

SURFSTITCH GROUP LIMITED

APPENDIX 4E

Current Reporting Period:
Previous Corresponding Period:

13 October 2014 to 30 June 2015
Not Applicable

Section A: Results for announcement to the market

	30 June 2015 \$'000	Percentage change %	Amount change \$'000
Revenue and net profit			
Revenue from ordinary activities	97,857	NM	NM
Loss from ordinary activities after tax from continuing operations	14,248	NM	NM
Loss from ordinary activities after tax attributable to members	47,277	NM	NM
		Amount per security	Franked amount per security
Dividends			
Final dividend in respect of the period 13 October 2014 to 30 June 2015:	Nil	NIL	NIL
Record date for determining entitlements to the final dividend:	NA	NA	NA
Interim dividend in respect of period 13 October 2014 to 31 December 2014:	Nil	NIL	NIL
		Period ended 30 June 2015	Comparative Period
Net tangible assets per security			
Net tangible assets per security		\$0.40	NA

NM: Not Meaningful

NA: Not Applicable

Section B: Commentary on results

Explanation of revenue, net profit and dividends (distributions)

Commentary for the results of the period 13 October 2014 to 30 June 2015 is contained in the attached Australia Stock Exchange (ASX) release.

Additional Information

This report is based on accounts which have been audited. The audit report, which was unqualified, is included within the Annual Financial Report which accompanies this Appendix 4E. Additional Appendix 4E requirements can be found in the Annual Financial Report.

ASX: SRF

SURFSTITCH GROUP LIMITED

ACN 602 288 004

Annual Financial Report
for the period 13 October 2014 to 30 June 2015

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Board of Directors

Non-Executive Directors

Howard McDonald

Independent Non-Executive Chairman

Appointment to the Board
October 2014

Committee memberships
Audit, Risk and Compliance;
Remuneration and Nomination
(Chairman)

Qualifications
Fellow of the Australian Institute of
Company Directors
Bachelor of Economics from
Monash University

Skills and experience
Howard has significant retail and
fashion experience with over 35
years in consumer goods
industries. Howard was previously
a Senior Executive at Pacific
Dunlop Ltd, prior to joining Just
Group as Managing Director for a
period of 9 years. Howard was
Chairman of Myer Ltd from August
2009 to October 2012, and Director
of Myer from November 2006.
Howard is currently Chairman of
Rodd & Gunn Australia and Rodd &
Gunn New Zealand.

**Directorships of listed entities
(last three years)**
Previously Chairman of Myer
Holdings Ltd.

Stephen Goddard

Independent Non-Executive Director

Appointment to the Board
November 2014

Committee memberships
Audit, Risk and Compliance
(Chairman); Remuneration and
Nomination

Qualifications
Master of Science from the
University of Melbourne

Skills and experience
Stephen has more than 25 years of
retail experience, having previously
worked for David Jones, Myer and
Officeworks across a broad range
of areas including finance, strategic
planning, merchandise, stores,
logistics, supply chain and
property.

**Directorships of listed entities
(last three years)**
Currently a non-executive director
at Pacific Brands Ltd.

Jane Huxley

Independent Non-Executive Director

Appointment to the Board
June 2015

Committee memberships
Audit, Risk and Compliance
Remuneration and Nomination

Qualifications
Graduate Member of the Australian
Institute of Company Directors
Graduate Certificate in Change
Management

Skills and experience
Jane is an experienced senior level
executive with technology, media
and telecommunications
experience. Jane is currently the
Managing Director of Pandora
Internet Radio Australia. Prior to
this Jane held a number of senior
executive roles including General
Manager – CEO at Fairfax Digital
(Metro Media), Head of Mass
Market at Vodafone; and various
Director roles with Microsoft
Corporation.

**Directorships of listed entities
(last three years)**
Pandora Media Pty Ltd (subsidiary
of Pandora Media, Inc; NYSE:P)

Board of Directors

Executive Directors

Justin Cameron

Chief Executive Officer and Managing Director

Appointment to the Board
October 2014

Committee memberships
Audit, Risk and Compliance

Qualifications
Bachelor of Commerce from the University of Sydney

Skills and experience
Justin co-founded the SurfStitch business in 2007 and has since held several senior management roles in Australia and Europe operations.

Before co-founding SurfStitch, Justin had over 15 years of experience in the finance industry having worked previously as Head of Equities and Research at Commonwealth Bank, and previous positions as Director of Telecommunications Research at Credit Suisse, ABN Amro and Merrill Lynch.

Directorships of listed entities (last three years)
None

Lex Pedersen

Managing Director and President of Swell

Appointment to the Board
October 2014

Committee memberships
None

Qualifications
Master of Arts from Macquarie University

Skills and experience
Lex co-founded the SurfStitch business in 2007 and has since held several senior management roles the Australia, Europe and North American operations.

Before co-founding SurfStitch, Lex had over 15 years of experience in surfwear retailing, having previously worked as the operations manager for Surfection, a surf retail chain in New South Wales.

Directorships of listed entities (last three years)
None

Justin Stone

Managing Director, Europe

Appointment to the Board
December 2014

Committee memberships
None

Qualifications
Bachelor of Science in Economics from University College London

Skills and experience
Justin founded the SurfStitch business in 2006 and has held the Managing Director role since. Justin has over eight years experience in online Action Sports retailing.

Directorships of listed entities (last three years)
None

Operating and Financial Review

INTRODUCTION

The Directors are pleased to present the full year Operating and Financial Review (OFR) for SurfStitch Group Limited (SGL) and its subsidiaries (collectively, SurfStitch or the Group). The OFR is provided to assist shareholders' understanding of the Group's business performance and the factors underlying the Group results and financial position.

SurfStitch Group Limited was incorporated on 13 October 2014, and completed an Initial Public Offering on the Australian Securities Exchange on 16 December 2014. Given the Group listed in December 2014, comparisons to the previous financial year and to the forecast contained in the IPO Prospectus (Forecast) are provided on both a Statutory and Pro Forma basis. The Directors believe that the Pro Forma presentation of results is a better indicator of underlying performance and differs from the Statutory presentation.

The Group's underlying Pro Forma performance reflect the full year effect of the operating structure that was put in place at the time of the IPO and excludes one-time costs associated with the IPO-Listing and subsequent capital raising; acquisition and integration of new operations; corporate restructure and divestiture in redundant infrastructure.

This review covers the period from 1 July 2014 to 30 June 2015, including the prior corresponding period. Refer to page 11 for further detail on the statutory and Pro Forma reporting periods, and to the table in the column opposite for a summary of Pro Forma performance.

HIGHLIGHTS

In FY15, our first result following the December 2014 Initial Public Offering (IPO), SurfStitch exceeded its Prospectus Pro Forma Forecast and delivered strong revenue and earnings growth on

all key performance measures. Pro Forma revenue increased \$45.3 million (29.4%), Pro Forma EBITDA increased \$11.1 million, and Pro Forma PBT increased \$12.2 million. Profitability and cash flow strengthened as Pro Forma EBITDA margin lifted to 3.9% to reach \$7.7 million, from a loss of \$3.4 million in the prior comparable period.

millions

Pro Forma	FY14	FY15	Change
Revenue	\$154.1	\$199.4	29.4%
Gross Profit	\$66.9	\$91.6	36.9%
EBITDA	(\$3.4)	\$7.7	nm
PBT	(\$8.1)	\$4.1	nm
Statutory ¹	FY14	FY15	Change
Revenue	na	\$97.9	na
Gross Profit	na	\$37.3	na
EBITDA	na	(\$35.1)	na
PBT	na	(\$37.5)	na

¹ includes one-time expenses such as separation and restructuring costs associated with Billabong and Quiksilver Groups and acquisitions, IPO listing, transaction and capital raise fees.

We executed on the following significant milestones in FY15:

- Separation from Billabong and Quiksilver Groups
- Completed capital raise and acquisitions of Magicseaweed and Stab
- Accelerated growth in all regions
- Commenced phase 1 of integrated media and commerce brand strategy

Operating Review

OUR BUSINESS MODEL

The Group has grown to now have operations in Australia, UK and North America, employing over 400 people globally.

The Group sources products from over 500 suppliers globally, with the majority of inventory sourced directly from brand owners. We also have relationships with wholesale distributors and agents/resellers, through which we procure inventory. The strength of our supplier relationships enables us to negotiate trading arrangements that we considers to be attractive.

While SurfStitch Australia, SurfDome Shop (UK) and Swell (US) are operated separately on a day-to-day basis, in order to ensure latitude is afforded to each business to pursue regional strategies, all regions share certain infrastructure, resources and information. For example, trademarks, customer engagement strategies, and some shared services. Distribution centres operate on an integrated basis, enabling them to fulfil orders depending on where it is most economic to do so.

KEY BRANDS AND PRODUCTS

The Group works closely with the world's leading brands to bring our customers exclusive, unique styles unavailable from any other retailer globally. Our teams are also working with exciting, emerging new brands to deliver to our customers the freshest assortment of curated styles, while our content harnesses the power of communities to provide an improved product offering and embrace the growth potential of the increasingly connected world.

SurfStitch offers over 700 leading Action Sports brands which appeal to teens and young adults that participate in Action Sports and those that identify with the Action Sports lifestyle. Its product range spans skate, surf and snowboard apparel, accessories, footwear and hard goods.

The number of brands and products carried by SurfStitch has grown each year since the business was founded. Its portfolio of established and emerging brands has increased significantly since 2010 and now includes over 30,000 Action Sports products.

OUR RETAIL WEBSITES



SurfStitch began in 2008 when two surfing friends identified a gap in the market with the Australian surf retail market. Now, with over 20 years industry experience, a passion for customer service and one of the strongest product knowledge backgrounds in the industry, Lex Pedersen and Justin Cameron have brought to life a unique global actions sports and apparel retail experience. From the very first order, the duo has been the driving force behind SurfStitch, providing shoppers from around the world with a high quality and unique experience.

SWELL

NORTH AMERICA

Swell has been established since 1999 and is located in Irvine, Southern California. Since Swell's launch, the business has always strived to be more than another surf clothing and hardware retailer and has a global reputation for carefully curated brands across key surf and apparel categories. Swell joined the SurfStitch group in 2014 and provides the group with a powerful footprint in North America, Canada and beyond.



Surfdome was launched in 2006 by founder and now SurfStitch Group board member Justin Stone. Headquartered in London, Surfdome.com has become the definitive action sports and lifestyle destination in Europe, holding over 600 over the world's leading Action Sports, Lifestyle and Outdoor brands. Surfdome joined the SurfStitch Group in 2014.

CONTENT MARKETING - DESTINATION RETAILER

There is an increasing need to find new and relevant ways of attracting and engaging with potential customers while remaining relevant and authentic.

In May 2015, SurfStitch Group agreed to acquire Magicseaweed and Stab Magazine. The acquisitions accelerate the delivery of SurfStitch's strategy to become the global destination for action sports and youth lifestyle content and online retail. Magicseaweed, Stab Magazine and SurfStitch, together, will represent a digital ecosystem capable of capturing and influencing customers at all points of the surf and action sports lifestyle cycle.

Magicseaweed and Stab Magazine are both global leaders in their respective online platforms. Magicseaweed is the world's leading online surf forecaster and user generated surf content network and Stab Magazine is the world's leading online surf publishing and content provider. Together, they attract over 2.75 million unique monthly visitors to their websites.

By leveraging content from Magicseaweed and Stab to attract and retain a rapidly evolving and increasingly sophisticated customer base, SurfStitch Group aims to significantly enhance customer engagement levels throughout its family of ecommerce platforms. Magicseaweed, Stab

Magazine and SurfStitch, together, represent a digital ecosystem capable of capturing and influencing customers at all points of the surf and action sports lifestyle cycle.



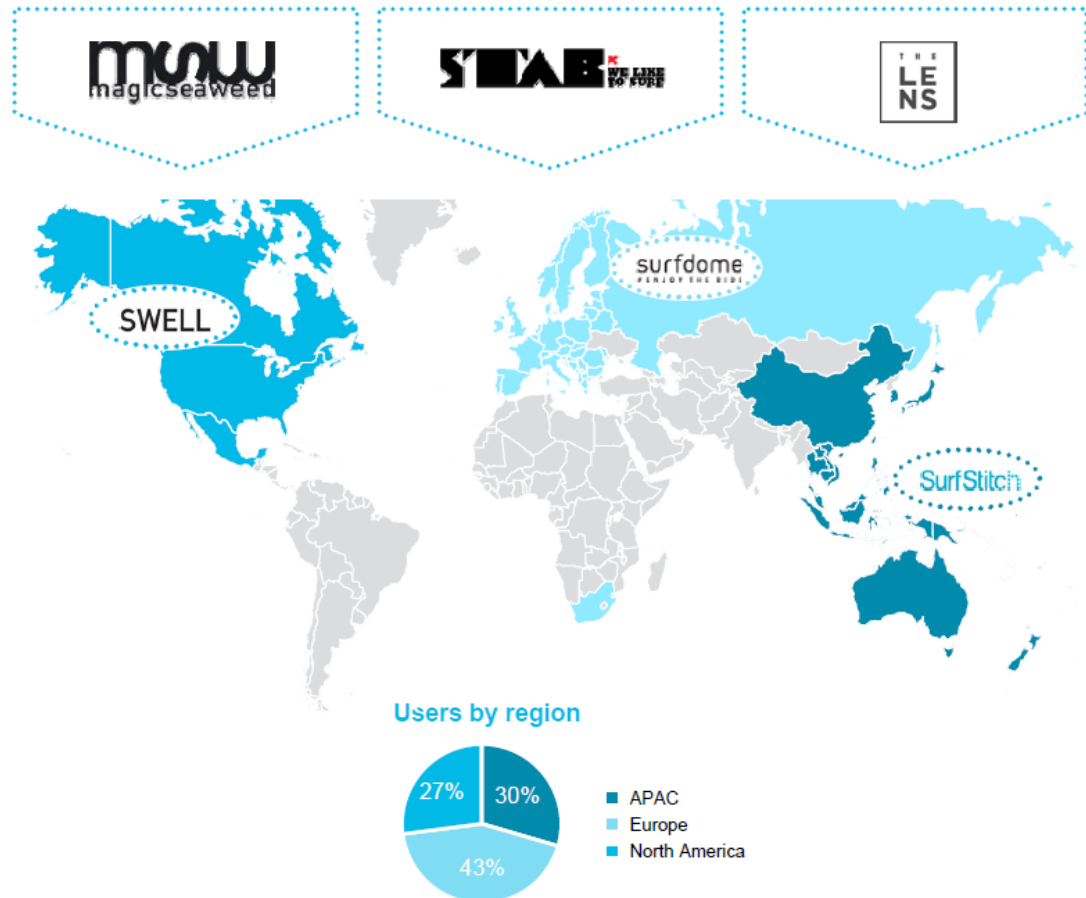
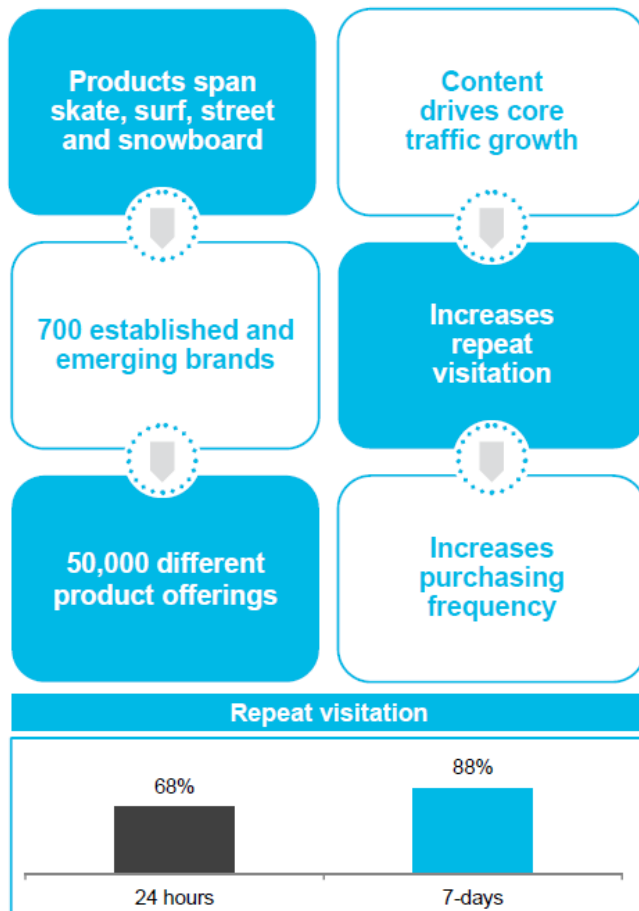
Headquartered in the UK, Magicseaweed is the world's largest user generated surf content network, providing forecasting and live reporting of over 4,000 beaches across the globe. Magicseaweed was founded in 2002 and has become the world's leading online surf forecasting platform, used by surfers and water sports enthusiasts in over 200 countries. Magicseaweed serves the key markets of North America, Europe and Australia, attracting over 2 million unique monthly users to its site, and over 1 million app downloads.



Stab Magazine is the world's leading online surf publishing network. Established in 2004 and headquartered in Sydney, Stab Magazine originated as a style and surf print magazine, and leveraged its strong relationships with brands and athletes to launch its successful digital platform. It has become a social media hub in surf and a trusted source of product reviews, exclusive content and access to athletes and brands. Stab Magazine drives over 750,000 unique monthly users to its site.

OUR BUSINESS MODEL TODAY

A digital ecosystem.



SurfStitchGroup

INDUSTRY OVERVIEW - ACTION SPORTS SEGMENT

The Action Sports segment is defined by equity research firm Piper Jaffray as the market for skate, surf, snowboard, street, bicycle and motocross apparel, footwear, accessories and hard goods.

Many of the well-known brands in the Action Sports segment are owned by aggregated brand managers such as Billabong Nike, Quiksilver, Rip Curl and VF Corp. These products are generally sold through wholesalers or directly to the consumer through a network of company owned stores. Multi-brand retailers such as PacSun, Tilly's and Zumiez are also seeking to invest in and grow their proprietary brand offerings.

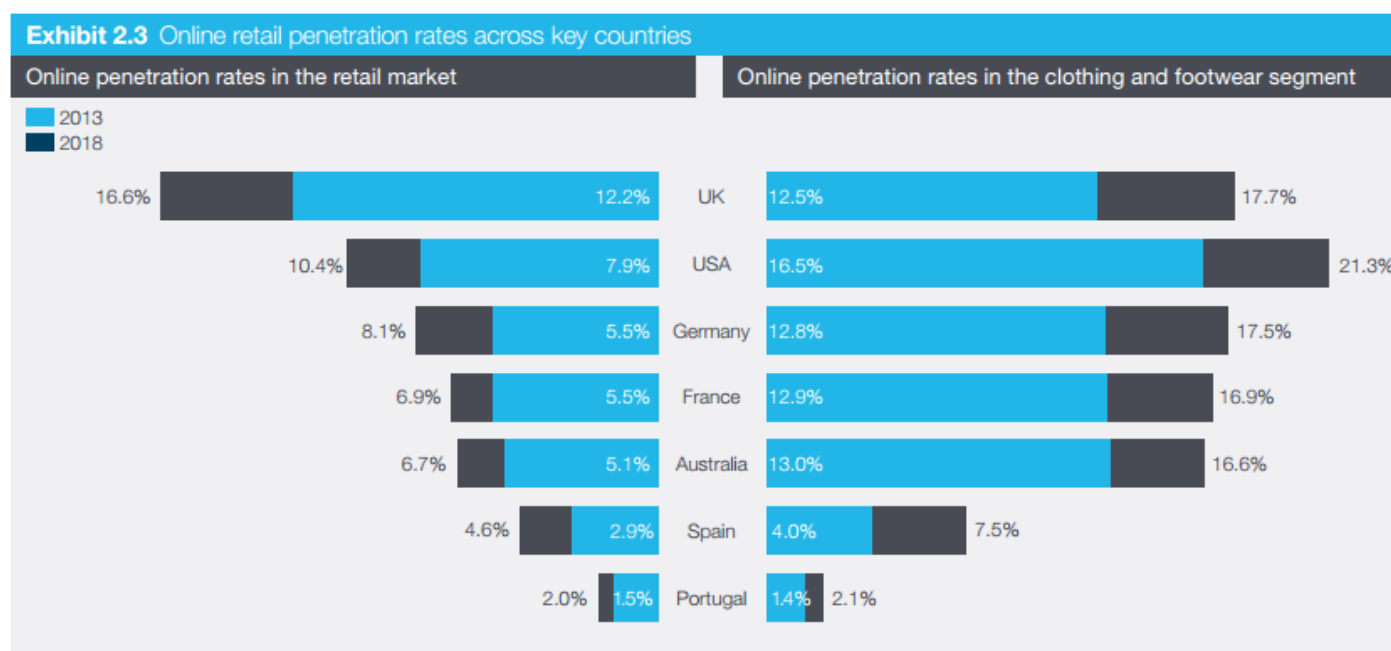
The core consumers in the Action Sport segment include teens and young adults that participate in Action Sports and those that identify with the Action Sports lifestyle. SurfStitch believes that Action Sports are an important and growing aspect of youth culture.

A recent trend in the Action Sports segment is the growth in consumer demand for niche brands and cross-over brands (street, skate, urban).

When questioned about their spending behaviour, brand preferences and influences in Piper Jaffray's spring 2014 Taking Stock With Teens survey, teenagers⁴ in the USA named 59 unique brands and retailers in the Action Sports lifestyle category, up from 47 in Autumn 2013 and 35 in spring 2013. This indicates increased awareness of Action Sports brands amongst youth culture.

INDUSTRY OVERVIEW - ACTION SPORTS SEGMENT SIZE

There are no official published statistics on the value of retail sales in the Action Sports segment given its numerous components. However, publicly available information for certain major Action Sports brand owners and three publicly listed multi-brand Action Sports retailers (PacSun, Tilly's and Zumiez) indicates that these businesses earned combined revenue in excess of US\$16 billion from Action Sports products. SurfStitch believes that this estimate does not reflect the full value of retail sales given brand owners' revenues are predominantly wholesale revenues.

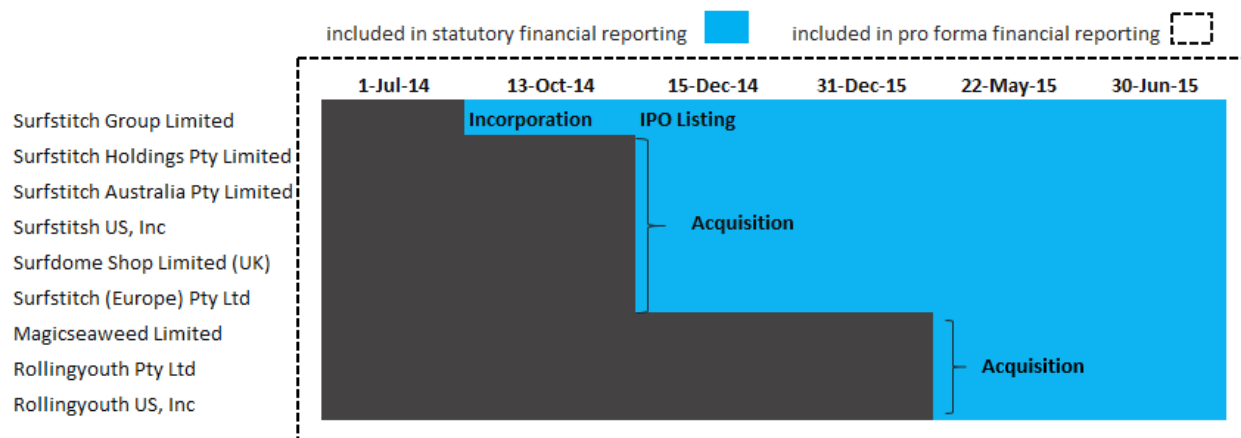


Source: Canadean.

Financial Review

REPORTING PERIODS

The section shaded blue in the diagram below represents that period of FY15 included in the SurfStitch Group Statutory Financial Statements, for each entity in the Group.



Key Dates

- 13 October 2014: SurfStitch Group Limited (SGL) was incorporated on 13 October 2014
- 16 December 2014: SGL Listed on the ASX on 16 December 2014
- 16 December 2014: SGL acquired 100% of the equity of SurfStitch Holdings Pty Limited (SHPL) and its subsidiaries
- April 2014: discontinued operations in France
- May 2014: undertook a second capital raising to fund the May acquisitions
- 22 May 2014: the acquisition of 100% of the equity of Magicseaweed and Stab Magazine (Rollingyouth Pty Ltd and its US subsidiary)

PROFIT OR LOSS

(AUD millions)

In order to provide a comprehensive view of the consolidated business and to provide visibility into year over year comparisons, pro forma adjustments have been taken to reflect the full fiscal year period of 1 July 2014 to 30 June 2015. Pro forma adjustments to the statutory accounts include the assumption that SurfStitch, Surfdome, SWELL, Magicseaweed and Stab were acquired as at 1 July 2014 with their earnings included in all periods shown.

	Pro Forma			Statutory - Continuing	
	FY2015 Actual	Prospectus Forecast	FY2014 Actual	FY2015 Actual	FY2014 Actual
Revenue	\$199.4	\$199.1	\$154.1	\$97.9	NA
Gross profit	\$91.6	\$89.7	\$66.9	\$37.3	NA
Gross profit margin %	45.9%	45.0%	43.4%	38.1%	NA
EBITDA	\$7.7	\$5.1	(\$3.4)	(\$35.1)	NA
EBITDA margin%	3.9%	2.6%	(2.2%)	(35.8%)	NA

Revenue

Total sales grew by 30% for the full year FY15 to \$199.4 million. In FY15 the SurfStitch Group focused on aligning the optimal product assortment across the retail businesses as it integrated the newly acquired UK and US assets. The importance of the merchandise strategy was evidenced in the accelerated sales growth across all regions. The Asia Pacific business continued its strong growth momentum (up 44% yoy), driven by improving inventory levels, stronger conversion and increased average order values, despite a challenged domestic retail landscape.

European growth elevated in 2H15 with increased penetration into the broader European markets.

France, Germany, Spain and the Nordic regions provided for a full year growth of 22%. Importantly, the core UK business witnessed accelerating growth rates and has delivered growth above 20% in 2H15. The repositioning strategy around product and brand in North America is delivering early signs of positive trends with the region experiencing 17% yoy sales growth for FY15. Building the full momentum of this strategy takes time, but with the restructuring of inventory and brand assortment, we are well positioned to further reinvigorate growth in line with group objectives.

	Pro Forma			Statutory - Continuing	
	FY2015 Actual	Prospectus Forecast	FY2014 Actual	FY2015 Actual	FY2014 Actual
Asia-Pac	\$82.9	\$81.5	\$57.3	\$42.6	NA
Europe	\$87.3	\$87.4	\$71.7	\$44.2	NA
North America	\$29.1	\$29.7	\$24.9	\$15.6	NA

Gross Profit

The 251bps improvement in gross profit margin for the full year FY2015 was delivered as a result of the Group's new merchandising strategy, improved vendor terms and improved Group conversion rates. By leveraging our global buying power and audience influence we have been able to partner with suppliers to offer customers exclusive brands, products and content, driving premium pricing engagement.

Importantly, the focus away from fast fashion inventory to curated, branded and athlete authenticated inventory, delivered price and margin expansion in all key product categories. The improved stock turn and product sell-through are expected to accelerate as content is further entrenched in the customer experience.

Operating Expenses

The Group worked intensively to integrate the businesses as quickly as possible to realise economies of scale and synergy benefits. Focus on removing duplication globally and closure of the local French operations resulted in a 455bps improvement in operating costs to sales.

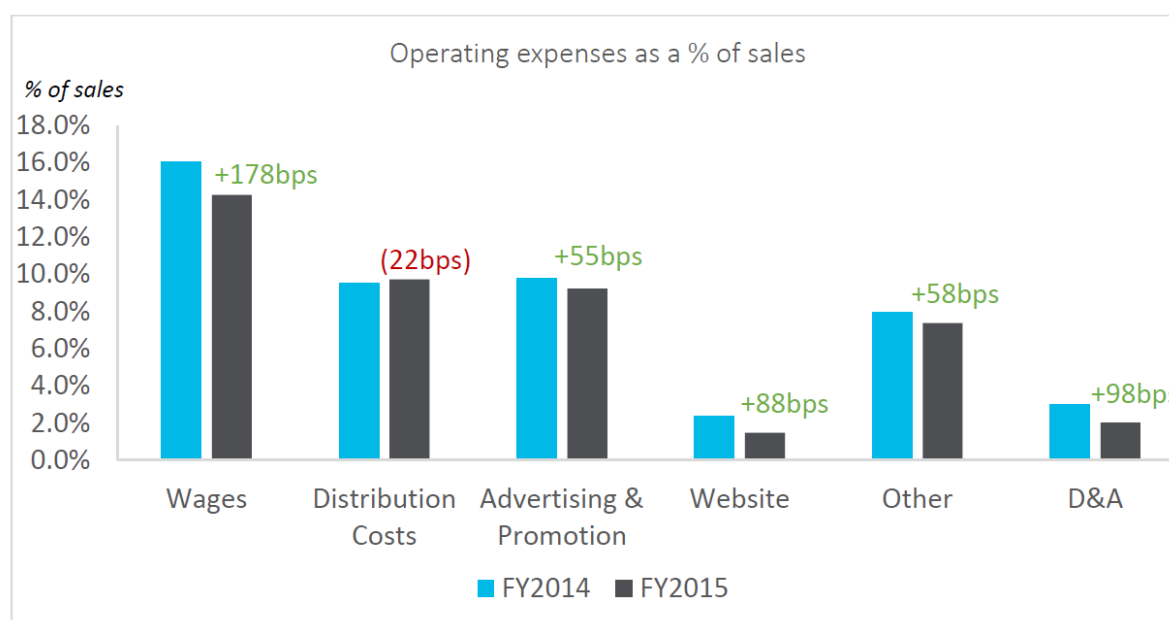
Improvements in all key operating cost line items, contributed to improved profitability across the Group (table below).

Labour costs for FY15 decreased as ratio of sales by 178bps vs FY14. Improved labour efficiencies across Group functions was the primary driver.

Marketing investment continued its disciplined approach, gained through ROI visibility, a focus on high yield channels and the removal of redundant strategies.

As expected, ceasing to manage third party websites and more effectively redeploying assets across owned platforms delivered a website expenses improvement of 88bps.

These operating cost improvements were achieved despite the meaningful investment in integrating Surfdomo and SWELL into the broader Group.



Depreciation and Net Finance

IT investment focused on the SurfStitch Group platforms in the second half and reflected the additional capacity from fully separating from the Billabong and Quiksilver Groups.

There is no debt at the SurfStitch Group or subsidiary levels. The resulting decrease in interest expense and interest income gained from proceeds of the IPO, capital raise and SPP. These had a positive impact to net financing in FY2015 that will continue into FY2016.

Cash Generating and Working Capital

The broadly neutral Pro Forma cash flow from operations of (A\$1.4m) was delivered despite significant working capital investment to drive continued top line growth improvements. FY15 resulted in improved stock turn and trading terms. As the full run-rate benefits of our strategy take effect and integration costs fall away, we expect cash flow from operations to continue to improve.

Capital Expenditure

Capital expenditure for the Group was \$7.3m for 2015, predominantly invested in core IT and warehousing solutions. In anticipation of growth and capacity requirements to support growth, the SurfStitch Group has made significant capital investments in IT platforms, including capital expenditures to build-out the IT infrastructure across the Group's platforms in order to offer customers a quality experience across all of our websites and across all types of devices.

Strong Balance Sheet

The SurfStitch Group has no debt at the group or subsidiary levels and is in a net cash position as of 30 June 2015.

FX Impact

The SurfStitch Group is a global business with operations in the USA, Europe and Australia. While our business model serves as a natural FX hedge allowing us to price at the regional level and minimise impact to costs by sourcing the most effectively, we report in Australian dollars but also earn revenues in US dollars and British pounds. Although FX movements have been most favorable to the US business, North America represents ~16% of total global consolidated sales. As such, FX impact has not been material to the overall trends of the consolidated business.

FX rate to Australian Dollars		
Region	FY2015	FY2014
USD:AUD	1.2117x	1.0958x
GBP:AUD	1.8859x	1.7873x

Corporate Governance Statement

This statement outlines the key aspects of SurfStitch Group's governance framework and main governance practices. The charters, policies, and procedures are regularly reviewed and updated to comply with law and best practice. These charters and policies can be viewed on SurfStitch's investor website located at www.surfstitchgroup.com/investors.

SurfStitch is committed to applying the ASX Corporate Governance Council's Corporate Governance Principles (3rd Edition) and throughout the period 16 December 2014 (the date the company was admitted to the Official list of the ASX) to 30 June 2015, it considers that it has complied with the ASX Principles and Recommendations (CGPR).

This Corporate Governance Statement was approved by the Board of Directors and is current as at 30 June 2015.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role and Responsibilities of the Board

The Board of Directors is primarily responsible for setting the strategic direction and corporate governance of the Group.

The Board has adopted a Board Charter which sets out the responsibilities of the Board and its structure and governance requirements. Under the Board Charter the Board has the following responsibilities:

- selecting, appointing, evaluating the performance of, and determining remuneration of, the CEO;
- overseeing the appointment and removal of, and the succession planning for, the CFO;
- contributing to, and approving management development of corporate strategy, including setting performance objectives and approving operating budgets;
- reviewing, ratifying and monitoring systems of risk management and internal control and ethical and legal compliance. This includes reviewing procedures to identify the main risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;

- monitoring corporate performance and implementation of strategy and policy;
- approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
- developing and reviewing corporate governance principles and policies; and
- performing such other functions as are prescribed by law or are assigned to the Board.

Matters specifically reserved for the Board or its committees include:

- appointment of a chair;
- appointment and removal of the CEO;
- appointment of directors to fill a vacancy or as additional Director;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- calling of meetings of shareholders; and
- any other specific matters nominated by the Board from time to time.

Administration of the Board

The Board holds regular meetings, and has diarised a minimum of 11 meetings a year, with additional unscheduled meetings as frequently as may be required to deal with other matters. In addition, the Non-executive Directors meet at least once a year in the absence of the CEO and management, and at such other times as they may determine; the Independent Directors may also meet on their own as they determine appropriate. Details of the current Directors, their qualifications, skills and experience, are set out on pages 4 and 5 of the Annual Report. Details of their attendance at Board and Committee meetings during the year, are set out on page 29 of the Annual Report.

Independent Legal Advice

To support proper discharge of duties, the Board collectively, and each Director individually, has the right to seek independent professional advice. This has been captured clearly in each Director's letter of appointment.

Committees of the Board

While at all times the Board maintains full responsibility for guiding and monitoring SurfStitch, it has delegated certain responsibilities and functions to Committees and management.

The Board has established the following Committees to assist it in discharging its functions:

- Audit, Risk and Compliance Committee; and
- Remuneration and Nomination Committee.

Each Committee was appointed by SurfStitch and each of their charters adopted, on 27 November 2014.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee is responsible for assisting the Board in carrying out its accounting, auditing, financial reporting and risk management responsibilities, including:

- overseeing SurfStitch's relationship with the external auditor and the external audit function generally;
- overseeing the preparation of the financial statements and reports;

- overseeing the Group's financial controls and systems; and
- managing the process of identification and management of risk.

The Board, at least once in each year, reviews the membership and Charter of the Committee, to determine its adequacy for current circumstances. The Committee may make recommendations to the Board in relation to the Committee's membership, responsibilities, functions or otherwise.

The Audit, Risk and Compliance Committee consists of three Non-executive Directors, and is Chaired by an independent Director who is not a Chair of the Board.

The Committee meets as often as its members deem necessary in order to fulfil their role. However, it is intended that the Committee will normally meet at least four times a year.

A copy of the Audit, Risk and Compliance Committee Charter is available at www.surfstitchgroup.com/investors.

Remuneration and Nomination Committee

SurfStitch has established a Remuneration and Nomination Committee to assist the Board, and make recommendations on matters relating to succession planning, nomination of the Directors and CEO, and remuneration of the Directors, CEO and executives that report to the CEO. The Remuneration and Nomination Committee consists of three members, also Non-executive Directors (of whom are independent), with an independent Chair. The Remuneration and Nomination Committee meets as often as its members deem necessary in order to fulfil their role. However, it is intended that the Remuneration and Nomination Committee will meet at least twice a year.

Factors to be considered when reviewing a potential candidate for Board appointment, include without limitation:

- The skills, experience, expertise and personal qualities that will best complement Board effectiveness;

- The existing composition of the Board, having regard to the factors outlined in the Diversity and Inclusion Policy and the objective of achieving a Board comprising Directors from a diverse range of backgrounds;
- The capability of the candidate to devote the necessary time and commitment to the role; and
- Potential conflicts of interest, and independence.

External search organisations may be engaged (as appropriate) to assist the Board identify potential Director Candidates. In respect of the current Directors, no material adverse information was revealed by checks performed in respect of each Director, nor was any matter identified that might influence a Director's ability to act in the best interests of the company and its shareholders.

As at the date of this Corporate Governance Report, no candidate had been put before shareholders for appointment or election. In the event of same, SurfStitch will follow the selection process, including:

- Conducting appropriate checks before putting forward to shareholders a candidate for election, as a Director, or their subsequent appointment;
- Consultation with all Directors, with any recommendations from the Remuneration and Nomination Committee;
- Upon election/approval, an offer of a Board appointment to be made by the Chair and confirmed by a letter of appointment in the standard format approved by the Board or the Remuneration and Nomination Committee from time to time.

In accordance with the Group's Constitution, no Director, except the CEO, shall hold office without re-election beyond the third Annual General Meeting at which the Director was last elected or re-elected. Directors available for re-election at a General Meeting are reviewed by the Remuneration and Nomination Committee after consultation with the Board.

Agreements with Directors and Senior Executives

Non-executive Directors are engaged through a letter of appointment which sets out the Director's roles and responsibilities and SurfStitch's expectations, including in respect of the requirement to comply with company policies and SurfStitch's Code of Conduct. The letter also addresses Non-executive Directors' indemnity and insurance arrangements, ongoing rights to access company information and confidentiality obligations that apply on an ongoing basis. SurfStitch enters into service contracts with all executives, which sets out their individual roles and responsibilities, as well as their key performance indicators and corporate obligations in respect of adherence to company policy and SurfStitch Code of Conduct.

Board, Committee and Director Performance

The Remuneration and Nomination Committee is tasked with assisting the Board, as required, in relation to the performance evaluation of the Board, its Committees and individual Directors, and in developing and implementing plans for identifying, assessing and enhancing Director competencies.

Where appropriate to facilitate the performance evaluation process, assistance may be obtained from third party advisers.

A Board performance review was conducted in July/August 2015. The next performance review of the Board is scheduled to be conducted in July 2016.

Performance and Training of Senior Management

The Board sets KPIs for the CEO and formally evaluates the achievement of those objectives on an annual basis.

The Senior Management's KPIs are set annually. They are recommended by the CEO to the Board. The CEO conducts twice yearly one-on-one performance evaluations with individual Senior Management members to assess whether they have met their KPIs set in the preceding year. FY15 performance reviews were conducted for all Board members in July and August 2015.

SurfStitch has procedures in place to ensure that the executive is able to participate fully and actively in Senior Management decision-making at the earliest opportunity, including:

- Induction of core policies and procedures, located on SurfStitch common drive for ease of reference; and
- A policy, to promote good governance practices for payments and commitments of SurfStitch.

Diversity and Inclusion

On 27 November 2014, the Board formally approved the Diversity Policy in order to address the representation of women in senior management positions and on the Board, and to actively facilitate a more diverse and representative Senior Management and leadership structure.

The Diversity Policy drives SurfStitch's ability to attract, retain, motivate and develop the best talent to create an engaged workforce to deliver the highest quality services to its customers and continue to grow the business.

SurfStitch aims to achieve its diversity and inclusion objectives by:

- Having a management committee dedicated to fostering improvements in diversity and inclusion;
- Broadening the field of potential candidates for Senior Management and Board appointments;
- Increasing the transparency of the Board appointment process; and
- Embedding the extent to which the Board has achieved the objectives of the Policy in the evaluation criteria for the annual Board performance evaluation.

Core Gender Diversity Statistic

In accordance with the *Workplace Gender Equality Act 2012*, SurfStitch has lodged its annual compliance report with the Workplace Gender Equality Agency. A copy of this report is available at www.surfstitchgroup.com/investors.

	% Female
Board composition	17%
Non-executive composition	33%
Senior executives *	23%
Other	26%
All employees	26%

* senior direct reports of the Managing Directors

As SurfStitch has only been listed on the ASX since December 2014, the Board is in the process of setting measurable objectives for achieving gender diversity. SurfStitch will report against these measurable objectives in the 2016 Annual Report.

Company Secretary

The Board has appointed Karen Birner as the Company Secretary. The Company Secretary is responsible for coordination of all Board business, including agenda, board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings. The Company Secretary is accountable to the Board, through the Chair, on all matters to do with proper functioning of the Board. All directors have direct access to the Company Secretary.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Responsibility for the composition and succession planning of the Board rests with the Directors.

Remuneration and Nomination Committee

SurfStitch has established a Remuneration and Nomination Committee to assist the Board, and make recommendations on matters relating to succession planning, nomination of the Directors and CEO, and remuneration of the Directors, CEO and executives that report to the CEO.

Composition of the Board

The SurfStitch board currently comprises of six Directors. The Board considers its current size to be appropriate to discharge its duties effectively.

The names of current Directors and the date they were appointed to the Board are set out on page 29 of the Annual Report.

Independence of Directors

The Board has adopted guidelines in the Board Charter to assist in assessing the independence of Directors. These guidelines are consistent with the factors relevant to assessing the independence of a director set out in the ASX Principles and Recommendations. The Board regularly reviews the independence of each Non-executive Director in light of information relevant to this assessment (as disclosed by each Non-executive Director to the Board).

Of the Board:

- Three Directors are considered by the Board to be Independent Non-executive Directors: Howard McDonald (Chairman of the Board), Stephen Goddard and Jane Huxley; and
- The remaining three Directors, Justin Cameron, Lex Pedersen and Justin Stone are Managing Directors.

The current composition of the Board is reflective of the size of SurfStitch and the shareholdings of SurfStitch's substantial shareholders. SurfStitch notes half of the Board members are considered to be independent. In light of this, the Board has confirmed that the Independent Non-executive Chairman has a casting vote. Given this, the Board considers the overall composition of the Board is currently appropriate in SurfStitch's circumstances, and that it is well placed to fulfil its responsibilities.

The Chairman is an Independent Non-executive Director and there is a clear division of responsibility between the Chairman and the Chief Executive Officer.

The Board does not believe that it should establish an arbitrary limit on tenure. While tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight in SurfStitch and its operation and an increasing contribution to the Board as a whole.

Induction and Continuing Education of Directors

SurfStitch has resources to induct new Directors and a continuing development program for Directors to ensure they are equipped with opportunities to develop and maintain the skills and knowledge necessary to perform their role effectively:

- All induction materials are made available to each Director on appointment, confirmed in writing in their letters of appointment, and can be accessed by the Company Secretary at any time; and
- A training and continuing education program has been built into the Board agenda over the calendar year.

Board Skills Matrix

The Board seeks to ensure that its membership includes an appropriate balance of skills, diversity, experience and independence in order to enhance Board performance and maximise value for shareholders.

It is not expected that all Directors will have skills and experience in all areas. Rather, taken together the Board as a whole needs to have the skills and experience identified as being necessary. The Board considers that this is the case. The table below sets out the skills and experience represented on the Board.

Skill / Quality	Out of 6 Directors	%
Retail industry	5	83%
Digital technology strategy and governance	4	67%
Business strategy and executive experience	6	100%
Corporate finance and capital management	5	83%
Human resources, people and culture	3	50%
Corporate governance, compliance, risk and management	2	33%
Content marketing strategy	4	67%
International and new markets strategy	6	100%

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

Code of Conduct

SurfStitch is committed to a high level of integrity and ethical standards in all business practices. Employees must conduct themselves in a manner consistent with current community and company standards and in compliance with all relevant legislation. Accordingly, on the 27 November 2014, the Board adopted a formal Code of Conduct, which outlines how SurfStitch expects its representatives to behave and conduct business in the workplace. All employees (including temporary employees and contractors) and Directors must comply with the Code of Conduct.

The Code of Conduct is designed to:

- Provide a benchmark for professional behaviour throughout SurfStitch;
- Support SurfStitch's business reputation and corporate image within the community; and
- Make Directors and employees aware of the consequences if they breach the Code.

SurfStitch regularly monitors and tests the policies under the Code to ensure that commitments remain relevant, effective and consistent with stakeholders' expectations. The Code of Conduct is available on SurfStitch's website at www.surfstitchgroup.com/investors.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit, Risk and Compliance Committee

SurfStitch has established an Audit, Risk and Compliance Committee to assist the Board, and make recommendations on matters relating to its accounting, auditing and financial reporting and risk management responsibilities.

Chief Executive Officer and Chief Financial Officer Declaration

Before the Board approves SurfStitch's half-year and full-year financial reports, the CEO and CFO provide the Board with declarations that, in their opinion, the financial records of the Group have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair

view of the financial position and performance of the Group, and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Board received a declaration of this kind in respect of the period 13 October 2014 to 30 June 2015, from the CEO and the CFO prior to approving the 30 June 2015 results.

Auditor at General Meetings

SurfStitch's external auditor will attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. The external auditor will also be allowed a reasonable opportunity to answer written questions submitted by shareholders.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Continuous Disclosure

On 27 November 2014, SurfStitch adopted a Continuous Disclosure Policy, which establishes procedures to ensure compliance with its obligations under the Corporations Act and ASX Listing Rules to disclose material price-sensitive information to the market in a timely manner.

The Board has appointed the Disclosure Committee, which is responsible for compliance with SurfStitch's continuous disclosure obligation. The Disclosure Committee comprises key management - the CEO, the CFO, and the Company Secretary (or their delegates).

Information is communicated to shareholders through the lodgement of all relevant financial information and other information with ASX, with continuous disclosure announcements also made available on SurfStitch's website.

The Continuous Disclosure Policy is available on SurfStitch's website at www.surfstitchgroup.com/investors.

PRINCIPLE 6 – RESPECT RIGHTS OF SECURITY HOLDERS

Information About SurfStitch

SurfStitch aims to ensure that shareholders are kept informed of all major developments affecting the state of affairs of SurfStitch. Additionally, SurfStitch recognises that potential investors and other interested stakeholders may wish to obtain information about SurfStitch from time to time.

An overview of SurfStitch's profile, businesses and corporate governance framework is available at SurfStitch's website www.surfstitch.com/investors.

Investor Relations

SurfStitch communicates important information regularly to shareholders and other stakeholders through a range of forums and publications including:

- **Notices of meetings:** The full text of all notices of meetings and explanatory material are available on its website; SurfStitch encourages shareholders to provide email addresses so that notices of meeting and explanatory material can be sent to shareholders via email;
- **Annual General Meeting:** SurfStitch encourages attendance and full participation of shareholders at its Annual General Meeting each year and a full transcript of the Chairman's and the CEO's speeches are published. Shareholders are encouraged to lodge proxies electronically in accordance with instructions on the proxy form;
- **Annual Report:** SurfStitch's Annual Report is available on its website and contains important information about SurfStitch's activities and results for the previous financial year. Shareholders can elect to receive SurfStitch's Annual Report as an electronic copy or in hard copy through the mail;
- **Announcements** lodged with the Australian Securities Exchange: All ASX announcements made to the market, including annual and half year financial results, are posted on SurfStitch's website

as soon as they have been released by ASX;

- **Media Releases:** Copies of all media releases made by SurfStitch are posted on SurfStitch's website;
- **Presentations:** Copies of all investor presentations made to analysts and media briefings are posted on SurfStitch's website, and where appropriate, SurfStitch will use web-casting or teleconferencing of these presentations and briefings; and
- **Investor Relations:** SurfStitch has an investor relations program to facilitate two-way communication with investors, incorporating a telephone helpline facility and an online email inquiry service to assist shareholders with any queries. Shareholders are given the option of receiving communications from SurfStitch, and sending communications to SurfStitch, electronically.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Audit, Risk and Compliance Committee

Under the Board Charter one of the key responsibilities and functions of the Board is reviewing, ratifying and monitoring systems of risk management and internal control and ethical and legal compliance, including reviewing procedures to identify the main risks associated with SurfStitch's businesses and the implementation of appropriate systems to manage these risks.

The Board has established the Audit, Risk and Compliance Committee to assist it in discharging its functions, to review SurfStitch's risk management framework and procedures and recommending improvements to the Board to enhance the effectiveness of the risk management framework.

The Audit, Risk and Compliance Committee's primary roles with respect to risk management and compliance are to review and report to the Board that:

- The Audit, Risk and Committee has, at least annually, reviewed SurfStitch's risk management framework to satisfy itself that it continues to be sound and effectively identifies all areas of potential risk;

- Adequate policies and processes have been designed and implemented to manage identified risks;
- Reviewing SurfStitch's level of insurance;
- Overseeing tax compliance and tax risk management;
- At least annually an audit has been undertaken to test the adequacy of and compliance with prescribed policies; and
- Proper remedial action is undertaken to redress areas of weakness.

Risk Management Framework

Risk management is viewed by SurfStitch as integral to its objective of creating and maintaining shareholder value. SurfStitch is committed to embedding risk management practices through all levels of the organisation to support the achievement of business objectives and to fulfil its corporate governance obligations.

SurfStitch has a Risk Management Policy and a documented risk assessment process, scheduled for review at least annually by management and the Audit, Risk and Compliance Committee.

Since listing, the Audit, Risk and Compliance Committee has reviewed SurfStitch's risk management framework at a high level and reported to the Board that it is satisfied that the risk management framework is sound and effectively identifies all areas of potential risk. The Audit, Risk and Compliance Committee will continue to review SurfStitch's risk management framework during 2016.

Internal Audit

The Audit, Risk and Compliance Committee is responsible for overseeing processes to ensure there is an adequate system of internal control, reviewing the internal control systems and the operational effectiveness of the policies and procedures related to risk and control, monitoring break downs of internal controls, and reviewing the effectiveness of SurfStitch's internal control framework.

Given the size of the company, SurfStitch does not have an internal audit function. However it is noted this is reviewed on an annual basis.

Instead, the shared services function, working with external advisors as appropriate, oversees the adequacy and effectiveness of SurfStitch's systems for risk management, internal control and governance, and provides recommendations to improve the efficiency and effectiveness of these systems and processes.

The CFO provides the Audit, Risk and Compliance Committee with information relevant to assist the Committee discharge its roles and responsibilities.

Environmental and Social Sustainability Risk

SurfStitch identifies and reports against material economic, environmental or social sustainability risks as part of its formal risk review process. Together with the Audit, Risk and Compliance Committee, SurfStitch is formalising its reporting process for material economic, environmental or social sustainability risks so it can adequately communicate how it manages and intends to manage identified risks.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration and Nomination Committee

SurfStitch has established a Remuneration and Nomination Committee which is responsible for matters relating to the remuneration of the Directors, CEO and other Senior Management.

Policies in relation to remuneration of Non-Executive Directors and senior executives

To ensure the independence of Directors, Directors are paid fees but are not invited to participate in SurfStitch's performance-based plans. Senior Management are generally entitled to a remuneration package that contains a mix of base salary and performance-related incentives.

Further details of remuneration policy for Non-executive Directors and Senior Management are set out in the Remuneration Report.

Policies for Dealing in Securities

On 27 November 2014, SurfStitch adopted a Policy for Dealing in Securities, which is intended to explain the types of conduct in relation to dealings in securities that are prohibited under the Corporations Act 2001 (Cth) and establish best practice procedure for buying and selling securities that protects oOh!media, the Directors and employees against the misuse of unpublished information that could materially affect the value of securities. The Board considers that compliance with the Policy is essential to ensure that the highest standards of conduct are being met by all Directors and employees.

The Policy applies to all Directors and officers of the Group, Senior Management and employees of the Group, and connected persons of these parties, and sets out when participants are permitted to enter into transactions, and when they are not.

The Policy for Dealing in Securities is available on SurfStitch's website at www.surfstitchgroup.com/investors.

The extent SurfStitch's corporate governance practices satisfy the ASXCGC Principles and Recommendations are detailed below (relating to the period commencing on 16 December 2014, the date the Company was admitted to the Official list of the ASX).

Recommendation	Comply	Reference
Principle 1 – Lay solid foundations for management and oversight		
1.1 A listed entity should disclose:		
(a) The respective roles and responsibilities of its board and management; and	Yes	Page 15
(b) Those matters expressly reserved to the board and those delegated to management	Yes	Page 15
1.2 A listed entity should:		
(a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director;	Yes	Page 17
(b) Provide security holders with all material information in its possession in relation to a decision on whether or not to elect or re-elect a director.	Yes	Page 17
1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	Page 17
1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair; on all matters to do with proper functioning of the board.	Yes	Page 18
1.5 A listed entity should:		
(a) Have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;	Yes	Page 18
(b) Disclose that policy or a summary of it; and	Yes	Page 18
(c) Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:	Yes	Page 18
(1) The respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined 'senior' executive for these purposes); or	n/a	
(2) If the entity is a 'relevant employer' under the Workplace Gender Equality Act, the entity's most recent 'Gender Equality Indicators', as defined and published under that Act.	Yes	Page 18
1.6 A listed entity should:		
(a) Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and	Yes	Page 17
(b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process	Yes	Page 17
1.7 A listed entity should:		
(a) Have and disclose a process for periodically evaluating the performance of its senior executives; and	Yes	Page 17
(b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process	Yes	Page 17

Recommendation	Comply	Reference
Principle 2 – Structure the board to add value		
2.1 The board of a listed entity should:		
(a) Have a nomination committee which:		
(1) Has at least 3 members, a majority of whom are independent directors;	Yes	Page 16
(2) Is chaired by an independent director;	Yes	Page 16
And disclose:		
(3) The charter of the committee;	Yes	Page 34
(4) The members of the committee; and	Yes	Page 34
(5) As at the end of each reporting period, the number of times the committees met throughout the period and the individual attendances of the members at those meetings; or	Yes	Page 29
(b) If it does not have an nomination committee, disclose that fact and the process it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively	n/a	
2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes	Page 19
2.3 A listed entity should disclose:		
(a) The names of the directors considered by the board to be independent directors;	Yes	Page 19
(b) If a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion	Yes	Page 19
2.4 A majority of the board of a listed entity should be independent directors.	Yes +	Page 19
2.5 A Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Yes	Page 19
2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to maintain the skills and knowledge needed to perform their role as directors effectively	Yes	Page 19
Principle 3 – Act ethically and responsibly		
3.1 A listed entity should:		
(a) Have a code of conduct for its directors, senior executives and employees;	Yes	Page 20
(b) Disclose that code or a summary of it.	Yes	Page 20

+ The current composition of the Board is reflective of the size of SurfStitch and the shareholdings of SurfStitch's substantial shareholders. SurfStitch notes half of the Board members are considered to be independent. In light of this, the Board has confirmed that the Independent Non-executive Chairman has a casting vote. Given this, the Board considers the overall composition of the Board is currently appropriate in SurfStitch's circumstances, and that it is well placed to fulfil its responsibilities.

Recommendation	Comply	Reference
Principle 4 – Safeguard integrity in corporate reporting		
4.1 The board of a listed entity should have an audit committee which:		
(1) Has at least 3 members, all of whom are non-executive directors and a majority of whom are independent directors; and	Yes	Page 16
(2) Is chaired by an independent director, who is not a chair of the board,	Yes	Page 16
And disclose:		
(3) The charter of the committee;	Yes	Page 16
(4) The relevant qualifications and experience of the members of the committee; and	Yes	Pages 4-5
(5) In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members of those meetings.	Yes	Page 29
4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	Page 20
4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	Page 20
Principle 5 – Make timely and balanced disclosures		
5.1 A listed entity should:		
(a) Have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and	Yes	Page 20
(b) Disclose that policy or a summary of it.	Yes	Page 20
Principle 6 – Respect the rights of security holders		
6.1 A listed entity should provide information about itself and its governance to investors via its website.	Yes	Page 21
6.2 A listed entity should design and implement an investor relations program to facilitate effective two way communication with investors.	Yes	Page 21
6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes	Page 21
6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	Page 21

Recommendation	Comply	Reference
Principle 7 – Recognise and manage risk		
7.1 The board of a listed entity should:		
(a) Have a committee or committees to oversee risk, each of which:		
(1) Has at least 3 members, a majority of whom are independent directors; and	Yes	Page 16
(2) Is chaired by an independent director.	Yes	Page 16
And disclose:		
(3) The charter of the committee;	Yes	Page 16
(4) The members of the committee; and	Yes	Page 29
(5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes	Page 29
(b) If it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	n/a	
7.2 The board or a committee of the board should:		
(a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and	Yes	Page 22
(b) Disclose, in relation to each reporting period, whether such a review has taken place.	Yes	Page 22
7.3 A listed entity should disclose:		
(a) if it has an internal audit function, how the function is structured and what role it performs; or	Yes	Page 22
(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Yes	Page 22
7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes	Page 22
Principle 8 – Remunerate fairly and responsibly		
8.1 A board of a listed entity should:		
(a) Have a remuneration committee which:		
(1) Has at least 3 members, a majority of whom are independent directors; and	Yes	Page 16
(2) Is chaired by an independent director;	Yes	Page 16
And disclose:		
(3) The charter of the committee;	Yes	Page 34
(4) The members of the committee; and	Yes	Page 34
(5) As at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes	Page 29
(b) If it does not have a remuneration committee, disclose the fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive	n/a	

Recommendation	Comply	Reference
8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and other senior executives.	Yes	Page 34
8.3 A listed entity which has an equity-based remuneration scheme should: (a) Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk or participating in the scheme; and (b) Disclose that policy or a summary of it.	Yes	Page 23
	Yes	Page 23

This Corporate Governance Statement is current as at 26 August 2015 and has been approved by the Board.

Directors' Report

The Directors present their report together with the consolidated financial statements of the Group comprising of SurfStitch Group Limited (the Company), and its subsidiaries for the period 13 October 2014 to 30 June 2015.

PRINCIPLE ACTIVITIES

The SurfStitch Group is an action sports and youth culture apparel content network and online retailer. The principal activities of the Group during the course of the reporting period were online retail and online advertising and publication.

DIRECTORS

The names of Directors who held office during the period 13 October 2014 to 30 June 2015 of SurfStitch Group Limited are as follows:

Director	Type	Appointed Date	Resignation Date
Howard McDonald	Chairman and Independent Non-Executive Director	13 October 2014	-
Stephen Goddard	Independent Non-Executive Director	7 November 2014	-
Jane Huxley	Independent Non-Executive Director	11 June 2015	-
Justin Cameron	Executive Director	13 October 2014	-
Lex Pedersen	Executive Director	7 November 2014	-
Justin Stone	Executive Director	16 December 2014	-

The qualifications, experience, special responsibilities and other details of the directors in office at the date of this report appear on pages 4 and 5 of the Annual Report.

DIRECTOR'S MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Audit, Risk and Compliance Meetings		Remuneration and Nomination Committee	
	A	B	A	B	A	B
H McDonald	5	5	2	2	2	2
S Goddard	5	5	2	2	2	2
J Huxley	-	-	-	-	-	-
J Cameron	5	5	-	-	-	-
L Pedersen	5	5	-	-	-	-
J Stone	5	5	-	-	-	-

A – Number of meetings attended

B – Number of meetings eligible to attend

COMPANY SECRETARY

Karen Birner was appointed Company Secretary of SurfStitch Group Limited in October 2014.

Karen holds a Bachelor of Commerce degree from Bond University and is a member of the Institute of Chartered Accountants Australia (ICAA), and a Member of the Australian Institute of Company Directors. Karen joined SurfStitch in September 2014 as the Group Chief Financial Officer and held that position at 30 June 2015. Karen is also Company Secretary of a number of SurfStitch Group subsidiaries.

DIRECTOR'S INTERESTS

The relevant interests of each director in the equity of SurfStitch Group Limited, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares	Loan shares	Options over ordinary shares	Rights over ordinary shares
H McDonald	1,510,000	-	-	-
S Goddard	210,000	-	-	-
J Huxley	-	-	-	-
J Cameron	12,931,090	400,000	-	-
L Pedersen	10,666,135	400,000	-	-
J Stone	11,425,983	-	-	-

OPERATING AND FINANCIAL REVIEW

The consolidated loss attributable to owners of the parent entity for the period 13 October 2014 to 30 June 2015 was \$47.28 million. A review of operations and results of the Group for the period 13 October 2014 to 30 June 2015 is set out on page 6 of the Annual Report.

DIVIDENDS

No dividends were paid to members or determined by SurfStitch Group with respect to the period 13 October 2014 to 30 June 2015. The Board do not intend to pay dividends with respect to the period 13 October 2014 to 30 June 2015.

EVENTS SUBSEQUENT TO REPORTING DATE

At the date of this report no item, transaction or event of a material and unusual nature has arisen in the interval between 30 June 2015 and the date of this report that has significantly affected or may affect:

- the operations of the Group;
- the results of those operations in future financial years; or
- the Group's state of affairs in the future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Other than the developments described in this report, the Directors are of the opinion that no other matters or circumstance will significantly affect the operations and expected results of the Group.

ENVIRONMENTAL REGULATIONS

The Directors recognise the importance of environmental and workplace health and safety issues. The Directors are committed to compliance with all relevant laws and regulations to ensure the protection of the environment, the community and the health and safety of employees. The operations of the consolidated entity are not subject to any particular and significant environmental regulation under the laws of the Commonwealth of Australia or any of its states or territories. Based on the results of enquiries made, the board is not aware of any significant breaches during the period covered by this report.

SHARE OPTIONS

There are no ordinary shares of SurfStitch Group Limited issued on the exercise of options up to the date of this report.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

The Company, to the extent permitted by law, indemnifies the current directors of the Company against all liabilities against another person (other than the Company and its controlled entities) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company, to the extent permitted by law, may purchase and maintain insurance, or pay, or agree to pay, a premium for insurance for each Director against any liability incurred by that person as an officer of SurfStitch Group Limited or its controlled entities. SurfStitch may enter into contracts with a Director or former Director agreeing to provide continuing access to Board papers, books, records and documents of SurfStitch which relate to the period during which the Director or former Director was a Director. SurfStitch may arrange that its controlled entities provide similar access to board papers, books, records or documents.

Insurance Premiums

Since 13 October 2014, the Company has paid insurance premiums of \$20,545 in respect of directors' and officers' liability and legal expenses' insurance contracts, for current directors and officers, including directors and officers of its controlled entities.

The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

NON-AUDIT SERVICES

During the year KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor, and, in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision

of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirement of the Corporations Act 2001 (Cth) for the following reasons:

- all non-audit services are subject to corporate governance procedures adopted by the Group and have been reviewed by those charged with governance throughout the year to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to audit independence as set out in the APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate to the Group or jointly sharing the risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms for audit and non-audit services provided during the period 13 October 2014 to 30 June 2015 are detailed on in Note 29 on page 108 of the Financial Report.

PROCEEDINGS ON BEHALF OF THE GROUP

No proceedings have been brought on behalf of the Group, nor have any applications been made in respect of the Group under section 237 of the Corporations Act 2001 (Cth).

LEAD AUDITOR'S INDEPENDENCE

The Lead auditor's independence declaration is set out on page 54 and forms part of the Directors' Report for the period 13 October 2014 to 30 June 2015.

ROUNDING OFF

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Remuneration Report

Chairman's Letter

Dear Shareholders,

I am pleased to present the Remuneration Report for the reporting period ended 30 June 2015.

2015 has been a very successful year for SurfStitch, highlighted by a number of key achievements including:

- Successfully listing on the Australian Securities Exchange (ASX) on 16 December 2015;
- Exceeding Pro Forma revenue and EBITDA targets disclosed in the Prospectus;
- The successful acquisitions of Surfdome, SWELL, Stab Magazine and Magicseaweed;
- The integration of the business into our global platform, improving our branding and content control, and allowing for significant opportunities for efficiencies going forward; and
- Successful expansion into new geographic regions

The success has been reflected in the share price which has increased from \$1.00 at the time of listing to \$1.83 at 30 June 2015.

In order to provide all relevant information to investors, the 2015 Remuneration Report outlines both the legacy remuneration items that were put in place prior to IPO and which vested at the time of listing, and the remuneration framework that the current Board has implemented post-listing. It is noted that following the successful listing on the ASX, Key Management Personnel have been compensated in line with the new remuneration framework.

Going forward

The significant growth of the Group, and a restructure of the management responsibilities, resulted in the Board undertaking a review of the remuneration packages provided to Justin Cameron and other Executives from FY2016. The key changes arising from the review are:

- an increase in the Fixed Annual Reward (base pay plus super) for Justin Cameron's role for FY16 to reflect a TFR that is positioned slightly below the median of the comparator group (the current TFR is positioned below the 25th percentile of the comparator group); and
- adjustments to the short-term incentive for a number of roles to enable additional reward where stretch targets are achieved.

Further details of the changes are included in the attached report.

The Committee has made a conscious effort to ensure the Remuneration Report is presented in a clear and concise manner, with the link between pay and performance clearly articulated. On Behalf of the Board and the Committee, I invite you to read the 2015 Remuneration Report and welcome any feedback that you may have.

Yours sincerely



Howard McDonald,
Chairman

Remuneration Report [audited]

INTRODUCTION

The Directors are pleased to present the 2015 Remuneration Report which outlines the Board's approach to remuneration for Non-executive Directors, Executive Directors and other Key Management Personnel (KMP). The period reported on in this Remuneration Report is the period beginning on the date on which SurfStitch Group Limited was incorporated (i.e. 13 October 2014) and ending 30 June 2015.

The information in this report has been audited as required by section 308(3C) of the *Corporations Act 2001* (Cth).

KEY MANAGEMENT PERSONNEL (KMP)

Justin Cameron	Executive Director	Managing Director and Chief Executive Officer
Lex Pedersen	Executive Director	Managing Director and President SWELL (USA)
Justin Stone	Executive Director	Managing Director, Europe
Karen Birner	Group Executive	Group Chief Financial Officer and Company Secretary
Mark Storey	Group Executive	Group Chief Operating Officer
Howard McDonald	Non-Executive Director	Independent Non-Executive Chairman
Stephen Goddard	Non-Executive Director	Independent Non-Executive Director
Jane Huxley	Non-Executive Director	Independent Non-Executive Director

Justin Cameron, Lex Pedersen, Mark Storey and Karen Birner have held their respective positions since the date of incorporation (13 October 2014), while Justin Stone was appointed on 16 December 2014. The appointment dates of each Non-executive Director are set out on page 29.

REMUNERATION GOVERNANCE

Remuneration and Nomination Committee (RNC)

SurfStitch has established a RNC comprised of three independent Non-Executive Directors:

Committee Member	Date Appointed
H McDonald (Chair)	13 October 2014
S Goddard	11 November 2014
J Huxley	12 June 2015

The key responsibilities of the RNC are to assist the Board in its oversight of:

- the remuneration framework and policy for Executive and employee reward;
- the determination of appropriate Executive reward, including advice on structure, quantum and mix;
- the determination of achievement of performance measures included in any variable remuneration plan;
- compliance with applicable legal and regulatory requirements; and
- Board size, composition and succession planning.

A full charter outlining the RNC's responsibilities is available at www.surfstitchgroup.com/investors/downloads/.

Use of Remuneration Consultants

The RNC can engage remuneration consultants to provide it with information on market practice and other matters to assist the RNC in performing its duties. The RNC has protocols in place to ensure that any recommendations or advice provided by remuneration consultants is appropriate for the Group, and free of undue influence from management.

During the year, the RNC sought advice from KPMG. KPMG provided advice on Executive remuneration benchmarking and reporting, including current market practices. KPMG did not provide “remuneration recommendations” for the purposes of the Corporations Act.

Associated Policies

The Group has established a number of policies to support a strong governance framework, including a Disclosure Policy and Securities Dealing Policy. These policies and procedures have been implemented to uphold ethical behaviour and responsible decision making. Further information on the Group's policies is available at www.surfstitchgroup.com/investors/downloads/.

PRE-IPO ARRANGEMENTS

The Company had in place a remuneration framework prior to Listing that included a number of incentives that would vest at Listing provided that certain agreed performance measures were met. The details of these ‘pre-IPO’ arrangements were disclosed in the Prospectus. An outline of the key pre-IPO incentive arrangements that vested at the time of Listing has been included for transparency below.

It is noted that a new remuneration framework has been implemented since Listing (details of the new remuneration framework are included on page 36). The new remuneration framework applies to all Executive KMP from the date of Listing.

Pre-IPO Equity Incentives

Justin Cameron, Lex Pedersen and Justin Stone participated in an incentive plan under which they acquired Restricted Shares in SurfStitch prior to Listing. These Restricted Shares were subject to additional escrow requirements as part of the IPO arrangements as follows:

- a. First 50% - released following publication of the Groups audited financial accounts for FY2015; and
- b. Final 50% - released six months following publication of the audited financial accounts for FY2015.

Other KMP were also given the opportunity to receive shares in the Group:

- Mark Storey was awarded shares as part of a pre-IPO incentive plan; and
- Karen Birner was awarded Performance Rights under a pre-IPO incentive plan for which one fully paid ordinary share in SurfStitch will be allocated in respect of each Performance Right that vests. One-third of the Performance Rights vested upon successful Listing and Karen Birner was allocated shares on vesting of these Performance Rights. The remaining two thirds will vest in December 2017, subject to Karen Birner's continued employment.

Offer Bonus

Justin Cameron and Lex Pedersen each received a one-off cash bonus of \$730,195 in recognition of their contribution to the performance of the Group over a number of years which resulted in its successful Listing. These bonuses were disclosed in the Prospectus and paid in January 2015.

SUMMARY OF LEGACY AWARDS

Participant	IPO Cash Bonus	Number of Shares	Face Value of Shares
Justin Cameron	\$730,195	800,000 ¹	\$800,000
Lex Pedersen	\$730,195	800,000 ¹	\$800,000
Justin Stone	-	200,000 ²	\$200,000
Mark Storey	-	800,000 ³	\$800,000
Karen Birner	-	16,667 ⁴	\$16,667

¹ These shares were granted prior to Listing under a legacy management share scheme when the fair value of the Shares was \$1.00 per share. The market value of each share at the time of Listing was \$1.00. The shares are subject to escrow requirements as outlined on page 35.

² These shares were granted as a 'one-off' sign-on bonus prior to Listing when the fair value of the Shares was \$1.00 per share. These shares vested following the successful completion of the Surfdome acquisition and Listing of SurfStitch. The market value of each share at the time of Listing was \$1.00. The shares are subject to escrow requirements as outlined on page 35.

³ These shares were granted prior to Listing under a legacy management share scheme when the fair value of the Shares was \$1.00 per share. The market value of each share at the time of Listing was \$1.00.

⁴ Karen Birner was granted 50,000 Performance Rights prior to Listing (see page 35). 16,667 Performance Rights vested on Listing and the remaining 33,333 Performance Rights will vest in December 2017, subject to Karen remaining employed by the Group.

EXECUTIVE REMUNERATION POST-IPO

Remuneration Framework

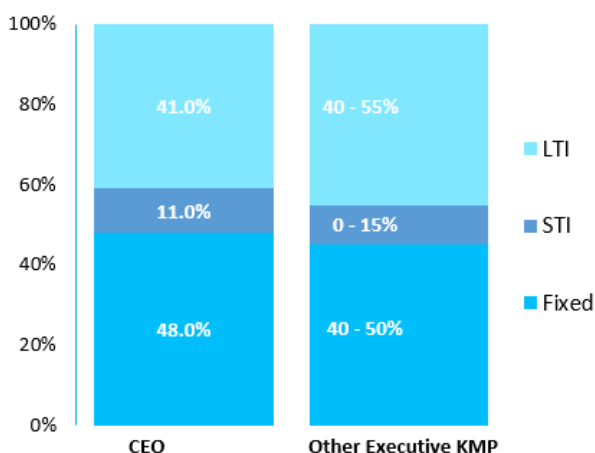
Appropriate remuneration of Executives is a key element to the success of the Group. The RNC established a remuneration framework that has been applied since Listing based on the core principles listed below. The framework enables the Group to recruit, motivate and retain a high calibre of talent that will deliver on our growth strategy.

Principle	Objective	Application
Align Shareholder Value	SurfStitch is committed to aligning Executive reward with increased shareholder value.	A significant portion of Executive reward is provided as variable remuneration with performance metrics tied to increasing revenue, profitability and implementing key strategic initiatives. Equity incentives are evaluated based on Total Shareholder Return to ensure Executive reward is aligned with shareholder value.
Performance Driven	Align actual remuneration outcomes with Group and individual performance.	Challenging STI and LTI performance measures encourage and reward outperformance at an individual and Group level. The Board undertakes an annual review of remuneration mix to ensure the remuneration framework encourages behaviours that will drive strategic growth objectives.
Competitive	Ensure long term retention of high calibre employees, rewarding employees in line with their contributions to the Group's success.	The Board undertakes an annual review of market remuneration to ensure total reward is competitive.

Total Remuneration Mix

The Board believes it is appropriate to have a remuneration framework that consists of a fixed component as well as an at-risk component consisting of short and long term incentives.

The Group's mix of fixed and "at risk" components for the KMP for FY2015, expressed as a percentage of total target reward, was as follows.



*Karen Birner did not participate in SurfStitch's FY2015 LTI plan.

REMUNERATION COMPONENTS

Fixed Annual Reward

Fixed annual reward (FAR) includes base salary, superannuation and other non-cash benefits.

SurfStitch's objective is to retain key talent and remain competitive in the market, having regard to a selected comparator group. The comparator group comprises a number of ASX300 companies with specific regard for companies in the retail sector and companies with a large on-line sales presence. The market capitalisation, geographies and revenue of companies is also considered.

Short Term Incentive (STI) Plan

A summary of the Executive STI plan in effect during FY2015 is provided below:

Objective	To drive individual and group performance to achieve financial and strategic targets.
Participation	Justin Cameron, Lex Pedersen and Justin Stone. No other members of the KMP were eligible to receive an STI award.
Performance Period	Financial year ending 30 June 2015.
Target STI	Target opportunity is 25% of annual base salary.
Delivery of Award	Cash payment in September of each year following the RNC's assessment of the performance measures based on the Group's audited financial statements.

Performance Measures	Measure	Weighting
	Pro forma Revenue	35%
	Pro forma EBITDA	35%
	Timely execution of strategic objectives	30%
	These performance measures were identified by the RNC as the most appropriate for FY2015 in achieving the strategic objectives of the Group	
Claw back	The Board retains the discretion to withhold payment of the STI (or any future STI) where there is a risk of unintended award outcomes.	
Deferral component	There is no deferral component in the current plan.	
Termination	Participants must be employed and not under notice of resignation or termination at the completion of the performance period to be eligible for an STI award. The Board retains discretion to pro-rate payment in the case of good leavers.	

The RNC will disclose additional details in respect of the STI performance measures that will apply to the FY2016 STI (including outcomes) in the FY2016 Remuneration Report although it is intended that a similar weighting of hurdles will apply as in FY2015.

STI Plan Outcomes

A key principle of the remuneration framework is to ensure reward is clearly linked to performance. The STI plan performance hurdles for FY2015 were aligned to the delivery of the financial and non-financial targets listed.

Following assessment of each of the key short-term targets, the RNC determined that each of these targets was met for FY2015, resulting in the STI vesting at target for each member of KMP participating in the STI plan. Performance against the targets was as follows:

Measure	Target	Result [unaudited]
Pro forma Revenue	\$199.1 million	\$199.4 million
Pro forma EBITDA	Target: \$5.1 million	\$7.7 million
Timely execution of strategic objectives	Fulfilment of content strategy	Achieved. Content marketing strategy accelerated via the synergist acquisitions of Magicseaweed (MSW) and Stab Magazine (Stab). Together, these acquisitions add 2.75 million unique monthly visitors to the SurfStitch group of global platforms. The merging of MSW, Stab and SurfStitch represents a digital ecosystem capable of capturing and influencing customers at all points of the surf and action sports lifestyle cycle.
	Integration of global platform	On target, with phase 1 completed. All retail platforms have completed integration of VRP e-Commerce technology, and are live in production for cross regional sales and distribution.

On 11 August 2015 Justin Cameron, Lex Pedersen and Justin Stone informed the RNC that they wished to forego their FY2015 STI award, despite target performance being met. This decision was made because, although the Group has performed well as a result of Listing and performance since that date, the Executives felt that they had already been adequately compensated in the Listing process. This decision is reflected in the 'forfeited' column in the table below.

Short-Term Incentive Bonus				
KMP	Target STI Opportunity	% Earned in FY2015	% Paid	% Forfeited
Justin Cameron	\$100,000	100%	0%	100%
Lex Pedersen	\$130,000 ¹	100%	0%	100%
Justin Stone	\$87,500 ¹	100%	0%	100%

¹ Target short term incentive opportunity for Lex Pedersen and Justin Stone are both listed in AUD. The amounts have been converted using exchange rates of AUD 1.30: USD 1.00, and AUD 2.0: GBP 1.00.

² Mark Storey and Karen Birner did not participate in the FY2015 STI plan.

Long-Term Incentive (LTI) Plans

The Group currently has in place two LTI plans: an Equity Incentive Plan (EIP), under which participants are granted Performance Rights, and a Loan Share Plan, under which participants are provided with loans, which must be used to fund the acquisition of SurfStitch shares (Loan Plan).

Justin Cameron and Lex Pedersen participated in the Loan Plan as they were both considered substantial shareholders of the Group at the time the grant was made and as a result, and unlike other executives, would not be able to participate in the Rights Plan in a financially effective way. The changes to the taxation of employee share schemes that became effective from 1 July 2015 should enable Justin Cameron and Lex Pedersen to participate in future EIP's on the same basis as other participants.

The table below explains the key features of the LTI plans offered to KMP during FY2015.

Plan Type	EIP	Loan Plan
Objectives	To align the KMPs reward with the successful achievement of sustainable long-term value creation and success of the Group.	
Participation	Mark Storey and Justin Stone	Justin Cameron and Lex Pedersen.
Instrument	<p>Performance Rights, issued at nil consideration. Vesting will occur on satisfaction of performance and service conditions.</p> <p>On vesting, any Performance Rights that vest are automatically exercised and 1 fully paid ordinary share in SurfStitch will be allocated in respect of each vested Performance Right.</p>	<p>Participants are provided with a limited recourse loan for the purpose of applying for Loan Shares. Each Loan Share is a SurfStitch share, which is subject to restrictions. Vesting will occur on satisfaction of performance and service conditions.</p> <p>On each vesting date, provided the vesting conditions have been satisfied, a portion of the loan balance is forgiven to reflect the achievement of the relevant performance and service conditions. Any outstanding loan balance must be repaid at the end of the loan period (which may be satisfied by the forfeiture of the unvested Loan Shares).</p>