Billabong International Limited

ABN 17 084 923 946

ASX ANNOUNCEMENT

ANNUAL GENERAL MEETING AND ANNUAL REPORTS

GOLD COAST, 16 October 2015: The attached following documents will be despatched to shareholders today:

- Chair's Letter
- Notice of Meeting
- Explanatory Memorandum
- Proxy Form
- Full Financial Report and Shareholder Review

TRACEY WOOD
COMPANY SECRETARY

1 Billabong Place
Burleigh Heads
QLD 4220 Australia

PO Box 283
Burleigh Heads
QLD 4220 Australia

Tel: +61 7 5589 9899
Fax: +61 7 5589 9654

www.billabongbiz.com

BILLABONG INTERNATIONAL LIMITED ABN 17 084 923 946

BILLABONG

NOTICE OF ANNUAL GENERAL MEETING 2015 AND EXPLANATORY MEMORANDUM

Notice is given that the 2015 Annual General Meeting of Billabong International Limited is to be held at 10.00am (Queensland time) on Tuesday, 24 November 2015 at the Gold Coast Convention and Exhibition Centre, Level 1, Meeting Room 5, 2684-2690 Gold Coast Highway, Broadbeach, Queensland.

This is an important document and requires your immediate attention. If you are in any doubt as to how to deal with this document, please consult your financial, legal, tax or other professional adviser immediately.

BILLABONG INTERNATIONAL LIMITED
ABN 17 084 923 946

16 October 2015

Dear Fellow Shareholder,

I am pleased to extend to you an invitation to participate in the 2015 Annual General Meeting of Billabong International Limited ("**Billabong**" or the "**Company**").

The meeting will commence at 10.00am (Queensland time) on Tuesday, 24 November 2015 at the Gold Coast Convention and Exhibition Centre, Level 1, Meeting Room 5, 2684-2690 Gold Coast Highway, Broadbeach, Queensland.

I'm pleased to report that 2014 - 15 has been a year of successful rebuilding with Billabong returning to full-year profit for the first time since 2011. The Group also returned to full-year EBITDA growth for the first time since 2008. We have seen our largest brands grow in some of our largest markets. This result has been achieved in large part by having a team uniformly focused on the global implementation of our seven-part turnaround strategy.

In particular, we have prioritised four key projects being Omni Channel, Sourcing & Supply Chain, Distribution & Logistics and Concept to Customer, which when fully implemented, will provide the platforms to underpin the further growth of our world-class brands.

As detailed in the 2015 Annual Report a substantial amount has been achieved and our CEO Neil Fiske and I look forward to reporting to you further at the 2015 Annual General Meeting.

This booklet includes the Notice for the 2015 Annual General Meeting and the Explanatory Memorandum. A Proxy Form accompanies this booklet. I encourage you to read this booklet carefully as it contains important information and will assist you in making informed decisions.

This booklet and Billabong's Annual Report are available on the website www.billabongbiz.com. Only shareholders who have elected to receive either an Annual Report or an Annual Review will receive a copy of Billabong's Annual Report by post.

If you are attending the meeting, please bring your Proxy Form with you to assist us in the efficient processing of your registration. Registration will commence at 9.00 am. If you are unable to attend, you may appoint a proxy to vote for you at the meeting by completing the Proxy Form that accompanies this booklet. If you intend to appoint a proxy, please return the completed Proxy Form in accordance with the directions on the form by 10.00 am (Queensland time) on Sunday, 22 November 2015.

Your Directors look forward to seeing you at this meeting.

Yours sincerely

Ian Pollard
Chair

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Billabong International Limited ("**Billabong**" or the "**Company**") will be held at 10.00am (Queensland time) on Tuesday, 24 November 2015 at the Gold Coast Convention and Exhibition Centre, Level 1, Meeting Room 5, 2684-2690 Gold Coast Highway, Broadbeach, Queensland.

BUSINESS

Financial Report and Directors' and Auditor's Reports

To receive and consider the financial report of the Company for the year ended 30 June 2015 and the related Directors' Report and Auditor's Report.

Re-election of Directors

To consider, and if thought fit, to pass each of the following resolutions as an ordinary resolution:

1. That Dr. Ian Pollard, who retires in accordance with Article 6.3(i) of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a director of the Company; and

2. That Mr. Howard Mowlem, who retires in accordance with Article 6.3(i) of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a director of the Company.

Remuneration Report

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

3. That the Remuneration Report for the year ended 30 June 2015 be adopted.
(Note: the vote on this resolution is advisory and does not bind the Directors or the Company).

Issue to Mr. Neil Fiske under the Billabong International Limited Executive Incentive Plan

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

4. That, for the purposes of Listing Rules 10.11 and 10.14 and for all other purposes, approval be given for the grant to Mr. Neil Fiske of up to USD $1,181,250 worth of performance rights under the Billabong International Limited Executive Incentive Plan pursuant to the long term incentive provisions of Mr. Fiske's employment contract with Billabong, on the terms summarised in the Explanatory Memorandum accompanying this Notice of Meeting.

Share Consolidation

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

5. That, in accordance with Article 2.3 of the Company's Constitution, and pursuant to section 254H of the *Corporations Act 2001* (Cth) and for all other purposes, the issued capital of the Company be consolidated in accordance with the indicative timetable set out in the Explanatory Memorandum accompanying this Notice of Meeting, on the basis that:
(a) every five (5) shares be consolidated into one (1) share; and
(b) every five (5) options be consolidated into one (1) option and their respective exercise prices be amended in inverse proportion to that ratio;
and, where this consolidation results in a fraction of a share or an option being held, the Company be authorised to round that fraction up to the nearest whole share or option.

By Order of the Board

Tracey Wood
Company Secretary

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Proxies

If you are unable to attend the meeting, you are encouraged to appoint a proxy to attend and vote on your behalf. If you wish to appoint a proxy, please complete the Proxy Form that accompanies this booklet.

Shareholders are notified that:

- a member who is entitled to attend and cast a vote at the meeting may appoint a proxy to attend and vote for the member;
- the appointment may specify the proportion or number of votes that the proxy may exercise;
- a member who is entitled to cast two or more votes at the meeting may appoint up to two proxies and may specify the proportion or number of votes each proxy is entitled to exercise. If you appoint two proxies and the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes; and
- a proxy may be an individual or a body corporate and need not be a member of the Company. If a shareholder appoints a body corporate as proxy, the body corporate will need to ensure that it appoints an individual as corporate representative and provides satisfactory evidence of that appointment.

You can direct your proxy how to vote by following the instructions on the Proxy Form. Shareholders are encouraged to direct their proxy how to vote on each item of business.

If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on your behalf, and on a poll or on a show of hands, the shares that are the subject of the proxy appointment will not be counted in calculating the required majority.

Any directed proxies that are not voted on a poll at the meeting by a shareholder's appointed proxy will automatically default to the Chair of the meeting, who is required to vote proxies as directed on a poll.

If you intend to appoint a Director (other than the Chair) or other member of the Key Management Personnel ("**KMP**") or their closely related parties as your proxy, you must ensure that you direct them how to vote on Resolutions 3 and 4, otherwise they will not be able to cast a vote as your proxy on those items.

If you have appointed the Chair of the meeting as your proxy (or he becomes your proxy by default), he can be directed how to vote by ticking the relevant boxes next to each item on the Proxy Form (i.e. 'for', 'against' or 'abstain'). If you do not direct the Chair how to vote on Resolutions 3 and 4, by completing and submitting the Proxy Form you will be taken to have expressly authorised the Chair to vote your proxies as he sees fit even though Resolutions 3 and 4 are connected directly or indirectly with the remuneration of a member of the KMP.

The Chair of the meeting intends to vote all undirected proxies in favour of each item of business.

The Proxy Form must be received by the Company or the Company's share registry, Computershare Investor Services Pty Limited, by 10.00 am (Queensland time) on Sunday, 22 November 2015.

The completed Proxy Form may be:

- mailed to the Company's share registry, Computershare Investor Services Pty Limited, at GPO Box 242, Melbourne, Victoria, 3001, Australia; or
- faxed to Computershare Investor Services Pty Limited on 1800 783 447 or +61 3 9473 2555; or
- submitted online to the Company's share registry by visiting the website, www.investorvote.com.au. You will need your Securityholder Reference Number or Holder Identification Number and Control Number as shown on your Proxy Form. You will be taken to have signed the Proxy Form if you lodge it in accordance with the instructions on the website; or
- submitted by scanning the QR code on the front of the accompanying Proxy Form with your mobile device and inserting your postcode; or
- submitted online by visiting www.intermediaryonline.com (for Intermediary Online Subscribers only (Custodians)).

Voting Exclusion Statements

For all resolutions that are directly or indirectly related to the remuneration of a member of the KMP of the Company (being Resolutions 3 and 4), the *Corporations Act 2001 (Cth)* ("**Corporations Act**") restricts a member of the KMP and their closely related parties from voting in their own right and / or as proxies (where the appointment does not specify the way the proxy is to vote on the resolution) or in any other capacity in certain circumstances in respect of such resolutions.

Closely related party is defined in the Corporations Act and includes a spouse, dependant and certain other close family members, as well as any companies controlled by a member of the KMP.

The KMP of the Company are those persons having authority and responsibility for planning, directing and controlling the Company's activities either directly or indirectly. It includes all Directors (executive and non executive) and selected members of the management team. The KMP of the Company during the financial year ended 30 June 2015 are set out on page 22 of the Remuneration Report for the year ended 30 June 2015 contained in the Company's 2014 - 15 Full Financial Report.

The following voting exclusions specifically apply under the ASX Listing Rules and the Corporations Act.

Resolution 3 – Remuneration Report

The Company will disregard any votes cast on Resolution 3:

- by or on behalf of a member of the KMP, whose remuneration is included in the Remuneration Report for the year ended 30 June 2015, and their closely related parties (regardless of the capacity in which the vote is cast); or
- as a proxy by a person who is a member of the KMP at the date of the meeting and their closely related parties,

unless the vote is cast as a proxy for a person entitled to vote on Resolution 3:

- in accordance with a direction on the Proxy Form; or
- by the Chair of the meeting in accordance with an express authority to exercise the proxy as the Chair sees fit.

Resolution 4 – Award to Mr. Neil Fiske under the Billabong International Limited Executive Incentive Plan

The Company will disregard any votes cast on Resolution 4:

- by or on behalf of Mr. Neil Fiske and any of his associates (regardless of the capacity in which the vote is cast); or
- as a proxy by a person who is a member of the KMP at the date of the meeting and their closely related parties,

unless the vote is cast as a proxy for a person entitled to vote on Resolution 4:

- in accordance with a direction on the Proxy Form; or
- by the Chair of the meeting in accordance with an express authority to exercise the proxy as the Chair sees fit.

Further details in respect of the resolutions to be put to the meeting are set out in the accompanying Explanatory Memorandum.

Entitlement to vote

The time for the purposes of determining voting entitlements pursuant to regulation 7.11.37 of the Corporations Regulations will be 7.00 pm (Sydney time) on Sunday, 22 November 2015.

Approval thresholds

In this Notice of Meeting, the resolutions proposed as an ordinary resolution will be passed if more than 50% of the votes cast by shareholders entitled to vote on each such ordinary resolution are in favour of the resolution.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is dated 16 October 2015 and forms part of the Notice of Meeting.

The purpose of this Explanatory Memorandum is to provide shareholders with information that the Board believes to be material to shareholders in deciding whether or not to approve the resolutions detailed in the Notice of Meeting. To assist shareholders, the voting recommendations detailed below are as follows:

- Resolutions 1 – 5: vote **IN FAVOUR**

Financial Report and Directors' and Auditor's Reports

As required by section 317 of the Corporations Act, the financial statements for the financial year ended 30 June 2015 together with the statement and report by the Directors and the report by the auditor will be laid before the meeting.

Shareholders will be provided with a reasonable opportunity to ask questions about, and make comments on, the reports and Billabong's management, business, operations, financial performance and business strategies.

Shareholders will also be given a reasonable opportunity during this item to ask a representative of Billabong's auditors, PricewaterhouseCoopers, questions relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by Billabong in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit. However, there will be no formal resolution put to the meeting in relation to this matter.

Shareholders can access a copy of the 2014 - 15 Full Financial Report on Billabong's website at www.billabongbiz.com.

Resolutions 1 and 2 – Re-election of Directors

In accordance with Article 6.3(i) of the Company's Constitution, Dr. Ian Pollard and Mr. Howard Mowlem retire and, being eligible, offer themselves for re-election.

Resolution 1 – Re-election of Dr. Ian Pollard

Dr. Ian Pollard, having been appointed as a Non-Executive Director of Billabong on 24 October 2012, retires in accordance with Article 6.3(i) of the Company's Constitution. Being eligible, Dr. Pollard offers himself for re-election.

Dr. Pollard is an actuary, Rhodes Scholar and a Fellow of the Australian Institute of Company Directors. He has held a wide range of senior business roles including as Chair of Just Group Limited and of Corporate Express Australia Limited and as a Director of OPSM Group Limited and of DCA Group Limited, which he founded.

He is currently Chair of RGA Reinsurance Company of Australia Limited, a director of Milton Corporation Limited and of SCA Property Group and an executive coach with Foresight's Global Coaching.

With an extensive background in corporate finance, strategic investment and retail Dr. Pollard has chaired several public company audit committees and was a member of the ASX Corporate Governance Implementation Review Group from 2003 to 2007.

He is currently a member of the Audit and Risk Committee, Human Resource and Remuneration Committee, Class Action Committee and chairs the Nominations Committee.

Resolution 2 – Re-election of Mr. Howard Mowlem

Mr. Howard Mowlem, having been appointed as a Non-Executive Director on 24 October 2012, retires in accordance with Article 6.3(i) of the Company's Constitution. Being eligible, Mr. Mowlem offers himself for re-election.

Mr. Mowlem is experienced in many segments of the international retail industry and specifically in Asia. From 2001 to 2010 he was Chief Financial Officer of Dairy Farm International Holdings Limited, a Hong Kong based retail company operating over 5,000 stores across Asia with turnover in excess of US$10 billion. Prior to this Mr. Mowlem held various senior financial positions over a 12 year period with the Coles Myer Group. He brings extensive experience in corporate finance, mergers and acquisitions, financial reporting, treasury, tax, investor relations, audit and governance.

He is currently a member of the Nominations Committee, the Human Resource and Remuneration Committee and chairs the Audit and Risk Committee.

Board Recommendation
The Board (in each case, in the absence of the relevant Director), unanimously recommends that shareholders vote in favour of the re-elections of Dr. Pollard and Mr. Mowlem. The Chair of the Meeting intends to vote undirected proxies in favour of each of Resolutions 1 and 2.

Resolution 3 – Remuneration Report

Section 250R of the Corporations Act requires that shareholders vote on whether or not the Remuneration Report should be adopted. In accordance with the Corporations Act, this vote is ***advisory only*** and the outcome will not be binding on the Directors or the Company. However, the Directors will have regard to the outcome of the vote and any discussion on this item of business when setting the Company's remuneration policies.

Shareholders should note that under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, shareholders will be required to vote at the second of these annual general meetings on a resolution (a spill resolution) that another meeting be held within 90 days at which all of the Company's Directors (other than the Chief Executive Officer and Managing Director who may, in accordance with the ASX Listing Rules, continue to hold office indefinitely without being re-elected to the office) must be re-elected.

The Remuneration Report is set out on pages 19-43 of the Directors' Report in the Company's 2014 - 15 Full Financial Report.

The Remuneration Report:
- explains the Company's remuneration reward framework for its executives and key management team;
- discusses how the remuneration reward framework aligns reward with achievement of strategic and financial objectives and creation of value for shareholders; and
- sets out the remuneration arrangements in place for each Director and for the Company's executives and key management team.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

A voting exclusion statement applies to this item of business, as set out in the Notice of Meeting.

Board Recommendation
The Board unanimously recommends that shareholders vote in favour of Resolution 3. The Chair of the Meeting intends to vote undirected proxies in favour of Resolution 3.

Resolution 4 – Issue to Mr. Neil Fiske under the Billabong International Limited Executive Incentive Plan

Overview of grant of Performance Rights under the Long Term Incentive (LTI) component of remuneration for the CEO and MD

The Billabong International Limited Executive Incentive Plan ("**Plan**") forms a key element of the Company's incentive and retention strategy for senior executives.

The primary objectives of the Human Resource and Remuneration Committee and the Board in setting Mr. Fiske's remuneration and providing him with equity based long term incentives under the Plan for the 2015 - 16 financial year are to:
- focus Mr. Fiske on Billabong's long term performance and drive long term shareholder value creation;
- align Mr. Fiske's remuneration outcomes with shareholder interests; and
- provide Mr. Fiske with remuneration that is competitive and aligned with Australian market practice, while recognising that Billabong is a global company and the need to take account of international market practice, particularly in North America.

It is proposed that a grant of Performance Rights be made to Mr. Fiske as the long term incentive ("**LTI**") component of his remuneration, under the terms of the Plan. For the 2015 - 16 financial year, Mr. Fiske will be entitled to receive an LTI grant of 125% of his total fixed remuneration in the form of performance rights, which are subject to performance conditions. A summary of the key terms of the LTI grant is set out below.

Why is shareholder approval being sought?
The ASX Listing Rules require shareholder approval in order for a director to be issued equity securities in the Company. Accordingly, shareholders are asked to approve the grant of Performance Rights to Mr. Fiske on the terms and conditions set out below.

LTI - Summary of the key terms of the grant of Performance Rights
A brief overview of the key terms of the proposed grant is set out below.

Details of the LTI grant	The Board proposes to grant Mr. Fiske up to USD $1,181,250 worth of Performance Rights over shares in the Company in respect of the 2015 - 16 financial year. This grant represents the long term incentive component of Mr. Fiske's remuneration package ("LTI grant") in respect of the 2015 - 16 financial year. The value of the LTI grant is calculated as 125% of Mr. Fiske's total fixed remuneration in USD, which will be converted to AUD using the 12 month average FX rate in effect on the date of the grant. Mr. Fiske's remuneration arrangements are disclosed in the Remuneration Report and shareholders approved the terms of his 2014 - 15 financial year long term incentive at the 2014 Annual General Meeting. The actual number of Performance Rights to be granted to Mr. Fiske will be calculated following the AGM by dividing the LTI grant value in AUD by the allocation price. The allocation price of Performance Rights will be calculated as the volume weighted average market price of the Company's shares over the five day period commencing on the day normal trading starts, in accordance with the Indicative Timetable. Each Performance Right is a right to acquire one share in the Company, subject to the achievement of the performance conditions set out below. Performance Rights do not carry any dividend or voting rights.
Date of grant	If shareholder approval is obtained, the Performance Rights will be granted to Mr. Fiske shortly after the Annual General Meeting but, in any event, within 12 months after the date of the meeting.

Performance hurdles	The Performance Rights are subject to two performance hurdles, which are independent and will be tested separately. The Board will determine at the time of grant the number of Performance Rights in two equal tranches, one of which will be subject to the relative total shareholder return ("**TSR**") hurdle ("**Relative TSR Hurdle**") and the other will be subject to the earnings per share ("**EPS**") performance hurdle **("EPS Hurdle")**.

(1) Relative TSR Performance

Consistent with previous periods, 50% of the Performance Rights will be subject to the Relative TSR Hurdle. Broadly, TSR is a method of calculating the return shareholders would have earned if they had held a notional number of shares over a period of time. TSR measures the growth in the Company's share price together with the value of dividends during the period, assuming that all those dividends are re-invested into new shares.

The Relative TSR Hurdle for the proposed grant of Performance Rights compares the Company's TSR performance over the Performance Period against the TSR performance over the same period of a group of comparator companies. The group of comparator companies will comprise approximately 25 ASX listed companies within an appropriate market capitalisation range in the "Consumer Discretionary" industry sector and four selected U.S. listed peer companies, being Pacific Sunwear of California Inc, Tilly's Inc, V.F. Corporation and Zumiez Inc. The Board believes that this group of comparator companies appropriately reflects Billabong's direct competitors for capital and sales. To further ensure that the mix of comparator companies is aligned with Billabong's situation and geographic business mix, the comparator companies will be weighted such that the ASX listed companies will have a weighting of 100% each and the four selected US listed peer companies will have a weighting of 200% each (i.e., the ASX listed companies will be counted once in the comparator group and the US peer companies will be counted twice).

The Board may adjust the comparator group to take into account events including but not limited to takeovers, mergers or de-mergers that might occur during the Performance Period and may determine how share price performance will be measured through such events.

The percentage of Performance Rights subject to the Relative TSR Hurdle that vest, if any, will be determined by reference to the percentile ranking achieved by Billabong over the Performance Period, compared to the other entities in the comparator group as follows:

Relative TSR of Billabong ranked against the comparator group	Performance Rights subject to Relative TSR Hurdle that vest (%)
75th percentile or above	100%
Between 50th and 75th percentile	Progressive pro rata vesting from 50% to 100%
50th percentile	50%
Below 50th percentile	0%

(2) EPS performance

As in previous periods, 50% of the Performance Rights will be subject to the EPS Hurdle. Broadly, EPS measures the earnings generated by the Company attributable to each share on issue. The EPS Hurdle measures the EPS achieved in the final year of the Performance Period.

The EPS Hurdles for the 2015 - 16 issue of Performance Rights have been set by the Board at stretch and threshold performance. Due to the current capital structure of the Company, the Board has selected an EPS Hurdle approach that is based on the Board approved three year Long Range Plan, similar to the approach used in 2014 - 15. These targets are robust, but will not be reported until the end of the performance period in order not to provide anything which could be misinterpreted as future earnings forecasts. The Board will disclose Billabong's performance against the EPS Hurdles at the conclusion of the Performance Period.

The percentage of Performance Rights subject to the EPS Hurdle that vest, if any, will be determined by reference to EPS achieved over the Performance Period compared to the threshold and stretch targets, as follows:

<table>
<tr><td></td><td>
<table>
<tr><th>Billabong's achieved EPS in the final year of the Performance Period</th><th>Performance Rights subject to EPS Hurdle that vest (%)</th></tr>
<tr><td>Equal to or greater than the stretch EPS target</td><td>100%</td></tr>
<tr><td>Greater than the threshold EPS target, up to the stretch EPS target</td><td>Progressive pro rata vesting from 50% to 100% (i.e. on a straight line basis)</td></tr>
<tr><td>Equal to the threshold EPS target</td><td>50%</td></tr>
<tr><td>Less than the threshold EPS target</td><td>0%</td></tr>
</table>
The Board retains a discretion to adjust the EPS Hurdle to ensure that Mr. Fiske is neither advantaged nor disadvantaged by matters outside management's control that affect EPS (for example, by excluding one-off non-recurrent items or the impact of significant acquisitions or disposals).
</td></tr>
<tr><td>Performance Period and vesting</td><td>
The Performance Period will be the three year period commencing 1 July 2015 and ending 30 June 2018.
For the purposes of the TSR portion of the grant, the average share price in the three month period preceding and including each of 1 July 2015 and 30 June 2018 will be utilised.
Following the end of the Performance Period, the performance hurdles will be tested and the Board will determine the extent to which the Performance Rights vest.
Any Performance Rights that do not vest following testing of the performance hurdles at the end of the Performance Period will lapse.
</td></tr>
<tr><td>Allocation of shares</td><td>
Following testing of the applicable performance conditions and determination of the level of vesting of Performance Rights, one fully paid share in the Company will be allocated in relation to each Performance Right which vests.
The Company's obligation to allocate shares on vesting may be satisfied by issuing new shares, acquiring shares on market or transferring shares from the employee share trust.
</td></tr>
<tr><td>Trading restrictions</td><td>Shares allocated on vesting of Performance Rights will not be subject to any further trading restrictions, subject to complying with the Company's Securities Trading Policy.</td></tr>
<tr><td>Price payable for securities</td><td>No amount will be payable in respect of the allocation of Performance Rights, nor in respect of any shares granted upon vesting of the Performance Rights.</td></tr>
<tr><td>Cessation of employment</td><td>
If Mr. Fiske ceases employment with the Company before the end of the Performance Period, his unvested Performance Rights will lapse.
In exceptional circumstances (for example, ill health and death or other circumstances approved by the Board), the Board may in its absolute discretion, determine the applicable treatment of the performance rights, which may include that some or all of the unvested Performance Rights do not lapse and are tested at the end of the Performance Period or vest at the time of cessation, based on the portion of the Performance Period that has elapsed at the time of cessation and the degree to which the performance conditions have been achieved.
</td></tr>
<tr><td>Securities Received Since Last Approval</td><td>At the 2014 AGM, shareholders approved a grant of performance rights to Mr Fiske in respect of the 2014 - 15 financial year under the Executive Incentive Plan. Since the 2014 AGM (being the date of the last approval), 1,909,645 performance rights were granted to Mr Fiske. The grant was made on 2 December 2014, and no amount was payable for the grant.</td></tr>
<tr><td>Other information</td><td>
No other director of the Company is eligible to participate in the Plan or any other employee incentive scheme of the Company. No loans are involved in the proposed grant of performance rights to Mr Fiske.
Under ASX Listing Rule 7.1, every listed entity has the ability to issue 15% of its issued capital without security holder approval in a 12 month period. When an entity issues or agrees to issue securities under ASX Listing Rule 7.1 without security holder approval, that issue or agreement to issue uses up part of the 15% available under that rule. However, if approval is given under ASX Listing Rule 10.14, approval will not be required under ASX Listing Rule 7.1. This means that the Performance Rights granted to Mr. Fiske and any shares issued pursuant to this approval will not use up part of the 15% available under ASX Listing Rule 7.1.
</td></tr>
</table>

A voting exclusion statement applicable to Resolution 4 is set out in the Notice of Meeting.

Board Recommendation

The Board (with Mr. Fiske abstaining) recommends that shareholders vote in favour of Resolution 4. The Chair of the Meeting intends to vote undirected proxies in favour of Resolution 4.

Resolution 5 – Share Consolidation

Background and rationale

Resolution 5 seeks shareholder approval to consolidate the number of shares and options on issue through the conversion of every 5 shares into 1 share and every 5 options into 1 option (Consolidation). If the Consolidation is approved, it will take effect in accordance with the Indicative Timetable.

The Consolidation will make the number of shares on issue more appropriate for the size of the Company and is expected to make an investment in the Company's securities more attractive to institutional and other investors.

Fractional entitlements and taxation

Not all shareholders and option holders will hold a number of shares and options that can be evenly consolidated on a 1 for 5 basis. Where a fractional entitlement occurs, the directors will round that fraction up to the nearest whole share and option.

Shareholders and option holders are advised to seek their own advice on the taxation implications of the Consolidation and neither the Company, nor the directors (or the Company's advisers) accept any responsibility for the taxation implications for individual shareholders and option holders arising from the Consolidation.

Holding statements

From the date of the Consolidation, all holding statements for shares and options will cease to have any effect, except as evidence of entitlement to a certain number of shares and options on a post-Consolidation basis. After the Consolidation is approved, the Company will arrange for new holding statements for shares and options to be issued to holders of those shares and options in accordance with the Indicative Timetable.

It is the responsibility of each shareholder and option holder to check the number of shares and options held by them.

Effect on capital structure

If the Consolidation is approved by shareholders, the 990,370,034 shares on issue as at the date of this Notice of Meeting will be reduced by approximately 792,296,027 to approximately 198,074,007. The Consolidation will not result in any unpaid amounts on the shares.

	Pre-Consolidation	Post-Consolidation
Shares	990,370,034	198,074,007

As the consolidation applies equally to all shareholders, the Consolidation will have no effect (subject to rounding entitlements) on the percentage interest of each individual shareholder in the Company.

The value of each share is expected to increase as a result of the Consolidation. However, assuming no other market movements or impacts occur which affect the price of the shares, the aggregate value of all shares held by an individual shareholder is not expected to be affected by the Consolidation.

Effect on options

The Company currently has 73,356,145 options on issue. Each option is exercisable for one share. In accordance with ASX Listing Rule 7.22.1, in a consolidation of capital, the number of options must be consolidated in the same ratio as the ordinary capital and the exercise price must be amended in inverse proportion to that ratio.

The breakdown of options on issue as at the date of this Notice of Meeting, and their proposed treatment pursuant to the Consolidation is set out in the table below:

	Pre-Consolidation		**Post-Consolidation**	
Option expiry date	**Number**	**Exercise Price**	**Number**	**Exercise Price**
31 October 2015[1]	314,503	$11.08	62,901	$55.40
16 July 2020	42,259,790	$0.50	8,451,958	$2.50
3 December 2020	29,581,852	$0.50	5,916,371	$2.50
31 January 2024	1,200,000	$0.60	240,000	$3.00
Total options on issue	73,356,145		14,671,230	

Effect on employee rights

Under the terms of the relevant plans or grants, all employee and executive incentive rights, executive performance shares and shares held pursuant to the Exempt Employee Share Plan (which are ordinary shares currently on issue) will be consolidated on the same basis.

Indicative Timetable

If approved by shareholders, the Effective Date of the Consolidation will be 26 November 2015. The following is an indicative timetable (subject to change) of the key events:

Key Event	Indicative Date
Annual General Meeting	24 November 2015
Notification to ASX that Consolidation is approved	24 November 2015
Last day for trading in pre-consolidated securities	25 November 2015
Trading in the consolidated securities on a deferred settlement basis commences (**Effective Date**)	26 November 2015
Last day to register transfers on a pre-consolidation basis	30 November 2015
Registration of securities on a post-consolidation basis	1 December 2015
Despatch of new holding statements	1 December 2015
Deferred settlement trading ends	7 December 2015
Normal trading starts	8 December 2015

Board Recommendation

The Board unanimously recommends that shareholders vote in favour of Resolution 5. The Chair of the Meeting intends to vote undirected proxies in favour of Resolution 5.

[1] These 314,503 options will expire on 31 October 2015.

If you are unable to attend the Annual General Meeting in person,
you can listen to a live webcast by scanning the QR Code or by visiting www.billabongbiz.com

Billabong International Limited

ABN 17 084 923 946

000001 000 BBG

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

Vote and view the annual report online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 **PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 10.00am (Queensland time) on Sunday, 22 November 2015

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Billabong International Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ______________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Billabong International Limited to be held at the **Gold Coast Convention and Exhibition Centre, Level 1, Meeting Room 5, 2684-2690 Gold Coast Highway, Broadbeach, Queensland on Tuesday, 24 November 2015 at 10.00am (Queensland time)** and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on **Resolutions 3 & 4** (except where I/we have indicated a different voting intention below) even though **Resolutions 3 & 4** are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on **Resolutions 3 & 4** by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
1	Re-election of Director - Dr Ian Pollard	☐	☐	☐
2	Re-election of Director - Mr Howard Mowlem	☐	☐	☐
3	Remuneration Report	☐	☐	☐
4	Issue to Mr. Neil Fiske under the Billabong International Limited Executive Incentive Plan	☐	☐	☐
5	Share Consolidation	☐	☐	☐

Before completing your vote and returning by post, please consider using the preferred electronic voting option outlined on the front page of this form. To elect to receive shareholder communications for Billabong International Limited by email, you will help the environment and reduce costs. To update your email communications, go online to www.investorcentre.com/au and follow the prompts.

Billabong International Limited promotes reducing cost and wastes by encouraging electronic shareholder communications.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ______________ **Contact Daytime Telephone** ______________ **Date** ___ / ___ / ___

B B G 9 9 9 9 9 9 A

Computershare

BILLABONG INTERNATIONAL LIMITED ABN 17 084 923 946

BILLABONG

FULL FINANCIAL REPORT

SHAREHOLDER REVIEW

2014/2015

COURTNEY CONLOGUE, WORLD TITLE CONTENDER. #COURT4THEWIN

CORPORATE DIRECTORY

PRINCIPAL AND REGISTERED OFFICE
1 Billabong Place,
Burleigh Heads QLD 4220
Australia
Telephone: +61 7 5589 9899
Facsimile: +61 7 5589 9800

POSTAL ADDRESS
PO Box 283
Burleigh Heads QLD 4220
Australia

INTERNET
Corporate: www.billabongbiz.com
Marketing: www.billabong.com

SHARE REGISTRY
COMPUTERSHARE INVESTOR SERVICES PTY LIMITED
GPO Box 2975 Melbourne VIC 3001
Telephone Australia: 1300 850 505
Telephone International: +61 3 9415 4000
Facsimile: +61 3 9473 2500
Email: web.queries@computershare.com.au

AUDITORS
PRICEWATERHOUSECOOPERS
Riverside Centre, Level 15
123 Eagle St
Brisbane QLD 4000

SOLICITORS
ALLENS LINKLATERS:
Level 28, Deutsche Bank Place
Corner of Hunter & Phillip Streets
Sydney NSW 2000

MINTER ELLISON:
Level 23, Rialto Towers
525 Collins Street
Melbourne VIC 3000

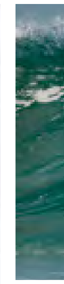
STOCK EXCHANGE LISTING
Billabong International Limited shares are listed on the Australian Securities Exchange (ASX). The home branch is Sydney.

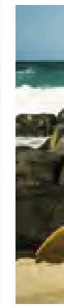
Ticker: BBG.

CONTENTS

CHAIR'S REPORT

IAN POLLARD





IN LAST YEAR'S CHAIRMAN'S REPORT I DETAILED A NUMBER OF EVENTS THAT HAD BROUGHT BILLABONG INTERNATIONAL LIMITED TO A POSITION OF STABILITY AND CLARITY OF PURPOSE.

These events provided a platform from which the Company could take on the considerable challenge of rebuilding the business to support our world-class brands.

I'm pleased to report that 2014 - 15 has indeed been a year of successful rebuilding, with your Company returning to full-year profit for the first time since 2011.

That result has been achieved in large part by having a global team uniformly focused on the implementation of our seven-part turnaround strategy. As you will see from the CEO Report, a substantial amount has been achieved.

This has been facilitated by a significant enhancement of the depth of talent within your Company, and stronger collaboration across both our regions and brands. We have, in a short period of time, assumed a role of employer of choice within our industry, not only attracting new talent but also retaining key experience.

I commend to you the thoughtful manner in which CEO Neil Fiske has transformed the strategy, leadership and culture of your Company. Although much remains to be done, the clear direction, collaboration and energy of our people engenders confidence in the road ahead.

FEWER, BIGGER, BETTER

Consistent with Neil's turnaround mantra of "fewer, bigger, better," a heavy load of change projects has been prioritised to four major projects.

These are Omni-Channel, Sourcing & Supply Chain, Distribution & Logistics and Concept to Customer, which are all further detailed in the CEO Report.

These projects merit and enjoy principal focus by both the Board and management. Wherever possible we are taking opportunities to accelerate those aspects of these complex and global undertakings that offer early rewards without compromising medium and long-term benefits.

Your Company is also taking steps to simplify its operations and focus on its core brands.

Following a review of our multi-brand ecommerce sites, we sold our interest in SurfStitch and the wholly owned Swell in September 2014. The transaction restored to us 100% control of our branded websites previously licensed to SurfStitch and the Company retains wholesale supply agreements with SurfStitch and Swell.

Our move towards a mono-brand focus online and in particular our focus on our big three brands has helped improve their overall performance in the last financial year.

As a way of highlighting this to shareholders, I'm going to focus on the performance of the Billabong, RVCA and Element brands in the wholesale market, not including the benefit of sales into the Group's retail operations. The figures are on a constant currency basis.

Brand Billabong EBITDA globally was up $7.3 million with sales down 0.8 percent, reflecting the planned contraction in Europe to focus on key accounts and quality revenue. In the United States, a key market for us, Billabong sales grew 13.1 percent.

For RVCA we invested heavily in marketing to drive global growth. While EBITDA lifted only slightly by $0.3 million, that investment saw the brand grow sales 12.6 percent globally. In the Asia Pacific region RVCA sales were up 28 percent.

Finally Element EBITDA was up $2 million while wholesale sales were down 9.7 percent, impacted by the Americas and Asia Pacific. Sales in Europe, Element's largest market, were up 5.6%.

This growth shows the resilience and relevance of heritage brands such as Billabong and the significant potential we see in RVCA, which is showing strong growth in all regions.

FINANCIAL RESULTS

Turning to our Group financial results, Net Profit After Tax for the full-year to 30 June 2015 was $4.2 million, compared to a $233.7 million loss for the previous full-year.

The Group returned to full-year EBITDA growth for the first time since 2008, posting a $65.7 million result, excluding significant items and discontinued businesses, which was 8.8% up on the previous full-year.

Despite this return to profitability no dividend was declared in respect of the 2014 - 15 financial year.

Sudden and steep changes in currency rates were and remain a challenge for the Company. On the one hand, the rapid weakening of the Australian dollar against the US dollar benefits our reported results through the translation into Australian dollars of the profits of our American operations - highlighting the importance to the Company of continued improvement in the Americas and the value of our US based assets.

At the same time, however, a stronger US dollar increases our product costs in Asia Pacific and Europe, putting pressure on gross margins. The strong dollar also increases our US dollar denominated debt and interest costs.

We are examining options for refinancing our debt, with aspirations of doing so when our underlying performance in terms of profitability and cash flow and strategic considerations align best to make this materially advantageous.

As is typical of long-term fixed rate financing, early repayment penalties apply and these fall to more manageable levels from November this year, the second anniversary of the refinancing.

BOARD CHANGES

On 8 September 2015 Director Matthew Wilson resigned from our Board. Matthew joined the Board in November 2013 following the funding agreement then entered into with Oaktree. The expertise, experience and access to a broad range of specialist skills that both Matthew and his Oaktree colleagues brought to the table at the outset of our turnaround served us well in helping restore focus and confidence in the Company's future. On behalf of my fellow Directors I want to acknowledge his contribution and thank him for it.

A sub-committee of the Board continues to oversee and manage a class action launched in March 2015 in respect of market disclosures that occurred in 2011. As previously advised, this action is being and will continue to be vigorously defended.

OUTLOOK AND DIVIDEND

A return to profitability in 2014 - 15 and an improvement in EBITDA for the first time in seven years, provide a sound foundation for future profitable growth.

We look forward to the positive effects of progress of the four major change projects, while recognising their impact on our financial results may be in part absorbed by the effect of the weaker Australian and Euro currencies against the US dollar.

Given we are still in the early stages of financial recovery, your Board does not anticipate there being a dividend in respect of the 2015 - 16 financial year.

– Ian Pollard

CEO REPORT

THE LAST YEAR HAS SEEN SEVERAL MILESTONES IN OUR TURN-AROUND PROGRAM.

Along with reporting the Company's first full-year profit since 2011 we saw improving performance in the key US market, a dramatic lift in profitability in Europe and profit growth across our big three brands.

These results highlight the positive progress we are making against our seven-part turnaround strategy. Plenty of hard work and opportunity still lie ahead.

Two years into our turnaround though we are becoming a brand driven, truly global company – and the financial results are beginning to show the benefits of that focus.

FOUR BIG INITIATIVES

Accelerating success in our turnaround and enabling our brands to fully realise their potential require a fundamental re-orientation in the way we run your Company – from a regional model to a global one. In short, building global brands on global platforms.

These platforms include sourcing, product development, global logistics and distribution, Omni-Channel technologies, IT, finance and HR.

Out of that list, we have prioritised four big initiatives: Omni, Sourcing, Global Logistics, and what we call Concept to Customer.

Of these, we expect that Omni will be the most transformational. It will become our new operating system, our new way of doing business. It is built around how the customer wants to shop. Seamlessly across channels. Bricks and clicks. Anywhere anytime. One brand experience. It's also about us understanding who those individual customers are, how they interact with our brands and what they want in our products.

Earlier this year we selected our Omni-Channel platform partner – NetSuite. Starting with a roll-out in Australia, this one global platform will ultimately support all our brands across retail, ecommerce, business to business, customer relationship management, social integration, content management, international shipping, multi-language and multi-currency.

We know that multi-channel shoppers are worth two to three times the value of a single channel shopper. We also know that despite the huge engagement with our brands through over 15 million social media followers, we are yet to fully understand and interact with them on their terms.

In Sourcing, we are building global capability focused on speed, quality and efficiency – with a targeted improvement at maturity of at least $20 million in our cost of goods annually.

While it will take several years to layer in all these sourcing savings, we are already starting to see significant savings in key categories. We have narrowed our vendor base dramatically (by more than 50 percent) so that we are more meaningful to those vendors and as a result get better quality, innovation, and costs. We are also working with them as one organisation with major negotiating scale, not individual regions and brands each doing business on their own.

Global Logistics is the third of our big four initiatives. When we benchmarked ourselves against industry competitors we found that we were too high in our distribution costs due largely to the regionalised and fragmented decision making of the past.

In the next financial year we will begin the implementation of Project Pipeline – a phased overhaul of our logistics system based on a holistic global redesign of the network. We are targeting $10 million in annual cost reduction when fully implemented, plus we will be getting our product to market far more quickly and efficiently.

Finally, Concept to Customer, which is our fourth big initiative. This is the process that pulls it all together from the start of design to delivery of product to the customer. Our goal is to be faster to market – to be able to respond to market trends, quickly identify winners in our assortment, and changes in order patterns.

The Billabong brand team was the first to implement this and we're already seeing the benefits.

I've provided far more detail on each of these projects in my 2014 - 15 full-year results comments available on www.billabongbiz.com.

These initiatives are global and transformational in scope. As such they carry some element of project risk around the timing of implementation and associated benefits.

I'm confident though that we are balancing the need for quickly implementing change with a philosophy of doing it once and doing it right, laying a solid foundation for years of growth and profit improvement.

WORLD-CLASS BRANDS

Everything we do at Billabong starts with a brand mindset.

We are evolving from autonomous and regional brand structures to a global brand management operating model. Yet we are also ensuring that our design and merchandising teams stay close to their specific markets.

That means we understand what winning designs will work in every region and what subtle changes we may need to make to align ourselves with local preferences.

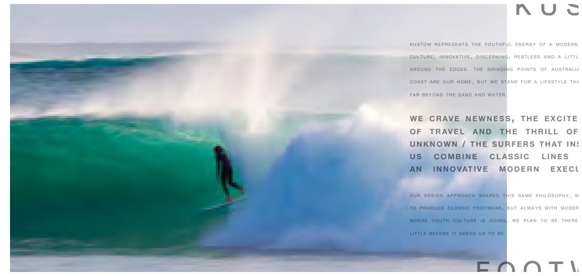
Our overall focus with our brands is to unashamedly have them connect with and fully focus on the core participants in action sports.

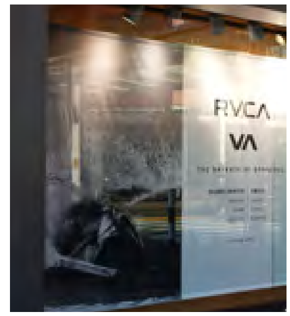
Our events, athletes and advocates play a crucial part in that and the last year has seen significant success in this sphere.

You'll see more detailed information on our brands in this report but following are a number of highlights.

Billabong was named again as both the Mens and Womens Brand of the Year for the second successive year at the Australian Surf Industry Awards, along with Swimwear Brand of the Year and Marketing Campaign of the Year in both Mens and Womens.

NEIL FISKE





The brand has one of the most diverse and compelling athlete teams in action sports. This includes our current contending number one female surfer on the championship tour - Courtney Conlogue – on the cover of this year's report. Billabong also has the two biggest marquee events on the world surfing tour in the Tahiti Pro and Pipe Masters, which last year smashed all surfing records for global viewership and engagement.

RVCA is one of the fastest growing global brands in the actions sports segment. Its mix of athletes and advocates spans the subcultures of art, skate, surf, and mixed martial arts. People like MMA champion BJ Penn, Big Wave World Surfing Champion Makua Rothman, artist Ed Templeton, and X Games Skate Park Gold Medal winner Curren Caples.

RVCA, I believe, is still at the early growth stages of what we expect will become a major global brand.

We're also excited about the comeback potential of Element. In addition to the continued strength in Europe, we are seeing the beginning of a brand revival in the Americas. Element has one of the best skate teams in the industry, including perennial world champion Nyjah Huston and newly signed Brendon Westgate.

Among our emerging brands, Tigerlily has shown standout performance with sales up over 40 percent last year, while comparable (comp) store sales were up 7.8 percent. And with the progress of the big three brands well underway, we can now more fully address the strategy and performance of the emerging brands.

THE YEAR AHEAD

The four projects I've outlined in this report are big and transformational. They're underway and the benefits have begun to accrue to the business and we expect will continue to do so. We have moved from the planning stages to implementation, which will be full on in the year ahead. However, as we have said previously, this is a long lead-time business and it will take time to realise the full potential.

The shareholders I've spoken to over the last year have almost uniformly recognised that there is no quick fix.

Equally we are making real and tangible progress.

We also have great people across the globe and I'd like to thank them for their hard work, perseverance, and inspiration. Likewise to our customers in wholesale and retail who keep us motivated, focused and informed about how we stay young, fresh, and on the pulse of what's next.

It's been a busy year. We have made good progress. The agenda ahead is no less ambitious. Our commitment no less intense. And our passion for building global brands stronger than ever.

– Neil Fiske

COMPANY OVERVIEW

FOUNDED BY GORDON MERCHANT IN 1973 BY THE WORLD-CLASS BREAKS AT BURLEIGH HEADS.

Billabong remains located just down the road on the Gold Coast, Australia where it all began. Now with major operations also in Irvine, California and Hossegor, France the Group's brands are available across 100 countries.

Approximately 5,000 people are part of our team globally.

Billabong has been built on premium quality, innovation and forever listening to its core action sports consumer.

Over the last decade we've been joined by a suite of brands whose founders and participants are every bit as passionate about what they do. There are some world-class brands in RVCA, Element, Sector 9, Von Zipper, Honolua, Xcel, Kustom, Palmers and Tigerlily.

They're brands that are uniquely connected to the communities and lifestyles they represent, be it through experiences, events or social media, where our brands have over 15 million followers globally.

The Billabong Group's total sales exceed $1 billion annually. Those sales come through selling product in the wholesale, retail and online channels.

The Group is now building an Omni-Channel platform globally that will ultimately support all our brands across retail, ecommerce, wholesale, customer relationship management and social media.

In recent years the Group has also rationalised its retail fleet and now has 404 doors globally operating on both a mono and multi-brand basis.

We continue to open new stores, including four new Tigerlily stores in Australia over the last year, but where long-term uneconomic leases expire or other factors are at play store closures will continue to occur.

Detailed financials are contained in this Annual Report but an overview of the Group's performance follows.

Net Profit After Tax, including significant items and discontinued businesses (NPAT), for full-year to 30 June 2015 was $4.2 million compared to a $233.7 million loss for the previous corresponding period (pcp). Excluding significant items and discontinued businesses, EBITDA for the period was $65.7 million, up 8.8% on the pcp.

REGIONAL PERFORMANCE:

AMERICAS

The Americas EBITDA was $27.2 million for the year, with the second half EBITDA up 17.5% on a constant currency basis (cc) fueled by revenue growth from Billabong and RVCA in the key US wholesale market.

For the full-year brand Billabong grew sales 13.1% in the United States wholesale market on a constant currency basis (cc).

Overall retail sales were down slightly on the back of store closures, with a 3.7% decline in brick and mortar comp sales offset by a 35% (cc) growth in ecommerce revenue.

EUROPE

European EBITDA of $5.6 million was up from a loss of $1.4 million (cc) for the pcp, despite a 1.7% (cc) drop in overall revenue for the year.

The focus on better quality channels and sales continues to drive gross margin (up 650 bps for the year) and despite a planned contraction in wholesale sales the region has achieved retail sales growth of 2.9% on a comp store basis.

Element's sales in Europe, its largest wholesale market, grew by 5.6% (cc).

ASIA PACIFIC

Asia Pacific revenue (excluding discontinued bussinesses) was $418.9 million compared to $420.5 million (cc) for the pcp.

Retail comp store sales for the year were down 3.2% across Asia Pacific, which drove a $4.1 million (cc) reduction in overall EBITDA for the region. Despite the impact of a stronger US dollar on input prices, overall gross margin was maintained.

The region represents the Group's largest retail footprint and will be the first market to adopt the new Omni-Channel platform.

** References to EBITDA exclude significant items and discontinued businesses.*

KEALA KENNELLY REDEFINES WOMEN'S SURFING IN TAMING A TEAHUPOO MONSTER

LAURA ENEVER WINS AUSTRALIAN OPEN OF SURFING

TIGERLILY SALES LIFT 40% IN AUSTRALIA

KUSTOM CONTINUES ITS SUCCESSFUL PARTNERSHIP WITH SEA SHEPHERD

WHOSE MISSION IS TO END THE DESTRUCTION OF HABITAT AND THE SLAUGHTER OF WILDLIFE IN THE WORLD'S OCEANS

12-YEAR OLD JAY OCCHILUPO TAKES OUT THE GROM COMPETITION NAMED AFTER HIS WORLD-CHAMPION FATHER MARK "OCCY" OCCHILUPO

COURTNEY CONLOGUE RANKED NUMBER 1 IN THE WORLD WINNING CASCAIS WOMEN'S PRO

RVCA'S MAKUA ROTHMAN CROWNED 2015 BIG WAVE WORLD CHAMPION

BILLABONG RECYCLER BOARDSHORTS -

80,000

PLASTIC BOTTLES NOW RECYCLED

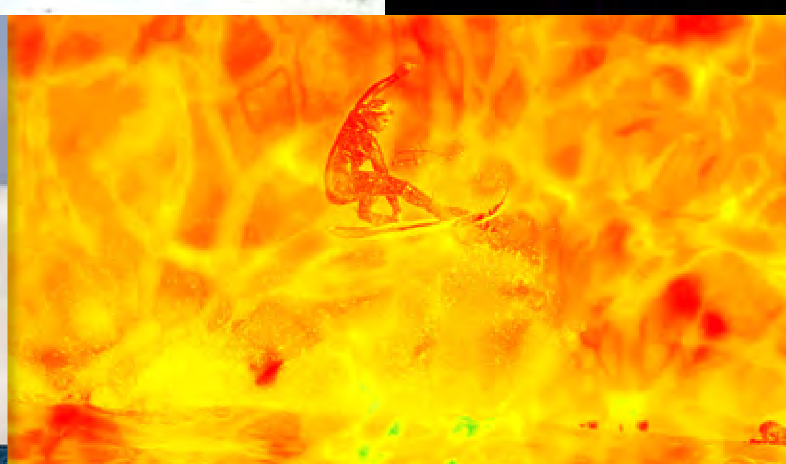
SHANE DORIAN

- BIG WAVE AWARDS -

RIDE OF THE YEAR

BILLABONG PRO AND PIPE MASTERS HIT

RECORD VIEWERSHIP HIGHS



XCEL DRYLOCK TDC FULLSUIT VOTED TRACKS MAGAZINE 2015

WETSUIT OF THE YEAR

BILLABONG DOMINATES

THE AUSTRALIAN SURF INDUSTRY AWARDS

SOCIAL MEDIA FOLLOWERS FOR MAJOR BRANDS

PASS 15 MILLION GLOBALLY

BILLABONG BRAND UPDATE

A CONTINUED FOCUS ON DESIGN, PRODUCT QUALITY AND COMMITMENT TO THE CORE SURFING AND ACTION SPORTS COMMUNITY SAW BILLABONG GROW GLOBALLY ACROSS KEY PRODUCTS IN THE AMERICAS, EUROPE AND ASIA PACIFIC OVER THE LAST YEAR.

Billabong over the last year was the number one brand in boardshorts in the United States specialty accounts and number one in core specialty surf stores for all apparel.

The renaissance of Billabong Womens continued, with the brand rapidly growing its swimwear sales and joining the men in being the number one brand in United States core specialty surf stores.

Supporting the quality products were global marketing campaigns for men, *Life's Better in Boardshorts*, and women, *A Bikini Kinda Life*, while on the ground, our commitment to wholesale and retail was led by a sales team connected to our customers.

Brand Billabong dominated the Australian surf industry awards (SBIA) being named:

- mens brand of the year
- womens brand of the year
- womens swimwear brand of the year
- mens marketing campaign of the year – *Life's Better in Boardshorts*
- womens marketing campaign of the year – *A Bikini Kinda Life*
- sales office of the year
- sales representative of the year.

In the water it's been a stellar start to 2015 with Laura Enever taking out the Australian Open in January and Courtney Conlogue a contender for the World Surf League (WSL) championship, showing incredible form as she chases down her first world title.

Meanwhile, Shane Dorian won the XXL Ride of the Year and the WSL Big Wave awards, and Kauai-born Keala Kennelly redefined women's surfing with one of the greatest rides seen on one of Teahupoo's bowel-tightening barrels. Billabong's long-time investment in talent continued with a re-signed Jack Freestone and Ryan Callinan edging towards joining surfing's elite on the WSL tour. Behind them is arguably the world's best junior team with Griffin Colapinto, Seth Moniz, Eithan Osborne, Brodi Sale and Josh Moniz all winning major events and junior titles around the globe. In Australia, 12-year-old Jay Occhilupo won the Occy Grom event (named after his former World Champ father, Mark Occhilupo) and the Skullcandy Grom competition, back to back.

Billabong's team riders have a history that stretches back decades but the brand has focused on continuing to connect with a new generation, with digital strategies seeing an average global social media growth of 50% across channels in the last finacial year.

On the WSL world tour Joel Parkinson and Taj Burrow flew the Billabong flag, the brand's two marquee events had record viewership, and Kelly Slater pretty much summed it up in saying: "Well...I guess if you had to pick two events on tour to win, the Pipe Masters and the Billabong Pro Tahiti are probably at just about the top of any person's list on the planet, right?"

Billabong's commitment went beyond the major events to backing grassroots change, signing on again as a long-time supporter of SurfAid (www.surfaid.org). This includes help and support for the people of Nias in Indonesia, a surf spot made famous by the 1982 movie *Storm Riders*, featuring Billabong's first ever team rider, Joe Engel.

ELEMENT BRAND UPDATE

IN 2015, ELEMENT HERALDED ITS CORE VALUE OF POSITIVE SKATEBOARDING AND CONTINUED ITS UNCONDITIONAL SUPPORT THROUGH ITS FOUR PILLARS – COMMUNITY, EDUCATION, INSPIRATION & EXPERIENCE - THE COMPANY'S WAY OF GIVING BACK THROUGH SKATEBOARDING.

A prime example of Element's community involvement is "Elemental Awareness", a non-profit, youth-based organization supported by Element, with a mission to connect kids to nature through skateboarding - from a kick flip to a campfire. The vision of Elemental Awareness is to inspire youth through environmental education, social awareness and community involvement.

Element Skate Camps represent a creative environment for skateboarding, art and music surrounded by nature. It is an opportunity for kids across the world to perfect their skate skills and connect with nature in an outdoor, camp environment.

The Element MAKE IT COUNT international contest series remains the most globally participated in amateur skateboard series and it resulted in over 100 million digital impressions.

The Element team continued to work hard in 2015 with several notable achievements. Latvian based team rider Madars Apse became the newest member of the Element global pro team in November. His widely praised *Subject Madars* video part has received over 400K views and helped him earn European Skater of the Year honors. Nyjah Huston, seemingly unbeatable and at just 20 years old, continued his legacy as one of the most successful skateboarders of all time. Coming off the win at the Street League Super Crown, he went on to repeat as X Games gold medalist. His success in these globally broadcast events has made him the most recognizable street and contest skater on the planet. And finally, one of the most highly respected contemporary skateboarders, Brandon Westgate, joined the Element family in April. His initial offering of three board graphics were amongst the best selling signature boards during the summer. In support of this major announcement, Westgate and the young, energetic Element team headed to Australia for the "Rumble Down Under" tour increasing hardgoods sales, re-igniting accounts and elevating overall brand confidence.

The Element Skate Team has one of the strongest social media reaches of any skateboard company. The team combined reach is over 4 million across all social channels and the Element Brand social reach is over 4.5 million.

The Element Advocate Program continued to expand in 2015 as well. In October, the brand released the film "*Road to Wolfeboro*". This documentary of a 10-day journey from New York to Wolfeboro, NH featuring Brian Gaberman reached over 200K digital impressions. In March, to celebrate the launch of the second capsule collection with Element Advocate and illustrator Chad Eaton aka TIMBER!, Element presented "*The Northern Wheels Tour*": a bike tour from Paris to Belgium. The brand launched the Jeremy Fish Zipper Series in April in conjunction with legendary skate shop No Comply in Austin, TX. And finally, legendary skate photographer/filmer French Fred officially joined the Element Advocate program in June with the release of his Sketch Floral video clip and Elemental Perspective photo tees.

Element Eden continued to grow in 2015 in Australia with company-owned retail. The product offering is centered on the urban bohemian consumer with feminine, urban-inspired pieces that give a genuine and unique style. The goal is to elevate the brand message through blogs and social media. Marketing is focused on telling stories about our global advocates such as Amy Purdy who has a following of over 300K online.

Element was able to expand its footprint internationally with the opening of a flagship store in Covent Garden, London in December. The store represents a strong global brand platform in one of the most influential trend setting neighborhoods in the world. On the digital side, the Company completed a successful repatriation of its ecommerce business internationally giving the opportunity to accelerate the brand's Omni-Channel Strategy with a total control of its Direct to Consumer – thus increasing brand presence and continuing to broadcast Element's DNA and brand message to consumers worldwide.

RVCA BRAND UPDATE

RVCA IS A GLOBAL LIFESTYLE BRAND WITH A HERITAGE IN ARTIST-DRIVEN APPAREL AND ACCESSORIES.

Fueled by a culture of creativity, RVCA is deeply rooted in and passionate about the arts and active pursuits. RVCA is an authentic brand inspiring consumers through its advocates, artists, events and products. Always original, RVCA is pushing the boundaries of creative expression.

In the 2014 - 15 financial year, RVCA continued to build upon its creative leadership in the industry through the introduction of multiple Artist Network Program collections that resonated with consumers worldwide. Ben Horton, a fine artist from San Diego, interpreted sharks' teeth in art that was taken across both the men's and women's collection. Bert Krak, a well-known tattoo artist out of New York, collaborated with long-time RVCA Advocate Matt Archbold on a signature collection targeting core retailers. Dmote, a graffiti artist from Sydney, created multiple graphics driving printable art tee-shirt collections. Kylea Borges, a multi-media artist from San Francisco, partnered with the RVCA's women's team to create unique engineered prints for dresses, knit and woven tops, and swim. The RVCA Artist Network Program remains unique in the industry and is a key differentiator of the RVCA brand.

RVCA Womens enjoyed another year of solid gains in the market, driven by printable tees and fleece, dresses and swim; all key categories strategically important to the brand. RVCA Womens also launched a new category of business during the year, named The Sunday Collection. The focus is on no-frills layering pieces intended to be worn under the most simple of dresses or by themselves for a mellow day. The collection uses soft fabrics, sexy tomboy styling and relaxed fits.

This collection has been well received by buyers from department stores to core surf retailers alike. RVCA has identified white space for continued growth of the women's business.

In 2015 RVCA staked its claim as a true denim supplier in the industry. Partnering with a premier denim manufacturer in Mexico and featuring Cone ® denim, a comprehensive marketing program tied to specialised fixtures, point of sale marketing materials, advertising, social media and an aggressive push in public relations was launched in the market.

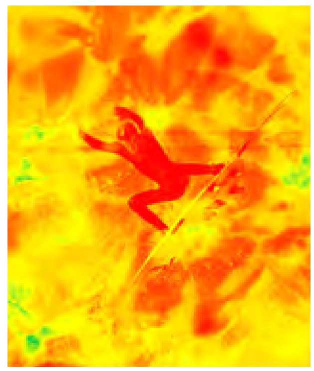
This program, which was also linked to newly signed RVCA skateboarders Curren Caples and Greyson Fletcher, generated in-store and window display imagery that is second-to-none. This ongoing program is supported by both regional and core skate retailers.

Globally, RVCA was able to leverage the strength of the Billabong Group's multi-brand retail network at Surf-Dive-Ski in Australia, Amazon in New Zealand, 2-Seasons in the United Kingdom and Quiet Flight in the United States. RVCA was displayed prominently and merchandised as a must-have brand in-store. Consumers responded positively, driving sales for both RVCA and our multi-branded retail banners. This program also confirmed the global relevance of the brand and its future potential. RVCA will continue to focus on brand presence in-store and deliveries of a new fixture program for wholesale accounts have already begun as we start the 2015 - 16 financial year.

The fast-paced digital space was another area of focus and success for RVCA in the year. The development and distribution of content is an area in which the RVCA brand excels. In the last year, RVCA released videos, images and collection stories that caught the attention of consumers worldwide. Key video releases highlighting RVCA advocates such as surfers Alex Knost, Jay Davies and Ricardo Christie along with skaters Didrik Galasso and Greyson Fletcher generated hundreds of thousands of views.

Some of the best image postings in the year featured photographer Zak Noyle, tattoo artist Bert Krak, surfers Kala Alexander, Imogen Caldwell and Alex Knost along with skater Greyson Fletcher.

RVCA is gaining between 1500 and 2000 new social followers a week and this number is growing.



VONZIPPER IS A FASHION FORWARD BRAND CENTERED AROUND THE ALTERNATIVE MINDSET WITH A FOCUS ON THE EYEWEAR, ACCESSORY AND PREMIUM APPAREL MARKET.

VonZipper had a strong year despite challenging market conditions. VonZipper released a diverse mix of frames in the last year that resonated to their broad customer base. These included the sport influenced "Dipstick", trend-leading "Hyde" and the woman specific "Queenie". Investment in snow development continued with the release of the innovative "Jetpack" goggle, which features a rimless design as well as a proprietary quick-change lens system, making it as functional as it is stylish. Dot Dash, VonZipper's entry-level price point offering, continued to grow in double digits, with strong sell through and broad market appeal. Globalisation is the over-arching theme of the business planning, with new distribution set up in Europe and a merchandising strategy that supports a "fewer, bigger, better" strategy, to ensure quick turns at retail and a never out of stock model on best selling styles to all regions.

VonZipper also continued to give back to the community through supporting Boarding For Breast Cancer, helping raise awareness and funds through product development and donating a portion of the proceeds from certain product sales along with continued support of the Surfrider Foundation.

XCEL CONTINUED TO AFFIRM ITS POSITION AS A MARKET-LEADING INNOVATOR, WITH NEW PREMIUM WETSUIT TECHNOLOGIES FOR 2014 – 15.

Specialty surf shop sales, the brand's core business, posted excellent growth in a highly-competitive and fast-changing retail climate. Xcel's USA direct online sales also exceeded expectations, growing 30% year over year. The brand also introduced its exclusive TDC Thermo Dry Celliant ® wetsuit material to the surf and dive markets to excellent response. TDC, Xcel's warmest wetsuit lining ever in 30+ years of product development, recycles body heat into performance-enhancing infrared energy via Celliant's proprietary, clinically proven mineral-enhanced smart fibers. The brand augmented its TDC roll-out with robust visual merchandising initiatives and core technical messaging through its wholesale and direct consumer channels.

Xcel products continued to receive industry and media recognition; the Xcel Drylock TDC fullsuit was voted Tracks Magazine 2015 Wetsuit of the Year and nominated for a Surf Industry Manufacturers Association (SIMA) Wetsuit of the Year Image Award, while the Xcel Drylock TDC surf boot also received a SIMA Image Award nomination for Hardgoods Accessory Product of the Year. Xcel also maintained its focus on nurturing and growing its targeted regional athlete roster while also featuring its higher-profile team athletes, including Albee Layer and Noa Deane, both of whom were honored at Surfer Poll 2014 with the Best Performance (Layer) and A.I. Breakthrough Performer (Deane) awards.

KUSTOM FOOTWEAR REPRESENTS THE YOUTHFUL ENERGY OF A MODERN SURFING CULTURE; INNOVATIVE, DISCERNING, RESTLESS AND A LITTLE ROUGH AROUND THE EDGES.

The grinding points of Australia's Gold Coast are the brand's home, but the brand stands for a lifestyle that exists far beyond the sand and water.

In this financial year, Kustom expanded its "Escape collection" of footwear, to include an innovative new vulcanized footwear style called the World Vulc. The World Vulc combines the sleek, understated design lines of a traditional vulcanised shoe, with the performance aspects of a sports shoe, with a soft, lycra form fitting tongue, a high traction outsole, and Kustom's "Travel Lite" breathable and cushioned foot bed.

The most successful shoe in the brand's history, the Kramer, celebrated its 10-year anniversary. A significant milestone and one only reached by the best and most unique products.

The brand also expanded its licensed product range with Sea Shepherd. Sea Shepherd is a non-profit, direct action conservation organisation whose mission is to end the destruction of habitat and the slaughter of wildlife in the world's oceans. The first range of products were delivered in November 2014, and included footwear, sandals and t-shirts. They received very strong retailer support and the licensed products were amongst the brand's fastest selling items during the Christmas trade period.

FOR TIGERLILY, THE FUSION OF FASHION AND CLASSIC THEMES, PLUS THE QUEST FOR THE PERFECT BIKINI HAVE ALWAYS BEEN, AND CONTINUE TO BE, THE FOUNDATION OF A BRAND THAT GOES BEYOND JUST THE PRODUCTION OF SWIMWEAR, CLOTHING AND ACCESSORIES.

Tigerlily's distinctive features and signature prints derive from an endless fascination with a beach lifestyle, with the result being a unique and exclusive customer experience.

Tigerlily began the year cautiously optimistic, following on from the significant growth reported in 2014. In financial year 2015, Tigerlily experienced record financial results, which further reinforced the brand's positioning as a leader in premium beachwear and swimwear in Australia.

An additional four stores were added to the retail portfolio, and the growth through the brand's external retail partners was well beyond the year prior.

Tigerlily also successfully launched a new website platform, with online sales exceeding expectations.

Strategically, Tigerlily plans to expand on its distinctive brand and coveted culture, where the brand experience is further elevated and enriched.

SECTOR 9 IS THE PREMIER BRAND IN SURF SKATES, LONG-BOARDS AND CRUISERS SPANNING A DIVERSE DEMOGRAPHIC.

Founded in 1993, the brand has established a dominant market position both domestically and abroad.

Sector 9 also proudly produces Gullwing Trucks and R.A. Design Wheels as in-house brands, while developing Arbor Skateboards as a licensed brand. Today, it continues to expand, leading the category in progressive shapes, performance products and innovative designs.

The 'Ride a Nine' campaign allows the brand to generate new riders, and introduce people to the sport. The brand is also rolling out a new retail look, featuring fixtures that showcase its product.

In addition to a new look at the physical retail level, Sector 9 is launching a new website to update its online presence.

As a brand, Sector 9 looks to continue to dominate from the mountains to the sea and everything in between.

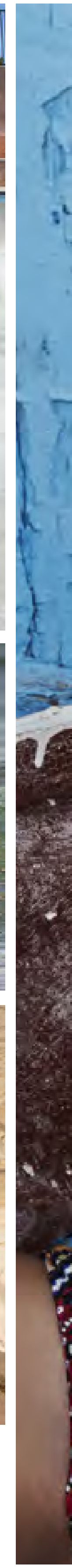
HONOLUA SURF RETAIL HAS HAD A STRONG BRAND PRESENCE IN HAWAII SINCE ITS INCEPTION IN 1995.

Honolua is considered to be one of the premier lifestyle retail stores in Hawaii and showcases Billabong and its family brands.

Honolua Surf beat the sales plan for the 2014 - 15 financial year and plans to roll out its ecommerce strategy in the year ahead.

Honolua Surf still contributes and gives back to the community by involving the local culture and youth of surfing with a premier surfing contest and events.

PALMERS IS A HERITAGE SURF WAX AND ACCESSORIES BRAND THAT CATERS EXCLUSIVELY TO ACTIVE BOARD SPORTS PARTICIPANTS. The brand, established in Australia in 1988, is produced on-site at Billabong's Burleigh Heads HQ and is sold world wide.



SUSTAINABILITY AND SUPPLY CHAIN

BILLABONG'S ENVIRONMENTAL, SOCIAL AND SUSTAINABLE COMMITMENT IS INTEGRAL TO THE BRANDS WE ARE BUILDING.

It starts with a commitment to go beyond statements of intent to using innovation and passion to confront environmental and social challenges.

Confronted with growing pollution on some of the world's best waves, Billabong developed a new boardshort material made out of recycled plastic bottles.

The Recycler boardshort had gone on to win numerous awards.

To date, this initiative has prevented 80 million plastic bottles ending up in our oceans or landfills.

Xcel's exclusive, premium Quick Dry Lining is made from recycled polyester fibres, saving materials that would otherwise end up in landfills.

Kustom has collaborated with direct action conservation group Sea Shepherd in releasing the "Defend. Conserve. Protect." Collection. This limited collection of co-branded sneakers, sandals and t-shirts feature organic canvas constructions, recycled rubbers and organic cottons. The Company donates a portion of each sale to Sea Shepherd to help them defend ocean wildlife through their high profile campaigns.

At our offices and stores we also take steps to reduce our impact on the environment.

As an example, Billabong has upgraded stores with energy efficient LED lighting, reducing energy consumption and reducing cooling loads from air conditioning.

In our supply chain we have had a long association with factory social compliance auditing and seek to maintain best practice globally.

Billabong has recently engaged a leading, independent, certification body to audit our restructured supply chain. The aim is to ensure that our products continue to meet standards and regulations in terms of quality, health and safety, environmental protection and social responsibility.

Finally, Billabong this year renewed its long-standing funding partnership with SurfAid.

SurfAid's core mission is to save the lives of women and children in remote areas – areas connected to us by surfing. The work SurfAid undertakes, well applauded by those in the surfing community, is worthy of wider recognition and acknowledgement and for the first time we've included in our Annual Report a letter to our shareholders from SurfAid CEO Andrew Judge.

SURFAID

Dear Billabong Shareholders,

I am writing to thank you for the generous support that Billabong provides to SurfAid, and to let you know about the transformational changes that Billabong's ongoing commitment has enabled for many people living in iconic surfing destinations.

SurfAid's core work is saving lives in remote areas – places and people connected to us by surfing. We specialise in working with very isolated villages where the maternal and child mortality rates are extremely high. Many in these communities suffer from preventable diseases. Simple things like washing hands before delivering a baby, sleeping under a mosquito net, exclusive breastfeeding, and improving nutrition can have an enormous positive impact on the health of women and their families.

SurfAid arose out of one surfer's desire to make a difference. Since then the quality and consistency of support from the surf community, anchored by Billabong, has enabled us to build and sustain a highly experienced, adaptable and motivated team. We are accredited with the New Zealand and Australian governments, who provide substantial funding along with major foundations, allowing us to leverage the support of the surf community to assist even more communities. We are now widely recognized for delivering high calibre, long-lasting, health and emergency preparedness programs. SurfAid has also led responses to help communities re-build their lives after five major natural disasters - earthquakes and tsunamis.

The 2014 - 15 year was a landmark year for SurfAid. We cemented a merger with Sumba Foundation Australia. We launched a full program in Sumba in addition to our programs in Nias, Sumbawa and the Mentawai. We also completed a comprehensive Disaster Risk Reduction program for 28 communities in the islands west of Sumatra still living through the impact of the current super-cycle of earthquakes and tsunami.

SurfAid provides very practical support, such as materials to build water tanks, water taps and toilets for clean water and sanitation and mosquito nets. But it is the capacity building of community members, schoolchildren, community health volunteers and government staff that really lies at the heart of what we do to increase the independence and health status of communities. Our local staff provide advice, training and expertise, but it is up to the community to implement and embrace change. We believe that working with communities to develop their own solutions, increasing their choices, is the most effective form of aid - a "hand up, not a hand out". The exciting thing about this approach is these behavior changes like hand washing and breastfeeding are multi-generational and will resonate for years to come.

We continue to be enormously grateful to Billabong, their Board, athletes, employees and customers, who alongside SurfAid are saving lives every day.

– Andrew Judge, CEO SurfAid

NOTES

NOTES

Billabong International Limited

ABN 17 084 923 946

Contents

:: FULL FINANCIAL REPORT

2014 - 15

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Billabong International Limited (the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2015.

Directors
The following persons were Directors of the Company during the whole of the financial year and up to the date of this report:

I. Pollard
N. Fiske
G.S. Merchant
H. Mowlem
J. Mozingo
S.A.M Pitkin
M. Wilson
A. Doshi (Alternate to J. Mozingo)
T. Casarella (Alternate to M. Wilson)

Principal activities
During the year the principal continuing activities of the Group consisted of the wholesaling and retailing of surf, skate, snow and sports apparel, accessories and hardware, and the licensing of the Group trademarks to specified regions of the world.

Dividends – Billabong International Limited
No dividends were paid to members during the financial year.

The Board has not declared a final ordinary dividend for the year ended 30 June 2015.

The Dividend Reinvestment Plan (DRP) remains suspended.

Operating and Financial Review

Group overview

The Group's business is the wholesaling and retailing of surf, skate, snow and sports apparel, accessories and hardware currently comprising multiple brands and retail banners over three key reporting segments being Asia Pacific, Americas and Europe.

The Group's brands at year-end included Billabong, Element, RVCA, Kustom, Palmers, Honolua, Xcel, Tigerlily, Sector 9 and Von Zipper.

The Group operates 404 retail stores as at 30 June 2015 in regions/countries around the world including but not limited to: North America (60 stores), Europe (102 stores), Australia (123 stores), New Zealand (30 stores), Japan (46 stores) and South Africa (27 stores). Stores trade under a variety of banners including but not limited to: Billabong, Element, Surf Dive 'n' Ski (SDS), Jetty Surf, Rush, Amazon, Honolua, Two Seasons and Quiet Flight. The Group also operates online retail ecommerce for each of its key brands.

Significant changes in the state of affairs

The statement below should be read in conjunction with note 41 (events occurring after the balance sheet date) of the annual report for the year ended 30 June 2014 and any public announcements made by the Company during the financial year.

On 5 September 2014 the Group sold its 51% stake in the multi-brand ecommerce business SurfStitch.com in Australia and Europe ("SurfStitch") and its 100% ownership of Swell.com in North America ("Swell"). Refer to note 10 of the financial statements for detailed disclosure in relation to these divestments.

Other than matters dealt with in this report there were no significant changes in the state of affairs of the Group during the financial year.

Group financial performance

The Group results for the period and the prior corresponding period ("pcp") include certain significant items including but not limited to contingent consideration and fair value adjustment charges and costs associated with the various control/refinancing proposals and strategic reform programs announced during the years ended 30 June 2013 and 30 June 2014. Refer to note 8 of the financial statements for detailed disclosure in relation to these items.

During the period the Group sold its 51% stake in the multi-brand ecommerce business SurfStitch and its 100% ownership of Swell.

During the year ended 30 June 2014, the Company made the decision to write off the majority of its deferred tax assets (net of deferred tax liabilities) as it was estimated that it was not probable for taxable profits to be generated in a period where the conditions for utilisation of the assets would be met including continuity of ownership tests. During the year ended 30 June 2015, the Company maintains this same position in most tax jurisdictions with the exception of Australia and Japan where it has been estimated that previously unrecognised temporary differences will now meet the conditions for utilisation of these assets. The reinstatement of these deferred tax assets resulted in a tax benefit of $16.8 million.

In order to provide users with additional information regarding the continuing operations excluding the aforementioned significant items and to help understand the impact of these events on the results of the Group (and the impact of currency movements on the translation of the Group's international operations into AUD), the segment results are presented in three separate tables.

Table A presents the segment results on a basis including all significant items and including the operations of SurfStitch and Swell (and in the pcp DaKine and West 49) for the relevant period of ownership. See Table A "Segment Results As Reported – Including significant items and discontinued operations".

Table B presents the results excluding significant items and discontinued operations (SurfStitch and Swell are excluded from both the current year and pcp and previously divested businesses DaKine and West 49 are removed from the pcp). See Table B "Adjusted Segment Results – Continuing Operations As Reported – Excluding significant items and discontinued operations".

Table C presents the results on the same basis as in Table B but on a constant currency basis (i.e. using the current period monthly average exchange rates to convert the prior period foreign earnings) to remove the impact of foreign exchange movements from the Group's performance against the pcp. The constant currency comparatives are not compliant with Australian Accounting Standards. See Table C "Adjusted Segment Results – Continuing Operations (Constant Currency) – Excluding significant items and discontinued operations".

Operating and Financial Review (continued)

Table A: Segment Results As Reported – Including significant items and discontinued operations

	Segment revenues		Segment EBITDAI*	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Asia Pacific	428,476	480,500	10,461	14,593
Americas	455,565	537,969	15,345	(48,988)
Europe	179,699	199,041	25,937	(20,754)
Third party royalties	3,461	2,842	3,461	2,842
Segment revenues / EBITDAI*	1,067,201	1,220,352	55,204	(52,307)
Less: Net interest expense			(28,354)	(34,205)
Depreciation and amortisation			(33,489)	(39,654)
Fair value adjustment on reclassification of West 49 as held for sale during the prior year			---	(17,718)
Impairment charge			(3,040)	(29,255)
Profit/(loss) before income tax expense			(9,679)	(173,139)
Income tax benefit/(expense)			12,231	(66,794)
Profit/(loss) after income tax expense			2,552	(239,933)
Loss attributable to non-controlling interests			1,598	6,221
Profit/(loss) attributable to members of Billabong International Limited			4,150	(233,712)

* Segment Earnings Before Interest, Taxes, Depreciation, Amortisation and Impairment (EBITDAI) excludes inter-company royalties and sourcing fees and includes an allocation of global overhead costs (which include corporate overhead, international advertising and promotion costs, central sourcing costs and foreign exchange movements).

Table B: Adjusted Segment Results – Continuing Operations As Reported – Excluding significant items and discontinued operations

Adjusted EBITDAI by Segment:	**2015 Excluding significant items and discontinued operations* $'000**	2014 Excluding significant items and discontinued operations* $'000
Asia Pacific	29,446	33,391
Americas	27,180	25,192
Europe	5,592	(1,080)
Third party royalties	3,461	2,842
Adjusted EBITDAI	65,679	60,345
Less: Depreciation and amortisation	(32,831)	(34,458)
Net interest expense	(28,340)	
Adjusted net profit/(loss) before income tax benefit	4,508	
Adjusted income tax benefit/(expense)	(1,497)	
Adjusted net profit/(loss) after income tax benefit	3,011	
Loss attributable to non-controlling interest	---	
Adjusted net profit/(loss) attributable to members of Billabong International Limited	3,011	

* Excludes SurfStitch, Swell, DaKine and West 49.

The Group results for the period and the pcp include certain significant items including but not limited to contingent consideration and fair value adjustment charges, costs associated with the various control/refinancing proposals and strategic reform programs announced during the years ended 30 June 2013 and 30 June 2014 (collectively significant items). Refer to note 8 of the financial statements for detailed disclosure in relation to these items.

Operating and Financial Review (continued)

Table C: Adjusted Segment Results – Continuing Operations (Constant Currency) – Excluding significant items and discontinued operations**

Adjusted EBITDAI by Segment:	**2015 Excluding significant items and discontinued operations* $'000**	2014 Excluding significant items and discontinued operations* $'000
Asia Pacific	29,446	33,557
Americas	27,180	30,079
Europe	5,592	(1,447)
Third party royalties	3,461	2,842
Adjusted EBITDAI	65,679	65,031
Less: Depreciation and amortisation	(32,831)	(34,521)
Net interest expense	(28,340)	
Adjusted net profit/(loss) before income tax benefit	4,508	
Adjusted income tax benefit/(expense)	(1,497)	
Adjusted net profit/(loss) after income tax benefit	3,011	
Loss attributable to non-controlling interest	---	
Adjusted net profit/(loss) attributable to members of Billabong International Limited	3,011	

* Excludes SurfStitch, Swell, DaKine and West 49.
** Due to a significant portion of the Group's operations being outside Australia, the Group is exposed to currency exchange rate translation risk i.e. the risk that the Group's offshore earnings and assets fluctuate when reported in Australian Dollars. The Group's segment information for the prior period has therefore also been presented on a constant currency basis (i.e. using the current period monthly average exchange rates to convert the prior period foreign earnings) to remove the impact of foreign exchange movements from the Group's performance against the pcp. The constant currency comparatives are not compliant with Australian Accounting Standards.

Adjusted EBITDAI excludes pre-tax significant items of income and expense. Refer to note 8 of the financial statements for detailed disclosure in relation to these items.

Comments on the operations and the results of those operations are set out below:

Consolidated result including significant items
Net Profit After Tax for the year ended 30 June 2015 was $4.2 million compared to a Net Loss After Tax of $233.7 million in the prior corresponding period (pcp). The results were impacted by the abovementioned significant items in both years (including impairment (2015: $3.0 million; 2014: $29.3 million) and tax (2015: benefit $13.7 million; 2014: expense $73.2 million) and in 2014 the fair value adjustment ($17.7 million), refinancing ($43.7 million)) and the sale of SurfStitch and Swell in the current year and DaKine and West 49 in the pcp.

Group performance excluding significant items and excluding discontinued operations
Group sales to external customers of $1,048.4 million, excluding third party royalties, represents an as reported 2.6% increase on the pcp. In constant currency terms Group revenues decreased 0.6% on the pcp. In constant currency terms, sales revenue in Asia Pacific decreased 0.4%, the Americas decreased 0.4% and Europe decreased 1.7% compared with the pcp.

Consolidated gross margins were 53.0% (53.2% in the pcp). Adjusting for the impact of divestments consolidated gross margins were 52.7% (51.6% in the pcp).

Adjusted EBITDAI excluding discontinued operations of $65.7 million for the period compares to $60.3 million for the pcp. This is an increase of 8.8% (an increase of 1.0% in constant currency terms).

Operating and Financial Review (continued)

The Adjusted EBITDAI excluding discontinued operations was impacted by:

- In Asia Pacific Adjusted EBITDAI was down $3.9 million (11.8%) compared to the pcp with revenues being 0.3% lower than the pcp in as reported terms (0.4% in constant currency terms), with the effect of the lower AUD impacting gross margins in the wholesale business, while a weaker retail performance saw comparable store sales trading lower in Australia by 4.7% compared to the pcp.
- In Americas Adjusted EBITDAI was up $2.0 million (7.9%) compared to the pcp (down $2.9 million or 9.6% in constant currency terms). Revenue was up 8.1% compared to the pcp in as reported terms (down 0.4% in constant currency terms). This result reflects improvement in the US market with brands Billabong and RVCA showing sales growth on the pcp on a like for like basis however Element has remained weak during the year. In particular the second half performance in the Americas showed improvement compared to the first half. In constant currency terms sales in the second half were up 0.4% and Adjusted EBITDAI grew from $18.7 million to $22.0 million. This improvement reflected better performance on the pcp from each of Billabong and RVCA with wholesale external USA sales growing 13.7% and 15.3% respectively in the second half. Whilst Element sales in the Americas were below the prior year some positive signs are seen in the forward orders. As well the negative effects from the Canadian market (including the impact of the sale of West 49 retail operations) abated in the second half relative to the first half. Gross margins in the second half were ahead of the prior year and overhead costs down compared to the pcp.
- In Europe Adjusted EBITDAI was up $6.7 million compared to the pcp which is the result of a significant improvement in gross margins (from 48.4% to 55.2%) on the pcp due to focus on key accounts and territories and contracting the customer set to reduce low margin customers/unprofitable business.

Group performance including significant items and including discontinued operations
Group sales to external customers of $1,063.7 million, excluding third party royalties, represents a 12.6% decrease on the pcp in as reported terms or a decrease of 14.9% in constant currency terms.

At a segment level, in as reported terms, sales revenue in the Americas decreased 15.3%, Europe decreased 9.7% and Asia Pacific decreased 10.8% compared with the pcp reflecting the SurfStitch and Swell revenues included for the whole of the pcp however only for the period 1 July 2014 to 5 September 2014 in the current year and the West 49 revenues included for the period 1 July 2013 to 6 February 2014 however not in the current year. The prior year also has DaKine revenues included for the period 1 July 2013 to 23 July 2013.

EBITDAI of $55.2 million for the period compares to a $52.3 million loss for the pcp. The current year includes significant items expense of $8.0 million compared to an expense of $99.2 million for the pcp. In addition to the significant items and divestment differences the comparison is impacted by the trading matters noted above.

Significant items
Pre-tax significant items for the year ended 30 June 2015 of $11.0 million includes $3.0 million of impairment charge and $8.0 million of items decreasing EBITDAI.

Pre-tax significant items for the year ended 30 June 2014 of $146.2 million includes $17.7 million of fair value adjustment to assets held for sale, impairment charge of $29.3 million and $99.2 million of items decreasing EBITDAI (which included costs of $43.7 million associated with the various control/refinancing proposals announced during the years ended 30 June 2013 and 30 June 2014).

Refer to note 8 of the financial statements for detailed disclosure in relation to these items.

Depreciation and amortisation expense
Depreciation and amortisation expense of $32.8 million (excluding significant items and excluding divestments) decreased 4.7% in reported terms compared to the pcp ($34.5 million).

Fair value adjustment on reclassification of West 49 as held for sale during the year – relates to the year ended 30 June 2014
On 4 November 2013 the Group announced that it had entered into an agreement to sell its Canadian retail chain, West 49, to YM Inc. As at 31 December 2013 West 49 was reported as an asset held for sale and a discontinued operation. The assets were adjusted to their fair value with a $17.7 million expense recognised based on information available at 31 December 2013 balance sheet date using the terms of the sales agreement.

In addition to the fair value adjustment of $17.7 million, a loss on sale of $10.1 million was recognised in relation to the sale of West 49. This loss included the reclassification of the foreign currency translation reserve to the income statement ($4.0 million) and the recognition of a provision for onerous contracts ($2.2 million).

Operating and Financial Review (continued)

Net interest expense
The decrease in net interest expense from $34.2 million to $28.4 million was driven by the Term Loan Facility which was reduced from US$360 million to US$203.8 million following the completion of the C/O Placement and the Rights issue in February and March 2014 respectively.

Income tax expense
The statutory loss before tax for the year ended 30 June 2015 was $9.7 million with an income tax benefit of $12.2 million (2014 income tax expense of $66.8 million). During the year ended 30 June 2014 the Company made the decision to write off the majority of its deferred tax assets (net of deferred tax liabilities) as it was estimated that it was not probable for taxable profits to be generated in a period where the conditions for utilisation of the assets would be met including continuity of ownership tests. During the year ended 30 June 2015, the Company maintains this same position in most tax jurisdictions with the exception of Australia and Japan where it has been estimated that previously unrecognised temporary differences will now meet the conditions for utilisation of these assets. The reinstatement of deferred tax assets resulted in a tax benefit of $16.8 million.

Consolidated balance sheet, cash flow items and capital expenditure
Working capital at $164.5 million represents 15.2% of the prior twelve months' sales (excluding SurfStitch and Swell external sales) stated at year end exchange rates, being 1.6% higher compared to the pcp of 13.6% (excluding West 49 and DaKine's North America and Europe wholesale external sales). Working capital as a percentage of sales at June 2015 is higher than June 2014 in part due to the divestments being retail businesses with inherently lower working capital balances (SurfStitch and Swell working capital was still part of the Group's balance sheet as at 30 June 2014).

Cash outflow from operating activities was $14.6 million, compared to an outflow of $76.6 million in the pcp, principally because the prior year included the impact of the costs of the refinancing. Receipts from customers net of payments to suppliers and employees of $14.0 million were lower compared to $22.5 million in the pcp which is primarily due to the divestments having cash inflows in the pcp.

Cash inflow from investing activities of $11.1 million includes the proceeds from the sale of SurfStitch and Swell.

Net debt increased from $74.3 million in the pcp to $113.5 million, principally reflecting foreign exchange differences, significant item payments, financing charge and capital expenditure offset by proceeds from sale of SurfStitch and Swell.

Operating and Financial Review (continued)

Strategy and future performance

The strategies and prospects for the Group's existing business operations are outlined below. On 21 September 2013 Neil Fiske was appointed as Chief Executive Officer and Managing Director. Since his appointment he has put in place a new executive leadership team and on 10 December 2013 announced a Turnaround Strategy to improve the financial performance of the Group specifically highlighting a focus on the following key strategic priorities:

Turnaround Strategy Part	Description
Brand	• Re-orient the Company to building strong global brands, with particular focus on the biggest three (Billabong, Element, RVCA) • Focus on the authentic core youth consumer • Implement brand management processes and disciplines • Tailor specific strategies based on the unique position of each brand, its geographic strengths, growth potential and portfolio fit • Leverage the creativity and uniqueness of the brand founders
Product	• Build a strong merchant focus for the business. Develop clear assortment strategies - category plans, key item distortion, co-ordinated product launches and optimised balance of global vs regional mix • Fewer, bigger, better styles leading to significant reduction in product lines • Implement design to adopt ratios by category; design and assort to fixture • Elevate design and innovation
Marketing	• Develop 12 month integrated marketing calendar for each region • Build customer database and establish an advanced CRM programme • Re-mix spend toward digital, CRM and demand generation • Invest ahead of biggest growth opportunities (examples: RVCA and Billabong women's)
Omni-Channel	• Prioritise "brand" before "multi-brand" • Build the mono-brand direct to consumer platform (retail + digital + CRM) • Evaluate strategic options for multi-brand ecommerce • Develop wholesale channel win-back strategy • Drive retail profitability closures, productivity, rent, specialty retail disciplines, inventory management • Unify platforms for scale benefits – cost and capability
Supply Chain	• Configure supply chain for speed to improve inventory turns • Consolidate suppliers • Diversify out of China for cost and capability • Drive down distribution/logistics costs
Organisation	• Develop global brand structure for the big three; foster brand specific cultures • Strengthen merchandising, design and marketing ("high leverage talent") • Build global scale in Finance, Supply Chain, IT and Direct to Consumer platform • Rationalise general administration structure based on organisational design and spans/layers • Re-energise the organisation with focus on "offense" and "defence" agenda
Financial Discipline	• Strategy determines resource allocation and management Key Performance Indicators • Drive inventory and other working capital improvement; focus on cash flow conversion • Prioritise capital expenditure towards customer facing and enabling projects

Within the framework of the above Turnaround Strategy, the Group's more immediate priorities included:

- Addressing the negative sales trend of the Billabong brand in the key US wholesale market;
- Addressing the negative sales trend of the Element brand in the key US wholesale market, whilst continuing to grow sales and earnings in Europe;
- Re-establishing the strong sales growth for RVCA, which had slowed in 2014;
- Stabilising the deteriorating financial performance of the Group's European operations;
- Regaining total control over the Group's branded ecommerce activities; and
- Reduce the Group's exposure to multi-brand retailing where it lacked scale.

Operating and Financial Review (continued)

In the year ended 30 June 2015 the Group has made satisfactory progress towards the immediate priorities outlined above and execution of the strategy more generally. Billabong and RVCA are growing again in the USA, Element is yet to return to growth in the USA but the forward sales outlook is more encouraging, Europe's financial performance has improved markedly, the Group now has 100% control of all of its branded ecommerce businesses following the sale of SurfStitch and the sale of West 49 was completed more than twelve months ago.

In the year ended 30 June 2015 the Group consolidated its reform initiatives into four major cross regional/cross brand projects that are expected to underpin the success of the Group's turnaround over the next few years. A description and summary of these projects together with a status update is set out below:

Project/Initiative	Description	Status
Omni-Channel	• To develop true best in class Omni-Channel retailer capability • Single view of the customer • Single view of inventory • Single back end bricks and mortar merchandising planning systems • World class ecommerce and Application experiences • Effective CRM program	• Project team in place • Software supplier contracted April 2015 • Planning supplier contracted June 2015 • Detailed project plan in place • First launch planned for first half calendar 2016
Sourcing	• To develop a global approach to product sourcing to reduce cost and improve speed to market and efficiency	• Organisational changes made • Consolidation of preferred vendors largely complete • Global standard operating procedures adopted, including capacity planning, to enable volume aggregation and decrease order to delivery cycles • Vendor adoption of pre-production, production, and post-production quality assurance processes underway • Assortment design successful in enabling cost effectiveness
Logistics	• To develop a global approach to product logistics to reduce cost and improve speed to market and efficiency	• Contracts signed with third party provider to establish consolidation centres in Asia • Distribution centre networks reformulated • Rationalisation of existing distribution centres announced • Demand planning programs in testing to streamline product flow
Concept to Customer	• To complete a holistic process redesign of our entire design to delivery process to improve speed to market, assist more informed buying decisions, and reduce inventory markdowns	• Consistent, repeatable merchandise planning, design and development processes and calendars rolled out in North American markets, and under development globally • Sourcing support steps incorporated into early design and development calendars to quicken order to delivery times

Operating and Financial Review (continued)

Material risks
The material risks that have the potential to affect the financial prospects of the Group, and the manner in which the Group manages these risks, include:

Risk	Summary of risk
Brand	Possible damage or loss of market appeal to the brands or the image of the Group's brands. The Group addresses this risk through keeping abreast of economic and consumer data/research, innovative product development and brand management. Also refer to the aforementioned Turnaround Strategy which details the prominence of brand positioning as a key component of the strategy.
Fashion	Failure to design and deliver products that appeal to customers. The Group addresses this risk through customer feedback, innovative product development and brand building. Also refer to the aforementioned Turnaround Strategy which details the prominence of product design and innovation as a key component of the strategy.
Macro-economic environment	The financial performance of the Group will fluctuate due to various factors including movements in the Australian and international capital markets, interest rates, foreign currency exchange rates, inflation, consumer sentiment, macro-economic conditions in the markets in which Group operates (including any significant and extended economic downturn in Australia, Asia, North America, Europe, South America and Africa), change in government, fiscal, monetary and regulatory policies, prices of commodities, investor perceptions and other factors that may affect the Group's financial position and earnings.
Currency fluctuations	The Group receives revenue in more than ten currencies and movements in these currencies could have an impact on the Group's profitability and net asset position. This risk arises when assets and liabilities, and forecasted purchases and sales are denominated in a currency other than the functional currency of the respective entities. As sales are mainly denominated in the respective local currency, whereas the major inventory purchases are typically negotiated and denominated in United States Dollars (USD). This creates input pricing risk for all markets other than the United States. This risk is mitigated to an extent by hedging, but significant movements in the USD, like have occurred during 2015, still can impact the comparability of profitability of seasons between financial years.
Competition	The Group competes for discretionary income spend. The Group's performance may be adversely affected by competitors' actions, for example, by lowering their sale prices or creating new product lines that are more attractive in the marketplace or by agreeing to pay more for production, other services or talent and employment costs or alternate channels to market. The Group addresses this risk by focusing on innovative product development and brand building to promote customer loyalty and remunerating employees fairly.
Seasonal factors	Part of the Group's business is seasonal in nature and prolonged unseasonal weather conditions in a particular region may adversely affect sales in that region.
Product sourcing and delivery	A material disruption in the capabilities and availability of the Group's product sourcing and/or delivery arrangements could have an adverse impact on the Group, given the importance of the quality, performance and timely delivery of our products. The Group addresses this risk by planning the capacity utilization of its preferred mills and factories well below their full capacity, securing space on their production lines that is most advantageous to the Group's calendar and supply chain needs, and maintaining secondary production alternatives among the Group's preferred vendors.

Operating and Financial Review (continued)

Risk	Summary of risk
Online retailing	Continued migration of consumers to online retail purchases may adversely impact the performance of the Group's bricks and mortar retail outlets and wholesale customers and the historically higher margin regions. The Group addresses this risk by focusing on the omni-channel as part of the aforementioned Turnaround Strategy to ensure the Group has a best in class mono-brand direct to consumer platform which uses the Group's stores and websites to lead the brands.
Debt covenants	Failure to comply with its financial covenants caused by a significant decline in revenue or earnings or a further material change in the AUD:USD exchange rate may require the Group to seek amendments, waivers of covenant compliance or alternative borrowing arrangements. The Group is focussed on delivering the Turnaround Strategy to mitigate this risk.
Centerbridge / Oaktree Consortium's ("C/O Consortium") involvement in the Group	While the C/O Consortium has a substantial equity ownership in the Company and is therefore likely to be focused on maximising value (and therefore its incentives should be broadly aligned to those of other Shareholders), there is a risk that as a debt holder the C/O Consortium's interests may not always align with those of other Shareholders. If so, the C/O Consortium's significant holding of Shares and entitlement to nominate two Directors to the Board mean it would be in a position to influence decisions of the Company. The Group mitigates this risk by ensuring that the Board and all Board committees are chaired by an Independent Director, there is a majority of Independent Directors on all committees and that the C/O Consortium's nominated directors (Mr. Mozingo and Mr. Wilson) do not have any business interest or other relationships that could materially interfere with the exercise of their independent judgement and their ability to act in the best interest of the Company.
Social risk	Given that the Group sources goods manufactured in countries such as China, where there have been risks surrounding the workplace health and safety standards of factories, the Group is utilising an external auditing body to audit social compliance of the Company's factories against an approved Code Of Conduct, which contains standards equivalent to SA8000 and Worldwide Responsible Accredited Production (WRAP).
Asset impairment	The Group's assets may be required to be written down or become impaired (in accordance with relevant accounting standards), which may negatively impact the Group's financial performance and position. The Group is focussed on delivering the Turnaround Strategy to mitigate this risk.
Proceeds from the refinancing may not provide sufficient funding to execute the Company's Turnaround Strategy	Should the Group experience a protracted decline in earnings, there is a possibility that the quantum of debt funding available to the Company would not be sufficient to execute its Turnaround Strategy, which could have a negative impact on its future financial performance or position. The Group is focussed on delivering the Turnaround Strategy to mitigate this risk.
Strategy implementation risk	The Group's Turnaround Strategy includes significant process and system reform. Effective change management is a key mitigant in respect of the disruption and project risk inherent in such an agenda. The Group has a dedicated Chief Turnaround Officer to co-ordinate and facilitate the successful reform program and appropriate change management program, testing and redundancy plans are key elements of the project plans.

The Group does not have any dependencies on key customers given its diverse customer base. The Group maintains relationships with a number of suppliers for its products to help mitigate supply and supplier dependency risks. As the Group operates in countries across the world, the Group is impacted by macroeconomic trading conditions across all of these countries.

Matters subsequent to the end of the financial year
There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature that would be likely, in the opinion of the Directors, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely developments and expected results of operations
Since the end of the financial year in the wholesale channel, the Group continues to see growth in forward order books around the globe consistent with the view that the Group's big three brands are making progress.

In retail, trading has been more mixed. In North America, the early part of back to school saw a slow start, not just for the Group, but for the sector as a whole. Europe, on the other hand, has been above expectations. The trend in Asia Pacific has been improving since year end with trading broadly in line with the prior year.

The Group results note a number of risk factors including the impact of currency on input prices and debt, and further disruption from the operational issues with the Paris distribution centre. However, we do expect the benefits of supply chain and other initiatives to begin in the second half of the year ending 30 June 2016.

Environmental regulation
The Group is not subject to any significant environmental regulation or mandatory emissions reporting.

Information on Directors

IAN POLLARD (*Non-Executive Chair)*

Experience and expertise
Dr Ian Pollard is an actuary, Rhodes Scholar and a Fellow of the Australian Institute of Company Directors. He has held a wide range of senior business roles including as Chair of Just Group Limited and as a Director of OPSM Group Limited and DCA Group Limited, which he founded.

He is currently Chair of RGA Reinsurance Company of Australia Limited and an executive coach with Foresight's Global Coaching.

With an extensive background in corporate finance, strategic investment and retail, Dr Pollard has chaired several public company audit committees and was a member of the ASX Corporate Governance Implementation Review Group from 2003 to 2007.

Mr Pollard was appointed as Non-Executive Director and Chair of the Company on 24 October 2012.

Other current directorships
Milton Corporation Limited, director since 6 August 1998.
Shopping Centres Australasia Property Group, stapled securities of Shopping Centres Australasia Property Management Trust and Shopping Centres Australasia Property Retail Trust (director of responsible entity, Shopping Centres Australasia Property Group RE Limited (SCPRE), director since 26 September 2012.

Former directorships in last 3 years
No former directorships of Australian listed entities.

Special responsibilities
Chair of the Board and Nominations Committee and member of Human Resource and Remuneration, Class Action and Audit and Risk Committees.

Interests in shares and options
152,979 ordinary shares in Billabong International Limited.

MCNEIL SEYMOUR FISKE JR *(Executive Director)*

Experience and expertise
Neil Fiske was appointed as Chief Executive Officer and Managing Director of the Company on 21 September 2013. He has 25 years of experience in the consumer and retail industry as an operator, consultant and investor. Prior to joining the Company he was an Industry Partner to Canadian private equity firm Onex, where he acted as a senior advisor focused on retail.

From 2007 to 2012 Mr Fiske was CEO of Eddie Bauer an outdoor lifestyle store chain based in the USA. From 2003 to 2007 Mr Fiske was the CEO of Bath and Body Works, a division of NYSE listed Limited Brands. From 1989 to 2003 he was in the Consumer and Retail Practice of the Boston Consulting Group. Mr Fiske received an M.B.A. from Harvard Business School and a B.A. in Political Economy from Williams College.

Other current directorships
No other directorships of Australian listed entities.

Former directorships in last 3 years
No former directorships of Australian listed entities.

Special responsibilities
Chief Executive Officer and Managing Director.

Interests in shares and options
669,643 ordinary shares in Billabong International Limited.
1,785,714 ordinary shares in Billabong International Limited to be held in voluntary escrow until commencement of trade on 10 January 2016.

Information on Directors (continued)

GORDON MERCHANT AM *(Non-Executive Director)*

Experience and expertise
Gordon Merchant founded Billabong's business in 1973 and has been a major stakeholder in the business since its inception. Mr Merchant has extensive experience in promotion, advertising, sponsorship and design within the surfwear apparel industry. Mr Merchant was awarded a Member of the Order of Australia in the 2010 Australia Day Honours List for service to business, particularly the manufacturing sector, as a supporter of medical, youth and marine conservation organisations, and to surf lifesaving. Mr Merchant was appointed as director of Plantic Technologies Limited on 31 March 2005 and resigned on 2 April 2015. Mr Merchant was appointed as Non-Executive Director of the Company on 4 July 2000.

Other current directorships
No other directorships of Australian listed entities.

Former directorships in last 3 years
No former directorships of Australian listed entities.

Special responsibilities
None.

Interests in shares and options
100,575,183 ordinary shares in Billabong International Limited.

HOWARD MOWLEM (*Non-Executive Director)*

Experience and expertise
Howard Mowlem is experienced in many segments of the international retail industry and specifically in Asia. From 2001 to 2010 he was Chief Financial Officer of Dairy Farm International Holdings Limited, a Hong Kong based retail company operating over 5,000 stores across Asia with turnover in excess of US$10 billion. Prior to this Mr Mowlem held various senior financial positions over a 12 year period with the Coles Myer Group.

He brings extensive experience in corporate finance, mergers and acquisitions, financial reporting, treasury, tax, investor relations, audit and governance. Mr Mowlem was appointed as Non-Executive Director of the Company on 24 October 2012. Mr Mowlem holds a Bachelor of Economics (Hons), M.B.A., and Securities Industry Diploma. He is a Fellow of CPA Australia.

Other current directorships
No other directorships of Australian listed entities.

Former directorships in last 3 years
No former directorships of Australian listed entities.

Special responsibilities
Chair of Audit and Risk Committee and member of Nominations and Human Resource and Remuneration Committees.

Interests in shares and options
137,500 ordinary shares in Billabong International Limited.

Information on Directors (continued)

JASON MOZINGO *(Non-Executive Director)*

Experience and expertise
Jason Mozingo is a Senior Managing Director at Centerbridge Partners, L.P. Mr Mozingo leads the firm's retail and consumer investment efforts. Prior to joining Centerbridge, he was a Principal with Avista Capital Partners (spun-out of DLJ Merchant Banking in 2005) and DLJ Merchant Banking Partners, a leverage buyout group managing in excess of $9 billion. He joined DLJ in 1998.

Mr Mozingo graduated from UCLA Phi Beta Kappa, summa cum laude with a degree in economics and received an M.B.A. with high distinction from Harvard Business School in 1998, where he was a Baker Scholar. He is a CFA charter holder and a member of the CFA Institute and currently serves as a Director of P.F. Chang's, CraftWorks Restaurants & Breweries and GT Holdings, LLC.

Mr Mozingo was appointed as Non-Executive Director of the Company on 4 November 2013.

Other current directorships
No other directorships of Australian listed entities.

Former directorships in last 3 years
No former directorships of Australian listed entities.

Special responsibilities
Member of Nominations, Human Resource and Remuneration, and Audit and Risk Committees.

Interests in shares and options
None.

SALLY PITKIN (*Non-Executive Director)*

Experience and expertise
Dr Sally Pitkin has nineteen years' experience as a non-executive director in the listed, private, public and non-profit sectors. She has eleven years' experience as a non-executive director of ASX200 companies, including experience in international markets. Industry sectors in which she has experience as a non-executive director include retail, finance and insurance, technology commercialisation, gaming, energy and transport. She is a lawyer and former partner of Clayton Utz with banking law, corporate law and corporate governance expertise. Dr Pitkin is a non-executive director and Fellow of the Australian Institute of Company Directors and is President of the Queensland Division. She holds a Doctor of Philosophy (Governance), awarded in 2012, a Master of Laws and Bachelor of Laws.

Dr Pitkin was appointed as Non-Executive Director of the Company on 28 February 2012.

Other current directorships
Super Retail Group Limited, director since 1 July 2010.
IPH Limited, director since 23 September 2014.
Echo Entertainment Group Limited, director since 19 December 2014.

Former directorships in last 3 years
No former directorships of Australian listed entities.

Special responsibilities
Chair of Human Resource and Remuneration and Class Action Committees and member of Audit and Risk and Nominations Committees.

Interests in shares and options
96,250 ordinary shares in Billabong International Limited.

Information on Directors (continued)

MATTHEW WILSON *(Non-Executive Director)*

Experience and expertise
Matthew Wilson is a Managing Director at Oaktree Capital Management, L.P. and is based in Los Angeles. He leads Oaktree's retail and consumer investing efforts, including investments in the apparel, retail, consumer products, food, beverage, and restaurants sectors. Prior to Oaktree, Mr Wilson was with H.I.G. Capital, LLC, a leading middle market private equity firm managing over $13 billion of capital. Prior thereto, he worked in the middle market buyout group at J.H. Whitney & Co. and the investment banking division at Merrill Lynch & Co. in New York.

Mr Wilson graduated with a B.A. degree with Distinction in Economics and History from the University of Virginia and an M.B.A. from the Harvard Business School. He currently serves on the Boards of Directors of AdvancePierre Foods, AgroMerchants Group, Diamond Foods (Nasdaq: DMND), and The Bridge Direct HK and is Chair of the Board of Trustees of the Children's Bureau of Los Angeles.

Mr Wilson was appointed as Non-Executive Director of the Company on 4 November 2013.

Other current directorships
No other directorships of Australian listed entities.

Former directorships in last 3 years
No former directorships of Australian listed entities.

Special responsibilities
Member of the Nominations, Human Resource and Remuneration and Audit and Risk Committees.

Interests in shares and options
None.

AMAR DOSHI (*Alternate Director for Jason Mozingo)*

Experience and expertise
Amar Doshi is a Principal at Centerbridge Partners, L.P and focuses on the firm's investments in the retail and consumer sectors. Prior to joining Centerbridge, Mr Doshi was a Vice President at Bain Capital and previously was an Associate Consultant at Bain & Company. Mr Doshi graduated class valedictorian with a B.S. in electrical engineering from Columbia University and received an M.B.A. with honors from The Wharton School of the University of Pennsylvania. He currently serves as a Director of P.F. Chang's and CraftWorks Restaurants & Breweries.

Mr Doshi was appointed as Alternate Director of the Company on 10 December 2013.

Other current directorships
No other directorships of Australian listed entities.

Former directorships in last 3 years
No former directorships of Australian listed entities.

Special responsibilities
None.

Interests in shares and options
None.

Information on Directors (continued)

THOMAS CASARELLA (*Alternate Director for Matthew Wilson)*

Experience and expertise
Thomas Casarella is a Senior Vice President at Oaktree Capital Management, L.P. and is based in Los Angeles. Mr Casarella helps lead Oaktree's retail and consumer investing efforts, including investments in the apparel, retail, consumer products, food, beverage, and restaurants sectors. Prior to Oaktree, Mr Casarella was the Deputy Chief Restructuring Officer at the United States Department of the Treasury, where he helped lead the Troubled Asset Relief Program (TARP). Prior thereto, he worked in the private equity group at Brookfield Asset Management and the investment banking division of Lazard and Goldman Sachs. Mr Casarella graduated with an A.B. degree *summa cum laude* from Bowdoin College, an M.A. in Economics from Oxford University, and an M.B.A. from the Harvard Business School. He is a member of the Board of Trustees of the Children's Bureau of Los Angeles. Mr Casarella was appointed as Alternate Director of the Company on 10 December 2013.

Other current directorships
No other directorships of Australian listed entities.

Former directorships in last 3 years
No former directorships of Australian listed entities.

Special responsibilities
None.

Interests in shares and options
None.

COMPANY SECRETARY
The Company Secretary is Ms Tracey Wood, BA (Psych), LLB, LLM. Ms Wood was appointed to the position of Company Secretary on 18 July 2014 and continues as Company Secretary at the date of this report. She joined the Company on 1 July 2008 and is the International General Counsel for the Group.

Ms Joanna Brand, BA, JD, M.B.A. (Executive), GAICD, was appointed as an additional Company Secretary on 12 September 2014 until her resignation on 27 August 2015 to cover Ms Wood whilst on maternity leave. She also served as International General Counsel for the Group during that time.

Ms Maria Manning was appointed as Company Secretary on 27 April 2006 until her resignation on 18 July 2014.

Information on Directors (continued)

Meetings of Directors
The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2015, and the numbers of meetings attended by each Director, were:

	Billabong International Limited Board				Audit Committee		Nominations Committee		Human Resource and Remuneration Committee		Class Action Committee	
	Scheduled Meetings		Unscheduled Meetings									
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
I. Pollard	13	13	-	-	4	4	1	1	6	6	9	9
M.S Fiske Jr	13	13	-	-	[A]	[A]	[A]	[A]	[A]	[A]	[A]	[A]
G.S. Merchant	13	13	-	-	[A]	[A]	[A]	[A]	[A]	[A]	[A]	[A]
H. Mowlem	13	13	-	-	4	4	1	1	6	6	[A]	[A]
J. Mozingo	13	12	-	-	4	4	1	1	6	5	[A]	[A]
S.A.M. Pitkin	13	12	-	-	4	4	1	1	6	5	9	5
M. Wilson	13	10	-	-	4	2	1	0	6	3	[A]	[A]
A. Doshi	-	1[B]	-	-	-	-	-	-	-	1[B]	-	-
T. Casarella	-	3[C]	-	-	-	2[C]	-	1[C]	-	3[C]	-	-

[A] Not a member of the relevant Committee.
[B] Alternate Director for Jason Mozingo.
[C] Alternate Director for Matthew Wilson.

Remuneration Report

MESSAGE FROM THE BOARD

The Board of Billabong International Limited presents the 2014-15 Remuneration Report.

The Board remains committed to delivering remuneration strategy outcomes that support our strategic imperatives, reflect our company performance, and appropriately reward high quality executives and other team members.

This report sets out the remuneration outcomes for 2014-15.

During 2014-15, the Board approved the long range plan established by Billabong in support of the Turnaround Strategy. Reward programs and processes throughout the Company were refined to support the strategic objectives and long range plan. Some of these refinements included:

- the introduction of a company-wide financial performance gateway that must be achieved before any Short- Term Incentive (STI) rewards can be earned, in addition to the previously used regional/brand gateways,
- the development of a company-wide framework to ensure all STI participants were focused on Key Performance Indicators that support the Turnaround Strategy and appropriately reward for financial success,
- the refinement of the Long-Term Incentive (LTI) program to include the key executive leadership across all of our brands/regions, and
- the linkage of the LTI Earnings Per Share metric with the long range plan.

Executive Director
The Board reviewed the remuneration arrangements of the CEO and determined it was appropriate to transfer his employment agreement from a contract based in Australia to one based in the United States. The success of the Turnaround Strategy required the CEO to rebuild the North American leadership and operations, and as a result, the change in his contract reflects the significantly greater amount of time that the CEO has spent and continues to spend in the USA compared with what was anticipated at the start of his employment with Billabong. As a global business, the expectation of the Board has been and remains that the CEO will travel widely and regularly across its operations to meet with staff, stakeholders and shareholders.

Non-Executive Directors
For the 2014-15 financial year, the Non-Executive Director fees were increased by 2.5% in line with the Company's average remuneration increase, plus $5,000 per Director to recognise the additional travel demands being placed on the directors following the recapitalisation of the Company. For the 2015-16 financial year, the Non-Executive Director fees will not be increased.

Sally Pitkin
Human Resources and Remuneration Committee Chair

Remuneration Report (continued)

CONTENTS

The information provided in this report has been prepared based on the requirements of the *Corporations Act 2001* and the applicable accounting standards. The report has been audited and is set out under the following headings.

Remuneration Report (continued)

1. INTRODUCTION

This Billabong Group Remuneration Report forms part of the Billabong Group Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

The Remuneration Report details remuneration information for the Key Management Personnel (KMP) of the Group, comprising the Non-Executive Directors, the Managing Director and Chief Executive Officer (CEO) and Group Executives who led significant parts of the business.

2. REMUNERATION GOVERNANCE

The Group's remuneration strategy, policies, and practices are designed to support the strategy and operational demands of the business, and to fairly reward employees having regard to sustainable performance, shareholder returns and good governance. The Board provides guidance on the remuneration strategy, and oversight of the remuneration policies and practices. To assist with this responsibility, the Board has a Human Resource and Remuneration Committee made up of Non-Executive Directors only.

The primary objective of the Committee is to assist the Board in establishing remuneration policies and practices which:

- enable the Group to attract and retain executives and Directors (Executive and Non-Executive) who will create sustainable value for shareholders;
- fairly and responsibly reward executives and Directors having regard to the Group's overall strategy and objectives, the performance of the Group, the performance of the executive and the general market environment within the geographic locations where the Group has operations;
- link reward to the creation of sustainable value for shareholders; and
- comply with the law and high standards of governance.

The Group's Human Resource and Remuneration Committee Charter and Group Remuneration Policy, which documents the Group's overall approach to remuneration, are available on the corporate website at www.billabongbiz.com.

The Board approves, based on recommendations from the Human Resources and Remuneration Committee, all remuneration decisions and outcomes for the CEO, and all executives who report directly to the CEO. The CEO approves short-term incentives and merit increase payment pools for the Group as well as material changes to remuneration for executives who report to his direct reports.

The Committee draws on the services of independent remuneration advisors from time to time. Independent remuneration advisors are engaged by, and report directly to, the Committee and provide advice and assistance on a range of matters, including:

- updates on remuneration trends, regulatory developments and shareholder views;
- review, design or implementation of the executive remuneration strategy and its underlying components (such as incentive plans); and
- market remuneration analysis.

The Group's Remuneration Policy is reviewed annually by the Committee.

Recommendation provided

No remuneration recommendations from independent remuneration advisors were received during the 2014-15 financial year.

Securities Trading Policy

Executives are prohibited under Billabong's Securities Trading Policy from hedging or otherwise reducing or eliminating the risk associated with equity-based incentives. If the executive hedges in breach of this policy, the incentives will be forfeited or lapsed as the case may be.

Remuneration Report (continued)

3. BILLABONG KEY MANAGEMENT PERSONNEL DISCLOSED IN THIS REPORT

The key management personnel (KMP) for the Group in 2014-15 comprised the Non-Executive Directors, the Managing Director and Chief Executive Officer, and Group Executives who led significant parts of the business.

Executive Directors	
Neil Fiske	Managing Director and Chief Executive Officer (CEO).

Group Executives classified as KMP	
Paul Burdekin	General Manager, Billabong Group, Asia Pacific (GM Asia Pacific) from 17 July 2014. Prior to this was Acting GM Asia Pacific.
Ed Leasure	President Americas (President Americas).
Peter Myers	Chief Financial Officer (CFO).
Shannan North	Global President, Brand Billabong.
Jean-Louis Rodrigues	General Manager, Billabong Group Europe (GM Europe).

Former Key Management Personnel (KMP)	
Jeffery Streader	Global Chief Operating Officer (COO) until 24 April 2015.

Non-Executive Directors	
Ian Pollard	Chair
Gordon Merchant AM	Director
Howard Mowlem	Director
Jason Mozingo	Director
Sally Pitkin	Director
Matt Wilson	Director

Remuneration Report (continued)

A short profile of the Executive KMP follows:

2014-15 Executive Key Management Personnel profiles
Neil Fiske, Executive Director, Chief Executive Officer and Managing Director Neil Fiske joined Billabong on 21 September 2013 as CEO and Managing Director. He has 25 years of experience in the consumer and retail industry as an operator, consultant and investor. Prior to joining Billabong, Neil was an Industry Partner to Canadian private equity firm Onex, where he acted as a senior advisor focused on retail; CEO of Eddie Bauer; CEO of Bath and Body Works, a division of NYSE listed Limited Brands; and a Partner in the Consumer and Retail Practice at the Boston Consulting Group. Neil received an M.B.A from Harvard Business School and a B.A. in Political Economy from Williams College.
Paul Burdekin, General Manager Asia Pacific Paul Burdekin joined Billabong Australia on 21 January 2008 as General Manager for Tigerlily, and his brand portfolio quickly grew to include VZ, RVCA and Nixon. Prior to joining Billabong, Paul held international and domestic senior management roles within the retail and wholesale industry. In March 2014, Paul was promoted to KMP role, Acting General Manager Asia Pacific. This role was confirmed on 17 July 2014. Paul holds a M.B.A. and Bachelor of Industrial Design.
Ed Leasure, President Americas Ed Leasure joined Billabong USA on 10 August 2008 when Billabong acquired Quiet Flight, a successful surf retail chain which Ed opened and owned and operated for many years. Ed initially joined the Company to serve as President of Quiet Flight but was later appointed to lead the entire US retail division. In October 2013 Ed was appointed to KMP role, Acting President Americas. This role was confirmed in December 2013. Ed holds a Bachelor of Business Administration.
Peter Myers, Global Chief Financial Officer Peter Myers joined Billabong on 14 January 2013 as Global Chief Financial Officer. He has over 30 years of experience in his field, primarily in the diversified media industry. Prior to joining Billabong, Peter held CFO roles at Northern Star Holding LTD, Century Yuasa Batteries, Network Ten Limited and APN News & Media Limited. In 2013, he also held the position of acting CEO for Billabong from 5 August to 19 September. Peter is a CPA and holds a Bachelor of Business.
Shannan North, Global President, Brand Billabong Shannan North joined Billabong Australia on 9 August 1993, working in various retail, marketing, sales and merchandising roles. Shannan was appointed General Manager Asia Pacific in 2004. On 3 March 2014 Shannan was promoted to Global President, Brand Billabong.
Jean-Louis Rodrigues, General Manager Europe Jean-Louis Rodrigues joined Billabong on 3 September 2008 as Europe's Retail Director. He has extensive experience in the action sports industry, including senior roles at Reebok, Quiksilver and O'Neill where he was the General Manager for southern Europe. In September 2013 Jean-Louis was promoted to KMP role, Acting General Manager Europe. This role was confirmed in December 2013. He holds qualifications in International Commerce.

Profiles of Non-Executive Directors can be found on pages 13 - 17.

Remuneration Report (continued)

4. REMUNERATION PRINCIPLES, STRATEGY AND OUTCOMES

Remuneration principles

The Group's approach to remuneration is framed by the strategic direction and operational demands of the business, the international context in which the business operates, sustainable shareholder returns, the regulatory environment and high standards of governance.

A number of principles underpin our remuneration policy:

Attract, motivate and retain top talent
- The Group operates in global and local markets where it competes for a limited pool of talent. In order to attract, motivate and retain high calibre people, the Group aims to provide a market competitive reward opportunity which encourages retention and high performance.

Support the execution of business strategy
- Apply performance targets in the performance management system and in the awarding of performance based rewards that support the Group's strategic objectives and business performance expectations.
- Apply performance metrics that are explicitly defined, verifiable and relevant to the employee's role in the organisation.

Alignment with business performance and sustainable shareholder return
- Create alignment within the remuneration structure between senior executive remuneration, sustainable business performance and shareholder returns, including through long-term equity based incentives and performance metrics.

Fairness, equity and consistency
- Structure remuneration arrangements to achieve equity for like positions.
- Prepare clearly documented remuneration policies and processes and make them available to all employees.
- Implement a robust and transparent remuneration decision making process and performance review system.

Guiding Principles for Total Rewards

In 2014-15, the Group established several principles that supplement and expand on the Company's remuneration principles. These additional principles are used to guide decisions related to the design of our Total Rewards programs for all of our employees. The guiding principles are intended to orient our remuneration programs to:
- drive behaviours that align with the interests of our shareholders;
- target median of relevant external market, stretch for critical talent when necessary and reward exceptional performance at above market levels;
- strive for global consistency in the application of our principles;
- be simple to explain;
- pay for performance;
- align performance measures with individual employee contributions;
- promote accountability and an ownership mentality; and
- ensure that minimum group or company performance gates are achieved before short-term incentives are paid.

Remuneration strategy

The Group's executive remuneration strategy provides a strong link between performance and reward by making executive long-term reward outcomes dependent on delivering long-term value to shareholders, while at the same time motivating and retaining top talent through market competitive fixed remuneration and an incentive framework that rewards for results delivered.

Remuneration Report (continued)

Remuneration strategy (continued)

The following diagram illustrates how the Group's executive remuneration strategy aligns with business objectives and links executive remuneration to company performance and the delivery of shareholder returns.

Business objective
The Group remains committed to and continues to focus on the execution of the seven part Turnaround Strategy (brand, product, marketing, omni-channel, supply chain, organisation and financial discipline) that was initially announced on 10 December 2013. The prevailing opportunity is to continue to build the foundation for years of profit growth and sustained shareholder returns by focusing on "fewer, bigger, better" brands and initiatives across the Company. The Group's vision remains: "To maintain a global leadership position in the design, marketing, wholesaling and retailing of action sports inspired apparel and accessories targeted at the youth market, and, in turn, build long-term value for stakeholders."

Remuneration strategy objectives and approach	
Align executive remuneration to company performance and deliver results to shareholders. • Short and long-term incentive components of remuneration (STI and LTI) are "at risk" based on business performance and return to shareholders. • In 2014-15, we introduced a common financial gateway for the STI requiring a minimum global group EBITDA performance before any incentives can be earned. The program continues to focus on financial performance with STI based primarily on EBITDA, and for some KMP, a smaller portion based on Inventory Turn/Working Capital and/or Functional Achievement metrics. • LTI remains measured against relative Total Shareholder Return (relative TSR) and Earnings Per Share (EPS) with three year testing and vesting.	**Attract and retain executive talent in a highly competitive global market.** • Reward competitively in the global markets in which the Group operates, which include Asia Pacific, the Americas and Europe. • Offer remuneration that balances fixed and variable ("at risk") short and long-term incentives.

	Fixed remuneration	Short-Term Incentive (STI)	Long-Term Incentive (LTI)
Consists of…	Base salary plus benefits (which vary by country).	Annual payment opportunity (part cash, part deferred equity), subject to financial gateway being achieved.	Participation in the Executive Long-Term Incentive Plan (ELTIP). Granted annually at the discretion of the Board.
Rewards for…	Experience, skills and capabilities.	Performance over a 12-month period (EBITDA, Inventory Turn/Working Capital and/or Functional Achievement).	Achievement of the Group's EPS target and TSR relative to a comparator group over a three year period.
Is…	**Fixed** Reviewed annually.	**At risk** Wholly dependent on achieving agreed performance objectives.	**At risk** Awards depend on hurdles being met. Value to the executive depends wholly on the Group's performance.
Determined by…	Referencing global and local market movements for the role, market pay comparisons, individual experience and role accountabilities.	Performance against defined financial and operational measures. STI is only payable if financial gateway is met and targets are achieved.	Alignment to the Group's business strategy and requirement for key executives to drive company performance. Performance assessed using EPS and relative TSR. EPS is a financial indicator of the Group's performance over a certain period. TSR demonstrates value returned to shareholders relative to a comparator group.

Remuneration Report (continued)

Remuneration for other employees

The remuneration for all other employees is aligned with our approach for Key Management Personnel. In particular:

- Fixed remuneration is aligned to market and is reviewed annually;
- Certain management personnel are eligible to participate in the STI program, with similar financial gateways and targets; and
- Certain management personnel are eligible to participate in the LTI program with the same three year EPS and relative TSR financial hurdles.

Summary - Remuneration outcomes for current Executive Key Management Personnel

Table A sets out the 2014-15 (non-statutory) remuneration outcomes of The Group's current Executive KMP. This table sets out the rewards received over the year, excluding any payments in respect of the 2013-14 financial year which were paid in 2014-15 and reported in last year's Remuneration Report.

The 'non-statutory remuneration' data set out below do not reconcile directly to Table B: Statutory Remuneration Comparison, as that table includes the share based remuneration allocation and long service leave expenses for each KMP reported during the year.

Table: A[1]: 2014-15 Remuneration outcomes

	Neil Fiske[5]	Paul Burdekin	Ed Leasure[5]	Peter Myers	Shannan North[5]	Jean-Louis Rodrigues[5]
Cash Salary	1,063,964	444,231	418,144	725,000	752,659	395,105
Short-term incentive (STI) earned (cash) [2]	---	---	---	---	112,899	177,802
Short-term incentive (STI) vested (equity)	---	---	---	---	---	---
Non-monetary benefits[3]	170,979	9,846	17,908	2,983	114,263	42,283
Superannuation	---	18,783	---	18,783	18,783	---
Long-term incentives (value vested during the year)[4]	---	19,789	8,312	---	---	19,723
Total remuneration realised	1,234,943	492,649	444,364	746,766	998,604	634,913

1 *This Table A excludes details of accrued long service leave and accounting charges for share based payments. Details of these items are set out in Table B on page 27-30.*

2 *The STI for the financial year ended June 2015 will be paid in September 2015.*

3 *These amounts for certain KMP include family travel, clothing allowance, vehicle allowance or vehicle lease value, health and welfare insurance, retirement benefits, one-off relocation benefits and in France, an annual statutory payment. Non-monetary benefits for Neil Fiske include tax preparation assistance, health cover, spouse travel, expatriate allowance (part year ending February 2015) and accommodation benefits (part year ending September 2014).*

4 *The vested long-term incentive relates to the value of all retention based shares that vested during the financial year and is based on the volume weighted average price of Billabong International Limited shares ($0.57) trading in the 5 days up to and including 2 September 2014, and for Jean-Louis Rodrigues, the volume weighted average price of Billabong International Limited shares ($0.66) trading in the 5 days up to and including 11 September 2014. These retention based shares were awarded in September 2012 under the previous Executive Performance Share Plan.*

5 *Remuneration impacted by exchange rate fluctuations.*

Remuneration Report (continued)

Statutory remuneration outcomes

Table B sets out statutory remuneration for the KMP. Amounts in the share based payments columns represent accounting expenses and not vested awards.

Table B: Statutory remuneration comparison

	Neil Fiske[1, Ω]		Launa Inman[2]		Paul Naude[3]	
	2015	2014	2015	2014	2015	2014
Cash salary	982,121	715,701	---	152,408	---	63,631
Sign-on incentive cash	---	250,000	---	---	---	---
Sign-on incentive equity	---	589,286	---	---	---	---
Retention payment - cash	---	---	---	---	---	---
STIP payment – cash	---	---	---	---	---	---
STIP deferred – equity*	---	---	---	---	---	---
Other payments	---	---	---	---	---	---
Non-monetary benefits†	170,979	135,817	---	27,680	---	9,771
Superannuation	---	---	---	19,826	---	858
Annual leave	81,843	59,642	---	12,701	---	5,303
Long-service leave	---	---	---	---	---	---
Termination benefits	---	---	---	1,232,909	---	762,278
Share based payments- options‡	---		---	---	---	(1,110,542)
Share based payments- rights⫠	480,122	148,195	---	(61,194)	---	---
Total remuneration	1,715,065	1,898,641	---	1,384,330	---	(268,701)
% of Total Remuneration provided as performance related pay^	28%	7.8%	---	0.0%	---	0.0%
% of Total Remuneration provided as fixed pay♯	72%	92. 2%	---	100.0%	---	100%

1 *2013-14 remuneration reflects commencement of employment on 21 September 2013.*
2 *Ceased performing her role on 2 August 2013.*
3 *Employment ceased 5 August 2013.*

Remuneration Report (continued)

Statutory remuneration outcomes (continued)

Table B: Statutory remuneration comparison (continued)

	Paul Burdekin[4]		Franco Fogliato[5]		Colin Haggerty[6]	
	2015	2014	2015	2014	2015	2014
Cash salary	410,059	106,217	---	418,230	---	329,416
Sign-on incentive cash	---	---	---	---	---	---
Sign-on incentive equity	---	---	---	---	---	---
Retention payment - cash	---	---	---	---	---	---
STIP payment – cash	---	54,396	---	---	---	---
STIP deferred – equity*	---	---	---	---	---	---
Other payments	---	---	---	---	---	---
Non-monetary benefits†	9,846	3,300	---	5,348	---	24,167
Superannuation	18,783	3,376	---	---	---	17,775
Annual leave	34,172	8,851	---	44,493	---	25,793
Long-service leave	21,456	10,928	---	---	---	---
Termination benefits	---	---	---	631,040	---	461,572
Share based payments- options‡	---	---	---	(418,027)	---	---
Share based payments- rights⫠	53,323	5,297	---	(18,495)	---	(16,445)
Total remuneration	547,639	192,365	---	662,589	---	842,278
% of Total Remuneration provided as performance related pay^	10%	33%	---	0%	---	0%
% of Total Remuneration provided as fixed pay♯	90%	67%	---	100%	---	100%

4 *2013-14 cash salary and STI reflect period in KMP role only (promoted to KMP role 3 March 2014).*
5 *Ceased performing his role on 2 November 2013.*
6 *Ceased performing his role on 19 November 2013.*

Remuneration Report (continued)

Statutory remuneration outcomes (continued)

Table B: Statutory remuneration comparison (continued)

	Ed Leasure[7, Ω]		Peter Myers[8]		Shannan North[Ω]	
	2015	2014	2015	2014	2015	2014
Cash salary	385,979	256,451	669,231	689,589	694,762	641,966
Sign-on incentive cash	---	---	---	---	---	---
Sign-on incentive equity	---	---	---	---	---	---
Retention payment - cash	---	---	---	---	---	---
STIP payment – cash	---	---	---	---	112,899	175,875
STIP deferred – equity*	---	---	---	---	32,086	19,542
Other payments	---	---	---	450,000	---	---
Non-monetary benefits†	17,908	6,784	2,983	9,000	114,263	5,500
Superannuation	---	---	18,783	17,775	18,783	17,775
Annual leave	32,165	21,371	55,769	57,466	57,897	53,497
Long-service leave	---	---	---	---	4,121	37,971
Termination benefits	---	---	---	---	---	---
Share based payments- options‡	---	---	---	---	---	47,595
Share based payments- rights⫠	96,342	35,445	113,865	38,800	53,067	87,901
Total remuneration	532,394	320,051	860,631	1,262,630	1,087,878	1,087,622
% of Total Remuneration provided as performance related pay^	18%	11%	13%	39%	18%	30%
% of Total Remuneration provided as fixed pay♯	82%	89%	87%	61%	82%	70%

7 *2013-14 cash salary reflects period in KMP role only (promoted to KMP role 8 October 2013).*

8 *2013-14 "Other Payment" represents a one-off bonus payment in recognition of his contribution to the successful re-financing/re-capitalisation of the Company.*

Remuneration Report (continued)

Statutory remuneration outcomes (continued)

Table B: Statutory remuneration comparison (continued)

	Jean-Louis Rodrigues[9, Ω]		Jeffery Streader[10, Ω]		Total for all executives	
	2015	2014	2015	2014	2015	2014
Cash salary	357,114	280,723	518,466	87,871	4,017,732	3,742,203
Sign-on incentive cash	---	---	---	54,448	---	304,448
Sign-on incentive equity	---	---	---	---	---	589,286
Retention payment - cash	---	147,732	---	---	---	147,732
STIP payment – cash	177,802	91,614	---	---	290,701	321,885
STIP deferred – equity*	29,944	10,188	---	---	62,030	29,730
Other payments	---	---	---	---	---	450,000
Non-monetary benefits[†]	42,283	23,478	20,396	1,269	378,658	252,114
Superannuation	---	---	---	---	56,349	77,385
Annual leave	37,991	29,864	43,205	7,323	343,042	326,304
Long-service leave	---	---	---	---	25,577	48,899
Termination benefits	---	---	636,590	---	636,590	3,087,799
Share based payments- options[‡]	---	---	---	---	---	(1,480,974)
Share based payments- rights⫠	71,720	30,087	---	---	868,439	249,591
Total remuneration	716,854	613,686	1,218,657	150,911	6,679,118	8,146,402
% of Total Remuneration provided as performance related pay^	39%	21.5%	0%	0%	18%	11%
% of Total Remuneration provided as fixed pay[♯]	61%	78.5%	100%	100%	82%	89%

9 *2013-14 cash salary and STI reflect period in KMP role only (promoted to KMP role 25 September 2013).*

10 *2013-14 remuneration reflects commencement of employment on 4 May 2014. Ceased performing his role on 24 April 2015. Remained in employment and available to assist the Company through a transition period until 8 May 2015.*

Ω *Remuneration impacted by exchange rate fluctuations.*

* *2014-15 STI payment – equity represents one third of the value of the portion of the STI (25%) granted in respect of the 2013-14 and 2014-15 financial years and deferred into equity for a 2 year period. 2013-14 STI payment – equity represents one third of the value of the portion of the STI (25%) granted in respect of the 2013-14 financial year and deferred into equity for a 2 year period.*

† *These amounts for certain KMP include clothing allowance, vehicle allowance or vehicle lease value, health and welfare insurance, one-off relocation benefits, retirement benefits and in France, an annual statutory payment. Non-monetary benefits for Neil Fiske include tax preparation assistance, health cover, spouse travel, an expatriate allowance (part year ending February 2015) and accommodation benefits (part year ending September 2014).*

‡ *Includes an accounting charge recognised in the Group's income statement based on the fair value of the award at the date of grant amortised on a straight line basis over the vesting period of the EPRP. The accounting charge is reflected as an expense in the financial statements regardless of whether the EPRP may fully vest, partially vest or not vest at all.*

⫠ *Includes an accounting charge recognised in the Group's income statement in respect of the long-term incentive plan. The accounting charge reflects at 30 June 2015 and 30 June 2014 the most probable likelihood of the 2012-13, 2013-14 and 2014-15 grants vesting to the individual. Also includes negative amounts for the write back in the accumulated expense previously recognised in the Group's income statement in respect of the long-term incentive plan as a result of performance hurdles and retention requirements in relation to certain components of the long-term incentive plan not being met or which are unlikely to be met.*

^ *% of Total Remuneration received as performance related pay includes the total of STI payment cash, STI deferred equity, other payments and share based payments – options and rights.*

♯ *% of Total Remuneration received as fixed pay includes the total of cash salary, sign on incentive - cash and equity, retention payment – cash and equity, non-monetary benefits, superannuation, annual and long service leave and termination benefits.*

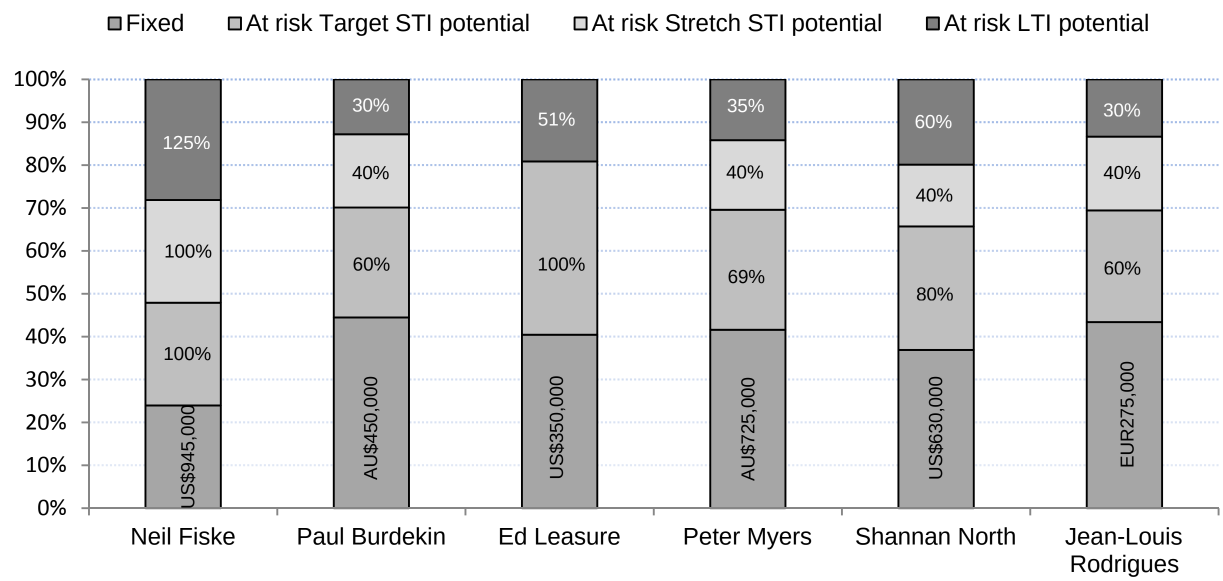
Remuneration Report (continued)

Executive remuneration structure

Remuneration mix
Fixed annual remuneration provides a "base" level of remuneration. Short and long-term variable ("at risk") incentives reward executives for meeting and exceeding pre-determined performance targets linked to the achievement of the Group's business objectives. This structure links variable reward to the business outcomes necessary for value creation for shareholders. As executives gain seniority within the Group, the balance of the remuneration mix shifts to a higher proportion of variable reward to strengthen the connection between senior executive reward and performance.

As per Table B, for Executive KMP the percentage of pay delivered as performance-related during 2014-15 ranged from 8% to 39%. Chart A (non-statutory) shows remuneration mix for current Executive KMP exclusive of any one-off outcomes, such as relocation benefits. Chart A includes cash salary, superannuation, target and stretch short-term incentive potential and long-term incentive awards quantified based on 5 day volume weighted average price prior to and including grant date (for 2014-15 this was $0.65).

Chart A: Remuneration mix (cash salary, STI and LTI potential)*



* *STI and LTI potential as a percentage of base salary.*

Fixed annual remuneration

Fixed annual remuneration typically includes base salary, non-cash benefits (such as vehicle, clothing allowance and health cover) and retirement contributions. It rewards executives for effective delivery of the requirements of their roles and behaviour in accordance with the Group's culture and values.

The Group has typically appointed executives at salaries commensurate with the Company's context and market data, with remuneration more heavily skewed to incentives for financial performance. The Group may determine that it is appropriate to stretch fixed annual remuneration in order to attract critical talent where necessary, such as for the CEO. Although above market for similarly sized capitalisation organizations, the Board determined that it was appropriate to offer a fixed base salary competitive with the CEO's prior roles in order to attract a CEO with his talent, experience and past success in retail turnaround environments.

In respect of 2014-15 the Board determined that fixed remuneration would not be increased for KMPs continuing in the same role. The Board further determined that in respect of Neil Fiske, the truly international nature of his responsibilities and geographic diversity of the Group's activities meant that it would be more appropriate to base his employment contract in California. This change reflects the amount of time that he has spent and will continue to spend in the USA rebuilding the Americas leadership and operations in support of the Turnaround Strategy. The Board further determined that his AUD base salary should be converted to USD using the FX conversion rate that was in effect at the time of his appointment in September 2013 in order to maintain parity with his original offer of employment. Each KMP's base salary is disclosed in local currency in Table H.

Remuneration Report (continued)

Short-Term Incentive structure

<table>
<tr><th colspan="5">Short-Term Incentive (STI)</th></tr>
<tr><td>What is the purpose of the STI?</td><td colspan="4">STI performance hurdles focus executive attention on the Group's critical performance metrics and rewards executives for achieving or exceeding Group performance targets.</td></tr>
<tr><td>Who participates?</td><td colspan="4">All Executive KMP and selected senior executives.</td></tr>
<tr><td>How much can be earned under the STI Plan?</td><td colspan="4">The target STI opportunity for KMP starts at 60% of base salary and goes up to 100% of base salary for certain roles. For stretch/over performance, KMP generally have the ability to earn between an additional 40% of base salary or in the case of the CEO, an additional 100% of base salary.</td></tr>
<tr><td>What are the performance conditions?</td><td colspan="4">No STI is payable unless a minimum Global Group EBITDA performance gate and assigned financial targets are achieved. Performance on the primary EBITDA target assigned to the KMP, as well as overall performance on the targeted bonus, determines the stretch STI payable. Details of the performance measures (KPIs) set for the KMP for 2014-15 are provided in Table C on page 33.</td></tr>
<tr><td rowspan="4">Financial Measures</td><td colspan="4">There are three levels of targeted performance for each measure in the 2014-15 STI:
1. Threshold, which is the minimum required to potentially qualify for any incentive payment;
2. Target, where budgeted targets have been achieved; and
3. Stretch, where primary EBITDA budget has been exceeded.</td></tr>
<tr><td>STI Financial Measures</td><td>Threshold</td><td>Target</td><td>Stretch</td></tr>
<tr><td>Percentage of criteria required (inclusive of STI payments)</td><td>90%</td><td>100%</td><td>120%+</td></tr>
<tr><td>Percentage of STI target payable
Note: linear progression of payout percentage applies</td><td>25%</td><td>100%</td><td>100% to 200%</td></tr>
<tr><td>Over what period is it measured?</td><td colspan="4">Performance is measured over the 12 month period from 1 July to 30 June. STI payments are made early the following September.</td></tr>
<tr><td>How is it paid?</td><td colspan="4">For all executive direct reports of the CEO, the STI reward is a combination of a cash payment (75%) and deferred equity (25%). The deferred equity is normally granted on 1 September following the financial year and vests after a two year period. The deferred portion is forfeited if the executive resigns before the end of the two year vesting period. The reward for other employees participating in the STI program is a cash payment.

Executives cannot vote nor receive dividends in respect of unvested deferred equity.</td></tr>
<tr><td>When and how is it reviewed?</td><td colspan="4">STI measures are reviewed annually in line with a review of budgets and the annual business plan.</td></tr>
<tr><td>Who assesses performance against targets?</td><td colspan="4">The Board assesses the CEO's performance against KPIs. The CEO provides an assessment of performance for his direct reports to the Human Resource and Remuneration Committee. The Human Resource and Remuneration Committee reviews this assessment and makes recommendations to the Board.</td></tr>
<tr><td>What are the clawback provisions?</td><td colspan="4">Clawback provisions apply to the portion of STI that is deferred into equity (25%) under the same provisions as the Long-Term Incentive awards, as outlined on page 36.</td></tr>
</table>

Remuneration Report (continued)

Short-Term Incentive structure (continued)

Summary of executive performance measures

The table below shows the 2014-15 performance measures (KPIs) set for KMP.

Table C: 2014-15 KPIs for KMP

Executive	Summary of performance measures / KPIs	Weighting	Achievement[2]
CEO and Managing Director Neil Fiske	Global Group EBITDA	100%	Not Achieved
GM Asia Pacific Paul Burdekin	Global Group EBITDA	25%	Not Achieved
	Asia Pacific EBITDA	60%	Not Achieved
	Asia Pacific Inventory Turn and Working Capital	15%	Achieved
President Americas Ed Leasure	Global Group EBITDA	25%	Not Achieved
	Americas EBITDA	60%	Not Achieved
	Americas Inventory Turn and Working Capital	15%	Not Achieved
CFO Peter Myers	Global Group EBITDA	60%	Not Achieved
	Global Inventory Turn and Working Capital	20%	Not Achieved
	Functional Achievement	20%	N/A[3]
Global President, Brand Billabong Shannan North	Global Brand EBITDA	100%	Partially Achieved
GM Europe Jean-Louis Rodrigues	Global Group EBITDA	25%	Not Achieved
	Europe EBITDA	60%	Over Achieved
	Europe Inventory Turn and Working Capital	15%	Not Achieved
COO Jeffery Streader[1]	Global Group EBITDA	60%	N/A
	Inventory Turn and Working Capital	20%	N/A
	Functional Achievement	20%	N/A

1 *Jeffery Streader ceased employment on 8 May 2015 and therefore he was not eligible to participate in 2014-15 STI plan.*
2 *Performance less than the minimum threshold of 90% on the primary EBITDA target will typically result in no STI payable, even if other performance measures/KPIs are achieved.*
3 *As primary KPI was not achieved, performance under the functional achievement metric is not applicable.*

Short-Term Incentive (STI) outcomes

In respect of 2014-15 performance, the Company achieved its minimum Global Group EBITDA performance gate. As a result, KMP that achieved their primary EBITDA target were eligible for an STI payment. An STI payment was made to Jean-Louis Rodrigues, GM Europe and to Shannan North, Global President, Brand Billabong. This payment was in relation to EBITDA performance of Europe for Jean-Louis Rodrigues and global Billabong EBITDA for Shannan North. Table D shows 2014-15 cash and equity STI earned. The equity portion is deferred for a period of two years until 1 July 2017.

Table D: 2014-15 STI payments

Executive	2014-15 STI payment (cash)	2014-15 STI payment (equity)
GM Europe Jean-Louis Rodrigues	$177,802	$59,267
Global President, Brand Billabong Shannan North	$112,899	$37,633

Remuneration Report (continued)

Mid Term Incentive (MTI) Structure[1]

As part of Shannan North's agreement to accept the role of Global President Brand Billabong and transfer from Australia to the United States, the Company implemented a one-off MTI program for him. Given the size and significance of brand Billabong in the Company's brand portfolio, the MTI arrangement is directly linked to global revenue and EBITDA growth over a two year period in order to incentivise Shannan to achieve stretch brand growth while controlling costs.

How much can be earned under the MTI and how is it paid?	USD$630,000 (75% cash and 25% deferred equity, which vests after a two year period). The deferred portion is forfeited if the executive resigns before the end of the two year vesting period. Clawback provisions apply to the portion of MTI that is deferred into equity (25%) under the same provisions as the Long-Term Incentive awards, as outlined on page 36.
When was it granted?	Year ending 30 June 2014 (base year).
What are the performance conditions?	The Board has set a challenging growth target for global brand Billabong EBITDA and global brand Billabong revenue to be achieved by the 2015-16 financial year as compared to the base year. Both targets must be achieved for payment to be earned. The EBITDA measure will be inclusive of the MTI payment. EBITDA will be 'normalised' to reflect like for like global brand Billabong results.

1 *The Company has not accrued for a payment of MTI at this time.*

Long-Term Incentive structure

Long-Term Incentive (LTI)	
What is the purpose of the ELTIP?	LTI for the Group is delivered through the ELTIP. The ELTIP focuses executives on the long-term performance of the Group through an equity-based reward opportunity that vests based on the achievement of certain performance hurdles.
Who participates?	Participants comprise the executives and senior management of the Group who play a role in driving the growth strategy of the Group. All Executive KMP participate. Executive Director grants are subject to shareholder approval.
What is the vehicle?	Awards granted in 2014-15 are in the form of performance rights which are equity settled share based payments. A small number of non-KMP participants were granted performance-based contingent cash awards due to tax complications in certain countries. If the performance hurdles are met, the employee will be allocated the relevant number of shares (or cash) as soon as practicable following the vesting date. An employee awarded performance rights is not legally entitled to shares in Billabong International Limited before the rights allocated under the ELTIP vest. Once vested, each right entitles the employee to receive one share in the Company.

Remuneration Report (continued)

Long-Term Incentive structure (continued)

What are the performance conditions and what is the performance period?

Awards under the ELTIP vest only if the performance hurdles are satisfied in the relevant performance period. The performance periods are summarised in the table below:

Grant	Performance hurdle		% of award that vests	Performance Period
2014-15	Pre-tax EPS Performance	Minimum performance threshold based on the Long Range (three year) Plan	50%	Financial year ended 30 June 2017
		Stretch performance based on the Long Range (three year) Plan	100%	
	TSR performance relative to comparator group	50th percentile or above	50%	1 July 2014 to 30 June 2017
		75th percentile or above	100%	

50% of awards are based on executives meeting the Group's three-year pre-tax EPS performance targets. EPS is a financial indicator of the Group's earnings in the final year of the performance period. In previous periods the EPS performance hurdle was determined based upon three year compound growth rates in EPS from a base year. However, due to the significant changes to the capital structure of the Group, the Board has selected an interim EPS approach based on the Board approved Long Range Plan as the appropriate internal performance metric. These targets are robust, but will not be reported until the end of the performance period in order not to provide competitors with commercially sensitive information on the Group's long range financial plan, and so as not to provide future earnings forecasts. The Board will be using the same approach for grants in FY16.

50% of awards are based on relative TSR. Relative TSR measures how the Group has returned value to its shareholders relative to a select comparator group over a three year period. This means executives will be rewarded only where the Group's shareholder return has at least met the median of its comparator group, with 100% of the ELTIP grant vesting only if the Group's performance is in the upper quartile of the selected comparator group.

For 2014-2015, the Board determined to adjust the 2013-14 comparator group from:

- 40 ASX listed companies within an appropriate market capitalisation range and significant overseas operations or in a similar industry sector to the Group

to:

- 20 ASX listed companies within an appropriate market capitalisation range in the "Consumer Discretionary" industry sector as well as five select USA listed peer companies.

The comparator companies will be weighted such that the ASX listed companies will have a weighting of 100% and the five selected USA peer companies will have a weighting of 200% each (i.e. the ASX listed companies will be counted once in the comparator group and the USA peer companies will be counted twice). The companies included in the TSR comparator group are listed below.

Remuneration Report (continued)

Long-Term Incentive structure (continued)

<table>
<tr><td>What companies are in the TSR comparator group?</td><td>
<u>ASX Listed Companies</u>
ARB Corporation Limited
Ardent Leisure Group
APN News and Media Limited
Cash Converters International
Corporate Travel Management Limited
Dick Smith Holdings Limited
GUD Holdings Limited
Iproperty Group Limited
iSelect Limited
Kathmandu Holdings Limited

<u>ASX Listed Companies</u>
Pacific Brands Limited
Retail Food Group Limited
Slater & Gordon Limited
STW Communications Group Limited
Ten Network Holdings Limited
The Reject Shop Limited
Thorn Group Limited
Vocation Limited
Webjet Limited
Wotif.com Holdings Limited

<u>USA Listed Companies</u>
Pacific Sunwear of California Inc.
Quiksilver Inc.
Tilly's Inc.
V.F. Corporation
Zumiez Inc.
</td></tr>
<tr><td>How is it paid?</td><td>
Grants are approved annually and vest no earlier than the third anniversary of the commencement of the performance period, subject to meeting the performance hurdles in the relevant performance period. The performance periods for outstanding awards are as follows:
<table>
<tr><th>Grant approved</th><th>Date granted</th><th>Performance period</th><th>Vesting subject to performance testing</th></tr>
<tr><td>2012-13</td><td>21 February 2013</td><td>From July 2012 to June 2015</td><td>September 2015</td></tr>
<tr><td>2013-14</td><td>18 December 2013</td><td>For EPS portion of grant - Financial year ended 30 June 2016
For TSR portion of grant - 1 January 2014 until 30 September 2016</td><td>October 2016</td></tr>
<tr><td>2014-15</td><td>2 December 2014</td><td>For EPS portion of grant - Financial year ended 30 June 2017
For TSR portion of grant - 1 July 2014 until 30 June 2017</td><td>September 2017</td></tr>
</table>
Executives cannot vote nor receive dividends in respect of unvested grants
</td></tr>
<tr><td>When and how is performance assessed?</td><td>At the end of each performance period, the Human Resource and Remuneration Committee considers the relevant performance measures and determines the extent to which the awards should vest.</td></tr>
<tr><td>How are performance conditions set?</td><td>Performance hurdles are set in line with economic conditions and business objectives and are designed to be challenging but ultimately achievable if the Group performs in accordance with its business strategy.

Each year, prior to awards being granted, the Human Resource and Remuneration Committee considers the market environment, the Group's business strategy, performance expectations and shareholder expectations and sets the performance targets for the awards to be granted.</td></tr>
<tr><td>What happens if a change of control occurs?</td><td>If a change of control occurs prior to the vesting of an award, then the Board may determine in its absolute discretion whether some or all of a participant's unvested award vests, is lapsed or forfeited or remains subject to the applicable conditions and/or performance period; or becomes subject to substitute or varied conditions and/or performance period.</td></tr>
<tr><td>What are the clawback provisions?</td><td>If an award which would not have otherwise vested, vests or may vest as a result of fraud, dishonesty or breach of obligations (including, without limitation, a material misstatement of financial information), or other action or omission of any person, the Board may determine that no unfair benefit is obtained by the participant.

Conversely, if an award, which may otherwise have vested, has not vested as a result of the same circumstances, the Board may determine that the award should be vested.</td></tr>
</table>

Remuneration Report (continued)

Long-Term Incentives

Equity awards

Details of equity instruments, comprising performance rights, provided as remuneration to each KMP in the 2014-15 financial year are set out in Table E. When vested, each instrument will entitle the holder to one ordinary share of the Company. Rights will vest only if applicable performance hurdles and/or service conditions are satisfied in the relevant performance period.

Table E: Rights

Name	Number of rights awarded during 2014-15	Number of rights vested during 2014-15
Executive Directors		
Neil Fiske (approved at the 2014 Annual General Meeting)	1,909,645	---
Other Key Management Personnel		
Paul Burdekin[1]	206,242	34,932
Ed Leasure[1]	302,378	14,672
Peter Myers	387,658	---
Shannan North	741,812[2]	---
Jean-Louis Rodrigues[1]	260,438[2]	29,694
Jeffery Streader	554,359	---

1 *Rights vested represent awards granted as non-hurdled, retention based awards in 2012 under the former Executive Performance Share Plan.*

2 *Rights awarded include both LTI and STI deferred equity.*

During the year ended 30 June 2015 the assessed fair value at grant date of rights granted under the ELTIP were for the performance rights tested under the EPS performance hurdle $0.65 per right (2014: $0.43) and the performance rights tested under the TSR performance hurdle $0.52 per right (2014: $0.34). The fair value at grant date is determined by reference to Billabong International Limited's share price at grant date, taking into account the terms and conditions under which the rights were granted, the expected dividend yield and the expected price volatility of the underlying share. Participants do not need to pay for awards on grant, vesting or exercise.

Long-Term Incentive (LTI) outcomes

During 2014-15 no hurdled LTI awards vested. Since the introduction of a hurdled LTI plan in 2004, only two grants have vested. The 2004-05 grants vested fully in 2006-07 at 100% based on growth in EPS in excess of 20%. The 2005-06 grant vested partially in 2007-08 at 87.5% based on 17.5% growth in EPS. No other hurdled awards have met the required performance hurdles for vesting.

Non-hurdled, retention based awards granted in 2012 under the former Executive Performance Share Plan vested in September 2014. As a result, Paul Burdekin, Ed Leasure and Jean-Louis Rodrigues each received vested shares. Details of these can be found in Table E.

Other equity arrangements

Other Group Executives

A total of 30 senior executives (in addition to KMP) received equity awards under the ELTIP. Due to certain tax complications associated with performance rights in Europe, an additional eight senior (non-KMP) executives in Europe have the potential to receive a fixed cash amount rather than equity if the same EPS and relative TSR hurdles are achieved as those applicable to the ELTIP.

Equity arrangements for Billabong Employees

No other equity arrangements were offered to Billabong Employees in 2014-15.

Remuneration Report (continued)

Summary of executive contracts

Executive contracts set out remuneration details and other terms of employment for each individual executive. The contracts provide for base salary inclusive of superannuation, performance-related bonuses, other benefits including health insurance, car allowances and clothing allowances, and participation, where eligible, in long-term incentive plans.

The key provisions of the KMP contracts relating to terms of employment and notice periods are set out in Table H. Contractual terms vary due to the timing of contracts, individual negotiations and different local market practices.

Table H: Executive contracts summary

	Date of contract	Term of contract	Base Salary[8]	Notice period required to be given by the Company	Maximum contractual payment for termination by the Company without cause
CEO and Managing Director Neil Fiske[2]	1 January 2015	On-going	USD 945,000	n/a[7]	12 months[1]
GM Asia Pacific Paul Burdekin[3]	13 January 2015	On-going	AUD 450,000	9 months	Payment in lieu of notice
President Americas Ed Leasure[4]	1 July 2012	30 June 2015	USD 350,000	n/a[7]	6 months base salary or base salary until 30 June 2015 (whichever is the lesser)
CFO Peter Myers	11 January 2013	On-going	AUD 725,000	6 months	Payment in lieu of notice
Global President Brand Billabong Shannan North[5]	18 August 2014	On-going	USD 630,000	n/a[7]	12 months[1]
GM Europe Jean-Louis Rodrigues[6]	17 June 2015	On-going	EUR 275,000	6 months	Payment in lieu of notice[1]

1 *Payment will be 'scaled back' if it would otherwise exceed the 12 month average base salary termination benefit cap applicable under Australian law.*

2 *Neil Fiske was transferred from a contract governed by Australian law to a contract governed by California law effective 1 January 2015. The success of the Turnaround Strategy required the CEO to rebuild the North American leadership and operations, and as a result, the change in his contract reflects the significantly greater amount of time that the CEO has spent and continues to spend in the USA compared with what was anticipated at the start of his employment with the Group.*

3 *Paul Burdekin was offered a new contract as a result of his appointment to the General Manager Asia Pacific.*

4 *Ed Leasure's contract has been allowed to lapse, however he will remain employed by the Group with the terms of his employment governed by California and USA law.*

5 *Shannan North was transferred from a contract governed by Australian law to a contract governed by California law effective 18 August 2014 as a result of his appointment to Global President, Brand Billabong on 3 March 2014 and subsequent relocation to the USA.*

6 *Jean-Louis Rodrigues was offered a new contract as a result of his appointment to General Manager Europe.*

7 *Consistent with at will employment provisions in the USA, although the Company may choose to give notice to an employee, no notice period is required by the Company if the Company triggers termination of an employee with or without cause.*

8 *Base salary in local currency.*

Remuneration Report (continued)

Summary of executive contracts (continued)

Given that the executive contracts are governed by laws in different jurisdictions (California, Australia and France), restraint of trade terms vary and in the case of GM Europe, Jean-Louis Rodrigues, there is no restraint.

Termination Arrangements

Chief Operating Officer, Jeffery Streader, ceased employment 8 May 2015. As per the terms of his Executive Employment Agreement, upon ceasing employment Jeffery Streader received 50 weeks of base remuneration. In addition, he received a one-time payment of $4,779 to be used towards post-employment medical premiums. The total termination payment is less than his 12 months average base salary.

5. NON-EXECUTIVE DIRECTOR REMUNERATION

Approved fee pool

Non-Executive Director fees are determined within a maximum Directors' fee pool limit. In 2010, with shareholder approval, this pool fund was increased from $1,200,000 to $1,500,000 to provide flexibility to make required additions to the Board and to revise fees in line with external market rates. The fee pool is inclusive of superannuation. No director fees are paid to Executive Director, Neil Fiske. Total board remuneration paid during 2014-15 were $867,900.

Approach to setting Non-Executive Director remuneration

Non-Executive Directors receive fixed remuneration in the form of a base fee plus a fee for chairing of Board committees. Non-Executive Directors do not receive variable remuneration or other performance-related incentives such as equity-based awards or retirement benefits other than statutory superannuation payments.

Effective 2013-14 Non-Executive Director base fees were reduced by 30% to take into account the Company's reduced market capitalisation. For the 2014-15 financial year, those fees increased by 2.5% in line with the Company's 2014-15 budgeted increase in employee remuneration levels. In addition Non-Executive Directors each receive an amount of $5,000 per annum to recognize the additional time required for international travel. Effective 1 November 2014, the temporary position of Chair of the Class Action Subcommittee was approved for fees consistent with the other committee chair positions due to the amount of time required to fulfil the duties of this position.

For the 2015-16 financial year, the Non-Executive Director fees will not be increased.

The 2013-14 and 2014-15 annual Non-Executive Directors fees are as follows:

Table I: 2013-14 and 2014-15 Non-Executive Director Remuneration

Non-Executive Director fees		
Fee	**2013-14 Amount**[1]	**2014-15 Amount**[1]
Board Chair fee	227,500	238,188
Director fee	91,000	98,275
Committee Chair fee (Audit and Risk, Class Action and Human Resource and Remuneration) – paid in addition to base fee	25,000	25,000

1 *Excludes superannuation.*

Remuneration Report (continued)

Non-Executive Director remuneration

Table J sets out the Non-Executive Director fees paid in 2014-15 and the year prior.

Table J: Fees paid during 2014-15 (and comparatives)

Name		Fees	Non-monetary benefit[1]	Superannuation	Long service leave	Total remuneration
Ian Pollard	**2014-15**	238,188	3,960	18,783	---	260,931
	2013-14	231,250	4,000	17,775	---	253,025
Tony Froggatt[2]	**2014-15**	---	---	---	---	---
	2013-14	35,100	4,400	3,700	---	43,200
Gordon Merchant	**2014-15**	98,275	4,371	9,320	---	111,966
	2013-14	92,500	4,400	8,556	---	105,456
Howard Mowlem	**2014-15**	123,375	4,000	11,695	---	138,070
	2013-14	117,500	4,000	10,869	---	132,369
Jason Mozingo[3]	**2014-15**	98,275	609	---	---	98,884
	2013-14	59,850	2,667	---	---	62,517
Colette Paull[4]	**2014-15**	---	---	---	---	---
	2013-14	57,150	4,400	5,286	---	66,836
Sally Pitkin	**2014-15**	139,942	2,600	13,202	---	155,744
	2013-14	117,500	4,400	10,869	---	132,769
Jesse Rogers[5]	**2014-15**	---	---	---	---	---
	2013-14	25,928	---	---	---	25,928
Keoni Schwartz[5]	**2014-15**	---	---	---	---	---
	2013-14	25,928	---	---	---	25,928
Matt Wilson[3]	**2014-15**	98,275	3,030	---	---	101,305
	2013-14	59,850	2,667	---	---	62,517
Total	**2014-15**	796,330	18,570	53,000	---	867,900
	2013-14	822,556	30,934	57,055	---	910,545

1 *Non-monetary benefit includes a clothing allowance, reported as retail value.*
2 *Resignation effective 4 November 2013.*
3 *Appointed 4 November 2013.*
4 *Resignation effective 30 January 2014.*
5 *Appointed 23 July 2013, resignation effective 4 November 2013.*

Remuneration Report (continued)

6. OTHER STATUTORY DISCLOSURES

Table K: Short and Long term incentives

Name	Short-Term Incentive[2]		Equity Awards Granted (performance shares, conditional rights and deferred STI)				
	2014-15 Paid	2014-15 Forfeited	Year granted	Vested	Forfeited	Financial years in which may vest	Maximum total value of grant yet to vest (as at 30 June 2015) [1]
Neil Fiske	---	100%	2015	---	---	30 June 2018	1,250,054
			2014	---	---	30 June 2017	969,178
Paul Burdekin	---	100%	2015	---	---	30 June 2018	135,006
			2013	100%	---	30 June 2015	---
Ed Leasure	---	100%	2015	---	---	30 June 2018	197,937
			2014	---	---	30 June 2017	193,446
			2013	100%	---	30 June 2015	---
Peter Myers	---	100%	2015	---	---	30 June 2018	253,761
			2014	---	---	30 June 2017	253,750
			2014	---	---	30 June 2016	22,656[3]
Shannan North	17%	83%	2015	---	---	30 June 2018	415,666
			2015	---	---	30 June 2017	58,625[3]
			2014	---	---	30 June 2017	210,001
			2014	---	---	30 June 2016	87,500[3]
			2013	---	---	30 June 2016	186,068
			2012	---	100%	30 June 2015	---
Jean-Louis Rodrigues	60%	40%	2015	---	---	30 June 2018	121,752
			2015	---	---	30 June 2017	40,857[3]
			2014	---	---	30 June 2017	119,130
			2013	100%	---	30 June 2015	---

1 *The maximum total value of grant yet to vest as at 30 June 2015. The figures above are calculated as the grant date value based on the 5 day volume weighted average price at grant date of the performance shares and conditional rights and assuming 100% of the award vests.*

2 *Represents the value of the total short-term incentive earned (cash and equity) as a % of the total short-term incentive potential (target and stretch).*

3 *Represents the value of deferred STI yet to vest, stated as the value at the time of deferral.*

Remuneration Report (continued)

Relationship between remuneration and company performance

Company performance has declined over the last five years. The Group's profit from ordinary activities after income tax has decreased from a profit of $145,988,000 in 2010 to a profit of $4,150,000 in 2015 including significant items. Shareholder wealth has also decreased at a compound rate of 40.4% per annum. Total KMP compensation decreased over the same period at a compound rate of 6.6% per annum, including $0.6 million of termination payments in 2015 (no KMP termination payments were made in 2010). Excluding termination payments, KMP compensation decreased at a compound rate of 8.2% per annum over the period.

Equity instrument disclosures relating to KMP

The number of options over ordinary shares in the Company held during the financial year by each Director of Billabong International Limited and other KMP of the Group, including their personally related parties, are set out in Table L.

Table L: 2015 Options Holdings

2015 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Other key management personnel of the Group						
Shannan North	314,503	---	---	---	314,503[1]	---

[1] *Options lapsed in the 2013-14 financial year as a result of the required hurdles not being met, however these options have an expiry date of 31 October 2015.*

The number of rights over ordinary shares in the Company held during the financial year by each Director of Billabong International Limited and other KMP of the Group are set out in Table M.

Table M: 2015 Rights Holdings

2015 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Billabong International Limited[1]						
Neil Fiske	2,242,429	1,909,645	---	---	4,152,074	---
Other key management personnel of the Group[1]						
Jeffery Streader[2]	---	554,359	---	(554,359)	---	---
Shannan North	940,603	741,812	---	(51,400)	1,631,015	---
Peter Myers	634,937	387,658	---	---	1,022,595	---
Paul Burdekin	34,932	206,242	(34,932)	---	206,242	---
Ed Leasure	462,256	302,378	(14,672)	---	749,962	---
Jean-Louis Rodrigues	305,330	260,438	(29,694)	---	536,074	---

[1] *Includes rights granted under the Executive Long-Term Incentive Plan, Executive Performance Share Plan and the Short-Term Incentive Deferral.*
[2] *Employment ceased 8 May 2015.*

Remuneration Report (continued)

Equity instrument disclosures relating to KMP (continued)

The numbers of ordinary shares in the Company held during the financial year by each Director of Billabong International Limited and other key management personnel of the Group, including their personally related entities, are set out in Table N.

Table N: 2015 Share holdings

2015 Name	Balance at the start of the year	Received on the exercise of rights holdings[5]	Received on the exercise of options	Other changes during the year[5]	Balance at the end of the year
Directors of Billabong International Limited					
Ian Pollard	90,078	---	---	62,901	152,979
Neil Fiske	2,455,357[1]	---	---	---	2,455,357
Gordon Merchant	97,082,594	---	---	3,492,589	100,575,183
Howard Mowlem	137,500	---	---	---	137,500
Jason Mozingo	---	---	---	---	---
Sally Pitkin	96,250	---	---	---	96,250
Matthew Wilson	---	---	---	---	---
Amar Doshi	---	---	---	---	---
Thomas Casarella	---	---	---	---	---
Other key management personnel of the Group					
Paul Burdekin[2]	51,680	40,892	---	---	92,572
Ed Leasure	106,768	14,672	---	---	121,440
Peter Myers	---	---	---	---	---
Shannan North	209,894	---	---	---	209,894
Jean-Louis Rodrigues	18,937[3]	29,694	---	(7,424)	41,207[3]
Jeffery Streader[4]	---	---	---	---	---

1 *Includes 1,785,714 ordinary shares to be held in voluntary escrow until commencement of trade on 10 January 2016.*
2 *Paul Burdekin was appointed Acting General Manager, Billabong Group Asia Pacific on 3 March 2014 and was permanent in this role from 17 July 2014.*
3 *Includes an exercised rights holding of 10,923 shares which are held in escrow for a 24 month restriction period following the allocation date.*
4 *Jeffery Streader ceased employment on 8 May 2015.*
5 *Includes awards granted in the periods before considered to be in a KMP role.*

Other transactions with Directors and other key management personnel

A subsidiary of the Company leases a retail store in the United States of America from Ed Leasure, President Americas, and his wife. The rental agreement is based on normal, arms-length terms and conditions.

Shares under option
Unissued ordinary shares of the Company under option at the date of this report are as follows:

	Number	Grant date	Issue price of shares	Expiry date
Executive Performance and Retention Plan	314,503	31 October 2008	$11.08	31 October 2015
Refinancing proposal- Altamont	42,259,790	16 July 2013	$0.50	16 July 2020
Refinancing proposal- C/O Placement	29,581,852	3 December 2014	$0.50	3 December 2020
Executive Option Plan	1,200,000	31 January 2014	$0.60	31 January 2024
Total	**73,356,145**			

Performance shares and conditional rights
Performance shares and conditional rights awarded under the EPSP at the date of this report are as follows:

Type of right	Balance	Grant date	Performance/service determination date
Performance Shares	215,611	21 February 2013	30 June 2015
Total	**215,611**		

Insurance of officers
During the financial year Billabong International Limited paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and all executive officers of the Group against a liability incurred as such a Director, Secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The liabilities insured are 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 entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Non-audit services
The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions and disposals, or where PricewaterhouseCoopers is awarded assignments on a competitive basis.

Details of the amount paid or payable to the auditor for non-audit services provided during the year are set out below.

The Board of Directors have considered the position and, in accordance with the advice received from the Audit and Risk Committee, are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditor imposed by the *Corporations Act 2001.* The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in 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 consolidated entity, acting as an advocate for the consolidated entity or jointly sharing risks and rewards.

During the year the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms in relation to non-audit services:

	Consolidated	
	2015	2014
	$	$
PricewaterhouseCoopers Australian firm:		
International tax consulting together with separate tax advice on acquisitions and disposals	303,509	189,668
Due diligence services	---	138,845
General accounting advice	---	---
Network firms of PricewaterhouseCoopers Australia:		
International tax consulting together with separate tax advice on acquisitions and disposals	81,527	182,012
Other services	---	116,362
Total remuneration for non-audit services	385,036	626,887

Amounts paid or payable by the consolidated entity for audit and non-statutory audit services are disclosed in note 32 to the financial statements.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 46.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

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

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

Ian Pollard
Chair
Gold Coast, 27 August 2015

Auditor's Independence Declaration

As lead auditor for the audit of Billabong International Limited for the year ended 30 June 2015, 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 Billabong International Limited and the entities it controlled during the period.

K. Stubbins

Kristin Stubbins
Partner
PricewaterhouseCoopers

Sydney
27 August 2015

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

The Board of Directors is responsible to shareholders for the performance of the Group and believes that high standards of corporate governance underpin the Company's objective of maximising returns to shareholders. The Board is committed to a high level of governance and endeavours to foster a culture that rewards ethical standards and corporate integrity. The Group has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2015 corporate governance statement is dated as at 30 June 2015 and reflects the corporate governance practices in place throughout the 2015 financial year. The 2015 corporate governance statement was approved by the board on 26 August 2015. A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement which can be viewed at www.billabongbiz.com.

Billabong International Limited

ABN 17 084 923 946

Contents

:: FINANCIAL REPORT 30 JUNE 2015

This financial report covers the consolidated entity consisting of Billabong International Limited and its subsidiaries. The financial report is presented in Australian currency.

Billabong International Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Billabong International Limited
1 Billabong Place
Burleigh Heads QLD 4220

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report on pages 2 – 12, which is not part of this financial report.

The financial report was authorised for issue by the Directors on 27 August 2015. The Company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available on our corporate website at www.billabongbiz.com.

	Notes	**2015 $'000**	2014 $'000
Revenue from continuing operations	5	1,056,130	1,027,471
Cost of goods sold	7	(495,308)	(491,040)
Other income	6	10,553	6,328
Selling, general and administrative expenses	7	(429,614)	(423,027)
Other expenses	7	(127,681)	(165,945)
Finance costs	7	(34,275)	(82,237)
Loss before income tax		(20,195)	(128,450)
Income tax benefit/(expense)	9	12,231	(74,499)
Loss from continuing operations		(7,964)	(202,949)
Profit/(loss) from discontinued operations after income tax	10	10,516	(36,984)
Profit/(loss) for the year		2,552	(239,933)
Loss attributable to non-controlling interests		1,598	6,221
Profit/(loss) for the year attributable to the members of Billabong International Limited		4,150	(233,712)
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company		Cents	Cents
Basic earnings per share	42	(0.6)	(24.0)
Diluted earnings per share	42	(0.6)	(24.0)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company			
Basic earnings per share	42	0.5	(28.6)
Diluted earnings per share	42	0.5	(28.6)

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

Consolidated statement of comprehensive income

For the year ended 30 June 2015 : :

	Notes	2015 $'000	2014 $'000
Profit/(loss) for the year		2,552	(239,933)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges, net of tax	29(b)	3,602	(3,175)
Exchange differences on translation of foreign operations	29(b)	(5,972)	9,488
Net investment hedge, net of tax	29(b)	(917)	(10,751)
Other comprehensive expense for the year, net of tax		(3,287)	(4,438)
Total comprehensive expense for the year		(735)	(244,371)
Loss attributable to non-controlling interests		1,598	6,221
Total comprehensive income/(expense) for the year attributable to members of Billabong International Limited		863	(238,150)
Total comprehensive income/(expense) for the year attributable to members of Billabong International Limited arises from:			
Continuing operations		(9,653)	(201,166)
Discontinued operations		10,516	(36,984)
		863	(238,150)

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

	Notes	2015 $'000	2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	153,334	145,070
Trade and other receivables	12	164,504	153,850
Inventories	13	187,125	180,222
Current tax receivables		1,934	3,202
Other	14	16,856	13,457
Total current assets		523,753	495,801
Non-current assets			
Receivables	15	7,202	10,275
Property, plant and equipment	16	89,504	94,305
Intangible assets	17	161,534	143,664
Deferred tax assets	18	15,384	840
Other	19	6,603	6,981
Total non-current assets		280,227	256,065
Total assets		803,980	751,866
LIABILITIES			
Current liabilities			
Trade and other payables	20	207,917	185,687
Borrowings	21	6,905	7,358
Current tax liabilities	22	4,115	4,179
Provisions	23	20,108	28,447
Total current liabilities		239,045	225,671
Non-current liabilities			
Borrowings	24	259,950	212,033
Deferred tax liabilities	25	---	---
Provisions and payables	26	23,401	31,570
Deferred payment	27	---	23,556
Total non-current liabilities		283,351	267,159
Total liabilities		522,396	492,830
Net assets		281,584	259,036
EQUITY			
Contributed equity	28	1,094,274	1,094,274
Treasury shares	29(a)	(20,959)	(22,508)
Option reserve	29(b)	10,664	10,760
Other reserves	29(b)	(105,258)	(111,215)
Retained losses	29(c)	(697,137)	(701,287)
Capital and reserves attributable to members of Billabong International Limited		281,584	270,024
Non-controlling interests		---	(10,988)
Total equity		281,584	259,036

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

	Notes	Attributable to members of Billabong International Limited Contri-buted equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non con-trolling interests $'000	Total equity $'000
Balance at 30 June 2013		910,836	(126,427)	(467,575)	316,834	(4,767)	312,067
Loss for the year		---	---	(233,712)	(233,712)	(6,221)	(239,933)
Other comprehensive expense		---	(4,438)	---	(4,438)	---	(4,438)
Total comprehensive expense for the year		---	(4,438)	(233,712)	(238,150)	(6,221)	(244,371)
Transactions with equity holders in their capacity as equity holders:							
CEO Sign-on	28(f)	500	---	---	500	---	500
C/O Placement	28(g)	135,000	---	---	135,000	---	135,000
Rights issue, net of transaction costs	28(h)	47,938	---	---	47,938	---	47,938
Option reserve in respect of employee share plan	29(b)	---	(276)	---	(276)	---	(276)
Option reserve in respect of employee sign-on issues	29(b)	---	339	---	339	---	339
Fair value of options in respect of recapitalisation option issues	29(b)	---	7,839	---	7,839	---	7,839
		183,438	7,902	---	191,340	---	191,340
Balance at 30 June 2014		1,094,274	(122,963)	(701,287)	270,024	(10,988)	259,036
Profit for the year		---	---	4,150	4,150	(1,598)	2,552
Other comprehensive expense		---	(3,287)	---	(3,287)	---	(3,287)
Total comprehensive expense for the year		---	(3,287)	4,150	863	(1,598)	(735)
Transactions with equity holders in their capacity as equity holders:							
Option reserve in respect of employee share plan	29(b)	---	1,453	---	1,453	---	1,453
Other equity reserve reclassified to income statement	29(b)	---	9,244	---	9,244	---	9,244
Non-controlling interest reclassified to income statement	10	---	---	---	---	12,586	12,586
		---	10,697	---	10,697	12,586	23,283
Balance at 30 June 2015		1,094,274	(115,553)	(697,137)	281,584	---	281,584

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

	Notes	2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,137,365	1,356,946
Payments to suppliers and employees (inclusive of GST)		(1,123,390)	(1,334,426)
		13,975	22,520
Interest received		1,692	1,183
Other revenue		4,815	4,244
Finance costs		(32,873)	(92,252)
Income taxes paid		(2,234)	(12,314)
Net cash outflow from operating activities	40	(14,625)	(76,619)
Cash flows from investing activities			
Payments for purchase of subsidiaries and businesses, net of cash acquired	36	---	(41,588)
Payments for property, plant and equipment		(20,277)	(15,855)
Payments for finite life intangible assets		(7,381)	(9,012)
Proceeds from sale of business, net of cash divested and transaction costs	10	38,439	83,878
Proceeds from sale of property, plant and equipment		283	168
Net cash inflow from investing activities		11,064	17,591
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	28	---	182,088
Proceeds from borrowings		32	873,886
Repayment of borrowings		---	(962,012)
Net cash inflow from financing activities		32	93,962
Net (decrease)/increase in cash and cash equivalents		(3,529)	34,934
Cash and cash equivalents at the beginning of the year		145,070	113,324
Effects of exchange rate changes on cash and cash equivalents		11,793	(3,188)
Cash and cash equivalents at the end of the year	11	153,334	145,070
Financing arrangements	24		
Non-cash investing and financing activities	41		

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

Contents of the notes to the consolidated financial statements

Note 1. 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 Billabong International Limited and its subsidiaries (the Group or consolidated entity).

(a) Basis of preparation

The general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Group is a for-profit entity for the purpose of preparing the financial report.

Compliance with IFRS
The financial report of the consolidated entity also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Early adoption of standards
The Group has elected not to early apply accounting standards that are not applicable to the accounting period ended 30 June 2015.

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

Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Billabong International Limited (the Company or parent entity) as at 30 June 2015 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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 Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(h)).

Note 1. Summary of significant accounting policies (continued)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Investments in subsidiaries are accounted for at cost, net of impairment charges, in the separate financial statements of Billabong International Limited.

(ii) *Employee Share Trust*

The Group has trusts for storing unvested and forfeited performance shares sourced for the purposes of the Group's Executive Long-Term Incentive Plan. The trusts are consolidated, as the substance of the relationship is that the trusts are controlled by the Group.

Shares held by the Billabong Executive Performance Share Plan – Australia trust and the Billabong Executive Performance Share Plan trust are disclosed as treasury shares and deducted from equity.

(iii) *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to members of Billabong International Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Note 1. Summary of significant accounting policies (continued)

(c) 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).

(d) Foreign currency translation

(i) *Functional and presentation currency*
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Group'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, or are attributable to part of the net investment in a foreign operation.

(iii) *Group companies*
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average monthly exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(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 and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

(i) *Sale of goods*
Revenue from sale of goods is recognised when it can be reliably measured, the significant risks and rewards of ownership have passed to, and the goods been accepted by, the customer and collectability of the related receivable is probable.

Sales terms determine when risks and rewards are considered to have passed to the customer. Given that sales terms vary between regions and customers the Group recognises some wholesale sales on shipment and others on delivery of goods to the customer, whichever is appropriate. The Group recognises retail sales at the time of sale of the goods to the customer.

Note 1. Summary of significant accounting policies (continued)

(ii) *Interest income*
Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income over the discounted period.

(iii) *Royalty income*
Royalty income is recognised as it accrues.

(iv) *Agent commissions*
Revenue earned from the sourcing of product on behalf of licensees is recognised net of the cost of the goods, reflecting the sourcing commission only. Sourcing commission is recognised when the goods are provided.

(v) *Sale of consignment inventory*
Agreements are entered into with certain customers whereby a consignment stock arrangement is in place. Revenue is recognised in accordance with AASB 118, at the point at which the risks and rewards are substantially transferred, which in this case is the point at which the Group's customer makes a sale to the end customer. Under this arrangement, inventory is concurrently de-recognised at this stage.

(f) 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 applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Note 1. Summary of significant accounting policies (continued)

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance lease is depreciated over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.
Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 34). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred or contingent on future events, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the market risk free rate. Amounts classified as a payable are subsequently remeasured to fair value with changes in fair value recognised in the income statement.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

No amortisation is provided against the carrying value of purchased brands on the basis that these assets are considered to have an indefinite useful life.

Key factors taken into account in assessing the useful life of brands are:

- The brands are well established and protected by trademarks across the globe which are generally subject to an indefinite number of renewals upon appropriate application; and
- There are currently no legal, technical or commercial obsolescence factors applying to the brands or the products to which they attach which indicate that the life should be considered limited.

Note 1. Summary of significant accounting policies (continued)

(j) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Trade receivables

All trade receivables are recognised at the date they are invoiced, initially at fair value and subsequently measured at amortised cost, and are principally on 30 day terms. They are presented as current assets unless collection is not expected for more than 12 months after the balance sheet date.

Collectability of trade receivables is reviewed on an ongoing basis. Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment charge is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Other receivables is comprised of amounts receivable as a result of transactions outside the normal course of trading.

(l) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value.

(i) *Raw materials*
Cost is determined using the first-in, first-out (FIFO) method and standard costs approximating actual costs.

(ii) *Work in progress and finished goods*
Cost is standard costs approximating actual costs including direct materials, direct labour and an allocation of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost also includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases.

(m) Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

Note 1. Summary of significant accounting policies (continued)

(n) Investments and other financial assets

Classification
The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 12) and receivables (note 15) in the balance sheet.

Recognition and derecognition
Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement
Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category, including interest and dividend income, are presented in the income statement within other income or other expenses in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 2.

Impairment
The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment charge on that financial asset previously recognised in profit and loss – is reclassified from equity and recognised in the income statement. Impairment charges recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

Assets carried at amortised cost
For loans and receivables, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Note 1. Summary of significant accounting policies (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Impairment testing of trade receivables is described in note 1(k).

(o) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 31. Movements in the hedging reserve in shareholders' equity are shown in note 29(b). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expenses.

Amounts accumulated in equity are reclassified in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of 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 that 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 reclassified to profit or loss.

(ii) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expenses.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

Note 1. Summary of significant accounting policies (continued)

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do 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 and are included in other income or other expenses.

(p) Property, plant and equipment

Land is shown at cost. All other property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Buildings 20-40 years
- Owned and leased plant and equipment 3-20 years
- Furniture, fittings and equipment 3-20 years

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

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

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

(q) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 1(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment charges. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Brands

Expenditure incurred in developing or enhancing brands is expensed as incurred. Brands are shown at historical cost.

Brands have a limited legal life, however the Group monitors global expiry dates and renews registrations where required. Brands recorded in the financial statements are not currently associated with products which are likely to become commercially or technically obsolete. Accordingly, the Directors are of the view that brands have an indefinite life.

Brands are tested annually for impairment and carried at cost less accumulated impairment charges.

Note 1. Summary of significant accounting policies (continued)

(iii) *Computer software and Omni-Channel platform*

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- the Group intends to complete the software and use it;
- there is an ability to use the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use over their estimated contractual lives (three to five years).

Acquired computer software and omni-channel platform licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated contractual lives (three to five years).

(iv) *Key money*

When the Group enters into leases in some locations, a payment is made to the incumbent tenant; these payments are referred to as key money. The original cost is capitalised, and classified as an indefinite life intangible asset and accounted for under the cost model. As a result of the restrictions on lessor's powers, and the right to renew leases held by the Group, the Directors are of the view that key money has an indefinite life.

Key money is considered annually for impairment and reversal of any previous impairment, and is held at cost less accumulated impairment charges.

(r) 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 and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the balance sheet date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(s) 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 method. Fees paid on the establishment of loan facilities are recognised as transaction costs on the loan to the extent that it is probable that some or all of the facility will be drawn down and amortised on a straight-line basis over the term of the facility. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(t) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Note 1. Summary of significant accounting policies (continued)

(u) Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(v) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The short-term employee benefit obligations are presented as other payables.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave which are not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting period 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 on government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) Profit-sharing and short-term incentive plans

The Group recognises a liability and an expense for short-term incentives and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where a payment is contractually obliged or where there is a past practice that has created a constructive obligation.

Note 1. Summary of significant accounting policies (continued)

(w) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

(x) 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.

(y) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) 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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(z) Employee and executive share plans

Equity-based compensation benefits are provided to employees via the Billabong Executive Long-Term Incentive Plan, Billabong Executive Performance Share Plan, the Short-Term Incentive deferral scheme and the Executive Performance and Retention Plan.

Billabong Executive Long-Term Incentive Plan

Share-based compensation benefits are provided to the executive team via the Billabong Executive Long-Term Incentive Plan. Information relating to this Plan is set out in note 43.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefit expense with a corresponding increase in equity when the employees become entitled to the shares.

The fair value of equity instruments granted under the Billabong Executive Long-Term Incentive Plan is recognised as an employee benefit expense over the period during which the employees become unconditionally entitled to the instruments. There is a corresponding increase in equity, being recognition of an option reserve. Once the employees become unconditionally entitled to the instruments the option reserve is set-off against the treasury shares vested. The fair value of equity instruments granted is measured at grant date and is determined by reference to the Billabong International Limited share price at grant date, taking into account the terms and conditions upon which the rights were granted.

The Group has trusts for storing unvested and forfeited performance shares sourced for the purposes of the Group's Executive Long-Term Incentive Plan. The trusts are consolidated, as the substance of the relationship is that the trusts are controlled by the Group. Shares held by the Billabong Executive Performance Share Plan – Australia trust and the Billabong Executive Performance Share Plan trust are disclosed as treasury shares and deducted from equity.

Note 1. Summary of significant accounting policies (continued)

Current equity-based instruments granted under the Billabong Executive Long-Term Incentive Plan include performance rights. Performance rights are subject to performance hurdles. Through contributions to the trusts the consolidated entity purchases shares of the Company on market to underpin performance rights issued. The shares are recognised in the balance sheet as treasury shares. Treasury shares are excluded from the weighted average number of shares used as the denominator for determining basic earnings per share and net tangible asset backing per share. The performance rights of the Billabong Executive Long-Term Incentive Plan are treated as potential ordinary shares for the purposes of diluted earnings per share.

The Group incurs expenses on behalf of the trusts. These expenses are in relation to administration costs of the trusts and are recorded in the income statement as incurred.

Billabong Executive Performance Share Plan
Share-based compensation benefits were provided to the executive team via the Billabong Executive Performance Share Plan. Information relating to this Plan is set out in note 43.

The market value of shares issued to employees for no cash consideration under the employee share scheme were recognised as an employee benefit expense with a corresponding increase in equity when the employees become entitled to the shares.

The fair value of equity instruments granted under the Billabong Executive Performance Share Plan were recognised as an employee benefit expense over the period during which the employees become unconditionally entitled to the instruments. There was a corresponding increase in equity, being recognition of an option reserve. Once the employees became unconditionally entitled to the instruments the option reserve was set-off against the treasury shares vested. The fair value of equity instruments granted were measured at grant date and were determined by reference to the Billabong International Limited share price at grant date, taking into account the terms and conditions upon which the rights were granted.

The Group has trusts for storing unvested and forfeited performance shares sourced for the purposes of the Group's Executive Long-Term Incentive Plan. The trusts are consolidated, as the substance of the relationship is that the trusts are controlled by the Group. Shares held by the Billabong Executive Performance Share Plan – Australia trust and the Billabong Executive Performance Share Plan trust are disclosed as treasury shares and deducted from equity.

Equity-based instruments granted under the Billabong Executive Performance Share Plan included performance shares and conditional rights. Both performance shares and conditional rights were subject to performance hurdles. Through contributions to the trusts the consolidated entity purchased shares of the Company on market to underpin performance shares and conditional rights issued. The shares were recognised in the balance sheet as treasury shares. Treasury shares are excluded from the weighted average number of shares used as the denominator for determining basic earnings per share and net tangible asset backing per share. The performance shares and conditional rights of the Billabong Executive Performance Share Plan are treated as potential ordinary shares for the purposes of diluted earnings per share.

The Group incurs expenses on behalf of the trusts. These expenses are in relation to administration costs of the trusts and are recorded in the income statement as incurred.

Short-Term Incentive deferral
The fair value of deferred shares granted to employees for nil consideration under the short-term incentive scheme is recognised as an expense over the relevant service period, being the year to which the short-term incentive relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the option reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at each reporting date and adjustments are recognised in profit or loss and the option reserve.

The Group has trusts for storing unvested and forfeited performance shares sourced for the purposes of the Group's Executive Short-Term Incentive Plan. The trusts are consolidated, as the substance of the relationship is that the trusts are controlled by the Group. Shares held by the Billabong Executive Performance Share Plan – Australia trust and the Billabong Executive Performance Share Plan trust are disclosed as treasury shares and deducted from equity.

Note 1. Summary of significant accounting policies (continued)

Billabong Executive Performance and Retention Plan
Share-based compensation benefits were also provided to the executive team via the Billabong Executive Performance and Retention Plan. Information relating to this Plan is set out in note 43.

The fair value of the options granted under the Billabong Executive Performance and Retention Plan were recognised as an employee benefit expense with a corresponding increase in equity. The fair value were measured at grant date and recognised over the period during which the executive team becomes unconditionally entitled to the options.

The fair value at grant date was independently determined using the Monte-Carlo simulation valuation technique taking into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted were adjusted to reflect market vesting conditions, but excluded the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions were included in assumptions about the number of options that were expected to become exercisable. At each reporting date, the entity revised its estimate of the number of options that were expected to become exercisable. The employee benefit expense was recognised at each period taking into account the most recent estimate.

The impact of the revision to original estimates, if any, was recognised in the income statement with a corresponding adjustment to equity.

(aa) Financial guarantee contracts

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

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

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

(bb) Parent entity financial information

The financial information for the parent entity, Billabong International Limited, disclosed in note 44 has been prepared on the same basis as the consolidated financial report, except as set out below.

Investments in subsidiaries
Investments in subsidiaries are accounted for at cost, tested for impairment on an annual basis, in the financial report of Billabong International Limited. Dividends received from subsidiaries are recognised in the parent entity's income statement when its right to receive the dividend is established.

Tax consolidation legislation
Billabong International Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002.

The head entity, Billabong 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 taxpayer in its own right.

In addition to its own current and deferred tax amounts, Billabong 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.

Note 1. Summary of significant accounting policies (continued)

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Billabong International Limited for any current tax payable assumed and are compensated by Billabong International Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Billabong 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. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from 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.

Financial guarantees
Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(cc) 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 acquisition of the asset or as 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 with other receivables or payables in the balance sheet.

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

(dd) Significant items

The Group results for the period and the prior corresponding period (pcp) include certain significant items including but not limited to impairment charges, costs associated with the various control and/or refinancing proposals previously announced and the restructuring of the Group's operations pursuant to the various strategic reform programs announced in August 2012 and December 2013. Refer to note 8 of the financial statements for more information in relation to these items.

For an expense or credit to be included as a significant item one of the following is generally applicable:

(i) The item is non-recurring in nature;
(ii) The item is an accounting expense which is not reflective of the trading during the financial year (eg restatement of derivative liabilities or contingent consideration, reclassification of FCTR balances to the income statement due to wind up of legal entities or divestments, accounting compensation expense for business combinations / agreements);
(iii) The item is an impairment charge;
(iv) The item is a gain / loss / fair value adjustment / cost associated with divesting brands or retail chains;
(v) The item relates to a fundamental restructuring of the business so as to align the business with the new strategic agenda announced in December 2013 following the appointment of a new CEO and board changes to reflect the introduction of two new major shareholders. This restructuring is resulting in a significant change to management, business mix and process. The expenses associated with the change are non-recurring in nature – but may span more than one financial year. These expenses will not recur once the restructuring is complete;
(vi) The item relates to reversals of previous significant items;
(vii) The item relates to the refinancing of the Group; or
(viii) The item relates to strategic decisions to write down assets which are material and unusual in nature.

The Group results may be impacted by other significant items in future reporting periods.

Note 1. Summary of significant accounting policies (continued)

(ee) Rounding of amounts

The Company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(ff) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the Group. The Group’s assessment of the impact of these new standards and interpretations is set out below:

(i) *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* and *AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transaction Disclosures (effective from 1 January 2018)*

In AASB 9, the AASB added requirements for the classification and measurement of financial liabilities that are generally consistent with the equivalent requirements in AASB 139 except in respect of the fair value option; and certain derivatives linked to unquoted equity instruments. The AASB also added the requirements in AASB 139 in relation to derecognition of the financial assets and financial liabilities to AASB9. AASB9 retained but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets; amortised cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The guidance in AASB 139 on hedge accounting continues to apply as long as hedge accounting provisions in AASB 2013-9 are not applied. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2018 and is not expected to have a significant impact on the financial statements.

(ii) *AASB 15 Revenue from contracts with customers (effective from 1 January 2017)*

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), ie without restating the comparative period. The Group will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2018 and the Group will continue to review the impact of these changes on the financial statements.

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

Note 2. Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group'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 Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. Derivatives are used exclusively for hedging purposes and not for trading or speculative purposes.

(a) Market risk

(i) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States Dollars.

Foreign currency transaction risk arises when assets and liabilities, and forecasted purchases and sales are denominated in a currency other than the functional currency of the respective entities. As sales are mainly denominated in the respective local currency which is the functional currency, the major transactional exposure is in relation to inventory purchases, other than for the United States of America, which are typically denominated in United States Dollars. The risk is measured using sensitivity analysis and cash flow forecasting.

Forward contracts are used to manage foreign exchange risk on inventory purchases. The Group's Risk Management Policy is for each region to hedge greater than 80% of forecast foreign denominated inventory purchases for the upcoming season. Further hedges can be executed following receipt of customer orders. All hedges of projected purchases qualify as "highly probable" forecast transactions for hedge accounting purposes. The Group has, as outlined in note 31, forward exchange contracts designated as cash flow hedges.

The carrying amounts of the Group's financial assets and liabilities that are denominated in Australian Dollars and other significant foreign currencies (amounts reported in Australian Dollars), are set out below:

	Notes	**2015 $'000**	2014 $'000
Australian Dollars			
Cash and cash equivalents	11	48,779	40,745
Trade and other receivables	12, 15	21,618	21,460
Borrowings	21, 24	(5)	(550)
Trade and other payables	20	(26,046)	(44,728)
		44,346	16,927
United States Dollars			
Cash and cash equivalents	11	68,090	64,657
Trade and other receivables	12, 15	81,068	59,982
Borrowings	21, 24	(257,775)	(208,410)
Trade and other payables	20	(127,538)	(71,893)
		(236,155)	(155,664)
European Euros			
Cash and cash equivalents	11	4,862	13,259
Trade and other receivables	12, 15	25,207	32,901
Borrowings	21, 24	(3,805)	(5,244)
Trade and other payables	20	(22,349)	(33,011)
		3,915	7,905
Other			
Cash and cash equivalents	11	31,603	26,409
Trade and other receivables	12, 15	43,813	49,782
Borrowings	21, 24	(5,270)	(5,187)
Trade and other payables	20	(31,984)	(36,055)
		38,162	34,949

Note 2. Financial risk management (continued)

(a) Market risk (continued)

Sensitivity analysis
The majority of the carrying amounts of the Group's financial assets and liabilities are denominated in the functional currency of the relevant subsidiary and thus there is no foreign exchange exposure. The majority of foreign exchange exposure as at 30 June 2015 relates to intra-group monetary assets or liabilities, and whilst these are eliminated on group consolidation, there is an exposure at balance date which is recognised in the consolidated income statement as unrealised foreign exchange gains or losses. This is because the monetary item represents a commitment to convert one currency into another and exposes the Group to a gain or loss through currency fluctuations.

At 30 June 2015 had the Australian Dollar as at 30 June 2015 weakened / strengthened by 10% against the United States Dollar with all other variables held constant, post-tax profit for the year would have been $0.7 million lower / $0.9 million higher (2014: $1.6 million lower / $1.9 million higher), mainly as a result of intra-group monetary assets or liabilities as at 30 June 2015. Profit is less sensitive to movements in the Australian Dollar / United States Dollar in 2015 than 2014 because of a decreased net amount of United States Dollar denominated monetary assets and liabilities as at 30 June 2015 compared with as at 30 June 2014. Equity (excluding the effect to the Foreign Currency Translation Reserve of translating the United States of America operations' net assets/equity to Australian Dollars) would have been $7.7 million higher / $7.5 million lower (2014: $1.2 million higher / $0.3 million lower). The Group's exposure to other foreign exchange movements as at 30 June 2015 is not material.

(ii) Cash flow interest rate risk
Other than cash deposits at call, the Group has no significant interest-bearing assets and therefore the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from current borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

As at the reporting date, the Group had the following variable rate borrowings outstanding:

	2015 $'000	2014 $'000
Bank loans, syndicated facility, drawdown facility and cash advance facilities	5,271	5,187
Net exposure to interest rate risk	5,271	5,187

An analysis by maturities is provided in (c) below and a summary of the terms and conditions is in note 21.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift.

Group sensitivity analysis
At 30 June 2015 if interest rates had changed by - / + 50 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been $0.1 million lower / higher (2014: $0.1 million lower / higher). Equity would have been $0.1 million lower / higher (2014: $0.1 million lower / higher).

(b) Credit risk

Credit risk represents the loss that would be recognised if a counterparty failed to perform as contracted. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Group has no significant concentrations of credit risk.

Derivative counterparties and cash deposits are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

Note 2. Financial risk management (continued)

(b) Credit risk (continued)

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their financial position, past experience and other factors. Credit limits are set for each individual customer in accordance with parameters set by the Board. These credit limits are regularly monitored. In addition, receivable balances are monitored on an ongoing basis. Sales to retail customers are settled in cash or using major credit cards, mitigating credit risk.

Credit risk further arises in relation to financial guarantees given to certain parties. Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The vast majority of cash at bank and short-term bank deposits are held with banks with at least a credit rating of 'A'. The vast majority of trade receivables are with existing customers (who have been customers for at least six months) with no defaults in the past (for further information about impaired trade receivables and past due but not impaired receivables refer to note 12).

(c) Liquidity risk

Due to the financial liabilities within the Group, the Group is exposed to liquidity risk, being the risk of encountering difficulties in meeting such obligations. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to closeout market positions. At the end of the reporting period the Group held deposits at call of $22.0 million (2014: $32.8 million). Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available. Refer to note 24 for information in regard to the Group's financing arrangements. Refer to note 28(k) for information in regard to the Group's capital management strategy.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities) and cash and cash equivalents (note 11) on the basis of expected cash flows. This is generally carried out at a local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below analyses the Group's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For net settled and gross settled derivatives the cash flows have been estimated using spot interest rates applicable at the reporting date.

Note 2. Financial risk management (continued)

(c) Liquidity risk (continued)

2015	Less than 6 months $'000	Between 6 and 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets) / liabilities $'000
Non-interest bearing trade and other payables	207,476	---	---	---	---	207,476	207,476
Fixed rate debt	17,509	17,054	37,986	334,969	---	407,518	261,584
Variable rate debt	5,271	---	---	---	---	5,271	5,271
Net variable rate liabilities	5,271	---	---	---	---	5,271	5,271
Less: Cash (i)	(153,334)	---	---	---	---	(153,334)	(153,334)
Net variable rate liquidity position	(148,063)	---	---	---	---	(148,063)	(148,063)
Gross settled derivatives (forward exchange contracts)							
- (inflow)	(90,505)	(36,795)	---	---	---	(127,300)	(3,438)
- outflow	88,027	36,469	---	---	---	124,496	---
	(2,478)	(326)	---	---	---	(2,804)	(3,438)

Refer to note 24 in regards to the Group's financing facilities as at 30 June 2015.

2014	Less than 6 months $'000	Between 6 and 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets) / liabilities $'000
Non-interest bearing trade and other payables	183,857	---	---	---	---	183,857	183,857
Non-current deferred payment	---	---	23,496	---	---	23,496	23,556
Fixed rate debt	14,903	14,072	28,497	60,234	244,400	362,106	214,204
Variable rate debt	5,187	---	---	---	---	5,187	5,187
Net variable rate liabilities	5,187	---	---	---	---	5,187	5,187
Less: Cash (i)	(145,070)	---	---	---	---	(145,070)	(145,070)
Net variable rate liquidity position	(139,883)	---	---	---	---	(139,883)	(139,883)
Net settled derivatives (put and call options)	---	---	3,376	6,849	---	10,225	9,054
Gross settled derivatives (forward exchange contracts)							
- (inflow)	(64,626)	(22,368)	---	---	---	(86,994)	---
- outflow	66,247	22,493	---	---	---	88,740	1,739
	1,621	125	---	---	---	1,746	1,739

Note 2. Financial risk management (continued)

(c) Liquidity risk (continued)

Refer to note 24 for further information in regard to the Group's refinancing.

(i) Cash

Cash is considered in managing the Group's exposure to liquidity and interest rate risks. As at 30 June 2015 the Group held a cash balance of $153.3 million (2014: $145.1 million).

(d) Fair value measurements

(i) Fair value hierarchy

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

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2015 and 30 June 2014.

At 30 June 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Financial assets				
Forward exchange contracts – cash flow hedges	---	3,879	---	3,879
Total financial assets	---	3,879	---	3,879
Financial Liabilities				
Forward exchange contracts – cash flow hedges	---	441	---	441
Contingent consideration	---	---	10,827	10,827
Total financial liabilities	---	441	10,827	11,268

At 30 June 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Financial assets				
Forward exchange contracts – cash flow hedges	---	91	---	91
Total financial assets	---	91	---	91
Financial Liabilities				
Forward exchange contracts – cash flow hedges	---	1,830	---	1,830
Contingent consideration	---	---	15,709	15,709
Derivative liability	---	---	9,054	9,054
Total financial liabilities	---	1,830	24,763	26,593

Note 2. Financial risk management (continued)

(d) Fair value measurements (continued)

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

Recurring fair value measurements

Level 1
The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. These instruments are included in level 1. The Group does not hold any of these financial instruments at 30 June 2015 or 30 June 2014.

Level 2
The fair value of financial instruments that are not traded in an active market (for example, forward exchange contracts) are determined using valuation techniques. These instruments are included in level 2 and comprise of derivative financial instruments. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The valuation of foreign currency forward contracts is based upon the forward rate applicable at valuation date (available from dealer quotes for similar instruments or the counterparty of the forward contract). The future cash flow is then discounted back at the risk-free rate applying at that time.

Level 3
In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3. This is the case for contingent consideration and derivative liabilities.

(e) Fair value measurements using significant unobservable inputs (Level 3)

Contingent consideration

The following table presents the changes in level 3 instruments for the years ended 30 June 2015 and 30 June 2014:

Changes in contingent consideration

	2015 $'000	2014 $'000
Balance 1 July	15,709	19,286
Unwind of discount	---	711
Amounts recognised in other income (note 27)	(7,748)	---
Amounts recognised in expenses	---	(2,552)
Exchange (gains)/losses	2,866	(1,736)
Balance 30 June	10,827	15,709

(i) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements for the 2015 financial year:

	Fair Value $'000	**Unobservable inputs**	**Range of inputs (probability weighted average)**	**Relationship of unobservable inputs to fair value**
30 June 2015				
Contingent Consideration Payable	10,827	EBITDA	$18.7 million - $22.9 million ($20.8 million)	If the expected EBITDA was 10% higher or lower, the fair value would increase/decrease $5.0m.
30 June 2014				
Contingent Consideration Payable	15,709	EBITDA	$18.1 million - $22.1 million ($20.1 million)	If the expected EBITDA was 10% higher or lower, the fair value would increase/decrease $4.8m.

Note 2. Financial risk management (continued)

(e) Fair value measurements using significant unobservable inputs (Level 3) (continued)

(ii) Valuation processes

Valuations of contingent consideration payable are performed by the finance department of the Group based on the four year business plan projecting forecast profitability and cash flows prepared by management and approved by the Board.

Derivative liabilities

The following table presents the changes in level 3 instruments for the years ended 30 June 2015 and 30 June 2014:

Changes in derivative liabilities

	2015 $'000	2014 $'000
Balance 1 July	9,054	12,922
Unwind of discount	---	646
Amounts recognised in other income	---	(4,514)
Amounts recognised in other income (note 10)	(9,054)	---
Balance 30 June	---	9,054

(i) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements for the 2014 financial year:

Description	**Fair Value at 30 June 2014 $'000**	**Unobservable inputs**	**Range of inputs (probability weighted average)**	**Relationship of unobservable inputs to fair value**
Other Derivative Liability - Part 1	3,138	EBIT	\$2.5 million - \$3.1 million (\$2.8 million)	If the expected EBIT was 10% higher or lower, the fair value would increase/decrease \$0.3m.
Other Derivative Liability - Part 2	5,916	EBIT	\$3.5 million - \$4.3 million (\$3.9 million)	If the expected EBIT was 10% higher or lower, the fair value would increase/decrease \$0.6m.

(ii) Valuation processes

Valuations of the other derivative liabilities were performed by the finance department of the Group based on the four year business plan projecting forecast profitability and cash flows prepared by management and approved by the Board.

(f) Other fair value measurements

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of borrowings is based upon market prices where a market exists or by discounting the expected future cash flows by the current market interest rate that is adjusted for own credit risk. Refer to note 15(b) and 24(d) for further information.

Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill and indefinite life intangibles
The Group tests annually, or when indicators of impairment arise, whether goodwill and indefinite life intangibles have suffered any impairment and if any intangibles cease to have an indefinite life, in accordance with the accounting policy stated in note 1(i). The recoverable amounts of the cash-generating units (CGU's) have been determined based on value-in-use (VIU) calculations. These calculations require the use of estimates and judgements, in particular the achievement of forecast growth rates which are determined through a Board approved budgeting process. Assumptions used in impairment testing are detailed in note 17.

If the VIU of a CGU is lower than its carrying amount, then the CGU's fair value less costs of disposal (FVLCD) is determined in these circumstances as AASB 136 requires the recoverable amount of a CGU to be the higher of VIU and FVLCD. In applying the FVLCD approach, the recoverable amount of a CGU is assessed using market based valuation techniques such as comparable transactions and observable trading multiples. Assumptions used in impairment testing are detailed in note 17.

Estimated impairment of property, plant and equipment
The Group tests, when indicators of impairment arise, whether property, plant and equipment has suffered any impairment in accordance with the accounting policy stated in note 1(i). Impairment tests are performed based on the 'expected recoverable amount' of the asset using either the VIU or FVLCD method. Assumptions used in impairment testing are detailed in note 16.

Deferred or contingent consideration
In relation to the RVCA acquisition, deferred and contingent consideration is payable in cash if certain specific conditions are achieved. 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 (refer note 33). The discount rate used is the market risk-free rate. Amounts classified as a payable are subsequently remeasured to fair value with changes in fair value recognised in the income statement. Details on how the fair value of the contingent consideration is determined are disclosed in note 2. The calculation of the amount payable requires the use of estimates and judgements which are reviewed at each reporting period.

Taxation
The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Given the Group is in a period of restructuring and having regard to the existing financial structure, it has been estimated that it is not probable in all tax jurisdictions for taxable profits to be generated in a period where all the conditions including Continuity of Ownership tests for utilisation of the assets will be met. In such tax jurisdictions, carried forward tax losses and temporary differences have only been recognised as deferred tax assets to the extent of the available deferred tax liabilities. Refer note 9.

Onerous Lease and Restructuring provisions
The Group identified a number of loss making or underperforming retail stores in its portfolio and closed or intended to close these stores by either early termination or trading the stores to expiry (refer note 8(c)). Judgments and estimates are made in respect of the measurement of provisions for costs associated with the execution of initiatives arising from these initiatives and reviews.

Note 4. Segment information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the CEO. The results of the operating segments are analysed and strategic decisions made as to the future operations of the segment. This review is also used to determine how resources will be allocated across the segments.

The CEO currently considers the business principally from a geographic perspective and has identified three reportable segments being Asia Pacific, Americas and Europe. The CEO monitors the performance of these geographic segments separately from individual countries as each region operates in similar economic and seasonal environments. Each segment's areas of operation include the wholesaling and retailing of surf, skate and snow apparel and accessories.

The geographic segments are organised as below:

Asia Pacific
This segment includes Australia, New Zealand, Japan, South Africa, Singapore and Indonesia.

Americas
This segment includes the United States of America, Canada and Brazil.

Europe
This segment includes the Czech Republic, England, France, Germany and Spain.

Rest of the world
This segment relates to royalty receipts from third party operations.

Segment Earnings Before Interest, Taxes, Depreciation, Amortisation and Impairment ("EBITDAI") excludes inter-company royalties and sourcing fees and includes an allocation of global overhead costs (which include corporate overhead, international advertising and promotion costs, central sourcing costs and foreign exchange movements).

(b) Segment information provided to the CEO

The segment information provided to the CEO for the reportable segments for the year ended 30 June 2015 is as follows:

The below shows the total of results from continuing and discontinued operations. For a breakdown of continuing and discontinued operations, refer to (c) below.

Note 4. Segment information (continued)

(b) Segment information provided to the CEO (continued)

2015	Asia Pacific $'000	Americas $'000	Europe $'000	Rest of the World $'000	Total $'000
Total from continuing and discontinued operations including significant items					
Sales to external customers	428,476	455,565	179,699	---	1,063,740
Third party royalties	---	---	---	3,461	3,461
Total segment revenue	428,476	455,565	179,699	3,461	1,067,201
EBITDAI	10,461	15,345	25,937	3,461	55,204
Less: depreciation and amortisation					(33,489)
Less: impairment charges					(3,040)
Less: net interest expense					(28,354)
Loss before income tax					(9,679)
Segment assets	339,168	329,188	120,240	---	788,596
Unallocated assets:					
Deferred tax					15,384
Total assets					803,980
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	17,984	10,408	2,313	---	30,705

2014	Asia Pacific $'000	Americas $'000	Europe $'000	Rest of the World $'000	Total $'000
Total from continuing and discontinued operations including significant items					
Sales to external customers	480,500	537,969	199,041	---	1,217,510
Third party royalties	---	---	---	2,842	2,842
Total segment revenue	480,500	537,969	199,041	2,842	1,220,352
EBITDAI	14,593	(48,988)	(20,754)	2,842	(52,307)
Less: depreciation and amortisation					(39,654)
Less: impairment charges					(29,255)
Less: fair value adjustment to assets held for sale during the prior year					(17,718)
Less: net interest expense					(34,205)
Loss before income tax					(173,139)
Segment assets	335,652	282,703	132,671	---	751,026
Unallocated assets:					
Deferred tax					840
Total assets					751,866
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	13,364	14,983	4,749	---	33,096

Note 4. Segment information (continued)

(c) Breakdown of segment results between continuing and discontinuing operations

The table below is a breakdown of the total segment results shown in (b) above between continuing and discontinued operations.

2015	Asia Pacific $'000	Americas $'000	Europe $'000	Rest of the World $'000	Total $'000
From continuing operations including significant items					
Sales to external customers	418,900	451,773	177,684	---	1,048,357
Third party royalties	---	---	---	3,461	3,461
Total segment revenue	418,900	451,773	177,684	3,461	1,051,818
EBITDAI	19,597	14,087	6,872	3,461	44,017
Less: depreciation and amortisation					(32,831)
Less: impairment charges					(3,040)
Less: net interest expense					(28,341)
Loss before income tax					(20,195)

2015	Asia Pacific $'000	Americas $'000	Europe $'000	Rest of the World $'000	Total $'000
From discontinued operations including significant items					
Sales to external customers	9,576	3,792	2,015	---	15,383
Third party royalties	---	---	---	---	---
Total segment revenue	9,576	3,792	2,015	---	15,383
EBITDAI	(9,136)	1,258	19,065	---	11,187
Less: depreciation and amortisation					(658)
Less: net interest expense					(13)
Profit before income tax (note 10)					10,516

Note 4. Segment information (continued)

(c) Breakdown of segment results between continuing and discontinuing operations (continued)

2014	Asia Pacific $'000	Americas $'000	Europe $'000	Rest of the World $'000	Total $'000
From continuing operations including significant items					
Sales to external customers	420,024	417,857	183,609	---	1,021,490
Third party royalties	---	---	---	2,842	2,842
Total segment revenue	420,024	417,857	183,609	2,842	1,024,332
EBITDAI	9,932	(30,115)	(13,096)	2,842	(30,437)
Less: depreciation and amortisation					(34,458)
Less: impairment charges					(29,255)
Less: net interest expense					(34,300)
Loss before income tax					(128,450)

2014	Asia Pacific $'000	Americas $'000	Europe $'000	Rest of the World $'000	Total $'000
From discontinued operations including significant items					
Sales to external customers	60,476	120,112	15,432	---	196,020
Third party royalties	---	---	---	---	---
Total segment revenue	60,476	120,112	15,432	---	196,020
EBITDAI	4,661	(18,873)	(7,658)	---	(21,870)
Less: depreciation and amortisation					(5,196)
Less: impairment charges					---
Less: fair value adjustment to assets held for sale during the prior year					(17,718)
Add: net interest income					95
Loss before income tax (note 10)					(44,689)

Note 4. Segment information (continued)

(d) Other segment information

(i) Segment revenue
Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the CEO is measured in a manner consistent with that in the income statement.

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

	2015 $'000	2014 $'000
Total segment revenue	1,067,201	1,220,352
Other revenue, including interest revenue	4,312	3,139
Less: sales revenue from discontinued operations	(15,383)	(196,020)
Total revenue from continuing operations	1,056,130	1,027,471

(ii) EBITDAI
The CEO assesses the performance of the operating segments based on total revenue and EBITDAI. A reconciliation of EBITDAI to operating profit before income tax is provided in (b) above.

(iii) Other segment revenue information
Based on statutory legal entity reporting, segment revenue in relation to Australia represents 65% of Asia Pacific (2014: 68%), segment revenue in relation to the United States of America represents 84% of Americas (2014: 64%) and segment revenue in relation to France represents 84% of Europe (2014: 86%).

Segment revenue in relation to retail represents 45% of the Group's total revenue for the year ended 30 June 2015 (2014: 54%), 66% of Asia Pacific's total revenue for the year ended 30 June 2015 (2014: 71%), 26% of Americas' total revenue for the year ended 30 June 2015 (2014: 43%) and 41% of Europe's total revenue for the year ended 30 June 2015 (2014: 41%).

No single customer represents more than 10% of the Group's total revenue for the years ended 30 June 2015 and 30 June 2014.

(iv) Segment assets
The amounts provided to the CEO with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset. A reconciliation of the segment assets to the total assets is provided in (b) above.

Segment assets, excluding deferred tax assets, in relation to Australia represents 76% of Asia Pacific (2014: 76%), in relation to the United States of America represents 85% of Americas (2014: 80%) and in relation to France represents 82% of Europe (2014: 83%).

Note 5. Revenue

	2015 $'000	2014 $'000
From continuing operations		
Sales revenue		
Sale of goods	1,048,357	1,021,490
Royalties	3,461	2,842
	1,051,818	1,024,332
Other revenue		
Interest	1,901	1,110
Other	2,411	2,029
	4,312	3,139
Total revenue from continuing operations	1,056,130	1,027,471
From discontinued operations (note 10)		
Sale of goods	15,383	196,020
Interest	7	344
	15,390	196,364

Note 6. Other income

	2015 $'000	2014 $'000
From continuing operations		
Foreign exchange gains	1,638	4,120
Gain from adjustment to contingent consideration (note 27)	7,748	---
Other	1,167	2,208
	10,553	6,328

Note 7. Expenses

	2015 $'000	2014 $'000
From continuing operations		
Profit/(loss) before income tax includes the following specific expenses:		
Expenses		
Cost of goods sold *	495,308	491,040
Selling, general and administrative expenses *	429,614	423,027
*Employee benefits expense (included in the amounts above)**	218,853	220,683
Depreciation		
Buildings	786	792
Plant and equipment	20,664	22,662
Plant and equipment under finance lease	1,471	1,612
Total depreciation ^	22,921	25,066
Amortisation of finite life intangible assets ^	6,186	7,055
Interest and finance charges		
Interest expense	30,242	35,410
Other finance costs	309	2,428
Amortisation of capitalised borrowing costs	3,724	2,337
Write-off of capitalised borrowing costs (note 8)	---	42,062
Total interest and finance charges	34,275	82,237
Net loss on disposal of property, plant and equipment and intangibles ^	1,691	467
Loss from adjustment to contingent consideration (note 8) ^	---	5,915
Rental expense relating to operating leases		
Minimum lease payments	83,356	83,757
Contingent rentals	482	1,123
Sub-leases	101	---
Total rental expense relating to operating leases ^	83,939	84,880
Impairment of other assets		
Inventories (included in the cost of goods sold amount above)	2,939	23,366
Trade receivables ^	9,904	13,307
Intangibles ^	---	29,255
Property, plant and equipment ^	3,040	---

* Included in these expenses are a number of significant items. Refer to note 8 for further information.
^ Included within the other expenses line item in the income statement.

Note 8. Significant items

The following significant items of expense/(income) are included in the financial results:

	2015 $'000	2014 $'000
From continuing operations:		
Significant items included in cost of goods sold (note (a))		
Net realisable value shortfall expense on inventory realised	2,668	13,452
	2,668	13,452
Significant items included in other income (note (b))		
Term debt repayment foreign exchange derivative impact	---	(4,220)
Gain from adjustment to contingent consideration (note 6)	(7,748)	---
Foreign currency translation reserve reclassified to income statement	---	(680)
	(7,748)	(4,900)
Significant items included in selling, general and administrative expenses (note (c))		
Specific doubtful debts expense	(918)	(1,263)
Early termination of leases and onerous lease/restructuring expense	416	(1,019)
Potential control or refinancing proposal costs	---	1,595
Turnaround Strategy and other restructuring costs	21,560	19,210
Redundancy costs	2,044	5,985
South American sales tax provision/restructuring	---	5,252
RVCA compensation expense (note 27)	2,320	4,493
	25,422	34,253
Significant items included in other expenses (note (d))		
Loss from adjustment to contingent consideration (note 27)	---	5,915
Impairment of goodwill, brands and other intangibles (note 17)	---	29,255
Impairment of property, plant and equipment (note 16)	3,040	---
Asset disposals	1,320	---
	4,360	35,170
Significant items included in finance costs (note (e))		
Borrowing costs	---	42,062
	---	42,062
Total from continuing operations	24,702	120,037
From discontinued operations (note 10):		
Significant items included in discontinued operations (note (f))		
SurfStitch and Swell gain on sale, net of transaction costs	(13,711)	---
West 49 loss on sale, including transaction costs	---	10,141
Fair value adjustment on reclassification of West 49 as held for sale during the year	---	17,718
DaKine loss on sale, including transaction costs	---	1,189
Redundancy costs	---	1,235
Fair value adjustment to derivative liabilities	---	(4,514)
SurfStitch compensation and other expense	---	243
Net realisable value shortfall expense on inventory realised	---	160
Total significant items from discontinued operations	(13,711)	26,172
Total significant items	10,991	146,209

Note 8. Significant items (continued)

(a) Significant items included in cost of goods sold

(i) Net realisable value shortfall expense on inventory realised
In the year ended 30 June 2014 as a result of further analysis of previously written down inventory (included in prior year significant items), an adjustment was made in relation to this inventory given the limited distribution channels due to the age of the product and consideration of the inventory valuations on a consistent basis across the Group. As a result of the restructuring of the South American business a significant write down of inventory was required.

In the year ended 30 June 2015 an adjustment to Australian inventory balance was required regarding unrealised profit elimination as well as additional freight expenses surrounding the industrial dispute at major Californian ports.

(b) Significant items included in other income

(i) Term debt repayment foreign exchange derivative impact
In the year ended 30 June 2014 as a result of the $135.0 million share placement to Centerbridge / Oaktree Consortium (“C/O Consortium”) which occurred on 6 February 2014, it had been agreed the New Term Debt would be deemed to be prepaid by the amount of the net issuance proceeds converted into USD at the rate of 0.924 AUD/USD. This agreed exchange rate resulted in a realised foreign exchange gain in the income statement which was non-recurring in nature.

(ii) Gain from adjustment to contingent consideration
In accordance with Australian Accounting Standards, adjustments to deferred consideration payable must be recorded through the income statement. During the year ended 30 June 2015 this item relates to RVCA deferred consideration payable which was restated taking into account the latest Board approved forecasts and is considered to be a significant item given its nature is outside of normal trading.

(iii) Foreign currency translation reserve reclassified to income statement
During the year ended 30 June 2014 the Group wound up a number of foreign denominated functional currency entities in Asia and South America. In prior years the cumulative amount of exchange differences arising from the translation of these entities to AUD has been carried forward in the foreign currency translation reserve in equity. As a result of the winding up of these entities the cumulative exchange differences are removed from this reserve and recognised in the income statement.

(c) Significant items included in selling, general and administrative expenses

(i) Specific doubtful debts expense
During the years ended 30 June 2014 and 30 June 2015 the Group reversed a portion of the prior year’s specific doubtful debts expense as either cash was collected or it was determined that a portion would be recoverable at a future date.

(ii) Early termination of leases and onerous lease / restructuring expense
During the years ended 30 June 2014 and 30 June 2015 the Group continues to adjust the onerous lease provision on a number of loss making or underperforming stores in its portfolio that are intended to close by either early termination or trading the stores to expiry. Any provision recognised in a prior year which was surplus to the Group’s requirement is recognised as a significant income write-back.

(iii) Potential control or refinancing proposal costs
As a result of the various recapitalisation and takeover proposals the Group received during the years ended 30 June 2014 and 30 June 2013, significant bid related costs were incurred in responding to these proposals and facilitating due diligence.

(iv) Turnaround Strategy and other restructuring costs
As a result of the Turnaround Strategy announced to the market in December 2013 following the appointment of CEO Neil Fiske, significant consulting costs were incurred, as work was and continues to be undertaken to develop and implement the restructure of the Group.

In the year ended 30 June 2014 restructuring initiatives include the exit of certain geographies, conversion to distributor models in certain geographies and/or the exit of certain brands in particular geographies where those brands are sub-scale. These initiatives were intended to simplify the operations of the Group and enable management to focus on those areas of the business which will deliver the greatest return.

In the year ended 30 June 2015 restructuring initiatives include consulting costs in relation to the supply chain reconfiguration and other key strategic priorities as part of the Turnaround Strategy.

Note 8. Significant items (continued)

(c) Significant items included in selling, general and administrative expenses (continued)

(v) Redundancy costs
During the year ended 30 June 2015 as result of continued restructuring of the Group in line with the Turnaround Strategy restructuring plans, redundancy costs were incurred.

During the year ended 30 June 2014 as a result of the restructuring of the South American business (including the appointment of a distributor in Peru and Chile), continued restructuring of Europe and senior management of the Group in line with the various restructuring plans, redundancy costs were incurred. Actual costs included costs expected for those redundancies to occur post 30 June 2014 where there was a constructive obligation and it was probable that an outflow of economic resources will be required to settle the obligation and the amount could be reliably estimated.

(vi) South American sales tax provision / restructuring
A provision for VAT (Value Added Tax) credits and associated penalties and interest (that are being disputed by the tax authorities) was recognised in the year ended 30 June 2014 results however the provision relates to transactions which occurred in the years ended 30 June 2009 through 30 June 2011. The matter is being defended.

(vii) RVCA compensation expense
Under the terms of the new contract with Pat Tenore, the founder of RVCA, announced to the market on 6 February 2014 and in accordance with Australian Accounting Standards, the Company is required to recognise through the income statement any deemed compensation expense attached to the employment arrangement which has been entered into. The financial aspects of the agreed contractual extension include an amendment to the 2015 earn out arrangements which were negotiated as part of the original acquisition in 2010, a new performance related component for the period to 2018, and the issue of 1.2 million ten year options exercisable at $0.60 per option. These resulted in non-cash accounting items for the years ended 30 June 2015 and 30 June 2014. These will only become a cash item if the required targets under the agreement are met in future reporting periods. RVCA compensation expense is considered to be a significant item given its nature is outside of normal trading.

(d) Significant items included in other expenses

(i) Loss from adjustment to contingent consideration
In accordance with Australian Accounting Standards, adjustments to deferred consideration payable must be recorded through the income statement. During the year ended 30 June 2014 this item relates to RVCA deferred consideration payable which was restated taking into account the latest Board approved forecasts and this is considered to be a significant item given its nature is outside of normal trading.

(ii) Impairment of goodwill and brands and other intangibles
Refer to note 17 for detailed disclosure surrounding the impairment of goodwill and brands and other intangibles during the year ended 30 June 2014.

(iii) Impairment of property, plant and equipment
Refer to note 16 for detailed disclosure surrounding the impairment of property, plant and equipment during the year ended 30 June 2015.

(e) Significant items included in finance costs

(i) Borrowing costs
During the year ended 30 June 2014 as a result of the Group's announcement on 19 September 2013 of its intention to recapitalise the Group through the C/O Consortium, all capitalised borrowing costs associated with the establishment of the Altamont Consortium facility in July 2013 together with the break fee of $6.0 million (paid in November 2013) were written off. A portion of C/O Consortium capitalised borrowing costs associated with the establishment of the C/O Consortium facility were also written off due to the prepayment of part of this facility during the year ended 30 June 2014 by way of the equity raising (refer notes 24 and 28).

Note 8. Significant items (continued)

(f) Significant items included in discontinued operations

(i) Fair value adjustment on reclassification of West 49 as held for sale during the year
During the year ended 30 June 2014 as result of the sale of West 49, as at 31 December 2013 the assets classified as held for sale were adjusted to their fair value based on information available at balance sheet date using the terms of the sales agreement.

(ii) Fair value adjustment to derivative liabilities
In accordance with Australian Accounting Standards, adjustments to derivative liabilities held at fair value must be recorded through the income statement. During the year ended 2014 this item related to SurfStitch put and call options which were restated taking into account the latest Board approved forecasts at that time and was considered to be a significant item given its nature was outside of normal trading.

Note 9. Income tax expense

	2015 $'000	2014 $'000
(a) Income tax expense		
Current tax	2,739	4,246
Deferred tax	(14,515)	57,544
Adjustments for current tax of prior periods	(455)	5,004
	(12,231)	66,794
Income tax (benefit)/expense is attributable to:		
Loss from continuing operations	(12,231)	74,499
Loss from discontinued operations (note 10)	---	(7,705)
Aggregate income tax (benefit)/expense	(12,231)	66,794
Deferred income tax revenue/(expense) included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets (note 18)	(3)	50,468
(Decrease)/increase in deferred tax liabilities (note 25)	(14,512)	7,076
	(14,515)	57,544
(b) Reconciliation of income tax (benefit)/expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(20,195)	(128,450)
Profit/(loss) from discontinuing operation before income tax expense	10,516	(44,689)
	(9,679)	(173,139)
Tax at the Australian tax rate of 30% (2014: 30%)	(2,904)	(51,941)
Tax effect of amounts which are not (taxable)/deductible in calculating taxable income:		
Net exempt expense	1,669	809
Impairment	---	14,573
Non-claimable credits	1,326	4,226
Unwind of contingent tax provision	---	(7,782)
Sundry items	(5,771)	3,708
Non-deductible options	---	1,232
Other non-deductible permanent differences	142	3,237
	(5,538)	(31,938)
Difference in overseas tax rates	(147)	(4,404)
(Over)/under provision in prior years	(455)	5,002
Prior year tax losses previously not recognised	(1,343)	(309)
Prior year temporary differences previously not recognised	(16,763)	---
Tax losses not recognised in current period	13,766	55,803
Other temporary differences not recognised in current period	(1,751)	---
Other deferred tax assets derecognised in current period	---	45,189
Foreign currency related items	---	(2,549)
Income tax (benefit)/expense	(12,231)	66,794
(c) Amounts recognised directly in equity		
Deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited to equity:		
Net deferred tax	(745)	(1,112)
	(745)	(1,112)
(d) Tax expense/(benefit) relating to items of other comprehensive income		
Cash flow hedges (note 18, note 25)	1,559	(1,023)
Investment hedge (note 18, note 25)	---	---
	1,559	(1,023)

Note 9. Income tax expense (continued)

(e) Unrecognised tax losses and temporary differences

2015	Gross losses and temporary differences $'000	Potential tax benefit $'000
Unused federal tax losses for which no deferred tax asset has been recognised	547,086	167,179
Unused USA state tax losses for which no deferred tax asset has been recognised	531,319	24,175
Unused capital losses for which no deferred tax asset has been recognised	57,939	17,382
Unused temporary differences for which no deferred tax asset has been recognised	104,447	35,217
Unused tax credits for which no deferred tax asset has been recognised	---	18,102

2014	Gross losses and temporary differences $'000	Potential tax benefit $'000
Unused federal tax losses for which no deferred tax asset has been recognised	433,476	139,667
Unused USA state tax losses for which no deferred tax asset has been recognised	408,556	14,708
Unused capital losses for which no deferred tax asset has been recognised	44,573	13,372
Unused temporary differences for which no deferred tax asset has been recognised	150,630	47,765
Unused tax credits for which no deferred tax asset has been recognised	---	18,102

Tax loss expiry date	**2015**		2014	
	Federal tax losses $'000	USA state tax losses $'000	Federal tax losses $'000	USA state tax losses $'000
Subject to expiry within 12 months	181	---	---	---
Subject to expiry in more than 12 months but less than 5 years	1,589	---	2,229	---
Subject to expiry in more than 5 years	284,987	531,319	193,582	408,556

Utilisation of all tax losses is subject to various loss testing rules in the relevant tax jurisdictions.

(f) Tax consolidation legislation

Billabong International Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002. The accounting policy in relation to this legislation is set out in note 1(bb).

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, Billabong International Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned Australian controlled entities fully compensate Billabong International Limited for any current tax payable assumed and are compensated by Billabong International Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Billabong 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. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current inter-company receivables or payables.

(g) Other matters

The statutory loss before tax for the year ended 30 June 2015 was $9.7 million with an income tax benefit of $12.2 million (2014 income tax expense of $66.8 million). During the year ended 30 June 2014 the Company made the decision to write off the majority of its deferred tax assets (net of deferred tax liabilities) as it was estimated that it was not probable for taxable profits to be generated in a period where the conditions for utilisation of the assets would be met including continuity of ownership tests. During the year ended 30 June 2015, the Company maintains this same position in most tax jurisdictions with the exception of Australia and Japan where it has been estimated that previously unrecognised temporary differences will now meet the conditions for utilisation of these assets. The reinstatement of deferred tax assets resulted in a tax benefit of $16.8 million.

Note 10. Discontinued operations

(i) Description

2015
On 5 September 2014 the Company completed the sale of its 51% stake in SurfStitch and its 100% ownership of Swell to a consortium of investors including SurfStitch founders Justin Cameron and Lex Pedersen for a purchase price of more than $35 million comprising sale proceeds, loan repayments and other consideration. The results of SurfStitch and Swell to 5 September 2015 have been reported in these financial statements as discontinued operations.

2014
On 23 July 2013 the Company announced it had sold the DaKine brand and its operations to Altamont for a purchase price of $70 million. The results of DaKine to 23 July 2013 were reported in these financial statements as a discontinued operation.

On 4 November 2013 the Group announced that it had entered an agreement to sell its Canadian retail chain, West 49, to YM Inc. The Group also announced that it had entered into an approximate CAD$34 million non-exclusive wholesale agreement with YM Inc. over the next two years. On 6 February 2014 the Company announced it had sold West 49 to YM Inc. for a purchase price of CAD$3 million. The results of West 49 to 6 February 2014 were reported in these financial statements as a discontinued operation.

Financial information relating to the discontinued operations for the years ended 30 June 2015 and 30 June 2014 is set out below. Refer to note 4 for the impact of divestments on operating segments.

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented are for the year ended 30 June 2015 and the year ended 30 June 2014.

	2015 $'000	2014 $'000
Revenue (note 5)	15,390	196,364
Expenses	(18,585)	(229,723)
Loss before income tax (includes significant items- see below)	(3,195)	(33,359)
Income tax benefit	---	7,705
Loss after income tax of discontinued operations	(3,195)	(25,654)
Profit/(loss) on sale, including transaction costs before income tax (note 8)	13,711	(11,330)
Income tax expense	---	---
Profit/(loss) on sale, including transaction costs after income tax	13,711	(11,330)
Profit/(loss) from discontinued operations	10,516	(36,984)

	2015 $'000	2014 $'000
Net cash inflow from operating activities	167	9,572
Net cash inflow from investing activities*	37,801	82,906
Net cash outflow from financing activities	---	(1,250)
Net increase in cash generated by discontinued operations	37,968	91,228

Note 10. Discontinued operations (continued)

(ii) Financial performance and cash flow information (continued)

* 2015 includes proceeds from sale of SurfStitch and Swell, net of cash divested and transaction costs totalling $38.5 million. Partially offsetting the $38.5 million are payments for property, plant and equipment.

* 2014 includes proceeds from sale of business, net of cash divested and transaction costs totalling $83.9 million. This relates to inflow of $69.2 million from the sale of DaKine, inflow of $1.0 million from the sale of West 49 and inflow of $13.7 million relating to other immaterial divestments including Peru and Chile. Partially offsetting the $83.9 million is payments for property, plant and equipment and DaKine deferred consideration totalling US$1.5 million (refer note 36). Peru and Chile results have not been included in discontinued operations due to the impact on the Group's income statement not being material as the Group continues to generate revenue and earnings by selling directly to a distributor.

(iii) Details of the sale of SurfStitch and Swell

	2015 $'000
Consideration received or receivable:	
Cash net of transaction costs	38,439
Total disposal consideration	38,439
Carrying value of net assets sold	(14,812)
Foreign currency translation reserve reclassified to income statement	313
Other derivative liabilities reclassified to income statement	9,054
Provisions for employee entitlements reclassified to income statement	1,074
Non-controlling interest reclassified to income statement	(12,586)
Related party receivables retained	1,473
Other equity reserve reclassified to income statement	(9,244)
Gain on sale, net of transaction costs before income tax	13,711
Income tax	---
Gain on sale, net of transaction costs after income tax	13,711

The carrying value of assets and liabilities as at the date of sale (5 September 2014) were:

	5 September 2014 Carrying value $'000
Cash and cash equivalents	1,472
Trade and other receivables	1,291
Inventory	22,887
Prepayments	678
Plant and equipment (note 16)	2,428
Identifiable intangible assets (note 17)	5,950
Deferred tax assets	226
Total assets	34,932
Trade and other payables	(18,779)
Borrowings	(313)
Employee Entitlements	(802)
Deferred tax liabilities	(226)
Total liabilities	(20,120)
Net assets	14,812

Note 10. Discontinued operations (continued)

(iv) Details of the sale of DaKine

	2014 $'000
Consideration received or receivable:	
Cash net of transaction costs	69,207
Total disposal consideration	69,207
Carrying value of net assets sold	(70,396)
Loss on sale, including transaction costs before income tax	(1,189)
Income tax	---
Loss on sale, including transaction costs after income tax	(1,189)

The carrying value of assets and liabilities as at the date of sale (23 July 2013) were:

	23 July 2013 Carrying value $'000
Trade and other receivables	23,685
Inventory	22,675
Plant and equipment (note 16)	1,428
Identifiable intangible assets (note 17)	36,947
Total assets	84,735
Trade and other payables	(14,339)
Total liabilities	(14,339)
Net assets	70,396

Note 10. Discontinued operations (continued)

(v) Details of the sale of West 49

	2014 $'000
Consideration received or receivable:	
Cash net of transaction costs	954
Total disposal consideration	954
Carrying value of assets sold	(4,810)
Foreign currency translation reserve reclassified to income statement	(4,039)
Present value of onerous contracts	(2,246)
Loss on sale, including transaction costs before income tax	(10,141)
Income tax expense	---
Loss on sale, including transaction costs after income tax	(10,141)

The carrying value of assets and liabilities as at the date of sale (6 February 2014) were:

	6 February 2014 Carrying value $'000
Cash and cash equivalents	64
Trade and other receivables	2,029
Inventory	17,350
Plant and equipment (note 16)	164
Total assets	19,607
Trade and other payables	(14,280)
Employee entitlements	(517)
Total liabilities	(14,797)
Net assets	4,810

Note 11. Current assets – Cash and cash equivalents

	2015 $'000	2014 $'000
Cash at bank and in hand	131,355	112,236
Deposits at call	21,979	32,834
	153,334	145,070

Interest rate risk exposure
The Group's exposure to interest rate risk is discussed in note 2.

Note 12. Current assets – Trade and other receivables

	2015 $'000	2014 $'000
Trade receivables	184,245	178,187
Provision for impairment of receivables (note (a))	(24,676)	(29,104)
Provision for sales returns	(7,403)	(5,111)
	152,166	143,972
Other receivables (note (c))	12,338	9,878
	164,504	153,850

(a) Impaired trade receivables

As at 30 June 2015 current trade receivables of the Group with a nominal value of $28.4 million (2014: $35.8 million) were impaired. The amount of the provision was $24.7 million (2014: $29.1 million). The individually impaired receivables mainly relate to retailers encountering difficult economic conditions. It was assessed that a portion of the impaired receivables is expected to be recovered.

The ageing of these receivables is as follows:

	2015 $'000	2014 $'000
Up to 3 months	5,206	7,585
3 to 6 months	2,656	1,827
Over 6 months	20,495	26,398
	28,357	35,810

Movements in the provision for impairment of receivables and sales returns are as follows:

	2015 $'000	2014 $'000
At 1 July	34,215	45,073
Provision for impairment recognised during the year	9,919	13,307
Receivables written off, collected or returns during the year	(12,170)	(23,901)
Disposal of discontinued operations	(260)	(631)
Exchange differences	375	367
At 30 June	32,079	34,215

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(b) Past due but not impaired

As at 30 June 2015, trade receivables of $37.0 million (2014: $35.0 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2015 $'000	2014 $'000
Up to 3 months	29,997	25,162
3 to 6 months	4,505	5,612
Over 6 months	2,515	4,223
	37,017	34,997

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

Note 12. Current assets – Trade and other receivables (continued)

(c) Other receivables

Other amounts included in other receivables generally arise from transactions outside the usual operating activities of the consolidated entity. Collateral is not normally obtained.

(d) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign exchange risk and interest rate risk in relation to trade and other receivables is provided in note 2.

(e) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security. Refer to note 2 for more information on the Risk Management Policy of the Group and the credit quality of the Group's trade receivables.

Note 13. Current assets – Inventories

	2015 $'000	2014 $'000
Raw materials and stores – at cost	1,767	2,179
Work in progress – at cost	6,554	6,589
Finished goods:		
– at cost	171,242	158,078
– at net realisable value	7,562	13,376
	187,125	180,222

Inventory expense
Inventories recognised as an expense from continuing operations during the year ended 30 June 2015 amounted to $492.4 million (2014: $467.6 million). Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2015 amounted to $2.9 million (2014: $23.4 million). The expense has been included in 'cost of goods sold' in the income statement. The $2.9 million (2014: $23.4 million) write down included $2.7 million (2014: $13.6 million) of significant item write downs (refer to note 8).

Note 14. Current assets – Other

	2015 $'000	2014 $'000
Prepayments	12,977	13,366
Derivative financial assets (note 31)	3,879	91
	16,856	13,457

Risk exposure
Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 2.

Note 15. Non-current assets – Receivables

	2015 $'000	2014 $'000
Other receivables	7,202	10,275
	7,202	10,275

Other receivables predominantly relate to store lease deposits.

(a) Impaired receivables and receivables past due

None of the non-current receivables are impaired (2014: Nil) and none of the non-current receivables are considered past due but not impaired (2014: Nil).

(b) Fair values

The fair values and carrying values of non-current receivables are as follows:

	2015		2014	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Other receivables	7,202	7,202	10,275	10,275

For the majority of the non-current receivables, the fair values are not significantly different to their carrying amounts as the balance outstanding approximate the amounts expected to be collected.

(c) Risk exposure

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 2.

Note 16. Non-current assets – Property, plant and equipment

	Land and buildings	Furniture, fittings and equipment	Leased plant and equipment	Total
	$'000	$'000	$'000	$'000
At 30 June 2013				
Cost	52,842	295,460	18,767	367,069
Accumulated depreciation and impairment	(22,976)	(218,013)	(7,529)	(248,518)
Net book amount	29,866	77,447	11,238	118,551
Year ended 30 June 2014				
Opening net book amount	29,866	77,447	11,238	118,551
Additions	---	15,975	---	15,975
Disposals	---	(467)	---	(467)
Disposal of discontinued operations (note 10)	---	(1,592)	---	(1,592)
Disposals- immaterial divestments	---	(1,102)	---	(1,102)
Depreciation charge	(792)	(25,076)	(1,612)	(27,480)
Fair value adjustment on reclassification of West 49 as held for sale during the year (note 8)	---	(9,587)	---	(9,587)
Exchange differences	(53)	(278)	338	7
Closing net book amount	29,021	55,320	9,964	94,305
At 30 June 2014				
Cost	52,816	258,949	19,280	331,045
Accumulated depreciation and impairment	(23,795)	(203,629)	(9,316)	(236,740)
Net book amount	29,021	55,320	9,964	94,305

	Land and buildings	**Furniture, fittings and equipment**	**Leased plant and equipment**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Year ended 30 June 2015				
Opening net book amount	29,021	55,320	9,964	94,305
Additions	---	21,243	---	21,243
Disposals	---	(1,216)	(418)	(1,634)
Disposal of discontinued operations (note 10)	---	(2,428)	---	(2,428)
Depreciation charge	(786)	(20,820)	(1,471)	(23,077)
Impairment charge (note (a))	---	(3,040)	---	(3,040)
Exchange differences	1,031	3,072	32	4,135
Closing net book amount	29,266	52,131	8,107	89,504
At 30 June 2015				
Cost	53,998	272,245	15,481	341,724
Accumulated depreciation and impairment	(24,732)	(220,114)	(7,374)	(252,220)
Net book amount	29,266	52,131	8,107	89,504

Non-current assets pledged as security
Refer to note 24(a) for information on non-current assets pledged as security by the consolidated entity.

Note 16. Non-current assets – Property, plant and equipment (continued)

(a) Impairment tests for furniture, fittings and equipment

As a result of the impairment review of furniture, fittings and equipment, certain assets relating to company owned retail stores were written down to their recoverable amount being their value-in-use. Value-in-use was assessed by reference to management's best estimate of the risk adjusted future earnings performance of each store over the remaining life of the lease. An impairment charge was also recognised in relation to some warehouse fittings and equipment as the Group intends to exit certain warehouses as part of the supply chain reconfiguration. This resulted in a pre-tax impairment charge in respect of furniture, fittings and equipment in various countries which amounted to $3.0 million. This impairment charge was included within the other expenses line item in the income statement. As at 30 June 2014, no impairment charge was required to be recognised.

Note 17. Non-current assets – Intangible assets

	Goodwill	Indefinite life		Finite life	Total
		Brands	Other *		
	$'000	$'000	$'000	$'000	$'000
At 30 June 2013					
Cost	553,520	573,524	9,332	51,706	1,188,082
Accumulated amortisation and impairment	(458,257)	(483,270)	(2,590)	(31,279)	(975,396)
Net book amount	95,263	90,254	6,742	20,427	212,686
Year ended 30 June 2014					
Opening net book amount	95,263	90,254	6,742	20,427	212,686
Additions	---	---	---	9,716	9,716
Disposal of discontinued operations (note 10)	---	(36,807)	---	(140)	(36,947)
Disposals	---	---	---	(168)	(168)
Amortisation charge	---	---	---	(9,837)	(9,837)
Impairment charge (note (a))	(24,858)	(4,040)	(357)	---	(29,255)
Fair value adjustment on reclassification of West 49 as held for sale during the year (note 8)	---	---	---	(1,797)	(1,797)
Exchange differences	(573)	(459)	105	193	(734)
Closing net book amount	69,832	48,948	6,490	18,394	143,664
At 30 June 2014					
Cost	441,955	525,240	9,501	55,833	1,032,529
Accumulated amortisation and impairment	(372,123)	(476,292)	(3,011)	(37,439)	(888,865)
Net book amount	69,832	48,948	6,490	18,394	143,664

* Other indefinite life intangible assets relate to key money.
** Goodwill additions include other immaterial acquisitions.

Note 17. Non-current assets – Intangible assets (continued)

	Goodwill	Indefinite life		Finite life	Total
		Brands	Other *		
	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2015					
Opening net book amount	69,832	48,948	6,490	18,394	143,664
Additions	---	---	---	3,207	3,207
Work in progress	---	---	---	6,255	6,255
Disposal of discontinued operations (note 10)	---	---	---	(5,950)	(5,950)
Disposals	---	---	(180)	(160)	(340)
Amortisation charge	---	---	---	(6,688)	(6,688)
Exchange differences	14,622	7,278	(202)	(312)	21,386
Closing net book amount	84,454	56,226	6,108	14,746	161,534
At 30 June 2015					
Cost	488,837	532,596	8,991	57,117	1,087,541
Accumulated amortisation and impairment	(404,383)	(476,370)	(2,883)	(42,371)	(926,007)
Net book amount	84,454	56,226	6,108	14,746	161,534

* Other indefinite life intangible assets relate to key money.

Amortisation charge
Amortisation charge of $6.7 million (2014: $9.8 million) has been included in 'other expenses' in the income statement.

(a) Impairment tests for goodwill and brands

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to brands acquired or geographical regions where operations existed at the time goodwill arose. Brands are allocated to the Group's cash-generating units (CGUs) identified according to individual brands.

The recoverable amount of a CGU is firstly determined based on value-in-use (VIU) calculations. These calculations use cash flow projections based on financial budgets with anticipated growth rates approved by the Board of Directors covering a four year period and include a terminal value based upon maintainable cash flows.

If the VIU of a CGU is lower than its carrying amount, then the CGU's fair value less costs of disposal (FVLCD) is determined as AASB 136 requires the recoverable amount of a CGU to be the higher of VIU and FVLCD. In applying the FVLCD approach, the recoverable amount of a CGU is assessed using market based valuation techniques such as discounted cash flow analysis, comparable transactions and observable trading multiples.

Carrying value	Goodwill		Brands	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Von Zipper	---	---	1,187	1,187
Kustom	---	---	8,785	8,785
Honolua	501	409	4,385	4,385
Xcel	4,231	3,450	4,427	3,609
Tigerlily	---	---	2,470	2,470
Sector 9	---	---	8,930	7,280
RVCA	75,548	61,592	26,042	21,232
New Zealand	4,174	4,381	---	---
	84,454	69,832	56,226	48,948

The movement in the carrying value of brands and goodwill relates to foreign exchange spot rate differences between 30 June 2015 and 30 June 2014.

Note 17. Non-current assets – Intangible assets (continued)

(a) Impairment tests for goodwill and brands (continued)

As at 30 June 2015 and 2014, all of the above CGUs were tested for impairment in accordance with AASB 136. The Group experienced declines in sales and profitability across a number of regions and brands and as a result impairment charges were recognised in the year ended 30 June 2014 for the CGUs set out in the table below.

Impairment charge	**Goodwill**		**Brands**	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Kustom	---	1,763	---	1,755
Sector 9	---	13,521	---	2,285
Honolua	---	6,605	---	---
New Zealand	---	2,969	---	---
	---	24,858	---	4,040

(b) Key assumptions used for value-in-use calculations

The recoverable amounts of the CGU's in the table below have been determined using value-in-use (VIU) calculations.

The VIU calculations have been based on a four year business plan projecting forecast profitability and cash flows prepared by management and approved by the Board. A terminal value is calculated for subsequent years referencing the terminal growth rates (see table below).

Growth rates used were generally determined by factors such as industry sector, the market to which the CGU is dedicated, the size of the CGU, current reduced levels of profitability in some CGU's, geographic location, past performance and the maturity and establishment of the brand or region.

The rates used in discounting the projected cash flows are pre-tax rates which reflect the specific risks relating to the relevant region of operation or the brand.

The terminal growth rates used reflect the maturity and establishment of the brand or region and do not exceed the long-term average growth rates for the markets to which these assets are dedicated.

EBITDA projections for brand CGUs are discounted using a pre-tax discount rate range between 15.1% and 16.3% (2014: 15.1% and 16.3%) for brand intangibles and their associated goodwill.

EBITDA projections for regional CGUs with allocated goodwill are discounted using a pre-tax discount rate of 14.5%. (2014: 14.5%).

The following key assumptions shown in the table below have been used in the calculations.

Note 17. Non-current assets – Intangible assets (continued)

(b) Key assumptions used for value-in-use calculations (continued)

	Average EBITDA Growth Rate FY15–FY19* %	Headroom** 2015 $'m	Discount rate 2015 %	Impact on headroom of +0.5% change in discount rate $'m	Terminal growth rate %	Impact on headroom of -0.5% change in terminal growth rate $'m	Impact on headroom of -10% change in EBITDA $'m
30 June 2015							
Von Zipper	38.4	9.2	15.8	(0.7)	2.5	(0.5)	(1.2)
Kustom	22.4	---	16.3	(1.8)	2.5	(1.7)	(2.8)
Honolua	24.3	7.9	16.3	(0.5)	2.5	(0.4)	(1.9)
Tigerlily	26.8	8.4	15.8	(0.7)	2.5	(0.5)	(2.5)
RVCA	38.0	126.5	15.8	(8.9)	2.5	(6.9)	(27.8)
New Zealand	14.8	7.7	14.5	(1.0)	2.5	(0.8)	(4.4)

The below 30 June 2014 key assumptions and sensitivities were based on the four year business plan at that point in time:

	Average EBITDA Growth Rate FY14–FY18* %	Headroom** 2014 $'m	Discount rate 2014 %	Impact on headroom of +0.5% change in discount rate $'m	Terminal growth rate %	Impact on headroom of -0.5% change in terminal growth rate $'m	Impact on headroom of -10% change in EBITDA $'m
30 June 2014							
Von Zipper	40.7	12.1	15.8	(0.9)	2.5	(0.7)	(1.2)
Honolua	33.8	---	16.3	(0.3)	2.5	(0.2)	(1.3)
Tigerlily	31.5	2.6	15.8	(0.5)	2.5	(0.4)	(2.3)
Sector 9	86.4	---	16.3	(0.6)	2.5	(0.4)	(2.9)
RVCA	38.0	84.7	15.8	(6.4)	2.5	(5.2)	(22.4)

* Growth rates impacted by relatively small absolute change from a low initial EBITDA amount.
** Headroom is the difference between the carrying value and the VIU calculation for the CGU.

(c) Key assumptions used for fair value less costs of disposal calculations

The recoverable amounts of the CGU's in the table below have been determined using fair value less costs of disposal (FVLCD). In applying the FVLCD approach, the recoverable amount of a CGU is assessed using market based valuation techniques such as comparable transactions and observable trading multiples. The CGU's headroom amounts are sensitive to movements in both EBITDA and multiple (due to EBITDA being an unobservable input the fair value is considered to be a level 3 fair value valuation technique). EBITDA includes certain allocations of Group costs. The following key assumptions shown in the table below have been used in the calculations.

	Multiple	Headroom* $'m	Impact on headroom of -10% change in EBITDA $'m	Impact on headroom of a -1 times change in multiple $'m
30 June 2015				
Xcel	8.0	4.6	(1.4)	(2.2)
Sector 9	8.0	1.8	(1.3)	(2.3)

	Multiple	Headroom* $'m	Impact on headroom of -10% change in EBITDA $'m	Impact on headroom of a -1 times change in multiple $'m
30 June 2014				
Kustom	6.0	---	(1.1)	(2.3)
Xcel	6.0	0.9	(1.0)	(2.1)
New Zealand	5.0	---	(2.1)	(3.7)

* Headroom is the difference between the carrying value and the FLVCD calculation for the CGU.

Note 17. Non-current assets – Intangible assets (continued)

(c) Key assumptions used for fair value less costs of disposal calculations (continued)

Given the balance sheet stabilisation post the Group's refinancing, the EBITDA multiple that could be achieved for a brand divestment was reassessed and an 8 times multiple was deemed appropriate for brands subject to FVLCD calculations given the 6 times multiple used previously recognised the risk that the Company and its assets were in a distressed condition.

(d) Sensitivity

The estimates and judgments included in the calculations (including the four year projected business plan period and terminal value) are based on historical experience and other factors, including management's and the Board's expectations of future events that are believed to be reasonable under the current circumstances.

The inherent nature of projected results means that, by definition, the resulting accounting estimates will seldom equal the related actual results. The recoverable amount is particularly sensitive to key assumptions including, EBITDAI growth, the long term growth rate and multiples. As a result the Group has conducted a range of sensitivities on the recoverable amount (refer to the tables above).

Management and the Board believe that other reasonable changes in key assumptions on which recoverable amounts have been calculated, would not cause the Group's carrying amounts for goodwill and brands to exceed their recoverable amounts. The Group has and continues to undertake a range of strategic initiatives to deliver the EBITDAI growth included in the four year 2016 to 2019 business plan.

Note 18. Non-current assets – Deferred tax assets

	2015 $'000	2014 $'000
The deferred tax assets balance comprises temporary differences attributable to:		
Trade and other receivables	4,265	576
Employee benefits	2,462	987
Inventories	2,448	976
Trade and other payables	3,487	609
Property, plant and equipment	7,160	8,685
Rights issue	1,260	1,926
Other	2,525	2,655
Tax losses	243	79
Finance lease liabilities	638	4,670
Cash flow hedges	46	308
Provisions	817	1,371
Total deferred tax assets	25,351	22,842
Set-off of deferred tax assets against deferred tax liabilities pursuant to set-off provisions (note 25)	(9,967)	(22,002)
Net deferred tax assets	15,384	840
Movements:		
Opening balance at 1 July	22,842	71,778
Credited/(charged) to the income statement (note 9)	3	(50,468)
(Charged)/credited to other comprehensive income (note 9)	(172)	450
Credited to equity (note 9)	745	1,112
Adjustment to prior year tax	106	425
Exchange differences	1,827	(455)
Closing balance at 30 June	25,351	22,842
Deferred tax assets to be recovered after more than 12 months	15,252	22,721
Deferred tax assets to be recovered within 12 months	10,099	121
	25,351	22,842

Note 19. Non-current assets – Other

	2015 $'000	2014 $'000
Prepayments	2,360	2,704
Prepaid borrowing costs for facilities not drawn at 30 June	4,243	4,277
	6,603	6,981

Note 20. Current liabilities – Trade and other payables

	2015 $'000	2014 $'000
Trade payables	133,735	129,930
Other payables	73,741	53,927
Derivative financial liabilities (note 31)	441	1,830
	207,917	185,687

(a) Fair value and risk exposure

Due to the short-term nature of these payables, their carrying amount is assumed to approximate their fair value. Information about the Group's exposure to foreign exchange risk is provided in note 2.

(b) Other payables

As at 30 June 2015, included in other payables is deferred payment payable of $20.4 million relating to RVCA. Refer to note 27 for further information on deferred payment. As at 30 June 2014, there was no current deferred payment payable.

Note 21. Current liabilities – Borrowings

	2015 $'000	2014 $'000
Unsecured		
Bank loans	5,271	5,187
Lease liabilities (note 34)	1,634	2,171
Total unsecured current borrowings	6,905	7,358

(a) Bank loans

Bank loans represent term loans at variable interest rates.

(b) Risk exposure

Details of the Group's exposures to risks arising from current and non-current borrowings are set out in note 2.

Note 22. Current liabilities – Current tax liabilities

	2015 $'000	2014 $'000
Income tax	4,115	4,179

As shown on the consolidated balance sheet the current tax receivable is $1.9 million (2014: $3.2 million).

Note 23. Current liabilities – Provisions

	2015 $'000	2014 $'000
Employee benefits	11,667	11,497
Onerous lease and restructuring provisions (note (a))	8,441	16,950
	20,108	28,447

(a) Onerous lease and restructuring provisions

The Group identified a number of loss making or underperforming stores in its portfolio and closed or intended to close these stores by either early termination or trading the stores to expiry. A provision has been raised for the negotiated and estimated settlement costs of terminating the leases early or the minimum unavoidable costs of trading the stores to lease expiry.

(b) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits provision, are set out below:

2015	**Onerous lease and restructuring provisions $'000**
Carrying amount at start of year	16,950
Additional provisions recognised	2,631
Unused amounts reversed	(4,471)
Amounts used during the year	(11,923)
Reclassification from non-current to current	4,962
Exchange differences	292
Carrying amount at end of year	8,441

Note 24. Non-current liabilities – Borrowings

	2015 $'000	2014 $'000
Secured		
Term loan facility	257,097	207,576
Total secured non-current borrowings	257,097	207,576
Unsecured		
Lease liabilities (note 34)	2,853	4,457
Total unsecured non-current borrowings	2,853	4,457
Total non-current borrowings	259,950	212,033

Centerbridge / Oaktree Consortium ("C/O Consortium") Term Loan facility

The Group has a senior secured term loan facility which is denominated in US Dollars and has a maturity date of 16 September 2019. The facility has a single financial covenant that is tested on a quarterly basis from 31 December 2014. The facility incurs a fixed interest rate of 11.9% per annum (5.9% must be paid in cash and up to 6.0% paid in kind at the Company's option). The facility is subject to prepayment premiums, where in event of early repayment of any amount the C/O Consortium will be entitled to be paid a premium over and above the face value of the debt which is being repaid by the Company.

At 30 June 2015 the Group had $265.3 million (US$203.8 million) of borrowings under the term loan, offset by prepaid borrowing costs of $8.2 million. No amounts were drawn or prepaid during the year ended 30 June 2015.

At 30 June 2014 the Group had $216.3 million (US$203.8 million) of borrowings under the term loan, offset by prepaid borrowing costs of $8.7 million.

General Electric Capital Corporation ("GE Capital") ABL facility

Asset-Based Revolver and Letter of Credit sub-facility
The Group has an asset-based multi-currency revolving credit facility with a maturity date of 13 December 2018. Whilst the facility limit is US$100 million, the amount available for drawing is determined by reference to the value of certain borrowing base assets held by relevant Group entities that are party to the facility. These borrowing base assets are subject to seasonal fluctuations. At 30 June 2015 the amount of the borrowing base was US$58.3 million (85% is readily available to drawdown at any time) of which US$14.1 million was drawn by way of letters of credit giving the net available amount for drawing as at balance date of US$44.2 million (2014: US$59.5 million).

At 30 June 2015 the Group had no borrowings drawn on the asset-based multi-currency revolving credit facility (2014: Nil).

(a) Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	2015 $'000	2014 $'000
Current		
Cash and cash equivalents	141,040	125,318
Trade and other receivables	143,418	123,977
Inventories	160,877	135,000
Current tax receivables	1,174	2,562
Other	14,763	8,953
Total current assets pledged as security	461,272	395,810
Non-current		
Receivables	2,683	4,005
Property, plant and equipment	82,807	83,320
Intangible assets	159,629	135,516
Deferred tax assets	14,092	---
Other	2,167	2,615
Total non-current assets pledged as security	261,378	225,456
Total assets pledged as security	722,650	621,266

Note 24. Non-current liabilities – Borrowings (continued)

(a) Assets pledged as security (continued)

Billabong International Limited and certain of its subsidiaries have granted security interests in Australia and other jurisdictions such as Canada and the United States of America over certain of its assets and properties in favour of their financiers. The security interests will typically be enforceable by a financier if an event of default occurs and is continuing under the facility with that financier.

(b) Financing arrangements

	2015 $'000	2014 $'000
Credit standby arrangements		
Total facilities		
Bank overdrafts and at-call facilities	1,447	2,403
Trade finance, cash advance and other facilities	330,002	287,636
	331,449	290,039
Used at balance date		
Bank overdrafts and at-call facilities	---	---
Trade finance, cash advance and other facilities	287,689	233,294
	287,689	233,294
Unused at balance date		
Bank overdrafts and at-call facilities	1,447	2,403
Trade finance, cash advance and other facilities	42,313	54,342
	43,760	56,745
Bank loan facilities (current and non-current)		
Total facilities	14,427	14,199
Used at balance date	5,271	5,187
Unused at balance date	9,156	9,012

(c) Risk exposure

Information about the Group's exposure to interest rate and foreign currency changes is provided in note 2.

(d) Fair value

For the majority of the borrowings, the fair values are not materially different to their carrying amounts since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Material differences are identified only for the following borrowings:

	2015		2014	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
On-balance sheet				
Lease liabilities (current and non-current)	4,487	4,246	6,628	6,187
Term loan facility	257,097	265,313	207,576	216,306
	261,584	269,559	214,204	222,493

In regards to the term loan facility the difference between the carrying amount and the fair value amount above is the prepaid borrowing costs.

The Company's financing arrangements were entered into less than two years ago and at this time the Company has no reason to believe that the terms and conditions on these borrowings represent anything other than fair value.

All other fair values equal the carrying values of borrowings.

The fair values are classified as level 3 fair values due to the use of unobservable inputs, including own credit risk.

Note 25. Non-current liabilities – Deferred tax liabilities

	2015 $'000	2014 $'000
The deferred tax liabilities balance comprises temporary differences attributable to:		
Trade and other receivables	1	639
Property, plant and equipment	427	7,523
Prepayments	6,298	6,133
Other	2,119	682
Intangible assets – brands	---	6,993
Cash flow hedges	1,122	32
Total deferred tax liabilities	9,967	22,002
Set-off of deferred tax assets pursuant to set-off provisions (note 18)	(9,967)	(22,002)
Net deferred tax liabilities	---	---
Movements:		
Opening balance at 1 July	22,002	15,481
(Credited)/charged to the income statement (note 9)	(14,512)	7,076
Charged/(credited) to other comprehensive income (note 9)	1,387	(573)
Adjustment to prior year tax	88	---
Exchange differences	1,002	18
Closing balance at 30 June	9,967	22,002
Deferred tax liabilities to be settled after more than 12 months	7,461	21,098
Deferred tax liabilities to be settled within 12 months	2,506	904
	9,967	22,002

Note 26. Non-current liabilities – Provisions and payables

	2015 $'000	2014 $'000
Employee benefits	10,667	8,230
Derivative financial liabilities (note 31)	---	9,054
Onerous lease and restructuring provisions (note (a))	3,445	8,071
Other	9,289	6,215
	23,401	31,570

(a) Onerous lease and restructuring provisions

The Group identified a number of loss making or underperforming stores in its portfolio and closed or intended to close these stores by either early termination or trading the stores to expiry. A provision has been raised for the negotiated and estimated settlement costs of terminating the leases early or the minimum unavoidable costs of trading the stores to lease expiry.

Note 26. Non-current liabilities – Provisions and payables (continued)

(b) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2015	Onerous lease and restructuring provisions $'000
Carrying amount at start of year	8,071
Additional provisions recognised	210
Unused amounts reversed	(265)
Amounts used during the year	---
Reclassification from non-current to current	(4,962)
Exchange differences	391
Carrying amount at end of year	3,445

Note 27. Deferred payment

	2015 $'000	2014 $'000
Current liabilities		
RVCA deferred payment (refer note 20)	20,378	---
Total current deferred payment	20,378	---
Non-current liabilities		
RVCA deferred payment	---	23,556
Total non-current deferred payment	---	23,556
Total deferred payment	20,378	23,556

RVCA
A new contract with Pat Tenore, the founder of RVCA, was entered into during the year ended 30 June 2014. The financial aspects of the agreed contractual extension include:

1. An amendment to the 2015 earn out arrangements which were negotiated as part of the original acquisition in 2010 including the prepayment of US$20.0 million of deferred consideration (refer note 36) and the forgiveness of US$7.5 million of loans which would have otherwise been receivable coinciding with the 2015 earn out arrangements;
2. A performance related component for the period to 2018; and
3. The issue of 1,200,000 ten year options in Billabong International Limited exercisable at $0.60.

The current deferred payment was recalculated during the year ended 30 June 2015 taking into account the latest Board approved forecasts. This resulted in a decrease in the underlying USD payable relating to RVCA which has been recognised in the income statement and is included as a significant items given the nature is outside of normal trading. Refer to note 8.

Note 27. Deferred payment (continued)

The split between guaranteed and contingent consideration for RVCA is as follows:

	2015 $'000	2014 $'000
Guaranteed deferred consideration	9,551	7,847
Contingent deferred consideration (refer note 2)	10,827	15,709
	20,378	23,556

As part of the RVCA deferred consideration arrangement the remaining loan receivable of $3.4 million as at 30 June 2015 (2014: $2.7 million (following the loan forgiveness mentioned above)) can be offset in the balance sheet as there is an intention to settle this loan receivable and the deferred consideration payable on a net basis.

	Gross amounts $'000	Gross amounts set off in the balance sheet $'000	Net amounts presented in the balance sheet $'000
2015			
Current deferred consideration payable	23,755	(3,377)	20,378
2014			
Non-current deferred consideration payable	26,303	(2,747)	23,556

As at 30 June 2015 and 30 June 2014 the deferred consideration relating to all acquisitions has been fully recognised at present value taking into account the latest Board approved forecasts. Refer to note 33.

Note 28. Contributed equity

	Notes	2015 Shares '000	2014 Shares '000	2015 $'000	2014 $'000
(a) Share capital					
Ordinary shares					
Fully paid	(b),(c)	990,370	990,370	1,091,323	1,091,323
Other equity securities	(d)	---	---	2,951	2,951
Total contributed equity		990,370	990,370	1,094,274	1,094,274

(b) Movements in ordinary share capital

Date	Details	Notes	Number of shares	$'000
1 July 2013	Opening balance		478,944,292	907,885
10 January 2014	CEO Sign-on	(f)	1,785,714	500
6 February 2014	C/O Placement	(g)	329,268,294	135,000
6 March 2014	Rights issue- Institutional component	(h)	68,022,391	19,078
31 March 2014	Rights issue- Retail component	(h)	112,349,343	31,426
				1,093,889
	Less: Transaction costs arising on rights issue	(h)		(3,666)
	Deferred tax credit recognised directly in equity	(h)		1,100
30 June 2014	Closing balance		990,370,034	1,091,323
30 June 2015	Closing balance		990,370,034	1,091,323

Note 28. Contributed equity (continued)

(c) 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 and amounts paid on the 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.

(d) Other equity securities

The amount shown for other equity securities is the value of the options issued in relation to the Element acquisition.

(e) Executive performance share plan

The Billabong Executive Performance Share Plan – Australia trust and the Billabong Executive Performance Share Plan trust holds 2,485,417 (2014: 3,694,577) shares on issue at the end of the year. Refer to note 29 and 43.

(f) CEO Sign-on

On 10 December 2013 shareholders voted to issue the Company's CEO, Neil Fiske, shares pursuant to the sign-on provisions of Mr. Fiske's employment contract with the Group. The sign-on arrangement was in recognition of some of the income forgone or costs incurred on departing his previous role outside of the Group. Mr Fiske was paid a sign-on incentive comprised of:

- $250,000 cash (less tax); and
- $250,000 to subscribe for shares in the Company at the same price as the 2014 rights issue to shareholders ($0.28 per share). Mr Fiske separately invested $250,000 in the Company's shares from his own funds.

On 10 January 2014 $500,000 of ordinary equity at $0.28 per share was issued resulting in the issuance of 1,785,714 shares to Mr Fiske.

Shares issued to Mr Fiske are subject to escrow for the period commencing on the date of issue of such shares and ending on 10 January 2016.

This incentive includes a share-based payment component, which has been recognised in the option reserve (refer to note 29(b)).

(g) 2014 C/O Placement

On 30 January 2014 shareholders voted to support the strengthening of the Company's balance sheet by approving the issue of $135 million of ordinary equity to the C/O Consortium in order to reduce debt and provide a stronger financial platform for the Turnaround Strategy outlined by the Company's CEO Neil Fiske at the AGM on 10 December 2013. On 6 February 2014 $135 million of ordinary equity at $0.41 per share was issued resulting in the issuance of 329,268,294 shares to the C/O Consortium with the proceeds subsequently used to pay down the term loan.

Shares issued to the C/O Consortium on exercise of the Options and under the Placement are subject to escrow for the period commencing on the date of issue of such shares and ending on 19 September 2015.

(h) 2014 Rights issue

Retail/Institutional Entitlement Offer
On 26 February 2014 the Company announced a non-underwritten pro-rata accelerated renounceable entitlement offer to subscribe for 3 new ordinary shares for every 8 existing ordinary shares at an issue price of $0.28 per new share with such shares to be issued on, and rank for dividends after 1 April 2014. As a result, 180.4 million new shares were issued, resulting in gross cash proceeds of $50.5 million.

Expenses Arising From 2014 Rights Issue
Costs incurred in relation to the rights issue up to and including 30 June 2014 were $3.7 million ($2.6 million net of deferred tax credits recognised directly in equity). Directly attributable equity raising costs incurred have been recognised net of any tax effects directly in equity, and therefore do not impact earnings for the year ended 30 June 2014.

Note 28. Contributed equity (continued)

(i) C/O Options

On 19 September 2013 the Company announced that it had agreed to issue 29,581,852 options (“the Options”) to the C/O Consortium upon funding of the new term loan.

The Options will be exercisable at the election of the C/O Consortium at a strike price of $0.50 per share and will expire seven years from the date of grant. Shares issued upon exercise of the Options will rank equally with the then shares on issue. On 3 December 2013 the Company granted the Options to the C/O Consortium, following receipt by the C/O Consortium of approval from the Foreign Investment Review Board.

The options have not been exercised as at 30 June 2015.

The fair value of these options were recognised within prepaid borrowing costs which netted off against the Term loan facility carrying balance included in non-current borrowings (note 24).

(j) Altamont Options

On 16 July 2013 the Company announced that it had agreed to issue 42,259,790 options to the Altamont Consortium.

The options are exercisable at the election of the Altamont Consortium at a strike price of $0.50 per share and will expire seven years from the date of grant. Shares issued upon exercise of the options will rank equally with the then shares on issue. On 16 July 2013 the Company granted the options to the Altamont Consortium.

The options have not been exercised as at 30 June 2015.

The fair value of these options were expensed in borrowing costs as a significant item for the year ended 30 June 2014.

(k) Capital risk management

The Group’s objectives when managing capital are to:

- safeguard the ability to continue as a going concern, so that the Group can continue to provide returns for shareholders and benefits for other stakeholders, and
- target an optimal capital structure to reduce the cost of capital.

The Group defines gearing ratio as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the balance sheet (including non-controlling interests) plus net debt.

During 2015, the Group’s strategy, which was unchanged from 2014, was to maintain an appropriate gearing ratio for the Group.

The gearing ratios at 30 June 2015 and 30 June 2014 were as follows:

	Notes	**2015 $’000**	2014 $’000
Total borrowings	21, 24	266,855	219,391
Less: cash and cash equivalents	11	(153,334)	(145,070)
Net debt		113,521	74,321
Total equity		281,584	259,036
Total capital		395,105	333,357
Gearing ratio		29%	22%

The increase in the gearing ratio during 2015 resulted primarily from spot rate foreign exchange differences between 30 June 2014 and 30 June 2015 upon translation of the USD denominated term loan facility to AUD.

In the year ended 30 June 2015 Billabong International Limited complied with the financial covenants of its borrowing facilities.

Note 29. Treasury shares, reserves and retained (losses)/profits

	2015 $'000	2014 $'000
(a) Treasury shares	(20,959)	(22,508)
Movement:		
Balance 1 July	(22,508)	(24,861)
Treasury shares held by employee share plan trusts	---	---
Employee share scheme issue	1,549	2,353
Balance 30 June	(20,959)	(22,508)

Treasury shares are shares in Billabong International Limited that are held by the Billabong Executive Performance Share Plan – Australia trust and the Billabong Executive Performance Share Plan trust for the purpose of issuing shares under the Group's Executive Long-Term Incentive Plan (note 43).

Date	Details	Number of shares
1 July 2013	Balance	4,344,668
	Acquisition of shares by the employee share plan trusts	---
	Employee share scheme issue	(650,091)
30 June 2014	Balance	3,694,577
	Acquisition of shares by the employee share plan trusts	---
	Employee share scheme issue	(1,209,160)
30 June 2015	Balance	2,485,417

	2015 $'000	2014 $'000
(b) Reserves		
Option reserve	10,664	10,760
Other reserves		
Foreign currency translation reserve	(105,682)	(98,793)
Cash flow hedge reserve	424	(3,178)
Total other reserves	(105,258)	(101,971)
Other equity reserve	---	(9,244)
Total reserves	(94,594)	(100,455)

Note 29. Treasury shares, reserves and retained (losses)/profits (continued)

(b) Reserves (continued)

	2015 $'000	2014 $'000
Movements in reserves:		
Option reserve		
Balance 1 July	10,760	5,211
Share-based payment expense/(income)	1,453	(276)
Employee share scheme issue	(1,549)	(2,353)
Fair value of options in respect of recapitalisation option issues	---	7,839
Option reserve in respect of sign-on issues	---	339
Balance 30 June	10,664	10,760
Foreign currency translation reserve		
Balance 1 July	(98,793)	(97,530)
Net investment hedge	(917)	(10,751)
Foreign currency translation reserve reclassified to income statement	(313)	3,359
Currency translation differences arising during the year	(5,659)	6,129
	(105,682)	(98,793)
Cash flow hedge reserve		
Balance 1 July	(3,178)	(3)
Revaluation - gross	3,565	(1,801)
Deferred tax	(1,233)	587
Transfer to inventory - gross	1,835	(2,997)
Deferred tax	(601)	1,039
Effect of exchange rate changes	36	(3)
Balance 30 June	424	(3,178)
Other equity reserve		
Balance 1 July	(9,244)	(9,244)
Other equity reserve reclassified to income statement	9,244	---
Balance 30 June	---	(9,244)

(c) Retained losses

Movements in retained losses were as follows:

	2015 $'000	2014 $'000
Balance 1 July	(701,287)	(467,575)
Net profit/(loss) for the year	4,150	(233,712)
Dividends (note 30)	---	---
Balance 30 June	(697,137)	(701,287)

Note 29. Treasury shares, reserves and retained (losses)/profits (continued)

(d) Nature and purpose of reserves

Option reserve
The option reserve is used to recognise:
- the grant date fair value of options issued but not exercised;
- the grant date fair value of shares issued to employees; and
- the issue of shares held by the Billabong Executive Performance Share Plan – Australia trust and the Billabong Executive Performance Share Plan trust to employees.

Foreign currency translation reserve
Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(d).

Cash flow hedge reserve
The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(o). Amounts are recognised in the income statement when the associated hedged transaction affects profit and loss.

Other equity reserve
As a result of the sale of SurfStitch during the year ended 30 June 2015, the reserve relating to the acquisition of the non-controlling interest of Surfstitch Pty Ltd was reclassified to the income statement. The results of SurfStitch have been reported in these financial statements as discontinued operations. Refer to note 10.

At 30 June 2014 this reserve was in relation to the symmetrical put and call options at the present value of the expected redemption amount for the acquisition of the non-controlling interest of Surfstitch Pty Ltd.

Note 30. Dividends

The Board has not declared an interim ordinary dividend for the year ended 30 June 2015 and nor for the year ended 30 June 2014.

The Dividend Reinvestment Plan (DRP) remains suspended.

The Company’s finance agreements place certain restrictions on the Company’s ability to declare and/or make cash dividend payments depending upon the Company’s leverage position and expected undrawn capacity.

(a) Franked dividends

The franked portions of future dividends recommended after 30 June 2015 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2015.

	Parent entity	
	2015 **$’000**	2014 $’000
Franking credits available for subsequent financial years to the equity holders of the parent entity based on a tax rate of 30% (2014: 30%)	---	---

As the Board has not declared a final ordinary dividend for the year ended 30 June 2015, there is no impact on the franking account in relation to dividends recommended but not recognised as a liability at year end (2014: Nil).

Note 31. Derivative financial instruments

	Notes	**2015 $'000**	2014 $'000
Current assets			
Forward foreign exchange contracts – cash flow hedges	14	3,879	91
Total current derivative financial instrument assets		3,879	91
Current liabilities			
Forward foreign exchange contracts – cash flow hedges	20	441	1,830
Total current derivative financial instrument liabilities		441	1,830
Non-current liabilities			
Other derivative liability	26	---	9,054
Total non-current derivative financial instrument liabilities		---	9,054
Net derivative financial instruments		3,438	(10,793)

As a result of the sale of SurfStitch during the year ended 30 June 2015, the other derivative liability relating to the acquisition of the non-controlling interest of Surfstitch Pty Ltd was reclassified to the income statement. The results of SurfStitch have been reported in these financial statements as discontinued operations.Refer to note 10.

During the year ended 30 June 2014 the other derivative liability relating to the acquisition of the non-controlling interest of Surfstitch Pty Ltd was restated taking into account the latest Board approved forecasts. This resulted in a non-cash credit to the income statement totalling $4.5 million.

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 2).

(i) Forward exchange contracts – cash flow hedges – product purchases

From time to time and in order to protect against exchange rate movements, the Group enters into forward exchange contracts to purchase USD, EUR and AUD. The contracts are hedging highly probable forecast purchases for the upcoming season and are timed to mature when major shipments of inventory are scheduled to arrive.

Note 31. Derivative financial instruments (continued)

(a) Instruments used by the Group (continued)

The cash flows are expected to occur at various dates within one year from the balance date. At balance date, the details of outstanding contracts are:

	Buy USD		Average exchange rate	
	2015 USD$'000	2014 USD$'000	**2015**	2014
0 – 6 Months				
Sell Euro	23,000	21,500	1.1689	1.3586
Sell AUD	30,500	18,835	0.7754	0.8964
Sell BRL	---	900	---	0.4344
Sell CAD	4,905	7,342	0.8184	0.9021
Sell Yen	4,634	2,645	0.0091	0.0102
Sell ZAR	2,076	2,280	0.0822	0.0927
Sell NZD	600	450	0.7185	0.8228
6 – 12 Months				
Sell Euro	10,700	15,500	1.1178	1.3569
Sell AUD	14,000	---	0.7751	---
Sell Yen	2,923	5,000	0.0084	0.0098
Sell NZD	175	100	0.7369	0.8323

	Buy Euro		Average exchange rate	
	2015 EUR'000	2014 EUR'000	**2015**	2014
0 – 6 Months				
Sell USD	---	1,400	---	0.7218

	Buy AUD		Average exchange rate	
	2015 AUD$'000	2014 AUD$'000	**2015**	2014
0 – 6 Months				
Sell NZD	4,938	3,600	0.9517	0.9142
6 – 12 Months				
Sell NZD	600	500	0.9616	0.9102

Amounts disclosed above represent currency acquired, measured at the contracted rate.

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 flow occurs, the Group adjusts the initial measurement of the inventory recognised in the balance sheet by the related amount deferred in equity.

At balance date these contracts were net assets of $3.4 million (2014: net liability of $1.7 million).

(ii) Hedge of net investment in foreign entity
The foreign exchange loss of $0.9 million (2014: loss of $10.8 million) on translation of inter-company loans to AUD at reporting date is transferred to the foreign currency translation reserve, in equity (note 29(b)). There was no ineffectiveness to be recorded from net investments in foreign entity hedges.

(b) Risk exposures

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk and about the methods and assumptions used in determining fair values is provided in note 2.

Note 32. Remuneration of auditor

During the year the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:

	2015 $	2014 $
(a) PwC Australia		
(i) Audit and other assurance services		
Audit and review of financial reports	1,053,747	1,004,359
Other assurance services	16,891	27,300
Total remuneration for audit and other assurance services	1,070,638	1,031,659
(ii) Taxation services		
International tax consulting together with separate tax advice on acquisitions and disposals	303,509	189,668
Total remuneration for taxation services	303,509	189,668
(iii) Other services		
Due diligence services	---	138,845
Total remuneration for other services	---	138,845
Total remuneration of PwC Australia	1,374,147	1,360,172
(b) Network firms of PwC Australia		
(i) Audit and other assurance services		
Audit and review of financial reports	266,655	829,639
Other assurance services	493	81,349
Total remuneration for audit and other assurance services	267,148	910,988
(ii) Taxation services		
International tax consulting together with separate tax advice on acquisitions and disposals	81,527	182,012
Total remuneration for taxation services	81,527	182,012
(iii) Other services		
General accounting advice	---	116,362
Total remuneration for other services	---	116,362
Total remuneration of Network firms of PwC Australia	348,675	1,209,362
Total auditor's remuneration	1,722,822	2,569,534

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important and where undertaking those assignments would not compromise PricewaterhouseCoopers' independence. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis.

The Group and its Audit and Risk Committee are committed to ensuring the independence of the external auditor, both in appearance as well as in fact. Accordingly, significant attention is directed toward the appropriateness of the external auditor to perform services other than the audit. A formal pre-approval policy of audit and non-audit services provided by the external auditor has been adopted in this regard such that proposed services may either (1) be pre-approved without consideration of specific case-by-case services by the Audit and Risk Committee ("general pre-approval"), for example statutory or financial audits/reviews; or (2) require the specific pre-approval of the Audit and Risk Committee ("specific pre-approval"), for example taxation and other services. The Audit and Risk Committee believes that the combination of these two approaches, and the inclusion of prohibited services, in this policy will result in an effective and efficient procedure to pre-approve services performed by the external auditor.

Note 33. Contingencies

Details and estimates of maximum amounts of contingent liabilities as at 30 June 2015 are as follows:

Guarantees
For information about guarantees given by entities within the Group, including the parent entity, please refer to notes 38 and 44.

Contingent Consideration
As at 30 June 2015 the deferred consideration relating to the RVCA acquisition has been fully recognised taking into account the latest Board approved forecast. The contingent consideration of $10.8 million as at 30 June 2015 was classified as trade and other payables in current liabilities. Refer to note 20. As at 30 June 2014 the contingent consideration of $15.7 million was included in the deferred consideration recorded in the financial statements. Refer to note 27.

In the year ending 30 June 2016 the Group will calculate and finalise the deferred consideration relating to the RVCA acquisition.

Letters of Credit
The Group had $18.4 million letters of credit in favour of suppliers executed but undrawn as at 30 June 2015 (2014: $13.1 million). The letters of credit related to both trade letters of credit for the purchase of inventory and standby letters of credit for various beneficiaries including, but not limited to, leases and insurance. All letters of credit are part of the ordinary course of business.

Class Action
As announced on 26 March 2015, the Company is defending a representative proceeding (shareholder class action) commenced in the Federal Court of Australia. The applicants comprise persons who are said to have acquired ordinary shares or American Depository Receipts in the Company between 18 February 2011 and 19 December 2011. The applicants are seeking declarations and unquantified damages. The Company wholly rejects and is vigorously defending the claim, which focuses on market disclosures that occurred in 2011.

No material losses are anticipated in respect of any of the above contingent liabilities.

Note 34. Commitments

	2015 $'000	2014 $'000
(a) Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	74,972	79,608
Later than one year but not later than five years	136,112	164,990
Later than five years	12,546	20,064
	223,630	264,662
Representing:		
Non-cancellable operating leases	223,271	264,176
Future finance charges on finance leases	359	486
	223,630	264,662

Note 34. Commitments (continued)

(a) Lease commitments (continued)

(i) Operating leases
The Group leases various retail stores, offices and warehouses under non-cancellable operating leases. The leases have varying terms, escalating clauses and renewal rights. On renewal, the terms of the leases are renegotiated. In some instances early termination of these operating leases is possible with negotiation with the relevant landlord through payment of an agreed amount.

	2015 $'000	2014 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	74,841	79,479
Later than one year but not later than five years	135,884	164,633
Later than five years	12,546	20,064
	223,271	264,176

(ii) Finance leases
The Group leases various plant and equipment with a carrying amount of $8.1 million (2014: $10.0 million).

	2015 $'000	2014 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	1,765	2,300
Later than one year but not later than five years	3,081	4,814
Later than five years	---	---
Minimum lease payments	4,846	7,114
Future finance charges	(359)	(486)
Total lease liabilities recognised as a liability	4,487	6,628
Representing lease liabilities:		
Current (note 21)	1,634	2,171
Non-current (note 24)	2,853	4,457
	4,487	6,628
The present value of finance lease liabilities is as follows:		
Within one year	1,634	2,171
Later than one year but not later than five years	2,853	4,457
Later than five years	---	---
Minimum lease payments	4,487	6,628

Note 35. Related party transactions

(a) Parent entities

The ultimate parent entity within the Group is Billabong International Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 37.

(c) Key management personnel compensation

	2015 **$**	2014 $
Short-term employee benefits	5,906,963	7,017,192
Long-term employee benefits – long service leave	25,577	48,899
Termination benefits	636,590	3,087,799
Post-employment benefits	109,349	134,440
Share-based payments	868,439	(1,231,383)
	7,546,918	9,056,947

Detailed remuneration disclosures are provided in the Remuneration Report.

(d) Transactions with other related parties

In addition to the interest paid (refer to (f) below) the following transactions occurred with other related parties:

Line fees and expense reimbursement	**2015** **$**	2014 $
Oaktree Capital Management, L.P	114,807	468,690
Centerbridge Partners, L.P	225,341	788,870
Non-Executive Director remuneration		
Oaktree Capital Management, L.P	101,305	62,517
Centerbridge Partners, L.P	98,884	62,517

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

Line fees and expense reimbursement	**2015** **$**	2014 $
Oaktree Capital Management, L.P	8,730	66,491
Centerbridge Partners, L.P	37,178	286,520

Note 35. Related party transactions (continued)

(f) Loans from related parties

Oaktree Capital Management, L.P	**2015** **$**	2014 $
Balance 1 July	108,152,866	---
Loans advanced	---	193,735,097
Loan repayments received	---	(87,018,551)
Interest charged	14,759,360	11,345,064
Interest paid	(15,068,300)	(11,327,403)
Exchange differences	24,812,324	1,418,659
Balance 30 June	132,656,250	108,152,866

Centerbridge Partners, L.P	**2015** **$**	2014 $
Balance 1 July	108,152,866	---
Loans advanced	---	193,735,097
Loan repayments received	---	(87,018,551)
Interest charged	14,759,360	11,345,064
Interest paid	(15,068,300)	(11,327,403)
Exchange differences	24,812,324	1,418,659
Balance 30 June	132,656,250	108,152,866

(g) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Outstanding balances are unsecured and are repayable in cash.

Note 36. Business combinations

2015

There were no business combinations that were of a material nature for the year ended 30 June 2015.

2014

There were no business combinations that were of a material nature for the year ended 30 June 2014. The payments for purchase of subsidiaries and businesses, net of cash acquired in the consolidated cash flow statement were in relation to the deferred consideration payments for RVCA, SDS/Jetty Surf and DaKine.

On 1 November 2013 and 17 December 2013 the deferred consideration payments in relation to SDS/Jetty Surf were paid in full and therefore no further amounts are due in relation to this acquisition.

On 31 January 2014 a prepayment of US$20.0 million was made as part of the amendments to the RVCA 2015 earn out arrangements, which were negotiated as part of the original acquisition in 2010 and the forgiveness of US$7.5 million of loans which otherwise would have been receivable coinciding with the 2015 earn out arrangements.

On 17 April 2014 the deferred consideration payment in relation to the remaining amount outstanding for DaKine (US$1.5 million) was paid in full and therefore no further amounts are due in relation to this acquisition.

Note 37. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity		Country of incorporation	Class of shares	Equity holding **	
				2015 %	2014 %
Amazon (New Zealand) Pty Ltd	*	Australia	Ordinary	100	100
Beach Culture International Pty Ltd		Australia	Ordinary	100	100
Board Sports Retail Pty Ltd		Australia	Ordinary	100	100
Burleigh Point, Ltd		USA	Ordinary	100	100
GSM (Canada) Pty Ltd	*	Australia	Ordinary	100	100
BBG Asia Pty Ltd formerly known as GSM (Central Sourcing) Pty Ltd	*	Australia	Ordinary	100	100
GSM (Duranbah) Pty Ltd		Australia	Ordinary	100	100
GSM (Europe) Pty Ltd	*	Australia	Ordinary	100	100
GSM (Japan) Limited		Japan	Ordinary	100	100
GSM (NZ Operations) Limited		New Zealand	Ordinary	100	100
GSM (Operations) Pty Ltd	*	Australia	Ordinary	100	100
GSM (Trademarks) Pty Ltd		Australia	Ordinary	100	100
GSM Trading (South Africa) Pty Ltd	*	Australia	Ordinary	100	100
GSM Brasil Ltda		Brazil	Ordinary	100	100
GSM England Retail Ltd		England	Ordinary	100	100
GSM Espana Operations Sociedad Limitada		Spain	Ordinary	100	100
GSM Retail Inc		USA	Ordinary	100	100
GSM Rocket Australia Pty Ltd		Australia	Ordinary	100	100
GSM Trading (Singapore) Pty Ltd		Australia	Ordinary	100	100
Pineapple Trademarks Pty Ltd	*	Australia	Ordinary	100	100
Rocket Trademarks Pty Ltd		Australia	Ordinary	100	100
Seal Trademarks Pty Ltd		Australia	Ordinary	100	100
Surfection Pty Ltd		Australia	Ordinary	100	100
Surfstitch Pty Ltd		Australia	Ordinary	---	51
Surfstitch (Europe) Pty Ltd		Australia	Ordinary	---	51

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 38.

** The proportion of ownership interest is equal to the proportion of voting power held.

Note 37. Subsidiaries (continued)

(a) Non-controlling interests (NCI)

On 5 September 2014 the Company completed the sale of its 51% stake in SurfStitch. The results of SurfStitch have been reported in these financial statements as discontinued operations, refer to note 10.

Set out below is summarised financial information for the non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Surfstitch Pty Ltd		Surfstitch (Europe) Pty Ltd	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Summarised balance sheet				
Current assets	---	19,719	---	4,440
Current liabilities	---	14,944	---	4,326
Current net assets	---	4,775	---	114
Non-current assets	---	4,834	---	3,344
Non-current liabilities	---	9,163	---	24,983
Non-current net liabilities	---	(4,329)	---	(21,639)
Net assets/(liabilities)	---	446	---	(21,525)
Accumulated NCI	---	760	---	(11,282)
Summarised statement of comprehensive expense				
Revenue	9,663	60,613	2,015	12,682
Loss for the period	(723)	(1,172)	(2,538)	(11,524)
Total comprehensive expense	(723)	(1,172)	(2,538)	(11,524)
Loss allocated to NCI	(354)	(574)	(1,244)	(5,647)
Summarised cash flows				
Cash flows from operating activities	134	1,629	(230)	(5,002)
Cash flows from investing activities	(2,460)	(1,778)	(96)	3,622
Cash flows from financing activities	---	(1,250)	---	---
Net (decrease)/increase in cash and cash equivalents	(2,326)	(1,399)	(326)	(1,380)

Note 38. Deed of cross guarantee

Billabong International Limited, GSM (Europe) Pty Ltd, GSM (Operations) Pty Ltd, Pineapple Trademarks Pty Ltd, BBG Asia Pty Ltd formerly known as GSM (Central Sourcing) Pty Ltd, Amazon (New Zealand) Pty Ltd, GSM Trading (South Africa) Pty Ltd and GSM (Canada) Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated income statement, statement of comprehensive expense and summary of movements in consolidated retained profits

The above companies represent a 'Closed Group' for the purposes of the Class Order.

Set out below are the condensed consolidated income statement, a consolidated statement of comprehensive expense and a summary of movements in consolidated retained profits for the year ended 30 June 2015 of the Closed Group, consisting of Billabong International Limited, GSM (Europe) Pty Ltd, GSM (Operations) Pty Ltd, Pineapple Trademarks Pty Ltd, BBG Asia Pty Ltd formerly known as GSM (Central Sourcing) Pty Ltd, Amazon (New Zealand) Pty Ltd, GSM Trading (South Africa) Pty Ltd and GSM (Canada) Pty Ltd.

Prior year figures set out below represent the condensed consolidated income statement, a consolidated statement of comprehensive expense and a summary of movements in consolidated retained profits for the year ended 30 June 2014 of the Closed Group, at that time consisting of the entities Billabong International Limited, GSM (Europe) Pty Ltd, GSM (Operations) Pty Ltd, Pineapple Trademarks Pty Ltd, GSM (Central Sourcing) Pty Ltd, Amazon (New Zealand) Pty Ltd, GSM Trading (South Africa) Pty Ltd, Board Sports Retail Pty Ltd and GSM (Canada) Pty Ltd.

	2015 $'000	2014 $'000
Income statement		
Revenue from continuing operations	548,923	617,064
Other income	26,070	9,604
Finance costs	(2,677)	(21,800)
Other expenses	(598,989)	(809,857)
Loss before income tax	(26,673)	(204,989)
Income tax benefit/(expense)	9,600	(29,102)
Loss for the year	(17,073)	(234,091)
Loss attributable to non-controlling interests	1,598	6,221
Loss for the year attributable to the members of the Closed Group	(15,475)	(227,870)
Statement of comprehensive expense		
Loss for the year	(17,073)	(234,091)
Other comprehensive expense		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges, net of tax	2,685	(2,888)
Exchange differences on translation of foreign operations	(16,879)	(12,762)
Net investment hedge, net of tax	(7,894)	1,264
Other comprehensive expense for the year, net of tax	(22,088)	(14,386)
Total comprehensive expense for the year	(39,161)	(248,477)
Loss attributable to non-controlling interests	1,598	6,221
Total comprehensive expense for the year attributable to members of the Closed Group	(37,563)	(242,256)
Summary of movements in consolidated retained losses		
Retained losses at the beginning of the financial year	(428,167)	(270,251)
Loss for the year	(15,475)	(227,870)
Dividends received	---	2,762
Retained losses at the end of the financial year	(443,642)	(495,359)

Note 38. Deed of cross guarantee (continued)

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2015 and 30 June 2014 of the Closed Group, consisting of the entities as named above at each point in time.

	2015 $'000	2014 $'000
ASSETS		
Current assets		
Cash and cash equivalents	96,849	83,407
Trade and other receivables	74,336	97,414
Inventories	97,543	99,663
Current tax receivables	1,154	1,311
Other	7,421	4,044
Total current assets	277,303	285,839
Non-current assets		
Receivables	171,974	107,907
Other financial assets	432,637	410,630
Property, plant and equipment	32,325	37,979
Intangible assets	36,093	32,247
Deferred tax assets	10,735	248
Other	3,685	4,145
Total non-current assets	687,449	593,156
Total assets	964,752	878,995
LIABILITIES		
Current liabilities		
Trade and other payables	99,377	116,474
Borrowings	1,644	1,625
Provisions	12,667	13,966
Total current liabilities	113,688	132,065
Non-current liabilities		
Borrowings	254,097	204,448
Deferred tax liabilities	2,481	---
Provisions	2,967	5,803
Other	3,905	10,686
Total non-current liabilities	263,450	220,937
Total liabilities	377,138	353,002
Net assets	587,614	525,993
EQUITY		
Contributed equity	1,094,274	1,094,274
Reserves	(63,018)	(61,934)
Retained losses	(443,642)	(495,359)
Capital and reserves attributable to members of the Closed Group	587,614	536,981
Non-controlling interests	---	(10,988)
Total equity	587,614	525,993

Note 39. Events occurring after the balance sheet date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature that would be likely, in the opinion of the Directors, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Note 40. Reconciliation of profit/(loss) for the year to net cash outflow from operating activities

	2015 $'000	2014 $'000
Profit/(loss) for the year, before non-controlling interests	2,552	(239,933)
Depreciation and amortisation (excluding amortisation of capitalised borrowing costs)	29,765	37,317
Impairment of intangibles	---	29,255
Fair value adjustment for assets held for sale during the year	---	17,718
Impairment of property, plant and equipment	3,040	---
Share-based payment amortisation expense	1,453	63
Deferred consideration unwinding of discount	---	1,678
Net loss on sale of non-current assets	1,691	467
Restructuring costs and other non-cash charges	---	38,266
(Gain)/loss on sale, including transaction costs	(13,711)	11,330
Foreign currency translation reserve reclassified to income statement	---	(680)
(Gain)/loss from adjustment to contingent consideration	(7,748)	5,915
Fair value adjustment to derivative liabilities	---	(4,514)
Foreign exchange impact of term debt repayment	---	(4,220)
Net exchange differences	5,663	2,739
Change in operating assets and liabilities, adjusted for the sale of SurfStitch and Swell (2014: DaKine and West 49)		
(Increase)/decrease in trade debtors	(11,945)	22,486
(Increase)/decrease in inventories	(29,790)	25,714
(Increase)/decrease in deferred tax assets	(14,544)	55,062
(Increase)/decrease in provision for income taxes receivable	1,268	7,032
(Increase)/decrease in other operating assets	4,518	1,289
Increase/(decrease) in trade creditors and other operating liabilities	19,879	(40,563)
Increase/(decrease) in provision for income taxes payable	(64)	1,489
Increase/(decrease) in deferred tax liabilities	---	---
Increase/(decrease) in other provisions	(6,652)	(44,529)
Net cash outflow from operating activities	(14,625)	(76,619)

Note 41. Non-cash investing and financing activities

	2015 $'000	2014 $'000
Acquisition of plant and equipment, and finite life intangibles by means of finance lease	---	546
	---	546

Dividends satisfied by the issue of shares under the Dividend Reinvestment Plan are shown in note 30.

Note 42. Earnings per share

	2015 Cents	2014 Cents
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	(0.6)	(24.0)
From discontinued operations	1.1	(4.6)
Total basic earnings per share attributable to the ordinary equity holders of the Company	0.5	(28.6)
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	(0.6)	(24.0)
From discontinued operations	1.1	(4.6)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	0.5	(28.6)

(c) Reconciliations of earnings used in calculating earnings per share

	2015 $'000	2014 $'000
Basic earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	(6,366)	(196,728)
From discontinued operations	10,516	(36,984)
	4,150	(233,712)
Diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share:		
From continuing operations	(6,366)	(196,728)
From discontinued operations	10,516	(36,984)
	4,150	(233,712)

(d) Weighted average number of shares used as the denominator

	2015 Number	2014 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	987,672,600	818,285,428
Adjustments for calculating diluted earnings per share:		
Performance shares and conditional rights	---	---
Options	---	---
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	987,672,600	818,285,428

In line with the requirements of AASB133, the assessment of the requirement to dilute earnings per share is based on whether there is profit from continuing operations attributable to ordinary shareholders. As this is a loss in the current year, there is no dilutionary effect. This also applies to discontinued operations, regardless of its profit or loss making position.

Note 42. Earnings per share (continued)

(e) Information concerning the classification of securities

Performance shares and conditional rights
Performance shares and conditional rights granted to employees under the Billabong Executive Performance Share Plan are considered to be potential ordinary shares and have not been included in the determination of diluted earnings per share because they are anti-dilutive for the year ended 30 June 2015. The performance shares and conditional rights have also been excluded in the determination of basic earnings per share. Details relating to the rights are set out in note 43.

Options
The 314,503 options granted on 31 October 2008 in relation to the Billabong Performance and Retention Plan are not included in the calculation of diluted earnings per share because they are anti-dilutive for the year ended 30 June 2015. These options could potentially dilute basic earnings per share in the future.

The 42,259,790 options granted on 16 July 2013 to the Altamont Consortium are not included in the calculation of diluted earnings per share because they are anti-dilutive for the year ended 30 June 2015. These options could potentially dilute basic earnings per share in the future.

The 29,581,852 options granted on 3 December 2013 to the C/O Consortium are not included because they are anti-dilutive for the year ended 30 June 2015. These options could potentially dilute basic earnings per share in the future.

The 1,200,000 options granted on 31 January 2014 to Pat Tenore, the founder of RVCA, are not included in the calculation of diluted earnings per share because they are anti-dilutive for the year ended 30 June 2015. These options could potentially dilute basic earnings per share in the future.

Note 43. Share-based payments

(a) Billabong Executive Long-Term Incentive Plan (ELTIP)

In the prior year, the Board reviewed the Company's long-term incentive plan and approved changing the award vehicle from Performance Shares to Performance Rights. The use of Performance Rights instead of Performance Shares required changing the name of the plan from the Executive Performance Share Plan to the Executive Long-Term Incentive Plan.

Participants
Participants comprise the executives of the Group who are directly responsible for driving the growth strategy of the Group. The objectives of the ELTIP for participants remain the same i.e. to provide executives with an equity-based reward opportunity that vests based on the achievement of certain performance hurdles. For the awards granted, 50% of awards will be tested on the Group's EPS hurdle (EPS), with the remaining 50% of awards tested on Relative Total Shareholder Return (TSR).

Under the ELTIP the Group awards the following:

Equity vehicle	Overview
Performance rights	Awards granted are in the form of performance rights which are equity settled share-based payments. If the performance hurdles are met, the Company will allocate or procure the transfer of the relevant number of shares to the employee as soon as practicable following the vesting date. An employee awarded performance rights is not legally entitled to shares in the Company before the rights allocated under the ELTIP vest. Once vested, each right entitles the employee to receive one share in the Company.

Note that for the purposes of the remuneration tables in this report, performance rights, performance shares and conditional rights are collectively referred to as "rights".

Award, vesting and exercises under the ELTIP are made for no consideration.

Note 43. Share-based payments (continued)

(a) Billabong Executive Long-Term Incentive Plan (ELTIP) (continued)

Executive Long-Term Incentive Plan – performance hurdles
Awards under the ELTIP vest only if the performance hurdles for the portion of the award are satisfied in the relevant performance period. The performance periods are summarised in the table below:

<table>
<tr><th>Grant</th><th colspan="2">Performance hurdle</th><th>% of award that vests</th><th>Performance period</th></tr>
<tr><td rowspan="4">2013-14</td><td rowspan="2">Earnings Per Share performance (EPS)</td><td>2.0 cents per share</td><td>50%</td><td rowspan="2">Financial year ended 30 June 2016</td></tr>
<tr><td>4.0 cents per share</td><td>100%</td></tr>
<tr><td rowspan="2">TSR performance relative to comparator group</td><td>50th percentile or above</td><td>50%</td><td rowspan="2">1 January 2014 until 30 September 2016</td></tr>
<tr><td>75th percentile or above</td><td>100%</td></tr>
<tr><td rowspan="4">2014-15</td><td rowspan="2">Pre-tax Earnings Per Share performance (EPS)</td><td>Minimum performance threshold based on the Long Range (three year) Plan</td><td>50%</td><td rowspan="2">Financial year ended 30 June 2017</td></tr>
<tr><td>Stretch performance based on the Long Range (three year) Plan</td><td>100%</td></tr>
<tr><td rowspan="2">TSR performance relative to comparator group</td><td>50th percentile or above</td><td>50%</td><td rowspan="2">1 July 2014 until 30 June 2017</td></tr>
<tr><td>75th percentile or above</td><td>100%</td></tr>
</table>

For the 2014-15 grant, the percentage of performance rights subject to the EPS Hurdle that vest, if any, will be determined by reference to EPS achieved at the performance determination date compared to the threshold and stretch targets.

For the 2013-14 grant, the percentage of performance rights subject to the EPS performance hurdle was determined by the Board to be selected EPS. Due to the significant changes to the capital structure of the Group this was determined as an appropriate internal performance metric.

For the 2014-15 grant of performance rights subject to the TSR hurdle is based on the TSR growth of the Company relative to a group of comparator companies which comprise of approximately 20 ASX listed companies within an appropriate market capitalisation range in the “Consumer Discretionary” industry sector and five selected USA listed peer companies, being Pacific Sunwear of California Inc, Quiksilver Inc, Tilly’s Inc, V.F. Corporation and Zumiez Inc. To further ensure that the mix of comparator companies is aligned with the Company’s situation and geographic business mix, the comparator companies are weighted such that the ASX listed companies have a weighting of 100% each and the five selected US listed peer companies have a weighting of 200% each.

For the 2013-14 grant of performance rights subject to the TSR hurdle is based on the TSR growth of the Company relative to a group of comparator companies which comprise of 40 ASX listed companies within an appropriate market capitalisation range which have significant overseas operations and/or are within a similar industry sector to the Company. Over 75% of those companies are, like the Company, classified as "Consumer Discretionary".

Each year, prior to awards being granted, the Human Resource and Remuneration Committee considers the market environment, the Group’s business strategy, performance expectations and shareholder expectations, and sets the performance targets for the awards to be granted that year.

At the end of the relevant performance period, in line with its charter, the Human Resource and Remuneration Committee consider the EPS and TSR performance of the Group and determines to what extent the awards should vest based on the above vesting conditions.

Note 43. Share-based payments (continued)

(a) Billabong Executive Long-Term Incentive Plan (ELTIP) (continued)

Set out below is a summary of performance rights awarded under the ELTIP:

Type of right	Balance at start of year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of year
	Number	Number	Number	Number	Number
2015					
Performance Rights	4,115,956	7,480,642	---	(844,193)	10,752,405
	4,115,956	7,480,642	---	(844,193)	10,752,405
2014					
Performance Rights	---	4,115,956	---	---	4,115,956
	---	4,115,956	---	---	4,115,956

Fair value of rights granted
During the year ended 30 June 2015, the assessed fair value at grant date of the performance rights tested under the EPS performance hurdle was $0.66 per right (2014: $0.43) and the performance rights tested under the TSR performance hurdle was $0.52 per right (2014: $0.34). The fair value at grant date is determined by reference to the Billabong International Limited share price at grant date, taking into account the terms and conditions upon which the rights were granted, the expected dividend yield and the expected price volatility of the underlying share.

(b) Billabong Executive Performance Share Plan (EPSP)

Following the review of executive remuneration undertaken by the Committee in 2008, the EPSP was restructured into Tier 1 and Tier 2.

EPSP – Tier 1
Tier 1 participants comprise the executives of the Group who are directly responsible for driving the growth strategy of the Group. The objectives of the EPSP for Tier 1 participants remain the same i.e. to provide executives with an equity-based reward opportunity that vests based on the achievement of certain performance hurdles. For awards granted in 2011-12 and 2012-13, a second performance hurdle has been adopted so that 50% of awards will be tested on the Group's three year EPS performance, with the remaining 50% of awards tested on Total Shareholder Return (TSR). The establishment of the EPSP was approved by shareholders at the 2004 Annual General Meeting.

Note 43. Share-based payments (continued)

(b) Billabong Executive Performance Share Plan (EPSP) (continued)

Under the EPSP the Group awarded the following equity subject to the tax implications in the relevant jurisdiction:

Equity vehicle	Overview
Tier 1 Performance shares	An employee awarded performance shares is not legally entitled to shares in the Company before the performance shares allocated under the EPSP vest. For awards granted in 2011-12 and 2012-13, the employee cannot vote and EPSP dividends will be held in trust during the performance period and net dividends will be paid to executives only on performance shares that vest. If no shares vest, no dividends are payable. For Australian employees, once the shares have vested they remain in the trust until the earlier of the employee leaving the Group, the tenth anniversary of the date the performance shares were awarded or the Board approving an application for their release. For non-Australian employees, once their performance shares vest the shares are transferred to them (or sold on their behalf if they choose). If the performance shares do not vest, they are forfeited by the employee for no consideration.
Tier 1 Conditional rights	An employee awarded conditional rights is not legally entitled to shares in the Company before the rights allocated under the EPSP vest. Once vested, each right entitles the employee to receive one share in the Company. For French employees granted rights after 1 July 2005 and up to and including 2012-13, shares associated with vested rights are automatically transferred to the employee. These shares cannot be disposed of before the end of a 24 month restriction period following the allocation date, except in the event of death. Until such time that the rights have vested the employee cannot use the rights to vote or receive dividends. For all other employees, from the time of the employee receiving notice of the rights having vested they have one month to exercise the rights and either sell the shares or transfer them into their name. If the rights are not exercised by the employee they will automatically exercise and the shares will be transferred to the employee. Until such time that the rights are exercised the employee cannot use the rights to vote or receive dividends. However, if the conditional rights do not vest they are forfeited by the employee for no consideration.

Award, vesting and exercises under the EPSP are made for no consideration.

Awards under the EPSP vest on the third anniversary of grant only if the performance hurdles are satisfied in the relevant performance period. The performance periods are summarised in the table below:

Grant	Performance period
2011-12	2010-11 (base year EPS and TSR) to 2013-14
2012-13	2011-12 (base year EPS and TSR) to 2014-15

Executive Performance Share Plan (Tier 1) – performance hurdles

Year	% of award tested on EPS	EPS compound growth hurdles	% of award that vests	% of award tested on TSR	TSR performance relative to comparator group*	% of award that vests
2011-12	50%	6.00% 8.00% 10.00%	50% 75% 100%	50%	50th percentile or above 75th percentile or above	50% 100%
2012-13	50%	15.00% 17.50% 20.00%	50% 75% 100%	50%	50th percentile or above 75th percentile or above	50% 100%

** Comparator group comprises Australian companies listed in the S&P/ASX 200 at the beginning of each performance period, excluding those companies classified within the Financials and Energy sectors and the Metals and Mining Industry Group.*

Note 43. Share-based payments (continued)

(b) Billabong Executive Performance Share Plan (EPSP) (continued)

The Board selected EPS and TSR (for awards granted in 2011-12 and 2012-13) as the appropriate hurdles for the EPSP as the EPSP is intended to focus executives on the long-term (three year) earnings performance of the Group, and allows the Group to balance an internal performance metric (EPS) with an external performance metric (TSR).

Each year, prior to awards being granted, the Human Resource and Remuneration Committee considers the market environment, the Group's business strategy and performance expectations and shareholder expectations and sets the performance targets for the awards to be granted that year. Due to the challenges faced by the Group and a resulting lower EPS base, the targets set at grant differ for each of the 2011-12 and 2012-13 grants.

EPSP - Tier 2
Tier 2 participants comprise other senior management of the Group. The primary objective of the Tier 2 EPSP is retention. Under the EPSP, Tier 2 participants are awarded performance shares and conditional rights. The awards do not vest unless the employee has completed a period of two years of employment from the date the awards are granted.

The Group awards the following equity subject to the tax implications in the relevant jurisdiction:

Equity vehicle	Overview
Tier 2 Performance shares	An employee awarded performance shares is not legally entitled to shares in the Company before the performance shares allocated under the EPSP vest. However, the employee can vote and receive dividends in respect of shares allocated to them. Once the shares have vested the shares are transferred to the employee. However, if the performance shares do not vest they are forfeited for no consideration.
Tier 2 Conditional rights	An employee awarded conditional rights is not legally entitled to shares in the Company before the rights allocated under the EPSP vest. Once vested, each right entitles the employee to receive one share in the Company. Until such time that the rights are exercised the employee cannot use the rights to vote or receive dividends. However, if the conditional rights do not vest they are forfeited for no consideration.

Set out below is a summary of equity-based rights (performance shares and conditional rights) awarded under the EPSP:

Type of right	Balance at start of year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of year Number
2015					
Performance Shares	1,080,995	---	(791,142)	(74,242)	215,611
Conditional Rights	456,499	---	(418,018)	(38,481)	---
	1,537,494	---	(1,209,160)	(112,723)	215,611
2014					
Performance Shares	3,033,887	---	(414,844)	(1,538,048)	1,080,995
Conditional Rights	1,101,006	---	(198,134)	(446,373)	456,499
	4,134,893	---	(612,978)	(1,984,421)	1,537,494

None of the rights awarded under the Tier 1 EPSP vested or became exercisable during the year.

The total equity-based rights that expired during the year ended 30 June 2015 and have not yet been granted under a new award was 2,269,806 (2014: 2,157,083). These expired equity-based rights are held pending further awards being granted.

Note 43. Share-based payments (continued)

(c) Short-Term Incentive (STI) deferral

The STI grants for 2012-13 were in the form of deferred performance rights. Under the Group's short-term incentive (STI) scheme, executives are granted performance rights which are equity settled share-based payments. The deferred equity will vest to participants after a period of two years.

With STI deferral a portion (25% to 30%) of the incentive earned is deferred into equity. This is in the form of either shares or rights. The deferred equity will vest to participants after a period of two years.

The Group awards the following equity subject to the tax implications in the relevant jurisdiction:

Equity vehicle	Overview
Performance rights	Awards granted from 2012-13, are in the form of performance rights which are equity settled share-based payments. Once vested, each performance right entitles the employee to receive one share in the Company. Until such time that the rights are exercised the employee cannot use the rights to vote or receive dividends. However, if the performance rights do not vest they are forfeited for no consideration.
Performance shares	Awards granted in 2010-11 were in the form of performance shares. An employee awarded performance shares is not legally entitled to shares in the Company before the performance shares allocated under the STI deferral vest. However, the employee can vote and receive dividends in respect of shares allocated to them. Once the shares have vested the shares are transferred to the employee. However, if the performance shares do not vest they are forfeited for no consideration.
Conditional rights	An employee awarded conditional rights is not legally entitled to shares in the Company before the rights allocated under the STI deferral vest. Once vested, each right entitles the employee to receive one share in the Company. Until such time that the rights are exercised the employee cannot use the rights to vote or receive dividends. However, if the conditional rights do not vest they are forfeited for no consideration.

Set out below is a summary of equity-based rights (performance rights, performance shares and conditional rights) awarded under STI deferral:

Type of right	Grant date	Performance determination date	Balance at start of year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of year
			Number	Number	Number	Number	Number
2015							
Performance Rights	1 September 2014	30 June 2016	---	181,272	---	---	181,272
Performance Rights	1 September 2013	30 June 2015	443,553	---	---	---	443,553
			443,553	181,272	---	---	624,825
2014							
Performance Rights	1 September 2013	30 June 2015	---	443,553	---	---	443,553
Performance Shares	1 September 2011	30 June 2013	26,585	---	(26,585)	---	---
Conditional Rights	1 September 2011	30 June 2013	10,528	---	(10,528)	---	---
			37,113	443,553	(37,113)	---	443,553

Fair value of rights granted

The assessed fair value at grant date of performance rights granted under the STI deferral during the year ended 30 June 2015 was $0.55 per right (2014: $0.47). The fair value at grant date is determined by reference to the Billabong International Limited share price at grant date, taking into account the terms and conditions upon which the rights were granted, the expected dividend yield and the expected price volatility of the underlying share.

Note 43. Share-based payments (continued)

(d) Billabong Executive Performance and Retention Plan (EPRP)

The EPRP was a one-off initiative in 2008-09 which requires executives to achieve two Total Shareholder Return (TSR) performance targets: a 'gateway' hurdle which requires above median TSR performance relative to a comparator group and a 'stretch' hurdle requiring the achievement of a 120% target over five years.

Once vested the options remain exercisable for a period of two years.

Options granted under the EPRP carry no dividend or voting rights.

When exercisable each option is convertible into one ordinary share upon receipt of funds.

The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Australian Securities Exchange during the five trading days immediately before the options are granted. Amounts received on the exercise of options are recognised as share capital.

Set out below are summaries of options granted under the EPRP.

2015

Grant date	Expiry date	Exercise price	Balance at start of year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of year Number	Exercisable at end of year Number
31 October 2008	31 October 2015	$11.08	314,503	---	---	---	314,503	---
			314,503	---	---	---	314,503	---
Weighted average exercise price			$11.08				$11.08	

2014

Grant date	Expiry date	Exercise price	Balance at start of year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of year Number	Exercisable at end of year Number
31 October 2008	31 October 2015	$11.08	838,673	---	---	(524,170)	314,503	---
24 November 2008	24 November 2015	$10.80	314,503	---	---	(314,503)	---	---
			1,153,176	---	---	(838,673)	314,503	---
Weighted average exercise price			$11.00			$10.98	$11.08	

(e) Other options granted

On 19 September 2013 the Company announced that it had agreed to issue 29,581,852 options ("the Options") to the C/O Consortium upon funding of the new term loan. The assessed fair value at grant date of the C/O Consortium options was $0.15. The fair value of these options ($4.3 million) was recognised within prepaid borrowing costs which netted off against the Term loan facility carrying balance included in non-current borrowings (note 24). Refer to note 28 (i) and note 29(b).

On 16 July 2013 the Company announced that it had agreed to issue 42,259,790 options to the Altamont Consortium. The assessed fair value at grant date of the C/O Consortium options at grant date was $0.08. The fair value of these options ($3.5 million) was recognised in borrowing costs as a significant item for the year ended 30 June 2014. Refer to note 28(j) and note 29(b).

Note 43. Share-based payments (continued)

(f) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefits expense were as follows:

	2015 $	2014 $
Operating costs of the Billabong Long-Term Incentive Plans	25,908	25,400
Share-based payment expense/(income)	1,453,052	(275,934)
	1,478,960	(250,534)

For the period ended 30 June 2014, the share-based payment income was a result of a write back in accumulated expenses previously recognised in the Group's income statement in respect of the EPRP as a result of performance hurdles and retention requirements in relation to certain components of the EPRP not being met.

The CEO Sign-on incentive granted to Neil Fiske (refer to note 28) and the options granted to Pat Tenore (refer to note 27), are both classified as share-based payments.

Note 44. Parent entity financial information

(a) Summary financial information

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

	Parent entity	
	2015 $'000	2014 $'000
Current assets	7,925	28,881
Total assets	757,787	698,474
Current liabilities	7,878	3,712
Total liabilities	482,028	467,672
Shareholders' equity		
Issued capital	1,094,274	1,094,274
Reserves		
Option reserve	48,858	47,404
Retained earnings	(867,373)	(910,876)
	275,759	230,802
Profit/(loss) for the year	43,503	(498,368)
Total comprehensive income/(expense)	43,503	(498,368)

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2015 or 30 June 2014.

(c) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2015 the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

(d) Guarantees entered into by the parent entity

Billabong International Limited is a party to the deed of cross guarantee as described in note 38. No deficiencies of assets exist in any of the companies described in note 38.

Billabong International Limited also provide guarantees to other subsidiaries in the Group for rental obligations and the RVCA deferred payment.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 48 to 138 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its 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 Group identified in note 38 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 38.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Ian Pollard
Chair

Gold Coast
27 August 2015

Independent auditor's report to the members of Billabong International Limited

Report on the financial report

We have audited the accompanying financial report of Billabong International Limited (the company), which comprises the consolidated balance sheet as at 30 June 2015, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Billabong International Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Auditor's opinion

In our opinion:

(a) the financial report of Billabong International Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 19 to 43 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Billabong International Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins
Partner

Sydney
27 August 2015

The shareholder information set out below was applicable as at 30 September 2015.

Distribution of Equity Securities

Analysis of numbers of equity security holders by size of holding:

		Ordinary shares		Unquoted options	
		Number of share holders	Number of shares	Number of option holders	Number of options
1	1,000	8,702	3,379,855	---	---
1,001	5,000	5,000	11,939,276	---	---
5,001	10,000	1,286	9,533,013	---	---
10,001	100,000	1,783	50,934,858	---	---
100,001	and over	259	914,583,032	7	73,356,145
		17,030	990,370,034	7	73,356,145

There were 7,394 holders of less than a marketable parcel of ordinary shares.

Equity Security Holders

Twenty largest quoted equity security holders
The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary shares	
Name	**Number held**	**Percentage of issued shares**
CCP II Dutch Acquisition-E BV	164,634,147	16.62%
OCM Clean Wave Holdings BV	164,634,147	16.62%
J P Morgan Nominees Australia Limited	111,314,877	11.24%
Citicorp Nominees Pty Limited	92,108,139	9.30%
National Nominees Limited	58,857,286	5.94%
HSBC Custody Nominees (Australia) Limited-GSCO ECA	49,962,530	5.04%
Gordon Merchant No 2 Pty Ltd <The Merchant Family A/C>	39,458,380	3.98%
Gordon Merchant No 2 Pty Ltd <The Merchant Family A/C>	39,323,757	3.97%
HSBC Custody Nominees (Australia) Limited	35,212,758	3.56%
UBS Nominees Pty Ltd	14,597,028	1.47%
Gordon Merchant No 2 Pty Ltd <The Merchant Family A/C>	11,953,457	1.21%
GSM Superannuation Pty Ltd <Gordon Merchant Super A/C>	10,344,828	1.04%
BNP Paribas Noms Pty Ltd <DRP>	6,964,164	0.70%
Mr Micheal Mcauliffe & Ms Colette Paull	4,723,600	0.48%
GSM Superannuation Pty Ltd <Gordon Merchant Super A/C>	3,469,950	0.35%
GSM Pty Ltd	3,119,867	0.32%
HSBC Custody Nominees (Australia) Limited - A/C 2	3,057,719	0.31%
Billytoo Pty Ltd <The Collette Paull Fam A/C>	2,792,867	0.28%
Mr McNeil Seymour Fiske Jr	2,455,357	0.25%
National Nominees Limited	2,316,631	0.23%
	821,301,489	82.93%

Unquoted Equity Securities		**Number on issue**	**Number of holders**
Options issued under the Executive Performance and Retention Plan as approved by shareholders at the Annual General Meeting on 28 October 2008:			
Class – BBGAI		314,503	1
The options listed above are the only unquoted equity securities on issue.			
The following people hold 20% or more of these securities:			
Class – BBGAI	Shannan North	314,503	
Options issued under the refinancing proposal as announced to the Australian Securities Exchange on 16 July 2013:			
Class – BBGAO		42,259,790	3
The following entities hold 20% or more of these securities:			
Class – BBGAO	ACP Burleigh Holdings, LLC	7,747,628	
	FS Investment Corporation	17,256,081	
	FS Investment Corporation II	17,256,081	
Options issued under the recapitalisation proposal as announced to the Australian Securities Exchange on 19 September 2013:			
Class – BBGAQ		29,581,852	2
The following entities hold 20% or more of these securities:			
Class – BBGAQ	CCP II Dutch Acquisition – E, B.V.	14,790,926	
	OCM Clean Wave Holdings B.V.	14,790,926	
Options issued pursuant to the Company's Executive Option as announced to the Australia Securities Exchange on 6 February 2014:			
Class – BBGAS		1,200,000	1
The following entities hold 20% or more of these securities:			
Class – BBGAS	Patrick M, Tenore, Jr	1,200,000	

Substantial Holders

As at 30 September 2015 the names of substantial holders in the Company who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are set out below:

Ordinary Shares	**Number**	**Percentage**
CCP II Dutch Acquisition – E, B.V.	190,526,502	19.24%
OCM Clean Wave Holdings B.V.	190,526,499	19.24%
Gordon Stanley Merchant	116,524,429	11.77%

Voting Rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares
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.

(b) Options
No voting rights.

Stock Exchange Listing
The shares of the Company are listed under the symbol BBG on the Australian Securities Exchange. The Company's home branch is Sydney.

Shareholder Enquiries
If you are a shareholder with queries about your holdings you should contact the Company's Share Registry as follows:

Computershare Investor Services Pty Limited
GPO Box 2975
MELBOURNE VIC 3001

Telephone Australia:	1300 850 505
Telephone International:	+61 3 9415 4000
Fax:	+61 3 9473 2500
Email:	web.queries@computershare.com.au

Become an Online Shareholder
You can also access your current shareholding and update your details online. To register, you should visit the share registry at and enter your personal securityholder information (e.g. Holder Identification Number (HIN) or Securityholder Reference Number (SRN)) and postcode, then click on 'Submit' and follow the prompts.

Change of Address
Issuer sponsored shareholders should notify the share registry immediately upon any change in their address quoting their Securityholder Reference Number (SRN) either in writing or online. Changes in addresses for broker sponsored holders should be directed to the sponsoring brokers with the appropriate Holder Identification Number (HIN).

Dividends
If a dividend is declared the payments may be paid directly into your nominated financial institution in Australia, New Zealand, United Kingdom or United States. Dividend payments are electronically credited on the dividend payment date and confirmed by payment advices mailed directly to your registered shareholder address. Application forms are available from our Share Registry or update your details online.

If you have not provided direct credit instructions to have your dividend paid directly into a nominated financial institution or you do not have your shareholding registered in one of the above four countries, then you will receive an Australian dividend cheque.

Billabong International Limited also pays dividends by local currency cheque to shareholders who maintain a registered address in the following jurisdictions:

Europe – Euro, Hong Kong - $HK, Japan- Yen, New Zealand - $NZ, United Kingdom – GBP, and United States - $US.

Dividend Reinvestment Plan
The Board has not declared a final ordinary dividend for the year ended 30 June 2015. The Dividend Reinvestment Plan (DRP) remains suspended.

Annual Report
The latest Annual Report can be accessed from the Company's corporate website at www.billabongbiz.com. If you are a shareholder and you wish to receive a hard copy of the Annual Report, please contact our Share Registry or update your details online

Tax File Numbers (TFN)
Billabong International Limited is obliged to deduct tax from unfranked or partially franked dividends paid to shareholders registered in Australia who have not provided their TFN to the Company. If you wish to provide your TFN, please contact the Share Registry or update your details online.

Consolidation of Multiple Shareholdings
If you have multiple shareholding accounts that you wish to consolidate into a single account, please advise the Share Registry in writing. If your holdings are broker sponsored, please contact the sponsoring broker directly.

Other Shareholder Information
Visit the Company's corporate website at www.billabongbiz.com for the Company's latest information.

GROUP OPERATING CENTRES

Australia
GSM (Operations) Pty Ltd
ACN 085 950 803
Head Office & Queensland Office
1 Billabong Place
PO Box 283
Burleigh Heads QLD 4220 Australia
PH: +61 7 5589 9899
FAX: +61 5589 9800

Brazil
GSM Brasil LTDA
Incorporated in Brazil
Rua Natividade 139
Sao Paulo SP CEP 04513 - 020 Brazil
PH: +55 11 3618 8600
FAX: + 55 11 3618 8636

Canada
GSM (Canada) Pty Ltd
5825 Kieran Street
Ville St Laurent
Quebec H4S 0A3 Canada
PH: + 1 514 336 6382
FAX: + 1 514 336 1753

France
GSM (Europe) Pty Ltd
100 Avenue Des Sabotiers
ZA De Pedebert 40150
Soorts - Hossegor France
PH: + 33 55843 4205
FAX: + 33 55843 4089

Hong Kong
BBG Asia Pty Ltd
Units 1-7 & 11-15, 27/F.,
Langham Place Office Tower,
8 Argyle Street, Mongkok, Kowloon,
Hong Kong
PH: +852 2439 6676
FAX: + 852 2439 6007

Indonesia
PT Billabong Indonesia
Incorporated in Indonesia
Istana Kuta Galleria Block Techno 12A - B
Jalan Patih Jelantik
Kuta Bali 80361 Indonesia
PH: +62 361 769157
FAX: +62 361 769158

Japan
GSM (Japan) Limited
Incorporated in Japan
4-3-2 Ohtsu - Grand Building 6F
Bakuro - Machi Chuo -Ku
Osaka Japan 541-0059
PH: + 81 6 4963 6170
FAX: + 81 6 4963 6171

New Zealand
GSM (NZ Operations) Limited
Incorporated in New Zealand
Units A1 and A3
63 Apollo Drive, Albany
Auckland 0632 New Zealand
PH: + 64 9 475 0888
FAX: + 64 9 414 5039

Singapore
GSM Trading (Singapore) Pty Ltd
8 Jalan Kilang Timor #03 - 05
Kewalram House
Singapore 159305
PH: + 65 6270 9181
FAX: + 65 6270 0127

South Africa
GSM Trading (South Africa) Pty Ltd
2A Da Gama Road
Jeffreys Bay Eastern Cape
6330 South Africa
PH: + 27 42 200 2600
FAX: + 27 42 293 2478

USA
Burleigh Point Ltd
Incorporated in California
117 Waterworks Way
Irvine CA 92618 USA
PH: + 1 949 753 7222
FAX: + 1 949 753 7223

BILLABONG

ELEMENT

RVCA

KUSTOM

PALMERS

HONOLUA SURF CO.

XCEL

sector 9

VONZIPPER

tigerlily