



# 2017

**GLOBE INTERNATIONAL ANNUAL REPORT**

ABN 65007066033



# WELCOME

Globe International Limited is a global producer and distributor specializing in purpose-built apparel, footwear and hardgoods for the boardsports, street fashion and workwear markets.

Globe International has offices, distribution and manufacturing centres in Melbourne, Sydney, Gold Coast, Los Angeles, San Diego, Hossegor, London and Shenzhen. Its products are sold in over one hundred countries around the world.

Globe International's proprietary brands include Globe, Salty Crew, FXD, Enjoi, Blind, Almost, Darkstar, Dusters, Sample and Tensor. The company is listed on the Australian Securities Exchange and has three operating segments: Australasia, North America and Europe.

Globe International brands are sold direct and by third party distributors around the world, and the company has a number of 'Globe' branded retail stores in various strategic neighbourhoods.

Globe International also maintains diverse licensing and distribution businesses of leading third party owned brands for the Australian and New Zealand market operating under its Hardcore Distribution and 4Front divisions. Currently Hardcore distributes over thirty brands including Girl, Lakai, Chocolate, Flip and Thrasher, while 4Front licences and distributes Stüssy, MISFIT and Obey.







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(1) 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 group.

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 22 August 2017. The Company has the power to amend and re-issue these financial statements.

Globe International Limited's 2017 Corporate Governance Statement can be viewed on our website at:  
[www.globecorporate.com/pdfs/corgov.pdf](http://www.globecorporate.com/pdfs/corgov.pdf)

**GLOBE**

**UNEMPLOYABLE**

**30 YEARS OF HARDCORE, SKATE AND STREET**



# UNEMPLOYABLE IS THE GLOBE STORY OF A BUNCH OF MISFITS WHO CHOSE TO CREATE A WORLD TO EXIST IN, RATHER THAN CONFORM TO ONE IN WHICH THEY DIDN'T FIT.

## #beUNEMPLOYABLE



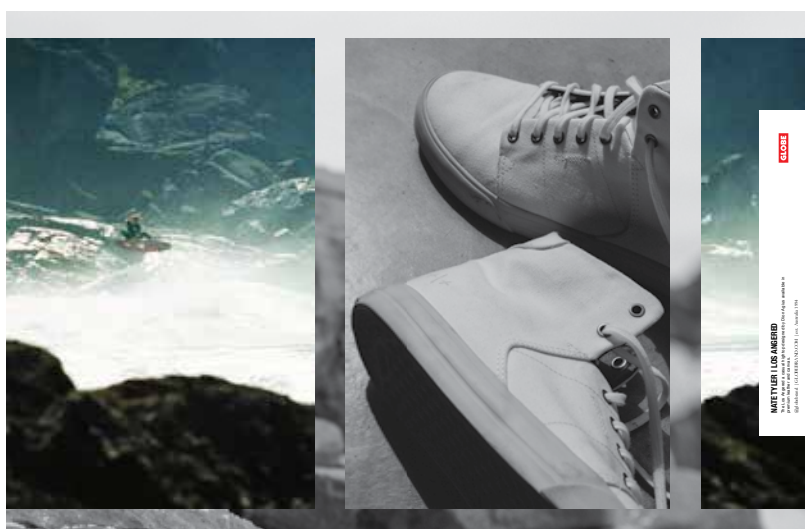
Three Australian brothers: Stephen, Peter and Matt Hill, emerged out of Melbourne's underground skateboard scene of the late 1970s with a passion for skateboarding that they channelled into the founding of a skateboard equipment importing business, Hardcore Enterprises. Their young company promoted skateboarding throughout Australia; initially with local demonstrations and then a series of national super skateboard tours during the 1980s. Hardcore created a new market and helped grow the Australian boardsports industry. From their involvement with licensing and distribution during the streetwear fashion explosion of the 1990s and the rise of surf-influenced apparel, the Hills soon developed their own diversified proprietary labels including the skate footwear brand, Globe shoes. With domestic success and the subsequent expansion of Globe into North America and Europe, the company publicly listed on the Australian Securities Exchange in 2001 as Globe International Ltd.

The acquisition of the dominant American skateboard company, Dwindle Distribution along with its manufacturing base, in 2002, further grew Globe International's brand stable across all sectors, including skate hardware, footwear and apparel. This allowed the company to invest in improved product design and technology. The company continues to thrive with multi-branded high end designed and manufactured products, and is still licencing, creating and acquiring new proprietary brands, such as the FXD workwear label and Salty Crew.

To celebrate this 30 years of commitment, Globe International successfully released the coffee table book 'Unemployable' tracing the company's history back to the original enthusiasm of its founders and earliest staff. A year after the book's release through publishers Thames and Hudson worldwide, it remains a marketing tool for the company's various brands and their heritage and authenticity in their respective markets. The award-nominated 'Unemployable' continues to receive media attention and remains in stock with retail bookstores, libraries and many of our retail partners internationally.







# GLOBE



In 1994 the Globe brand was created. After 10 years of design, production and distribution with Hardcore it was time to create a global brand, first with shoes for skaters and surfers, and then with apparel and hardgoods for the broader boardsports market.

Fast forward to today and the same crew of skaters, surfers and snowboarders that started the brand back in the 90s has grown to a global network of designers and riders that are united by boardsports, street culture, media, design and film.

For the riders of concrete, oceans and mountains – modern explorers of the Globe.





# SKATE TEAM

**DAVID GONZALEZ  
MARK APPLEYARD  
RYAN DECENZO  
RODNEY MULLEN  
PAUL HART  
SAMMY MONTANO**





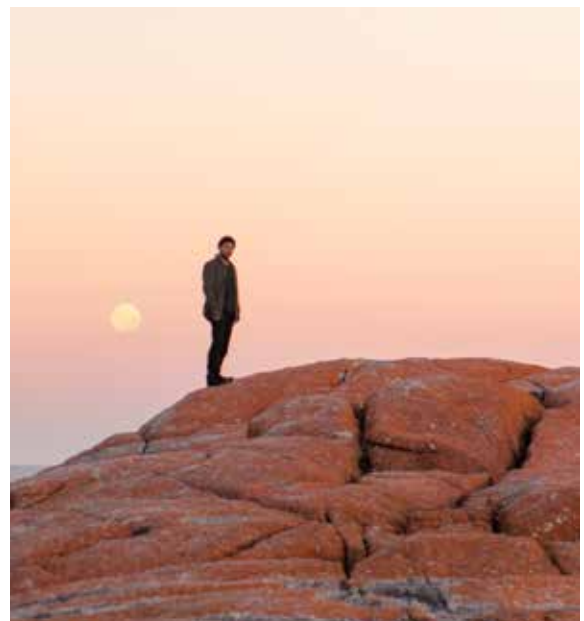




# **SURF TEAM**

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**DION AGIUS  
TAJ BURROW  
CREED MCTAGGART  
NOA DEANE  
NATE TYLER  
BRENDON GIBBENS  
ERIC GEISELMAN  
CJ HOBGOOD  
DAMIEN HOBGOOD**







# SNOW TEAM



**DAVID CARRIER PORCHERON  
ROMAIN DE MARCHI  
JP SOLBERG**











There was a time in surfing, maybe you could call it surfing's "golden age", before it was cool. Before Gidget maybe. When Surfers were wild men, expelled from society, probably by choice. They found the sea better than the society they had been cast out of. So they spent their lives out in the water. Nobody understood what they were doing out there. Maybe they didn't understand it, but they knew they needed it. When the surf was flat they fished, or they dove, and when the wind picked up they sailed, but they never got out of the water. When they were in the water, they were living, everything else... well everything else was just waiting.

This attitude seems to have disappeared in the surfing world, been lost somewhere along the way. The surfing culture has left the beach; it's lost its salt, fizzled out and dried up somewhere inland. But still, whether they are weaving through the crowds of yuppies and yahoos at the beach, or off on the fringe, alone, finding refuge in the sea, there are still a few who choose to lead a lifestyle supported by the ocean... they choose to keep it Salty.







enjoi



Dusters



Andalé



Almost



Blind



Blind

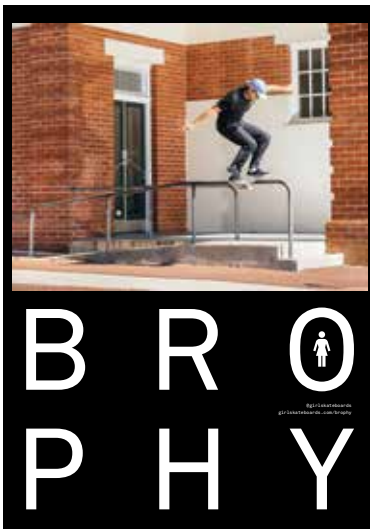
Emerging from the business begun by American skateboarders Rodney Mullen and Steve Rocco in 1987, Dwindle Distribution has produced some of skateboarding's most iconic brands and products, along with establishing the careers of hundreds of Pro skateboarders, kick-starting and inspiring other related companies, and generally revolutionising the skateboarding industry. Now the world's leading premium skateboard manufacturer and distributor, Dwindle uses a multi-brand approach to achieve its mission as a skateboard and apparel company, serving the dynamic worldwide skateboard marketplace in various distribution tiers. The stable of Dwindle brands encompasses multiple proprietary brands that have a deep heritage still relevant in today's market and include: enjoi, Dusters, Almost, Blind, Darkstar and Tensor Trucks along with global licensed brands Andalé and Kryptonics.











Girl



Chocolate



The National



Lakai



Royal



XLarge



**FLIP**



**THRASHER**  
MAGAZINE



**LAKAI**

**Royal**

**XLARGE®**

Globe International Limited's Hardcore Distribution is Australasia's largest distributor of leading brand skateboard products, both owned and third party international brands. Launched in 1984, Hardcore Distribution is the foundation company of Globe International. Hardcore has an unbroken heritage of over 30 years of promoting and distributing the best skateboard brands and pro skaters in the world.

Hardcore's founders, senior management, sales staff, warehouse staff, are all skateboarders and all skate daily. Hardcore distributes over thirty brands including Girl, Flip, Chocolate, Alltimers, Wreck Wheels and Thrasher.







Stüssy



MISFIT



Sample



Sample



MISFIT



**M/SF/T**

SAMPLE

Globe International Limited's 4Front Distribution specialises in the licensing, distribution and marketing of global street fashion and art culture apparel and footwear brands that include Stüssy, MISFIT, Obey and Sample.







FXD is 'Function by Design'

After more than twenty five years designing and making purpose-built, technical apparel for the punishment of board sports and street wear, Globe International created FXD to offer a better look and function through carefully designed and styled workwear.





**AUSTRALIA**

MELBOURNE  
SYDNEY  
GOLD COAST

**USA**

LOS ANGELES  
SAN DIEGO

**FRANCE**

HOSSEGOR

**UK**

LONDON

**CHINA**

SHENZHEN

Globe International maintains major sales, marketing, design and distribution offices in key industry locations around the world including Los Angeles, Melbourne, Sydney, Gold Coast, London, Hossegor and San Diego. In addition it has manufacturing facilities in China. Globe sells its products direct to retailers in over 20 countries, and elsewhere via third party distributors. In total, Globe International products can be found in more than 100 countries worldwide.



Los Angeles



Hermosa Beach





Hong Kong

Globe International also maintains a limited number of flagship 'Globe' branded retail stores in key influential markets around the world including: Hong Kong, Hermosa Beach, St Kilda, Torquay, Burleigh Heads, Bondi Beach, Hossegor and Bali.



St Kilda



St Kilda



Hermosa Beach



Bondi Beach





**“WITH THE CELEBRATIONS AND REFLECTIONS AROUND THE 30TH ANNIVERSARY OF OUR ORIGINAL BUSINESS, WE HAVE BEEN THINKING ABOUT WHERE THE COMPANY CAME FROM, HOW WE ARE ESSENTIALLY A FAMILY RUN BUSINESS THAT HAS LONG HELD CORE IDEALS ABOUT THE ENVIRONMENT, COMMUNITY AND SOCIAL IMPACTS.”**

**– MATT HILL, CEO**



#### **Social**

Along with a commitment to providing a safe and all-inclusive workplace for all, we have long sought to be a desired employer of first choice in our industry, and we believe this is reflected by the loyalty of many of the company's long term staff and a relatively low rate of staff turnover.

In terms of our broader supply chain, the vast majority of our products are manufactured in mainland China with long standing third party supplier partners. Our Ethical Sourcing Policy sets out the minimum standards for our suppliers, particularly in relation to banning both child and forced labour along with the requirement to provide a safe workplace for all. At our dedicated partner skateboard manufacturing facility in China, employee conditions and workplace safety have been audited by third-party specialists, minor corrective recommendations actioned and full compliance achieved.



#### **Community**

Beginning with our Australian founders in the late 1970s, we have continually invested in and encouraged the provision of skateboarding infrastructure and the development of junior skateboarding and surfing in Australasia, North America and Europe. Globe International has had a long track record of donating product to charity groups and local community organisations throughout our operating regions and this year, for our Australian-based staff we have introduced a staff paid volunteer leave scheme to further encourage broader community engagement.



#### **Environment**

A sustainable approach has long been part of our common workplace practices across our global operations. This includes existing and developing policies and practices across our premises, operations, products and packaging.

As part of setting formal targets, this year, our Australian operations joined the CitySwitch energy efficiency program and the company will be looking for further opportunities to formalise goals in this area.





Dear Shareholders,

In the 2017 financial year, the Globe International group faced a number of challenges in the skateboard hardgoods market. However, while revenues reduced as a result of a declining skateboard hardgoods market in Europe and North America, we saw apparel brands in Australia and North America grow through our ongoing commitment to launch and acquire new brands. In addition, stringent cost, margin and working capital initiatives enabled the company to generate an increase in net profit after tax for the full year. Furthermore, we saw a significant improvement in cash generated from operations and a subsequent increase in dividends paid to shareholders with respect to the 2017 financial year.

Group revenues of \$140.5 million were 7% down compared to the previous year, and earnings before interest tax depreciation and amortization (EBITDA) of \$6.1 million declined 9%. However, despite the reduction in revenue, net profit after tax (NPAT) of \$5.1 million grew by 7% over the 2016 financial year. Cash generated from operations was \$10.6 million which represented a \$14 million improvement over the prior year. This facilitated a 33% increase in dividends with the company issuing interim and full year dividends totalling 8 cents per share being paid to shareholders with respect to the financial year ended 30 June 2017.

In all, it was a tougher year than 2016, but the company maintained stability, strengthened the balance sheet, and continued to pay dividends to shareholders. Furthermore we remained committed to funding and introducing new brands to provide further growth avenues for future years while making tough decisions, and restructuring in poor performing regions and brands.

Regionally, the Australian division continued its strong run, posting strong sales and profit growth over the previous year. The division saw sales grow primarily in its workwear and streetwear divisions. In North America and Europe sales declined as a result of a softening skateboard hardgoods market which began to flatten out by the end of the financial year.

In North America, a major restructure of brands and operations was undertaken during the year including headcount reduction, changes to brand mix and cuts to operating expenses. These changes improved the financial model for North America, helped improve margins in the region and made way for a new brand acquisition, Salty Crew.

Globe International acquired 50% of the Salty Crew trademark and assumed global operations for the brand in January 2017 and will be driven largely from the USA. Thus far the brand has integrated well into the company group and delivered on the strategy of adding apparel growth and helping to rejuvenate the North American division.

Over the past few years we have continued to introduce new brands to add diversification and freshness to our brand portfolio. These brands have generated new energy in the business and contributed to the improvement of the company performance compared to several years ago. Our strategy has been to broaden our brand mix beyond boardsports' distribution while still remaining steadfastly loyal to our boardsports roots and distribution channel with existing key brands. Thus far this has proved a solid strategy for navigating the changing nature of the youth culture market in which we operate.

For the year ahead we expect certain headwinds but feel confident that we are well prepared to ride through those tougher conditions. Markets have tightened and uncertain geo-political times make trade potentially more volatile. Nonetheless, we began the year in a good stable financial position, with certain key brands leading their respective markets. Furthermore, we entered the new financial year with healthier margins and a lower cost base in the restructured North American division. A great deal of work has been completed in the 2017 financial year both in terms of brand mix and cost base that makes us well poised for 2018 and beyond.

As a final note I'd like to acknowledge our staff and their hard work, commitment and creative output for all our brands and operations. In addition our Board of Directors have continued to provide support and guidance for management and staff alike. To all I am very grateful.

I look forward to the year ahead and working with our teams around the world and growing our heritage and newer brands, and hopefully delivering further shareholder returns and increased value.



**Matt Hill**  
Chief Executive Officer







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 2017.

## DIRECTORS

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



### **PAUL ISHERWOOD AO**

*FCA, Independent Non-Executive Chairman*

*1,000,000 shares*

Paul Isherwood was appointed to the Board of Directors in March 2001 and elected Chairman in March 2003. Paul is an experienced company director with a strong finance and accounting background and extensive corporate governance experience across different industry sectors, mostly with listed companies. He has proven leadership skills from a career with Coopers & Lybrand that spanned 38 years. He held the position of National Chairman and Managing Partner of Coopers & Lybrand (Australia) from 1985 to 1994 and served on the International Board and Executive Committee of the firm from 1985 to 1994. Paul was also a Director of the Australand Property Group from December 2005 to November 2014.



### **STEPHEN HILL**

*Executive Director*

*12,525,606 shares*

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.



### **PETER HILL**

*Executive Director*

*12,436,009 shares*

Peter Hill co-founded Globe in 1985 and remains a major shareholder in the business. He lives in Hong Kong and is a major contributor to the strategic market direction and brand development of the business with a particular emphasis on Asian sourcing and distribution. Peter is a former skateboarding champion and maintains an extensive interest in extreme action sports and motorsports.

## COMPANY SECRETARY

### **GERHARD M CORREA**

*CPA, CA*

Gerhard Correa was appointed as the Company Secretary in November 2004. Gerhard joined the Company in November 2000 as Financial Controller.

## PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were the specialized production and distribution of purpose-built apparel, footwear and hardgoods for the board sports, street fashion 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 that profits were approximately flat on the previous corresponding period (pcp) and operating cash flows were significantly ahead of the same time last year, despite a downturn in revenues.

- Revenues for the financial year of \$140.5 million were 7% or \$10.3 million below the pcp (5% down in constant currency).
- Earnings before interest, tax, depreciation and amortization (EBITDA) of \$6.1 million for the financial year were \$0.6 million below the pcp.
- Net profit after tax (NPAT) of \$5.1 million for the financial year was \$0.3 million above the pcp.
- Cash-flows generated from operations during the period were \$10.6 million, representing a \$14.0 million improvement on the \$3.4 million used in operations in the pcp.

### Financial Performance

The decline in net sales was largely due to the downturn in the Northern Hemisphere skateboard hardgoods market, particularly in the first half of the year. In the second half, constant currency sales were flat compared to the prior corresponding period, with growth in apparel brands and the bottoming out of the hardgoods decline.

Despite the decline in net sales, NPAT of \$5.1 million was 7% above last year due to higher gross margins, lower costs and a lower effective tax rate. A brief overview of performance by region is included below:

- The Australian division continued to be the stand out performer. Net sales, mainly in streetwear and workwear, were 14% higher than the prior period.
- Restructuring of the North American division continued during the year leading to a change in brand and category mix, improved margins and a lower cost base. Of note was the introduction of Salty Crew from 1 January 2017, which contributed to second half sales being 2% higher than the prior corresponding period.
- The European business was most affected by the hardgoods downturn, with a 36% decline in net sales over the full year. Despite the substantial decline in net sales, the division remained profitable with sales stabilizing by the end of the year.

### Financial Position

During the current financial year, a number of initiatives were undertaken to successfully reduce the working capital needs of the business, including a targeted reduction in months' stock on hand for key at-once businesses. The net effect was a substantial improvement in operating cash flows, with \$10.6 million generated in the current financial year compared to the \$3.4 million cash used in operations in the 2016 financial year.



## DIVIDENDS

During the year the Company paid the following dividends:

- a fully franked final dividend of 3 cents per share, relating to the 2016 financial year. This dividend amounting to \$1.244 million was paid to shareholders on 14 October 2016.
- A fully franked interim dividend of 3 cents per share, relating to the 2017 financial year. This dividend amounting to \$1.244 million was paid to shareholders on 24 March 2017.

Since the end of the financial year the directors have determined that a fully franked final dividend of 5 cents per share will be payable, relating to the 2017 financial year. This dividend, amounting to \$2.073 million, will be paid to shareholders on 22 September 2017.

In total, dividends of 8 cents per share will be paid to shareholders in respect of the financial year ended 30 June 2017, compared to 6 cents paid in relation to the year ended 30 June 2016.

## 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:

	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED
Paul Isherwood	5	5
Peter Hill	5	5
Stephen Hill	5	5

## REMUNERATION REPORT (AUDITED)

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

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

### *A. 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 fixed compensation and an "at risk" component. The "at risk" component relates to 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 Company's results and individual performance levels.

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 Company and business unit targets
  - provides a clear structure for earning remuneration
- remuneration is linked to certain financial performance measures. Globe International Limited's net profit after tax (NPAT) and earnings before interest, tax, depreciation and amortisation (EBITDA) have been the central performance measures for the Company's executives in recent years. Other financial measures taken into consideration include revenue growth, net operating cash flows and other 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

### **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 executive directors, as the case may be. Directors' remuneration and fees are reviewed annually by the Board, both in total and by individual director. Directors do not participate in any incentive schemes.

#### Non-executive directors

##### ***Fixed compensation***

The current base remuneration was last reviewed with effect from 1 October 2008, which at that time resulted in a reduction in the fees paid to the non-executive director. There have been no changes to the fees since this point. 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.



## REMUNERATION REPORT (AUDITED) (continued)

### Executive directors

#### *Fixed compensation*

The executive directors' remuneration is fixed, and consists of base pay and superannuation. The base pay is determined by the Chairman, and is considered to be reasonable in that it is in line with market remuneration for similar positions in the industry and in line with the remuneration paid to KMP's with similar levels of responsibility. Furthermore, there are no guaranteed base pay increases included in the executive directors' employment contract and no entitlements to participate in the Company's short or long term incentive plans.

The current base remuneration was last reviewed on 1 September 2015, at which point the remuneration was increased to reflect the executive directors' on-going contribution towards the development and enhancement of the Company and its brands, which ultimately drives growth in revenue and profits. It is to be noted that the financial year ended 30 June 2011 was the first year since 2001 in which the executive directors were remunerated in accordance with their positions in the Company. The founding directors, who were full time executive directors, elected not to receive any remuneration for their services for the first 9 years after the Company was listed in 2001.

#### *Termination benefits*

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

#### *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.

### **Executives**

The executive remuneration framework has two components that, combined, represent total remuneration:

- fixed compensation
- short-term incentives

#### *Fixed compensation*

The terms of employment for all executive management include a fixed compensation 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.

Fixed compensation includes contributions to superannuation in accordance with relevant legislation, where applicable. Fixed compensation 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. There are no guaranteed fixed remuneration increases included in any senior executive's contracts.

#### *Short term incentives ("STI")*

The STI is a plan that involves linking specific targets, both quantitative and qualitative, with the opportunity to earn incentives in addition to fixed compensation. The amount of STI to be paid each year is established at the discretion of the CEO and the Board, with executives' STI's capped at 75% of their base pay, and the CEO's STI capped at 100% of his base pay. The targeted quantitative performance levels include a mix of both individual performance levels and total Company performance levels. This ensures that the incentive is directly linked to areas of individual control, while at the same time ensuring that such incentives are ultimately linked to the creation of shareholder wealth through improved Company performance. Qualitative targets are generally linked more specifically to each individual and relevant business unit goals, rather than outright performance. As such, the targets are more subjective in nature than the quantitative target which means payment is largely subject to the discretion of the CEO and the Board.

## REMUNERATION REPORT (AUDITED) (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 will continue to motivate key management personnel ("KMPs"). Under the STIEP, KMP's will be allocated shares in lieu of cash. 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. As at the date of this report, there have been no shares allocated under the STIEP, and it is expected that any short term incentives relating to the 2017 financial year will be settled in cash.

All of the payments relating to both the 2017 and 2016 years were substantially less than the maximum possible incentive payment for each KMP.

### B. Details of Remuneration

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

- Gary Valentine – Chief Operating Officer and President of North America
- Jessica Moelands – Chief Financial Officer
- Matthew Wong – President Global Product
- Jon Moses – President Australasia

### DIRECTORS OF GLOBE INTERNATIONAL LIMITED

NAME	2017			2016		
	CASH SALARY \$	SUPER-ANNUATION \$	TOTAL \$	CASH SALARY \$	SUPERANNUATION \$	TOTAL \$
<u>Non-executive directors</u>						
Paul Isherwood	115,000	10,925	125,925	115,000	10,925	125,925
<b>Sub-total</b>	<b>115,000</b>	<b>10,925</b>	<b>125,925</b>	<b>115,000</b>	<b>10,925</b>	<b>125,925</b>
<u>Executive Directors</u>						
Peter Hill	399,808	9,500	409,308	383,141	9,500	392,641
Stephen Hill	390,000	19,616	409,616	373,333	19,308	392,641
<b>Sub-total</b>	<b>789,808</b>	<b>29,116</b>	<b>818,924</b>	<b>756,474</b>	<b>28,808</b>	<b>785,282</b>
<b>Total Directors' Remuneration</b>	<b>904,808</b>	<b>40,041</b>	<b>944,849</b>	<b>871,474</b>	<b>39,733</b>	<b>911,207</b>

### KEY MANAGEMENT PERSONNEL (KMP)

2017	SHORT TERM BENEFITS			SUPERANNUATION \$	TOTAL \$
NAME	CASH SALARY \$	OTHER \$	SHORT TERM INCENTIVES <sup>(2)</sup> \$		
Matthew Hill <sup>(1)</sup>	1,119,337	22,159	200,000	-	1,341,496
Gary Valentine <sup>(1)</sup>	519,723	14,451	-	-	534,174
Jessica Moelands	277,086	-	40,000	19,616	336,702
Matthew Wong	300,000	-	20,000	19,616	339,616
Jon Moses	300,000	-	200,000	19,616	519,616

(1) US based executive (2) These incentives were accrued in 2017, but will be paid during the 2018 financial year, with the exception of Matt Hill's short term incentive which was expensed and paid in FY2017 in relation to the 2016 financial year. All incentives are expected to be settled in cash.



**REMUNERATION REPORT (AUDITED) (continued)****KEY MANAGEMENT PERSONNEL (KMP) (continued)**

2016	SHORT TERM BENEFITS				
NAME	CASH SALARY \$	OTHER \$	SHORT TERM INCENTIVES <sup>(2)</sup> \$	SUPERANNUATION \$	TOTAL \$
Matthew Hill <sup>(1)</sup>	1,157,904	27,684	-	-	1,185,588
Gary Valentine <sup>(1)</sup>	536,903	10,488	34,483	-	581,874
Jessica Moelands <sup>(3)</sup>	122,949	-	50,000	10,805	183,754
Matthew Wong	300,000	-	50,000	19,308	369,308
Jon Moses	300,000	-	150,000	19,308	469,308

(1) US based executive (2) These incentives were accrued in 2016, but paid during the 2017 financial year. All incentives were settled in cash.

(3) Cash salary represents payments for part of the year only, as the executive was on unpaid maternity leave during the year.

**C. Service Agreements**

Remuneration and other terms of employment of the Chief Executive Officer (CEO) are formalised in a service agreement, the major provisions of which are as follows:

- 5 year term, commencing from 1 July 2015 and expiring on 30 June 2020
- base pay commencing 1 July 2015 of US\$840,000 to be reviewed annually
- 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.

All other key management personnel are subject to employment contracts where duration is unlimited and standard notice periods of six to twelve weeks apply.

**D. 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:

NAME	BALANCE AT THE BEGINNING OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF PERFORMANCE RIGHTS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
<b>DIRECTORS OF GLOBE INTERNATIONAL LIMITED – ORDINARY SHARES</b>				
Paul Isherwood	1,000,000	-	-	1,000,000
Peter Hill	12,436,009	-	-	12,436,009
Stephen Hill	12,525,606	-	-	12,525,606
<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
Matthew Wong	117,500	-	-	117,500

## REMUNERATION REPORT (AUDITED) (continued)

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

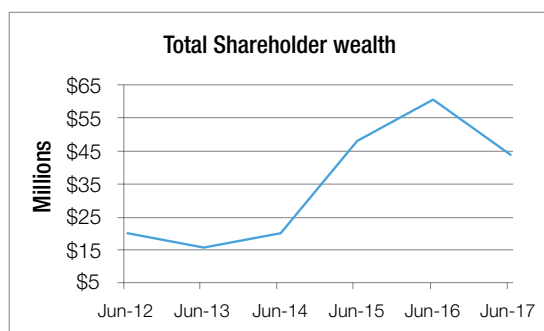
From time to time the consolidated entity may engage in transactions with directors, key management personnel and their related entities where the transaction presents a commercial opportunity for the consolidated entity. Such transactions occur on the condition that they are based on arms-length, or better than 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.

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 \$781,191 (2016: \$758,438). Rent is paid one month in advance, and is due and payable on the first of every month.
- Peter Hill is the director of Station H, which is the owner and operator of a Globe branded retail store in Hong Kong, which opened in July 2017. The consolidated entity contributed \$56,808 to the fit-out of the store during the financial year. Station H purchased \$17,380 of inventory from the consolidated entity during the current year. Amounts payable to the consolidated entity as at the end of the financial year were \$17,380. All inventory purchases are at arms-length prices, and accounts payable are due 30 days from invoice.

### *E. Additional Information*

Over the past five financial years as a whole, there has been an increase in shareholder wealth of \$24 million based on an increase in the Company's share price from \$0.30 at 30 June 2012 to \$0.88 at 30 June 2017. Additionally, as a contribution to shareholder wealth, the Company has returned \$7.7 million to shareholders during this period, by way of fully-franked dividends paid in the financial years 2012 (5 cents per share), 2013 (2.5 cents per share), 2015 (3 cents interim dividend), 2016 (4 cents final & 3 cents interim dividends) and 2017 (3 cents final & 3 cents interim dividends). This increase in shareholder wealth is set out in the graph below:



### 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 and its related parties received, or are due to receive, \$50,922 (2016: \$53,411) 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 42.

**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 22nd August 2017



Paul Isherwood  
Chairman





## Auditor's Independence Declaration

As lead auditor for the audit of Globe International Limited for the year ended 30 June 2017, 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 'Alison Tait'.

Alison Tait  
Partner  
PricewaterhouseCoopers

Melbourne  
22 August 2017

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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INCOME STATEMENT	NOTES	2017 \$'000	2016 \$'000
<b>Revenue from operations</b>	<b>3</b>	<b>140,484</b>	<b>150,822</b>
Changes in inventories of finished goods and work in progress		(7,503)	(2,305)
Inventories purchased		(68,572)	(81,678)
Selling and administrative expenses		(36,591)	(38,843)
Employee benefits expense		(21,683)	(21,206)
Depreciation and amortisation expense	4	(722)	(614)
Finance costs	4	(231)	(284)
<b>Profit before related income tax expense</b>		<b>5,182</b>	<b>5,892</b>
Income tax benefit/(expense)	5(a)	(101)	(1,152)
<b>Profit attributable to members of Globe International Limited</b>		<b>5,081</b>	<b>4,740</b>
<b>Earnings per share attributable to members of the Company (EPS):</b>			
Basic EPS (cents per share)	24	12.25	11.43
Diluted EPS (cents per share)	24	12.25	11.43

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

STATEMENT OF COMPREHENSIVE INCOME	NOTES	2017 \$'000	2016 \$'000
<b>Profit for the year</b>		<b>5,081</b>	<b>4,740</b>
<b>Other comprehensive income / (expense):</b>	(a)		
Changes in fair value of cash flow hedges	26 (b)	177	(876)
Exchange differences on translation of foreign operations	26 (a)	(589)	618
Income tax benefit / (expense) relating to components of other comprehensive income	5 (c)	41	155
Other comprehensive income/(expense) for the year, net of tax		(371)	(103)
<b>Total comprehensive income for the year attributable to the members of Globe International Limited</b>		<b>4,710</b>	<b>4,637</b>

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

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



# FINANCIAL STATEMENTS / BALANCE SHEET

As at 30 June 2017 / Globe International Limited

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	NOTES	2017 S'000	2016 S'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	10,810	9,017
Trade and other receivables*	11	17,789	16,978
Inventories*	12	20,932	27,245
Prepayments*	13	2,746	2,039
Current tax assets	6	101	882
<b>Total current assets</b>		<b>52,378</b>	<b>56,161</b>
<b>Non current assets</b>			
Property, plant and equipment	14	1,472	1,118
Intangible assets	16	1,517	-
Other assets	15	1,787	1,851
Deferred tax assets	6	3,376	3,771
<b>Total non current assets</b>		<b>8,152</b>	<b>6,740</b>
<b>Total assets</b>		<b>60,530</b>	<b>62,901</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	17	22,419	22,014
Borrowings	1	-	4,945
Derivative financial instruments	10	318	495
Current tax liability	7	35	14
Provisions	18	1,185	1,330
<b>Total current liabilities</b>		<b>23,957</b>	<b>28,798</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	7	-	593
Provisions	18	525	459
Other liabilities	19	814	39
<b>Total non-current liabilities</b>		<b>1,339</b>	<b>1,091</b>
<b>Total liabilities</b>		<b>25,296</b>	<b>29,889</b>
<b>NET ASSETS</b>		<b>35,234</b>	<b>33,012</b>
<b>Equity</b>			
Contributed equity	23	144,223	144,223
Treasury Shares	25	(487)	(487)
Reserves	26	(7,298)	(6,927)
Retained profits/(losses)	27	(101,204)	(103,797)
<b>TOTAL EQUITY</b>		<b>35,234</b>	<b>33,012</b>

\* Comparative figures within current assets have been restated to match current year classifications. Refer to Notes 11, 12 and 13 for further details.

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

**FINANCIAL STATEMENTS / STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 June 2017 / Globe International Limited

	CONTRIBUTED EQUITY \$'000	TREASURY SHARES \$'000	SHARE BASED PAYMENT RESERVE \$'000	CASH-FLOW HEDGE RESERVE \$'000	FOREIGN CURRENCY TRANSL'N RESERVE \$'000	RETAINED PROFITS / (LOSSES) \$'000	TOTAL EQUITY \$'000
<b>Balance at 1 July 2015</b>	<b>144,223</b>	<b>(487)</b>	<b>323</b>	<b>260</b>	<b>(7,407)</b>	<b>(105,635)</b>	<b>31,277</b>
Profit for the 2016 financial year	-	-	-	-	-	4,740	<b>4,740</b>
Other comprehensive income / (expense)	-	-	-	(609)	506	-	<b>(103)</b>
Total comprehensive income / (expense) for the year	-	-	-	(609)	506	4,740	<b>4,637</b>
<i>Transactions with owners in their capacity as owners:</i>							
Dividends paid	-	-	-	-	-	(2,902)	<b>(2,902)</b>
<b>Balance at 30 June 2016 / 1 July 2016</b>	<b>144,223</b>	<b>(487)</b>	<b>323</b>	<b>(349)</b>	<b>(6,901)</b>	<b>(103,797)</b>	<b>33,012</b>
Profit for the 2017 financial year	-	-	-	-	-	5,081	<b>5,081</b>
Other comprehensive income / (expense)	-	-	-	122	(493)	-	<b>(371)</b>
Total comprehensive income / (expense) for the year	-	-	-	122	(493)	5,081	<b>4,710</b>
<i>Transactions with owners in their capacity as owners:</i>							
Dividends paid	-	-	-	-	-	(2,488)	<b>(2,488)</b>
<b>Balance at 30 June 2017</b>	<b>144,223</b>	<b>(487)</b>	<b>323</b>	<b>(227)</b>	<b>(7,394)</b>	<b>(101,204)</b>	<b>35,234</b>

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

# FINANCIAL STATEMENTS / STATEMENT OF CASH FLOWS

For the year ended 30 June 2017 / Globe International Limited

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	NOTES	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		145,841	154,778
Payments to suppliers and employees (inclusive of goods and services tax)		(135,680)	(155,577)
Interest received	3	22	39
Interest paid	4	(231)	(284)
Income taxes received / (paid)		621	(2,320)
<b>Net cash provided by / (used in) operating activities</b>	8	10,573	(3,364)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	14	(885)	(320)
Payments for intangible assets	16	(333)	-
<b>Net cash provided by / (used in) investing activities</b>		(1,218)	(320)
<b>Cash flows from financing activities</b>			
Proceeds from / (repayment of) borrowings		(4,944)	4,944
Payment of dividend		(2,488)	(2,902)
<b>Net cash provided by / (used in) financing activities</b>		(7,432)	2,042
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,923</b>	<b>(1,642)</b>
Cash and cash equivalents at beginning of the financial year		9,017	10,296
Effect of exchange rates on cash holdings in foreign currencies		(130)	363
<b>Cash and cash equivalents at the end of the financial year</b>	9	<b>10,810</b>	<b>9,017</b>

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



**TABLE 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 counter-parties, 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	2017 \$'000	2016 \$'000
<b>Financial assets</b>			
Cash and cash equivalents	9	10,810	9,017
Trade and other receivables	11	17,789	16,978
Other assets	15	1,787	1,851
Total financial assets		30,386	27,846
<b>Financial liabilities</b>			
Trade and other payables	17	22,419	22,014
Borrowings	1	-	4,945
Derivative financial instruments	10	318	495
Other liabilities	19	814	39
Total financial liabilities		23,551	27,493

**NOTE 1. FINANCIAL RISK MANAGEMENT (continued)****(a) Credit risk**

Whilst overall credit risk management is overseen by the Board, the day to day management of credit risk is conducted at a regional level by 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	2017 \$'000	2016 \$'000
Trade receivables (net of provision)	(4)	15,767	15,498
Other receivables	(2)	1,363	1,070
Restricted cash on deposit		659	410
Total trade and other receivables		17,789	16,978
Other assets	(3)	1,787	1,851
Cash and cash equivalents	(1)	10,810	9,017
Total financial assets		30,386	27,846

**(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.

**(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 and the counter-party itself. 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.



**NOTE 1. FINANCIAL RISK MANAGEMENT (continued)****(a) Credit risk (continued)****(4) Trade receivables (continued)**

Included below is the quantitative details of the consolidated entity's exposure to credit risk from trade receivables at balance date:

	2017 \$'000	2016 \$'000
<i>The consolidated entity's maximum exposure to credit risk for trade receivables (net of provisions) at the reporting date by geographic region was:</i>		
Australasia	10,743	8,596
North America	2,768	3,848
Europe	2,256	2,881
	<b>15,767</b>	<b>15,325</b>

*The ageing of the consolidated entity's trade receivables considered past due as at the reporting date was:*

	2017 \$'000	2016 \$'000
Past due 0-30 days	3,718	2,874
Past due 0-30 days	1,820	1,993
Past due 61-90 days	440	547
Past due 90+ days	1,534	1,553
Total receivables past due	7,512	6,967
Impairment allowances (i)	(1,318)	(1,327)
Total receivables past due but not impaired	6,194	5,640

- (i) The impairment provision is applied against ageing receivables 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 further adjustments required to the value of the provision so calculated, which may include provisions up to 100% against certain doubtful receivables. The impairment allowance above is disclosed against the total value of past due debts, as it is not possible to apply the provision against each specific ageing category due to the way in which the provision is calculated. Management considers that the remainder of the trade receivables, despite being past-due, relate to customers that have a good credit history and in many cases a payment plan in place which is currently being adhered to. Accordingly, based on historical default rates management believes no further impairment is required.

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 impairment allowance relating to that receivable is written off against the financial asset directly.

	2017 \$'000	2016 \$'000
<i>The movement in the impairment allowance for trade receivables during the year was:</i>		
Balance at 1 July	1,327	1,961
Impairment losses / (write-backs) recognised during the year	322	267
Receivables written off against impairment allowance	(312)	(948)
Effects of foreign currency on translation of overseas entities impairment allowances	(19)	47
Balance at 30 June	1,318	1,327

**(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. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities in a currency that is not the consolidated entity's functional currency, or the functional currency of one of its subsidiaries. The risk is measured using sensitivity analysis and projections of future commercial transactions. Forward contracts are used to manage foreign exchange risk associated with inventory purchases.

The consolidated entity's risk management policy is for each region to hedge up to 75% of forecast USD denominated inventory purchases over a seven month period, where USD is not the functional currency of the subsidiary. All hedges of projected purchases qualify as "highly probable" forecast transactions for hedge accounting purposes.

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

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

	2017			2016		
	USD \$'000	EURO \$'000	GBP \$'000	USD \$'000	EURO \$'000	GBP \$'000
Trade receivables and other receivables	-	129	240	-	145	248
Trade payables	1,412	-	-	604	-	-
Forward exchange contracts to buy foreign currency	15,007	-	-	18,040	-	-
	16,419	129	240	18,644	145	248

**NOTE 1. FINANCIAL RISK MANAGEMENT (continued)****(b) Market risk (continued)***(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 Australia and North America, as discussed in further 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 end of the year, is detailed below:

	WEIGHTED AVERAGE INTEREST RATE (%)	FLOATING INTEREST RATE \$'000	NON-INTEREST BEARING \$'000	TOTAL \$'000
<b>2017</b>				
<b>Financial assets:</b>				
Cash and cash equivalents	0.6	641	10,169	10,810
Trade and other receivables	n/a	-	17,789	17,789
Other assets	n/a	-	1,787	1,787
		641	29,745	30,386
<b>Financial liabilities</b>				
Trade and other payables	n/a	-	22,419	22,419
Other liabilities	n/a	-	814	814
		-	23,233	23,233
<b>2016</b>				
<b>Financial assets:</b>				
Cash and cash equivalents	n/a	-	9,017	9,017
Trade and other receivables	n/a	-	16,978	16,978
Other assets	n/a	-	1,851	1,851
		-	27,846	27,846
<b>Financial liabilities</b>				
Trade and other payables	n/a	-	22,014	22,014
Borrowings	5.7	4,945	-	4,945
Other liabilities	n/a	-	39	39
		4,945	22,053	26,998



**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 balance date, and the availability of borrowing facilities. The quantitative details of both of these exposures as at the balance date are included below:

**(i) Financial liabilities**

With the exception of “other liabilities” the contractual maturities of the consolidated entity’s financial liabilities are all less than 6 months from balance date. Accordingly, the impact of discounting is not significant. As a result, the contractual cash flow is equal to the carrying amount of the financial liabilities.

Other liabilities include deferred rental accruals which arise from the impact of straight lining contractual rental expenses (in accordance with the accounting policy in Note 35 (h)), and the non-current portion of deferred settlement obligations for non-trade payables. The effect of discounting on both types of liabilities is not material, and therefore the contractual cash flow is equal to the carrying amount of the financial liabilities.

**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.

	REFERENCE	2017 \$'000	2016 \$'000
Secured receivables financing facilities			
- amount used (non-recourse North American facility )		4,782	2,956
- amount used (full-recourse Australian facility)	(a)	-	3,469
- amount unused		5,898	1,622
	(1)	10,680	8,047
Secured inventory financing facilities			
- amount used		-	-
- amount unused		1,734	1,479
	(2)	1,734	1,479
Secured multi-option facilities			
-amount used	(a)	-	1,476
-amount unused		5,446	1,517
	(3)	5,446	2,993
TOTAL FINANCING FACILITIES			
-amount used		4,782	7,901
-amount unused		13,078	4,618
		17,860	12,519
Bank guarantee facilities			
-amount used		876	549
-amount unused		53	13
	(4)	929	562
<u>Reconciliation of total value of borrowings recognised on the balance sheet:</u>			
(a) Total value of borrowings outstanding under Australian facilities		-	4,945
Total value of borrowings		-	4,945

**NOTE 1. FINANCIAL RISK MANAGEMENT (continued)****(c) Liquidity risk (continued)*****(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 million (2016: \$10 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 fallen comfortably within 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.

Non-recourse receivables sold to the factor are derecognised as trade receivables, and shown as debt due from factor under other receivables (see Note 11 *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 US\$2.0 million (2016: US\$2.0 million). Obligations due to the factor under the inventory financing agreement 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.



**NOTE 1. FINANCIAL RISK MANAGEMENT (continued)****(c) Liquidity risk (continued)****(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 (2016: \$1.5 million).

The consolidated entity's European subsidiary has an overdraft facility secured against the inventory of the subsidiary subject to a maximum limit of €0.3 million (2016: €1.0 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 11 *Trade and other receivables*), as well as a secondary charge over certain assets of the consolidated group.

**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. 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, Almost, Stussy 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. These operating segments are Australasia, North America and Europe. Management and the Board monitor the performance of each of these segments separately and consistently.

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 and expenses may include transfers between segments. Such transfers are priced on an arms-length basis and are eliminated on consolidation. Segment revenue includes all sales of goods and receipts from licensing income, but excludes interest income.

Segment result is after the allocation of all operating expenses, which are considered to be all expenses included in Earnings Before Interest Tax Depreciation and Amortisation (EBITDA), with the exception of Corporate expenses which do not relate to any single segment and are treated as unallocated.

**NOTE 2. SEGMENT REPORT (continued)****(b) Reportable Segment Information**

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

2017	NOTES	Australasia \$'000	North America \$'000	Europe \$'000	Unallocated \$'000	Total \$'000
<b><u>Segment Revenue</u></b>						
Total Segment Revenue	(c)(i)	77,082	41,989	21,391	-	140,462
<b><u>Segment Profit / (Loss)</u></b>						
<b>Segment EBITDA</b>	<b>(c)(ii)</b>	<b>12,043</b>	<b>(1,413)</b>	<b>464</b>	<b>(4,981)</b>	<b>6,113</b>
Depreciation and amortisation	4	(247)	(171)	(87)	(217)	(722)
Interest revenue	3	8	11	3	-	22
Finance costs	4	(171)	(60)	-	-	(231)
<i>Other material non-cash items</i>						
Impairment of receivables	4	(238)	57	(162)	-	(343)
Impairment of inventories	4	34	(37)	77	-	74
<b><u>Segment Assets and Liabilities</u></b>						
Reportable segment assets	(c)(iii)	35,758	18,191	12,325	1,517	67,791
Reportable segment liabilities	(c)(iv)	11,424	15,169	8,106	1,300	35,999
Acquisition of non-current assets		426	412	47	1,733	2,618

**NOTE 2. SEGMENT REPORT (continued)****(b) Reportable Segment Information (continued)**

2016	NOTES	Australasia \$'000	North America \$'000	Europe \$'000	Unallocated \$'000	Total \$'000
<u>Segment Revenue</u>						
Total Segment Revenue	(c)(i)	67,884	49,328	33,632	-	150,844
Internal Segment revenue		-	(61)	-	-	(61)
<b>External Segment Revenue</b>		<b>67,884</b>	<b>49,267</b>	<b>33,632</b>	<b>-</b>	<b>150,783</b>
<u>Segment Profit / (Loss)</u>						
<b>Segment EBITDA</b>	<b>(c)(ii)</b>	<b>9,082</b>	<b>(1,494)</b>	<b>4,229</b>	<b>(5,066)</b>	<b>6,751</b>
<b>Depreciation and amortisation</b>	4	(371)	(177)	(66)	-	(614)
Interest revenue	3	39	-	-	-	39
Finance costs	4	(203)	(81)	-	-	(284)
<b>Other material non-cash items</b>						
Impairment of receivables	4	(86)	25	240	-	179
Impairment of inventories	4	(186)	5	72	-	(109)
<u>Segment Assets and Liabilities</u>						
Reportable segment assets	(c)(iii)	34,160	18,782	13,117	-	66,059
Reportable segment liabilities	(c)(iv)	16,188	14,938	5,967	-	37,093
Acquisition of non-current assets		94	172	5 4	-	320



**NOTE 2. SEGMENT REPORT (continued)****(c) Reconciliations****(i) Segment Revenues**

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

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

	NOTES	2017 \$'000	2016 \$'000
Total segment revenue		140,462	150,844
Elimination of inter-segment revenue		-	(61)
Interest revenue		22	39
<b>Total revenue</b>	<b>3</b>	<b>140,484</b>	<b>150,822</b>

**(ii) Segment EBITDA**

Segment EBITDA is the most common measure used by the CEO and the board of directors to measure the performance of the operating segments. The measurement of EBITDA excludes the cost of central corporate costs, which are included as "unallocated" in the segment report. Globe brand development costs, including marketing creation and product design and development, are incurred centrally. To determine segment profitability, these costs are allocated one third to each segment for management and segment reporting purposes. All other costs are predominantly allocated to regions based on the location of the expenditure.

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

	NOTES	2017 \$'000	2016 \$'000
Total segment EBITDA (excluding unallocated expenses)		11,094	11,817
Unallocated Corporate expenses		(4,981)	(5,066)
<b>EBITDA</b>		<b>6,113</b>	<b>6,751</b>
Depreciation and amortisation	4	(722)	(614)
Interest revenue	3	22	39
Finance costs	4	(231)	(284)
		<b>(931)</b>	<b>(859)</b>
<b>Profit before tax</b>		<b>5,182</b>	<b>5,892</b>

**NOTE 2. SEGMENT REPORT (continued)****(c) Reconciliations (continued)****(iii) Segment Assets**

Segment Assets are allocated to the segments based on the physical location of the asset (inventories and property plant and equipment), 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. Reportable segment assets are reconciled to total assets as follows:

	NOTES	2017 \$'000	2016 \$'000
Total segment assets (excluding unallocated assets)		66,274	66,059
Elimination of inter-segment loans		(10,738)	(7,811)
Unallocated intangible assets	16	1,517	-
Current and deferred tax assets	6	3,477	4,653
<b>Total assets</b>		<b>60,530</b>	<b>62,901</b>

**(iv) Segment Liabilities**

Segment Liabilities are allocated to the segments based on the operations of the segment. Net intercompany payables are included in the segments as applicable. Borrowings are included in segment liabilities as these are short-term financing loans generally used to fund segment working capital. Other liabilities that relate to the deferred settlement consideration for the acquisition of non-trade payable trademarks are treated as unallocated. Current and deferred tax liabilities are not considered to be segment liabilities. Reportable segment liabilities are reconciled to total liabilities as follows:

	NOTES	2017 \$'000	2016 \$'000
Total segment liabilities (excluding unallocated liabilities)		34,699	37,093
Elimination of inter-segment loans		(10,738)	(7,811)
Unallocated other liabilities (non-trade)	19	1,300	-
Current and deferred tax liabilities	7	35	607
<b>Total liabilities</b>		<b>25,296</b>	<b>29,889</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. Non-current assets are allocated based on the location of the asset, or the country which derives income from the asset in the case of investments and intangible assets. Assets that are not allocated to reporting segments are excluded from regional assets.

	EXTERNAL SEGMENT REVENUES		EXTERNAL NON-CURRENT ASSETS	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Australia	71,426	61,838	579	400
United States	22,242	21,614	2,503	2,351
Other foreign countries	46,794	67,331	176	218
Unallocated deferred taxes	-	-	3,376	3,771
Unallocated intangible assets	-	-	1,517	-
<b>Total</b>	<b>140,462</b>	<b>150,783</b>	<b>8,151</b>	<b>6,740</b>

**NOTE 3. SEGMENT REVENUE**

	2017 \$'000	2016 \$'000
Sale of goods	140,006	150,299
Royalty income	456	484
Interest revenue	22	39
	<b>140,484</b>	<b>150,822</b>



**NOTE 4. EXPENSES**

	2017 \$'000	2016 \$'000
<b>Profit from ordinary activities of the continuing operations, before income tax, includes the following specific expenses:</b>		
Cost of sales	76,075	83,983
Bad and doubtful debts	343	(179)
Write down of inventory to net realisable value	(74)	109
<b>Borrowing costs</b>		
Interest & finance charges paid	231	284
<b>Operating lease expenses</b>		
Rent for premises	3,062	2,270
<b>Depreciation</b>		
Leasehold improvements	176	300
Plant & equipment	27	80
Office equipment, furniture and fittings	288	220
Motor Vehicles	14	14
Total Depreciation	505	614
Amortisation of trademarks	217	-
Total Amortisation	217	-
<b>Total Amortisation and Depreciation</b>	<b>722</b>	<b>614</b>

**NOTE 5. INCOME TAX EXPENSE**

	2017 \$'000	2016 \$'000
<b>(a) Income tax expense recognised in the income statement</b>		
Prior year under / (over) provision	-	7
Current tax (net of tax losses not recognised)	1,571	829
Deferred tax relating to temporary differences	33	704
Movement in provision against deferred tax assets	(1,503)	(756)
<b>Total income tax expense / (benefit)</b>	<b>101</b>	<b>1,152</b>

The current tax expense represent the amount charged to income tax expense in relation to current year tax payable, before the application of any available carried forward tax losses. The deferred income tax expense represents the movement in deferred tax assets relating to gross temporary differences. The movement in the provision 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 5. INCOME TAX EXPENSE (continued)**

	2017 \$'000	2016 \$'000
<b>(b) Numerical reconciliation between tax expense and pre-tax profit</b>		
Profit from continuing operations before income tax	5,182	5,892
Income tax expense / (benefit) calculated at 30%	1,555	1,768
<b>Increase / (decrease) in tax due to:</b>		
Prior year under / (over) provision	-	7
Movement in provision against deferred tax assets	(1,503)	(756)
Non allowable / (assessable) amounts	112	58
Differences in tax on overseas income	(63)	75
<b>Income tax expense / (benefit)</b>	<b>101</b>	<b>1,152</b>
<b>(c) Deferred tax recognised directly in other comprehensive income</b>		
Cash flow hedge reserve	55	266
Foreign currency translation reserve	(96)	(112)
<b>Deferred tax expense / (benefit)</b>	<b>(41)</b>	<b>154</b>
<b>(d) Franking Account</b>		
Franking account balance at 30% tax rate	1,626	2,692

**NOTE 6. TAX ASSETS**

	NOTES	2017 \$'000	2016 \$'000
Current tax assets	(i)	101	882
Deferred tax assets attributable to temporary differences	(ii)	976	3,771
Deferred tax assets attributable to tax losses	(iii)	2,400	-
Total deferred tax assets		3,376	3,771
<b>Total tax assets</b>		<b>3,477</b>	<b>4,653</b>

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

**NOTE 6. TAX ASSETS (continued)**

## (ii) Deferred taxes attributable to temporary differences

	NOTES	2017 \$'000	2016 \$'000
The total value of temporary differences, net of provisions, is as follows:			
Total gross temporary differences	(a)	3,721	3,771
Less: provisions for temporary differences	(b)	(2,210)	-
Less: Deferred tax liability off-set		(535)	-
<b>Deferred tax assets attributable to temporary differences</b>		<b>976</b>	<b>3,771</b>
(a) The gross balance comprises of temporary differences attributable to:			
Amounts recognised in profit and loss:			
Trade and other receivables		431	401
Inventories		509	515
Property, plant and equipment		961	994
Intangible assets		243	375
Employee benefits		486	675
Accruals		388	59
Other		445	486
		3,463	3,505
Amounts recognised directly in equity:			
Foreign currency translation reserve		122	96
Cash flow hedge reserve		136	170
<b>Deferred tax assets attributable to temporary differences</b>		<b>3,721</b>	<b>3,771</b>

## (iii) Deferred taxes attributable to tax losses

	NOTES	2017 \$'000	2016 \$'000
This balance 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	(b)	9,024	10,442
Less: provisions against revenue losses		(6,624)	(10,442)
Net deferred tax assets attributable to revenue losses		2,400	-
Capital losses		3,771	(3,771)
Less: provision against capital losses	(b)	(3,771)	(3,771)
Net deferred tax assets attributable to capital losses		-	-
<b>Net deferred tax assets attributable to losses</b>		<b>2,400</b>	<b>-</b>

(b) 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 35(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 7. TAX LIABILITIES**

	NOTES	2017 \$'000	2016 \$'000
<b>Current</b>			
Current tax liability		35	14
<b>Non-Current</b>			
Deferred tax liability	(i)	-	593
		<b>35</b>	<b>607</b>

(i) At the end of the current year, the deferred tax liability has been off-set against available deferred tax assets in the relevant jurisdictions.

Excluding the off-set, the balance consists of temporary differences attributable to:

<i>Amounts recognised directly in profit and loss:</i>			
Trade and other receivables		12	21
<i>Amounts recognised directly in equity:</i>			
Foreign currency translation reserve		478	548
Cash flow hedge reserve		45	24
<b>Total temporary differences</b>		<b>535</b>	<b>593</b>
<i>Less: Deferred tax asset off-set</i>		<i>(535)</i>	<i>-</i>
<b>Net deferred tax liability</b>		<b>-</b>	<b>593</b>

**NOTE 8. NOTES TO THE STATEMENT OF CASH FLOWS**

	NOTES	2017 \$'000	2016 \$'000
<b>Reconciliation of net cash provided by operating activities to profit from ordinary activities after income tax</b>			
Operating profit after taxation		5,081	4,740
Depreciation and amortisation	4	722	614
Net exchange gains / (losses) on net assets		(154)	(550)
Changes in operating asset and liabilities as reported:			
(Increase)/Decrease in trade receivables		(269)	(3,235)
(Increase)/Decrease in other receivables and prepayments		(1,249)	882
(Increase)/Decrease in inventories		6,313	2,346
Increase/(Decrease) in other payables/provisions/accruals		(476)	(6,511)
Increase/(Decrease) in net taxes payable		605	(1,650)
<b>Net cash provided by/(used in) operating activities</b>		<b>10,573</b>	<b>(3,364)</b>

**NOTE 9. CASH AND CASH EQUIVALENTS**

	NOTES	2017 \$'000	2016 \$'000
Cash at bank	(a)	10,810	9,017

(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 10. DERIVATIVE FINANCIAL INSTRUMENTS**

	NOTES	2017 \$'000	2016 \$'000
Forward exchange contracts – cash flow hedge asset / (liability)	(a)	(318)	(495)

*(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 11. TRADE AND OTHER RECEIVABLES**

	NOTES	2017 \$'000	2016 \$'000
<b>Current</b>			
Trade receivables		17,085	16,825
Less: Provision for doubtful receivables		(1,318)	(1,327)
	(a)	15,767	15,498
Other receivables	(b)	1,363	1,070
Restricted cash on deposit		659	410
	(c) (d)	17,789	16,978

*(a) 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 provision for doubtful debts. The provision for doubtful debts is a management estimate which requires some judgement, the basis for which is further outlined in Note 35 (ae).

*(b) Other receivables*

This amount includes \$1.0 million (2016: \$0.8million) 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.

*(c) 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*.

*(d) Prior year restatement*

An amount of \$0.4m relating to trade deposits has been reclassified from trade and other receivables to prepayments in the 30 June 2016 balance sheet, to ensure consistency with classifications in the 30 June 2017 balance sheet.

**NOTE 12. INVENTORIES**

	NOTES	2017 \$'000	2016 \$'000
Raw materials		350	323
Finished goods		21,413	27,943
Total inventories at cost		21,763	28,266
Provision for inventory write-downs	(a)	(831)	(1,021)
	(b)	20,932	27,245

*(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 35(ae).

*(b) Prior year restatement*

An amount of \$1.0m relating to prepayments made to suppliers has been reclassified from inventories to prepayments in the 30 June 2016 balance sheet, to ensure consistency with classifications in the 30 June 2017 balance sheet.

**NOTE 13. PREPAYMENTS**

	NOTES	2017 \$'000	2016 \$'000
Trade deposits	(a)	1,932	1,399
Other prepayments		814	640
		2,746	2,039

*(a) Prior year restatement*

The trade deposits balance of \$1.4 million at 30 June 2016 has been reclassified from inventories (\$1.0 million) and trade and other receivables (\$0.4 million) to match the classification of similar items in the current period balance sheet.

**NOTE 14. 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 IMP'MENTS \$'000	MOTOR VEHICLES \$'000	PLANT & EQUIPMENT \$'000	OFFICE EQUIPMENT, FURNITURE & FITTINGS \$'000	TOTAL GROUP \$'000
<b>Carrying value at 1 July 2015</b>	<b>667</b>	<b>15</b>	<b>148</b>	<b>558</b>	<b>1,388</b>
Additions	165	46	6	103	320
Depreciation	(300)	(14)	(80)	(220)	(614)
Foreign currency translation gain / (loss) on fixed assets of overseas subsidiaries	(19)	4	2	37	24
	<b>(154)</b>	<b>36</b>	<b>(72)</b>	<b>(80)</b>	<b>(270)</b>
Cost as at 30 June 2016	5,043	210	958	4,253	10,464
Accumulated depreciation at 30 June 2016	(4,530)	(159)	(882)	(3,775)	(9,346)
<b>Carrying value at 30 June 2016</b>	<b>513</b>	<b>51</b>	<b>76</b>	<b>478</b>	<b>1,118</b>
Additions	552	-	55	278	885
Depreciation	(176)	(14)	(27)	(288)	(505)
Foreign currency translation gain / (loss) on fixed assets of overseas subsidiaries	(12)	(2)	(3)	(9)	(26)
	<b>364</b>	<b>(16)</b>	<b>25</b>	<b>(19)</b>	<b>354</b>
Cost as at 30 June 2017	5,486	204	994	4,479	11,163
Accumulated depreciation at 30 June 2017	(4,609)	(169)	(893)	(4,020)	(9,691)
<b>Carrying value at 30 June 2017</b>	<b>877</b>	<b>35</b>	<b>101</b>	<b>459</b>	<b>1,472</b>

**NOTE 15. OTHER ASSETS**

	2017 \$'000	2016 \$'000
Investment in production facility	1,787	1,851

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.

**NOTE 16. INTANGIBLE ASSETS**

	GOODWILL \$'000	TRADEMARKS \$'000	OTHER INTANGIBLE ASSETS \$'000	TOTAL \$'000
<b>At 1 July 2016</b>				
Cost	65,345	35,114	437	100,896
Accumulated amortisation and impairment	(65,345)	(35,114)	(437)	(100,896)
Net book amount	-	-	-	-
<b>Year ended 30 June 2017</b>				
Trademarks acquired during the year (a)	-	1,733	-	1,733
Amortisation charge	-	(216)	-	(216)
Closing net book amount	-	1,517	-	1,517
<b>At 30 June 2017</b>				
Cost	65,345	36,847	437	102,629
Accumulated amortisation and impairment	(65,345)	(35,330)	(437)	(101,112)
Net book amount	-	1,517	-	1,517

**(a) Current year trademark acquisition**

During the current financial year, the consolidated entity acquired 50% of the Salty Crew trademark, and became the Master Licensee of the Salty Crew brand globally. The carrying value of the trademark at the reporting date is the value of consideration paid or payable to acquire 50% of the trademark less current period amortisation expense, since the acquisition on 1 January 2017. The trademark is considered to have a finite life of 4 years.

**(b) 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 35(j), this provision will never be reversed.



**NOTE 16. INTANGIBLE ASSETS (continued)****(b) Impairment tests for intangible assets (continued)**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.

As at the beginning of the financial year, the carrying value of all such brands was written down to zero through a combination of amortisation and impairment expense. In accordance with the accounting policy in Note 35(j), trademarks that have suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date.

During the financial year, the consolidated entity acquired an interest in a new trademark, as outlined in Note (a) above. As this asset has a finite life, its carrying value will be systematically reduced in line with amortisation expense over 4 years. The carrying value of the asset will be tested for impairment when any triggers for impairment are identified, in accordance with the accounting policy in Note 35 (j).

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 17. TRADE AND OTHER PAYABLES**

	2017 \$'000	2016 \$'000
<b>Current payables</b>	13,428	15,971
Trade creditors	8,991	6,043
Other creditors and accruals	22,419	22,014

**NOTE 18. PROVISIONS**

	NOTES	2017 \$'000	2016 \$'000
<b>Current</b>			
Employee entitlements	(a)	1,185	1,330
<b>Non-Current</b>			
Employee entitlements	(a)	525	459

**(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. Annual leave is recognised as a current provision as the consolidated entity does not have the unconditional right to defer settlement. The consolidated entity expects annual leave amounts to be largely paid out within 12 months. The following assumptions were used in measuring the long service leave provision for the year ended 30 June 2017:

Expected increase in salaries and wages	3% - 4%	(2016: 3% - 4%)
Expected salaries and wages on-costs	7% - 16%	(2016: 7% - 16%)

*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 17).

**NOTE 19. OTHER LIABILITIES**

	2017 \$'000	2016 \$'000
<b>Non-Current</b>		
Deferred consideration relating to trademark acquisition	650	-
Accruals related to lease incentives and fixed rent escalation clauses	164	39
	814	39

**NOTE 20. CONTINGENT LIABILITIES AND ASSETS**

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

**NOTE 21. COMMITMENTS**

	2017 \$'000	2016 \$'000
<b>Operating lease commitments:</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements include:		
- not later than 1 year	3,268	2,880
- later than 1 year but not later than 5 years	8,667	9,643
- later than 5 years	2,797	4,893
	14,732	17,416
Operating lease commitments relate to offices, warehouses and retail stores leased by the consolidated entity.		

**NOTE 22. POST BALANCE DATE EVENTS**

There are no reportable post balance date events.

**NOTE 23. CONTRIBUTED EQUITY**

	NOTES	2017 \$'000	2016 \$'000
Paid-up Capital:			
41,463,818 (2016: 41,463,818) fully paid ordinary shares	(a)	144,223	144,223

*(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 are to safeguard its ability to continue as a going concern, while providing reasonable returns to shareholders. Accordingly, the consolidated entity is constantly balancing these competing forces to determine the most appropriate mix of keeping cash within the business to minimise borrowings, versus returning cash to shareholders in the form of dividends. The consolidated entity's core strategies to manage these factors includes linking borrowings facilities to working capital balances (receivables, inventory or payables) to ensure that borrowings are limited to short term working capital needs; and linking dividends paid to a certain proportion of net profits earned (based on pre-determined range).

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to pay down debt or return capital to shareholders.

**NOTE 24. EARNINGS PER SHARE**

	NOTES	2017	2016
<b>Basic EPS</b>			
Earnings used in calculation of basic earnings per share (\$'000)		5,081	4,740
The weighted average number of shares on issue during the year used in calculation of basic earnings per share	23	41,463,818	41,463,818
Basic earnings per share (cents per share)		12.25	11.43
<b>Diluted EPS</b>			
Earnings used in calculation of diluted earnings per share (\$'000)		5,081	4,740
The weighted average number of shares on issue during the year used in calculation of diluted earnings per share	23	41,463,818	41,463,818
Diluted earnings per share (cents per share)		12.25	11.43

**NOTE 25. TREASURY SHARES**

	NOTES	2017 \$'000	2016 \$'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 36 to 40 of the Directors' Report. The total number of shares held as at the end of the financial year was 510,000 (2016: 510,000).



**NOTE 26. RESERVES**

	NOTES	2017 \$'000	2016 \$'000
Foreign currency translation reserve	(a)	(7,394)	(6,901)
Hedging reserve – cash flow hedge	(b)	(227)	(349)
Share based payments reserve	(c)	323	323
		(7,298)	(6,927)

	2017 \$'000	2016 \$'000
(a) <i>Foreign currency translation reserve</i>		
Balance at 1 July	(6,901)	(7,407)
Currency translation differences arising during the year, net of tax	(493)	506
Balance at 30 June	(7,394)	(6,901)

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 35(d). The reserve is recognised in profit and loss if and when the net investment is disposed of.

	2017 \$'000	2016 \$'000
(b) <i>Hedging reserve – cash flow hedges</i>		
Balance at 1 July	(349)	260
Revaluation – gross	(318)	(495)
Deferred tax	91	146
Transfer to inventory	349	(260)
Balance at 30 June	(227)	(349)

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 35(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 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 Long Term Incentive Plan is not currently being utilised.

**NOTE 27. RETAINED PROFITS / (LOSSES)**

	2017 \$'000	2016 \$'000
Balance at 1 July	(103,797)	(105,635)
Net profit for the year attributable to the members of the Company	5,081	4,740
Dividends paid	(2,488)	(2,902)
Retained profits / (losses) at the reporting date	(101,204)	(103,797)

**NOTE 28. DIVIDENDS**Final dividend paid in respect of 2016 financial year

During the year, the Company paid a fully franked final dividend of 3 cents per share, relating to the 2016 financial year. This dividend amounting to \$1.244 million was paid to shareholders on 14 October 2016 (2015 final dividend: \$1.658 million).

Interim dividend paid in respect of 2017 financial year

During the year, the Company paid a fully franked interim dividend of 3 cents per share, relating to the 2017 financial year. This dividend amounting to \$1.244 million was paid to shareholders on 24 March 2017 (2016 interim dividend: \$1.244 million).

Final dividend in respect of 2017 financial year

Since the end of the financial year, the directors have determined that a fully franked final dividend of 5 cents per share will be payable, relating to the 2017 financial year. This dividend, amounting to \$2.073 million, will be paid to shareholders on 22 September 2017 (2016 final dividend: \$1.244 million).

In total, dividends of 8 cents per share will be paid to shareholders in respect of the financial year ended 30 June 2017, compared to 6 cents paid in relation to the year ended 30 June 2016.

**NOTE 29. KEY MANAGEMENT PERSONNEL DISCLOSURES****Directors**

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

CHAIRMAN – NON EXECUTIVE DIRECTOR	EXECUTIVE DIRECTORS
Paul Isherwood	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:

NAME	POSITION	EMPLOYER
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**

	2017 \$	2016 \$
Short-term employee benefits	3,917,564	3,611,885
Post-employment benefits	98,887	89,154
	4,016,451	3,701,039

**NOTE 30. AUDITORS' REMUNERATION**

	2017 \$	2016 \$
<b>(a) Audit services</b>		
<i>PricewaterhouseCoopers Australia:</i>		
Audit and review of financial reports	233,784	246,488
<i>Overseas PricewaterhouseCoopers firms:</i>		
Audit and review of financial reports	38,812	39,394
	272,596	285,882
<b>(b) Non-audit services</b>		
<i>PricewaterhouseCoopers Australia:</i>		
Taxation services	36,193	30,424
<i>Overseas PricewaterhouseCoopers firms and other related parties:</i>		
Taxation services	14,729	22,987
	50,922	53,411
<b>(c) Non-PricewaterhouseCoopers audit firms</b>		
Audit and review of financial reports	6,856	6,672
	6,856	6,672
<b>Total auditors' remuneration</b>	<b>330,374</b>	<b>345,965</b>

**NOTE 31. RELATED PARTY DISCLOSURES****(a) Parent entity**

The ultimate parent entity of the consolidated group is Globe International Limited. For financial information relating to the parent, refer to Note 33.

**(b) Subsidiaries**

Interests in subsidiaries are set out in Note 32.

**(c) Key Management Personnel**

Disclosures relating to directors and key management personnel are set out in Note 29.



**NOTE 31. RELATED PARTY DISCLOSURES (continued)****(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, or better than 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:

	NOTES	2017 \$	2016 \$
<i>Commercial property lease</i>			
Payments for office and warehouse rent made to a director related entity		781,191	758,438
<i>Retail property fit out contribution</i>			
Payments for Globe branded retail store fit out contribution made to a director related entity		56,808	-
<i>Sale and Purchase of inventory</i>			
Purchases of inventory from other related party	15	15,714,701	22,164,289
Sales of inventory to a director related entity		17,380	-
		15,732,081	22,164,289

**(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:

	NOTES	2017 \$	2016 \$
Current payables (purchase of inventory) – other related party	15	4,457,971	5,783,976
Current receivables (sale of inventory) – director related entity		17,380	-
		4,475,351	5,783,976

**(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, and is due and payable on the first of every month.

Sale of goods to the director related entity is on arms-length terms, and amounts are due 30 days from shipment date.

**NOTE 32. SUBSIDIARIES**

The financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 35(b):

NAME	COUNTRY	OWNERSHIP INTEREST	
		2017 %	2016 %
<i>The Company</i>			
Globe International Limited*	Australia		
<i>Entities under the control of Globe International Ltd</i>			
Hardcore Enterprises Pty Ltd*	Australia	100	100
<i>Entities under the control of Hardcore Enterprises Pty Ltd</i>			
WINT Enterprises Pty Ltd*	Australia	100	100
KIDD Consolidated 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
<i>Entities under the control of PSC Skateboarding Pty Ltd</i>			
CASE Enterprises Pty Ltd*	Australia	100	100
<i>Entities under the control of Osata Enterprises, Inc.</i>			
Diaxis LLC	United States	100	100
Chomp Inc (formerly Skateboard World Industries, Inc.)	United States	100	100
Dwindle, Inc.	United States	100	100
<i>Entities under the control of Globe International Nominees Pty Ltd</i>			
Globe International (Asia) Limited	Hong Kong	100	100

\* Party to Deed of Cross Guarantee dated 29 June 2001 – relief from preparing financial statements obtained under ASIC Class Order 98/1418.

**NOTE 33. PARENT ENTITY FINANCIAL INFORMATION****(a) Summary financial information**

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

	2017 \$'000	2016 \$'000
<b>Balance sheet</b>		
Current assets	23,300	24,949
Total assets	55,367	57,169
Current liabilities	10,638	15,529
Total liabilities	11,212	16,039
<i>Shareholders equity</i>		
Issued capital	144,223	144,223
Treasury shares	(487)	(487)
Reserves	4	(73)
Profit reserves	8,857	5,910
Accumulated losses	(108,443)	(108,443)
Total Equity	44,154	41,130
<b>Statement of comprehensive income</b>		
Net profit for the year before tax	7,854	8,249
Net profit for the year after tax	5,434	6,279

**(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 34 *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 2017 or 30 June 2016.

**NOTE 34. DEED OF CROSS GUARANTEE**

A deed of cross guarantee between Hardcore Enterprises Pty Ltd, WINT Enterprises Pty Ltd, Globe International Nominees Pty Ltd, CASE Enterprises Pty Ltd, KIDD Consolidated Pty Ltd, PSC Skateboarding Pty Ltd ("the subsidiaries") and Globe International Limited was entered into on 29 June 2001 and relief was obtained from preparing financial statements for the subsidiaries under ASIC Class Order 98/1418. Under the deed each entity guarantees to support the liabilities and obligations of the others. The income 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>2017 \$'000</b>	<b>2016 \$'000</b>
<b>Revenue from operations</b>	76,330	64,760
Other income	783	1,046
Changes in inventories of finished goods and work in progress	(5,521)	2,282
Materials and consumables used	(33,724)	(37,604)
Employee benefits expense	(9,061)	(8,779)
Depreciation, amortisation and impairment expense	(464)	(372)
Finance costs	(171)	(204)
Selling, general and administrative expenses	(19,420)	(17,191)
<b>Profit before income tax</b>	<b>8,752</b>	<b>3,938</b>
Income tax benefit / (expense)	2,548	(289)
<b>Net profit after tax</b>	<b>11,300</b>	<b>3,649</b>



**NOTE 34. DEED OF CROSS GUARANTEE (continued)**

<b>BALANCE SHEET</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,063	1,580
Trade and other receivables*	9,957	7,798
Inventories*	9,208	13,731
Prepayments*	2,072	1,849
<b>Total current assets</b>	<b>23,300</b>	<b>24,958</b>
<b>Non current assets</b>		
Trade and other receivables	11,867	9,095
Property, plant and equipment	579	400
Intangibles	1,517	-
Other assets	16,768	16,768
Deferred tax assets	3,325	1,319
<b>Total non current assets</b>	<b>34,056</b>	<b>27,582</b>
<b>Total assets</b>	<b>57,356</b>	<b>52,540</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	10,181	9,350
Borrowings – receivables financing facility	-	4,945
Derivative financial instruments	454	565
Provisions	606	620
<b>Total current liabilities</b>	<b>11,241</b>	<b>15,480</b>
<b>Non current liabilities</b>		
Deferred tax liabilities	-	560
Provisions	525	459
Other	699	39
<b>Total non current liabilities</b>	<b>1,224</b>	<b>1,058</b>
<b>Total liabilities</b>	<b>12,465</b>	<b>16,538</b>
<b>NET ASSETS</b>	<b>44,891</b>	<b>36,002</b>
<b>Equity</b>		
Contributed equity	144,223	144,223
Treasury Shares	(487)	(487)
Reserves	5	(72)
Retained losses and accumulated profit reserves	(98,850)	(107,662)
<b>Total equity</b>	<b>44,891</b>	<b>36,002</b>

\* Comparative figures have been restated during the current year to match minor re-classifications of current assets in the current year.

**NOTE 35. 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.

*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 2017. The adoption of these standards has not had a material impact to the financial position, performance or cash flows of the consolidated entity.

**(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 2017 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 35(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 35. 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.

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

**(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.

**NOTE 35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(h) Leases**

Leases of property, plant and equipment where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. The consolidated entity does not have any finance leases, which are those leases where the consolidated entity has substantially all the risks and rewards of ownership.

**(i) Web site costs**

Costs in relation to the development of new e-commerce sites are capitalised as incurred. Costs in relation to the on-going development and maintenance of branded web sites and existing e-commerce sites are charged as expenses in the period in which they are incurred.

**(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.

**(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 recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. 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. A provision for doubtful receivables is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivable. Management judgement is used to estimate the value of the provision – as outlined in Note 35(ae). The amount of the provision is recognised in the income statement.

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

**NOTE 35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(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). Costs are assigned to inventory based on standard costs which closely approximate actual costs. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling costs. 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 35(ae). The amount of the provision is recognised in the income statement.

**(o) Investments and other financial assets**Classification

The consolidated entity classifies its financial assets in the following categories: all receivables are classified as “loans and receivables” and derivatives are classified as derivative financial instruments. The consolidated entity does not hold any “financial assets at fair value through profit and loss”, as derivatives qualify for hedge accounting, nor does it hold any “held-to-maturity investments”. Other investments are presented as other assets.

Recognition and measurement

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

Impairment

The consolidated entity assesses at each balance date whether there is objective evidence that an investment, a financial asset or group of financial assets is impaired. In the case of investments, 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 investments and receivables are recognised directly in the income statement.

**(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, overestimated useful lives as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 35(j)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.



**NOTE 35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(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 35(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. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The consolidated entity designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 10. Movements in the hedging reserve in shareholders' equity are shown in Note 26. The credit risk and foreign exchange risk exposures associated with these instruments is discussed in Note 1.

*Cash Flow hedges*

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

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss. 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.

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.

**NOTE 35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(u) Provisions**

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

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

**(v) Employee Benefits***Salaries and wages*

Liabilities for salaries and wages, including 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.

*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 using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the 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.

*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 9 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.

**NOTE 35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(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.

**(ac) Parent entity financial information**

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

The financial information for the parent entity, Globe International Limited, disclosed in Note 33 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.

**NOTE 35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(ac) Parent entity financial information (continued)**

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 with the tax consolidated entities are recognised as amounts receivable or payable to other entities in the group. 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 accounting standards**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods, and which have not yet been adopted by the consolidated entity. A brief outline of these standards and the likely impacts of their application are outlined below:

- (i) AASB 15 Revenue from Contracts with Customers – effective for reporting periods on or after 1 January 2018. The consolidated entity has reviewed the standard and does not expect that it will have any material impact on the income statement or balance sheet upon application.
- (ii) AASB 9 Financial Instruments – effective for reporting periods on or after 1 January 2018. The consolidated entity has reviewed the standard and does not expect that it will have any material impact on the income statement or balance sheet upon application.
- (iii) AASB 16 Leases - effective for reporting periods on or after 1 January 2019. The consolidated entity has reviewed the new standard and expects that it will have a material impact on the income statement and the balance sheet upon application. While a full assessment of the financial impacts is not yet completed, it is currently underway and the likely impacts are expected to include:
  - An increase in total assets due to the recognition of a "Right of Use" asset for all existing operating leases
  - An increase in total liabilities due to the recognition of all future lease commitments
  - An increase in operating profitability (EBITDA) due to lower rent expense, off-set by an increase in interest and depreciation expense.

There are no other 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.

**NOTE 35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(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.

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

The current year income tax expense and current tax payable are determined in accordance with Note 35(c). The areas within this accounting policy that require management estimates include:

- Deferred tax assets related to deductible temporary differences and unused tax losses can only be recognized to the extent to which it is probable that future taxable amounts will be available to utilize those temporary differences and tax losses. Where it is not considered probable that such future taxable amounts will be available, a provision will be carried against the value of the deferred tax asset. Management estimates "future taxable amounts" by considering a range of possible outcomes for each jurisdiction and selecting the most appropriate amount within that range, based on recent history and current business trends. The range of possible outcomes includes estimates of future profits based on recent history of taxable income and approved budgeted profits within a range of between 1 and 3 years of future profitability.
- Estimated tax liabilities in relation to on-going tax audits or disputes with tax authorities. Where there has been notification from a tax authority that there are specific areas under review as part of an on-going audit, the consolidated entity recognizes a provision for taxes payable to the extent it is considered probable that these areas under review will result in additional taxes payable in that jurisdiction.

*ii. Estimates of the provision for trade receivables*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. The provision for doubtful receivables is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivable. A combination of Group Policy and management judgement is used to estimate the value of the provision, as follows:

- The first step is to classify each receivable individually as collectable or doubtful.
- Management judgement is used to determine the provision required against each individual doubtful account. Management uses a number of factors to judge the level of the provision required 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. The provision is usually be somewhere between 25% and 100% of the outstanding balance of each doubtful receivable.
- Group policy is applied to the remaining receivables not identified as doubtful. Based on historical collectability, the group apply a provision of 0.5% and 25%, based on the respective age of receivables.

*iii. Estimates of the provision for trade 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 Group 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 Group policy is determined based on historical levels of inventory obsolescence. In addition to the provision calculated based on the Group 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 Group policy) is required to reflect the heavier discounting than normal which may be required to clear that inventory.



**NOTE 35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(ae) Critical Accounting estimates (continued)****(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 directors' opinion:

- (a) the financial statements and notes, as set out on pages 44 to 93, and remuneration disclosures on pages 36 to 40, 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 2017, 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 34 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 34.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial reporting period ending 30 June 2017.

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 22nd August 2017



Paul Isherwood  
Chairman





## *Independent auditor's report*

To the shareholders 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 2017 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 2017
- 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant

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to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code

### *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.



<i>Materiality</i>	<i>Audit scope</i>	<i>Key audit matters</i>
<ul style="list-style-type: none"> <li>For the purpose of our audit we used overall Group materiality of \$1.0 million, which represents approximately 0.7% of the Group's revenue.</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 revenue because, in our view, it is the metric against which the performance of the Group is commonly measured by users.</li> <li>We selected 0.7% based on our professional judgement which is within the range of commonly accepted revenue related benchmarks.</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>Component auditors operating under our instruction performed specific risk focused audit procedures for the European reporting unit. For these procedures, we decided on the level of involvement required from us to be able to conclude whether sufficient appropriate audit evidence had been obtained. Our involvement included issuing detailed instructions and holding discussions with the component auditor to understand key audit risks and findings.</li> </ul>	<ul style="list-style-type: none"> <li>Amongst other relevant topics, we communicated the following key audit matters to the Board:             <ul style="list-style-type: none"> <li>Inventory valuation</li> <li>Recoverability of deferred taxation</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>





### 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.

Key audit matter	How our audit addressed the key audit matter
<p><b>Inventory valuation</b> (Refer to note 12)</p> <p>Inventory represents the largest asset on the balance sheet (\$20.9m) as at June 2017, and is presented net of an inventory provision of \$0.8m. Inventory consists of skate-boarding hard-goods, apparel, footwear and accessories across all brands and is held at the Group's warehouses or is in transit.</p> <p>In determining the value of the inventory provision, the Group apply a policy based on the category of product-by-season and the estimated sales value of inventory items. Estimating sales value requires consideration of:</p> <ul style="list-style-type: none"> <li>• historic and forecast sales performance of brands and products</li> <li>• which brands and products may be discontinued</li> <li>• future clearance and discounting activities.</li> </ul> <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 2017 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's sales by brand. Where there was a decline in sales performance for a brand, we assessed whether the relevant inventory items were included within the inventory provision analysis.</li> <li>• Held discussions with the Group's operations and marketing management team to determine whether any plans to discontinue or sell individual brands had been considered in calculating the inventory provision.</li> </ul>
<p><b>Recoverability of deferred taxation</b> (Refer to note 6)</p> <p>The Group has \$3.4m of deferred tax assets recognised as at 30 June 2017. \$3.3m of these deferred tax assets relate to temporary differences and taxable losses arising in Australia. The Group also holds \$5.1m of unrecognised taxable losses in relation to Australia.</p> <p>Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by</p>	<p>To evaluate the Group's ability to utilise the deferred tax assets, we performed the following procedures amongst others:</p> <ul style="list-style-type: none"> <li>• Compared the deferred tax asset to the range of possible outcomes of forecast taxable income prepared by the Group to determine whether the deferred tax asset recognised was within this range.</li> <li>• Considered the appropriateness of the range of possible outcomes by: <ul style="list-style-type: none"> <li>- comparing the underlying revenue and revenue growth assumptions to historic performance</li> <li>- evaluating the underlying profit, profit</li> </ul> </li> </ul>



Key audit matter	How our audit addressed the key audit matter
<p>reducing tax payable on future taxable profits.</p> <p>We considered this to be a key audit matter because significant judgement is required by the Group in determining whether it is probable that there will be sufficient future taxable profits to utilise the recognised deferred tax assets given the historically volatile market in which the Group operates.</p>	<p>growth assumptions and effective tax rate applied</p> <ul style="list-style-type: none"> <li>- comparing the prior year budgets to actual performance to determine the accuracy of the budgeting process</li> <li>• Compared the forecast taxable income period recognised to historic cyclical trends.</li> </ul>
<p><b>Accounts receivable valuation</b> (Refer to note 11)</p> <p>The Group has trade receivables of \$15.8m as at 30 June 2017, which is presented in the balance sheet net of a provision for doubtful receivables of \$1.3m.</p> <p>The Group's customer base is made up of a large number of small to medium sized retailers who are spread across different geographical regions. The retail market in which the Group's customers operate is volatile and highly competitive. The Group has seen a decline in general market trends in North America and Europe, which can adversely impact the Group's customers' ability to pay outstanding receivables.</p> <p>We considered the valuation of receivables to be a key audit matter as judgement is required by the Group in determining the provision for doubtful receivables based on the Group's assessment of the ability of customers to pay their outstanding balances.</p>	<p>To assess the valuation of receivables we performed the following procedures amongst others:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Recalculated the provision to determine whether it had been calculated in accordance with the Group's provisioning policy.</li> <li>• Analysed and compared the ageing profile for each significant reporting unit to the corresponding aging profile for the prior year to identify any deterioration in the overall ageing of trade receivables.</li> <li>• Assessed the provisioning policy by considering the historical collection from aged receivables and developing an understanding of the movements of aged receivables from the prior year.</li> <li>• Traced a sample of outstanding receivables at 30 June 2017 to payments received after year-end. Where any balances remained unpaid, we considered whether they were recoverable by examining the ageing of these items and assessing historic payment terms.</li> </ul>

### Other information

The directors are responsible for the other information. The other information included in the Group's annual report for the year ended 30 June 2017 comprises the Directors Report (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. We also expect other information to be made available to us after the date of this auditor's report, including the Chief Executive Officer's Letter to Shareholders, Stock Exchange and Investor Information and Company Particulars.



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 identified above 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 as identified above, 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:  
[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.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 36 to 40 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the remuneration report of Globe International Limited for the year ended 30 June 2017 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.

A stylized, handwritten signature of the PricewaterhouseCoopers firm, written in black ink.

PricewaterhouseCoopers

A handwritten signature of Alison Tait, written in black ink.

Alison Tait  
Partner

Melbourne  
22 August 2017

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**THE INFORMATION SET OUT BELOW WAS APPLICABLE AT 5 SEPTEMBER 2017**

<b>TOP 20 SHAREHOLDERS</b>	<b>NUMBER OF FULLY PAID ORDINARY SHARES</b>	<b>PERCENTAGE OF ISSUED SHARES</b>
MR STEPHEN DAVID HILL	12,525,606	30.21%
MR PETER JOHN HILL	12,436,009	29.99%
MR MATTHEW PATRICK HILL	3,495,965	8.43%
POLY TOWN PTY LTD	2,436,022	5.88%
J P MORGAN NOMINEES AUSTRALIA LIMITED	1,353,388	3.26%
MR PAUL AND MRS SUZANNE ISHERWOOD	1,000,000	2.41%
LAWN VIEWS PTY LTD	963,000	2.32%
CPU SHARE PLANS PTY LTD	510,000	1.23%
BOW LANE NOMINEES PTY LTD	473,846	1.14%
LLIENO PTY LTD	360,353	0.87%
GARACHI PTY LTD	300,000	0.72%
BRIDES PTY LIMITED	290,000	0.70%
DOG FUNDS PTY LTD	283,973	0.68%
NORMAN O'BRYAN	246,408	0.59%
ARMAFORCE PTY LTD	224,948	0.54%
ANGUELINE CAPITAL PTY LIMITED	202,000	0.49%
MR MICHAEL FILIPOVIC	200,000	0.48%
MR MICHAEL FILIPOVIC & MRS ROSETTA FILIPOVIC	200,000	0.48%
DOUGLAS ZAPPELLI & KAYLIN ZAPPELLI	154,096	0.37%
CHEMICAL TRUSTEE LIMITED	125,000	0.30%
NIAS INVESTMENTS PTY LTD	125,000	0.30%
NATIONAL NOMINEES LIMITED	120,860	0.29%
<b>TOTAL TOP 20</b>	<b>38,026,474</b>	<b>91.71%</b>
<b>TOTAL ISSUED CAPITAL</b>	<b>41,463,818</b>	<b>100.00%</b>
<b>SUBSTANTIAL SHAREHOLDERS</b>		
MR STEPHEN DAVID HILL	12,525,606	30.21%
MR PETER JOHN HILL	12,436,009	29.99%
MR MATTHEW PATRICK HILL	3,495,965	8.43%
POLY TOWN PTY LTD	2,436,022	5.88%
<b>DISTRIBUTION OF HOLDINGS</b>	<b>NUMBER OF HOLDERS</b>	<b>NUMBER OF SHARES</b>
1-1000 shares	251	98,059
1001-5000 shares	266	633,657
5001-10,000 shares	39	321,857
10,001 - 100,000 shares	64	2,155,461
100,001 - and over shares	24	38,254,784
<b>TOTAL</b>	<b>644</b>	<b>41,463,818</b>

The number of security holders holding less than a marketable parcel is 164 and they hold 32,610 securities



## UNQUOTED EQUITY SECURITIES

The Company has no unquoted securities at the date of this report.

## ANNUAL REPORT

The Company has elected to distribute its Annual Report online, by making it available on its website at: [www.globecorporate.com](http://www.globecorporate.com). Hard copies of the Annual Report will only be sent to those shareholders who have elected to receive one.

## YOU CAN DO SO MUCH MORE ONLINE

Did you know that you can access – and even update – information about your holdings in Globe International Limited via the internet?

You can access your information securely online via our share registry website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) using your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as well as your surname (or company name) and postcode (must be the postcode recorded on your holding record).

It's fast and it's easy. You can:

- Check your current and previous holding balances
- Choose your preferred annual report option
- Update your address details
- Update your bank details
- Confirm whether you have lodged your Tax File Number (TFN), Australian Business Number (ABN) or exemption
- Enter your email address and update your communications preferences
- Subscribe to email announcements
- Check transaction and dividend history
- Check the share prices and graphs
- Download a variety of instruction forms.

### Don't miss out on your dividends;

Dividend cheques that are not banked are required to be handed over to the State Trustee under the Unclaimed Monies Act, so you are reminded to bank cheques immediately.

### Better still, why not have us bank your dividend payments for you?

How would you like to have immediate access to your dividend payments? Your dividend payments can be credited directly into any nominated bank, building society or credit union account in Australia. Not only can we do your banking for you, dividends paid by direct credit can reach your account as cleared funds, allowing you to access them on the payment date.

### Contact Information

You can contact the Share Registry by phone, email, in person, or in writing:

Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

Telephone (within Australia): 1300 55 44 74  
International: +61 2 8280 7111  
Facsimile: +61 3 9287 0303  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

Hand deliveries to:  
Tower 4, 727 Collins Street Melbourne VIC 3008



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## DIRECTORS

Paul Isherwood	Non-Executive Chairman
Stephen Hill	Executive Director and Founder
Peter Hill	Executive Director and Founder

## SENIOR MANAGEMENT

Matt Hill	Chief Executive Officer
Jessica Moelands	Chief Financial Officer
Gary Valentine	Chief Operating Officer / President North America
Jon Moses	President Australasia
Matt Wong	President Global Product

## PRINCIPAL REGISTERED OFFICE

1 Fennell Street  
Port Melbourne VIC 3207  
Australia  
Tel: +61 3 8534 9999  
Fax: +61 3 8534 9955

## COMPANY SECRETARY

Gerhard Correa  
1 Fennell Street  
Port Melbourne VIC 3207  
Australia  
Tel: +61 3 8534 9999  
Fax: +61 3 8534 9955

## SHARE REGISTRY

Link Market Services Limited  
Tower 4, 727 Collins Street  
Melbourne VIC 3008  
Tel: 1300 554 474  
Tel: +61 2 8280 7111  
Fax: +61 2 9287 0303  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## AUDITORS

PricewaterhouseCoopers  
2 Riverside Quay  
Southbank VIC 3006

## CORPORATE WEBSITE

[www.globecorporate.com](http://www.globecorporate.com)

## STOCK EXCHANGE LISTINGS

Globe International Ltd shares are listed on the Australian Securities Exchange.  
Ticker: GLB



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