(20,608)
Closing net book amount	-	18,181	4,200	510	22,891
At 30 June 2008					
Cost	65,345	23,160	17,073	527	106,105
Accumulated amortisation and impairment	(65,345)	(4,979)	(12,873)	(17)	(83,214)
Net book amount	-	18,181	4,200	510	22,891

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 15. INTANGIBLE ASSETS (continued)

	Goodwill	Trademarks – indefinite life	Trademarks – finite life	Other intangible assets – finite life	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2009					
Opening net book amount	-	18,181	4,200	510	22,891
Additions	-	-	228	-	228
Amortisation charge	-	-	(430)	(19)	(449)
Closing net book amount	-	18,181	3,998	491	22,670
At 30 June 2009					
Cost	65,345	23,160	17,301	527	106,333
Accumulated amortisation and impairment	(65,345)	(4,979)	(13,303)	(36)	(83,663)
Net book amount	-	18,181	3,998	491	22,670

(a) Impairment tests for indefinite life intangible assets

Goodwill

Goodwill is allocated to the consolidated entity's cash-generating units (CGUs), which are determined based on specific businesses / acquisitions. As a result of the annual impairment calculation for the year end 30 June 2008, the consolidated entity has made a provision for impairment against the full carrying value of goodwill. This includes the goodwill in the Globe business that was acquired at the time of the IPO (\$19.3 million), as well as the other individual amounts across multiple cash generating units (\$1.3m). As a result, the carrying value of goodwill is \$nil (2008: nil).

Trademarks with indefinite useful lives

The Globe and Gallaz trademarks are both considered to have indefinite lives. Globe, the consolidated entity's flagship brand, established in 1993, is a well recognised action sports brand worldwide, with a broad offering of footwear, apparel and accessories sold predominantly in North America, Europe and Australasia. Gallaz complements the Globe brand with an authentic product for girls. For these reasons, these trademarks are not considered to have a foreseeable brand maturity date, and have accordingly been assessed as having an indefinite useful life.

The carrying value of trademarks with indefinite lives is as follows:

	Consolidated		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Globe	16,701	16,701	-	-
Gallaz	1,480	1,480	-	-
Total	18,181	18,181	-	-

The recoverable amount of these trademarks is determined based on fair value less costs to sell. The fair value is determined based on future cash flow projections using the "royalty relief" method of valuing trademarks. Future cash flow projections use sales forecasts based on financial budgets, to the extent that these are available, and conservative growth assumptions for up to 5 years where budgets are not available. For the Globe brand, the cumulative level of growth applied to future sales forecasts is within the range of 2% to 4%. These growth assumptions are applied based on management's assessment of the realistic short-term sales expectations of the brand based on actual sales, marketing, product and distribution initiatives that are expected to have an effect during the period. These assessments are applied after taking into account recent sales trends and general macro economic conditions. An average royalty rate of 6% is applied to these trademarks. A pre-tax discount factor in the range of 16% to 18% (2008: 16%– 18%) has been applied to the future cash flows.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 16. TAX ASSETS

		Consolidated		The Company	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Current tax assets	(i)	455	289	-	-
Deferred tax assets attributable to temporary differences	(ii)	2,780	3,705	2,031	2,975
Deferred tax assets attributable to tax losses	(iii)	513	3,069	513	2,714
Total deferred tax assets		3,293	6,774	2,544	5,689

(i) Current tax assets are tax refunds due on current or prior year period taxes paid.

(ii) *Deferred taxes attributable to temporary differences*

This balance comprises of temporary differences attributable to:

		Consolidated		The Company	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
<i>Amounts recognised in profit or loss:</i>					
Trade and other receivables (1)		735	1,437	1,438	2,451
Inventories		193	257	124	183
Property, plant and equipment		866	862	10	-
Intangible assets		235	244	-	-
Employee benefits (provisions and payables)		388	394	263	275
Accruals		66	365	12	30
Provisions		81	79	45	-
Other		76	29	-	-
		2,640	3,667	1,892	2,939
<i>Amounts recognised directly in equity:</i>					
Cash flow hedges		140	38	139	36
Total temporary differences		2,780	3,705	2,031	2,975

(1) Includes provisions for receivables and unrealised foreign exchange losses on loans from subsidiaries

There are no unrecognised deferred tax assets relating to temporary differences in the consolidated entity. The Company has \$3.0m (2008: \$3.0m) of deferred tax assets related to a provision against receivables from subsidiaries that has not been recognised.

(iii) *Deferred taxes attributable to tax losses*

This balance comprises of net operating tax losses that are expected to be utilised in the next two to ten years. The utilisation of these losses will occur after sufficient profits have been generated to reverse existing taxable temporary differences in the relevant regions. The carrying value of these tax losses is supported by future taxable profit forecasts which indicate that it is probable that these losses will be utilised within the specified time frame.

The consolidated entity has \$6.7 million (2008: \$2.0m) of deferred tax assets relating to revenue losses that have not been recognised. These tax losses do not expire under current tax legislation. Deferred tax assets will not be recognised until such time that current taxable profit forecasts for the relevant jurisdictions indicate that it is probable that these benefits will be utilised in the foreseeable future.

In addition, the consolidated entity has \$3.6 million (2008: \$3.6 million) of deferred tax assets relating to capital tax losses that have not been recognised. These tax losses do not expire under current tax legislation. Deferred tax assets will not be recognised until such time that it is probable that future capital gains will be available to utilise these benefits.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 17. TRADE AND OTHER PAYABLES

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current payables				
Trade creditors	8,911	7,063	1,696	1,439
Other creditors and accruals	3,501	4,646	770	1,590
Deferred purchase consideration	-	397	-	-
	<u>12,412</u>	<u>12,106</u>	<u>2,466</u>	<u>3,029</u>

NOTE 18. BORROWINGS

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current - Secured				
Finance leases	-	70	-	-
Non current - Secured				
Finance leases	-	142	-	-

(a) Assets pledged as security

The finance leases were secured by the leased assets, the details of which are included in Note 31(b) *Commitments*.

(b) Fair values

The consolidated entity's financial liabilities are carried in the balance sheet at amounts that approximate fair value.

(c) Liquidity risk and interest rate risk

The consolidated entity's general exposure and management of liquidity risk and interest rate risk is discussed in Note 2 *Financial Risk Management*. The detailed exposure to these risks as at the current balance date is disclosed in Note 26 *Financial Instruments*.

NOTE 19. TAX LIABILITIES

		Consolidated		The Company	
	Notes	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current					
Provision for income tax	(i)	<u>28</u>	<u>1,157</u>	<u>-</u>	<u>-</u>
Non current					
Deferred Tax Liability	(ii)	<u>3,994</u>	<u>4,045</u>	<u>-</u>	<u>262</u>

(i) This balance includes provisions of \$nil (2008: \$0.8m) for potential tax liabilities associated with on-going tax audits.

(ii) This balance consists of temporary differences attributable to:

Amounts recognised in profit or loss:

Trade and other receivables	119	200	-	-
Prepayments	-	262	-	262
Intangible assets	<u>3,875</u>	<u>3,583</u>	<u>-</u>	<u>-</u>
Total temporary differences	<u>3,994</u>	<u>4,045</u>	<u>-</u>	<u>262</u>

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 20. PROVISIONS

		Consolidated		The Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current					
Employee entitlements	(a)	1,057	1,126	510	566
Restructuring provision	(b)	145	261	-	-
Onerous lease provision	(c)	114	-	-	-
		<u>1,316</u>	<u>1,387</u>	<u>510</u>	<u>566</u>
Non-current					
Employee Entitlements	(a)	367	352	367	352

(a) Employee entitlements

Aggregate employee benefits	1,424	1,478	877	918
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Annual leave and long service leave provisions

The provision for employee entitlements comprises amounts for annual leave and long service leave. Annual leave is recognised as a current provision as the consolidated entity does not have the unconditional right to defer settlement. The consolidated entity expects annual leave amounts to be paid out within 12 months. The following assumptions were used in measuring the long service leave provision for the year ended 30 July 2009:

Expected increase in wages and salaries	3% - 4%	(2008: 3% - 4%)
Expected wages and salary on-costs	7% - 16 %	(2008: 7% - 16%)

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 consolidated entities. Accrued superannuation contributions, along with other accrued labour costs, are included in trade and other payables (Note 17).

(b) Restructuring provision

The restructuring provision covers the planned closure of certain retail stores. The provision relates to the consolidated entity only. Actual payments may vary from amounts provided where alternative terms of surrender are negotiated, or the costs of closure vary from current estimates. The movement in the provision during the financial year is shown in the table below.

(c) Onerous lease provision

The onerous lease provision covers one property for which a sub-tenant has been secured for a value less than the total value of the original rental commitment. The provision relates to the consolidated entity only. The movement in the provision during the financial year is shown in the table below.

		(b) Restructuring Provision		(c) Onerous Lease Provision	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Movement in provisions					
Balance at the start of year		261	511	-	-
Provisions made		145	-	114	-
Provisions utilised		(261)	(234)	-	-
Provisions released		-	(16)	-	-
Balance at end of year		<u>145</u>	<u>261</u>	<u>114</u>	<u>-</u>

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 21. OTHER LIABILITIES

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Deferred Income – lease incentives	15	90	-	-
Fixed rent escalation accruals	6	105	-	-
	<u>21</u>	<u>195</u>	<u>-</u>	<u>-</u>

NOTE 22. CONTRIBUTED EQUITY

	Notes	Consolidated		The Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Paid-up Capital:					
41,463,818 (2008: 41,463,818) fully paid ordinary shares	(a)	<u>143,768</u>	<u>143,768</u>	<u>143,768</u>	<u>143,768</u>
	No. of Shares	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Movements in contributed equity for the year					
Balance at beginning of year	41,463,818	143,768	152,368	143,768	152,368
Capital Returns (b)	-	-	(8,600)	-	(8,600)
Balance at the reporting date	<u>41,463,818</u>	<u>143,768</u>	<u>143,768</u>	<u>143,768</u>	<u>143,768</u>

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the company does not have a limited amount of authorised capital

(b) Capital returns

Financial Year ended 30 June 2008

On 14 February 2008 the Company returned \$8.6 million or 20.7 cents per share to all shareholders. This was approved by the shareholders at an Extraordinary General Meeting held on 23 January 2008.

(c) Capital risk management

The consolidated entity's primary objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. Accordingly, the consolidated entity's strategy is to maintain a low level of borrowings. As at the end of this financial year, the consolidated entity has no borrowings (2008: \$0.2 million).

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, and sell assets to pay down debt or return capital to shareholders. Where there is excess capital in the business through major asset sales, the Company will aim to return this capital to shareholders.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 23. RESERVES

		Consolidated		The Company	
	Notes	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Foreign currency translation reserve	(a)	(4,761)	(6,849)	-	-
Hedging reserve – cash flow hedge	(b)	(324)	(87)	(324)	(84)
Share based payments reserve	(c)	323	323	323	323
		<u>(4,762)</u>	<u>(6,613)</u>	<u>(1)</u>	<u>239</u>

(a) *Foreign currency translation reserve*

Balance at 1 July	(6,849)	(4,609)	-	-
Currency translation differences arising during the year	2,088	(2,240)	-	-
Balance at 30 June	<u>(4,761)</u>	<u>(6,849)</u>	<u>-</u>	<u>-</u>

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

	Consolidated		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
(b) Hedging reserve – cash flow hedges				
Balance at 1 July	(87)	(61)	(84)	(74)
Revaluation – gross	823	786	523	(414)
Deferred tax	(247)	(236)	(157)	124
Transfer to inventory	(1,162)	(823)	(866)	400
Deferred tax	349	247	260	(120)
Balance at 30 June	(324)	(87)	(324)	(84)

The hedging reserve is used to record gains or losses on hedging instruments that are designated as cash flow hedges and are therefore recognised directly in equity, as described in Note 1(s). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

		Consolidated		The Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(c) <i>Share based payments reserve</i>		<u>323</u>	<u>323</u>	<u>323</u>	<u>323</u>

The share based payments reserve is used to recognise the fair value of performance rights issued but not vested, as described in Note 1(x).

NOTE 24. RETAINED PROFITS / (LOSSES)

		Consolidated		The Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance at 1 July		(78,263)	(53,666)	(58,210)	(29,491)
Net profit for the year (attributable to the members of the Company)		(8,868)	(24,597)	(6,238)	(28,719)
Retained profits / (losses) at the reporting date		<u>(87,131)</u>	<u>(78,263)</u>	<u>(64,448)</u>	<u>(58,210)</u>

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 25. DIVIDENDS

There were no dividends paid or provided in the current or previous financial years.

NOTE 26. FINANCIAL INSTRUMENTS

The consolidated entity's and the Company's financial risk management and measurement policies are disclosed in Note 2 *Financial Risk Management*. The following note outlines the quantitative details of the consolidated entity and the Company's financial instruments as at balance date.

(a) *Credit risk*

The carrying amounts of the consolidated entity's and the Company's financial assets, which represents the maximum credit exposure as at the reporting date, was:

	Reference	Consolidated		The Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade receivables (net of provision)	1	11,508	20,686	2,890	3,819
Other receivables	2	2,616	472	77	51
Restricted cash on deposit		746	-	500	-
Trade deposits		138	179	54	77
Total trade and other receivables		15,008	21,337	3,521	3,947
Net amounts receivable from subsidiaries	3	-	-	34,141	35,989
Other financial assets	4	1,471	680	36,181	36,181
Cash and cash equivalents	5	11,285	7,346	1,098	1,151
		<u>27,764</u>	<u>29,363</u>	<u>74,941</u>	<u>77,268</u>

(1) Trade receivables:

The consolidated entity's and the Company's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Australasia	3,606	3,954	2,890	3,819
North America	3,769	12,750	-	-
Europe	4,133	3,982	-	-
	<u>11,508</u>	<u>20,686</u>	<u>2,890</u>	<u>3,819</u>

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 26. FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

(1) Trade receivables (continued):

The aging of the consolidated entity's and the Company's trade receivables considered past due but not impaired as at the reporting date was:

	Consolidated		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Past due 0-30 days	1,589	3,107	422	685
Past due 31-60 days	900	1,392	256	381
Past due 61-90 days	714	851	77	172
Past due greater than 91 days	28	936	-	85
	<u>3,231</u>	<u>6,286</u>	<u>755</u>	<u>1,323</u>

As at the reporting date the value of trade receivables that were past due and impaired and the related impairment allowance was:

	Consolidated		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Trade receivables – past due and impaired	3,416	3,055	703	419
Impairment allowances	(2,972)	(2,787)	(530)	(357)
	<u>444</u>	<u>268</u>	<u>173</u>	<u>62</u>

The movement in the impairment allowance for trade receivables during the year was:

	Consolidated		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	2,787	3,871	357	1,178
Impairment loss / (write-backs) recognised during the year – continuing operations	1,627	827	333	(63)
Impairment loss written off against receivables	(1,442)	(1,911)	(160)	(758)
Balance at 30 June	<u>2,972</u>	<u>2,787</u>	<u>530</u>	<u>357</u>

Based on historic default rates, management believes that no impairment allowance is necessary in respect of trade receivables not past due or past due up to 30 days. The remainder of the trade receivables, except for those trade receivables that have been impaired, relate to customers that have a good credit history and accordingly based on historical default rates management believe no impairment is required.

The impairment allowance at the reporting date relates to specific customers, or specific groups of customers, where management has made an assessment that the chance of recovery is low. Although the goods sold to these customers were subject to retention of title clauses in some instances, management has no indication that the customer is still in possession of the goods, or alternatively, that the goods even if repossessed are of any significant value.

When management is satisfied that no further recovery of the receivable is possible the amount of the impairment allowance relating to that receivable is written off against the financial asset directly.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 26. FINANCIAL INSTRUMENTS (continued)

(a) *Credit risk (continued)*

(2) Other receivables:

Other receivables include sundry other receivables and amounts due from factors. All balances are current. Further discussion on the amounts due from factors is included in Note 36 *Post Balance Date Events*.

(3) Net amounts due from subsidiaries:

Net amounts receivable from subsidiaries primarily represent long term receivables from two wholly owned Australian subsidiaries, which are used as vehicles for further investment into wholly owned overseas subsidiaries. These receivables are eliminated on consolidation and are tested annually for impairment based on the future profitability of those subsidiaries. During the current year the Company did not make any further provision for impairment against these receivables (2008: \$10.0 million).

(4) Other financial assets:

Other financial assets in the consolidated entity represent investments in other entities at cost. In the Company, these other financial assets are investments in wholly owned subsidiaries which are carried at cost less impairment write-downs. During the year the Company did not make any further provisions for impairment against these investments, based on the forecast future profitability of these subsidiaries (2008: \$19.3 million).

(5) Cash and cash equivalents:

Cash and cash equivalents are held at various reputed international banks in Australia, New Zealand, United States, Canada, France and the UK.

(b) *Market Risk*

(i) Foreign Exchange Risk

The consolidated entity's exposure to foreign exchange risk as at the reporting date was as follows:

	2009		2008	
	USD	GBP	USD	GBP
	000's	000's	000's	000's
Trade receivables and other receivables	251	235	-	616
Other financial assets	-	-	680	-
Trade payables	(29)	-	(458)	(31)
Forward exchange contracts – Buy foreign currency	2,775	-	3,300	-
	<u>2,997</u>	<u>235</u>	<u>3,522</u>	<u>585</u>

The carrying amounts of the Company's financial assets and liabilities are denominated in Australian dollars except as set out below:

	2009	2008
	USD	USD
	000's	000's
Trade payables	(29)	(96)
Forward exchange contracts – Buy foreign currency	2,775	2,500
	<u>2,746</u>	<u>2,404</u>

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 26. FINANCIAL INSTRUMENTS (continued)

(b) *Market Risk (continued)*

(i) Foreign Exchange Risk

Consolidated entity sensitivity analysis:

	2009			2008		
	FX risk AUD vs USD -10% / +10% \$'000	FX risk EUR vs USD -10% / +10% \$'000	FX risk Eur vs GBP -10% / +10% \$'000	FX risk AUD vs USD -10% / +10% \$'000	FX risk EUR vs USD -10% / +10% \$'000	FX risk Eur vs GBP -10% / + 10% \$'000
Impact on profit after tax (1)	(3)/2	23/(19)	36/(29)	(8) / 6	(27) / 22	95 / (78)
Impact on equity (2)	380/(311)	-	-	302 / (247)	90 / (73)	-

(1) Arises on the translation of USD denominated financial instruments other than forward exchange contracts.

(2) Arises on the translation of forward exchange contracts.

Company sensitivity analysis:

	2009 FX risk AUD vs USD -10%/+10% \$'000	2008 FX risk AUD vs USD -10%/+10% \$'000
Impact on profit after tax (1)	(3)/2	(8) / 6
Impact on equity (2)	380/(311)	302 / (247))

(1) Arises on the translation of USD denominated financial instruments other than forward exchange contracts

(2) Arises on the translation of forward exchange contracts.

(ii) Interest rate risk

The consolidated entity's exposure to interest rate risk, and the effective weighted average interest rates on classes of financial assets and liabilities on hand at the end of the year, is detailed below:

	Weighted Average interest rate (%)	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
2009					
Financial assets:					
Cash and cash equivalents	1.84%	699	710	9,876	11,285
Trade and other receivables	-	-	-	15,008	15,008
Other financial assets	-	-	-	1,471	1,471
		699	710	26,355	27,764
Financial liabilities:					
Trade and other payables	-	-	-	12,412	12,412

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 26. FINANCIAL INSTRUMENTS (continued)

(b) Market Risk (continued)

(ii) Interest rate risk (continued)

Consolidated entity	Weighted Average interest rate (%)	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
2008					
Financial assets:					
Cash and cash equivalents	4.9%	1,151	1,926	4,269	7,346
Trade and other receivables	-	-	-	21,337	21,337
Other financial assets	-	-	-	680	680
		1,151	1,926	26,286	29,363
Financial liabilities:					
Trade and other payables	-	-	-	12,106	12,106
		-	212	12,106	12,318

The Company's exposure to interest rate risk, and the effective weighted average interest rates on classes of financial assets on hand at the end of the year, is detailed below:

	Weighted Average interest rate (%)	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
2009					
Financial assets:					
Cash and cash equivalents	2.52%	547	-	551	1,098
Trade and other receivables	-	-	-	37,662	37,662
Other financial assets	-	-	-	36,181	36,181
		547	-	74,394	74,941
Financial liabilities:					
Trade and other payables	-	-	-	2,466	2,466
2008					
Financial assets:					
Cash and cash equivalents	6.6%	1,151	-	-	1,151
Trade and other receivables	-	-	-	39,936	39,936
Other financial assets	-	-	-	36,181	36,181
		1,151	-	76,117	77,268
Financial liabilities:					
Trade and other payables	-	-	-	3,029	3,029

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 26. FINANCIAL INSTRUMENTS (continued)

(c) *Liquidity Risk*

(i) Financial liabilities:

The following are the contractual maturities of the financial liabilities of the consolidated entity, including estimated interest payments and excluding the impact of netting agreements:

	Carrying Amount	Contractual Cash Flow	6 months or less
2009 (\$'000)			
Trade and other payables	12,412	12,412	12,412
Forward exchange contracts used for hedging:			
Inflow (Gross)	(3,420)	(3,420)	(3,420)
Outflow (Gross)	3,883	3,883	3,883
	12,875	12,875	12,875

	Carrying Amount	Contractual Cash Flow	6 months or less	6 to 12 months	1 to 5 years
2008 (\$'000)					
Financial lease liabilities	212	238	43	42	153
Trade and other payables	12,106	12,106	12,106	-	-
Forward exchange contracts used for hedging:					
Inflow (Gross)	(3,420)	(3,420)	(3,420)	-	-
Outflow (Gross)	3,552	3,552	3,552	-	-
	12,442	12,468	12,273	42	153

The following are the contractual maturities of the financial liabilities of the Company, including estimated interest payments and excluding the impact of netting agreements:

	Carrying Amount	Contractual Cash Flow	6 months or less
2009 (\$'000)			
Trade and other payables	2,466	2,466	2,466
Forward exchange contracts used for hedging:			
Inflow (Gross)	(3,420)	(3,420)	(3,420)
Outflow (Gross)	3,883	3,883	3,883
	2,929	2,929	2,929

	Carrying Amount	Contractual Cash Flow	6 months or less
2008 (\$'000)			
Trade and other payables	3,029	3,029	3,029
Forward exchange contracts used for hedging:			
Inflow (Gross)	(2,597)	(2,597)	(2,597)
Outflow (Gross)	2,717	2,717	2,717
	3,149	3,149	3,149

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 26. FINANCIAL INSTRUMENTS (continued)

(c) *Liquidity Risk (continued)*

(ii) Borrowing facilities

During the financial year, the consolidated entity undertook a review of its financing facilities. As at the reporting date, the consolidated entity had completed the restructuring of its facilities and as a result had access to the following borrowing facilities at the reporting date, which can be used as short-term funding to meet the contractual maturities of the financial liabilities noted above.

	Reference	Consolidated		The Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Secured receivables financing facilities					
- amount used		4,517	-	-	-
- amount unused		1,965	-	1,718	-
	(1)	6,482	-	1,718	-
Secured multi-option borrowing facilities					
- amount used		-	-	-	-
- amount unused		-	14,456	-	10,000
		-	14,456	-	10,000
Secured multi-option borrowing facilities					
- amount used		-	-	-	-
- amount unused		523	14,456	-	10,000
		523	14,456	-	10,000
Bank guarantee facilities					
-amount used		701	1,159	283	278
-amount unused		-	1,117	-	672
	(2)	701	2,276	283	950
Letters of credit					
- amount used		-	3,635	-	3,635
- amount unused		-	3,444	-	3,365
		-	7,079	-	7,000

Other than the above borrowing facilities, the consolidated entity and the Company has also used finance leases to fund the purchase of some fixed assets. There were no outstanding finance leases as at 30 June 2009 (2008: \$212,000). Details of finance leases are provided above in Note 26 (c) (i) and in Note 31 (b).

(1) Secured receivables financing facilities

North America

During the financial year, North American subsidiaries of the Company entered into an arrangement to assign a portion of their accounts receivable to a factor under an ongoing arrangement that is cancellable by either party with 60 days notice. This arrangement includes both recourse and non-recourse receivables. The majority of the receivables sold are on a non-recourse basis, which means that all credit risk passes to the factor at the time of assignment, such that the consolidated entity has no further exposure to default by trade debtors. When receivables are sold on a recourse basis, those receivables can be passed back to the consolidated entity if they are not collected within a certain time frame. Accordingly, the credit risk on these receivables remains with the consolidated entity, despite the assignment to the factor.

Non-recourse receivables sold to the factor are derecognised as trade receivables, and show as debt due from factor under other receivables (see Note 10 *Trade and other receivables*). The consolidated entity may request advances on the net receivables factored at any time before their maturity date, which reduces the amounts owed by the factor to the consolidated entity. The factor charges a commission on the net sales factored, and interest on any advances.

Maximum advances under the factoring agreement, provided at the discretion of the factor, are 80% of eligible accounts receivable (which excludes all recourse receivables as at reporting date), representing the total available facility. Amounts advanced are reported as cash. Obligations due to the factor under the factoring agreement are collateralised by a continuing security interest in the factored receivables, and other tangible assets of the North American subsidiaries. There are no financial covenants associated with this agreement.

These arrangements have been amended subsequent to the end of the financial year, as disclosed in Note 36 *Post Balance Date Events*.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 26. FINANCIAL INSTRUMENTS (continued)

(c) *Liquidity Risk (continued)*

(ii) Borrowing facilities (continued)

(1) Secured receivables financing facilities (continued)

Australia

During the financial year, the Company entered into a receivables financing arrangement which will continue on an annual basis, with no fixed term. This is a non-disclosed facility that allows the Company access to funds at up to 60% of outstanding eligible trade receivables, at the discretion of the lender, to a maximum facility level of \$3 million. The credit risk, and all obligations associated with collecting the receivables remain with the Company. The Company may draw down on the net receivables factored at any time before their maturity date, with funds drawn reported as short term borrowings. The lender charges a commission on the net sales factored, and interest on any funds drawn. Obligations due to the financier under this agreement are collateralised by a continuing security interest in the financed receivables of the Company, and the other assets of the Company and its wholly owned Australian subsidiaries. There are no financial covenants associated with this agreement.

(2) Bank guarantee facilities

These facilities are based on fixed outstanding guarantee requirements. They are predominantly secured by restricted cash on deposit at the banks providing the guarantees (see Note 10 *Trade and Other Receivables*), as well as a secondary charge over certain assets of the consolidated group.

NOTE 27. KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

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

Chairman – non executive director

Paul Isherwood

Non-executive director

Richard Alcock (resigned on 16 December 2008)

Executive directors

Stephen Hill

Peter Hill

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 27. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Other Key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly during the year:

Name	Position	Employer
Matthew Hill	Chief Executive Officer	Osata Enterprises Inc.
Jessica Hogan	Chief Financial Officer	Globe International Limited
Gerhard Correa	Company Secretary	Globe International Limited
Gary Valentine	President - North America	Osata Enterprises Inc.
Matthew Wong	President - Global Product	Globe International Limited
Scott Lewis	President - International	Globe International Limited
Bod Boyle	President - Dwindle	Osata Enterprises Inc.

	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Key management personnel compensation				
Short – term employee benefits	2,118,584	2,917,687	536,250	764,000
Post-employment benefits	99,549	149,311	39,701	51,087
Other benefits – French social security (1)	35,544	65,579	-	-
	<u>2,253,677</u>	<u>3,132,577</u>	<u>575,951</u>	<u>815,087</u>

(1) Represents compulsory contributions imposed by the French Government to cover other social benefits for a French employee which are mainly in the nature of unemployment, health and life insurances.

Equity instrument disclosures relating to key management personnel

Executive Long Term Incentive Plan (LTIP)

Details of Performance Rights provided as remuneration to key management personnel under the LTIP, together with the terms and conditions of the LTIP, can be found in Section D of the Remuneration report contained in the Directors' Report on pages 5 to 11.

Performance Rights holdings under the LTIP

The number of Performance Rights over ordinary shares in the Company held during the financial year by each of the key management personnel of the consolidated entity, including their personally related entities, is set out below.

2009					
Name	Balance at the start of the year	Granted during the year as remuneration	Vested during the year	Other changes during the year	Balance at the end of the year (1)
Matthew Hill	750,000	-	-	(250,000)	500,000
Jessica Hogan	50,000	-	-	(16,667)	33,333
Gerhard Correa	50,000	-	-	(16,667)	33,333
Gary Valentine	100,000	-	-	(33,333)	66,667
Matthew Wong	100,000	-	-	(33,333)	66,667
Bod Boyle	50,000	-	-	(16,667)	33,333

- (1) The balance at the end of the year represents performance rights available under the first and second tranches of the LTIP. Based on the performance of the business for the financial year ended 30 June 2009, the hurdles relating to Tranche 2 were not met, so the rights will not vest on 30 August 2009. Accordingly, half of the performance rights outstanding at the end of this financial year will lapse during the next financial year.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 27. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Performance Rights holdings under the LTIP (continued)

2008					
Name	Balance at the start of the year	Granted during the year as remuneration	Vested during the year	Other changes during the year	Balance at the end of the year
Matthew Hill	750,000	-	-	-	750,000
Jessica Hogan	50,000	-	-	-	50,000
Gerhard Correa	50,000	-	-	-	50,000
Gary Valentine	100,000	-	-	-	100,000
Matthew Wong	100,000	-	-	-	100,000
Frank Dammenhayn	100,000	-	-	-	100,000
Steve Douglas	100,000	-	-	-	100,000
Bod Boyle	50,000	-	-	-	50,000

Other transactions with directors and key management personnel

Shareholdings on a post consolidation basis

The number of shares in the Company held during the financial year by each director of the Company and each of the key management personnel of the consolidated entity, including their personally related entities, are set out below:

2009				
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	200,000	-	-	200,000
Richard Alcock (1)	60,000	-	-	N/A
Peter Hill	11,881,281	-	-	11,881,281
Stephen Hill	11,881,281	-	-	11,881,281
<i>(1) Directorship ceased during the year</i>				
Key management personnel of the consolidated entity				
Ordinary Shares				
Matthew Hill	1,776,219	-	1,678,246	3,454,465
Jessica Hogan	1,000	-	-	1,000
Gerhard Correa	204	-	-	204
Gary Valentine	100,000	-	-	100,000
Matthew Wong	117,500	-	-	117,500

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 27. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Other transactions with directors and key management personnel (continued)

2008				
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	150,000	-	50,000	200,000
Richard Alcock	20,000	-	40,000	60,000
Peter Hill	12,131,281	-	(250,000)	11,881,281
Stephen Hill	12,131,281	-	(250,000)	11,881,281
Key management personnel of the consolidated entity				
Ordinary Shares				
Matthew Hill	1,276,219	-	500,000	1,776,219
Jessica Hogan	1,000	-	-	1,000
Gerhard Correa	204	-	-	204
Gary Valentine	100,000	-	-	100,000
Matthew Wong	117,500	-	-	117,500
Frank Dammenhayn	286,236	-	-	286,236
Steve Douglas	5,750	-	-	5,750

Related party transactions with directors and key management personnel

Peter Hill and Stephen Hill were directors of the Company and Matthew Hill was the CEO throughout the financial period, and were involved with the following related party transactions:

- (i) Peter and Stephen Hill are directors of Osaka Enterprises Pty Ltd. The Company rented one property from this entity during the financial year ended 30 June 2009 (2008: one property) on normal commercial terms. The Company paid rent to the entity of \$275,000 (2008: \$275,000). Rent is normally paid one month in advance, the amount that was prepaid at the end of June 2009 is \$nil (2008: \$nil)
- (ii) Peter Hill is a director of Gleaner Developments Pty Ltd. The Company rented one property from this entity on commercial terms during the financial year ended 30 June 2009, the Company paid rent to the entity of \$65,000 (2008: \$65,000). Rent is normally paid one month in advance, the amount prepaid as at 30 June 2009 was \$nil (2008: \$ nil).
- (iii) Peter Hill, Stephen Hill and Matthew Hill are shareholders of Whyte House Productions International Pty Ltd ("Whyte House"). During the financial year ended 30 June 2009, the consolidated entity paid \$116,337 (2008: \$624,456) for production and promotion services provided by Whyte House on reasonable, arms length terms and, of this, the Company paid \$ 57,898 (2008: \$146,135). The payment terms for these services are 30 days from invoice date. The amount owing to Whyte House as at 30 June 2009 by the consolidated entity was \$6,820 (2008: \$53,745) and the company was \$6,820 (2008 was \$31,670). During the year the Company also sub-let a portion of its premises to Whyte House on reasonable and arms length terms. The Company received \$ 6,000 (2008: \$ nil) as rent during the year which is paid monthly in advance. The amount owed by Whyte House to the Company in relation to this rent as at 30 June 2009 is \$nil (2008: \$ nil).

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 28. SHARE BASED PAYMENTS

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

The terms of the LTIP, and the rights awarded under the plan, are detailed in the Remuneration Report contained in the Directors' Report on pages 5 to 11.

NOTE 29. AUDITORS' REMUNERATION

	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
(a) Audit services				
<i>PricewaterhouseCoopers Australia:</i>				
Audit and review of financial reports	381,246	335,100	268,250	213,200
<i>Overseas PricewaterhouseCoopers firms:</i>				
Audit and review of financial reports	49,445	41,004	-	-
Other regulatory services	10,070	10,107	-	-
	<u>440,761</u>	<u>386,211</u>	<u>268,250</u>	<u>213,200</u>
(b) Non-audit services				
<i>PricewaterhouseCoopers Australia:</i>				
Taxation services	106,185	240,238	106,185	240,238
Other advisory services	80,000	62,500	80,000	62,500
<i>Overseas PricewaterhouseCoopers firms:</i>				
Taxation services	123,866	68,423	14,815	-
	<u>310,051</u>	<u>371,161</u>	<u>201,000</u>	<u>302,738</u>

NOTE 30. CONTINGENCIES

In the annual report for the full year ended 30 June 2008, a contingent liability was disclosed in relation to a UK litigation case. This litigation was settled during the half year, with no further significant expenses incurred. No remaining liability, contingent or otherwise, exists in relation to this litigation.

NOTE 31. COMMITMENTS

	Consolidated		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
(a) Operating lease commitments:				
Non cancellable operating leases contracted for but not capitalised in the financial statements:				
- not later than 1 year	1,299	3,022	221	569
- later than 1 year but not later than 5 years	1,681	3,524	159	280
- later than 5 years	48	180	-	-
	<u>3,028</u>	<u>6,726</u>	<u>380</u>	<u>849</u>

The consolidated entity leases various offices, retail outlets and warehouses under non-cancellable operating leases expiring within 1 to 6 years. These leases have varying terms, escalation clauses and renewal rights. On renewal, terms of the leases will be renegotiated. The consolidated entity also has miscellaneous short-term operating leases on various pieces of office equipment and warehouse machinery.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 31. COMMITMENTS (Continued)

		Consolidated		The Company	
	Note	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(b) Finance lease commitments:					
Commitments in relation to finance leases are payable as follows:					
- Within one year		-	85	-	-
- Later than one year but not later than five years		-	153	-	-
Minimum lease payments		-	238	-	-
- Future finance charges		-	(26)	-	-
Recognised as a liability		-	212	-	-
Representing lease liabilities:					
Current	18	-	70	-	-
Non-current	18	-	142	-	-
		-	212	-	-

The consolidated entity has various fixtures and fittings with a carrying value, excluding impairment provisions, of \$ nil (2008: \$0.2 million) under finance leases expiring within 1 to 5 years. Under the terms of the leases, the consolidated entity will acquire the leased asset for a value agreed upon at the time of entering into the lease agreement.

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(c) Sponsorship commitments:				
Minimum event and rider sponsorship commitments contracted for but not capitalised in the financial statements:				
- not later than 1 year	2,336	3,558	-	766
- later than 1 year but not later than 5 years	1,422	2,122	-	766
	3,758	5,680	-	1,532

(d) Remuneration commitments:

Commitments in relation to employee service agreements are payable as follows:

- not later than 1 year	523	555	-	-
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NOTE 32. RELATED PARTY DISCLOSURES

(a) Parent entity

The ultimate parent entity of the consolidated group is Globe International Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 33.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 32. RELATED PARTY DISCLOSURES (continued)

(c) Key Management Personnel

Disclosures relating to directors and key management personnel are set out in Note 27.

(d) Transactions with related parties (excluding director related entities which are set out in Note 27)

The following transactions occurred with related parties:

	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Purchase of goods</i>				
Purchases of inventory from other related parties	16,355,045	12,485,168	826,265	466,280
<i>Tax Consolidation legislation</i>				
Current tax losses / (payables) assumed from wholly-owned tax consolidated entities	-	-	1,918,905	408,321

(e) Outstanding balances arising from transactions with related parties (excluding director related entities which are set out in Note 27)

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Current payables (purchases of goods and services)</i>				
Other related parties	6,011,183	986,940	148,542	1,865
<i>Payables (tax funding agreement)</i>				
Wholly-owned tax consolidated entities	-	-	7,799,456	5,880,551

(f) Trading and other loans to / from related parties

	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Loans to subsidiaries (net of tax related amounts in Note 32(e))</i>				
Beginning of the year	-	-	41,870,590	46,419,515
Loans advanced	-	-	14,595,134	14,989,032
Loan repayments received or off-set	-	-	(12,212,783)	(9,817,712)
Impact of foreign exchange translation	-	-	(2,312,524)	279,755
Provision for impairment (1)	-	-	-	(10,000,000)
End of the year	-	-	41,940,417	41,870,590

(1) The provision for impairment relates to loans made to wholly-owned Australian subsidiaries to fund the acquisition of wholly-owned subsidiaries in Australia and overseas in 2002, 2004 and 2006, and to fund the subsequent operations of those subsidiaries, taking the total provision to \$10.0m (2008: \$10.0m). These provisions do not impact the results of the consolidated entity.

Except for the provision for impairment noted above, no provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 32. RELATED PARTY DISCLOSURES (continued)

(g) Terms and conditions

Purchases of inventory from other related parties are based on normal terms and conditions. Payables are due within 90 days from shipment date (2008: 60 days from shipment date).

Transactions relating to dividends are on the same terms and conditions that applied to other shareholders.

The terms and conditions of the tax funding agreement are set out in Note 1(c).

The loans to subsidiaries are made on interest free terms, and have no fixed maturity date. The balances outstanding are unsecured and payable in cash.

NOTE 33. SUBSIDIARIES

Name	Country	Ownership Interest	
		2009 %	2008 %
<i>The Company</i>			
Globe International Limited	Australia		
<i>Entities under the control of Globe International Ltd</i>			
Hardcore Enterprises Pty Ltd	Australia	100	100
<i>Entities under the control of Hardcore Enterprises Pty Ltd*</i>			
WINT Enterprises Pty Ltd*	Australia	100	100
KIDD Consolidated Pet Ltd*	Australia	100	100
Globe International Nominees Pty Ltd*	Australia	100	100
Globe International (NZ) Ltd	New Zealand	100	100
PSC Skateboarding Pty Ltd*	Australia	100	100
Globe Europe ApS	Denmark	100	100
Osata Enterprises, Inc.	United States	100	100
<i>Entities under the control of PSC Skateboarding Pty Ltd</i>			
CASE Enterprises Pty Ltd*	Australia	100	100
<i>Entities under the control of Globe Europe ApS</i>			
Globe Europe BV	Netherlands	100	100
Globe Europe SAS	France	100	100
<i>Entities under the control of Globe Europe SAS</i>			
Globe GB Limited	UK	100	100
Globe Europe succursal en Espana	Spain	100	100
<i>Entities under the control of Osata Enterprises, Inc.</i>			
Diaxis LLC	United States	100	100
Chomp Inc (formerly Skateboard World Industries, Inc.)	United States	100	100
Dwindle, Inc.	United States	100	100
<i>Entities under the control of Globe International Nominees Pty Ltd</i>			
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 98/1418.

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 34. DEED OF CROSS GUARANTEE

A deed of cross guarantee between Hardcore Enterprises Pty Ltd, WINT Enterprises Pty Ltd, Globe International Nominees Pty Ltd, CASE Enterprises Pty Ltd, KIDD Consolidated Pty Ltd, PSC Skateboarding 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 98/1418. Under the deed each entity guarantees to support the liabilities and obligations of the others. The income statements and balance sheets for the closed consolidated entity, which is also the extended closed consolidated entity, comprising Globe International Limited and the subsidiaries is as follows:

INCOME STATEMENT

	2009 \$'000	2008 \$'000
Revenue from operations	32,507	38,383
Dividend income	5,974	-
Other income	1,581	1,205
Changes in inventories of finished goods and work in progress	(1,603)	(1,147)
Materials and consumables used	(14,176)	(14,295)
Employee benefits expense	(6,051)	(6,972)
Depreciation, amortisation and impairment expense	(598)	(9,202)
Finance costs	(11)	(61)
Selling, general and administrative expenses	(19,180)	(21,671)
Provision for impairment of investment in subsidiary	-	(21,130)
Profit / (loss) before income tax	(1,557)	(34,890)
Income tax (expense) / benefit	(2,371)	(364)
Profit / (loss) from operations	(3,928)	(35,254)

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 34. DEED OF CROSS GUARANTEE (continued)

BALANCE SHEET

	2009 \$'000	2008 \$'000
Current assets		
Cash and cash equivalents	1,261	1,613
Trade and other receivables	3,566	3,544
Inventories	4,554	6,157
Prepayments	337	1,495
Total current assets	9,718	12,809
Non current assets		
Trade and other receivables	7,284	11,917
Property, plant and equipment	625	960
Other financial assets	30,220	22,089
Intangible assets	18,181	18,181
Deferred tax assets	1,442	4,887
Total non current assets	57,752	58,034
Total assets	67,470	70,843
LIABILITIES		
Current liabilities		
Trade and other payables	2,237	3,716
Borrowings	-	70
Derivative financial instruments	463	119
Provisions	678	846
Total current liabilities	3,378	4,751
Non current liabilities		
Borrowings	-	142
Deferred tax liabilities	4,619	4,348
Provisions	367	352
Other	21	195
Total non current liabilities	5,007	5,037
Total liabilities	8,385	9,788
Net assets	59,085	61,055
Equity		
Contributed equity	143,768	143,768
Reserves	(2,478)	(4,436)
Retained profits/(losses)	(82,205)	(78,277)
Total equity	59,085	61,055

GLOBE INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Notes to the financial statements

For the year ended 30 June 2009

NOTE 35. EARNINGS PER SHARE

	Notes	Consolidated	
		2009	2008
<i>Earning per share from continuing operations</i>			
<i>Basic EPS</i>			
Earnings from continuing operations used in calculation of basic earnings per share (\$'000)		(8,868)	(24,597)
The weighted average number of shares on issue during the year used in calculation of basic earnings per share	22	41,463,818	41,463,818
Basic earnings per share (cents per share)		(21.39)	(59.32)
<i>Diluted EPS</i>			
Earnings from continuing operations used in calculation of diluted earnings per share (\$'000)		(8,868)	(24,597)
The weighted average number of shares on issue during the year used in calculation of diluted earnings per share	22	41,463,818	41,463,818
Diluted earnings per share (cents per share)		(21.39)	(59.32)

NOTE 36. POST BALANCE DATE EVENTS

Subsequent to the end of the financial year, it has been announced that there is some uncertainty about the future viability of CIT Group Inc ("CIT"), who provide finance to the consolidated entity's North American subsidiaries, as is disclosed in Note 26(c) of these financial statements. Details of this uncertainty have been outlined in CIT's filings with the US Securities and Exchange Commission ("SEC").

Under the financing arrangements that were in place at the end of the financial year, the consolidated entity had an exposure to CIT of \$3.4 million as at 30 June 2009. This exposure was created by the sale of numerous accounts receivable transactions to CIT – thus aggregating our customer credit risk and replacing it with credit risk from CIT. This exposure has been managed carefully since year end and as at 25 August 2009, the exposure has been reduced to \$1.7 million, and continues to reduce on a daily basis. The majority of the exposure will be settled within the next 100 to 130 days, under the terms of the existing arrangements.

On 19 August 2009, the consolidated entity amended its financing arrangements with CIT. Under the terms of the revised agreements, the basic level of funding will be consistent, but the consolidated entity will retain title to trade receivables and therefore minimise exposure to CIT for all transactions entered into after 14 July 2009.

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes, as set out on pages 13 to 63, and remuneration disclosures on pages 5 to 11, are in accordance with the *Corporations Act 2001*, including;
 - (a) complying with Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009, and of their performance for the financial 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) the audited remuneration disclosures set out on pages 5 to 11 of the Directors' Report comply with Accounting Standards AASB 124 *Related Parties* and the *Corporations Regulations 2001*; and
- (d) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed consolidated entity identified in Note 34 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 34.

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 2009.

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

Dated 25th August 2009



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Paul Isherwood
Chairman

PricewaterhouseCoopers
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Independent auditor's report to the members of Globe International Limited

Report on the financial report

We have audited the accompanying financial report of Globe International Limited which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Globe International Limited (the company) and the Globe International Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Independent audit report to the members of
Globe International Limited (continued)**

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of Globe International Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 11 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Globe International Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Globe International Limited (the company) for the year ended 30 June 2009 included on the Globe International Limited web site. The company's directors are responsible for the integrity of the Globe International Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.



PricewaterhouseCoopers



Lisa Harker
Partner

Melbourne
25th August 2009

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