

# GLOBE INTERNATIONAL LIMITED

## APPENDIX 4E

### Preliminary Final Report

Lodged with the ASX under Listing Rule 4.3A

### Results for Announcement to the Market

| <u>Consolidated Entity</u>                                   | 2021    | 2020    | Change  |       |
|--------------------------------------------------------------|---------|---------|---------|-------|
|                                                              | \$'000  | \$'000  | \$'000  | %     |
| <b>Net Sales</b>                                             | 266,529 | 151,586 | 114,943 | 75.8  |
| <b>Revenue</b> from contracts with customers                 | 266,629 | 151,722 | 114,907 | 75.7  |
| <b>Earnings</b> before Interest, tax and amortization (EBIT) | 46,697  | 7,307   | 39,390  | 539.1 |
| <b>Net Profit</b> after tax attributable to members (NPAT)   | 33,271  | 6,101   | 27,170  | 445.3 |

| <b>Dividends</b> | Amount per security | Franked portion of dividend | Franked amount per security |
|------------------|---------------------|-----------------------------|-----------------------------|
| Final dividend   | 20 cents            | 100%                        | 20 cents                    |
| Interim dividend | 12 cents            | 100%                        | 12 cents                    |

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

2 September 2021

**Date of Company's next AGM**

21 October 2021

|                                                  | Current Period | Previous Corresponding Period |
|--------------------------------------------------|----------------|-------------------------------|
| Net tangible asset backing per ordinary security | \$1.69         | \$1.07                        |
| Earnings per share                               | 80.2 cents     | 14.7 cents                    |
| Dividends per share (interim and final)          | 32 cents       | 11 cents                      |



**GLOBE INTERNATIONAL LIMITED**  
**Full-Year Financial Report**  
**Year ended 30 June 2021**

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## **GLOBE INTERNATIONAL LIMITED**

### **Directors' report**

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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 2021.

#### **DIRECTORS**

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

| <b>Name, position and qualifications</b>                           | <b>Experience</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Directors' interests in Ordinary Shares of GLB</b> |
|--------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| William Crothers B.Com, LLB<br>Chairman and Non-Executive Director | William Crothers was appointed to the Board of Directors and as Chairman on 4 June 2020. William has over thirty years of experience as the founder, director and CEO of a number of Australian and international businesses that grew to achieve global success. These include Burra Foods Pty Ltd a large dairy producer and Pacific Medical Pty Ltd which was later acquired by LMA NV (a public company listed on the Singapore Stock Exchange). William was Group CEO/director of LMA NV between 2010 and 2014. He currently sits on the board of a number of companies in Singapore and Australia and is an experienced entrepreneur and a philanthropist. William is a non-executive director of BioRevive Pty Ltd, a Melbourne-based distributor of natural and effective health brands he established in 2001 and a director of Cadi Scientific Pte Ltd, a Singapore-based healthcare technology company, providing solutions in the areas of wireless sensing, tracking & matching. | 36,396                                                |
| Stephen Hill<br>Executive Director                                 | Stephen Hill co-founded Globe in 1985, remains a major shareholder in the business and has expertise in the development of growth initiatives, brand development and market positioning strategies for the Company. Stephen is a former skateboarding champion and remains an active skateboarder, snowboarder and surfer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 12,675,549                                            |
| Peter Hill<br>Executive Director                                   | Peter Hill co-founded Globe in 1985 and remains a major shareholder in the business. He is a major contributor to the strategic market direction and brand development of the business with a particular emphasis on Asian sourcing and distribution where he is based. Peter is a former skateboarding champion and maintains an extensive interest in extreme action sports and motorsports.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 12,436,009                                            |

#### **COMPANY SECRETARY**

| <b>Name and qualifications</b> | <b>Experience</b>                                                                                                                                                                                                                                                                            |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Gerhard M. Correa<br>CPA, CA   | Gerhard Correa was appointed as the Company Secretary in November 2004 after joining the Company in November 2000 as Financial Controller. He has over 35 years of experience, which includes senior accounting positions held with large multinational companies and an international bank. |

## **PRINCIPAL ACTIVITIES**

The principal activities of the consolidated entity during the financial year were the design, production and distribution of purpose-built apparel, footwear and hardgoods in the board sports, street fashion, outdoor and workwear markets globally.

## **CHANGES IN STATE OF AFFAIRS**

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

## **MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

There are no reportable matters that have occurred subsequent to the end of the financial year.

## **REVIEW OF OPERATIONS**

The consolidated entity reported extraordinary growth in both sales and profitability for the financial year ended 30 June 2021, as it benefited from having strong brands in industries and activities that consumers were able to participate in throughout the COVID-19 pandemic. The key business metrics for the full financial year were as follows:

- Reported net sales for the financial year of \$266.5 million were 76% higher than the prior comparative period (pcp).
- Earnings before interest and tax (EBIT) were \$46.7 million, more than 5 times the \$7.3 million reported in the pcp.
- Net profit after tax (NPAT) of \$33.3 million for the financial year was \$27.2 million higher than the \$6.1 million reported in the pcp.
- Cash-flows generated from operations were \$22.5 million, as cash was invested in working capital to support the growth in revenues over the year.
- Dividends, paid or determined, in relation to the 2021 financial year were 32 cents per share, almost 3 times the 11 cents paid in relation to the 2020 financial year.

The 2021 financial year was exceptional in many ways. A record performance was delivered as the consolidated entity benefited from having a captive market for its products. Its consumers had government stimulus money to spend, but limitations on how to spend it due to the restrictions in place globally for much of the year. When its retail customers had to close their doors, the consolidated entity was able to capture those sales through its direct to consumer online platform, which experienced rapid growth at high margins. Then, as restrictions eased, there was a strong rebound in wholesale sales. However, the exceptional performance would not have been possible had it not been for the strong competitive position of each of the consolidated entity's brands in each of their respective markets, its diverse business model, and the tenacity and commitment shown by its worldwide teams in such arduous conditions.

The 76% growth in net sales was driven by the consolidated entity's four main brand pillars of FXD, Impala, Salty Crew and Globe hardgoods. Together, these brands comprise all the consolidated entity's core product categories of skateboards, apparel, footwear, workwear and rollerskates. Regionally, all divisions reported sales growth of 50% or more. North America was the stand-out, delivering a 141% increase in revenues in local currency, partially fueled by a shift towards online sales. Across the Group, in constant currency terms, online sales were four times higher than the corresponding period and wholesale sales grew by 63% for the year.

The \$46.7 million of EBIT reported for the year represented 17.5% of net sales, compared to just \$7.3 million and 4.8% of net sales in the prior financial year. The significant growth in earnings was driven by the growth in sales and the increase in gross profit margins. On top of this, overall costs grew at less than half the rate of sales growth, contributing to the significant increase in profitability. Overall costs for the financial year were somewhat suppressed due to spend limitations caused by COVID-19 restrictions, Government stimulus and, more generally, the time it took to add resources to keep up with the fast-paced growth in demand. Significant operational changes were required to keep up with the surge in demand. This included sourcing expansion, rapidly adapting warehousing and distribution arrangements and recruiting the right people to add to the global team, which is something that the consolidated entity continues to invest in as it finds the right balance for the current scale of the business.

The Group's net cash position at 30 June 2021 was \$36.1 million, which was \$10.1 million higher than the same time last year. Cash flows from operations were fairly consistent with the prior year at \$22.5 million, as the Group invested in working capital to fund the continued growth in sales. Overall working capital levels are healthy and remain on the lower side of normal with respect to receivables days sales outstanding and months of inventory on hand.

It is not expected that the type of extraordinary growth in sales and profitability experienced during 2021 financial year will continue into the next financial year, but the consolidated entity remains optimistic about its brands and their prospects this coming financial year. However, no outlook is provided due to the uncertainty arising from the on-going global COVID-19 pandemic.

## **GLOBE INTERNATIONAL LIMITED**

### **Directors' report**

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#### **DIVIDENDS**

During the year the Company paid the following dividends:

- An unfranked final dividend of 6 cents per share, relating to the 2020 financial year. This dividend amounting to \$2.5 million was paid to shareholders on 18 September 2020.
- A franked interim dividend of 12 cents per share relating to the 2021 financial year. This dividend amounting to \$5.0 million was paid to shareholders on 26 March 2021.

Since the end of the financial year the directors have determined that a final fully franked dividend of 20 cents per share will be payable, relating to the 2021 financial year. This dividend, amounting to \$8.3 million, will be paid to shareholders on 16 September 2021.

In total, dividends of 32 cents per share will be paid to shareholders in respect of the financial year ended 30 June 2021, compared to 11 cents paid in respect of the year ended 30 June 2020.

#### **ENVIRONMENTAL REGULATIONS**

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

#### **MEETINGS OF DIRECTORS**

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

|                  | <b>Number eligible<br/>to attend</b> | <b>Number<br/>Attended</b> |
|------------------|--------------------------------------|----------------------------|
| William Crothers | 6                                    | 6                          |
| Peter Hill       | 6                                    | 6                          |
| Stephen Hill     | 6                                    | 6                          |

#### **REMUNERATION REPORT (AUDITED)**

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

- A** Overview of executive remuneration
- B** Principles used to determine the nature and amount of remuneration
- C** Details of remuneration
- D** Service agreements
- E** Other transactions with directors and key management personnel

# GLOBE INTERNATIONAL LIMITED

## Directors' report

### REMUNERATION REPORT (AUDITED) (continued)

#### A. Overview of executive remuneration

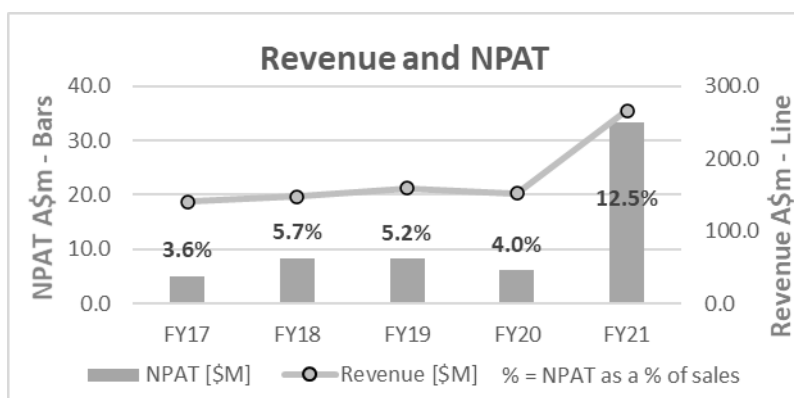
The key management personnel (KMP) of the consolidated entity are its directors, the CEO, CFO, COO and Presidents. The details of all KMPs who held a position with the company at any stage during the current or prior financial year are included in the table below. Where there was any change to the roles held by any KMP's during either period, the nature and date of that change is included below.

| Name                           | Role                                                                 | Date and nature of any changes during current or prior year |
|--------------------------------|----------------------------------------------------------------------|-------------------------------------------------------------|
| <b>Non-executive directors</b> |                                                                      |                                                             |
| William Crothers               | Chairman of the Board                                                | Appointed 4 June 2020                                       |
| Norman O'Bryan                 | Chairman of the Board                                                | Retired 4 June 2020                                         |
| <b>Executive directors</b>     |                                                                      |                                                             |
| Peter Hill                     | Executive Director, Co-founder and Co-President – Brand Development. | No change                                                   |
| Stephen Hill                   | Executive Director, Co-founder and Co-President – Brand Development. | No change                                                   |
| <b>Executives</b>              |                                                                      |                                                             |
| Matthew Hill                   | Chief Executive Officer                                              | No change                                                   |
| Jessica Moelands               | Chief Financial Officer                                              | No change                                                   |
| Gary Valentine                 | President - NAM / Chief Operating Officer                            | No change                                                   |
| Jon Moses                      | President - Australasia                                              | No change                                                   |
| Matthew Wong                   | President – Global Product                                           | No change                                                   |

This remuneration report sets out the principles used to determine the nature and amount of the remuneration paid to all KMP's, as well as details of the remuneration that was paid in the current and prior financial years.

In the prior financial year all KMP's took voluntary remuneration reductions due to the uncertainties that were caused by the COVID-19. These remuneration reductions were taken by all KMP's as voluntary forfeitures of all short-term incentives and, in the case of the CEO and the Executive Directors, there was also a reduction in fixed remuneration of between 20% and 30% for the fourth quarter of the financial year. At the commencement of the current financial year, all KMP's returned to their contracted fixed remuneration amounts. This decision was made after it became clear that the consolidated entity was going to prosper despite the pandemic, due to the nature of the business, the strength of its brands and the quality of its board, management team and its people across the world.

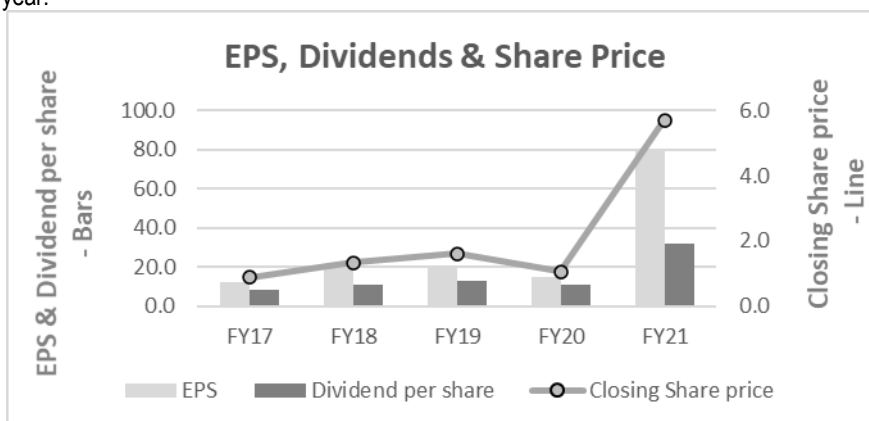
The financial results for the year ended 30 June 2021 were significantly higher than the previous four years, in fact it was the consolidated entity's biggest and most profitable year in history. As illustrated in the charts below, after four years of steady Revenue and Net Profit After Tax (NPAT), the consolidated entity registered a very steep increase in Revenue and NPAT in 2021.



**REMUNERATION REPORT (AUDITED) (continued)**

**A. Overview of executive remuneration (continued)**

Whilst a steady contribution to shareholder wealth was made in the previous four financial years largely by way of dividends, the chart below demonstrates the significant growth in shareholder wealth created during FY21, with a 440% increase in share price and a 191% increase in dividends for the financial year.



During the current financial year, the CEO's 5-year service agreement was up for renewal. This prompted a review of the CEO's employment arrangements, including remuneration, and all other KMP's remuneration was reviewed at the same time. This remuneration review resulted in fixed remuneration increases for all KMP's. In addition, due to the exceptional performance of the business in the current financial year, all KMP's received their full entitlements under their Short-Term Incentive arrangements, details of which are included in this Remuneration Report.

**B. Principles used to determine the nature and amount of remuneration**

**Over-riding principles of remuneration**

The objective of the Company's executive remuneration framework is to attract and retain directors and executives capable of managing the consolidated entity's diverse operations in Australasia, North America and Europe. As the Company does not have a Remuneration Committee, executive remuneration is reviewed on an annual basis by the Board, having regard to personal performance, Company performance and relevant comparative external information.

Remuneration for directors comprises a fixed component only. Remuneration for other senior executives comprises both a fixed component and an "at risk" variable component. The "at risk" component comprises short term incentives, targets for which are set at the beginning of each year and assessed on an annual basis by the CEO, or the Board in the case of the CEO. These incentive targets are based on a combination of the overall consolidated entity's results as well as individual performance conditions and include both financial and non-financial targets.

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

- it attracts and retains high calibre executives, as it:
  - remunerates capability and experience
  - is competitive
  - rewards executives for contributing to the achievement of the overall consolidated entity and individual business unit targets
  - provides a clear structure for earning remuneration
- remuneration is linked to certain financial performance measures that, if achieved, will ultimately drive increases in shareholder wealth. Globe International Limited's net sales and earnings before interest and tax (EBIT) are the central performance measures for the Company's executives. Other financial measures taken into consideration include business unit profitability, available cash flows and other strategic business objectives.

Based on these over-riding principles, the executive remuneration framework satisfies the following criteria for good remuneration governance practices:

- competitiveness and reasonableness
- compensation linked to performance
- transparency.

**REMUNERATION REPORT (AUDITED) (continued)**

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

**Directors**

Remuneration and fees paid to directors reflect the demands which are made on, and the responsibilities of, the directors in their capacity as board members and/or executives. As there are no sub-committees of the Board, the fees paid to the non-executive director relate to his position as Chairman of the Board, while the fees paid to the executive directors reflect their roles as both directors and executives.

In relation to non-executive directors, an Aggregate Fee Limit of \$400,000 was set in the consolidated entity's IPO prospectus issued in April 2001 as required by the *Corporations Act 2001*. There have been no increases to this limit since that date and the Board considers this limit adequate having regard to the size and composition of the Board in the short to medium term.

The Directors' remuneration and fees are reviewed annually by the Board, both in total and by individual director. There is no set policy that determines how any changes to Director's fees should be determined, this is left to the discretion of the Chairman and/or the Board when a change is considered necessary.

Directors do not participate in any incentive schemes.

Non-executive directors

*Total remuneration*

Total remuneration includes a fixed component only, comprising directors' fees and associated retirement allowances.

*Directors' fees*

The current fees were last reviewed in June 2020 upon the appointment of the new director. At this time, it was determined that the fees paid to the new non-executive director were to be consistent with those paid to the retiring non-executive director. As there are no sub-committees of the Board, this is an all-inclusive annual fee.

*Retirement allowances*

The only retirement allowances for the non-executive director are superannuation payments to a nominated contribution scheme, which are made in accordance with statutory obligations in Australia.

Executive directors

*Total remuneration*

Total remuneration includes a fixed component only, comprising a base salary and associated retirement allowances.

*Base salary*

The base salary is determined by the Chairman, having regard to market remuneration for similar executive positions in the industry, the remuneration paid to KMP's with similar levels of responsibility, and having regard to information requested from market data providers. There are no guaranteed base salary increases included in the executive directors' employment contracts, no entitlement to an annual review of remuneration, and no entitlements to participate in the Company's short or long-term incentive plans.

Along with all other KMP's, the executive directors' remuneration was reviewed during the current financial year, resulting in an 16% increase in their remuneration, effective 1 July 2020. The increase in remuneration reflects the directors' on-going, active contribution towards the development and enhancement of the Company and its brands, which ultimately drives growth in revenue and profits. The following factors were considered as part of the remuneration review:

- The last increase was 5 years ago in 2015. This increase reflects a 3% average annual increase since that time;
- The significant increase in the size of the Company, from a market capitalisation, net sales and net profit perspective;
- The changes being made to other KMP's remuneration; and
- Consideration of external benchmarks.

*Retirement allowances*

The only retirement allowances for the executive directors are superannuation payments to a nominated contribution scheme, which are made in accordance with statutory obligations in Australia.

*Termination benefits*

Executive directors are not entitled to termination benefits other than the minimum requirements set under the National Employment Standards.

**Executives**

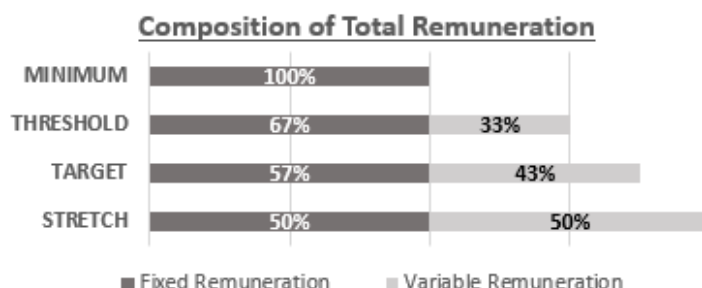
The executive remuneration framework has two components that, combined, represent total remuneration ("TR"):

- fixed remuneration ("FR")
- variable remuneration linked to short-term incentives ("VR")

**REMUNERATION REPORT (AUDITED) (continued)**

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

The proportion that each remuneration component makes up of Total Remuneration, shown at threshold, target and stretch, is illustrated in the chart below.



*Fixed remuneration*

The terms of employment for all executives include a fixed remuneration component, which is expressed in local currency. This fixed component is set in accordance with the market rate for a comparable role by reference to appropriate external information and having regard to the individual's responsibility, qualifications, experience and location. Executive compensation is also reviewed on promotion and at the expiration of service agreements, in the case of the CEO. There are no guaranteed fixed remuneration increases included in any senior executive's contracts.

Fixed remuneration includes base salary, contributions towards health insurance premiums for US based executives and contributions to superannuation in accordance with relevant legislation for Australian based executives. The base salary 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.

*Variable remuneration*

Variable remuneration is made up of short-term incentives ("STI"). The STI framework links specific targets, both quantitative and qualitative, with the opportunity to earn incentives in addition to fixed remuneration. The amount of STI to be paid each year is determined by the CEO, or the Board in the case of the CEO, having regard to the performance of the Company and the individual against the performance conditions that were set for the financial year. Each KMP's STI framework is different, but they all comprise a combination of the following performance conditions:

| Performance Condition                                                                | Reason for inclusion                                                                                                                                                                                                                                                                                                                                                                                                      | Performance assessment                                                                                                                     |
|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| Total Company financial performance targets (eg. Total Group EBIT)                   | To link the incentive to overall creation of shareholder wealth through targeted overall Company performance.                                                                                                                                                                                                                                                                                                             | Actual performance compared to target.                                                                                                     |
| Individual financial performance targets (eg. Regional Sales)                        | To reward executives for the financial performance of the business units over which they have individual control.                                                                                                                                                                                                                                                                                                         | Actual performance compared to target.                                                                                                     |
| Non-financial or strategic targets (eg. Effective roll-out of new Sourcing Strategy) | To reward executives for achieving goals that are not linked to short term financial performance. These goals may include business strategies to drive longer term financial performance (eg. warehouse productivity, brand or product mix goals etc) or they may be unrelated to financial performance. These non-financial targets may include targets in relation to the environment, staff well-being, diversity etc. | At the discretion of the Board or CEO, having regard to how effectively the target was achieved (below, in line with, above expectations). |

All executive KMP's are eligible to earn up to 100% of their current base salary as an STI. Each KMP has a specific STI framework that includes a range of financial performance conditions (between 5 and 10 conditions per KMP) and non-financial / strategic performance conditions. Each performance condition is given an allocated share of base salary that can be earned under each of the three performance outcomes – threshold, target and stretch, as illustrated below by way of an example. Each performance condition is considered in isolation, such that each KMP can earn between 0% and 100% of their STI in any given year, but the over-arching framework is designed to deliver up to 50% of base salary as an STI at threshold, 75% at target and 100% at stretch.

| Performance Condition     | STI as % of base salary |            |             |
|---------------------------|-------------------------|------------|-------------|
|                           | Threshold               | Target     | Stretch     |
| Financial #1              | 10%                     | 20%        | 25%         |
| Financial #2              | 5%                      | 10%        | 15%         |
| Financial #3              | 5%                      | 10%        | 15%         |
| Financial #4              | 5%                      | 10%        | 15%         |
| Financial #5              | 5%                      | 5%         | 10%         |
| Strategic #1              | 15%                     | 15%        | 15%         |
| Strategic #2              | 5%                      | 5%         | 5%          |
| <b>Total possible STI</b> | <b>50%</b>              | <b>75%</b> | <b>100%</b> |

**GLOBE INTERNATIONAL LIMITED**  
**Directors' report**

**REMUNERATION REPORT (AUDITED) (continued)**

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

Short term incentives have historically been settled in cash. However, the Company does have a Short-Term Incentive Equity Plan (STIEP). The purpose of the STIEP is to provide the Company with an alternative settlement option for short term incentive obligations, which at the same time provides on-going motivation for key management personnel ("KMPs") to deliver long-term performance improvements. Under the STIEP, KMP's have the choice to elect to receive a portion of their STI in shares in lieu of cash, up to a maximum number of shares in any given financial year. Shares to be allocated under the STIEP may be existing unallocated shares currently held on trust under the terms of the Employee Share Trust or alternatively shares purchased on market. All existing offers under the STIEP can be satisfied by shares currently held by the trust. The Company has no plans to issue shares to settle any obligations arising under the STIEP. As at the date of this report, there have been no shares allocated under the STIEP.

STI outcomes

In relation to the 2020 financial year, the KMP's forfeited their rights to receive an STI due to COVID-19 related ongoing uncertainties. Thus, no STI's were paid to any KMP's. In relation to the 2021 financial year, the table below outlines the STI outcomes:

|                  | As % of Base Salary |            |                  |
|------------------|---------------------|------------|------------------|
|                  | Maximum STI         | Amount due | Amount forfeited |
| Matthew Hill     | 100%                | 100%       | 0%               |
| Jessica Moelands | 100%                | 100%       | 0%               |
| Gary Valentine   | 100%                | 100%       | 0%               |
| Jon Moses        | 100%                | 100%       | 0%               |
| Matthew Wong     | 100%                | 100%       | 0%               |

The balance of the STI's in relation to the 2021 financial year are due to be paid on 30 September 2021. As at the date of preparing this report, the KMP's have not yet made their election with regards to how they would like their STI to be paid – in cash or in shares, in accordance with the STEIP. This election is due to be made by 23 September 2021. Any shares that are allocated will be allocated from shares already held by the Company in its Employee Share Trust.

**C. Details of Remuneration**

Details of each element of remuneration for each director and the key management personnel (as defined in AASB 124 Related Party Disclosures) of the consolidated entity are set out below.

**DIRECTORS OF GLOBE INTERNATIONAL LIMITED**

| Name                                     |             | Fixed Remuneration |                 |                      |
|------------------------------------------|-------------|--------------------|-----------------|----------------------|
|                                          |             | Cash salary        | Super-annuation | Total <sup>(3)</sup> |
|                                          |             | \$                 | \$              | \$                   |
| <b>Non-executive directors</b>           |             |                    |                 |                      |
| William Crothers <sup>(1)</sup>          | 2021        | 115,000            | 10,925          | 125,925              |
|                                          | 2020        | 8,404              | 798             | 9,202                |
| Norman O'Bryan <sup>(2)</sup>            | 2021        | -                  | -               | -                    |
|                                          | 2020        | 86,250             | 8,194           | 94,444               |
| <b>Sub-total non-executive directors</b> | <b>2021</b> | <b>115,000</b>     | <b>10,925</b>   | <b>125,925</b>       |
|                                          | <b>2020</b> | <b>94,654</b>      | <b>8,992</b>    | <b>103,646</b>       |
| <b>Executive Directors</b>               |             |                    |                 |                      |
| Peter Hill                               | 2021        | 464,200            | 9,500           | 473,700              |
|                                          | 2020        | 379,818            | 9,025           | 388,843              |
| Stephen Hill                             | 2021        | 452,000            | 21,694          | 473,694              |
|                                          | 2020        | 370,500            | 21,003          | 391,503              |
| <b>Sub-total executive directors</b>     | <b>2021</b> | <b>916,200</b>     | <b>31,194</b>   | <b>947,394</b>       |
|                                          | <b>2020</b> | <b>750,318</b>     | <b>30,028</b>   | <b>780,346</b>       |
| <b>Total Directors' Remuneration</b>     | <b>2021</b> | <b>1,031,200</b>   | <b>42,119</b>   | <b>1,073,319</b>     |
|                                          | <b>2020</b> | <b>844,972</b>     | <b>39,020</b>   | <b>883,992</b>       |

(1) Appointed as director on 4 June 2020. (2) Retired on 4 June 2020. (3) None of the directors have any accrued leave entitlements.

**GLOBE INTERNATIONAL LIMITED**  
**Directors' report**

**REMUNERATION REPORT (AUDITED) (continued)**

**C. Details of Remuneration (continued)**

**KEY MANAGEMENT PERSONNEL (KMP)**

| Name               |      | Fixed Remuneration |           |                 |                                | Variable Remuneration          |  | Total Remuneration (TR) | Leave Entitlements (4) |
|--------------------|------|--------------------|-----------|-----------------|--------------------------------|--------------------------------|--|-------------------------|------------------------|
|                    |      | Base salary        | Other (3) | Super-annuation | Total Fixed Remuneration (TFR) | Short Term Incentive (STI) (2) |  |                         |                        |
|                    |      | \$                 | \$        | \$              | \$ % TR                        | \$ % TR                        |  | \$                      | \$                     |
| Matthew Hill (1)   | 2021 | 1,210,000          | 28,855    | -               | 1,238,855 49%                  | 1,300,000 51%                  |  | 2,538,855               | -                      |
|                    | 2020 | 1,191,793          | 32,024    | -               | 1,223,817 100%                 | - -                            |  | 1,223,817               | 19,092                 |
| Gary Valentine (1) | 2021 | 549,333            | 28,856    | -               | 578,189 50%                    | 580,000 50%                    |  | 1,158,189               | 8,840                  |
|                    | 2020 | 582,577            | 32,042    | -               | 614,619 73%                    | 223,881 27%                    |  | 838,500                 | -                      |
| Jon Moses          | 2021 | 412,500            | -         | 21,694          | 434,194 50%                    | 435,000 50%                    |  | 869,194                 | 29,127                 |
|                    | 2020 | 390,000            | -         | 21,003          | 411,003 100%                   | - -                            |  | 411,003                 | 17,012                 |
| Jessica Moelands   | 2021 | 412,500            | -         | 21,694          | 434,194 50%                    | 435,000 50%                    |  | 869,194                 | 23,858                 |
|                    | 2020 | 390,000            | -         | 21,003          | 411,003 100%                   | - -                            |  | 411,003                 | 11,369                 |
| Matthew Wong       | 2021 | 412,500            | 50,000    | 21,694          | 484,194 53%                    | 435,000 47%                    |  | 919,194                 | 5,206                  |
|                    | 2020 | 360,000            | -         | 21,003          | 381,003 100%                   | - -                            |  | 381,003                 | -                      |

(1) US based executives paid in USD. Current year remuneration converted at an average exchange rate of 0.75 (2020: 0.67). (2) STIs paid in FY21 were based on the base salary in place as at the end of the financial year. There were no short-term incentives paid to KMP's in relation to the FY20 year due to the uncertainties arising from the COVID-19 pandemic. The STI paid to Gary Valentine relates to FY19 which was directly tied to the successful completion of the Dwindle transaction and was therefore expensed and paid in early FY20, when the transaction was completed. (3) Other amounts primarily include US based health insurance premiums paid by the consolidated entity. The other amount paid to Matthew Wong was a one-off payment to effectively bring his base salary into line with other Australian KMP's for the previous two financial years. This was originally scheduled to occur during FY20 but was voluntarily postponed pending the outcome of COVID-19. (4) Employee benefits expense also includes any increase in the accrued value of KMP's leave entitlements. This is an additional short-term benefit that applies to each executive KMP.

**D. Service Agreements**

**Non-executive directors**

On appointment to the Board, each non-executive director enters into an agreement with the Company in the form of a letter of appointment. The letter of appointment sets out the duties and responsibilities of the non-executive director as well as the fees payable in consideration for their services. Non-executive directors are not entitled to any termination payments.

**Executive directors and other KMPs**

All key management personnel, except for the CEO, are subject to employment contracts where duration is unlimited with no fixed remuneration increases. There are no contracted termination payments other than payments for standard notice periods of between six and twelve weeks, and any other statutory redundancy payments that may apply in accordance with local laws.

The remuneration and other terms of employment of the CEO are formalised in a service agreement. The terms of the most recent 5-year service agreement are effective from 1 July 2020. The major provisions of this agreement are as follows:

- 5-year term
- base pay of US\$840,000 from 1 July 2020 to 31<sup>st</sup> December 2020 increasing to US\$975,000 effective 1 January 2021, to be reviewed annually. Although it is noted that historically a review has only ever occurred at the completion of each 5-year term.
- twelve months' notice of termination by the Company or six months' notice of termination by the CEO.
- termination payment is capped at the maximum limit allowed under part 2D.2 of the *Corporations Act 2001*.

**GLOBE INTERNATIONAL LIMITED**  
**Directors' report**

**REMUNERATION REPORT (AUDITED) (continued)**

**E. Other transactions with directors and KMP's**

**Shareholdings**

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. No shares were granted as compensation during the financial year under the Company's STIEP.

| Name                                                                         | Balance at the start of the year | Purchased/(Sold) on market during the year | Balance at the end of the year |
|------------------------------------------------------------------------------|----------------------------------|--------------------------------------------|--------------------------------|
| <b>Directors of Globe International Limited – Ordinary shares</b>            |                                  |                                            |                                |
| William Crothers                                                             | 16,878                           | 19,518                                     | 36,396                         |
| Peter Hill                                                                   | 12,436,009                       | -                                          | 12,436,009                     |
| Stephen Hill                                                                 | 12,656,549                       | 19,000                                     | 12,675,549                     |
| <b>Key management personnel of the consolidated entity – ordinary shares</b> |                                  |                                            |                                |
| Matthew Hill                                                                 | 3,495,965                        | -                                          | 3,495,965                      |
| Jessica Moelands                                                             | 1,000                            | -                                          | 1,000                          |
| Gary Valentine                                                               | 75,000                           | -                                          | 75,000                         |
| Matthew Wong                                                                 | 117,500                          | -                                          | 117,500                        |

**Related party transactions with directors and key management personnel**

From time to time the consolidated entity may engage in transactions with directors, key management personnel and their related entities where the transaction presents a commercial opportunity for the consolidated entity. Such transactions occur on the condition that they are based on arms length terms and conditions. Where such transactions are on a fixed contractual basis (such as property lease contracts), approval is required from the independent non-executive Chairman of the board prior to the execution of the contract. Such approval is only granted where management provides evidence that the transaction is commercially relevant and has been made on an arm's length basis. For property leases, such evidence includes independent professional advice with regards to the appropriate valuation of the leased property.

There were no loans to directors or KMPs outstanding at any point during the current or prior financial year.

Peter Hill and Stephen Hill were directors of the Company throughout the financial period, and were involved with the following related party transactions, which were conducted under arms-length terms and conditions.

- Stephen Hill is the director of LHCF Nominees Pty Ltd ("LHCF"). The consolidated entity leases a commercial property from LHCF and during the current year paid rent to LHCF of \$770,522 (2020: \$671,433). Rent is paid one month in advance and is due and payable on the first of every month. In both the current and prior years, due to COVID-19 and in the spirit of the Federal Government's National Cabinet Code of Conduct, LHCF, in good faith, offered the consolidated entity rental reductions. The rental reductions included a combination of rent abatements of between 25% and 50% between 1 March 2020 to 30 September 2020, the deferral of rental payments throughout that period, and the cancellation of the fixed rental increase that was due in February 2020.
- Peter Hill is a director of Station H Limited, a retail store that sells the consolidated entity's products in Hong Kong. During the current financial year, Station H purchased \$150,586 of inventory from the consolidated entity (2020: \$69,464). Amounts payable to the consolidated entity as at the end of the financial year were \$74,590 (2020: \$15,153). All inventory purchases are at arms-length prices, and amounts are due 30 days from statement date.
- The consolidated entity employs parties related to key management personnel as casual employees on an arms' length basis and pays them in accordance with relevant employment awards. The total amount of salaries (including superannuation) earned by these parties from the consolidated entity during the financial year were \$55,676 (2020: \$10,332).
- During the current financial year, the consolidated entity entered into a distribution agreement with Szade Collective ("Szade"), for the exclusive rights to sell Szade branded sunglasses. Szade Collective is owned and controlled by parties related to Stephen Hill. During the current financial year, the consolidated entity purchased \$578,819 of inventory from Szade (2020: nil). Amounts payable to Szade at the end of the financial year were \$13,256 (2020: nil). All inventory purchases are at arms-length prices, and amounts are due 30 days from ex-factory date.
- In the past, the consolidated entity had several retail relationships with director related entities Empire International Pty Ltd (Empire) and EigHt Pty Ltd (EigHt), both of which are controlled by parties related to Stephen Hill. These relationships ceased during the 2020 financial year. In the 2021 financial year, there was one final payment of \$20,000 made to Empire in consideration for the closure of an online store at the request of the consolidated entity. The total amounts paid to these entities during the prior financial year was \$231,679. All the transactions in the current and prior year were conducted on an arms-length basis.

**GLOBE INTERNATIONAL LIMITED**  
**Directors' report**

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**INSURANCE OF OFFICERS**

During the financial year, Globe International Limited paid premiums to insure the directors, secretary and senior management of the Company and its subsidiaries. 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 Australia and its related parties received, or are due to receive, \$38,093 (2020: \$62,050) from the consolidated entity for non-audit services rendered during the financial year, predominantly in relation to 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 14.

**ROUNDING OF AMOUNTS**

Amounts in the Directors' Report have been rounded off in accordance with ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 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 pursuant to section 298(2) of the *Corporations Act 2001*.

Melbourne

Dated this 18 August 2021



.....  
William Crothers, Chairman



## *Auditor's Independence Declaration*

As lead auditor for the audit of Globe International Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'S.P.A.' with a stylized flourish.

Jon Roberts  
Partner  
PricewaterhouseCoopers

Melbourne  
18 August 2021



# **GLOBE INTERNATIONAL LIMITED**

## **Financial Report**

### **Year ended 30 June 2021**

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This financial report includes the consolidated financial statements of the consolidated entity consisting of Globe International Limited and its subsidiaries. Unless otherwise noted, all financial information relates to the consolidated entity.

Globe International Limited is a company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office is 1 Fennell Street, Port Melbourne, Victoria, 3207. The financial statements are presented in Australian currency and were authorised for issue by the directors on 18 August 2021. The Company has the power to amend and re-issue these financial statements.

**GLOBE INTERNATIONAL LIMITED****Income Statement**

For the year ended 30 June 2021

|                                                                      | Notes     | 2021<br>\$'000 | 2020<br>\$'000 |
|----------------------------------------------------------------------|-----------|----------------|----------------|
| <b>Revenue from contracts with customers</b>                         | <b>3</b>  | <b>266,629</b> | <b>151,722</b> |
| Profit from the sale of the Dwindle trademarks                       | 5         | 515            | 3,632          |
| Changes in inventories of finished goods and work in progress        | 4         | 27,008         | (10,539)       |
| Inventories purchased                                                | 4         | (153,946)      | (70,840)       |
| Variable selling expenses                                            | 4         | (25,263)       | (13,615)       |
| Employee benefits expense                                            |           | (30,230)       | (20,924)       |
| Other expenses                                                       |           | (34,710)       | (27,977)       |
| Depreciation and amortisation expense                                | 4         | (3,292)        | (4,129)        |
| Finance costs                                                        | 4         | (320)          | (897)          |
| <b>Profit before related income tax expense</b>                      |           | <b>46,391</b>  | <b>6,433</b>   |
| Income tax benefit/(expense)                                         | 6(a)      | (13,120)       | (332)          |
| <b>Profit attributable to members of Globe International Limited</b> | <b>29</b> | <b>33,271</b>  | <b>6,101</b>   |

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

|                               |    |       |       |
|-------------------------------|----|-------|-------|
| Basic EPS (cents per share)   | 26 | 80.24 | 14.71 |
| Diluted EPS (cents per share) | 26 | 80.24 | 14.71 |

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

**GLOBE INTERNATIONAL LIMITED**  
**Statement of comprehensive income**  
For the year ended 30 June 2021

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|                                                                                                    | Notes  | 2021<br>\$'000 | 2020<br>\$'000 |
|----------------------------------------------------------------------------------------------------|--------|----------------|----------------|
| Profit for the year                                                                                |        | 33,271         | 6,101          |
| Other comprehensive income / (expense):                                                            | (a)    |                |                |
| Changes in fair value of cash flow hedges                                                          | 28 (b) | 866            | (407)          |
| Exchange differences on translation of foreign operations                                          | 28 (a) | (1,308)        | 185            |
| Income tax benefit / (expense) relating to components of other comprehensive income                | 6 (c)  | 21             | 52             |
| Other comprehensive income/(expense) for the year, net of tax                                      |        | <u>(421)</u>   | <u>(170)</u>   |
| Total comprehensive income for the year attributable to the members of Globe International Limited |        | <u>32,850</u>  | <u>5,931</u>   |

(a) Items included in the statement of comprehensive income may be reclassified to the profit and loss in the future.

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

**GLOBE INTERNATIONAL LIMITED****Balance sheet**

As at 30 June 2021

|                                      |       | 2021           | 2020          |
|--------------------------------------|-------|----------------|---------------|
|                                      | Notes | \$'000         | \$'000        |
| <b>ASSETS</b>                        |       |                |               |
| <b>Current assets</b>                |       |                |               |
| Cash and cash equivalents            | 10    | 36,077         | 25,997        |
| Trade and other receivables          | 12    | 32,534         | 17,152        |
| Inventories                          | 13    | 48,065         | 20,550        |
| Prepayments                          | 14    | 2,681          | 2,050         |
| Derivative financial instruments     | 11    | 748            | -             |
| Current tax assets                   | 7     | -              | 157           |
| <b>Total current assets</b>          |       | <b>120,105</b> | <b>65,906</b> |
| <b>Non-current assets</b>            |       |                |               |
| Property, plant and equipment        | 15    | 1,119          | 1,302         |
| Right-of-use assets                  | 16    | 11,313         | 8,084         |
| Intangible assets                    | 18    | -              | 217           |
| Other assets                         | 17    | 1,828          | 2,002         |
| Deferred tax assets                  | 7     | 3,599          | 3,932         |
| <b>Total non-current assets</b>      |       | <b>17,859</b>  | <b>15,537</b> |
| <b>Total assets</b>                  |       | <b>137,964</b> | <b>81,443</b> |
| <b>LIABILITIES</b>                   |       |                |               |
| <b>Current liabilities</b>           |       |                |               |
| Trade and other payables             | 19    | 47,418         | 23,729        |
| Current lease liabilities            | 16    | 1,778          | 2,452         |
| Derivative financial instruments     | 11    | -              | 118           |
| Current tax liability                | 8     | 6,160          | -             |
| Provisions                           | 20    | 2,536          | 2,114         |
| <b>Total current liabilities</b>     |       | <b>57,892</b>  | <b>28,413</b> |
| <b>Non-current liabilities</b>       |       |                |               |
| Non-current lease liabilities        | 16    | 9,805          | 6,736         |
| Provisions                           | 20    | 99             | 57            |
| Other liabilities                    | 21    | -              | 1,456         |
| <b>Total non-current liabilities</b> |       | <b>9,904</b>   | <b>8,249</b>  |
| <b>Total liabilities</b>             |       | <b>67,796</b>  | <b>36,662</b> |
| <b>NET ASSETS</b>                    |       | <b>70,168</b>  | <b>44,781</b> |
| <b>Equity</b>                        |       |                |               |
| Contributed equity                   | 25    | 144,223        | 144,223       |
| Treasury Shares                      | 27    | (487)          | (487)         |
| Reserves                             | 28    | (6,105)        | (5,684)       |
| Retained profits/(losses)            | 29    | (67,463)       | (93,271)      |
| <b>TOTAL EQUITY</b>                  |       | <b>70,168</b>  | <b>44,781</b> |

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

**GLOBE INTERNATIONAL LIMITED****Statement of changes in equity**

For the year ended 30 June 2021

|                                                              | Contributed<br>equity<br>\$'000 | Treasury<br>Shares<br>\$'000 | Share<br>based<br>payment<br>reserve<br>\$'000 | Cash-flow<br>hedge<br>reserve<br>\$'000 | Foreign<br>Currency<br>Transl'n<br>reserve<br>\$'000 | Retained<br>profits /<br>(losses)<br>\$'000 | Total<br>Equity<br>\$'000 |
|--------------------------------------------------------------|---------------------------------|------------------------------|------------------------------------------------|-----------------------------------------|------------------------------------------------------|---------------------------------------------|---------------------------|
| <b>Balance at 1 July 2019</b>                                | 144,223                         | (487)                        | 323                                            | 202                                     | (6,039)                                              | (93,690)                                    | <b>44,532</b>             |
| Adoption of AASB Leases                                      | -                               | -                            | -                                              | -                                       | -                                                    | (706)                                       | <b>(706)</b>              |
| Profit for the 2020 financial year                           | -                               | -                            | -                                              | -                                       | -                                                    | 6,101                                       | <b>6,101</b>              |
| Other comprehensive income / (expense)                       | -                               | -                            | -                                              | (285)                                   | 115                                                  | -                                           | <b>(170)</b>              |
| Total comprehensive income / (expense) for the year          | -                               | -                            | -                                              | (285)                                   | 115                                                  | 5,395                                       | <b>5,225</b>              |
| <i>Transactions with owners in their capacity as owners:</i> |                                 |                              |                                                |                                         |                                                      |                                             |                           |
| Dividends paid                                               | -                               | -                            | -                                              | -                                       | -                                                    | (4,976)                                     | <b>(4,976)</b>            |
| <b>Balance at 30 June 2020 / 1 July 2020</b>                 | <b>144,223</b>                  | <b>(487)</b>                 | <b>323</b>                                     | <b>(83)</b>                             | <b>(5,924)</b>                                       | <b>(93,271)</b>                             | <b>44,781</b>             |
| Profit for the 2021 financial year                           | -                               | -                            | -                                              | -                                       | -                                                    | 33,271                                      | <b>33,271</b>             |
| Other comprehensive income / (expense)                       | -                               | -                            | -                                              | 609                                     | (1,030)                                              | -                                           | <b>(421)</b>              |
| Total comprehensive income / (expense) for the year          | -                               | -                            | -                                              | 609                                     | (1,030)                                              | 33,271                                      | <b>32,850</b>             |
| <i>Transactions with owners in their capacity as owners:</i> |                                 |                              |                                                |                                         |                                                      |                                             |                           |
| Dividends paid                                               | -                               | -                            | -                                              | -                                       | -                                                    | (7,463)                                     | <b>(7,463)</b>            |
| <b>Balance at 30 June 2021</b>                               | <b>144,223</b>                  | <b>(487)</b>                 | <b>323</b>                                     | <b>526</b>                              | <b>(6,954)</b>                                       | <b>(67,463)</b>                             | <b>70,168</b>             |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**GLOBE INTERNATIONAL LIMITED****Statement of cash flows**

For the year ended 30 June 2021

|                                                                           | Notes | 2021<br>\$'000       | 2020<br>\$'000       |
|---------------------------------------------------------------------------|-------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>                               |       |                      |                      |
| Receipts from customers (inclusive of goods and services tax)             |       | 262,885              | 163,490              |
| Payments to suppliers and employees (inclusive of goods and services tax) |       | (234,210)            | (139,548)            |
| Interest received                                                         | 3     | 14                   | 23                   |
| Interest and other costs of finance paid                                  | 4     | (320)                | (897)                |
| Income taxes received / (paid)                                            |       | (5,877)              | 148                  |
| <b>Net cash provided by / (used in) operating activities</b>              | 9     | <u>22,492</u>        | <u>23,216</u>        |
| <b>Cash flows from investing activities</b>                               |       |                      |                      |
| Payments for property, plant and equipment                                | 15    | (670)                | (543)                |
| Deposit for acquisition of property                                       |       | (550)                | -                    |
| Net proceeds from the sale of Dwindle assets                              |       | 625                  | 3,414                |
| Deferred payments for intangible assets acquired in previous period       | 18    | -                    | (373)                |
| <b>Net cash provided by / (used in) investing activities</b>              |       | <u>(595)</u>         | <u>2,498</u>         |
| <b>Cash flows from financing activities</b>                               |       |                      |                      |
| Dividends paid                                                            |       | (7,463)              | (4,976)              |
| Principal payments for leases                                             |       | (3,455)              | (2,628)              |
| Proceeds from / (repayment of) borrowings                                 |       | -                    | (1,638)              |
| <b>Net cash provided by / (used in) financing activities</b>              |       | <u>(10,918)</u>      | <u>(9,242)</u>       |
| <b>Net increase/ (decrease) in cash and cash equivalents</b>              |       | <b>10,979</b>        | <b>16,472</b>        |
| Cash and cash equivalents at beginning of the financial year              |       | 25,997               | 9,495                |
| Effect of exchange rates on cash holdings in foreign currencies           |       | (899)                | 30                   |
| <b>Cash and cash equivalents at the end of the financial year</b>         | 10    | <u><b>36,077</b></u> | <u><b>25,997</b></u> |

The above statement of cash flows should be read in conjunction with the accompanying notes.

**GLOBE INTERNATIONAL LIMITED****Notes to the financial statements**For the year ended 30 June 2021

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**INDEX OF NOTES TO THE FINANCIAL STATEMENTS**

The notes to the financial statements are grouped and ordered based on their relevance.

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**NOTE 1. 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 counterparties, ageing analysis for trade and other receivables, credit exposures and sensitivity analysis for foreign exchange and interest rate 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 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 has written policies in place, covering specific areas, such as foreign exchange risk and credit risk.

The consolidated entity holds the following financial instruments as at the reporting date:

|                                  | Notes | 2021<br>\$'000 | 2020<br>\$'000 |
|----------------------------------|-------|----------------|----------------|
| <b>Financial assets</b>          |       |                |                |
| Cash and cash equivalents        | 10    | 36,077         | 25,997         |
| Trade and other receivables      | 12    | 32,534         | 17,152         |
| Derivative financial instruments | 11    | 748            | -              |
| Other assets                     | 17    | 1,828          | 2,002          |
| Total financial assets           |       | 71,187         | 45,151         |
| <b>Financial liabilities</b>     |       |                |                |
| Trade and other payables         | 19    | 47,418         | 23,729         |
| Lease liabilities                | 16    | 11,583         | 9,188          |
| Derivative financial instruments | 11    | -              | 118            |
| Other liabilities                | 21    | -              | 1,456          |
| Total financial liabilities      |       | 59,001         | 34,491         |

**(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 the CEO, CFO and regional management teams. Credit risk arises from cash and cash equivalents, forward exchange contracts, deposits with banks and trade and other receivables, including factoring arrangements. The carrying amount of the consolidated entity's financial assets, which represents the maximum credit exposure as at the reporting date, was:

|                                           | Reference | 2021<br>\$'000 | 2020<br>\$'000 |
|-------------------------------------------|-----------|----------------|----------------|
| Trade receivables (net of loss allowance) | (4)       | 26,328         | 14,884         |
| Other receivables                         | (2)       | 4,728          | 1,498          |
| Restricted cash on deposit                |           | 1,478          | 770            |
| Total trade and other receivables         |           | 32,534         | 17,152         |
| Other assets                              | (3)       | 1,828          | 2,002          |
| Derivative financial instruments          | (1)       | 748            | -              |
| Cash and cash equivalents                 | (1)       | 36,077         | 25,997         |
| Total financial assets                    |           | 71,187         | 45,151         |

**(1) *Cash, cash equivalents and derivative financial instruments***

Cash, cash equivalents and deposits are placed with reputable international banks in Australia, New Zealand, the USA, Canada, France and the UK. The counterparties to forward exchange contracts are also reputable international banks and financial institutions. The consolidated entity has a policy in place to assess any new relationships with financial institutions, and to annually monitor existing relationships.

**NOTE 1. FINANCIAL RISK MANAGEMENT (continued)**

**(a) Credit risk (continued)**

**(2) Other receivables**

Other receivables include sundry receivables and amounts due from factors. The exposure to credit risk on amounts due from factors is monitored through the financial institution monitoring policy noted above, which includes regular review of financial performance and updates provided by ratings agencies. All balances are considered current and are not considered to be impaired.

**(3) Other assets**

Other assets include a non-controlling investment in a production facility. The investment is tested annually for impairment and is not considered to be impaired.

**(4) Trade receivables**

There are no significant concentrations of credit risk in relation to trade receivables in the consolidated entity as there are a large number of customers that are internationally dispersed. To minimise exposure to credit risk, the consolidated entity has policies in place to ensure that sales of products are made to customers with an appropriate credit history, both internally and externally. External credit history is verified mainly through trade references and reports from credit rating agencies where available, and internal credit history is monitored through the Company's systems. Credit applications are received for each customer, and credit limits are established and reviewed regularly. When a customer is deemed un-creditworthy, 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 may have a secured claim in certain circumstances. In some instances personal guarantees are obtained from customers, and in certain jurisdictions accounts receivable balances are insured by third parties. No collateral is required for trade receivables. Included below are the quantitative details of the consolidated entity's exposure to credit risk from trade receivables at balance date:

|                                                                                                                                                                 | <b>2021</b>    | <b>2020</b>    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                                                                                 | <b>\$'000</b>  | <b>\$'000</b>  |
| <i>The consolidated entity's maximum exposure to credit risk for trade receivables (net of loss allowances) at the reporting date by geographic region was:</i> |                |                |
| Australasia                                                                                                                                                     | 11,821         | 9,568          |
| North America                                                                                                                                                   | 8,670          | 1,487          |
| Europe                                                                                                                                                          | 5,837          | 3,829          |
|                                                                                                                                                                 | <u>26,328</u>  | <u>14,884</u>  |
| <i>The ageing of the consolidated entity's trade receivables as at the reporting date was:</i>                                                                  |                |                |
| Current                                                                                                                                                         | 21,039         | 11,171         |
| Past due 0-30 days                                                                                                                                              | 4,714          | 2,405          |
| Past due 31-60 days                                                                                                                                             | 1,513          | 623            |
| Past due 61-90 days                                                                                                                                             | 325            | 710            |
| Past due 90+ days                                                                                                                                               | 701            | 2,863          |
| Total receivables                                                                                                                                               | <u>28,292</u>  | <u>17,772</u>  |
| Credit loss allowance (i)                                                                                                                                       | <u>(1,964)</u> | <u>(2,888)</u> |
| Net trade receivables                                                                                                                                           | <u>26,328</u>  | <u>14,884</u>  |

- (i) The credit loss allowance is based on applying the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from the initial recognition of receivables. This results in a loss allowance being applied at rates ranging from 0.5% to 25%, depending on the ageing of those receivables. In addition, management judgement is used to determine if there are any forward-looking factors that require an adjustment to the total value of the credit loss allowance. Finally, any specific receivables that are considered to be highly doubtful, but which have not yet been formally written off, will include provisions of up to 100%. Management considers that the remainder of the trade receivables, despite some being past-due, relate to customers that have a good credit history and in many cases a payment plan is in place. Accordingly, based on historical default rates, management believes no further impairment is required. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators include, amongst others, liquidation, inability to recover debt through a collection agency or failure of a debtor to engage in a repayment plan.

Although the goods sold to these customers were subject to retention of title clauses in some instances, management generally 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. Hence, no allowance has been made for any amounts that may be recoverable on the repossession of the goods.

**NOTE 1. FINANCIAL RISK MANAGEMENT (continued)**

**(a) Credit risk (continued)**

*(4) Trade receivables (continued)*

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

|                                                                                             | 2021<br>\$'000 | 2020<br>\$'000 |
|---------------------------------------------------------------------------------------------|----------------|----------------|
| <i>The movement in the credit loss allowance for trade receivables during the year was:</i> |                |                |
| Balance at 1 July                                                                           | 2,888          | 1,206          |
| Credit losses / (write-backs) recognised during the year                                    | 7              | 1,989          |
| Receivables written off against credit loss allowance                                       | (817)          | (303)          |
| Effects of foreign currency on translation of overseas entities allowances                  | (114)          | (4)            |
| Balance at 30 June                                                                          | 1,964          | 2,888          |

**(b) Market risk**

*(i) Foreign exchange risk*

The consolidated entity operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily in respect to the US dollar (USD). 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.

The consolidated entity's net exposure to foreign exchange risk in relation to financial instruments on hand at the reporting date, in Australian dollars, was as follows:

|                                                    | 2021         |               |              |              | 2020         |               |              |              |
|----------------------------------------------------|--------------|---------------|--------------|--------------|--------------|---------------|--------------|--------------|
|                                                    | 000's<br>USD | 000's<br>Euro | 000's<br>GBP | 000's<br>CAD | 000's<br>USD | 000's<br>Euro | 000's<br>GBP | 000's<br>CAD |
| Trade receivables and other receivables            | 119          | -             | 671          | 1,182        | 271          | -             | 545          | 386          |
| Trade payables                                     | (10,672)     | -             | -            | (80)         | (3,664)      | -             | (16)         | (31)         |
| Forward exchange contracts to buy foreign currency | 32,534       | -             | -            | -            | 16,028       | -             | -            | -            |
|                                                    | 21,981       | -             | 671          | 1,102        | 12,635       | -             | 529          | 355          |

Derivatives – cash flow hedges

The consolidated entity uses cash flow hedges to manage foreign exchange risk associated with inventory purchases. These cash flow hedges are the only derivatives used by the consolidated entity. The consolidated entity does not hedge its net investments in foreign subsidiaries denominated in foreign currencies 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.

Derivatives are only used for economic hedging purposes and not as speculative investments. The consolidated entity's risk management policy states that forward contracts must be used to manage foreign exchange risk associated with highly probable future inventory purchases that are denominated in USD, where the functional currency of the region is not the USD. The policy is designed to ensure that the forward contracts are closely aligned to the underlying hedged items. It states that the relevant regions must hedge up to 75% of forecast USD denominated inventory purchases over a seven month period. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedge item and the forward contract. Due to the nature of this policy, all hedges of projected purchases qualify as highly probable forecast transactions for hedge accounting purposes.

The consolidated entity's accounting policy for its cash flow hedges is included in Note 37(r). The fair values of any outstanding cash-flow hedges are disclosed as derivatives and recognized on the balance sheet as a current asset or current liability. All derivatives are current as all are to be settled within 12 months. The movement in the fair value of cash flows that meet the criteria for hedge accounting are recognized in the hedge reserve. The movement in the hedge reserve is shown in Note 28.

**NOTE 1. FINANCIAL RISK MANAGEMENT (continued)**

**(b) Market Risk (continued)**

*(i) Foreign exchange risk (continued)*

The net effects of the cash flow hedges on the consolidated entity's financial position and financial performance are as follows:

|                                                         | 2021<br>\$'000              | 2020<br>\$'000              |
|---------------------------------------------------------|-----------------------------|-----------------------------|
| Carrying amount – current asset / (current liability)   | 748                         | (118)                       |
| Notional amount                                         | 31,780                      | 16,156                      |
| Maturity dates                                          | July 2021 –<br>January 2022 | July 2020 –<br>January 2021 |
| Hedge ratio *                                           | 1:1                         | 1:1                         |
| Weighted average strike rate for outstanding contracts: |                             |                             |
| AUD:USD                                                 | 0.77                        | 0.65                        |
| EURO:USD                                                | 1.21                        | 1.13                        |

\* The foreign currency forwards are denominated in USD, as is the highly probably future inventory purchase, therefore the hedge ratio is 1:1.

*(ii) Interest rate risk*

The consolidated entity's main interest rate risk during the financial year resulted from movements in interest rates on advances under financing facilities in North America and Australia, as discussed in further detail below under liquidity risks. Under the terms of the agreements, the consolidated entity is exposed to interest rate risk, to the extent that the available facilities are utilised.

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 reporting date, is detailed below:

|                              | Weighted<br>Average<br>interest<br>rate (%) | Fixed<br>interest rate<br>\$'000 | Floating<br>interest rate<br>\$'000 | Non-<br>interest<br>bearing<br>\$'000 | Total<br>\$'000 |
|------------------------------|---------------------------------------------|----------------------------------|-------------------------------------|---------------------------------------|-----------------|
| <b>2021</b>                  |                                             |                                  |                                     |                                       |                 |
| <b>Financial assets:</b>     |                                             |                                  |                                     |                                       |                 |
| Cash and cash equivalents    | 0.01                                        | -                                | 7,280                               | 28,797                                | 36,077          |
| Trade and other receivables  | 0.20                                        | 610                              | -                                   | 31,924                                | 32,534          |
| Other assets                 | n/a                                         | -                                | -                                   | 1,828                                 | 1,828           |
|                              |                                             | 610                              | 7,280                               | 62,549                                | 70,439          |
| <b>Financial liabilities</b> |                                             |                                  |                                     |                                       |                 |
| Trade and other payables     | n/a                                         | -                                | -                                   | 47,418                                | 47,418          |
| Lease liabilities            | 3.77                                        | 11,583                           | -                                   | -                                     | 11,583          |
|                              |                                             | 11,583                           | -                                   | 47,418                                | 59,001          |
| <b>2020</b>                  |                                             |                                  |                                     |                                       |                 |
| <b>Financial assets:</b>     |                                             |                                  |                                     |                                       |                 |
| Cash and cash equivalents    | 0.05                                        | -                                | 8,477                               | 17,520                                | 25,997          |
| Trade and other receivables  | 0.95                                        | 633                              | -                                   | 16,519                                | 17,152          |
| Other assets                 | n/a                                         | -                                | -                                   | 2,002                                 | 2,002           |
|                              |                                             | 633                              | 8,477                               | 36,041                                | 45,151          |
| <b>Financial liabilities</b> |                                             |                                  |                                     |                                       |                 |
| Trade and other payables     | n/a                                         | -                                | -                                   | 23,729                                | 23,729          |
| Lease liabilities            | 3.93                                        | 9,188                            | -                                   | -                                     | 9,188           |
| Other liabilities            | 1.00                                        | 1,456                            | -                                   | -                                     | 1,456           |
|                              |                                             | 10,644                           | -                                   | 23,729                                | 34,373          |

**NOTE 1. FINANCIAL RISK MANAGEMENT (continued)**

**(c) Liquidity risk**

The consolidated entity finances its operations by a combination of net cash from operating activities, the reinvestment of surplus cash and the use of finance facilities. These finance facilities include a combination of trade finance, borrowings against inventories and short-term funding from the sale of certain receivables to factoring institutions. Liquidity risk is the risk that the consolidated entity 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 payments to suppliers and collections from customers.

Due to the seasonal nature of the cash flows and the requirement for working capital funding at certain peak times throughout the year, finance facilities are obtained from a number of reputable banks and financial institutions globally. 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, should the need arise.

The key components of liquidity risk for the consolidated entity include the value of financial liabilities as at the reporting date, and the availability of borrowing facilities. The quantitative details of both of these exposures as at the reporting date are included below:

*(i) Financial liabilities*

The following are the contractual maturities of the financial liabilities of the consolidated entity. With the exception of property loans, lease liabilities and other liabilities, the vast majority of other balances are due within 12 months or less. Accordingly, the impact of discounting is not significant so the contractual cash flow is equal to the carrying amount of the financial liabilities.

|                                              | Contractual Cash Flow  |                         |                    |                              |                              |                     | Total Contractual cash flows \$'000 |
|----------------------------------------------|------------------------|-------------------------|--------------------|------------------------------|------------------------------|---------------------|-------------------------------------|
|                                              | Carrying Amount \$'000 | 6 months or less \$'000 | 6-12 months \$'000 | Between 1 and 2 years \$'000 | Between 2 and 5 years \$'000 | Over 5 years \$'000 |                                     |
| <b>2021</b>                                  |                        |                         |                    |                              |                              |                     |                                     |
| <i>Non-derivatives</i>                       |                        |                         |                    |                              |                              |                     |                                     |
| Trade and other payables                     | 47,418                 | 46,793                  | 625                | -                            | -                            | -                   | 47,418                              |
| Lease liabilities                            | 11,583                 | 1,237                   | 950                | 1,790                        | 4,005                        | 5,981               | 13,963                              |
| Total                                        | 59,001                 | 48,030                  | 1,575              | 1,790                        | 4,005                        | 5,981               | 61,381                              |
| <i>Derivatives</i>                           |                        |                         |                    |                              |                              |                     |                                     |
| Forward exchange contracts used for hedging: |                        |                         |                    |                              |                              |                     |                                     |
| Inflow (Gross)                               | (32,528)               | (26,796)                | (5,732)            | -                            | -                            | -                   | (32,528)                            |
| Outflow (Gross)                              | 31,780                 | 26,112                  | 5,668              | -                            | -                            | -                   | 31,780                              |
| Total                                        | (748)                  | (684)                   | (64)               | -                            | -                            | -                   | (748)                               |
| <b>2020</b>                                  |                        |                         |                    |                              |                              |                     |                                     |
| <i>Non-derivatives</i>                       |                        |                         |                    |                              |                              |                     |                                     |
| Trade and other payables                     | 23,729                 | 23,401                  | 146                | -                            | 182                          | -                   | 23,729                              |
| Lease liabilities                            | 9,189                  | 944                     | 1,847              | 3,564                        | 3,417                        | -                   | 9,772                               |
| Other liabilities                            | 1,456                  | -                       | -                  | 1,482                        | -                            | -                   | 1,482                               |
| Total                                        | 34,374                 | 24,345                  | 1,993              | 5,046                        | 3,599                        | -                   | 34,983                              |
| <i>Derivatives</i>                           |                        |                         |                    |                              |                              |                     |                                     |
| Forward exchange contracts used for hedging: |                        |                         |                    |                              |                              |                     |                                     |
| Inflow (Gross)                               | (16,038)               | (16,038)                | -                  | -                            | -                            | -                   | (16,038)                            |
| Outflow (Gross)                              | 16,156                 | 16,156                  | -                  | -                            | -                            | -                   | 16,156                              |
| Total                                        | 118                    | 118                     | -                  | -                            | -                            | -                   | 118                                 |

**NOTE 1. FINANCIAL RISK MANAGEMENT (continued)**

**(c) Liquidity Risk (continued)**

*(ii) Borrowing facilities*

As at the reporting date, the consolidated entity had access to the following current borrowing facilities, which can be used as required for short-term funding to meet the contractual maturities of the financial liabilities noted above.

|                                                        | <b>2021</b>          | <b>2020</b>          |
|--------------------------------------------------------|----------------------|----------------------|
|                                                        | <b>\$'000</b>        | <b>\$'000</b>        |
| (1) Secured receivables financing facilities           |                      |                      |
| - amount used (non-recourse North American facility)   | 584                  | 2,995                |
| - amount used (full-recourse Australian facility)      | -                    | -                    |
| - amount unused (non-recourse North American facility) | 4,302                | 595                  |
| - amount unused (full-recourse Australian facility)    | 7,803                | 5,642                |
|                                                        | <u>12,689</u>        | <u>9,232</u>         |
| (2) Secured inventory financing facilities             |                      |                      |
| - amount used                                          | -                    | -                    |
| - amount unused                                        | 2,660                | 2,302                |
|                                                        | <u>2,660</u>         | <u>2,302</u>         |
| (3) Secured multi-option facilities                    |                      |                      |
| -amount used                                           | -                    | -                    |
| -amount unused                                         | 5,475                | 5,491                |
|                                                        | <u>5,475</u>         | <u>5,491</u>         |
| <b>TOTAL WORKING CAPITAL FINANCING FACILITIES</b>      |                      |                      |
| <b>-amount used</b>                                    | <b>584</b>           | <b>2,995</b>         |
| <b>-amount unused</b>                                  | <b>20,240</b>        | <b>14,030</b>        |
|                                                        | <u><b>20,824</b></u> | <u><b>17,025</b></u> |
| (4) Bank guarantee facilities                          |                      |                      |
| -amount used                                           | 912                  | 882                  |
| -amount unused                                         | 196                  | 196                  |
|                                                        | <u>1,108</u>         | <u>1,078</u>         |

**(1) Secured receivables financing facilities**

*Australia*

The parent entity has in place a receivables financing arrangement which will continue on an annual rolling basis, with no fixed term. This is a non-disclosed facility that allows the parent entity access to funds at up to 85% of outstanding eligible trade receivables, at the discretion of the lender, to a maximum facility level of \$10.0 million (2020: \$10.0 million). The credit risk, and all obligations associated with collecting the receivables remain with the consolidated entity. The consolidated entity 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 fixed annual commission on the net sales factored, and interest on any funds drawn. The interest rate is based on relevant floating reference rates, plus a fixed margin. Obligations due to the financier under this agreement are collateralised by a continuing security interest in the financed receivables of the parent entity, and the other assets of the parent entity and its wholly owned Australian subsidiaries. There are certain financial covenants associated with this facility which relate to gross margins and inventory months on hand. The covenants are tested half yearly and the consolidated entity has met the covenants since they were introduced.

*North America*

The consolidated entity's North American subsidiaries have 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.

**NOTE 1. FINANCIAL RISK MANAGEMENT (continued)**

**(c) Liquidity Risk (continued)**

*(ii) Borrowing facilities (continued)*

**(1) Secured receivables financing facilities (continued)**

*North America (continued)*

Non-recourse receivables sold to the factor are derecognised as trade receivables, and shown as other receivables - debt due from factor (see Note 12 *Trade and other receivables*). The consolidated entity may request advances on the net receivables factored at any time before their due 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. The interest rate is based on relevant floating reference rates, plus a fixed margin.

Maximum advances under the factoring agreement, provided at the discretion of the factor, are 85% of eligible accounts receivable (which excludes all recourse receivables), 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.

**(2) Secured inventory financing facilities**

The consolidated entity's North American subsidiaries have an arrangement to finance a portion of their inventories to the factor mentioned in (1) above, under an ongoing arrangement that is cancellable by either party with 60 days' notice. This arrangement is an extension of the asset-based financing facilities provided by the factor under the factoring agreement specified in (1) above.

Maximum advances under the inventory financing agreement are 50% of eligible inventory approved by the factor at the end of each month, subject to a maximum limit of \$2.7 million (2020: \$2.9 million). Obligations due to the factor under the inventory financing agreement are reported as short term borrowings and are collateralised by a continuing security interest in the tangible assets of the North American subsidiaries as specified in (1) above. There are no financial covenants associated with this agreement.

**(3) Secured multi-option facilities**

The parent entity has a trade-finance facility secured against the assets of the parent entity and its Australian subsidiaries, as part of the security agreement outlined in (1) above. The maximum facility balance is \$5.0 million (2020: \$5.0 million).

The consolidated entity's European subsidiary has an overdraft facility subject to a maximum limit of \$0.5 million (2020: \$0.5 million). There are no financial covenants associated with this agreement.

**(4) 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 12 *Trade and other receivables*), as well as a secondary charge over certain assets of the consolidated entity.

## NOTE 2. SEGMENT REPORT

### (a) Description of Segments

Operating segments are determined in accordance with AASB 8 *Operating Segments*. To identify the operating segments of the business, management has considered the business from both a product and geographic perspective, as well as considering the way information is reported internally to management and the board of directors, and particularly to the CEO who is the chief operating decision maker. Ultimately, there are many ways that the business is broken down for internal reporting, depending on the user and the purpose of the report. From a product perspective, information may be reported by brand (Globe, FXD, Impala etc), by product category (footwear, apparel, hardgoods) or by market (action sports, streetwear or workwear). None of these bases for reporting is more predominantly used than the other. The only consistent break-down of the business from a management reporting perspective is by region. Accordingly, management has determined that there are three operating segments based on the geographical location of each of the regional offices. Each regional office is headed by a President or Vice President who reports directly to the CEO. These operating segments are Australasia, North America and Europe.

Segment revenues, expenses and results within each region are based on the location of the divisional office that generated the sale or expense, rather than the location of the end customer or underlying activity.

#### Segment Revenues

Segment revenue includes all sales of goods and receipts from licensing income but excludes interest income. There are no inter-segment revenues.

#### Segment Result

Earnings before interest, and tax, (EBIT) is the basis for the segment result in the current financial year as this is the most common measure used by the CEO and the board of directors to measure the performance of the operating segments.

Segment result excludes the following items as these costs are excluded by management when assessing the performance of the operating segments:

- Central corporate costs;
- Investments in new brands and new technologies for new products;
- Trademark protection costs where these costs (a) relate to a global brand; and (b) are significant.

These costs are “unallocated” in the segment report. All other costs are predominantly allocated to the segments based on the location of the expenditure, or based on a reasonable allocation of costs where the costs are centrally incurred. Global proprietary brand development costs, including marketing creation and product design and development, are incurred centrally. To determine segment profitability, these costs are allocated by one third to each of the operating segments for management and segment reporting purposes. Where applicable, when internal allocations are modified in order to report segment performance to the CEO and board of directors, prior year figures are represented within the segment report to ensure comparability to the current period.

#### Segment Assets

Segment Assets are allocated to the segments based on the physical location of the asset (inventories, property, plant and equipment and right-of-use assets), or the segment to which the asset originated (cash, trade and other receivables, prepayments and other assets). Net intercompany receivables are included in the segments as applicable. Intangible assets are treated as unallocated, unless they relate to sales in a specific segment only. Current and deferred tax assets are not considered to be segment assets.

#### Segment Liabilities

Segment Liabilities are allocated to the segments based on the operations of the segment, which includes trade and other payables, provisions, lease liabilities and other liabilities. Net intercompany payables are included in the segments as applicable. Borrowings are also included in segment liabilities as these are short-term financing loans generally used to fund segment working capital, or property loans used to fund buildings used for operational purposes. Other liabilities that relate to the deferred consideration for the acquisition of trademarks are treated as unallocated. Current and deferred tax liabilities are not considered to be segment liabilities.

**NOTE 2. SEGMENT REPORT (continued)**

**(b) Reportable Segment Information**

The segment information provided to the CEO for the reportable segments is as follows:

| <b>2021</b>                                                | <b>Notes</b>   | <b>Australasia<br/>\$'000</b> | <b>North<br/>America<br/>\$'000</b> | <b>Europe<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|------------------------------------------------------------|----------------|-------------------------------|-------------------------------------|--------------------------|-------------------------|
| <u>Segment Revenue</u>                                     |                |                               |                                     |                          |                         |
| Total Segment Revenue                                      | (c)(i)         | 124,037                       | 100,616                             | 41,962                   | 266,615                 |
| <u>Segment Result</u>                                      |                |                               |                                     |                          |                         |
| <b>Segment EBIT</b>                                        | <b>(c)(ii)</b> | <b>27,169</b>                 | <b>21,389</b>                       | <b>6,935</b>             | <b>55,493</b>           |
| Interest revenue                                           |                | 4                             | 1                                   | 9                        | 14                      |
| Finance costs                                              |                | (110)                         | (195)                               | (15)                     | (320)                   |
| <i>Other material non-cash items – revenue / (expense)</i> |                |                               |                                     |                          |                         |
| Movement in receivables credit loss provision              |                | 55                            | (26)                                | (36)                     | (7)                     |
| Movement in inventory provision                            |                | 47                            | 217                                 | 32                       | 296                     |
| <u>Segment Assets and Liabilities</u>                      |                |                               |                                     |                          |                         |
| Reportable segment assets                                  | (c)(iii)       | 66,735                        | 54,730                              | 22,589                   | 144,054                 |
| Reportable segment liabilities                             | (c)(iv)        | 20,967                        | 36,680                              | 13,678                   | 71,325                  |
| Acquisition of non-current assets                          |                | 379                           | 213                                 | 78                       | 670                     |
| <br>                                                       |                |                               |                                     |                          |                         |
| <b>2020</b>                                                | <b>Notes</b>   | <b>Australasia<br/>\$'000</b> | <b>North<br/>America<br/>\$'000</b> | <b>Europe<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
| <u>Segment Revenue</u>                                     |                |                               |                                     |                          |                         |
| Total Segment Revenue                                      | (c)(i)         | 79,333                        | 46,768                              | 25,598                   | 151,699                 |
| <u>Segment Result</u>                                      |                |                               |                                     |                          |                         |
| <b>Segment EBIT</b>                                        | <b>(c)(ii)</b> | <b>11,134</b>                 | <b>2,656</b>                        | <b>210</b>               | <b>14,000</b>           |
| Interest revenue                                           |                | 8                             | 11                                  | 4                        | 23                      |
| Finance costs                                              |                | (317)                         | (559)                               | (21)                     | (897)                   |
| <i>Other material non-cash items</i>                       |                |                               |                                     |                          |                         |
| Credit losses on receivables                               |                | (652)                         | (647)                               | (690)                    | (1,989)                 |
| Impairment of inventories                                  |                | (33)                          | (324)                               | 12                       | (345)                   |
| <u>Segment Assets and Liabilities</u>                      |                |                               |                                     |                          |                         |
| Reportable segment assets                                  | (c)(iii)       | 47,766                        | 25,782                              | 14,262                   | 87,810                  |
| Reportable segment liabilities                             | (c)(iv)        | 16,621                        | 21,456                              | 9,258                    | 47,335                  |
| Acquisition of non-current assets                          |                | 286                           | 221                                 | 36                       | 543                     |
| Total Segment Revenue                                      | (c)(i)         | 79,333                        | 46,768                              | 25,598                   | 151,699                 |

**NOTE 2. SEGMENT REPORT (continued)**

**(c) Reconciliations**

*(i) Segment Revenues*

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

|                       | Notes    | 2021<br>\$'000 | 2020<br>\$'000 |
|-----------------------|----------|----------------|----------------|
| Total segment revenue |          | 266,615        | 151,699        |
| Interest revenue      |          | 14             | 23             |
| <b>Total revenue</b>  | <b>3</b> | <b>266,629</b> | <b>151,722</b> |

*(ii) Segment EBIT*

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

|                                         | Notes | 2021<br>\$'000 | 2020<br>\$'000 |
|-----------------------------------------|-------|----------------|----------------|
| Total segment EBIT                      |       | 55,493         | 14,000         |
| Unallocated expenses                    |       | (8,796)        | (6,693)        |
| <b>EBIT</b>                             |       | <b>46,697</b>  | <b>7,307</b>   |
| Interest revenue                        | 3     | 14             | 23             |
| Finance costs                           | 4     | (320)          | (897)          |
| <b>Net interest revenue / (expense)</b> |       | <b>(306)</b>   | <b>(874)</b>   |
| <b>Profit before tax</b>                |       | <b>46,391</b>  | <b>6,433</b>   |

*(iii) Segment Assets*

Reportable segment assets are reconciled to total assets as follows:

|                                    | Notes | 2021<br>\$'000 | 2020<br>\$'000 |
|------------------------------------|-------|----------------|----------------|
| Total segment assets               |       | 144,054        | 87,810         |
| Elimination of inter-segment loans |       | (9,689)        | (10,673)       |
| Unallocated intangible assets      | 18    | -              | 217            |
| Current and deferred tax assets    | 7     | 3,599          | 4,089          |
| <b>Total assets</b>                |       | <b>137,964</b> | <b>81,443</b>  |

*(iv) Segment Liabilities*

Reportable segment liabilities are reconciled to total liabilities as follows:

|                                      | Notes | 2021<br>\$'000 | 2020<br>\$'000 |
|--------------------------------------|-------|----------------|----------------|
| Total segment liabilities            |       | 71,325         | 47,335         |
| Elimination of inter-segment loans   |       | (9,689)        | (10,673)       |
| Current and deferred tax liabilities | 8     | 6,160          | -              |
| <b>Total liabilities</b>             |       | <b>67,796</b>  | <b>36,662</b>  |

**NOTE 2. 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. No single customer makes up more than 10% of total sales. 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.

|                               | <b>External Segment Revenues</b> |                | <b>External Non-Current Assets</b> |               |
|-------------------------------|----------------------------------|----------------|------------------------------------|---------------|
|                               | <b>2021</b>                      | <b>2020</b>    | <b>2021</b>                        | <b>2020</b>   |
|                               | <b>\$000</b>                     | <b>\$000</b>   | <b>\$000</b>                       | <b>\$000</b>  |
| Australia                     | 116,073                          | 74,438         | 1,379                              | 2,370         |
| United States                 | 95,248                           | 43,348         | 12,051                             | 7,953         |
| Other foreign countries       | 55,294                           | 33,913         | 830                                | 1,065         |
| Unallocated deferred taxes    | -                                | -              | 3,599                              | 3,932         |
| Unallocated intangible assets | -                                | -              | -                                  | 217           |
| <b>Total</b>                  | <b>266,615</b>                   | <b>151,699</b> | <b>17,859</b>                      | <b>15,537</b> |

**NOTE 3. REVENUE FROM CONTRACTS WITH CUSTOMERS**

|                                  | <b>Notes</b> | <b>2021</b>    | <b>2020</b>    |
|----------------------------------|--------------|----------------|----------------|
|                                  |              | <b>\$'000</b>  | <b>\$'000</b>  |
| Sale of goods at a point in time |              | 266,529        | 151,586        |
| Royalty income                   |              | 86             | 113            |
| Interest revenue                 |              | 14             | 23             |
|                                  |              | <b>266,629</b> | <b>151,722</b> |

**NOTE 4. EXPENSES**

Profit before income tax, includes the following specific expenses:

**Cost of sales**

|                                                               |    |                |               |
|---------------------------------------------------------------|----|----------------|---------------|
| Inventories purchased                                         |    | 153,946        | 70,840        |
| Changes in inventories of finished goods and work in progress | 13 | (27,008)       | 10,539        |
| <b>Cost of sales</b>                                          |    | <b>126,938</b> | <b>81,379</b> |

**Finance costs**

|                                          |    |            |            |
|------------------------------------------|----|------------|------------|
| Interest & finance charges paid to banks |    | 16         | 248        |
| Finance costs associated with leases     | 16 | 304        | 649        |
| <b>Total finance costs</b>               |    | <b>320</b> | <b>897</b> |
| Interest Revenue                         |    | (14)       | (23)       |
| <b>Net finance costs</b>                 |    | <b>306</b> | <b>874</b> |

**Amortisation and Depreciation**

|                                            |    |              |              |
|--------------------------------------------|----|--------------|--------------|
| Depreciation of fixed assets               | 15 | 783          | 697          |
| Depreciation of Right-of-use assets        | 16 | 2,292        | 2,999        |
| <b>Total depreciation</b>                  |    | <b>3,075</b> | <b>3,696</b> |
| Amortisation of trademarks                 | 18 | 217          | 433          |
| <b>Total Amortisation and Depreciation</b> |    | <b>3,292</b> | <b>4,129</b> |

**Other variable costs**

|                                   |  |               |               |
|-----------------------------------|--|---------------|---------------|
| Commissions                       |  | 11,222        | 6,437         |
| Outbound transport costs          |  | 9,419         | 3,967         |
| Other variable costs              |  | 4,622         | 3,211         |
| <b>Total Other variable costs</b> |  | <b>25,263</b> | <b>13,615</b> |

**NOTE 5. PROFIT ON SALE OF DWINDLE TRADEMARKS**

In the prior financial year, the consolidated entity sold its suite of US based Dwindle brands to Highline Industries Corporation. This divestment was part of the consolidated entity's ongoing strategic overhaul to reduce the number of smaller brands and move towards having fewer brands in each product category. Following this change the company has a much better balance of apparel, footwear and skateboard hardgoods brands proportionate to the revenue of each product category. The consolidated entity remains fully committed to the skateboard market and the boardsports distribution channel through its remaining brands, including Globe and the retained distribution rights for Dwindle in Australia and New Zealand. Meanwhile the Dwindle brands and personnel have found a suitable home at the hardgoods-focused Highline Industries. The transaction included the sale of the brands, working capital, domain names, social media accounts and the personnel attached to the Dwindle business. The transaction included deferred consideration which was paid in full in November 2020. A portion of this deferred consideration was provided against as at 30 June 2020. The details of the sale of the business, as recognised in the current and previous financial periods, are included below:

|                                              | 2021<br>\$'000 | 2020<br>\$'000 |
|----------------------------------------------|----------------|----------------|
| Consideration received in cash               | -              | 6,449          |
| Deferred consideration (paid November 2020)  | -              | 662            |
| Total consideration                          | -              | 7,111          |
| Less: carrying value of net assets sold      | -              | (1,405)        |
| Less: transaction costs                      | 29             | (1,631)        |
| Preliminary profit on sale                   | 29             | 4,075          |
| Less: Provision against deferred settlement  | 486            | (443)          |
| <b>Recognised profit on sale, before tax</b> | <b>515</b>     | <b>3,632</b>   |

**NOTE 6. INCOME TAX EXPENSE**

|                                                                  | Notes | 2021<br>\$'000 | 2020<br>\$'000 |
|------------------------------------------------------------------|-------|----------------|----------------|
| <b>(a) Income tax expense recognised in the income statement</b> |       |                |                |
| Under / (over) taxation estimates                                |       | 406            | 20             |
| Current income tax expense                                       | (i)   | 13,976         | 2,035          |
| Deferred income tax expense                                      | (ii)  | (726)          | 41             |
| Movement in provision against deferred taxes                     | (iii) | (536)          | (1,764)        |
| <b>Total income tax expense / (benefit)</b>                      |       | <b>13,120</b>  | <b>332</b>     |

- (i) Current income tax expense represents the amount charged to income tax expense in relation to current year tax payable, before the application of any available carried forward tax losses.
- (ii) Deferred income tax expense represents the movement in deferred tax assets relating to gross temporary differences.
- (iii) The movement in the provision against deferred taxes is the net impact on income tax expense from the net movement in the provision against deferred tax assets relating to both tax losses and temporary differences.

**NOTE 6. INCOME TAX EXPENSE (continued)**

|                                                                            | <b>2021</b>   | <b>2020</b>   |
|----------------------------------------------------------------------------|---------------|---------------|
|                                                                            | <b>\$'000</b> | <b>\$'000</b> |
| <b>(b) Numerical reconciliation between tax expense and pre-tax profit</b> |               |               |
| Profit from continuing operations before income tax                        | 46,391        | 6,433         |
| Income tax expense / (benefit) calculated at 30%                           | 13,917        | 1,930         |
| <b>Increase / (decrease) in tax due to:</b>                                |               |               |
| Under/ (over) provision adjustment                                         | 406           | (5)           |
| Non-allowable amounts                                                      | 223           | 164           |
| Non-assessable amounts                                                     | (285)         | -             |
| Change in tax rates                                                        | -             | 24            |
| Differences in tax on overseas income                                      | (417)         | (17)          |
| Movement in provision against deferred tax assets                          | (724)         | (1,764)       |
| <b>Income tax expense / (benefit)</b>                                      | <b>13,120</b> | <b>332</b>    |
| <b>(c) Deferred tax recognised directly in other comprehensive income</b>  |               |               |
| Cash flow hedge reserve                                                    | 257           | (122)         |
| Foreign currency translation reserve                                       | (278)         | 70            |
| <b>Deferred tax expense / (benefit)</b>                                    | <b>(21)</b>   | <b>(52)</b>   |
| <b>(d) Franking Account</b>                                                |               |               |
| Franking account balance at 30% tax rate                                   | 1,008         | -             |

**NOTE 7. TAX ASSETS**

|                                                           |              | <b>2021</b>   | <b>2020</b>   |
|-----------------------------------------------------------|--------------|---------------|---------------|
|                                                           | <b>Notes</b> | <b>\$'000</b> | <b>\$'000</b> |
| Current tax assets                                        | (a)          | -             | 157           |
| Deferred tax assets attributable to temporary differences | (b)          | 3,345         | 2,598         |
| Deferred tax assets attributable to tax losses            | (c)          | 254           | 1,334         |
| Total deferred tax assets                                 |              | 3,599         | 3,932         |
| <b>Total tax assets</b>                                   |              | <b>3,599</b>  | <b>4,089</b>  |

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

**NOTE 7. TAX ASSETS (continued)**

(b) Deferred tax assets attributable to temporary differences

|                                                                             |     | 2021<br>\$'000 | 2020<br>\$'000 |
|-----------------------------------------------------------------------------|-----|----------------|----------------|
| The total value of temporary differences, net of provisions, is as follows: |     |                |                |
| Total gross temporary differences                                           | (i) | 3,883          | 3,389          |
| Less: Deferred tax liability off-set (foreign currency translation reserve) |     | (538)          | (791)          |
| <b>Deferred tax assets attributable to temporary differences</b>            |     | <b>3,345</b>   | <b>2,598</b>   |
| (i) The gross balance comprises of temporary differences attributable to:   |     |                |                |
| <i>Amounts recognised in profit and loss:</i>                               |     |                |                |
| Trade and other receivables                                                 |     | 447            | 628            |
| Inventories                                                                 |     | 354            | 466            |
| Property, plant and equipment                                               |     | 617            | 670            |
| Leases                                                                      |     | 94             | 322            |
| Provisions                                                                  |     | 700            | 571            |
| Accruals                                                                    |     | 1,457          | 548            |
| Other                                                                       |     | 402            | 144            |
|                                                                             |     | 4,071          | 3,349          |
| <i>Amounts recognised directly in equity:</i>                               |     |                |                |
| Cash flow hedge reserve                                                     |     | (188)          | 40             |
| <b>Deferred tax assets attributable to temporary differences</b>            |     | <b>3,883</b>   | <b>3,389</b>   |

(c) Deferred tax assets attributable to tax losses

The amount recognised includes only those tax losses for which utilisation in the foreseeable future is considered probable. Included below is a full summary of total available tax losses net of the provisions held against these losses:

|                                                               |      |            |              |
|---------------------------------------------------------------|------|------------|--------------|
| Revenue losses                                                |      | 254        | 2,125        |
| Less: provisions against revenue losses                       | (ii) | -          | (791)        |
| <b>Net deferred tax assets attributable to revenue losses</b> |      | <b>254</b> | <b>1,334</b> |
| Capital losses                                                |      | 3,254      | 3,771        |
| Less: provision against capital losses                        | (ii) | (3,254)    | (3,771)      |
| <b>Net deferred tax assets attributable to capital losses</b> |      | <b>-</b>   | <b>-</b>     |
| <b>Net deferred tax assets attributable to losses</b>         |      | <b>254</b> | <b>1,334</b> |

- (ii) The consolidated entity recognises a provision against deferred tax assets to the extent that it is not considered probable that these deductible temporary differences or losses can be utilised in the foreseeable future. The provision is a management estimate that requires some judgement, the basis of which is outlined in Note 37 (ae). The provision will remain 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. The majority of these tax losses do not expire under current tax legislation. Where they do, this is taken into account in the estimate of the provision.

**NOTE 8. TAX LIABILITIES**

|                       | 2021<br>\$'000 | 2020<br>\$'000 |
|-----------------------|----------------|----------------|
| Current tax liability | 6,160          | -              |

**NOTE 9. NOTES TO THE STATEMENT OF CASH FLOWS**

|                                                                                                                        | Notes | 2021<br>\$'000 | 2020<br>\$'000 |
|------------------------------------------------------------------------------------------------------------------------|-------|----------------|----------------|
| <b>Reconciliation of net cash provided by operating activities to profit from ordinary activities after income tax</b> |       |                |                |
| Operating profit after taxation                                                                                        |       | 33,271         | 6,101          |
| Depreciation and amortisation                                                                                          | 4     | 3,292          | 4,129          |
| Profit on sale of Dwindle trademark                                                                                    |       | (515)          | (3,632)        |
| Net exchange (gains)/ losses on net assets                                                                             |       | 625            | 462            |
| Changes in operating asset and liabilities as reported:                                                                |       |                |                |
| (Increase)/Decrease in trade receivables                                                                               |       | (15,382)       | 7,026          |
| (Increase)/Decrease in other receivables and prepayments                                                               |       | (632)          | 277            |
| (Increase)/Decrease in inventories                                                                                     |       | (27,515)       | 10,519         |
| Increase/(Decrease) in other payables/provisions/accruals                                                              |       | 22,698         | (2,077)        |
| Increase/(Decrease) in net taxes payable                                                                               |       | 6,650          | 411            |
| <b>Net cash provided by/(used in) operating activities</b>                                                             |       | <b>22,492</b>  | <b>23,216</b>  |

**NOTE 10. CASH AND CASH EQUIVALENTS**

|                           | Note | 2021<br>\$'000 | 2020<br>\$'000 |
|---------------------------|------|----------------|----------------|
| Cash at bank              |      | 35,615         | 25,873         |
| Cash on hand              |      | 462            | 124            |
| Cash and cash equivalents | (a)  | 36,077         | 25,997         |

*(a) Credit risk and interest rate risk*

The consolidated entity's management of credit risk and interest rate risk, and exposure to these risks, at the reporting date is outlined in Note 1 *Financial Risk Management*.

**NOTE 11. DERIVATIVE FINANCIAL INSTRUMENTS**

|                                                                  | Note | 2021<br>\$'000 | 2020<br>\$'000 |
|------------------------------------------------------------------|------|----------------|----------------|
| Forward exchange contracts – cash flow hedge asset / (liability) | (a)  | 748            | (118)          |

*(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 1 *Financial Risk Management*. These contracts are hedging highly probable forecasted purchases, and are timed to mature when payments for the 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 1 *Financial Risk Management*.

**NOTE 12. TRADE AND OTHER RECEIVABLES**

|                            | Notes | 2021<br>\$'000 | 2020<br>\$'000 |
|----------------------------|-------|----------------|----------------|
| <b>Current</b>             |       |                |                |
| Trade receivables          |       | 28,292         | 17,772         |
| Less: Loss Allowance       | (a)   | (1,964)        | (2,888)        |
|                            | (b)   | 26,328         | 14,884         |
| Other receivables          | (c)   | 4,728          | 1,498          |
| Restricted cash on deposit |       | 1,478          | 770            |
|                            | (d)   | 32,534         | 17,152         |

(a) *Loss allowance*

During the financial year, the income statement includes credit losses on accounts receivables of \$0.01 million (2020: \$2.0 million). The movement in the balance of the loss allowance provision is included in Note 1(a).

(b) *Fair Value*

The consolidated entity's financial assets are carried in the balance sheet at amounts that approximate fair value. Fair value is determined having taken into account the timing of expected cash flows and any loss allowance. The loss allowance is a management estimate which requires some judgement, the basis for which is further outlined in Note 37 (ae).

(c) *Other receivables*

This amount includes \$4.7 million (2020: \$1.1 million) relating to amounts recoverable under trade receivables factoring arrangements – refer to Note 1 *Financial Risk Management* for further information. Other amounts generally arise from transactions outside the usual operating activities of the consolidated entity. Collateral is not normally obtained.

(d) *Credit risk and interest rate risk*

The consolidated entity's management of credit risk and interest rate risk, and exposure to these risks, at the reporting date is outlined in Note 1 *Financial Risk Management*.

**NOTE 13. INVENTORIES**

|                                     | Notes | 2021<br>\$'000 | 2020<br>\$'000 |
|-------------------------------------|-------|----------------|----------------|
| Raw materials                       |       | 491            | 82             |
| Finished goods                      |       | 48,277         | 21,678         |
| Total inventories at cost           |       | 48,768         | 21,760         |
| Provision for inventory write-downs | (a)   | (703)          | (1,210)        |
|                                     |       | 48,065         | 20,550         |

(a) *Provision for inventory write-downs*

The provision for inventory write-downs reduces the carrying value of inventory to net realisable value, where this is considered to be lower than cost. The provision is a management estimate which requires some judgement, the basis for which is further outlined in Note 37 (ae). The movement in the provision is reconciled below.

|                                                                            | 2021<br>\$'000 | 2020<br>\$'000 |
|----------------------------------------------------------------------------|----------------|----------------|
| Balance at 1 July                                                          | 1,210          | 1,230          |
| Amounts recognised in the income statement – expense / (income)            | (296)          | 345            |
| Inventories written-down to net realisable value                           | (169)          | (381)          |
| Effects of foreign currency on translation of overseas entities allowances | (42)           | 16             |
| Balance at 30 June                                                         | 703            | 1,210          |

**NOTE 14. PREPAYMENTS**

|                   | 2021<br>\$'000 | 2020<br>\$'000 |
|-------------------|----------------|----------------|
| Trade deposits    | 1,322          | 1,271          |
| Other prepayments | 1,359          | 779            |
|                   | 2,681          | 2,050          |

**NOTE 15. 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, are as follows:

|                                                                                     | Leasehold<br>Imp'ments<br>\$'000 | Motor<br>Vehicles<br>\$'000 | Plant &<br>Equipm't<br>\$'000 | Office Equipm't,<br>Furniture & Fittings<br>\$'000 | Total<br>Consolidated<br>Entity<br>\$'000 |
|-------------------------------------------------------------------------------------|----------------------------------|-----------------------------|-------------------------------|----------------------------------------------------|-------------------------------------------|
| <b>Carrying value at 1 July 2019</b>                                                | <b>762</b>                       | <b>12</b>                   | <b>108</b>                    | <b>659</b>                                         | <b>1,541</b>                              |
| Additions                                                                           | 293                              | -                           | 71                            | 179                                                | 543                                       |
| Depreciation                                                                        | (358)                            | (11)                        | (45)                          | (283)                                              | (697)                                     |
| Write offs / assets sold                                                            | (53)                             | -                           | (10)                          | (50)                                               | (113)                                     |
| Foreign currency translation gain / (loss) on fixed assets of overseas subsidiaries | 18                               | 1                           | 3                             | 6                                                  | 28                                        |
| <b>Carrying value at 30 June 2020</b>                                               | <b>662</b>                       | <b>2</b>                    | <b>127</b>                    | <b>511</b>                                         | <b>1,302</b>                              |
| <i>Cost as at 30 June 2020</i>                                                      | 4,902                            | 144                         | 482                           | 1,932                                              | 7,460                                     |
| <i>Accumulated depreciation at 30 June 2020</i>                                     | (4,240)                          | (142)                       | (355)                         | (1,421)                                            | (6,158)                                   |
| <b>Carrying value at 30 June 2020 / 1 July 2020</b>                                 | <b>662</b>                       | <b>2</b>                    | <b>127</b>                    | <b>511</b>                                         | <b>1,302</b>                              |
| Additions                                                                           | 199                              | 105                         | 149                           | 217                                                | 670                                       |
| Depreciation                                                                        | (437)                            | (7)                         | (70)                          | (269)                                              | (783)                                     |
| Write offs / assets sold                                                            | -                                | -                           | -                             | -                                                  | -                                         |
| Foreign currency translation gain / (loss) on fixed assets of overseas subsidiaries | (40)                             | -                           | (10)                          | (20)                                               | (70)                                      |
| <b>Carrying value at 30 June 2021</b>                                               | <b>384</b>                       | <b>100</b>                  | <b>196</b>                    | <b>439</b>                                         | <b>1,119</b>                              |
| <i>Cost as at 30 June 2021</i>                                                      | 4,756                            | 207                         | 527                           | 2025                                               | 7,515                                     |
| <i>Accumulated depreciation at 30 June 2021</i>                                     | (4,372)                          | (107)                       | (331)                         | (1,586)                                            | (6,396)                                   |
| <b>Carrying value at 30 June 2021</b>                                               | <b>384</b>                       | <b>100</b>                  | <b>196</b>                    | <b>439</b>                                         | <b>1,119</b>                              |

**NOTE 16. LEASES**

*(a) Amounts recognised in the balance sheet*

|                            | <b>2021</b>   | <b>2020</b>   |
|----------------------------|---------------|---------------|
|                            | <b>\$'000</b> | <b>\$'000</b> |
| <b>Right-of-use assets</b> |               |               |
| Property                   | 11,255        | 7,994         |
| Plant and Equipment        | 33            | 57            |
| Office Equipment           | 25            | 33            |
|                            | <u>11,313</u> | <u>8,084</u>  |
| <b>Lease Liability</b>     |               |               |
| Current                    | 1,778         | 2,452         |
| Non-current                | 9,805         | 6,736         |
|                            | <u>11,583</u> | <u>9,188</u>  |

*(b) Amounts recognised in the income statement*

|                                                                                                                                                                  |              |              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| <b>Right-of-use asset Depreciation</b>                                                                                                                           |              |              |
| Property                                                                                                                                                         | 2,230        | 2,902        |
| Plant and Equipment                                                                                                                                              | 42           | 16           |
| Office Equipment                                                                                                                                                 | 20           | 81           |
|                                                                                                                                                                  | <u>2,292</u> | <u>2,999</u> |
| Interest expense on lease liabilities                                                                                                                            | 304          | 649          |
| Expense/(income) relating to short term leases, low-value assets, variable lease payments and lease exit costs, net of sub-lease income from right-of-use assets | 728          | (71)         |
| Net impairment expense relating to early lease exits                                                                                                             | 421          | -            |

*(c) Other lease disclosures*

|                                                                                                      |         |       |
|------------------------------------------------------------------------------------------------------|---------|-------|
| Additions to right-of-use assets                                                                     | 9,101   | 505   |
| Remeasurement of right-of-use assets                                                                 | (2,535) | (317) |
| Total cash outflows in relation to lease liabilities                                                 | 3,758   | 3,277 |
| Short-term or low value operating lease commitments that do not meet the criteria for capitalisation | 24      | 96    |

**NOTE 17. OTHER ASSETS**

|                                   | <b>2021</b>   | <b>2020</b>   |
|-----------------------------------|---------------|---------------|
|                                   | <b>\$'000</b> | <b>\$'000</b> |
| Investment in production facility | <u>1,828</u>  | <u>2,002</u>  |

The consolidated entity holds a non-controlling interest in a production facility in China. This interest is non-controlling as the consolidated entity does not have power over the investee, is not exposed to variable returns and there is no joint arrangement between the shareholders. While the consolidated entity does have significant influence, it is not entitled to any share of profit or other changes in the net assets of the investee. The investment is therefore carried at cost. The carrying value is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. There were no such events in the current financial year.

**NOTE 18. INTANGIBLE ASSETS**

|                                                     | Goodwill<br>\$'000 | Trademarks<br>\$'000 | Other<br>intangible<br>assets<br>\$'000 | Total<br>\$'000 |
|-----------------------------------------------------|--------------------|----------------------|-----------------------------------------|-----------------|
| <b>At 1 July 2019</b>                               |                    |                      |                                         |                 |
| Cost                                                | 65,345             | 36,847               | 437                                     | 102,629         |
| Accumulated amortisation and impairment             | (65,345)           | (36,197)             | (437)                                   | (101,979)       |
| <b>Carrying value at 1 July 2019</b>                | -                  | 650                  | -                                       | 650             |
| <br><i>Year ended 30 June 2020</i>                  |                    |                      |                                         |                 |
| Amortisation charge                                 | -                  | (433)                | -                                       | (433)           |
| <b>Carrying value at 30 June 2020</b>               | -                  | 217                  | -                                       | 217             |
| <br><b>At 30 June 2020</b>                          |                    |                      |                                         |                 |
| Cost                                                | 65,345             | 36,847               | 437                                     | 102,629         |
| Accumulated amortisation and impairment             | (65,345)           | (36,630)             | (437)                                   | (102,412)       |
| <b>Carrying value at 30 June 2020 / 1 July 2020</b> | -                  | 217                  | -                                       | 217             |
| <br><i>Year ended 30 June 2021</i>                  |                    |                      |                                         |                 |
| Amortisation charge                                 | -                  | (217)                | -                                       | (217)           |
| <b>Carrying value at 30 June 2021</b>               | -                  | -                    | -                                       | -               |
| <br><b>At 30 June 2021</b>                          |                    |                      |                                         |                 |
| Cost                                                | 65,345             | 36,847               | 437                                     | 102,629         |
| Accumulated amortisation and impairment             | (65,345)           | (36,847)             | (437)                                   | (102,629)       |
| <b>Carrying value at 30 June 2021</b>               | -                  | -                    | -                                       | -               |

**(a) Impairment tests for intangible assets**

**Goodwill**

Goodwill was allocated to the consolidated entity's cash-generating units (CGUs) which were determined based on specific businesses / acquisitions. The consolidated entity has carried a provision for impairment against the full cost value of goodwill since before the beginning of the current financial year. In accordance with the accounting policy in Note 37 (j), this provision will never be reversed.

**Trademarks**

The consolidated entity has recognised the cost of various brands over the years as intangible assets. The recoverable amount of these brands is determined based on fair value less costs to sell (FVLCTS), in accordance with AASB 136. In applying the FVLCTS approach, the recoverable amount of the brand is assessed using the "relief from royalty" market based valuation technique.

The carrying value of the consolidated entity's brands has been written down to zero through a combination of amortisation and impairment expense. In accordance with the accounting policy in Note 37 (j), trademarks that have suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date.

The only brand with a carrying value at the start of the financial year was the Salty Crew trademark, of which the consolidated entity owns 50%. The trademark was considered to have a finite life of 4 years. During the financial year, this trademark become fully amortised, therefore its carrying value is now nil.

**Other intangible assets**

Other intangible assets include key-moneys paid to secure retail tenancies in France. The payment is made to the exiting tenant, rather than the landlord, and there is evidence to suggest that there is an active, generally appreciating, market for payment to secure retail tenancies. The asset is measured at cost, less impairments and amortisation over the life of the lease.

**NOTE 19. TRADE AND OTHER PAYABLES**

|                              | 2021<br>\$'000 | 2020<br>\$'000 |
|------------------------------|----------------|----------------|
| <b>Current payables</b>      |                |                |
| Trade creditors              | 25,408         | 10,954         |
| Other creditors and accruals | 22,010         | 12,775         |
|                              | 47,418         | 23,729         |

**NOTE 20. PROVISIONS**

|                       | Notes | 2021<br>\$'000 | 2020<br>\$'000 |
|-----------------------|-------|----------------|----------------|
| <b>Current</b>        |       |                |                |
| Employee entitlements | (a)   | 2,536          | 2,114          |
| <b>Non-Current</b>    |       |                |                |
| Employee entitlements | (a)   | 99             | 57             |

(a) Employee entitlements include:

*Annual leave and long service leave provisions*

The provision for employee entitlements comprises amounts for annual leave and long service leave. Amounts are recognised as a current provision where the consolidated entity does not have the unconditional right to defer settlement. The consolidated entity expects annual leave amounts to be largely paid out within 12 months. The following assumptions were used in measuring the leave provisions for the year ended 30 June 2021:

|                                         |          |                  |
|-----------------------------------------|----------|------------------|
| Expected increase in salaries and wages | 2% - 4%  | (2020: 2% - 4%)  |
| Expected salaries and wages on-costs    | 8% - 18% | (2020: 8% - 18%) |

In the current financial year, the consolidated entity has reassessed the classification of long service leave balances as current or non-current. As a result, more of the balance is recognised as current. The prior year comparative has been adjusted to reflect a consistent classification, resulting in an increase in current liabilities of \$0.7m, and a corresponding decrease in non-current liabilities.

*Superannuation*

The consolidated entity contributes to various industry superannuation fund plans in Australia. 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 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 19).

|                                                   | Notes | 2021<br>\$'000 | 2020<br>\$'000 |
|---------------------------------------------------|-------|----------------|----------------|
| <b>NOTE 21. OTHER LIABILITIES</b>                 |       |                |                |
| <b>Non-Current</b>                                |       |                |                |
| US Government Paycheck Protection Program ("PPP") | (a)   | -              | 1,456          |

- (a) In the previous financial year, the consolidated entity applied for and was successful in securing funds as part of the US Government's COVID-19 stimulus package – the Paycheck Protection Program (PPP). Under this program, funds were advanced as a loan which, if certain conditions are met, was to be forgiven in part or in full. The consolidated entity received full forgiveness of the monies received in the current financial year, meaning no amounts are required to be repaid. The funds received are recognised as an off-set against employee benefits expense in the current financial year.

**NOTE 22. CONTINGENT LIABILITIES AND ASSETS**

There were no contingent liabilities or assets existing as at reporting date.

**NOTE 23. COMMITMENTS**

|                                                                                                                                    | Notes | 2021<br>\$'000 | 2020<br>\$'000 |
|------------------------------------------------------------------------------------------------------------------------------------|-------|----------------|----------------|
| <b>(a) Capital commitments:</b>                                                                                                    |       |                |                |
| Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows: |       |                |                |
| Property                                                                                                                           | (a)   | 10,500         | -              |
| Plant and Equipment                                                                                                                | (b)   | 874            | -              |
|                                                                                                                                    |       | <u>11,374</u>  | <u>-</u>       |

- (a) Relates to the acquisition of a property in Australia that will provide additional warehouse space to supplement the needs of the Australian operation. Settlement is subject to certain conditions by the vendor. If the condition are met, settlement will occur within the next 12 months. The balance owing will be financed through a combination of available cash reserves and borrowings.
- (b) Relates to the fit-out of a new leased head-office and warehouse in North America, which will replace the existing head-office and warehouse. The balance owing will be settled in the next 12 months, financed through available cash reserves.

**NOTE 24. POST BALANCE DATE EVENTS**

There were no reportable post balance date events.

**NOTE 25. CONTRIBUTED EQUITY**

|                                                          | Notes | 2021<br>\$'000 | 2020<br>\$'000 |
|----------------------------------------------------------|-------|----------------|----------------|
| Paid-up Capital:                                         |       |                |                |
| 41,463,818 (2020: 41,463,818) fully paid ordinary shares | (a)   | <u>144,223</u> | <u>144,223</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 risk management**

The consolidated entity's primary objectives when managing capital is to maximise returns to shareholders, while maintaining a low-risk balance sheet. In order to maximise the return to shareholders over the long term, the consolidated entity aims to find the right balance between reinvesting in its brands and operations to drive longer term sales and profitability growth, and providing short term returns to shareholders in the form of dividends. To achieve this balance, the Board calculates dividends payable based on a certain percentage of net profits earned in each financial year. The consolidated entity maintains a low risk balance sheet by keeping a low gearing ratio. Where borrowings are used, they are linked to specific tangible assets, such as receivables, inventory or property, plant and equipment.

The consolidated entity would consider adjusting its capital base to raise capital, or return capital to shareholders, should there be a major transaction that required an adjustment to the capital base of the business. Otherwise, the consolidated entity does not have any policy or plans in place to adjust the Company's capital base.

**NOTE 26. EARNINGS PER SHARE**

|                                                                                                 | Notes | 2021<br>\$'000 | 2020<br>\$'000 |
|-------------------------------------------------------------------------------------------------|-------|----------------|----------------|
| <b>Basic EPS</b>                                                                                |       |                |                |
| Earnings used in calculation of basic earnings per share (\$'000)                               |       | 33,271         | 6,101          |
| The weighted average number of shares on issue during the year used in calculation of basic EPS | 25    | 41,463,818     | 41,463,818     |
| Basic earnings per share (cents per share)                                                      |       | 80.24          | 14.7           |
| <b>Diluted EPS</b>                                                                              |       |                |                |
| Earnings used in calculation of diluted earnings per share (\$'000)                             |       | 33,271         | 6,101          |
| Weighted average number of shares on issue during the year used in calculation of diluted EPS   | 25    | 41,463,818     | 41,463,818     |
| Diluted earnings per share (cents per share)                                                    |       | 80.24          | 14.7           |

**NOTE 27. TREASURY SHARES**

|                                                  | Notes | 2021<br>\$'000 | 2020<br>\$'000 |
|--------------------------------------------------|-------|----------------|----------------|
| Treasury shares held by the Employee Share Trust | (a)   | (487)          | (487)          |

- (a) Treasury shares are shares in Globe International Limited that are held by the Employee Share Trust for the purpose of issuing shares to employees under the consolidated entity's remuneration policies, as outlined in the Remuneration Report, on pages 5 to 12 of the Directors' Report. The total number of shares held as at the end of the financial year was 516,641 (2020: 510,000).

**NOTE 28. RESERVES**

|                                      | Notes | 2021<br>\$'000 | 2020<br>\$'000 |
|--------------------------------------|-------|----------------|----------------|
| Foreign currency translation reserve | (a)   | (6,954)        | (5,924)        |
| Hedging reserve – cash flow hedge    | (b)   | 526            | (83)           |
| Share based payments reserve         | (c)   | 323            | 323            |
|                                      |       | <u>(6,105)</u> | <u>(5,684)</u> |

|                                                                      |  |                |                |
|----------------------------------------------------------------------|--|----------------|----------------|
| (a) <i>Foreign currency translation reserve</i>                      |  |                |                |
| Balance at 1 July                                                    |  | (5,924)        | (6,039)        |
| Currency translation differences arising during the year, net of tax |  | <u>(1,030)</u> | <u>115</u>     |
| Balance at 30 June                                                   |  | <u>(6,954)</u> | <u>(5,924)</u> |

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 37 (d). The reserve is recognised in profit and loss if and when the net investment is disposed of.

|                                               | 2021<br>\$'000 | 2020<br>\$'000 |
|-----------------------------------------------|----------------|----------------|
| (b) <i>Hedging reserve – cash flow hedges</i> |                |                |
| Balance at 1 July                             | (83)           | 202            |
| Revaluation of outstanding hedges             | 748            | (118)          |
| Transfer to inventory (settled hedges)        | 118            | (289)          |
| Net deferred tax impact                       | <u>(257)</u>   | <u>122</u>     |
| Balance at 30 June                            | <u>526</u>     | <u>(83)</u>    |

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 37 (r). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

- (c) The share based payments reserve was used to recognise the fair value of performance rights issued but not vested in accordance with the Long Term Incentive Plan, when that plan was operational. The balance in the reserve was generated when the rights issued had market-based vesting conditions. Given the vesting conditions were market-based, the value of the reserve was not subsequently remeasured, even if those rights never vested. More recent rights issued under the Long Term Incentive Plan (LTIP) had non-market based vesting conditions, and as such the amounts charged to reserves were remeasured at each reporting date. There has been no movement in the value of the reserve in the current or the prior period as there are no rights currently on issue as the LTIP is not currently being utilised.

**NOTE 29. RETAINED PROFITS / (LOSSES)**

|                                                                    | 2021<br>\$'000  | 2020<br>\$'000  |
|--------------------------------------------------------------------|-----------------|-----------------|
| Balance at 1 July                                                  | (93,271)        | (93,690)        |
| Adoption of AASB 16 Leases                                         | -               | (706)           |
| Net profit for the year attributable to the members of the Company | 33,271          | 6,101           |
| Dividends paid                                                     | <u>(7,463)</u>  | <u>(4,976)</u>  |
| Retained profits / (losses) at the reporting date                  | <u>(67,463)</u> | <u>(93,271)</u> |

**NOTE 30. DIVIDENDS**

*Final dividend paid in respect of 2020 financial year*

During the year, the Company paid an unfranked final dividend of 6 cents per share, relating to the 2020 financial year. This dividend amounting to \$2.5 million was paid to shareholders on 18 September 2020 (2019 final dividend: \$2.9 million unfranked).

*Interim dividend paid in respect of 2021 financial year*

During the year, the Company paid a fully franked interim dividend of 12 cents per share, relating to the 2021 financial year. This dividend amounting to \$5.0 million was paid to shareholders on 26 March 2021 (2020 interim dividend: \$2.1 million unfranked)

*Final dividend in respect of 2021 financial year*

Since the end of the financial year, the directors have determined that a fully franked final dividend of 20 cents per share will be payable, relating to the 2021 financial year. This dividend, amounting to \$8.3 million, will be paid to shareholders on 16 September 2021 (2020 final dividend: \$2.5 million).

In total, fully-franked dividends of 32 cents per share will be paid to shareholders in respect of the financial year ended 30 June 2021, compared to 11 cents of unfranked dividends paid in relation to the year ended 30 June 2020.

**NOTE 31. KEY MANAGEMENT PERSONNEL DISCLOSURES**

**Directors**

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

*Non-executive directors*  
William Crothers (Chairman)

*Executive directors*  
Stephen Hill  
Peter Hill

**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:

| <b>Name</b>      | <b>Position</b>                                       | <b>Employer</b>             |
|------------------|-------------------------------------------------------|-----------------------------|
| Matthew Hill     | Chief Executive Officer                               | Osata Enterprises Inc.      |
| Jessica Moelands | Chief Financial Officer                               | Globe International Limited |
| Gary Valentine   | Chief Operating Officer and President - North America | Osata Enterprises Inc.      |
| Matthew Wong     | President - Globe Product                             | Globe International Limited |
| Jon Moses        | President - Australasia                               | Globe International Limited |

**Key management personnel compensation**

|                              |     | <b>2021</b>      | <b>2020</b>      |
|------------------------------|-----|------------------|------------------|
|                              |     | <b>\$</b>        | <b>\$</b>        |
| Short-term employee benefits | (a) | 7,320,744        | 4,047,289        |
| Post-employment benefits     |     | 107,201          | 102,029          |
|                              |     | <u>7,427,945</u> | <u>4,149,318</u> |

- (a) Short-term employee benefits are comprised predominantly of base salary and short-term incentives, as outlined in the Remuneration Report, on pages 5 to 12 of the Directors' Report. KMP's have the choice to elect to receive a portion of their short-term incentives in shares in lieu of cash, up to a maximum number of shares in any given financial year. Short term incentives have historically been settled in cash and have been accounted for as such and taken as an expense to profit or loss for the 2021 financial year, measured at the total entitlement of \$3.2 million (2020: \$0.2 million).

**NOTE 32. AUDITORS' REMUNERATION**

|                                                   | <b>2021</b>           | <b>2020</b>           |
|---------------------------------------------------|-----------------------|-----------------------|
|                                                   | <b>\$</b>             | <b>\$</b>             |
| <b>(a) Audit services</b>                         |                       |                       |
| <i>PricewaterhouseCoopers Australia:</i>          |                       |                       |
| Audit and review of financial reports             | 252,486               | 263,132               |
| <i>Overseas PricewaterhouseCoopers firms:</i>     |                       |                       |
| Audit and review of financial reports             | 46,206                | 47,721                |
|                                                   | <u>298,692</u>        | <u>310,853</u>        |
| <b>(b) Non-audit services</b>                     |                       |                       |
| <i>PricewaterhouseCoopers Australia:</i>          |                       |                       |
| Taxation services                                 | 38,093                | 32,050                |
| Other advisory services                           | -                     | 30,000                |
|                                                   | <u>38,093</u>         | <u>62,050</u>         |
| <b>(c) Non-PricewaterhouseCoopers audit firms</b> |                       |                       |
| Audit and review of financial reports             | 7,193                 | 8,015                 |
|                                                   | <u>7,193</u>          | <u>8,015</u>          |
| <b>Total auditors' remuneration</b>               | <u><b>343,978</b></u> | <u><b>380,918</b></u> |

**NOTE 33. RELATED PARTY DISCLOSURES**

**(a) Parent entity**

The ultimate parent entity of the consolidated entity is Globe International Limited. For financial information relating to the parent, refer to Note 35.

**(b) Subsidiaries**

Interests in subsidiaries are set out in Note 34.

**(c) Key Management Personnel**

Disclosures relating to directors and key management personnel are set out in Note 31.

**(d) Transactions with related parties**

From time to time the consolidated entity may engage in transactions with directors, key management personnel and their related entities where the transaction presents a commercial opportunity for the consolidated entity. Such transactions occur on the condition that they are based on arms-length terms and conditions. Where such transactions are on a fixed contractual basis (such as property lease contracts), approval is required from the independent non-executive Chairman of the board prior to the execution of the contract. Such approval is only granted where management is able to provide evidence that the transaction is commercially relevant and has been made on an arm's length basis. For property leases, such evidence includes independent professional advice with regards to the appropriate valuation of the leased property.

During the year, the following transactions occurred with related parties:

|                                                                          |              | 2021<br>\$ | 2020<br>\$ |
|--------------------------------------------------------------------------|--------------|------------|------------|
|                                                                          | <b>Notes</b> |            |            |
| <i>Commercial property lease</i>                                         |              |            |            |
| Payments for office and warehouse rent made to a director related entity |              | 770,522    | 671,433    |
| <i>Sale and Purchase of inventory and other assets</i>                   |              |            |            |
| Purchases of inventory from other related party                          | 17           | 20,166,279 | 9,558,949  |
| Sales of inventory to director related entities                          |              | 150,586    | 83,037     |
| Purchases of inventory from director related entities                    |              | 578,819    | 118,105    |
| Other retail related payments made to director related entities          |              | 20,000     | 100,000    |
|                                                                          |              | 20,915,684 | 9,860,091  |
| <i>Salaries and wages paid to director related parties</i>               |              |            |            |
| Payment to casual employees for services performed                       |              | 55,676     | 10,332     |

**(e) Outstanding balances arising from transactions with related parties**

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

|                                                                     |    | 2021<br>\$ | 2020<br>\$ |
|---------------------------------------------------------------------|----|------------|------------|
| Current payables (purchase of inventory) – other related party      | 17 | 4,921,278  | 1,564,091  |
| Current payables (purchase of inventory) – other related party      |    | 13,256     | -          |
| Current receivables (sale of inventory) – director related entities |    | 74,590     | 15,262     |
|                                                                     |    | 5,009,124  | 1,579,353  |

**(f) Terms and conditions**

Payments for the purchase of inventory from the other related party are due within 90 days from shipment date.

Rent is paid to the director related entity one month in advance under terms of the lease and is due and payable on the first of every month. In both the current and prior years, due to COVID-19 and in the spirit of the Federal Government's National Cabinet Code of Conduct, LHCF, in good faith, offered the consolidated entity rental reductions. The rental reductions included a combination of rent abatements of between 25% and 50% between 1 March 2020 to 30 September 2021, the deferral of rental payments and the cancellation of the fixed rental increase that was due in February 2020.

Sale of goods to the director related entities are on arms-length terms, and amounts are due 30 days from statement date. Payments for the purchase of inventory and other retail assets from directed related entities are on arms-length terms, and are generally settled within 30 days of invoice. Payments of salaries and wages to director related parties are made in line with relevant employment awards.

**NOTE 34. SUBSIDIARIES**

The financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 37 (b):

| Name                                                                             | Country       | Ownership Interest |           |
|----------------------------------------------------------------------------------|---------------|--------------------|-----------|
|                                                                                  |               | 2021<br>%          | 2020<br>% |
| <b><i>The Company</i></b>                                                        |               |                    |           |
| Globe International Limited*                                                     | Australia     |                    |           |
| <b><i>Entities under the control of Globe International Ltd</i></b>              |               |                    |           |
| Hardcore Enterprises Pty Ltd*                                                    | Australia     | 100                | 100       |
| <b><i>Entities under the control of Hardcore Enterprises Pty Ltd</i></b>         |               |                    |           |
| WINT Enterprises Pty Ltd*                                                        | Australia     | 100                | 100       |
| KIDD Consolidated Pty Ltd*                                                       | Australia     | 100                | 100       |
| Globe International Nominees Pty Ltd*                                            | Australia     | 100                | 100       |
| Globe International (NZ) Ltd                                                     | New Zealand   | 100                | 100       |
| PSC Skateboarding Pty Ltd*                                                       | Australia     | 100                | 100       |
| Osata Enterprises, Inc.                                                          | United States | 100                | 100       |
| Globe Europe SAS                                                                 | France        | 100                | 100       |
| <b><i>Entities under the control of PSC Skateboarding Pty Ltd</i></b>            |               |                    |           |
| CASE Enterprises Pty Ltd*                                                        | Australia     | 100                | 100       |
| <b><i>Entities under the control of Osata Enterprises, Inc.</i></b>              |               |                    |           |
| Diaxis LLC                                                                       | United States | 100                | 100       |
| Chomp Inc                                                                        | United States | 100                | 100       |
| Project Snack, Inc. **                                                           | United States | 100                | 100       |
| <b><i>Entities under the control of Globe International Nominees Pty Ltd</i></b> |               |                    |           |
| 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.

\*\* Name of entity changed during the previous financial year. Previously named “Dwindle, Inc”.

**NOTE 35. PARENT ENTITY FINANCIAL INFORMATION**

**(a) Summary financial information**

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

|                                              | <b>2021</b>   | <b>2020</b>   |
|----------------------------------------------|---------------|---------------|
|                                              | <b>\$'000</b> | <b>\$'000</b> |
| <b>Balance sheet</b>                         |               |               |
| Current assets                               | 54,154        | 33,644        |
| Total assets                                 | 92,723        | 75,194        |
| Current liabilities                          | 23,000        | 15,148        |
| Total liabilities                            | 23,837        | 16,345        |
| <br><i>Shareholders' equity</i>              |               |               |
| Issued capital                               | 144,223       | 144,223       |
| Treasury shares                              | (487)         | (487)         |
| Reserves                                     | 762           | 231           |
| Profit reserves                              | 33,551        | 23,595        |
| Accumulated losses                           | (108,713)     | (108,713)     |
| Total Equity                                 | 69,336        | 58,849        |
| <br><b>Statement of comprehensive income</b> |               |               |
| Net profit for the year before tax           | 24,901        | 9,272         |
| Net profit for the year after tax            | 17,419        | 6,530         |
| Total comprehensive income                   | 17,950        | 6,239         |

**(b) Guarantees entered into by the parent entity**

The parent entity has not extended any guarantees on behalf of its subsidiaries, with the exception of the cross guarantee given by Globe International Limited to its 100% owned Australian subsidiaries, as described in Note 36 *Deed of Cross Guarantee*.

**(c) Contingent liabilities and contractual commitments for the acquisition of property, plant or equipment**

The parent entity did not have any contingent liabilities or contractual commitments for the acquisition of property, plant or equipment as at 30 June 2021 or 30 June 2020.

**NOTE 36. 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. This relief continues under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 which repealed ASIC Class Order 98/1418. Under the deed each entity guarantees to support the liabilities and obligations of the others. The income statement and balance sheet for the closed consolidated entity, which is also the extended closed consolidated entity, comprising Globe International Limited and the subsidiaries is as follows:

| <b>INCOME STATEMENT</b>                                       | <b>2021</b>    | <b>2020</b>   |
|---------------------------------------------------------------|----------------|---------------|
|                                                               | <b>\$'000</b>  | <b>\$'000</b> |
| <b>Revenue from operations</b>                                | <b>127,124</b> | <b>78,308</b> |
| Changes in inventories of finished goods and work in progress | 16,652         | (6,196)       |
| Inventories purchased                                         | (75,920)       | (33,811)      |
| Variable selling expenses                                     | (8,325)        | (4,650)       |
| Other sales, distribution and administration expenses         | (19,492)       | (18,311)      |
| Employee benefits expense                                     | (14,358)       | (9,036)       |
| Depreciation, amortisation and impairment expense             | (1,385)        | (1,715)       |
| Finance costs                                                 | (104)          | (316)         |
| <b>Profit before income tax</b>                               | <b>24,192</b>  | <b>4,273</b>  |
| Income tax benefit / (expense)                                | (7,334)        | (1,372)       |
| <b>Net profit after tax</b>                                   | <b>16,858</b>  | <b>2,901</b>  |

**NOTE 36. DEED OF CROSS GUARANTEE (continued)**

**BALANCE SHEET**

|                                                 | <b>2021</b>   | <b>2020</b>   |
|-------------------------------------------------|---------------|---------------|
|                                                 | <b>\$'000</b> | <b>\$'000</b> |
| <b>ASSETS</b>                                   |               |               |
| <b>Current assets</b>                           |               |               |
| Cash and cash equivalents                       | 13,050        | 13,065        |
| Trade and other receivables                     | 11,677        | 9,123         |
| Inventories                                     | 26,732        | 9,865         |
| Prepayments                                     | 2,068         | 1,591         |
| Derivative financial instruments                | 627           | -             |
| <b>Total current assets</b>                     | <b>54,154</b> | <b>33,644</b> |
| <b>Non current assets</b>                       |               |               |
| Trade and other receivables                     | 10,248        | 11,285        |
| Property, plant and equipment                   | 507           | 387           |
| Right-of-use assets                             | 871           | 1,983         |
| Intangibles                                     | -             | 217           |
| Other assets                                    | 16,767        | 16,767        |
| Deferred tax assets                             | 631           | 1,928         |
| <b>Total non current assets</b>                 | <b>29,024</b> | <b>33,567</b> |
| <b>Total assets</b>                             | <b>83,178</b> | <b>66,211</b> |
| <b>LIABILITIES</b>                              |               |               |
| <b>Current liabilities</b>                      |               |               |
| Trade and other payables                        | 17,758        | 12,459        |
| Lease liabilities                               | 730           | 1,068         |
| Current tax liabilities                         | 2,737         | -             |
| Derivative financial instruments                | -             | 131           |
| Provisions                                      | 1,727         | 1,441         |
| <b>Total current liabilities</b>                | <b>22,952</b> | <b>15,099</b> |
| <b>Non-current liabilities</b>                  |               |               |
| Lease liabilities                               | 288           | 1,141         |
| Provisions                                      | 99            | 57            |
| <b>Total non-current liabilities</b>            | <b>387</b>    | <b>1,198</b>  |
| <b>Total liabilities</b>                        | <b>23,339</b> | <b>16,297</b> |
| <b>NET ASSETS</b>                               | <b>59,839</b> | <b>49,914</b> |
| <b>Equity</b>                                   |               |               |
| Contributed equity                              | 144,223       | 144,223       |
| Treasury Shares                                 | (487)         | (487)         |
| Reserves                                        | 763           | 231           |
| Retained losses and accumulated profit reserves | (84,660)      | (94,053)      |
| <b>Total equity</b>                             | <b>59,839</b> | <b>49,914</b> |

#### **NOTE 37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for 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 and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Globe International Limited is a for-profit entity for the purpose of preparing the financial statements. The financial statements have been prepared on the basis that the consolidated entity's business is a going concern.

###### *Compliance with IFRS*

The consolidated financial statements of Globe International Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

###### *Adoption of standards*

The consolidated entity has adopted all relevant applicable standards that were effective for the financial year ended 30 June 2021. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

##### **(b) Principles of Consolidation**

###### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Globe International Limited as at 30 June 2021 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 entities over which the consolidated entity has control. The consolidated entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. 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 acquisition method of accounting is used to account for business combinations by the consolidated entity (refer Note 37 (k)). All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

###### *(ii) Employee Share Trust*

The consolidated entity has formed a trust to administer the consolidated entity's Executive Incentive Plans which may be settled in shares. 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 were all purchased on-market, are disclosed as Treasury Shares, and the acquisition value is 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.

**NOTE 37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) Income Tax (continued)**

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.

Deferred tax assets and liabilities shall be set off if, and only if:

- (a) there is a legally recognised right to set off current tax assets and liabilities, and
- (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either:
  - i. the same taxable entity, or
  - ii. different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

**(d) Foreign currency translation**

*(i) Functional and presentation currency*

Items included in the financial statements of each entity of the group 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 are 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 from the sale of goods is recognised when control of the goods has been transferred to the customer and the customer has accepted the product. For wholesale transactions, this occurs when goods have been delivered to a customer pursuant to a sales order. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. For retail transactions, this occurs when the transaction is processed at the point of sale and payment is received.

The amount of revenue to be recognised is based on the consideration the consolidated entity received or expects to receive in exchange for its goods. Amounts disclosed as revenue are net of invoiced discounts, goods and services tax (GST) and other sales taxes and expected future retail returns and wholesale credit notes and rebates. A liability (included in trade and other payables) is recognised for expected credit notes and returns. Revenue is recognised to the extent it is highly probable there will not be a significant reversal of revenue. The validity of this assumption and the estimated amount of credit notes and returns is reassessed at each reporting date.

Royalty revenue is 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 37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("CEO").

**(g) Borrowing Costs**

Borrowing costs are recognised as expenses in the period in which they are incurred and include interest on bank overdrafts, receivables financing facilities and any other short or long term borrowings.

**(h) Leases**

The consolidated entity leases various offices, warehouses, retail stores, equipment and cars. Rental contracts are typically made for fixed periods of 3 to 8 years, but may have extension options available beyond this point. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Where the consolidated entity has entered into a lease contract for the right to control the use of an asset over the lease term, the present value of future lease commitments is recognised as a liability on the balance sheet at commencement date, with the corresponding asset recognised as a right-of-use asset.

The lease liability represents the present value of the expected future lease payments, discounted at the consolidated entity's regional external borrowing rates. To determine the value of expected future lease payments, the consolidated entity considers:

- The lease term, which includes the non-cancellable period of the lease plus any options available that the consolidated entity is reasonably certain to exercise; and
- Those lease payments which must be factored into the value of the liability, including:
  - Fixed payments, net of any lease incentives receivable;
  - Variable lease payments that are based on an index or a rate; and
  - Payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Each lease payment is allocated between the liability and finance costs. Any change to the valuation of the future lease payments (due to change in discount rate, variable lease payments based on an index or rate, or the lease term) results in the re-measurement of both the lease liability and the right-of-use asset.

The right-of-use assets are classified as leases of property or plant and equipment and are carried at cost less accumulated depreciation and impairment loss. The assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Where leases are short term or where the underlying asset is of low value, we have elected to not apply the requirements of AASB 16 and as such, amounts are expensed as incurred.

**(i) Government grants**

Government grants are recognized in the income statement as received, and disclosed as a reduction of the associated costs that they are intended to compensate. The cash is recognised in the cash flow statement as received, and disclosed against the cash outflows that they are intended to compensate.

**(j) 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 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 either fair value less costs to sell or value in use. 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 have suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date.

**NOTE 37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(k) Business Combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. Consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred; liabilities incurred; equity instruments issued; the fair value of any contingent asset or liability; and the fair value of any pre-existing equity instruments in the subsidiary. Acquisition related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the consolidated entity's share of the identifiable net assets acquired is recorded as goodwill. If the consideration is less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit and loss as a bargain purchase.

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.

**(l) 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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**(m) Trade and other receivables**

Trade receivables are initially recognised at fair value, and subsequently measured at amortised cost, less a loss allowance. Trade receivables are principally on 30 to 60 day terms. Cash flows relating to trade receivables are generally not discounted as the effect of discounting is immaterial. Other receivables consist of amounts receivable under a factoring arrangement and amounts due under license agreements and other arrangements.

The consolidated entity applies the AASB 9 simplified approach to measuring expected credit losses which applies a lifetime expected loss allowance against all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on payment profiles of sales over a period of 36 months before reporting date and the corresponding credit losses experienced within the reporting period. The historical loss rates are adjusted, where required, to reflect current and forward looking information on macroeconomic factors affecting the ability of the customer to settle the receivable. The consolidated entity has identified industry conditions and country by country macro-economic factors as the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these.

Due to the nature of the impairment loss, management judgement is required to estimate the value of the provision - as outlined in Note 37 (ae). The amount of the loss allowance is recognised in the income statement.

**(n) 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 of variable expenditure (including freight costs and duties). Cost comprises the cost of purchase, the cost of conversion and other costs incurred in bringing the goods to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling costs. A provision for inventory is included to write down the value of inventory to net realisable value, when required. Management judgement is used to estimate the value of the provision – as outlined in Note 37 (ae). The amount of the provision is recognised in the income statement.

**(o) Other assets**

Other assets relate to a non-controlling investment in a production facility. The asset was initially recognized at fair value plus transaction costs and is subsequently measured at fair value unless the fair value cannot be reliably measured, in which case they are carried at cost less impairment losses. Other assets are assessed for impairment at each balance date on a forward looking basis. A significant or prolonged decline in the future benefit to be recovered from the asset is considered as an indicator that the asset is impaired. Impairment losses on other assets are recognised directly in the income statement.

**NOTE 37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(p) 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> | <u>Class of Asset</u>                    | <u>Useful Life</u> |
|------------------------|--------------------|------------------------------------------|--------------------|
| Land                   | Infinite life      | Plant & Equipment                        | 4-10 years         |
| Buildings              | 25 - 40 years      | Office Equipment, Furniture and Fittings | 4-10 years         |
| Leasehold Improvements | Period of Lease    | Computer Equipment                       | 3 years            |
| Motor Vehicles         | 7-12 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 37 (j)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

**(q) Intangible assets**

Trademarks 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 1 to 15 years. Where the consolidated entity has a partial ownership in a trademark, it recognises its share in that trademark to the extent of the amount invested.

Trademarks 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 an asset may be impaired (Note 37 (j)).

**(r) 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 at the end of each reporting period. The accounting for subsequent changes in fair value 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).

At the inception of the hedge relationship, the consolidated entity documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instrument are expected to offset changes in the cash flows of the hedged item. It documents its risk management strategy for undertaking various hedge transactions and its assessment of whether the designated derivatives have been, and will continue to be, highly effective.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. For hedges of foreign currency purchases, the consolidated entity enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, so the assessment of effectiveness is made on a qualitative basis.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 11. Movements in the hedging reserve in shareholders' equity are shown in Note 28. The credit risk and foreign exchange risk exposures associated with these instruments is discussed in Note 1.

Cash flow hedges that qualify for hedge accounting

When forward contracts are used to hedge forecast transactions, the consolidated entity generally designates the full change in fair value of the forward contract (including forward points) as the hedging instrument. Gains or losses relating to the effective portion of the change in fair value of the forward contract are recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion, if any, is recognised immediately in the income statement. Ineffectiveness may arise if the timing or value of the forecast transaction changes significantly from what was originally estimated.

Amounts accumulated in equity are reclassified in the periods when the hedged item will affect profit or loss. As the consolidated entity's cash flow hedges all relate to non-financial assets (inventory), the gains and loss previously deferred in equity are transferred from equity and are included in the measurement of the initial cost of that inventory. They are subsequently transferred to profit and loss upon the sale of that inventory.

**NOTE 37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(r) Derivatives (continued)**

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.

**(s) Trade and other payables**

These amounts represent liabilities for goods and services provided 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 – 90 days of recognition.

**(t) 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 liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date, in which case the amounts are classified as non-current liabilities.

**(u) Provisions**

Provisions are recognised when the consolidated entity 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. Where an estimate of the likely obligation is not possible, the value of the provision may be calculated based on the weighted probability of the potential outcomes. 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.

**(v) Employee Benefits**

Employee benefits expense includes all amounts paid directly to employees, including base salaries and wages, allowances, incentives and any paid leave, and the on-costs associated with those payments. In addition, it includes any non-monetary benefits that are provided directly to, or on behalf of, employees. In Australia, on-costs include contributions made to various accumulating employee superannuation funds. All superannuation costs are charged as expenses when incurred. The consolidated entity does not contribute to any defined benefit funds.

Liabilities for salaries and wages, including non-monetary benefits, are recognised as outlined below:

Salaries and wages

Liabilities for any outstanding salaries and wages, on-costs and any non-monetary benefits, are recognized as payables.

Annual leave and sick leave

Liabilities for annual leave 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. The consolidated entity has no accumulated sick leave liabilities.

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 Australian employees up to the reporting date. 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 end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

**NOTE 37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(v) Employee Benefits (continued)**

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.

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 generally based on the achievement of targeted performance levels set at the beginning of each financial year. Further information relating to the incentive plans for executives is included in the Remuneration Report which is set out on pages 5 to 12 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, where there is a past practice that has created a constructive obligation, or where the amount of the STI payable has been determined prior to the end of the financial year.

**(w) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares 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.

**(x) Earnings per share**

Basic earnings per share

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

Diluted earnings per share

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

**(y) 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.

**(z) 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.

**(aa) Rounding of amounts**

The Company has applied relief available under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 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.

**(ab) Comparative figures**

Where required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. In addition, where reclassifications have been made in the current year, the prior year comparatives have been adjusted for consistency where the change is not material.

**NOTE 37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(ac) Parent entity financial information**

The financial information for the parent entity, Globe International Limited, disclosed in Note 35 has been prepared on the same basis as the consolidated financial statements, except as set out below:

*(i) Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost less impairment losses.

*(ii) Accumulated profits reserves*

Annual profits are held in separate accumulated profits reserves, rather than being off-set against retained earnings. Dividends are paid out of the accumulated profits reserves.

*(iii) 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.

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. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. Assets or liabilities arising under tax funding agreements within the tax consolidated group are recognised as amounts receivable or payable to other entities in the consolidated entity. 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.

**(ad) New and amended accounting standards**

There are no new or amended accounting standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**(ae) 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. Included below are details of significant management estimates and assumptions.

**NOTE 37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(ae) Critical Accounting estimates (continued)**

**(1) Estimates and assumptions with potentially material impacts on the financial statements in future periods**

*i. Estimates of credit loss allowance against trade receivables*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less loss allowance. The loss allowance is raised upon recognition of a trade receivable which is an estimate of the expected credit loss for that balance. A combination of accounting policy and management judgement is used to estimate the value of the loss allowance.

- Initially, each receivable is classified individually or collectively based on shared credit risk characteristics and the days past due. This includes the grouping of all receivables which are considered "bad", which carry a credit loss allowance of 100% of the value of the receivable.
- In line with the application of the AASB 9 simplified approach, the consolidated entity then applies a lifetime expected loss allowance against all other receivables. The expected loss allowance is based on historical credit loss rates, and is subject to change from year to year. Currently the rates are between 0.5% and 25%, depending on the days past due.
- Management judgement is then used to determine whether the loss allowance required against each group of accounts or an individual account, if applicable, should be adjusted to reflect current and forward-looking factors. Management uses a number of factors to assess this, including recent communication with the customer, the age of the receivable, the presence of and adherence to payment plans, external information with regards to the financial viability of the customer and general market conditions within the industry and or the economic region in which the customer resides. In the prior period, additional provisions were raised due to the uncertainty caused by COVID-19. In the current period, these additional provisions have been reduced but they remain to reflect the on-going COVID-19 related uncertainties, as well as the consolidated entity's overall increase in exposure to credit risk due to the significant growth in revenues and trade receivables in the current financial year.

*ii. Estimates of the provision for inventories*

Inventories are valued at the lower of cost and net realisable value. A provision for inventory is included to write down the value of inventory to net realisable value, when required. The provision is calculated based on the consolidated entity's accounting policy which states that inventory of a certain age must have a specific provision against it – the level of provisioning increases as the age of the inventory increases. Inventory ageing is based on the last selling season in which the inventory was available for sale. This policy is determined based on historical levels of inventory obsolescence. In addition to the provision calculated based on the policy, management judgement is required to adjust the provision based on known market factors. For example, where there is significant excess inventory in a certain category, or a particularly poor selling style or colourway, management may determine that an extra provision (over and above the policy) is required to reflect the heavier discounting than normal which may be required to clear that inventory.

**(2) Changes in accounting estimates**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In the current period, the estimated useful life of certain fixed assets was reassessed due to a change in the end-of-lease date. This change in estimate resulted in an increase in a \$0.2m increase in depreciation in the current year.

**Directors' Declaration**

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In the directors' opinion:

- (a) the financial statements and notes, as set out on pages 15 to 58, and remuneration disclosures on pages 5 to 12, 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 2021, 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) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed consolidated entity identified in Note 36 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 36.

The directors draw attention to Note 37 (a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

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 2021.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to section 295(5) of the *Corporations Act 2001*.

Dated 18 August 2021



.....  
William Crothers  
Chairman



## *Independent auditor's report*

To the members of Globe International Limited

### *Report on the audit of the financial report*

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#### *Our opinion*

In our opinion:

The accompanying financial report of Globe International Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### ***What we have audited***

The Group financial report comprises:

- the balance sheet as at 30 June 2021
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the income statement for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

#### ***Independence***

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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## Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



| Materiality                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Audit scope                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Key audit matters                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>For the purpose of our audit we used overall Group materiality of \$2.3 million, which represents approximately 5% of the Group's profit before related income tax expense.</li> <li>We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</li> <li>We chose Group profit before related income tax expense because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.</li> <li>We utilised a 5% threshold based on our professional judgement, noting it is within</li> </ul> | <ul style="list-style-type: none"> <li>Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li> <li>We conducted an audit of the financial information of the Australian and North American reporting units given their financial significance to the Group as described in note 2 of the financial report.</li> <li>A component auditor operating under instruction performed an audit of the financial information of the European reporting unit. We determined the level of involvement required from us to conclude whether sufficient audit evidence had been obtained. Our involvement included issuing detailed</li> </ul> | <ul style="list-style-type: none"> <li>Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: <ul style="list-style-type: none"> <li>Inventory valuation</li> <li>Accounts receivable valuation</li> </ul> </li> <li>These are further described in the <i>Key audit matters</i> section of our report.</li> </ul> |



the range of commonly acceptable thresholds.

instructions and holding discussions with the component auditors to understand key audit risks and findings.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

| <i>Key audit matter</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <i>How our audit addressed the key audit matter</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b><i>Inventory valuation</i></b><br/><i>(Refer to note 13) [\$48.1m]</i></p> <p>Inventory represents the largest asset on the balance sheet (\$48.1 million) as at 30 June 2021, and is presented net of an inventory provision of \$0.7 million. Inventory is held at the Group's or third party warehouses or is in transit.</p> <p>We considered this a key audit matter as the Group operates in an industry where fashion changes and trends are volatile. The future performance of individual brands is inherently judgemental due to the uncertainty of their position and popularity in the market. Whilst overall gross margins are positive, judgement and estimation are required by the Group to identify inventory that may not be saleable or that may need to be discounted below cost to sell.</p> | <p>To assess the valuation of inventory with regards to provisioning, we performed the following procedures amongst others:</p> <ul style="list-style-type: none"><li>• Selected a sample of inventory items held at 30 June 2021 and examined the relevant sales invoices post year-end to determine whether any items were sold below cost price.</li><li>• Tested the accuracy of the ageing in the Group's inventory product-by-season report by comparing a sample of product lines to the Group's seasonal marketing catalogue.</li><li>• Recalculated the percentages applied to the aged categories of inventory and compared these to the Group's inventory provisioning policy.</li><li>• Compared prior year sales to the current year sales by brand. Where there was a decline in sales performance for a brand, we assessed whether relevant inventory items were included within the inventory provision analysis.</li><li>• Held discussions with management to determine whether any plans to discontinue or sell individual product lines had been considered in calculating the inventory provision.</li></ul> |

**Accounts receivable valuation**  
(Refer to note 12) [\$26.3 million]

The Group had trade receivables of \$26.3 million as at 30 June 2021, which is presented in the balance sheet net of a loss allowance of \$2.0 million.

The Group's customer base is made up of both large customers and small to medium sized retailers who are spread across different geographical regions. The retail market in which the Group's customers operate is highly competitive.

Continued restrictions implemented by governments in response to the ongoing COVID-19 pandemic and the associated economic conditions increase the level of uncertainty in determining the recoverability of the Group's receivables.

We considered the valuation of receivables to be a key audit matter as judgement is required by the Group in determining the loss allowance on receivables based on the Group's assessment of the ability of customers to pay their outstanding balances.

To assess the valuation of receivables we performed the following procedures amongst others:

- Tested the accuracy of the trade receivables ageing report by agreeing a sample of outstanding invoices captured in the report to the corresponding sales invoice.
- Recalculated the loss allowance to determine whether it had been calculated in accordance with the Group's policy.
- Analysed and compared the aging profile for each significant reporting unit to the corresponding ageing profile for the prior year to identify any deterioration in the overall ageing of trade receivables.
- Compared total accounts receivable written off in the current year against the loss allowance recorded in the prior year to assess the accuracy of the impairment policy.
- Traced a sample of outstanding receivables at 30 June 2021 to payments received after year-end. Where any balances remained unpaid, we considered whether they were recoverable by examining the aging of these items and assessing historic payment terms.

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**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' Report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

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### *Responsibilities of the directors for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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### *Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.

### *Report on the remuneration report*

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#### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 5 to 12 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Globe International Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

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### *Responsibilities*

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.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*S. P. A*

Jon Roberts  
Partner

Melbourne  
18 August 2021

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