Billabong International Limited

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ASX ANNOUNCEMENT

ANNUAL GENERAL MEETING AND ANNUAL REPORT

GOLD COAST, 17 October 2016: The attached following documents will be despatched to shareholders today:

- Notice of Meeting
- Explanatory Memorandum
- Proxy Form
- Full Financial Report and Shareholder Review

TRACEY WOOD
COMPANY SECRETARY

BILLABONG INTERNATIONAL LIMITED ABN 17 084 923 946

NOTICE OF ANNUAL GENERAL MEETING 2016 AND EXPLANATORY MEMORANDUM

Notice is given that the 2016 Annual General Meeting of Billabong International Limited is to be held at 10.00 am (Queensland time) on Tuesday, 22 November 2016 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

17 October 2016

Dear Fellow Shareholder,

I am pleased to extend to you an invitation to participate in the 2016 Annual General Meeting of Billabong International Limited ("**Billabong**" or the "**Company**").

The meeting will commence at 10.00am (Queensland time) on Tuesday, 22 November 2016 at the Gold Coast Convention and Exhibition Centre, Level 1, Meeting Room 5, 2684-2690 Gold Coast Highway, Broadbeach, Queensland.

In the 2015-16 financial year the team remained focused on the global implementation of our seven-part strategy. We continued to prioritise our four key projects - Omni Channel, Sourcing & Supply Chain, Distribution & Logistics and Concept to Customer. These, when fully implemented, will provide the platforms to underpin the continued growth of our brands.

Despite operational progress and significant reductions in our costs of doing business, the financial results of the group were behind those of the prior year, principally impacted by reduced gross margins and higher tax expense.

This booklet includes the Notice for the 2016 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 9.00am. 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 10.00am (Queensland time) on Sunday, 20 November 2016.

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, 22 November 2016 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 2016 and the related Directors' Report and Auditor's Report.

Re-election of Directors

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

1. That Mr. Jason Mozingo, who retires in accordance with Articles 6.3(b) and (c) 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:

2. That the Remuneration Report for the year ended 30 June 2016 be adopted.
   (Note: the vote on this resolution is advisory and does not bind the Directors or the Company).

Approval and Adoption of the Billabong International Limited Executive Incentive Plan

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

3. To approve and adopt the Billabong International Limited Executive Incentive Plan, the terms and conditions of which are summarised in the Explanatory Memorandum accompanying this Notice of Meeting, and to approve the issue of equity securities under the Billabong International Limited Executive Incentive Plan for all purposes, including ASX Listing Rule 7.2, Exception 9.

Award of Share Options 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. To approve the grant of 2,571,100 options to Mr. Neil Fiske pursuant to the Billabong International Limited Executive Incentive Plan and the issue of shares on the exercise of those options for the purposes of ASX Listing Rule 10.14 and for all other purposes, 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.

Approval of termination benefits provided under the Billabong International Limited Executive Incentive Plan

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

5. That approval be given for the purposes of sections 200B and 200E of the Corporations Act 2001 (Cth) for the giving of benefits under the Billabong International Limited Executive Incentive Plan to any current or future personnel who hold a managerial or executive office in the Company or a related body corporate in connection with that person ceasing to hold a managerial or executive office in the Company or a related body corporate, on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting.

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 2, 3, 4 and 5, 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 2, 3, 4 and 5, 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 2, 3, 4 and 5 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 10.00am (Queensland time) on Sunday, 20 November 2016.

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 2, 3, 4 and 5), 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 2016 are set out on page 18 of the Remuneration Report for the year ended 30 June 2016 contained in the Company's 2015-16 Full Financial Report.

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

Resolution 2 – Remuneration Report

The Company will disregard any votes cast on Resolution 2:

- by or on behalf of a person who is one of the Company's KMP (including the Directors), whose remuneration is included in the Remuneration Report for the year ended 30 June 2016, 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 2:

- 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 3 - Approval and Adoption of the Billabong International Limited Executive Incentive Plan
Resolution 4 - Award of Share Options to Mr. Neil Fiske

The Company will disregard any votes cast on Resolutions 3 and 4:

- by or on behalf of Mr. Neil Fiske and any of his associates (regardless of the capacity in which the vote is cast);
- by or on behalf of a person who is one of the Company's KMP (including the Directors), a closely related party of the KMP, or any of their 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 3 and 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, even if the resolution is connected, directly or indirectly, with the remuneration of the KMP.

Resolution 5 - Approval of termination benefits

The Company will disregard any votes cast on Resolution 5:

- by or on behalf of a person who is one of the Company's KMP (including the Directors), a closely related party of that KMP, or any of their associates (regardless of the capacity in which the vote is cast);
- by or on behalf of a person who may be entitled to receive a benefit in connection with that person's retirement from office, or position of employment, the subject of Resolution 5, or an associate of that person; 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 5:

- 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, even if the resolution is connected, directly or indirectly, with the remuneration of the KMP.

If any shareholder is an employee or Director of Billabong International Limited or a related body corporate, a potential employee or Director, or an associate of an employee or Director, and wishes to preserve the benefit of this resolution for that person, they should not vote on the resolution, or they will lose the benefit of the resolution as a result of the operation of the
Corporations Act.

IMPORTANT FOR RESOLUTIONS 2, 3, 4 OR 5 IF YOU APPOINT THE CHAIR OF THE MEETING AS YOUR PROXY

If you appoint the Chair of the Annual General Meeting (AGM) as your proxy on Resolutions 2, 3, 4 and 5, and you do not direct your proxy how to vote on Resolutions 2, 3, 4 and 5, you will be expressly authorising the Chair of the AGM to exercise your proxy, even if the resolution is connected, directly or indirectly, with the remuneration of the KMP. The Chair of the meeting intends to vote all undirected proxies in favour of each item of business.

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 10.00am (Queensland time) on Sunday, 20 November 2016.

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 17 October 2016 and forms part of the Notice of Meeting.

The purpose of this Explanatory Memorandum is to provide shareholders with information that the Billabong International Limited Board ("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 2016 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 2015-16 Full Financial Report on Billabong's website at www.billabongbiz.com.

Resolution 1 – Re-election of Director

Mr. Jason Mozingo, having been appointed as a Non-Executive Director on 4 November 2013, retires in accordance with Articles 6.3(b) and (c) of the Company's Constitution. Being eligible, Mr. Mozingo offers himself for re-election.

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. In addition to Billabong, he serves as a Director of P.F. Chang's, CraftWorks Restaurants & Breweries, Heartland Food Products Group and Bluestem Group. Mr. Mozingo is also on the Board of Trustees of the International Council of Shopping Centers (ICSC).

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

Board Recommendation
The Board (in the absence of Mr. Jason Mozingo), unanimously recommends that shareholders vote in favour of the re-election of Mr. Jason Mozingo. The Chair of the meeting intends to vote undirected proxies in favour of Resolution 1.

Resolution 2 – 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 retire and may stand for re-election.

The Remuneration Report is set out on pages 15-31 of the Directors' Report in the Company's 2015-16 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 2. The Chair of the meeting intends to vote undirected proxies in favour of Resolution 2.

Resolution 3 – Approval and Adoption of the Billabong International Limited Executive Incentive Plan

Overview of the Billabong International Limited Executive Incentive Plan
The Board operates an Executive Incentive Plan ("Plan") under which equity awards (comprising of Rights and/or Options) may be granted to eligible employees, including the Chief Executive Officer and Managing Director ("CEO and MD") and other key executives. Grants of equity awards under the Plan may also be made to individuals below the executive level that are high performers or critical to the operation and long-term performance of the Company's business.

The Plan is the Company's principal vehicle for granting long term incentive ("LTI") awards which for the 2016-17 financial year, comprise Options which are proposed to be granted as a combination of Market Priced Options ("MPOs") and Premium Priced Options ("PPOs") which vest based on ongoing employment after 3 years.

Following vesting, Options may be exercised upon payment of the relevant exercise price. MPOs have an exercise price set at the higher of $1.23 (being the share price at the time the Board determined the number of Options to be granted to Plan participants for 2016-17) and market value (being the volume weighted average price of the Company's shares over the five trading days immediately prior to grant) and PPOs have an exercise price set at a 50% premium to the exercise price of the MPOs. The exercise price serves as a share price hurdle for the awards.

Further details on the Options to be granted to the CEO and MD for the 2016-17 financial year are set out in the details of Resolution 4 outlined below.

The Plan also supports the Company's short term incentive ("STI") plan by deferring a component of the STI outcome for each financial year (measured over a 12 month performance period) into Rights to receive shares in the Company upon vesting. Details of the Company's STI plan are set out on pages 24 to 25 of the Company's 2016 Remuneration Report. In general, 25% of each participant's overall STI outcome will be delivered in Rights which vest provided the participant remains employed over a 24 month deferral period.

The primary objectives of the Plan are to:

- assist in the attraction, retention and motivation of key employees;
- deliver rewards to Plan participants for individual and Company performance;
- focus Plan participants on Billabong's long term performance and drive long term shareholder value creation;
- align Plan participants' remuneration outcomes with shareholder interests; and
- provide Plan participants with remuneration that is competitive, recognises that Billabong is a global company and the need to take account of international market practice, particularly in North America and takes into account the circumstances of the Company.

ASX Listing Rule 7.1 provides that an ASX listed entity must not issue equity securities that total more than 15% of its fully paid ordinary shares in a 12 month period without shareholder approval (**15% Rule**).

Under Listing Rule 7.2, shareholders may approve the issue of equity securities under an employee incentive scheme as an exception to the 15% Rule. If such approval is obtained, any Options or Rights granted under the Plan (and shares allocated upon vesting and exercise of those Options and Rights) would not be counted towards the Company's capacity to issue securities under the 15% Rule.

This approval continues for 3 years, at which time it must be renewed, or it will expire. In the absence of such an approval, issues of securities under the Plan may still be made, but must fall within the 15% Rule at the time of issue.

In the Board's opinion, the resolution will assist the Company in managing its capital requirements efficiently by ensuring that the 15% limit is not diminished by issues under the Plan and capacity is available for capital management initiatives and acquisitions, if necessary and appropriate.

In addition, the Company is required to obtain shareholder approval of the Plan in order to offer awards under the Plan to employees of its subsidiaries in California under an exemption from securities law registration requirements that is available pursuant to Section 25102(o) of the California Corporate Securities Laws of 1968, as amended.

Key terms of the Plan

A summary of the key terms of the Plan are set out below.

Why is shareholder approval being sought?

TERM	DETAIL
Purpose	The Plan will operate to allow the Board to grant equity awards in the form of Options and Rights as part of the LTI and deferred STI components of an individual's remuneration, as determined by the Board from time to time.
Type of awards	Each Option entitles the participant to receive one ordinary share in the Company upon satisfaction of the vesting conditions, as determined by the Board, and payment of a pre-determined exercise price per Option (which will depend on whether the Option is a MPO or a PPO). Each Right is a right to receive one ordinary share in the Company upon satisfaction of the vesting conditions, as determined by the Board. Each Plan grant will specify the minimum and maximum number or value of shares in the Company that the participant may receive upon vesting and exercise, as relevant.
Eligible participants	The Board may grant Options or Rights to executives and other selected employees of the Company. Participants may include executive directors, full-time and part-time employees, and any other person the Board considers eligible, as determined appropriate by the Board (other than non-executive directors who will not be eligible to participate in the Plan). The Company intends to seek shareholder approval for participation of any executive directors in the Plan (refer to Resolution 4).
Vesting conditions	The Board may determine vesting conditions, which may include performance and/or service conditions that must be satisfied before the Options or Rights vest (and in the case of Options, may be exercised). Any vesting conditions will be measured and tested over a vesting period determined by the Board. The Plan provides the Board with the ability to review and adjust the vesting (including performance) conditions that may apply from time-to-time, to ensure they remain appropriate for the business at the time of each grant.
Other terms	The Board may determine the terms of any Options or Rights granted under the Plan, including the price payable to receive a grant or upon exercise (for Options), and any lapsing conditions.

TERM	DETAIL
Entitlements	Options and Rights do not carry any dividend or voting rights. Options and Rights are also non-transferable, except in limited circumstances or with the consent of the Board.
Allocation of shares upon vesting and/or exercise	The Company may issue new shares or procure the acquisition of shares on-market to satisfy vested Rights or vested and exercised Options. The Company may operate an employee share trust to acquire, hold or provide shares for the purposes of the Plan. No trading restriction will be placed on shares allocated in accordance with the Plan, subject to the Company's Securities Trading Policy, unless the Board determines otherwise.
Cessation of employment	Where a participant ceases employment with the Company before the end of the performance or vesting period (as applicable), any unvested Options or Rights will generally 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 any unvested Options or Rights, which may include that some or all of the unvested Options or Rights are tested (where applicable, against any relevant performance conditions) and vest either at cessation or at the end of the performance or vesting period (as applicable). In determining the number of Options or Rights that vest, the Board may have regard to the portion of the performance or vesting period (where applicable) that has elapsed at the time of cessation. Vested Options held at the time of cessation (including those that vest in accordance with the above) must be exercised within 90 days of cessation, or such other period as determined by the Board.
Change of control and divestments	Where a change of control event occurs, the Board has discretion to determine whether any unvested Options or Rights should ultimately vest, lapse, become subject to different vesting conditions, or be settled in shares, cash or securities other than shares. In making such a determination, the Board may have regard to any factors that the Board considers relevant, including the vesting period elapsed at the time of the event, the extent to which any applicable vesting conditions have been satisfied at the time of event and the circumstances of the event. Any vested Options held at the time of a change of control event (including those that vest in accordance with the above) may be exercised (and shares allocated) within 30 days of the change of control event. The Company also has specific rules in relation to divestments, with the Board having the discretion to determine an appropriate treatment for participants in the event of the divestment of a material part of the business.
Clawback	In the event of fraud, dishonesty or material misstatement of financial statements, the Board may: • make a determination, including lapsing unvested Options or Rights, or 'clawing back' shares allocated upon vesting (and in the case of Options, valid exercise), to ensure that no unfair benefit is obtained by a participant; or • reconsider the level of satisfaction of the applicable vesting conditions and reinstate and vest any Options or Rights that may have lapsed to the extent that the Board determines appropriate in the circumstances.
Adjustment of awards	The Board has discretion to adjust the number of Options or Rights held by a participant in the event of a variation of capital or other corporate transaction, to ensure participants do not enjoy a windfall gain or suffer a material detriment as a result of the variation, and in accordance with the ASX Listing Rules. The exercise price payable to exercise vested Options may also be adjusted in accordance with the ASX Listing Rules.
Administration of Plan	The Plan may be administered either by the Board or an external party, including using a trust to acquire, hold, or provide shares to satisfy the awards. The Board is given the power to make all required determinations under the Plan and to waive or modify the application of the terms of the Plan and the Options or Rights granted under it as it considers appropriate.
Other information	This is the first year that this Plan has been put to shareholders for approval. The Company has not previously issued new securities under the Plan and has to date satisfied any vested Rights through securities purchased on market.

Offers outside Australia	The Board may make offers under the Plan to employees based outside Australia. As each country may have different requirements from a legal and tax perspective, the Plan allows the Board to adopt special terms and conditions for a grant, and to amend or supplement the rules of the Plan to facilitate the operation of the Plan in those jurisdictions. In this regard, for offers of Options or Rights under the Plan to employees in California, the following additional terms will apply: (i) no more than 30 million Options, Rights or shares will be issued under the Plan to employees in California without returning for shareholder approval; (ii) Options and Rights are non-transferable, other than by will or the laws of descent and distribution, or as permitted by applicable U.S. securities laws, (iii) the number of shares subject to Options and Rights and the exercise price of Options will be proportionately adjusted in the event of specified distributions of the Company's shares without the receipt of consideration by the Company; (iv) all Options will be granted, and shares issuable pursuant to Rights will be issued, within 10 years from the date of this shareholder approval of the Plan pursuant to Resolution 3; and (v) except where a participant is terminated for cause, vested Options may be exercised for at least 30 days following cessation of employment, or six months if termination is due to death or disability. Please note that the above maximum number of Options, Rights or shares that maybe granted to employees in California is included due to local law requirements and includes a contingency for the possible inclusion of future Californian participants, albeit that the Company has no present intention to grant the maximum number of Options, Rights or shares during the next 3 years.

A copy of the Plan Rules, including any supplement thereto for a jurisdiction outside Australia, will be available for inspection at the Company's registered office during normal business hours.

A voting exclusion statement, applicable to Resolution 3, is set out in the Notice of Meeting.

Board Recommendation
The Board unanimously recommends that shareholders vote in favour of Resolution 3.

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

Overview of Options grant under LTI component of remuneration
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 ("HRRC") and the Board in setting Mr. Fiske's remuneration and providing him with an equity-based LTI award under the Plan for the 2016-17 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 recognises that Billabong is a global company and the need to take account of international market practice, particularly in North America, where the CEO of the Company now needs to be based.

The Board and HRRC have recently completed a review of equity awards made to executives under the Plan (including Mr. Fiske) and for the 2016-17 financial year, have resolved to make grants of Options over shares in the Company to eligible executives, with vesting subject to continued employment over the vesting period. The Board considers a combination of Market Priced Options ("MPOs") and Premium Priced Options ("PPOs") to be most appropriate for Mr. Fiske's LTI grant for the following reasons:

- Options provide a strong incentive to increase shareholder wealth;
- Having the majority of Mr. Fiske's award in the form of PPOs provides an additional incentive for out-performance;
- The use of options with no additional performance conditions for all LTI plan participants, including Mr. Fiske, provides a simple incentive mechanism, which is consistent amongst the executive team.

The Board has decided that this issue of options should be made with no additional performance conditions because;

- the long term nature of the Company's major restructuring projects and the deferred and non-linear emergence of the financial benefits from them;
- the rate of change in the industry;
- the absence of appropriate listed comparator companies; and
- the exposure of the Company's results to currency changes, means that despite significant progress in the execution of the Company's seven-part strategy, the explicit point in time Earnings Per Share and Total Shareholder Return hurdles of previous LTIP grants have not been satisfied and do not presently reflect optimum alignment between executive performance and shareholder value.

This year's award is intended to be less exposed to the above vagaries and more directly aligned to the value created over the next 3 year period for shareholders. The CEO and other executives will only be well rewarded under this option Plan if shareholders also see a substantial percentage increase in the value of their shares.

It is proposed that a grant of Options be made to Mr. Fiske as the long term incentive ("LTI") component of his remuneration, under the terms of the Plan. For the 2016-17 financial year, Mr. Fiske is entitled to receive an LTI grant of 125% of his total fixed remuneration. A summary of the key terms of the LTI grant is set out below.

An overview of the Plan can be found in the Explanatory Memorandum to Resolution 3 – Approval and Adoption of Billabong International Limited Executive Incentive Plan.

Why is shareholder approval being sought?
ASX Listing Rule 10.14 requires shareholder approval in order for a director to be issued equity securities in the Company under an employee incentive scheme.

Accordingly, shareholders are asked to approve a grant of Options to Mr. Fiske under the Billabong International Limited Executive Incentive Plan on the terms and conditions set out in this Explanatory Memorandum.

Approval of this resolution will also result in the Options granted to Mr. Fiske being an exception to ASX Listing Rule 7.1 (refer to Resolution 3 – Approval and Adoption of Billabong International Limited Executive Incentive Plan).

Further details of Mr. Fiske's executive remuneration package can be found on pages 21 to 30 of the Annual Report.

Key terms of the Options grant

A summary of the key terms of the proposed grant to Mr. Fiske is set out below.

TERM	DETAIL
Details of the proposed grant	Approval is being sought to grant Mr. Fiske up to: • 771,330 MPOs (equating to 30% of the total number of Options to be granted), where the exercise price payable in order to receive shares in the Company will be the higher of $1.23 (being the share price at the time the Board determined the number of Options to be granted to Mr. Fiske) and market value (being the volume weighted average price of the Company's shares over the five trading days immediately prior to grant). • 1,799,770 PPOs (equating to 70% of the total number of Options to be granted), where the exercise price payable in order to receive shares in the Company will be set at a 50% premium to the exercise price of the MPOs. Each MPO or PPO allows Mr. Fiske to receive one share in the Company, subject to meeting the applicable vesting conditions and payment of the relevant exercise price. The number of Options has been calculated taking into account (a) the AUD value of Mr. Fiske's contractual annual LTI entitlement; (b) the expected future value of each Option in 3 years' time assuming the Company's strategy is successfully executed, less the exercise price; and (c) the relative outcomes from this options Plan and the previous performance rights plan under various scenarios. Mr. Fiske's remuneration arrangements are disclosed in the Remuneration Report and shareholders approved the terms of his 2015-16 financial year long term incentive at the 2015 Annual General Meeting. Options do not carry any dividend or voting rights. Options are non-transferable, except in limited circumstances or with the consent of the Board.
Date of grant	If shareholder approval is obtained, the Options will be granted to Mr. Fiske shortly after the AGM, but in any event, within 12 months of the date of the meeting.
Vesting period	Options will vest after 3 years from the date of grant, subject to meeting the vesting conditions. Any Options that do not vest will lapse.
Vesting conditions	Mr. Fiske must remain in employment with the Company at the vesting date for the Options to vest. No performance conditions are attached to the Options for the following reasons: • Options will not deliver any value to Mr. Fiske unless the Company's share price exceeds the exercise price (which is referenced to share price at the start of the vesting period or $1.23 (whichever is higher)) – this strengthens Mr. Fiske's focus on share price growth over the relevant periods; • 70% of the total number of Options to be granted to Mr. Fiske will be in the form of PPOs with an exercise price set at a 50% premium to exercise price of the MPOs. This format of option structure will provide a significant incentive to Mr. Fiske to focus on the Company's performance over the relevant period.
Exercise price	Vested Options may be exercised by Mr. Fiske upon payment of the relevant exercise price (which will differ between MPOs and PPOs): • MPOs – the exercise price will be the higher of $1.23 (being the share price at the time the Board determined the number of Options to be granted to Mr. Fiske) and market value (being the volume weighted average price of the Company's shares over the five trading days immediately prior to grant). • PPOs – the exercise price will be calculated as 150% of the exercise price for the MPOs. The exercise price for MPOs and PPOs will only be set at the time of grant. No amount will be payable in respect of the allocation of Options. Mr. Fiske has the ability to opt for a cashless exercise process. Where Mr. Fiske elects for cashless exercise to occur, Mr. Fiske will be issued with a lower number of shares. The number of shares issued in this instance will be calculated by determining market value of the shares which would be issued in respect of the vested Options to be exercised, reduced by the total exercise consideration which would otherwise be payable if Mr. Fiske did not opt for cashless exercise, divided by the market value per share at the time of exercise.
Exercise period	Options may be exercised from the date of vesting until the date which is the earlier of: • 6 months from the vesting date (i.e. 3.5 years from the date of grant), excluding any period after the vesting date during which Mr. Fiske is unable to exercise the Options due to the Company's Securities Trading Policy (i.e. during Closed Trading Periods) or due to other periods of restricted trading as determined by the Board outside of the Closed Trading Periods (i.e. due to Mr. Fiske being in possession of inside information (i.e. unpublished price sensitive information)); and • 1 year from the vesting date (i.e. 4 years from the date of grant). Options that have not been exercised within the period(s) outlined above will lapse.

TERM	DETAIL
Allocation of shares upon exercise	One fully paid share in the Company will be allocated in relation to each exercised Option subject to the cashless exercise provisions outlined above. The Company's obligation to allocate shares on vesting may be satisfied by issuing new shares, acquiring shares on market or transferring shares from an employee share trust.
Trading restrictions	Shares allocated on vesting and exercise of Options will not be subject to any further trading restrictions, subject to complying with the Company's Securities Trading Policy.
Cessation of employment	Where Mr. Fiske ceases employment with the Company before the Options vest, those unvested Options will generally 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 any unvested Options, which may include that some or all of the unvested Options vest either at cessation or at the end of the original vesting date. In determining the number of Options that vest, the Board may have regard to the portion of the vesting period that has elapsed at the time of cessation. Vested Options held at the time of cessation (including those that vest in accordance with the above) must be exercised within 90 days of cessation, or such other period as determined by the Board.
Other information	No other director of the Company is eligible to participate in the Plan or any other employee incentive scheme of the Company. Since the 2015 AGM, 679,255 Rights were granted to Mr. Fiske for no consideration, as approved by shareholders. There is no loan scheme in relation to the grant of Options under the Plan.

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

Board Recommendation
The Board (other than Mr. Fiske who abstains from making a recommendation because of his interest in the resolution) unanimously recommends that shareholders vote in favour of Resolution 4.

Resolution 5 - Approval of termination benefits provided under the Billabong International Limited Executive Incentive Plan

Why is shareholder approval being sought?
The Corporations Act restricts the benefits which can be given to certain individuals (those who hold a managerial or executive office, as defined in the Corporations Act) on cessation of their employment with the Company and its related bodies corporate.

Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the Company or a related body corporate if it is approved by shareholders or an exemption applies.

The provisions of the Corporations Act relating to termination benefits (which were amended in 2009) impose a cap on termination benefits that can be given without prior shareholder approval. The terminations benefits cap applies to all key management personnel of the Company (that is, to all persons whose remuneration is required to be disclosed in the Billabong Remuneration Report), which also includes executive directors of the Company and its subsidiaries ("KMP").

In 2013, the Board adopted the Billabong International Limited Executive Incentive Plan ("Plan") under which the Board may grant equity awards to senior executives in the form of Options and/or Rights.

Each Option entitles the participant to receive one ordinary share in the Company upon satisfaction of the vesting conditions, as determined by the Board, and payment of a pre-determined exercise price per Option. Each Right is a right to receive one ordinary share in the Company upon satisfaction of the vesting conditions, as determined by the Board. A summary of the Plan, including the terms of the Options and Rights that may be granted under the Plan, is set out in the Explanatory Memorandum to Resolution 3 of this Notice of Meeting.

The Plan, which allows for the grant of Options and Rights, forms a key element of the Company's incentive and retention strategy. This includes:
- Grants of long term incentive equity awards ("LTI awards"). For the 2016-17 financial year, LTI awards will be delivered in the form of Options which vest and become exercisable based on ongoing employment for a 3 year vesting period.
- Delivery of a portion of short term incentive award outcomes that would otherwise be paid in cash, into equity ("Deferred STI awards"). For 2016-17 financial year short term incentive outcomes, Deferred STI awards will be delivered in Rights which will only vest into Shares if the executive remains employed for up to a further 2 years.

In general, where a participant ceases employment before the end of the relevant performance or vesting period, unvested LTI and Deferred STI awards will lapse. However, in exceptional circumstances (for example, ill health, death or other circumstances approved by the Board), the Board may in its absolute discretion, determine the applicable treatment of the LTI and Deferred STI awards, which may include that a pro-rata number of the unvested awards vest at the time of cessation, based on the portion of the performance or vesting period, as relevant, that has elapsed at the time of cessation and the degree to which the performance or vesting conditions, as relevant, have been achieved.

The Board may be prevented by the new termination benefits cap from exercising its discretion in these circumstances, unless shareholder approval is obtained.

What is the Company seeking approval for?
Shareholder approval is being sought for the purposes of sections 200B and 200E of the Corporations Act to allow any termination benefits that may be provided to a participant in the Plan under the terms of the Plan, in addition to any other termination benefits that may be provided to a KMP of the Company without the need for shareholder approval under the Corporations Act.

Shareholder approval was received for these purposes at the 2013 AGM, for a period of 3 years (until the 2016 AGM). The Company now seeks approval for a further 3 years on the same basis (until the 2019 AGM).

If shareholder approval is obtained, it will give the Board the flexibility to vest unvested LTI or Deferred STI awards of senior executives who cease employment in certain "good leaver" scenarios.

Approval is being sought in respect of any current or future personnel, who hold a managerial or executive office in the Company or a related body corporate at the time of their termination or at any time in the 3 years prior to their termination, and who hold LTI or Deferred STI awards under the Plan at the time of their cessation, but only if the Board discretion is exercised during the period commencing on the date of the 2016 Annual General Meeting and ending at the close of business on the date of the 2019 Annual General Meeting.

That is, Resolution 5 is limited so that it only applies to Plan participants who from time to time hold a managerial or executive office (as defined in the Corporations Act) and who at the time of their termination hold unvested LTI or Deferred STI awards granted under the Plan and in respect of whom the Board exercises certain discretions under the Plan rules in that period.

Non-executive directors are not entitled to participate in the Company's LTI or STI arrangements and so this approval will not apply to them. If shareholder approval is obtained and the Board then exercises its discretion to vest a pro rata portion of an affected person's unvested LTI and/or Deferred STI awards, the value of the benefit will be disregarded when calculating the relevant individual's cap for the purposes of subsection 200F(2)(b) or subsection 200G(1)(c) of the Corporations Act.

In accordance with Listing Rule 10.19 the termination benefits that are or may be payable to any officer of the Company will not together exceed 5% of the equity interests of the Company unless further shareholder approval is obtained.

The Billabong International Limited Executive Incentive Plan
The Company will deliver its LTI and Deferred STI awards in the form of Options and/or Rights (as explained above). LTI and Deferred STI awards will vest provided the executive remains in employment for the entire vesting or deferral period (and any other vesting conditions set by the Board are satisfied).

The rules of the Plan contain provisions setting out the treatment of unvested LTI and Deferred STI awards following cessation of employment.

While the default position is that unvested LTI and Deferred STI awards will lapse on cessation, the rules give the Board a discretion to determine a different treatment where employment is terminated in exceptional circumstances, including a discretion to determine that a pro-rata number of the unvested LTI and Deferred STI awards vest at the time of cessation, based on the portion of the vesting period that has elapsed at the time of cessation and the degree to which any vesting conditions have been achieved.

The exercise of such discretion will constitute a benefit for the purposes of the termination benefits provisions of the Corporations Act. Accordingly, approval is being sought to provide the Board with the flexibility to exercise its discretion to determine the applicable treatment of the LTI and Deferred STI awards, which may include that a pro-rata number of the unvested awards vest at the time of cessation.

The Board is not obliged, and does not intend to exercise this discretion in all or even most cases. The discretion will only be exercised when the employee is terminated without fault on their part, for instance in the case death, ill health, genuine retirement, bona fide redundancy or where the Board determines that in all the circumstances it should exercise its discretion, such as an agreed cessation for an employee whose duties and responsibilities have changed substantially as a result of a restructure, and the Board reserves the right to vest less than a pro rata portion, not to exercise its discretion at all or to decide that vesting will occur in the ordinary course, subject to the satisfaction of the conditions imposed at grant. The Board will remain accountable to shareholders for the exercise of this discretion because any termination benefits paid to executive directors and other KMPs will be disclosed in the Company's Remuneration Report.

In determining whether to exercise its discretion in a particular case, the Board will take into account all relevant circumstances.

Particular factors which the Board may consider relevant in an individual case may include the executive's (and Company's) performance against applicable performance hurdles (where performance hurdles apply), satisfaction of other vesting conditions (which may include continued employment), as well as the executive's individual performance and the overall contribution that they have made during their time with the Company. In determining the portion of a grant which will vest, the Board may have regard to such factors as it considers relevant, which, for example, may include the period from the date of grant to the date of cessation, and/or the performance against any applicable performance conditions or satisfying other vesting conditions.

It can be reasonably anticipated that aspects of the Plan may be amended from time to time in line with market practice and changing governance standards and, where relevant, these changes will be reported in the Company's Remuneration Report. However, it is intended that this approval will remain valid for Board discretions exercised under the Plan and for allocations made between the 2016 Annual General Meeting and the 2019 Annual General Meeting of Billabong provided that at the time the allocation is made the Plan contains a discretion for the Board to vest a pro rata portion of a participant's unvested LTI and/or Deferred STI awards.

Value of the benefits
As noted above, the potential termination benefit that may be given to an affected executive under the Plan is pro rata vesting of unvested LTI or Deferred STI awards, or, if the Board decides that vesting will occur in the ordinary course, the value of keeping the equity "on foot" until their originally imposed test date, in the circumstances described above.

The value of these potential termination benefits cannot be ascertained in advance. This is because various matters, events and circumstances will or are likely to affect the calculation of the value. Specifically, the value of a particular benefit under the Plan will depend on factors such as the Company's share price at the time of cessation and the number of unvested Options and Rights that are held for an executive under the Plan at the time of their termination.

The following additional factors may also affect the value of the benefit:
- the circumstances in which termination occurs, including the length of service of the employee and the portion of any relevant performance or vesting periods that have expired at the date of termination; and
- the executive's total fixed remuneration at the time LTI grants are made under the Plan and when STI key performance indicators are determined.

In the case of Deferred STI awards, the value of the benefit will also be affected by the amount of STI that the Board determines to pay from year to year and the proportion of that STI that the Board decides to defer into equity.

A voting exclusion statement applicable to Resolution 5 is set out in the Notice of Meeting.

Board Recommendation
The Board (with Mr. Fiske abstaining) recommends that shareholders vote in favour of Resolution 5. The Chair of the meeting intends to vote all available proxies in favour of Resolution 5.

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 at the time of the Annual General Meeting.

Billabong International Limited

ABN 17 084 923 946

BBG

MR SAM SAMPLE
FLAT 123
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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

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(custodians) www.intermediaryonline.com

For all enquiries call:

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

Proxy Form

XX

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

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) Sunday, 20 November 2016

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

XX

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

☐ **the Chair of the Meeting** **OR** ______________________

PLEASE NOTE: Leave this box blank if you have selected the Chair 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 Chair 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, 22 November 2016 at 10:00am (Queensland time)** and at any adjournment or postponement of that Meeting.

Chair authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chair of the Meeting as my/our proxy (or the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on **Items 2, 3, 4 and 5** (except where I/we have indicated a different voting intention below) even though **Items 2, 3, 4 and 5** are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chair.

Important Note: If the Chair of the Meeting is (or becomes) your proxy you can direct the Chair to vote for or against or abstain from voting on **Items 2, 3, 4 and 5** 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.

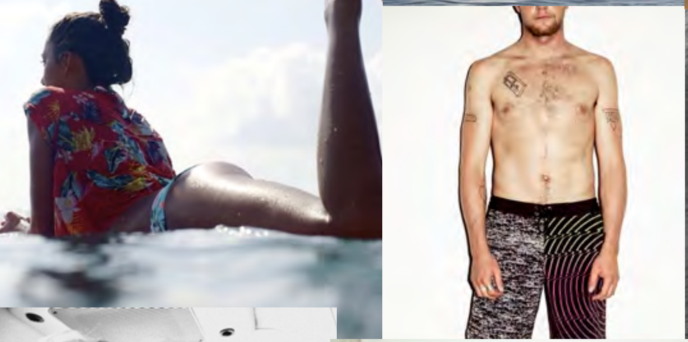
		For	Against	Abstain
1	Re-election of Director - Mr. Jason Mozingo	☐	☐	☐
2	Remuneration Report	☐	☐	☐
3	Approval and Adoption of the Billabong International Limited Executive Incentive Plan	☐	☐	☐
4	Award of Share Options to Mr. Neil Fiske under the Billabong International Limited Executive Incentive Plan	☐	☐	☐
5	Approval of termination benefits provided under the Billabong International Limited Executive Incentive Plan	☐	☐	☐

The Chair of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chair 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

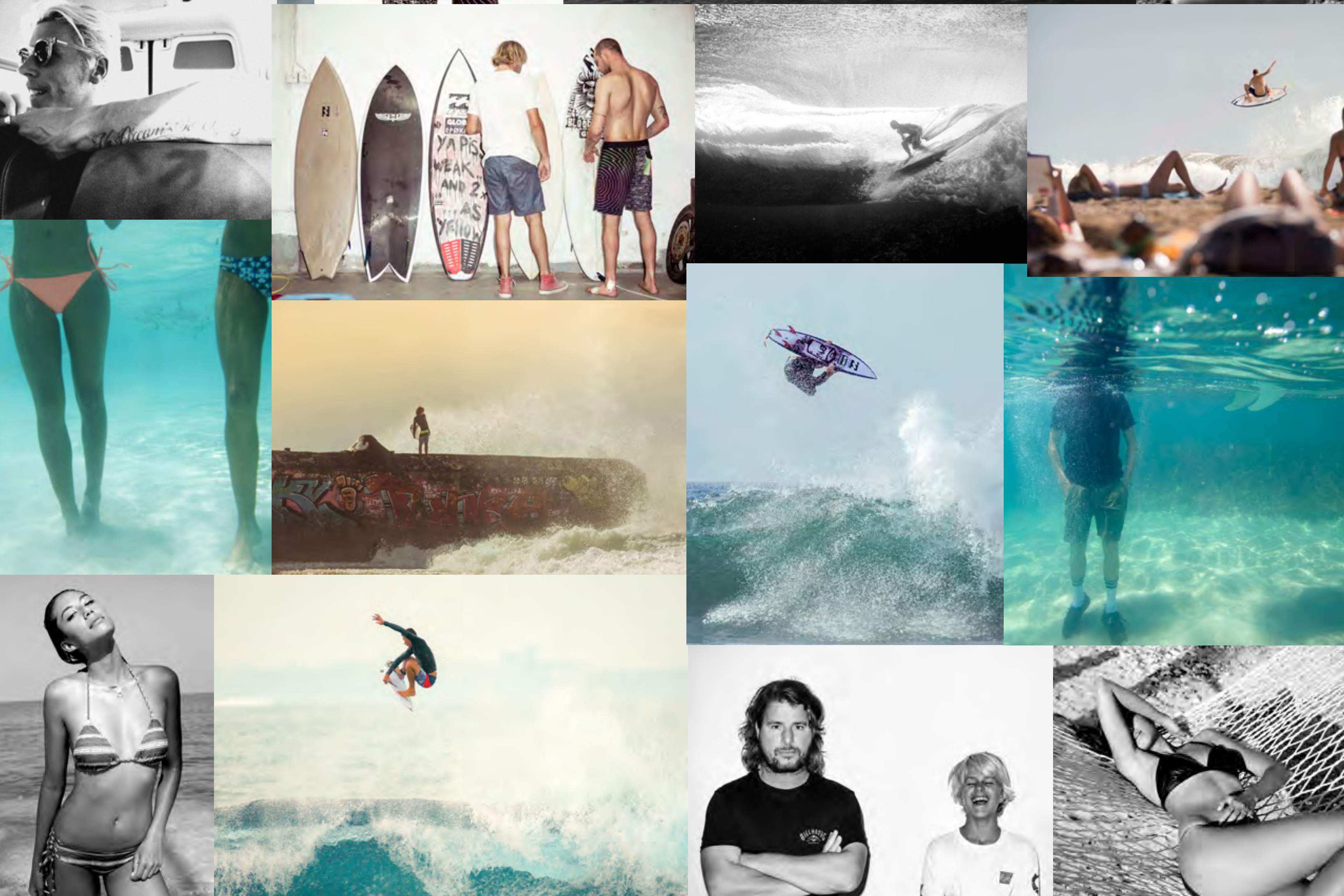
Contact Name ______________________ **Contact Daytime Telephone** ______________________ **Date** ____ / ____ / ____



BILLABONG

FULL FINANCIAL REPORT
SHAREHOLDER REVIEW
2015/2016

BILLABONG INTERNATIONAL LIMITED ABN 17 084 923 946



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SURFER / JACK ROBINSON / BILLABONG

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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

IN LAST YEAR'S CHAIR'S REPORT I REPORTED ON A YEAR OF MATERIAL PROGRESS IN THE REBUILDING OF THE COMPANY'S BUSINESSES AND A RETURN TO FULL YEAR PROFIT.

In 2015-16 the team remained focused on the global implementation of our seven-part strategy. We continued to prioritise our four big, transformational projects - Omni Channel, Sourcing & Supply Chain, Distribution & Logistics and Concept to Customer. These, when fully implemented, will provide the platforms to underpin the continued growth of our brands and a return to sound levels of profitability.

Neil Fiske's CEO Report covers the progress on the four key projects and the performance of our big three brands.

Results for the 2015-16 financial year
Despite operational progress and significant reductions in our costs of doing business, the financial results of the Group were behind those of the prior year, principally impacted by reduced gross margins and higher tax expense.

Total Group sales excluding discontinued operations were up 4.6% to $1.1 billion, but down 1.4% on a constant currency basis. The Group's three big brands continued to grow in a challenging environment. Measured in global wholesale equivalent revenue, including sales to our own retail and on a constant currency basis, Billabong brand was up 1.9%, Element 5.3% and RVCA 18.1%.

Comparable retail revenues (including both comparable Brick and Mortar and e-commerce) were up 1.8%. This includes a 52% increase in global e-commerce sales.

Group EBITDA excluding significant items and discontinued operations was $57.5 million, down 12.5% on the previous year. This result was substantially impacted by material increases in product cost and therefore reductions in gross margins as a result of the strength of the US dollar ($12 million of headwind in Asia Pacific and $5 million in Europe), along with higher mark downs in the Americas to reduce excess inventory. Despite this, EBITDA in Europe grew for the third successive year and APAC made up two-thirds of that $12 million through other initiatives. The results in the Americas were impacted by the need to clear surplus inventory, by reduced purchases by our major action sports retailer customers and by poor results from Sector 9 (since sold).

After significant items and after tax, the Group incurred a loss of $23.7 million compared with a profit of $4.2 million in the previous year. Of this $27.9 million turnaround, $20 million is accounted for by changes in the income tax expense. Neither year's income tax expense/benefit for accounting purposes is representative of the Group's income tax payments which increased this year by less than $1 million to $3.1 million.

The strong US dollar also increased our US dollar denominated debt and our interest costs on that debt in Australian dollar terms. As reported last year we have examined options for refinancing our debt but we will only do this once our underlying performance in both profit and cash flow improves, and other strategic considerations make a refinancing materially advantageous. We are not yet at that point.

Review of structure of long term incentive remuneration
In its Remuneration Report the Board indicated it would be reviewing the appropriateness of performance rights as the award vehicle for the long term incentives of senior management (other than Key Management Personnel) prior to the issuance of grants for the financial year ending 30 June 2017.

We have completed that review and have resolved to move all executives including the CEO from a plan based on performance rights to one based on options. The plan and the allocation of options to the CEO under it will be presented to shareholders for consideration and approval at the AGM.

IAN POLLARD

The plan and the Board's reasons for making and recommending the change are detailed in the Notice of Meeting of the AGM.

In summary, we believe that the revised plan structure will be more effective in the attraction, retention and motivation of key employees, deliver to the participants rewards appropriately aligned to the Company's performance and focus them on Billabong's strategy and shareholder value. The changes will better reflect the circumstances of the Company, especially its ongoing programme of major change and its extensive international footprint.

Shareholder Class Action
In July 2016 Billabong announced that it had agreed to settle the shareholder class action proceedings relating to historical market disclosures that occurred in 2011. That settlement is subject to court approval. The settlement has had no material financial impact on the Company's financial results at any time, nor will it impact our immediate or future cashflows or earnings reports. This matter has been a distraction during its currency so its resolution is a healthy development for the Company's focus on its project and performance agenda.

Board changes
Since our last annual report Dr Sally Pitkin has resigned as a Director and Amar Doshi resigned as Alternate Director to Jason Mozingo. On behalf of the Company I would like to acknowledge both their contributions, especially Sally's as a Director, as Chair of the Human Resources and Remuneration Committee and Chair of the Class Action Committee.

We are currently conducting a search for a new independent Director as a replacement for Sally.

Outlook and dividend
As advised at the time of the announcement of the 2015-16 financial year results, the Group results for the 2016-17 financial year will once again be significantly influenced by the strength of the key November/December retail trading in Asia Pacific and the implications of the consolidation and rationalisation occurring in the North American retail market.

The Company continues to be confident of its ability to manage those elements of the business and strategy that are within its control including brand performance, margin improvements and its costs of doing business. We expect the benefits of the project agenda to contribute to the year's results.

We do not anticipate there being a dividend in respect of the 2016-17 financial year.

– Ian Pollard

THE LAST YEAR HAS BEEN ONE OF SIGNIFICANT ACHIEVEMENTS SET AGAINST THE BACKDROP OF EXTRAORDINARY MARKET DISRUPTION AND DISLOCATION.

Our big three brands, Billabong, Element and RVCA, all grew.

Total comparable retail revenues, which includes ecommerce, posted gains in every region.

Europe's overall profitability grew for the third consecutive year.

We made our operating cost base more competitive, and we have significantly reduced restructuring costs.

Billabong grew its market share in both the United States and the Australian specialty retail channels, highlighting the brand's connection with its core market.

And collectively across our big three brands, social media engagement globally grew strongly, up 20%.

A challenging market

In a financial sense, this positive progress we made in respect of our seven-part strategy was offset by the macro and trading conditions we outlined at our last Annual General Meeting in November 2015.

Currency movements increased our cost of goods by a combined $17 million in the Asia-Pacific and Europe compared to the prior year, cutting sharply into gross margins.

Major restructuring and consolidation in the retail landscape affected big names like Pacific Sunwear, Sports Chalet, Sports Authority and Quiksilver, while other large action sports chains experience comparable store sales declines most of the year – all of which led to cutbacks in orders for our products and an excess of inventory in the market.

We also saw a sharp contraction in the long board segment of the skateboard market which led to a 37% sales decline at our former Sector 9 business, impacting the overall result in our largest market of the Americas.

Each of these disruptions had a common thread – they happened very fast and to a large extent they were outside our direct control.

Overall, we weathered this storm reasonably well.

We managed to offset some but not all of the currency impacts. The Asia-Pacific overcame most of a $12 million increase in product cost as a result of a lower Australian dollar against the US currency.

Sector 9 was a non-core asset for us and we sold the brand in June 2016 to further simplify our business.

By the end of the financial year we had largely pulled our inventory levels in the United States back into line, seeing an improved second half financial performance in our largest market compared to the first.

Growth of the big three brands

What is particularly encouraging is that, in some of the toughest conditions our sector has seen in recent years, we saw tangible gains from our strategy.

The essence of that strategy is to build global brands on global platforms.

And it is the big three brands where we have put both our focus and our attention.

In wholesale equivalent sales for the year, Billabong grew 1.9%, RVCA grew 18.1%, and Element grew 5.3%.

Including the followers of their athletes and advocates, total number of followers now exceed 26 million globally.

NEIL FISKE

Our Shareholder Review brand section also highlights the energy and activations surrounding these world-class assets:

- We have strengthened our athlete and advocate programs across all three big brands.
- Marquee events set new records for viewership and engagement.
- Billabong again dominated the Australian Surf Industry Awards.
- Element surged in its biggest market, Europe, off the strength of its marketing and product ranges.
- RVCA has established itself as a truly global brand with strong sales growth in all markets and strong performance across all channels.
- New store developments have brought innovation to the market and met our expectations, while ecommerce grew over 50%.

With surfing and skate set to join the next Olympics, our brands will now more than ever have global reach and exposure.

Global Platforms

Our conviction is that the strongest brands – and ours are at the top of that list – will solidify their leadership as the sector comes through a challenging transition.

We remain cautious though that in the short-term this change is yet to fully play out and the retail environment is still uncertain.

Longer term, the growth and operating margin expansion of all our brands depends on the global platforms upon which they are based. Our key project agenda is designed to build these platforms.

Some of these, such as global sourcing and concept to customer are well underway. Others, such as OMNI and logistics will begin to be deployed over the course of the year ahead. Big changes are underway.

And we have made some excellent progress. For example, gains from our global sourcing helped to offset some of the large adverse currency swings. These benefits will continue to build over the next few years to $20 million in annual savings at maturity from our global sourcing alone.

Another part of our supply chain reform is the overhaul of our global logistics and distribution network called Project Pipeline. Based on competitive benchmarking, we believe we can reduce our logistics costs by $10 million. This project will commence deployment in the year ahead.

Of all our platform initiatives, OMNI is the most transformational – because it's building the company around the way the customer wants to shop. One seamless experience across stores, ecommerce, and wholesale... powered by a single integrated view of the customer and the ability to direct inventory to where it's needed most.

We have spent the last two years developing a comprehensive design of this new customer centric operating system. This year, we start the implementation. Ultimately, the re-platforming of the business will include all new ecommerce sites, smart retail systems with real time customer data, and a digital business to business system that lowers costs and expands reach to under-serviced accounts. We are confident that our OMNI initiative will unlock new sources of growth around the world, lift margins, improve inventory turns and deliver a vastly superior customer experience.

Improving our underlying financial performance

This combination of brand growth, global platforms and reduced costs is the path to achieving our ambition of double digit EBITDA margins.

The currency and market changes we've faced over the last 12 months have not undermined our strategy but rather delayed the benefits it will deliver.

We have had many near term challenges to address as we look to implement our strategy, which we believe is the key to building long term sustainable value for shareholders.

We have previously advised that progress would not be linear and we obviously are not immune from forces such as currency movements and channel disruption that are outside our control. This makes our management of things that we can control so important, therefore we remain focused on these and at the same time look to implement the long term reforms we have outlined.

We reiterate our conviction in both the quantum and competitive advantage that these global platforms will bring. We see the potential over the longer term to lift EBITDA margins provided currency and macro conditions remain relatively stable. The path to get us there would have Global Sourcing and Pipeline delivering $30 million in annual savings at maturity. These changes alone would see us closer to double digit EBITDA margins. Further EBITDA margin expansion can come from pricing and product margins adjusting to present currency levels, inventory turns improving with new platform capabilities, OMNI and emerging markets providing accretive incremental growth, and tight cost control and fixed cost leveraging on growth to further lower our Cost Of Doing Business ratios.

The last 12 months have been among our most challenging since the implementation of our strategy. Notwithstanding this, we have made good progress with the things in our business that we can influence.

I believe this financial year will be pivotal in our transformation to a truly global company.

– Neil Fiske

COMPANY OVERVIEW

ARTIST / BARRY MCGEE / RVCA

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

Billabong's office is still 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 and our team consists of over 4,000 people 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 – RVCA, Element, Tigerlily, Von Zipper, Xcel, Kustom, Palmers and Honolua.

They're brands that are uniquely connected to the communities and lifestyles they represent, be it through experiences, events or social media.

In 2015-16 the Billabong Group's total sales exceed $1 billion annually. Those sales come through selling product in the wholesale, retail and online channels.

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

The Group posted a Net Loss After Tax of $23.7million, including significant items and businesses. This compared to a profit of $4.2 million for the previous corresponding period (pcp). More than two thirds of the decline related to a higher tax expense which came to $7.8 million this year compared to a $12.2 million tax credit in the pcp. This is not representative of the Group's tax payments which increased less than $1 million to $3.1 million for the year.

Revenue excluding discontinued businesses was up 4.6% as reported, and down 1.4% on a constant currency basis (cc). The big three brands – Billabong, Element, and RVCA – grew 2.8% (cc). That figure increases to 5.3% when including wholesale equivalent sales to our own retail. Revenue declines from rationalising our store base and some of the smaller brands brought the top-line down for the year.

In June 2016, the Group completed and announced the sale of Sector 9. Because of its size, Sector 9 did not satisfy the conditions of AASB 5 to be disclosed as a discontinued operation. This means Sector 9 results up to the time of sale are included in the Group's continuing operations. Sector 9 contributed negative EBITDA of $1.1 million this year, compared to a positive EBITDA of $3.4 million (cc) in the pcp.

REGIONAL OVERVIEW

The Americas

In the Americas, EBITDA before global allocations was $31.6 million for the year, a decline of $10.1 million on the pcp, or $13.9 million on a constant currency basis. Most of the decline happened in the first half of the year. The result includes a $4.4 million reduction in EBITDA from Sector 9, which was sold in June 2016.

Comparable gross margins declined 2.0% for the year, due to the effect of clearing excess inventory bought in the first half of the year. At the end of December 2015, the Americas' inventory levels were $25 million higher than the previous year, whereas by the end of the year comparable inventory was just $2 million higher than June 2015 (cc).

Total comparable direct-to-consumer revenue (comparable brick & mortar plus e-commerce) increased slightly with e-commerce growing 24.9% to comprise 5.7% of the region's entire sales. Meanwhile, comparable store sales fell 6% for the year.

Total external wholesale revenues fell 2.7%, weighed down by Sector 9, although this also includes an increase in low margin sales as excess inventory was cleared.

Among our big three brands, RVCA was the strongest performer in the Americas, increasing 14.9% in wholesale equivalent sales to our own retail over the year.

Europe

Europe improved its EBITDA for the third successive year.

European EBITDA of $16.9 million before global allocations was up from $11.3 million in the pcp. Total revenue in the region grew 2% (cc), although unseasonably poor weather dampened sales in the second half.

Despite increased cost of goods from currency-related cost increases, sourcing benefits and other cost controls allowed EBITDA margin for the region to expand by 2.6% (after global allocation).

Comparable store sales were up 2.7%, with e-commerce sales up 160% from a low base.

Asia Pacific

EBITDA for the Asia Pacific region was $38.8 million before global allocations compared to $43.1 million for the pcp. However, the region absorbed an estimated $12 million of increased cost of goods resulting from a relatively stronger US dollar compared to the pcp.

Overall sales for the region were down 0.8% (cc) for the year with comparable store sales in Australia up 2.6% for the year for mono-brand stores and down 1.3% for multi-brand.

E-commerce sales were up 154% off a small base (e-commerce represents just 1.8% of the region's sales), which highlights the potential of the OMNI platform.

Meanwhile, Tigerlily proved again to be one of the region's strong performers, with sales up 21% in Australia year on year.


FEMENINO

BRAND HIGHLIGHTS

SHANE DORIAN (BILLABONG) BIG WAVE "RIDE OF THE YEAR" AND "SURFLINE OVERALL PERFORMANCE"

NYJAH HUSTON (ELEMENT) WON 8TH X-GAMES GOLD MEDAL (10TH OVERALL)

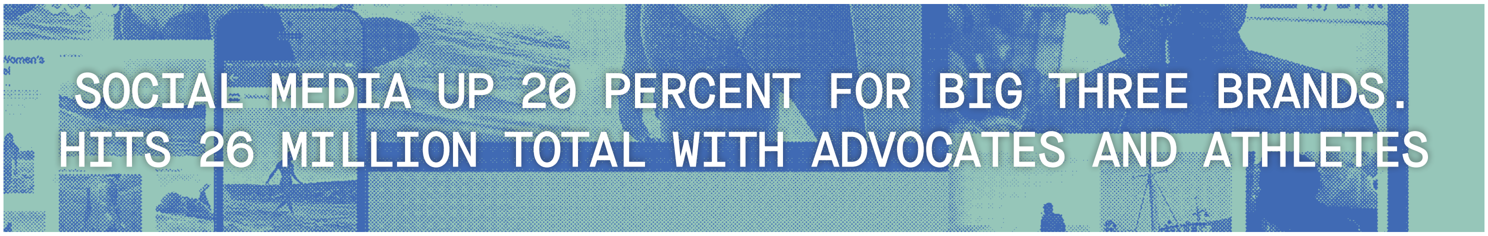
ETHAN EWING (BILLABONG)
4 STRAIGHT JUNIOR SERIES EVENT WINS

MACY CALLAGHAN (BILLABONG)
3 STRAIGHT JUNIOR SERIES EVENT WINS

ELEMENT GRAND OPENING OF RHODES SKATEPARK & 304 AMERICANA, BOISE, IDAHO

TADASHI FUSE – 20TH ANNIVERSARY OF PRO SNOWBOARDING

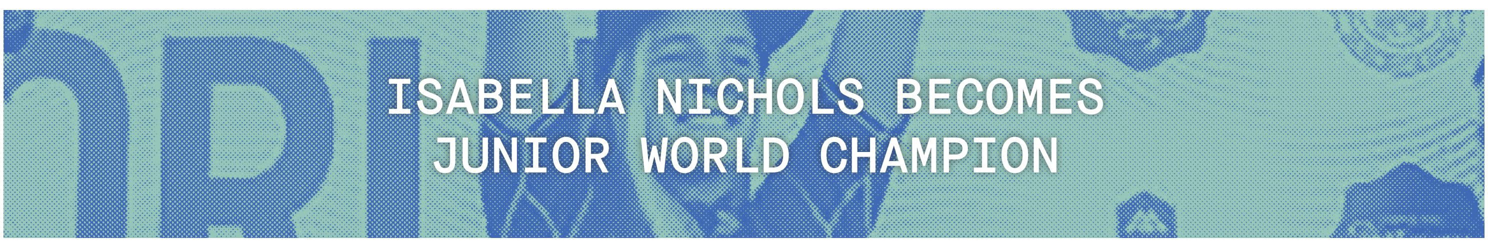
SBIA AWARDS IN AUSTRALIA



SOCIAL MEDIA UP 20 PERCENT FOR BIG THREE BRANDS. HITS 26 MILLION TOTAL WITH ADVOCATES AND ATHLETES

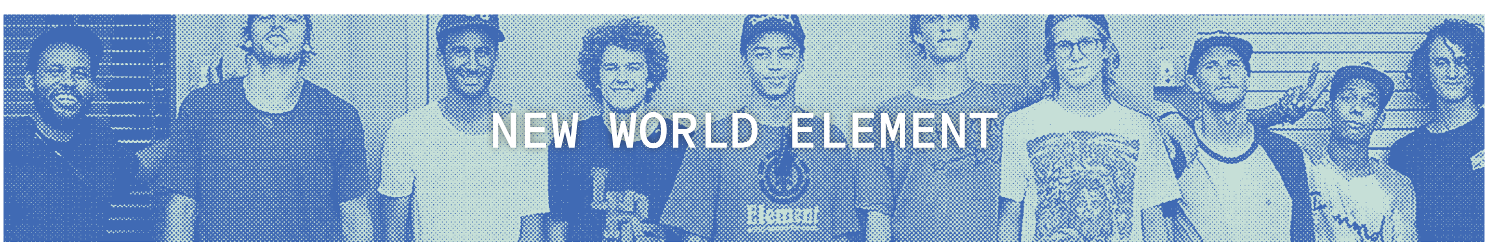
RECORD VIEWERSHIP FOR 2015 PIPEMASTERS

FIVE BILLABONG SURFERS ON THE WSL TOUR



ISABELLA NICHOLS BECOMES JUNIOR WORLD CHAMPION

DAVEY CATHELS JOINS THE WSL TOUR FOR RVCA



NEW WORLD ELEMENT

COURTNEY WINS TWO WSL EVENTS

SURFER / JACK FREESTONE

THE YEAR THAT WAS

In January 2016, when surfer and Billabong family member Josh Enslin set a new Guinness World Record for the longest surf session ever at South Africa's Pollock Beach, it was to become something of a metaphor for Billabong brand's own marathon year of achievements.

In 2015, Billabong claimed top market share among specialty surf stores in the United States, according to independent data from ActionWatch. Over the past year we didn't just cement our place out in front, we widened the gap between us and our competitors. It's the same story in Australia, with Billabong still the top brand in Australia and extending the lead.

Strong retail performance from Billabong-branded stores across the Asia Pacific and in Europe was the reward for renewed investment in these geographies.

The formula for our success has been simple: start with the best boardshorts and bikinis and then connect to our core market with innovative new products. This year we did just that with the launch of the Billabong Surf Report app and the release of a new benchmark in boardshorts – the Platinum X Airlite. But we haven't forgotten our roots, with the classic Tribong range still the top athlete style in the marketplace, thanks in no small part to the inimitable Jack Freestone.

Importantly, our digital strategy remains on track, with strong e-commerce growth and social media reach expanding by 16% to 9.7 million followers across Facebook, Twitter, Instagram, YouTube, Vimeo and SnapChat, with an additional 2.7 million people following our athletes and advocates. The behind the scenes work we've been putting in, especially the rapid progress we've made in our sourcing and supply chain initiatives, means that our enhanced social profile is well placed to translate smoothly into top line growth and stronger profitability.

The 45th Annual Billabong Pipe Masters in December 2015 created waves in more ways than one, with a record audience accessing the World Surf League (**WSL**) website and app to catch the live action from Oahu, Hawaii. Headline stats included:

- 3 million unique viewers
- 3.5 million hours of live viewing
- 10 million visits to WSL

The sale of women's swimwear continued to be extremely strong across all markets, boosted by a swag of accolades for the female apparel range at the Australian Surf & Boardsports Industry Association Awards.

Billabong dominated these Awards, which are voted upon by independent retailers, scooping the pool with awards including Brand of the Year in both the male and female apparel categories. The winning categories were:

MEN'S
- Winner – Brand of the Year
- Winner – Brand campaign of the Year

WOMEN'S
- Winner – Brand of the year
- Winner – Swim brand of the year
- Winner – Brand campaign of the year

Of course, the real competitive action happens in the water and Billabong supported seven athletes in the 2016 WSL tour. It was particularly exciting to see the new generation of Aussie talent coming to the fore, with Jack Freestone and Ryan Callinan both qualifying for the 2016 World Tour. Adding a South American flavour to Team Billabong was the addition of Italo Ferreira, 2015 WT Rookie of the Year and rising young star, Victor Bernardo, flying the flag for Billabong in Brazil. Also doing us proud was Courtney Conlogue, who is currently positioned at a well-earned No 2 in the world.

Meanwhile, Shane Dorian dominated at the Big Wave Awards, collecting the highest honours of the evening in the Billabong Ride of the Year and the Surfline Men's Overall Performance Award.

A new generation of talent is rapidly emerging for the brand with Ethan Ewing and Griffen Colapinto tearing up junior and qualifying events globally.

ELEMENT BRAND UPDATE

SKATER / EVAN SMITH

IN 2016, ELEMENT GOT BACK TO ITS ROOTS BY DEDICATING UNDIVIDED ATTENTION TO IT'S MOST CORE VALUE, POSITIVE SKATEBOARDING.

Through the past year, the Element skate team has continued to progress their media content, athlete achievements and growth in the digital space. Nyjah Huston continued his quest as the most acclaimed street skateboarder in the world by securing his record 8th gold medal at the X Games and releasing the street based film "OMFG" that has had over 1 million views. Greyson Fletcher destroyed everything in his path, thrashing his way to being honored as Element's newest pro athlete, complete with a signature collection and promoted by a jaw dropping short film titled "In Pardition."

The ever evolving "MAKE IT COUNT" International Contest series continues to engage emerging talent through this grass-roots style contest programs and remains the most globally participated in amateur skateboard series. The series provides young upstarts a unique opportunity to win a grand prize "trip of a lifetime" accompanied by the Element pro team.

The widely successful Camp Collection – Element's backpack category – was expanded upon to include products built for both the urban and natural environments, which provided opportunity to branch out into additional sales channels. This resulted in increased bag sales and brand visibility, all while raising funds for our non-profit organization Elemental Awareness, which touts the slogan "buy a bag, send a kid to skate camp."

The "Element Perspective" project expanded, inviting a field of renowned artists to create unique art for the brand, which is incorporated into tees and skateboard graphics. Featured artists included Nat Russel and Mark "FOS" Foster alongside Element brand advocates French Fred Mortagne, Thomas Campbell, Timber! and Brian Gaberman. The project has resulted in large waves of brand acclaim and media highlights.

The #ELEMENTKEEPDISCOVERING campaign launched in July and is told through the appearances of key athletes, advocates and rich media content. #ELEMENTKEEPDISCOVERING is an inclusive and positive global movement, which aims to motivate individuals to discover, find and learn through the avenues of skateboarding, art, music, contemporary subcultures and the outdoors.

Over the course of April 2016 the five-episode "New World Element" video project took viewers on a virtual world tour showing Element athletes based in Brazil, Japan, Australia, Canada and Europe on center stage skating alongside globally renowned Element team riders. This project showcased the global reach of the brand, resulting in millions of views and digital impressions.

With a focused and energized staff, the Element Eden division created a point of difference in the market through graphic approach.

Led by a diverse group of brand ambassadors, the Element Eden "What Inspires You?" campaign aims to engage creative and ambitious women driven to make a difference in the world.

Large growth was seen in e-commerce, boasting a 200% growth.

The year was capped off with arguably the best event in Element brand history, as thousands descended upon Boise, Idaho to take part in the Grand Opening of Rhodes Skatepark, and Element 304 Americana, a brand experience style store emerging from the dedication and vision of founder Johnny Schillereff and his wife Kori.

RVCA BRAND UPDATE

RVCA IS A GLOBAL LIFESTYLE BRAND WITH A HERITAGE IN ARTIST-DRIVEN APPAREL AND ACCESSORIES. OUR MISSION IS TO IDENTIFY AND CELEBRATE CREATIVE GREATNESS.

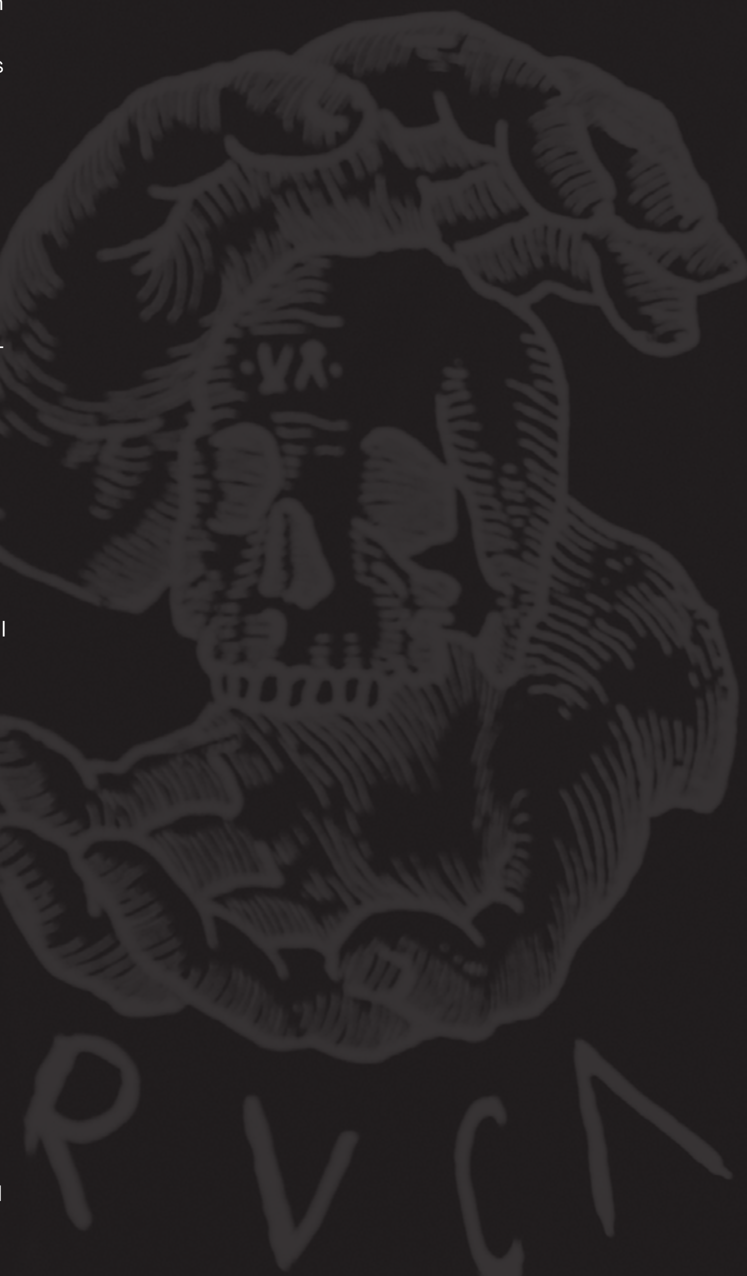
During the 2015-2016 finacial year RVCA launched a new brand campaign title "Inspired By… ." This innovative campaign celebrates the creativity of our advocates while highlighting what inspires them to excel in their individual pursuits. Print and digital imagery supported by rich story telling through video brought this campaign to life bringing forward the innovative and creative nature of our artists and athletes alike. Seemingly unrelated subcultures all linked by a creative center and RVCA.

The RVCA ANP program continues to flourish as a platform to promote our associated artists and to develop unique prints and graphics for our men's and women's product lines. This association continues to keep RVCA at the forefront of creativity. In the last finacial year, RVCA collaborated with known artists such as Margaux Arramon-Tucco, Alex Matus, Matt Leines, Melissa Grisancich, Dmote and others to develop product capsules introduced in the market throughout the year. RVCA also teamed up with the street art organization Pow Wow and RVCA ANP artists to paint at expositions in Honolulu, Taiwan, Japan and Long Beach, California. RVCA will continue to partner with this premiere organisation promoting art around the world as it expands its reach to new countries.

Once again, the women's business enjoyed another year of solid growth. RVCA women's saw gains in key defining categories for the brand including printable tees, dresses, and swim. The successful 2015 launch of the Sunday Collection continued in 2016 solidifying a new category of business promoting soft fabrics, sexy tomboy styling and relaxed fits.

RVCA also leveraged the global multi-brand retail platform of the Billabong Group providing a place to highlight the RVCA brand and category growth opportunities. From Surf-Dive-Ski in Australia, to Amazon in New Zealand, to 2 Seasons in the United Kingdom and to Quiet Flight in the United States, RVCA is presented as a primary brand steeped in creativity. As well, RVCA opened two new RVCA branded retail stores during the year in Byron Bay, Australia and Santa Monica in the United States. These two stores have allowed RVCA to feature the breadth of the product line and tell rich stories unique to the brand in a mono-branded retail environment. Lastly, RVCA launched a global fixture program allowing the brand to establish a consistent brand presentation within wholesale accounts while driving an improved presentation of products in store.

RVCA's social media following grew as a focus was placed on Instagram to tell the brand story and amplify the brand campaign. Instagram followers grew over 30%, fueled in part by the signing of Bruce Irons and the launch of the RVCA/Birdwell collaboration. Known for his tube riding ability along with his unique style and attitude, Bruce Irons possesses a natural talent that makes him a threat to win any event he enters. Bruce is also one of the few winners of the coveted Eddie Aikau contest at Waimea, cementing him in surfing history. Together, this has brought Bruce a huge social media following and we are happy to have him on the RVCA team. During the year, RVCA also collaborated with the iconic original board-short brand Birdwell, celebrating the roots of both companies in Orange County, California. This collection was sold to limited accounts around the world and generated a buzz on social media and mainstream press globally. Such collaborations benefit RVCA by expanding the brand's reach through Instagram and other social media.



TIGERLILY

Established in 2000, Tigerlily is all about the beach – it embodies our feelings on a beach lifestyle inspired by health, freedom and happiness. It represents beauty and strength, individuality and confidence; it is distinctive and coveted yet grounded without pretense or elitism. Tigerlily has always been, and remains, tangible, but also a little wild and unpredictable.

Building on the success of years prior, 2015-16 was once again a year of solid financial results for Tigerlily. The retail business expanded, with the addition of five new stores in Australia and one in New Zealand to the portfolio. Supporting the shift towards a digital experience, the Tigerlily website continued to transform, enhancing the relationship between the brand and its consumers, in turn reporting considerable growth on the year prior.

Focusing on the timeless appeal of our signature prints and effortless styling, the swimwear category posted record growth in sales. That combined with sales through Tigerlily's external retail partners continuing to prosper, delivered double digit growth on the prior year for the brand.

VONZIPPER

VonZipper is a fashion forward brand centred around the alternative mindset with a focus on the eyewear, accessory and premium apparel market.

VonZipper maintained considerable market share in the eyewear category in FY2016 with the launch of its "WildLife" lens.

Distributed exclusively through the VonZipper brand globally, this proprietary lens technology is made of premium materials, exacting tolerances and offers the ultimate in visual acuity. VZ also released several unique eyewear styles this past year, highlighted by the vintage inspired "Levee" and men's functional sport frame "Palooka". The opinion leading "Belafonte" and "Fling" styles were stand-outs in the women's business, while VonZipper's snow business was climaxed by the release of the "ALT" goggle, which features an industry leading frameless design.

With a continued plan to reach beyond the Action Sports category, VZ

expanded its Optical range, produced additional offerings in Dot Dash (VZ's entry level brand), and made a sustained push of "F.C.G.", the premium, handmade acetate collection.

VZ has embarked on sunglass and goggle collaborations with both Saint Archer Brewing Co. and "Boarding For Breast Cancer". The latter partnership helps to raise funds and awareness for the cause, with a portion of sales proceeds donated to the organisation.

XCEL

Ed D'Ascoli founded Xcel in 1982, working from the bedroom of his Sunset Beach house. Xcel's passionate focus on product development has become the defining characteristic of the brand.

In the last year Xcel was able to affirm its position as a market leading innovator in the current volatile and highly competitive marketplace. This included becoming the number one selling wetsuit in the iconic Jack's Surf Shop, in southern California.

More widely Xcel achieved both its overall domestic and international sales goals for the fourth successive year. TDC, Xcel's smart fiber technology, was also successfully introduced into its wider UV protective line.

Xcel has been voted Surf Industry Manufacturer's Association (SIMA) "Wetsuit of the Year" by its industry peers three times.

KUSTOM

Kustom is a brand with deep roots in the surf industry, founded on the point breaks of the Gold Coast and designing products that complement surfers and encourage them to "GET OUT THERE".

In the past 12 months Kustom has released a series of surf clips showcasing the likes of Kustom team riders Jay Davies, Shaun Manners and Ricardo Christie in locations including South Africa, Hawaii, Western Australia and Indonesia, clocking up more than 280,000 plays.

Kustom is proud to be able to support Sea Shepherd in their "no holds barred" approach to conservation. Seasonally Kustom will produce a limited collection of eco-friendly, co-branded products with a portion of each sale donated to the Sea Shepherd organisation. The program has heralded over $80,000 in donations to Sea Shepherd to fund its relentless fight against the destruction of habitat and slaughter of wildlife in the world's oceans.

DEAR SHAREHOLDERS,
It is a great pleasure to write thanking you for Billabong's support of SurfAid. Last year I outlined to shareholders some of our history together and the recognition that we receive from the Australian and New Zealand aid programs and the Indonesian Health Department. This year I would like to share just a few of the stories of self-confidence and ambition from our partner communities in Indonesia.

SurfAid's philosophy is "a hand up, not a hand out", as we work with remote communities in iconic surf locations. Local ownership is essential, so changes can be sustained well beyond the life of a project. The impact of Billabong's current and previous support continues to resonate as healthy and often lifesaving behaviors are adopted by new generations.

In October 2010, a tsunami struck the west coast of the Mentawai Islands, taking over 500 lives. SurfAid led the initial emergency response, and in 2012 we commenced a long term recovery project with 3000 survivors who were forced to relocate to the interior of South Pagai. That project focused on re-establishing health services, providing gravity fed or solar powered water supplies and preparing the communities for providing their own food and livelihoods as post-emergency support was discontinued. Volunteers worked for nearly 25,000 hours to build water facilities and health posts, and receive training and deliver mother and child health services. A remarkable commitment as they were building new homes and reconfiguring their lives.

Following very positive assessments by local stakeholders and an international independent reviewer, the New Zealand government has now committed to a new five year project. This will see SurfAid continue to work with these displaced people to deliver further water facilities and food security.

Working with a SurfAid engineer, the Kanca community recently built a 500 metre pipeline from a spring to a reservoir in the village, which now serves their cooking and sanitation needs. The next Kanca community project will see a second reservoir built, which will be used to irrigate nutrition gardens. The community has accessed its own funding for this project, and apart from the assistance of our engineer, will be independently run without SurfAid support. This is truly inspiring: confident, proud villages charting their own course in improving the health, sanitation and nutrition of their people.

With the engagement of Billabong's Board, staff, athletes and customers, SurfAid is able to continue fostering independence and confidence across growing areas of Mentawai, Nias, Sumba and Sumbawa.

Thank you

A. Judge.

– Andrew Judge, CEO SurfAid

SOCIAL RESPONSIBILITY HAS ALWAYS BEEN IMPORTANT TO THE BILLABONG GROUP and an important part of our approach has been to ask ourselves how we can do things better. Over the last 12 months, we've set out to put in place a process of continuous improvement across our supply chain. By reducing the number of mills and factories we partner with globally, we are able to focus on ensuring each and every one of them are making products that meet the social responsibility and ethical standards and values we set.

We implemented several new changes to the way we do business, our main goal being to create transparency across our supply base. We had too many factories making our products and in order to allow better focus and control we have reduced the number of factories we work with by over 50%. We engaged a third party and independent social compliance audit company to work on a continuous improvement program to oversee every factory that makes products for us. Over the past 12 months we have conducted over 120 new audits globally, making sure to take corrective action on an agreed timeline if an issue were to be found. We have been very pleased with the results and feel we have made enormous progress towards our goal of "end to end mapping" across all manufacturers, mills and suppliers used in our products.

Within the same time period, we implemented a new supplier process that limits the number of people in the Company able to add a new supplier. The process itself begins with a business case request; once approved, we send the Quality Assurance auditor to visit the factory to ensure the new partner is right for our needs. If the evaluation is successful and the Quality Assurance auditor approves the factory, we then have a full Social Compliance Audit conducted. All of this is done before agreeing to bring them on as a new supplier.

In January 2016, we updated our long-standing Code of Conduct and sent this to all of our suppliers, along with an updated Manufacturing Service Agreement. Part of this agreement states that we prohibit any form of forced labor in our supply chain, which we view as a zero-tolerance issue. Our Code of Conduct is aligned with the California Transparency Act, which is designed to continuously monitor and prevent forced labor as well as other human abuses. We conduct training sessions across the Company, led by our third party audit partner, in order to ensure everyone has as understanding of forced labor laws and our Company policy on the matter.

The 2016-2017 financial year is one where we want to take the work done in 2016 and continue to strive towards a more transparent supply chain, both in the social and ethical aspects of our business. In 2016, we focused on auditing Tier 1 suppliers and in 2017, we plan to shift our focus to auditing Tier 2 suppliers, which include mills and approved subcontractors. We take this journey very seriously and while pleased with our progress we will continue to prioritise our social and ethical responsibilities in the upcoming year.

– Alan Kirk
Heading of Sourcing
Billabong Group

Billabong International Limited

ABN 17 084 923 946

FINANCIAL REPORT 30 JUNE 2016

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 2016.

Directors

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

Ian Pollard
Neil Fiske
Gordon Merchant
Howard Mowlem
Jason Mozingo

Sally Pitkin was a Director from the beginning of the financial period until her resignation on 15 August 2016.

Amar Doshi was an Alternate to Jason Mozingo from the beginning of the financial period until his resignation on 4 August 2016.

Matthew Wilson was a Director from the beginning of the financial period until his resignation on 7 September 2015.

Thomas Casarella was an Alternate Director to Matthew Wilson from the beginning of the financial period until his resignation on 7 September 2015.

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 2016. 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 and Von Zipper.

The Group operates 407 retail stores as at 30 June 2016 in regions/countries around the world including but not limited to: North America (55 stores), Europe (104 stores), Australia (127 stores), New Zealand (29 stores), Japan (47 stores) and South Africa (28 stores). Stores trade under a variety of banners including but not limited to: Billabong, Element, Surf Dive 'n' Ski (SDS), 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 39 (events occurring after the balance sheet date) of the annual report for the year ended 30 June 2015 and any public announcements made by the Company during the financial year.

On 7 December 2015 the consolidation of all of the Company's shares and options on a 5:1 basis as approved by shareholders on 24 November 2015 was completed.

On 14 January 2016 the Group completed the sale of 225 Reedy Creek Road, Burleigh Heads, a property located next to the Group's head office and occupied presently by SurfStitch, for a purchase price of $6.2 million with total costs of the sale being $0.2 million.

On 29 June 2016, the Group announced the sale of Sector 9 for approximately USD$12 million ($16.1 million) to an affiliate of Bravo Sports, a portfolio company of Transom Capital Group which resulted in a $4.9 million loss including divestment costs. The results of Sector 9 did not meet the conditions under AASB 5 to be disclosed as a discontinued operation during the year ended 30 June 2016.

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. Refer to note 5 of the financial statements for detailed disclosure in relation to these items.

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, the segment results are presented in two separate tables.

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

Operating and Financial Review (continued)

Table B presents the results excluding significant items and discontinued operations (SurfStitch and Swell are excluded from the pcp). See Table B Adjusted Segment Results - Continuing Operations As Reported - Excluding significant items and discontinued operations.

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

	Segment revenues		Segment EBITDAI*	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Asia Pacific	422,958	428,476	22,375	10,461
Americas	481,279	455,565	14,320	15,345
Europe	192,666	179,699	9,543	25,937
Third party royalties	3,526	3,461	3,526	3,461
Segment revenues / EBITDAI*	1,100,429	1,067,201	49,764	55,204
Less: Depreciation and amortisation			(32,230)	(33,489)
Net interest expense			(33,526)	(28,354)
Net reversal of impairment expense/(impairment expense)			97	(3,040)
Loss before income tax (expense)/benefit			(15,895)	(9,679)
Income tax (expense)/benefit			(7,844)	12,231
(Loss)/Profit after income tax (expense)/benefit			(23,739)	2,552
Loss attributable to non-controlling interests			---	1,598
(Loss)/Profit attributable to members of Billabong International Limited			(23,739)	4,150

* 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	**Excluding significant items and discontinued operations* 2016 $'000**	Excluding significant items and discontinued operations* 2015 $'000
Asia Pacific	25,949	29,446
Americas	16,959	27,180
Europe	11,047	5,592
Third party royalties	3,526	3,461
Adjusted EBITDAI	57,481	65,679
Less: Depreciation and amortisation	(32,230)	(32,831)
Net interest expense	(33,526)	
Adjusted net loss before income tax expense	(8,275)	
Adjusted income tax expense	(9,823)	
Adjusted net loss after income tax expense	(18,098)	
Loss attributable to non-controlling interest	---	
Adjusted net loss attributable to members of Billabong International Limited	(18,098)	

* Excludes SurfStitch and Swell. The results of Sector 9 did not meet the conditions under AASB 5 to be disclosed as a discontinued operation during the year ended 30 June 2016 and are therefore included in the above figures.

Constant currency
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 also been provided in the below commentary 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
Adjusted EBITDAI excludes pre-tax significant items of income and expense. Refer to note 5 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:

Operating and Financial Review (continued)

Consolidated result including significant items
Net Loss After Tax for the year ended 30 June 2016 was $23.7 million compared to a Net Profit After Tax of $4.2 million in the pcp. The current year includes an income tax expense of $7.8 million compared to an income tax benefit in the prior year of $12.2 million. Loss before income tax expense for the year ended 30 June 2016 was $15.9 million compared to $9.7 million in the pcp. The results were impacted by the abovementioned significant items in both years and the sale of SurfStitch and Swell in the pcp.

Group performance excluding significant items and excluding discontinued operations
Group sales to external customers of $1,096.9 million, excluding third party royalties, represents an as reported 4.6% increase on the pcp. In constant currency terms Group revenues decreased 1.4% on the pcp. In constant currency terms, sales revenue in Asia Pacific decreased 0.8%, the Americas decreased 3.2% and Europe increased 2.0% compared with the pcp.

Consolidated gross margins were 50.7% (53.0% in the pcp). Adjusted for the impact of divestments, consolidated gross margins were 52.7% in the pcp.

Adjusted EBITDAI excluding significant items and discontinued operations of $57.5 million for the period compares to $65.7 million for the pcp. This is a decrease of 12.5% (a decrease of 19.6% in constant currency terms).

Regional results excluding significant items and excluding discontinued operations were as follows:

- In Asia Pacific
  - EBITDAI of $25.9 million for the period compares to $29.4 million for the pcp.
  - Revenue was 1.0% higher than the pcp in as reported terms (down 0.8% in constant currency terms) and adjusted EBITDAI was down $3.5 million (11.9%) compared to the pcp.
  - During the period the lower AUD, relative to the USD, increased input prices ($12 million) and impacted gross margins compared to the pcp.
  - Comparable store sales trading across the region was 1.7% lower compared to the pcp. In Australia, comparable store sales were down 0.7% on the pcp.

- In Americas
  - EBITDAI of $17.0 million for the period compares to $27.2 million for the pcp.
  - Revenue was 6.5% higher than the pcp in as reported terms (down 3.2% in constant currency terms) and adjusted EBITDAI was down $10.2 million compared to the pcp (down $14.0 million in constant currency terms).
  - The sales decline of $16.1 million on a constant currency basis can primarily be attributed to reductions in brick and mortar retail (down 10.4% on a constant currency basis in North America including the planned closure of the Times Square store during the pcp) and North American comparable store sales which were down 6.3% on the pcp. Ecommerce revenues were up 24.9%.
  - Gross margins were down from 48.7% to 46.4% reflecting discounts that were required to clear excess inventory. Adjusting for the impact of divestments gross margins were 48.4% in the pcp.
  - Sector 9 EBITDAI was down $4.4 million compared to the pcp.
  - Overheads were down on the pcp in constant currency terms.

- In Europe
  - EBITDAI of $11.0 million for the period compares to $5.6 million for the pcp.
  - Revenue was 8.4% higher than the pcp in as reported terms (up 2.0% in constant currency terms) and adjusted EBITDAI was up $5.5 million compared to the pcp.
  - Comparable store sales were up 2.7% on the pcp.
  - The region had lower gross margins than the pcp primarily due to the effect of foreign exchange on input prices.
  - Overheads were down 9.6% in constant currency terms excluding the allocation of global overhead costs.

Group performance including significant items and including discontinued operations
Group sales to external customers of $1,096.9 million, excluding third party royalties, represents a 3.1 % increase on the pcp in as reported terms or a decrease of 2.8% in constant currency terms.

At a segment level, in as reported terms, sales revenue in the Americas increased 5.6%, Europe increased 7.2% and Asia Pacific decreased 1.3% compared with the pcp partly reflecting the SurfStitch and Swell revenues included for the period 1 July 2014 to 5 September 2014 in the pcp, however not in the current year.

EBITDAI of $49.8 million for the period compares to $55.2 million for the pcp. The current year includes significant items expense of $7.7 million compared to an expense of $8.0 million for the pcp with the prior year segment results being significantly impacted by the divestment accounting for SurfStitch and Swell. 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 2016 was a net expense of $7.7 million which decreased EBITDAI.

Pre-tax significant items for the year ended 30 June 2015 was a net expense of $8.0 million which decreased EBITDAI.

Refer to note 5 of the financial statements for detailed disclosure in relation to these items.

Depreciation and amortisation expense excluding discontinued operations
Depreciation and amortisation expense of $32.2 million decreased 1.8% in reported terms compared to the pcp ($32.8 million) and on a constant currency basis depreciation and amortisation expense was $34.9 million in the pcp.

Operating and Financial Review (continued)

Net interest expense
The increase in net interest expense from $28.4 million to $33.5 million was mainly driven by foreign exchange differences. On a constant currency basis net interest expense was $32.6 million in the pcp.

Income tax expense
The statutory loss before tax for the period ended 30 June 2016 was $15.9 million with an income tax expense of $7.8 million. The income tax expense arises primarily from non-claimable withholding tax credits and the prevailing position that deferred tax assets are not being recognised on tax losses or temporary differences, particularly in Europe and North America.

In the majority of jurisdictions, the Group only recognises a deferred tax asset to the extent it offsets a deferred tax liability. This is on the basis that it is not considered probable that sufficient taxable profits will be generated in those jurisdiction to utilise a deferred tax asset in excess of the deferred tax liability. The main exceptions to this position are Australia, Japan and New Zealand where the deferred tax asset being recognised exceeds the deferred tax liability (on the basis that recovery of the deferred tax asset is probable). With the exception of New Zealand, no deferred tax asset is being recognised in respect of any tax losses on the basis that utilisation of any tax losses in the other jurisdictions is not considered probable.

Consolidated balance sheet, cash flow items and capital expenditure
Working capital at $190.9 million represents 17.4% of the prior twelve months' sales stated at year end exchange rates, being 1.9% higher compared to the pcp of 15.5% (excluding Surfstitch and Swell). Working capital as a percentage of sales at June 2016 compared to June 2015 is higher as result of a reduction in creditors as part of the Group's supplier consolidation strategy, as well as a reduction in payables in respect of significant items and short-term employee benefit obligations at 30 June 2016 when compared to the pcp.

Cash outflow from operating activities was $22.1 million, compared to $14.6 million in the pcp. Receipts from customers net of payments to suppliers and employees were an outflow of $4.8 million compared to an inflow in the pcp ($14.0 million), primarily due to the aforementioned trading results being lower than the pcp and the reduction in creditors.

Cash outflow from investing activities of $34.1 million includes the RVCA deferred consideration payments of $18.6 million and payments for capex of $38.0 million. The prior year had cash inflow from investment activities of $11.1 million which included the proceeds from the sale of SurfStitch and Swell of $38.4 million offset in part by payments of capex of $27.7 million. Capex is $10.3 million higher compared to the pcp, primarily due to investment in the Omni-Channel project.

Net debt increased from $113.5 million as at 30 June 2015 to $185.2 million, largely reflecting the payment of RVCA deferred consideration, working capital increases, financing charges and capital expenditure.

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 strategy to improve the financial performance of the Group specifically highlighting a focus on the following key strategic priorities:

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 Customer Relationship Management (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 (DTC) 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

Operating and Financial Review (continued)

Strategy and future performance (continued)

In the year ended 30 June 2016 the Group continued to make satisfactory progress in relation to the execution of the strategy. According to independent analysis conducted by ActionWatch, in calendar year 2015 brand Billabong widened its lead in the core surf channel in the United States of America and Australia.

Since the strategy was established in 2013, a number of changes to external conditions have impacted on the Group such that the positive impact of the strategic initiatives outlined above have not resulted in higher overall EBITDA. In particular changes in foreign exchange rates and weakness among the Group's largest wholesale customers in the United States of America have impacted profitability. These changes make the major reform initiatives described below even more important if the Group is to achieve improved profitability.

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 delivery of the Group's strategy 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 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	- Repatriated all 13 websites - Built DTC technology team - Selected and invested in a Global Omni-platform - Selected vendor for omni-planning & allocation - Launched Billabong Surf Report App
Sourcing	- To develop a global approach to product sourcing to reduce cost and improve speed to market and efficiency	- Formed new Global Sourcing Organisation - Restructured the BBG Asia office - Launched BV Social Compliance Audit - Factory Certified Quality Audit Program (80+ auditors trained) - Revised quality assurance manual - Narrowed preferred vendors by more than 50% - Updated vendor profiles for all preferred factories - Diversified production outside of China - Transitioned vendors to new payment terms - Initiated vendor capacity planning process - Completed Standard Operating Procedures for manufacturing
Logistics	- To develop a global approach to product logistics to reduce cost and improve speed to market and efficiency	- Global redesign of distribution & logistics network - Selected third party logistics provider APL logistics - Opened first consolidation centre (based in China) - Global freight forwarder selected - Aligned on Global standard for Warehouse Management System (WMS)
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 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	Description and potential consequences	Treatment strategies employed by the Group
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 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 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 and South America), 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.	The Group seeks to mitigate the severity of the impact that a deterioration of economic conditions in a single country, region or market may have by operating businesses and brands that are diversified in terms of geographic locations and, within the actions sports segment, a diversification of target markets, products and customers servicing a number of end markets. The Group does not have any dependencies on key customers given its diverse customer base.
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 of America.	Group Treasury undertakes financial risk management policies approved by the Board. The Group identifies opportunities to improve treasury efficiency where possible. The input pricing risk is mitigated to an extent by product purchase hedging, but significant movements in the USD still impact the comparability of profitability of seasons between financial years. Whilst the Group's principal borrowing facility is a USD denominated term loan, this in itself does not create an income statement foreign exchange risk as at 30 June specifically. It does however create volatility in debt covenant and credit ratios (refer debt covenant section below) as it is subject to translation at the spot rate at balance date / covenant date. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant currency.
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 strategy to mitigate this risk. Subsequent to year end the Group has renegotiated (at no cost to the Group), the basis of the covenant calculation in the term loan so as to reduce the volatility by aligning the exchange rates used in converting into Australian Dollars both the debt (of the covenant calculation) and the Americas EBITDA contribution. In the event of covenant risk the Group could look to sell assets or raise equity.
Competition	The Group competes for discretionary income spend and not just with other action sports participants. 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.

Operating and Financial Review (continued)

Material risks (continued)

Risk	Description and potential consequences	Treatment strategies employed by the Group
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.	The Group seeks to mitigate the severity of the impact that prolonged unseasonal weather conditions in a particular region may have by operating businesses and brands that are diversified in terms of geographic locations.
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 utilisation 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. The Group maintains relationships with a number of suppliers for its products to help mitigate supply and supplier dependency risks. The Group has implemented a vendor matrix which is a list of vendors and factories which have been audited for social compliance and a full factory audit has been done to assess their quality, capabilities and capacity. It is the Group's strategy to source the majority of its products from the vendors and factories included in the matrix.
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 strategy to ensure the Group has a best in class mono-brand direct to consumer platform which utilises the Group's stores and websites to lead the brands.
Centerbridge / Oaktree (C/O) Consortium's 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 director (Mr. Mozingo) does not have any business interest or other relationships that could materially interfere with the exercise of his independent judgement and his ability to act in the best interest of the Company. The Board is currently seeking to appoint a new independent non-executive director following the resignation of Sally Pitkin as a Director of the Company on 15 August 2016.
Social risk	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 strategy to mitigate this risk.
Funding may not prove sufficient to execute the Company's 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 strategy, which could have a negative impact on its future financial performance or position.	The Group is focussed on delivering the strategy to mitigate this risk. On 14 July 2016, the Group announced that it had refinanced its asset-based multi-currency revolving credit facility. In the event that the Group's debt funding is not adequate the Group could look to sell assets or raise equity.

Operating and Financial Review (continued)

Material risks (continued)

Risk	Description and potential consequences	Treatment strategies employed by the Group
Strategy implementation risk / Project risk	The Group's 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. Continuous progress reporting to the Board for the Group's key projects occurs, to help ensure the effective allocation of resources to each project. From time to time external contractors are engaged to review project and reform plans.
Business interruption risk	Inability to resume operations in an acceptable time after an unplanned event/disaster. The risk that key information is unable to be recovered.	The Group undertakes business continuity planning and disaster preparedness for high-value or strategically important sites. In addition, management undertakes continuous identification, review and management of property risks. The Group also has business interruption insurance.
Tax risks	The Group operates in many counties, each with unique and dynamic tax environments. The tax affairs of operations in each country may be adversely impacted by changes in the fiscal or regulatory regimes, differences in interpretation of the local tax laws of those countries, and changes to current political, judicial or administrative policies relating to tax. There is an ongoing risk that any changes in shareholdings of the group (particularly in relation to the USA tax losses) could result in a limitation on the utilisation of the tax losses.	The Group's tax affairs are managed in accordance with a tax risk framework that is agreed with, reviewed and reported against by the Audit and Risk Committee on a regular basis. This framework ensures that: - Tax risks across the company are identified, monitored and managed - Tax risks are prioritised so that appropriate attention and action can be taken on key risks - An active approach to tax risk management is pursued (including an open and co-operative approach with revenue authorities) - Informed judgement is exercised to establish the required level of provisioning for financial statement purposes

Matters subsequent to the end of the financial year

As announced on 26 March 2015, the Company was defending a representative proceeding (shareholder class action) commenced in the Federal Court of Australia relating to historical market disclosures that occurred in 2011. As announced on 11 July 2016 the Company has entered into an agreement to settle the shareholder class action proceedings, with such settlement having no material financial impact on the Company's financial results at any time. The settlement is subject to Court approval.

On 14 July 2016, the Group announced that it had refinanced its asset-based multi-currency revolving credit facility. As the Group expected the refinancing to occur shortly after 30 June 2016, all unamortised capitalised borrowing costs associated with the General Electric Capital Corporation ABL facility were written off as at 30 June 2016.

Other than those items noted above, 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

For the month of July 2016, EBITDAI was ahead of the prior year, however July is a seasonally small month for the Group. The Group's results for the 2017 financial year will again be significantly influenced by the strength of the key November/December retail trading in Asia Pacific and the implications of the consolidation and rationalisation occurring in the North American retail market.

The Company continues to be confident of its ability to manage those elements of the strategy that are within its control including brand performance, margin improvements, inventory and cost of doing business and expects the benefits of the project agenda to contribute to the 2017 financial year's result.

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
None.

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
30,596 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 an 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
491,072 ordinary shares in Billabong International Limited.

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 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
24,386,908 ordinary shares in Billabong International Limited.

Information on Directors (continued)

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
27,500 ordinary shares in Billabong International Limited.

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 in addition to Billabong, he serves as a Director of P.F. Chang's, CraftWorks Restaurants & Breweries, Heartland Food Products Group and Bluestem Group. Mr Mozingo is also on the Board of Trustees of the International Council of Shopping Centers (ICSC).

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.

AMAR DOSHI

(*Alternate Director for Jason Mozingo until 4 August 2016)*

Experience and expertise
Amar Doshi was a Principal at Centerbridge Partners, L.P and focused 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 Heartland Consumer Products.

Mr Doshi was appointed as Alternate Director of the Company on 10 December 2013 and resigned on 4 August 2016.

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)

SALLY PITKIN

(*Non-Executive Director until 15 August 2016)*

Experience and expertise
Dr Sally Pitkin has twenty years' experience as a non-executive director in the listed, private, public and non-profit sectors. She has twelve 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 and resigned on 15 August 2016.

Other current directorships
Super Retail Group Limited, director since 1 July 2010.
IPH Limited, director since 23 September 2014.
Star Entertainment Group Limited, director since 19 December 2014.
Link Administration Holdings Limited, director since 23 September 2015.

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 until her resignation on 15 August 2016.

Interests in shares and options
19,250 ordinary shares in Billabong International Limited.

MATTHEW WILSON

(Non-Executive Director until 7 September 2015)

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 and resigned on 7 September 2015.

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 until his resignation on 7 September 2015.

Interests in shares and options
None.

THOMAS CASARELLA

(*Alternate Director for Matthew Wilson until 7 September 2015)*

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 and resigned on 7 September 2015.

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 an additional Company Secretary until her resignation on 27 August 2015.

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 2016, 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	7	7	4	4	2	2	4	4	6	6
N. Fiske	13	13	7	7	[A]	[A]	[A]	[A]	[A]	[A]	[A]	[A]
G.S. Merchant	13	13	7	7	[A]	[A]	[A]	[A]	[A]	[A]	[A]	[A]
H. Mowlem	13	13	7	7	4	4	2	2	4	4	[A]	[A]
J. Mozingo	13	13	7	7	4	4	2	2	4	4	[A]	[A]
S.A.M. Pitkin	13	13	7	6	4	4	2	2	4	4	6	6
M. Wilson	3 [D]	2	- [D]	-	1 [D]	1	- [D]	-	1 [D]	1	[A]	[A]
A. Doshi [B]	-	-	-	-	-	-	-	-	-	-	-	-
T. Casarella [C]	- [D]	1 [C,D]	-	-	-	-	-	-	-	-	-	-

[A] Not a member of the relevant Committee.
[B] Alternate Director for Jason Mozingo.
[C] Alternate Director for Matthew Wilson.
[D] Resigned effective of 7 September 2015.

Remuneration Report

Message from the Board

The Board of Billabong International Limited presents the Remuneration Report for the financial year ended 30 June 2016.

This year, we have commenced the process of streamlining and simplifying the report, with plans to continue these efforts over the next year.

During the financial year ended 30 June 2016, there were some changes to our Key Management Personnel (KMP). On 7 January 2016, the Company announced the retirement of Ed Leasure, President Americas, effective from the end of January. The Company used this opportunity to put in place a new operating structure that reflects an orientation toward a strong brand leadership model, supported by global operating platforms, and which allows leadership to stay close to customers in the local market. Under this new structure, Shannan North, Global President Brand Billabong, took over responsibilities for the Americas retail operations as well as Billabong wholesale sales operations in North America.

The Board continues with the goal of remuneration programs that support the Group's strategy, reflect Group performance, reward fairly and incentivise high performing employees appropriately. Remuneration for KMP is reviewed annually to ensure it remains competitive.

The link between performance and reward remains strong. At the request of the Chief Executive Officer, and with support from the Executive Leadership Team, no senior leadership employees, including Key Management Personnel, received a pay increase in the year ended 30 June 2016. In addition, no KMP received payments under the Group's Short-Term Incentive Plan and no performance-based Long-Term Incentive rights vested.

For the financial year ending 30 June 2017, KMP pay increases, if any, will be limited to increases in the merit budget established for the Group's employees and determined after the first quarter results are finalised to ensure the Group performance supports the increases.

The Human Resources (HR) and Remuneration Committee is currently reviewing the effectiveness of the Long-term Incentive program and may recommend changes to its structure.

Non-Executive Directors
The Non-Executive Director fees were not increased during the financial year ended 30 June 2016 and will also not increase for the financial year ending 30 June 2017.

On 22 July 2016, the Company announced that Dr. Sally Pitkin had advised the Company that she would be retiring as Director of the Company effective 15 August 2016. The Company has commenced a search for a replacement independent director.

We believe that our approach to KMP remuneration remains linked to shareholder value and fulfils the purpose of attracting, incentivising and retaining executives who are most qualified to lead our business.

Ian Pollard
Chairman of the Board

Remuneration Report (continued)

The information provided in this report has been prepared in accordance with 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 Group Remuneration Report forms part of the 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 of the Group, comprising the Non-Executive Directors, the Managing Director and Chief Executive Officer 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 HR 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 HR and Remuneration Committee Charter and Group Remuneration Policy, which document 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 HR 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 financial year ended 30 June 2016.

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, their incentives will be forfeited or lapse accordingly.

Remuneration Report (continued)

3. Billabong Key Management Personnel disclosed in this report

The KMP for the Group for the financial year ended 30 June 2016 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
Group Executives classified as KMP	
Paul Burdekin	General Manager, Billabong Group, Asia Pacific (GM Asia Pacific)
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	
Ed Leasure	President Americas until 29 January 2016
Non-Executive Directors	
Ian Pollard	Chair
Gordon Merchant AM	Director
Howard Mowlem	Director
Jason Mozingo	Director
Sally Pitkin	Director (resigned 15 August 2016)
Matt Wilson	Director (resigned 7 September 2015)

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.

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 and on 30 January 2016, took over responsibilities for the Americas retail operations as well as Billabong wholesale sales operations in North America.

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 in the Information on Directors section of the Directors' report.

Remuneration Report (continued)

4. Remuneration principles, strategy and outcomes

4.1 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 across all levels of the organisation.
- 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.

4.2 Guiding principles for Total Rewards

The Group also established several principles that supplement and expand on the Group'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 the median of the 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.

4.3 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. At the same time, the strategy motivates and retains top talent through market competitive fixed remuneration and an incentive framework that rewards for results.

Remuneration Report (continued)

4.3 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 shareholder returns.

Business objective

The Group remains committed to and continues to focus on the execution of the seven part strategy (brand, product, marketing, omni-channel, supply chain, organisation and financial discipline) that was 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 Group. 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.
- Include 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**	**At risk**	**At risk**
	Reviewed annually.	Wholly dependent on achieving agreed performance objectives.	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. Relative TSR is a market based metric which measures performance relative to a comparator group.

Remuneration Report (continued)

4.3 Remuneration strategy (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.

The HR and Remuneration Committee is reviewing the appropriateness of having the structure of the LTI participation of all other employees aligned with its approach for Key Management Personnel.

Summary - Remuneration outcomes for current Executive Key Management Personnel

Table A sets out the (non-statutory) remuneration outcomes of the Group's current Executive KMP for the financial year ended 30 June 2016. This table sets out the rewards received over the year, excluding any payments in respect of the financial year ended 30 June 2015 which were paid in the year ended 30 June 2016 and reported in last year's Remuneration Report. Table A also excludes details of accrued long service leave and accounting charges for share based payments. Details of these items are set out in Table B: statutory remuneration comparison.

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.

Short-term incentive- earned cash is the portion of STI awarded in cash relative to performance for the financial year ended 30 June 2016, and payable in the following September. For the financial year ended 30 June 2016, no STI was earned.

The short-term incentive- vested equity amount is the value of all deferred shares that vested during the financial year. It is based on the volume weighted average price of Billabong International Limited shares ($3.15, adjusted for the 5:1 share consolidation) trading in the five days up to and including 1 September 2015 for Peter Myers. For Shannan North, who sold his shares upon vesting, it is based on the share price on 1 September 2015 ($3.05, adjusted for the 5:1 share consolidation).

Non-monetary benefits for certain KMP include family travel, clothing allowance, vehicle allowance or vehicle lease value, health and welfare insurance, retirement benefit and tax preparation assistance.

Long-term incentive- vested equity relates to the value of all performance based shares that vested during the financial year. Vesting was based on achievement of an EPS growth and TSR ranking hurdle, which were not achieved. Had vesting occurred, value would have been based on the volume weighted average price of Billabong International Limited shares trading in the five days up to and including 1 September 2015 ($3.15, adjusted for the 5:1 share consolidation).

Table A: Remuneration outcomes for the year ended 30 June 2016

2016	**Neil Fiske***	**Paul Burdekin**	**Peter Myers**	**Shannan North***	**Jean-Louis Rodrigues***
	$	**$**	**$**	**$**	**$**
Cash Salary	1,297,008	450,000	725,000	864,672	419,016
Short-term incentive- earned cash	---	---	---	---	---
Short-term incentive- vested equity	---	---	30,130	114,499	---
Non-monetary benefits	83,515	9,869	2,709	141,201	29,069
Superannuation	---	19,308	19,308	19,308	---
Long-term incentive- vested equity	---	---	---	---	---
Total remuneration realised	1,380,523	479,177	777,147	1,139,680	448,085

* *Remuneration impacted by exchange rate fluctuations.*

Remuneration Report (continued)

4.4 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.

The STI awarded as deferred equity for the year ended 30 June 2016 represents one third of the value of the portion of the STI (25%) granted in respect of the 30 June 2014, 30 June 2015 and 30 June 2016 financial years and deferred into equity for a 2 year period. 30 June 2015 Deferred STI - equity represents one third of the value of the portion of the STI (25%) granted in respect of the 30 June 2013, 30 June 2014 and 30 June 2015 financial years and deferred into equity for a 2 year period.

Non-monetary benefits for Neil Fiske include tax preparation assistance, health cover, spouse travel, and a one-time tax gross-up on certain benefits in relation to the financial years ending 30 June 2016 and 2015. For the financial year ended 30 June 2015, these benefits also include an expatriate allowance (part year ending February 2015) and accommodation benefit (part year ending September 2014).

Non-monetary benefits for Shannan North include tax preparation assistance, tax advice related to his relocation to the USA, health cover, a clothing allowance, family travel and a one-time tax gross-up on certain benefits in relation to the financial years ending 30 June 2016 and 2015.

Share based payments includes an accounting charge recognised in the Group's income statement in respect of the long-term incentive plan performance rights. The accounting charge reflects the likelihood of the 30 June 2014, 30 June 2015 and 30 June 2016 grants vesting to the individual at 30 June 2016 and 30 June 2015. The table also includes income 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.

Table B: Statutory remuneration comparison

		Fixed Remuneration					Variable Remuneration			Total
Name	**Year**	Cash salary	Non-monetary benefits	Annual and long service leave	Super-annua-tion benefits	Termination Benefits	Cash STI	Deferred STI - equity	Shared based payments – rights	Total Remun-eration
		$	$	$	$	$	$	$	$	$
Neil Fiske [3]	2016	1,197,238	83,515	99,770	---	---	---	---	369,102	1,749,625
	2015	982,121	170,979	81,843	---	---	---	---	480,122	1,715,065
Paul Burdekin	2016	415,385	9,869	54,740	19,308	---	---	---	44,765	544,067
	2015	410,059	9,846	55,628	18,783	---	---	---	53,323	547,639
Ed Leasure [1 3]	2016	256,334	11,445	21,361	---	2,621	---	---	(19,595)	272,166
	2015	385,979	17,908	32,165	---	---	---	---	96,342	532,394
Peter Myers	2016	669,231	2,709	55,769	19,308	---	---	---	62,187	809,204
	2015	669,231	2,983	55,769	18,783	---	---	---	113,865	860,631
Shannan North [3]	2016	798,159	141,201	66,513	19,308	---	---	32,086	130,046	1,187,313
	2015	694,762	114,263	62,018	18,783	---	112,899	32,086	53,067	1,087,878
Jean-Louis Rodrigues [3]	2016	378,726	29,069	40,290	---	---	---	29,944	30,074	508,103
	2015	357,114	42,283	37,991	---	---	177,802	29,944	71,720	716,854
Jeffery Streader [2 3]	2016	---	---	---	---	---	---	---	---	---
	2015	518,466	20,396	43,205	---	636,590	---	---	---	1,218,657
Total for all executives	2016	3,715,073	277,808	338,443	57,924	2,621	---	62,030	616,579	5,070,478
	2015	4,017,732	378,658	368,619	56,349	636,590	290,701	62,030	868,439	6,679,118

1 *Ceased performing his role on 29 January 2016. Termination benefits include a lump sum payment to assist with post-employment medical benefits.*

2 *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.*

3 *Remuneration impacted by exchange rate fluctuations. The EUR/AUD exchange rate fluctuation increases the 2016 remuneration for Jean-Louis Rodrigues by 6% when comparing 2015 and 2016. The USD/AUD exchange rate fluctuation increases the 2016 remuneration for Neil Fiske, Ed Leasure and Shannan North by 14.8% when comparing 2015 and 2016.*

Remuneration Report (continued)

4.4 Statutory remuneration outcomes (continued)

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration in Table B.

Table C: Relative proportion of fixed vs variable remuneration expense.

	Fixed Remuneration		At risk STI		At risk LTI	
	2016	2015	**2016**	2015	**2016**	2015
Neil Fiske	79%	72%	0%	0%	21%	28%
Paul Burdekin	92%	90%	0%	0%	8%	10%
Ed Leasure[1]	100%	82%	0%	0%	n/a	18%
Peter Myers	92%	87%	0%	0%	8%	13%
Shannan North	86%	82%	3%	13%	11%	5%
Jean-Louis Rodrigues	88%	61%	6%	29%	6%	10%
Jeffery Streader[2]	---	100%	---	---	---	---
Total for all Executives	87%	82%	1%	5%	12%	13%

[1] *Ceased performing his role on 29 January 2016. The LTI percentage is not disclosed as the total amount of LTI remuneration expense for the period included share-based payment income (a reversal of previously recognised expenses) in relation to awards that did not satisfy the vesting conditions.*

[2] *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.*

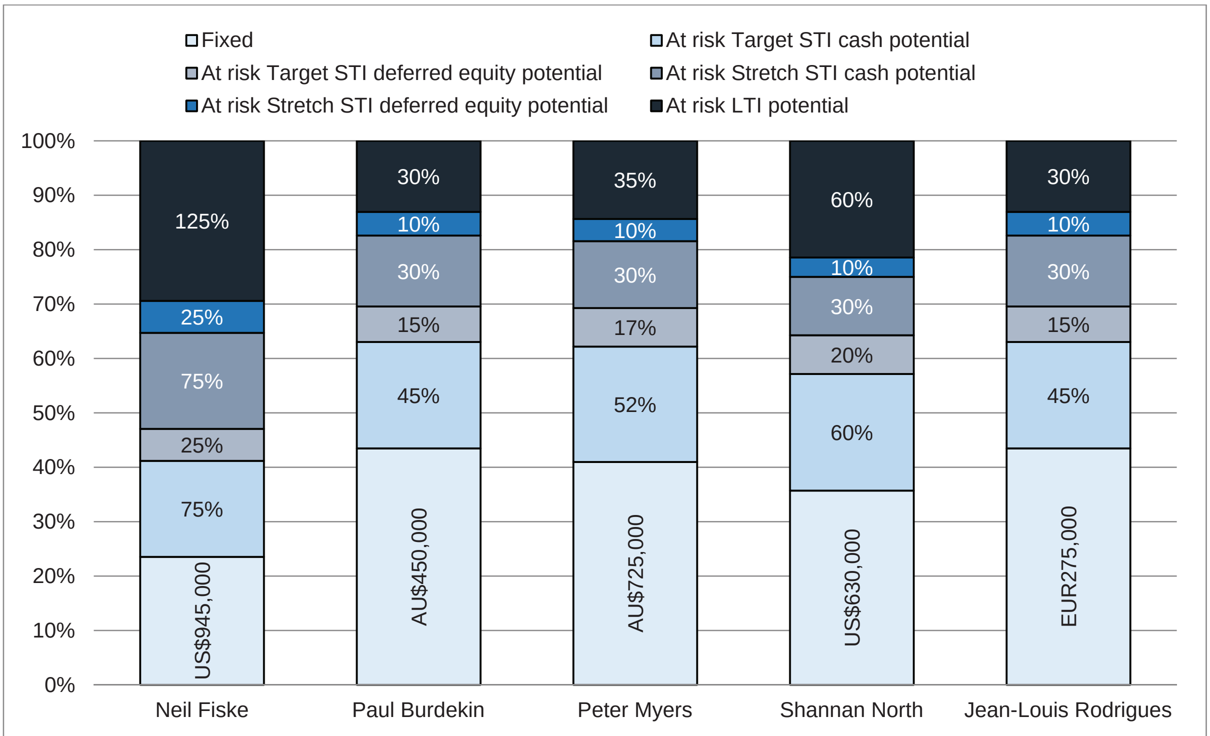
4.5 Executive remuneration structure

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.

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, target and stretch short-term incentive potential and long-term incentive awards quantified based on five day volume weighted average price prior to and including grant date (2016: $2.30, adjusted for the 5:1 share consolidation). The vertical axis represents remuneration mix as a percentage of the total target remuneration for each KMP. Within the chart, targets as a percentage of fixed salary are noted for each remuneration component.

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



Remuneration Report (continued)

4.6 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 performance of their roles and behaviour in accordance with the Group's culture and values.

The Group appoints executives at base salaries commensurate with the Group's context and market data, with total remuneration more heavily skewed to incentives for financial performance. The Board has sourced market data for the KMP for like roles considering domicile, and has assessed pay based on the talent, experience and international nature of KMP responsibilities, as well as the geographic diversity and business complexity of the Group's activities. In addition, company revenue is used as the primary factor when scoping the KMP positions, as the Board believes this provides the greatest correlation to market value of KMP. The Board believes the CEO remuneration needs to be primarily benchmarked against the companies we would look to when searching for a CEO, as the Group is a global company and it is critical to be able to recruit globally based on talent. For our CEO, the local labour market is the USA. Whilst we recognise the CEO's fixed remuneration is above the median for similarly sized Australian companies on a market capitalisation basis, it is at or below the median of benchmarked publicly traded USA apparel companies.

In respect of the financial year ended 30 June 2016 the Board determined that fixed remuneration would not be increased for KMPs continuing in the same role. Each KMP's base salary is disclosed in local currency in Table E.

4.7 Short-Term Incentive structure

What is the purpose of the STI?

STI performance hurdles focus executive attention on the Group's critical performance metrics and the STI rewards executives for achieving or exceeding Group performance targets.

Who participates?

All Executive KMP and selected senior executives.

How much can be earned under the STI Plan?

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.

What are the performance conditions?

No STI is payable unless a minimum Global Group EBITDA performance gateway 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 Key Performance Indicators (KPIs) set for the KMP for the year ended 30 June 2016 are provided in Table D.

Financial Measures

There are three levels of targeted performance for each measure in the STI for the year ended 30 June 2016:

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.

STI Financial Measures	Threshold	Target	Stretch
Percentage of criteria required (inclusive of STI payments)	90%	100%	120%+
Percentage of STI target payable *Note: linear progression of pay-out percentage applies*	25%	100%	101% to 200%

Over what period is it measured?

Performance is measured over the 12 month period from 1 July to 30 June. STI payments are made in the following September.

How is it paid?

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 vesting occurs two years after the equity is granted. 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 can neither vote nor receive dividends in respect of unvested deferred equity.

When and how is it reviewed?

STI measures are reviewed annually in line with a review of budgets and the annual business plan.

Who assesses performance against targets?

The Board assesses the CEO's performance against KPIs. The CEO provides an assessment of performance for his direct reports to the HR and Remuneration Committee. The HR and Remuneration Committee reviews this assessment and makes recommendations to the Board. If the Global Group EBITDA performance gateway is not achieved, the Board may award discretionary bonuses or other rewards to employees (other than KMP) in order to recognise and retain outstanding performers.

What are the clawback provisions?

Clawback provisions apply to the portion of STI that is deferred into equity (25%) under the same provisions as the Long-Term Incentive awards.

Remuneration Report (continued)

4.7 Short-Term Incentive structure (continued)

Summary of executive performance measures

The table below shows the performance measures (KPIs) set for KMP and achievement for the financial year ended 30 June 2016.

Table D: KPIs for KMP for the financial year ended 30 June 2016

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%	Not Achieved
President Americas	Ed Leasure[1]	Global Group EBITDA	25%	N/A
		Americas EBITDA	60%	N/A
		Americas Inventory Turn and Working Capital	15%	N/A
CFO	Peter Myers	Global Group EBITDA	60%	Not Achieved
		Global Inventory Turn and Working Capital	20%	Not Achieved
		Functional Achievement (Finance Reform, Strategic Initiative Project Success)	20%	Partially Achieved[3]
Global President, Brand Billabong	Shannan North	Global Group EBITDA	25%	Not Achieved
		Global Brand Billabong EBITDA	75%	Partially Achieved[3]
GM Europe	Jean-Louis Rodrigues	Global Group EBITDA	25%	Not Achieved
		Europe EBITDA	60%	Partially Achieved[3]
		Europe Inventory Turn and Working Capital	15%	Not Achieved

1 *Ed Leasure ceased employment on 29 January 2016 and therefore he was not eligible to participate in STI plan for the financial year ended 30 June 2016.*
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 *Partially achieved: represents performance between the threshold (90% of target) and target. In the financial year ended 30 June 2016, partial achievement did not result in STI payments as the Global Group EBITDA gateway was not achieved.*

4.8 Short-Term Incentive outcomes

In respect of performance for the financial year ended 30 June 2016, the Group did not achieve its minimum Global Group EBITDA performance gateway. As a result, KMP that achieved or partially achieved their primary EBITDA target were not eligible for an STI payment.

4.9 Mid Term Incentive (MTI) structure and outcome

During the financial year ended 30 June 2014 the Group implemented a one-off MTI program for Shannan North as part of his agreement to accept the role of Global President Brand Billabong and transfer from Australia to the USA. The MTI measurement period ended on 30 June 2016.

What were the potential earnings under the MTI?	USD$630,000 (75% cash and 25% deferred equity, with vesting after a two year period).
When was it granted?	Financial year ended 30 June 2014 (base year).
What were the performance conditions?	The Board set a challenging growth target for global brand Billabong EBITDA and global brand Billabong revenue to be achieved by the financial year ended 30 June 2016 as compared to the base year. Both targets needed to be achieved for payment to be earned. The EBITDA measure was inclusive of the MTI payment.

In respect of performance for the financial year ended 30 June 2016, global brand Billabong did not achieve the growth targets for EBITDA and revenue. As a result, Shannan North did not earn his MTI. The Group has no plans to establish a new MTI program for any Key Management Personnel at this time.

Remuneration Report (continued)

4.10 Long-Term Incentive structure

What is the purpose of the ELTIP?

LTI for the Group is delivered through the Executive Long Term Incentive Plan (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. The HR and Remuneration Committee is currently reviewing the effectiveness of the LTI program and may recommend changes to its structure.

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 the year ended 30 June 2016 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, to take account of differing tax treatments in certain countries. If the performance hurdles are met, the employee will be allocated the relevant number of shares (or amount of cash) as soon as practicable following the vesting date.

An employee awarded performance rights is not entitled to shares in Billabong International Limited until the rights allocated under the ELTIP vest. Once vested, each right entitles the employee to receive one share in the Company.

The Board will review the appropriateness of performance rights as the award vehicle in respect of senior management (other than KMP) prior to the issuance of grants for the financial year ending 30 June 2017.

How is the grant value determined?

Performance rights are granted at face value, based on the five day volume weighted average price at grant date. Awards are typically based on a percentage of the participant's fixed salary and the number of awards is determined by the grant date face value.

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
2016	Pre-tax EPS Performance	Minimum performance threshold based on the Long Range (three year) Plan	50%	Financial year ended 30 June 2018
		Stretch performance based on the Long Range (three year) Plan	100%	
	TSR performance relative to comparator group	50th percentile or above	50%	1 July 2015 to 30 June 2018
		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. As a result of 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.

50% of awards are based on relative TSR. Relative TSR measures how the Group has returned value to its shareholders relative to a 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.

The Board works with an independent advisor to identify comparator group companies within an appropriate market capitalisation range in the 'Consumer Discretionary' industry sector. For the financial year ended 30 June 2016, the comparator group consisted of 25 ASX listed as well as three USA listed peer companies. Quiksilver Inc. and Pacific Sunwear of California Inc. were removed from the previously disclosed USA listed peer group due to the suspension and subsequent delisting of their common stock from the NYSE and NASDAQ, respectively.

The comparator companies will be weighted such that the ASX listed companies will have a weighting of 100% and the three 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 relative TSR comparator group are listed below.

Remuneration Report (continued)

4.10 Long-Term Incentive structure (continued)

What companies are in the relative TSR comparator group?

ASX Listed Companies
Ainsworth Game Tech Ltd
ARB Corporation Limited
APN News and Media Limited
APN Outdoor Group Ltd
Breville Group Ltd
Burson Group Limited
Cash Converters International
Corporate Travel Management Limited
Donaco International Ltd
GUD Holdings Limited
iSelect Limited

ASX Listed Companies
Kathmandu Holdings Limited
Mantra Group Limited
News Corporation
Oohmedia Limited
Pacific Brands Limited
Prime Media Group Ltd
Retail Food Group Limited
Shine Corporate Ltd
Southern Cross Media Group Ltd
STW Communications Group Ltd
Ten Network Holdings Limited
Thorn Group Limited
Webjet Limited

USA Listed Companies
Tilly's Inc.
V.F. Corporation
Zumiez Inc.

The Board will review the relative TSR comparator group in respect of any future potential grants.

How is it paid?

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:

Awards approved by Board	Date granted	Performance period		Vesting subject to performance testing
Financial year ended 30 June 2014	18 December 2013	EPS portion	Financial year ended 30 June 2016	EPS: July 2016 (did not vest) Relative TSR: October 2016
		Relative TSR portion	1 January 2014 until 30 September 2016	
Financial year ended 30 June 2015	2 December 2014	EPS portion	Financial year ended 30 June 2017	September 2017
		Relative TSR portion	1 July 2014 until 30 June 2017	
Financial year ended 30 June 2016	15 December 2015	EPS portion	Financial year ended 30 June 2018	September 2018
		Relative TSR portion	1 July 2015 until 30 June 2018	

Executives can neither vote nor receive dividends in respect of unvested grants

When and how is performance assessed?

At the end of each performance period, the HR and Remuneration Committee considers the relevant performance measures and determines the extent to which the awards should vest.

How are performance conditions set?

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 HR 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.

What happens if a change of control occurs?

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, lapses or is forfeited or remains subject to the applicable conditions and/or performance period; or becomes subject to substitute or varied conditions and/or performance period.

What are the clawback provisions?

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 vest.

Remuneration Report (continued)

4.10 Long-Term Incentive structure (continued)

Valuation methodology		2016 Price per right	2015[1] Price per right
Face value at grant date	Five day volume weighted average price at grant date. Used to determine the number of rights per grant.	$2.30	$3.27
EPS awards (non-market based performance conditions)	The fair value of EPS awards for accounting purposes is calculated using the Black-Scholes pricing model.	$2.45	$3.27
Relative TSR awards (market based performance condition)	The fair value of relative TSR awards for accounting purposes is calculated at the date of grant using the Monte-Carlo simulation model. The probability of achieving market-based performance conditions is incorporated into the determination of the fair value per award.	$1.60	$2.59

[1] *The fair value per right for the financial year ended 30 June 2015 has been adjusted for the 5:1 share consolidation.*

4.11 Long-Term Incentive outcomes

In respect of the LTI awards granted in the financial year ended 30 June 2014, the EPS measurement period ended 30 June 2016. The EPS hurdle was not achieved and as a result 50% of the LTI award was not vested. The relative TSR measurement period for this award will end 30 September 2016 and 50% of the award remains outstanding.

4.12 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 E. Contractual terms vary due to the timing of contracts, individual negotiations and different local market practices.

Table E: Executive contracts summary

Executive		Date of contract	Term of contract	Base Salary[3]	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	1 January 2015	On-going	USD 945,000	n/a[2]	12 months[1]
GM Asia Pacific	Paul Burdekin	13 January 2015	On-going	AUD 450,000	9 months	Payment in lieu of notice
CFO	Peter Myers	11 January 2013	On-going	AUD 725,000	6 months	Payment in lieu of notice
Global President Brand Billabong	Shannan North	18 August 2014	On-going	USD 630,000	n/a[2]	12 months[1]
GM Europe	Jean-Louis Rodrigues	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] *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 to be given by the Company if the Company triggers termination of an employee with or without cause.*
[3] *Base salary in local currency.*

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
President Americas, Ed Leasure, ceased employment 29 January 2016. As his Executive Employment Agreement had previously lapsed, no termination payments were made to him. He received a one-time payment of USD $1,910 to be used towards post-employment medical premiums.

Remuneration Report (continued)

5. Non-Executive Director remuneration

5.1 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 Non-Executive Director remuneration paid during the year ended 30 June 2016 is outlined in Table G.

5.2 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.

Fees for Non-Executive Directors were not increased for the financial year ended 30 June 2016 and will not be increased for the financial year ending 30 June 2017. Non-Executive Directors each continue to receive an amount of $5,000 per annum to recognise the additional time required for international travel. The temporary position of Chair of the Class Action Subcommittee received fees consistent with the other committee chair positions due to the amount of time required to fulfil the duties of this position during the financial year ended 30 June 2016. Effective for the financial year ended 30 June 2016, Jason Mozingo waived his fees, consistent with employment practices at Centerbridge Partners, L.P.

For the financial years ended 30 June 2015 and 30 June 2016 the annual Non-Executive Directors fees were as follows:

Table F: Non-Executive Director Remuneration

Non-Executive Director fees[1]	**2016** **$**	**2015** **$**
Board Chair fee	238,188	238,188
Director fee	98,275	98,275
Committee Chair fee (Audit and Risk, Class Action and HR and Remuneration)	25,000	25,000

1 *Excludes superannuation.*

5.3 Non-Executive Director remuneration

Table G sets out the Non-Executive Director fees paid in the financial years ended 30 June 2015 and 30 June 2016.

Table G: Non-Executive fees paid

Name	**Year**	**Fees** **$**	**Non-monetary benefit**[1] **$**	**Superannuation** **$**	**Long service leave** **$**	**Total remuneration** **$**
Ian Pollard	2016	238,188	3,646	19,308	---	261,142
	2015	238,188	3,960	18,783	---	260,931
Gordon Merchant	2016	98,275	4,392	9,336	---	112,003
	2015	98,275	4,371	9,320	---	111,966
Howard Mowlem	2016	123,275	3,074	11,711	---	138,060
	2015	123,275	4,000	11,695	---	138,970
Jason Mozingo	2016	---	---	---	---	---
	2015	98,275	609	---	---	98,884
Sally Pitkin[2]	2016	148,275	4,375	14,086	---	166,736
	2015	139,942	2,600	13,202	---	155,744
Matt Wilson[3]	2016	18,521	---	---	---	18,521
	2015	98,275	3,030	---	---	101,305
Total	2016	626,534	15,487	54,441	---	696,462
	2015	796,230	18,570	53,000	---	867,800

1 *Non-monetary benefit includes a clothing allowance, reported as retail value.*
2 *Resignation effective 15 August 2016.*
3 *Resignation effective 7 September 2015.*

Remuneration Report (continued)

6. Other statutory disclosures

Table H shows the value of the short-term incentive earned (cash and equity) as a percentage of the total short term incentive potential (target and stretch).

Table H: Short term incentives granted during the year

2016	Total opportunity $	Paid %	Forfeited %
Neil Fiske	2,594,016	---	100
Paul Burdekin	450,000	---	100
Ed Leasure[1]	n/a	---	100
Peter Myers	790,000	---	100
Shannan North	1,037,607	---	100
Jean-Louis Rodrigues	419,016	---	100

[1] *Ed Leasure ceased employment on 29 January 2016 and therefore he was not eligible to participate in STI plan for the financial year ended 30 June 2016*.

Table I shows how many deferred equity rights under the Short-Term Incentive plan, as well as how many performance shares and rights under the Executive Long-Term Incentive Plan and Executive Performance Share Plan were granted, vested and forfeited during the year.

The maximum total value of grant yet to vest as at 30 June 2016 for the long-term awards is calculated as the grant date value based on the five day volume weighted average price at grant date of the performance rights and assuming 100% of the award vests.

The maximum total value of grant yet to vest as at 30 June 2016 for the short-term awards is calculated as the value of deferred STI yet to vest, stated as the value at the time of deferral.

Table I: Rights holdings

2016	Year granted	Award	Balance at the start of the year[1]	Granted during the year[1]	Vested[1]		Forfeited[1]		Balance at the end of the year[1]	Maximum total value of grant yet to vest
			Number	Number	Number	%	Number	%	Number	$
Neil Fiske	2016	LTI	---	679,255	---	---	---	---	679,255	1,664,175
	2015	LTI	381,930	---	---	---	---	---	381,930	1,250,057
	2014	LTI	448,486	---	---	---	---	---	448,486	969,178
Paul Burdekin	2016	LTI	---	58,646	---	---	---	---	58,646	143,683
	2015	LTI	41,248	---	---	---	---	---	41,248	135,005
Peter Myers	2016	LTI	---	110,232	---	---	---	---	110,232	270,068
	2015	LTI	77,532	---	---	---	---	---	77,532	253,762
	2014	LTI	117,422	---	---	---	---	---	117,422	253,749
	2014	STI	9,565	---	(9,565)	100	---	---	---	---
Shannan North	2016	LTI	---	217,362	---	---	---	---	217,362	532,537
	2016	STI	---	11,926	---	---	---	---	11,926	37,633
	2015	LTI	126,998	---	---	---	---	---	126,998	415,664
	2015	STI	21,364	---	---	---	---	---	21,364	58,621
	2014	LTI	97,178	---	---	---	---	---	97,178	210,002
	2014	STI	37,541	---	(37,541)	100	---	---	---	---
	2013	LTI	43,122	---	---	---	(43,122)	100	---	---
Jean Louis-Rodrigues	2016	LTI	---	52,928	---	---	---	---	52,928	129,674
	2016	STI	---	18,782	---	---	---	---	18,782	59,267
	2015	LTI	37,198	---	---	---	---	---	37,198	121,749
	2015	STI	14,890	---	---	---	---	---	14,890	40,857
	2014	LTI	55,128	---	---	---	---	---	55,128	119,132

[1] *Adjusted for the 5:1 share consolidation.*

Remuneration Report (continued)

6. Other statutory disclosures (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 $119,139,000 in 2011 to a loss of $23,739,000 in 2016 including significant items. Shareholder wealth has also decreased at a compound rate of 50% per annum. Total KMP remuneration decreased over the same period at a compound rate of 6.1% per annum. Part of the decrease is due to a 15% reduction in the number of KMP and Directors for the fiscal year ended 30 June 2016 as compared to the fiscal year ended 30 June 2011. When comparing these same two years, the average cost per KMP and Director has decreased by 14% even though exchange rate movements in the financial year ended 30 June 2016 increased the cost of foreign denominated KMP remuneration when translated into AUD.

Equity instrument disclosures relating to KMP

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 J.

Table J: 2016 Share holdings

2016	Balance at the start of the year[1]	Received on the exercise of rights holdings	Received on the exercise of options	Other changes during the year	Balance at the end of the year
	Number	Number	Number	Number	Number
Directors of Billabong International Limited					
Ian Pollard	30,596	---	---	---	30,596
Neil Fiske[2]	491,072	---	---	---	491,072
Gordon Merchant	20,115,039	---	---	4,271,869	24,386,908
Howard Mowlem	27,500	---	---	---	27,500
Jason Mozingo	---	---	---	---	---
Sally Pitkin[3]	19,250	---	---	---	19,250
Amar Doshi[4]	---	---	---	---	---
Matthew Wilson[5]	---	---	---	---	---
Thomas Casarella[6]	---	---	---	---	---
Other key management personnel of the Group					
Paul Burdekin	18,515	---	---	---	18,515
Peter Myers	---	9,565	---	---	9,565
Shannan North	41,979	37,541	---	(37,541)	41,979
Jean-Louis Rodrigues[7]	10,426	---	---	---	10,426
Ed Leasure[8]	24,288	---	---	(24,288)	---

1 *Adjusted for the 5:1 share consolidation*
2 *Includes 357,143 ordinary shares which were released from voluntary escrow from commencement of trade on 10 January 2016.*
3 *Sally Pitkin resigned on 15 August 2016.*
4 *Amar Doshi resigned on 4 August 2016.*
5 *Matthew Wilson resigned on 7 September 2015.*
6 *Thomas Casarella was appointed as Alternate Director for Matthew Wilson and ceased directorship on Matthew Wilson's resignation on 7 September 2015.*
7 *Includes an exercised rights holding of 2,185 shares which were released from escrow on 2 September 2015.*
8 *Ed Leasure ceased employment on 29 January 2016.*

Other transactions with Directors and other key management personnel

A subsidiary of the Group leases a retail store in the United States of America from Ed Leasure, President Americas, and his wife. During the time of his employment, the rental agreement was 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
Refinancing proposal- Altamont	8,451,958	16 July 2013	$2.50	16 July 2020
Refinancing proposal- C/O Placement	5,916,371	3 December 2014	$2.50	3 December 2020
Executive Option Plan	240,000	31 January 2014	$3.00	31 January 2024
Total	14,608,329			

* Adjusted for the 5:1 share consolidation.

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	
	2016	2015
	$	$
PwC Australia		
International tax consulting together with separate tax advice on acquisitions and disposals	193,354	303,509
Network firms of PwC Australia		
International tax consulting together with separate tax advice on acquisitions and disposals	192,908	81,527
Total remuneration for non-audit services	386,262	385,036

Amounts paid or payable by the consolidated entity for audit and non-statutory audit services are disclosed in note 34 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 34.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, 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.

Corporate Governance Statement

The Board of Directors is responsible to shareholders for the performance of the Group and believes that high standards of corporate governance underpin the Group'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 2016 corporate governance statement is dated as at 30 June 2016 and reflects the corporate governance practices in place throughout the 2016 financial year. The 2016 corporate governance statement was approved by the board on 24 August 2016. 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.

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, 25 August 2016

Auditor's Independence Declaration

As lead auditor for the audit of Billabong International Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

2. 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
25 August 2016

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Billabong International Limited

ABN 17 084 923 946

FINANCIAL REPORT
30 JUNE 2016

Introduction

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 2-33, which is not part of this financial report.

The financial report was authorised for issue by the Directors on 25 August 2016. 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.

Over the past year the content and structure of the financial report has been reviewed for opportunities to simplify and increase relevance to the users. This included:

- A review of content to eliminate immaterial disclosures that may undermine the usefulness of the financial report by obscuring important information;
- Reorganisation of the notes to the financial statements into sections; and
- Comparatives being restated to align with current period financial statement presentations. These restatements were not deemed material to the users of the financial report.

The purpose of these changes is to provide users with a clearer understanding of what drives financial performance and financial position of the Group and linkage to the Group's strategy, whilst still complying with the provisions of the *Corporations Act 2001*.

Change in structure
Note disclosures are split into seven sections so that like items are located together. Accounting policies and critical accounting judgements applied to the preparation of the financial statements have been moved to where the related accounting balance or financial statement matter is discussed.

Information is included in the financial report only to the extent it is considered material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- The dollar amount is significant in size (quantitative factor)
- The dollar amount is significant by nature (qualitative factor)
- The Group's results cannot be understood without the specific disclosure (qualitative factor)
- It is critical to allow a user to understand the impact of significant changes in the Group's business during the period such as business acquisitions (qualitative factor)
- It relates to an aspect of the Group's operations that is important to its future performance.

Contents

Consolidated income statement
For the year ended 30 June 2016

	Notes	2016 $'000	2015 $'000
Revenue from continuing operations	2	1,103,535	1,056,130
Cost of goods sold	3	(542,373)	(495,308)
Other income	2	8,653	10,553
Selling, general and administrative expenses	3	(415,633)	(429,614)
Other expenses	3	(127,730)	(127,681)
Finance costs	3	(42,347)	(34,275)
Loss before income tax		(15,895)	(20,195)
Income tax (expense)/benefit	4	(7,844)	12,231
Loss from continuing operations		(23,739)	(7,964)
Profit from discontinued operations after income tax	7	---	10,516
(Loss)/profit for the year		(23,739)	2,552
Loss attributable to non-controlling interests		---	1,598
(Loss)/profit for the year attributable to the members of Billabong International Limited		(23,739)	4,150
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company		**Cents**	Cents
Basic earnings per share	6	(12.0)	(3.2)
Diluted earnings per share	6	(12.0)	(3.2)
Earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company			
Basic earnings per share	6	(12.0)	2.1
Diluted earnings per share	6	(12.0)	2.1

Consolidated statement of comprehensive income
For the year ended 30 June 2016

	Notes	2016 $'000	2015 $'000
(Loss)/profit for the year		(23,739)	2,552
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges, net of tax	22(b)	(4,717)	3,602
Exchange differences on translation of foreign operations	22(b)	7,955	(5,972)
Net investment hedge, net of tax	22(b)	(3,727)	(917)
Other comprehensive expense for the year, net of tax		(489)	(3,287)
Total comprehensive expense for the year		(24,228)	(735)
Loss attributable to non-controlling interests		---	1,598
Total comprehensive (expense)/income for the year attributable to members of Billabong International Limited		(24,228)	863
Total comprehensive (expense)/income for the year attributable to members of Billabong International Limited arises from:			
Continuing operations		(24,228)	(9,653)
Discontinued operations		---	10,516
		(24,228)	863

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

	Notes	2016 $'000	2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	89,171	153,334
Trade and other receivables	8	171,644	164,504
Inventories	9	185,556	187,125
Current tax receivables	4	1,499	1,934
Other	18, 23	16,584	16,856
Total current assets		464,454	523,753
Non-current assets			
Receivables	18	7,792	7,202
Property, plant and equipment	16	86,321	89,504
Intangible assets	17	165,035	161,534
Deferred tax assets	4	15,712	15,384
Other	18	4,934	6,603
Total non-current assets		279,794	280,227
Total assets		744,248	803,980
LIABILITIES			
Current liabilities			
Trade and other payables	10, 23	169,991	184,130
Deferred payment	14	---	20,378
Borrowings	13	8,168	6,905
Current tax liabilities	4	3,629	4,115
Provisions	20	16,144	21,240
Total current liabilities		197,932	236,768
Non-current liabilities			
Borrowings	13	266,209	259,950
Deferred tax liabilities	4	---	---
Provisions	20	11,577	15,823
Other payables	19	9,241	9,855
Total non-current liabilities		287,027	285,628
Total liabilities		484,959	522,396
Net assets		259,289	281,584
EQUITY			
Contributed equity	21	1,094,274	1,094,274
Treasury shares	22(a)	(20,431)	(20,959)
Option reserve	22(b)	12,069	10,664
Other reserves	22(b)	(105,747)	(105,258)
Retained losses	22(c)	(720,876)	(697,137)
Capital and reserves attributable to members of Billabong International Limited		259,289	281,584
Total equity		259,289	281,584

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 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	22(b)	---	1,453	---	1,453	---	1,453
Other equity reserve reclassified to income statement	22(b)	---	9,244	---	9,244	---	9,244
Non-controlling interest reclassified to income statement	7	---	---	---	---	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
Loss for the year		---	---	(23,739)	(23,739)	---	(23,739)
Other comprehensive expense		---	(489)	---	(489)	---	(489)
Total comprehensive expense for the year		---	(489)	(23,739)	(24,228)	---	(24,228)
Transactions with equity holders in their capacity as equity holders:							
Option reserve in respect of employee share plan	22(b)	---	1,615	---	1,615	---	1,615
Deferred tax credit recognised directly in equity	22(a)	---	318	---	318	---	318
		---	1,933	---	1,933	---	1,933
Balance at 30 June 2016		1,094,274	(114,109)	(720,876)	259,289	---	259,289

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

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of sales taxes)		1,173,210	1,137,365
Payments to suppliers and employees (inclusive of sales taxes)		(1,177,978)	(1,123,390)
		(4,768)	13,975
Interest received		672	1,692
Other revenue		12,989	4,815
Finance costs		(27,874)	(32,873)
Income taxes paid		(3,122)	(2,234)
Net cash outflow from operating activities	12	(22,103)	(14,625)
Cash flows from investing activities			
Payments for deferred consideration	14	(18,646)	---
Payments for property, plant and equipment		(23,861)	(20,277)
Payments for finite life intangible assets		(14,143)	(7,381)
Proceeds from sale of business, net of cash divested and transaction costs	7	16,143	38,439
Proceeds from sale of property, plant and equipment		6,359	283
Net cash (outflow)/inflow from investing activities		(34,148)	11,064
Cash flows from financing activities			
Proceeds from borrowings		5,202	32
Repayment of borrowings		(16,585)	---
Net cash (outflow)/inflow from financing activities		(11,383)	32
Net decrease in cash and cash equivalents		(67,634)	(3,529)
Cash and cash equivalents at the beginning of the year		153,334	145,070
Effects of exchange rate changes on cash and cash equivalents		3,471	11,793
Cash and cash equivalents at the end of the year	11	89,171	153,334

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

Group performance

Note 1. Segment information

Description of segments
Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (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. Whilst the CEO reviews some brand specific information it is ultimately the geographic segment perspective which is used in assessing performance. 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:

Segment	This segment includes:
Asia Pacific	Australia, New Zealand, Japan, South Africa, Singapore and Indonesia
Americas	United States of America, Canada and Brazil
Europe	France, England, Spain, Germany and Czech Republic
Rest of the world	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).

(a) Segment information provided to the CEO

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

2016	**Asia Pacific $'000**	**Americas $'000**	**Europe $'000**	**Rest of the World $'000**	**Total $'000**
Total including significant items					
Sales to external customers	422,958	481,279	192,666	---	1,096,903
Third party royalties	---	---	---	3,526	3,526
Total segment revenue	422,958	481,279	192,666	3,526	1,100,429
EBITDAI	22,375	14,320	9,543	3,526	49,764
Less: depreciation and amortisation					(32,230)
Add: net reversal of impairment expense					97
Less: net interest expense					(33,526)
Loss before income tax					(15,895)
Segment assets	285,244	341,120	102,172	---	728,536
Unallocated assets:					
Deferred tax					15,712
Total assets					744,248
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	14,167	23,749	1,695	---	39,611

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 expense					(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

Note 1. Segment information (continued)

(b) Breakdown of segment results between continuing and discontinuing operations

The table below is a breakdown of the total segment results shown in (a) 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 expense					(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 7)					10,516

(c) Other segment information

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:

	2016 $'000	2015 $'000
Total segment revenue	1,100,429	1,067,201
Other revenue, including interest revenue	3,106	4,312
Less: sales revenue from discontinued operations	---	(15,383)
Total revenue from continuing operations	1,103,535	1,056,130

EBITDAI

The CEO assesses the performance of the operating segments based on total revenue and EBITDAI. A reconciliation of EBITDAI to operating loss before income tax is provided in (a) above.

Other segment revenue information

Based on statutory legal entity reporting, segment revenue in relation to Australia represents 63% of Asia Pacific (2015: 65%), segment revenue in relation to the United States of America represents 86% of Americas (2015: 84%) and segment revenue in relation to France represents 86% of Europe (2015: 84%).

Segment revenue in relation to retail represents 43% of the Group's total revenue for the year ended 30 June 2016 (2015: 45%), 65% of Asia Pacific's total revenue for the year ended 30 June 2016 (2015: 66%), 26% of Americas' total revenue for the year ended 30 June 2016 (2015: 26%) and 38% of Europe's total revenue for the year ended 30 June 2016 (2015: 41%).

No single customer represents more than 10% of the Group's total revenue for the years ended 30 June 2016 and 30 June 2015.

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 (a) above.

Segment assets, excluding deferred tax assets, in relation to Australia represents 71% of Asia Pacific (2015: 76%), in relation to the United States of America represents 88% of Americas (2015: 85%) and in relation to France represents 82% of Europe (2015: 82%).

Note 2. Revenue and other income

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:

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.

Interest income
Interest income is recognised on a time proportion basis using the effective interest method. When a significant 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.

Royalty income
Royalty income is recognised as it accrues when associated sales are made by the licensees.

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.

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.

	2016 $'000	2015 $'000
Revenue from continuing operations		
Sales revenue		
Sale of goods	1,096,903	1,048,357
Royalties	3,526	3,461
	1,100,429	1,051,818
Other revenue		
Interest	824	1,901
Other	2,282	2,411
	3,106	4,312
Total revenue from continuing operations	1,103,535	1,056,130
Revenue from discontinued operations (note 7)		
Sale of goods	---	15,383
Interest	---	7
	---	15,390
Other income from continuing operations		
Foreign exchange gains	---	1,638
Gain from adjustment to contingent consideration (note 14)	2,413	7,748
Insurance settlement	5,000	---
South African warehouse fire - insurance income	1,240	1,167
	8,653	10,553

Note 3. Expenses

Loss before income tax includes the following specific expenses from continuing operations:	2016 $'000	2015 $'000
*Cost of goods sold **	542,373	495,308
*Selling, general and administrative expenses **	415,633	429,614
*Employee benefits expense (included in the amounts above)**	230,181	218,853
Depreciation		
Buildings	694	786
Plant and equipment	21,826	20,664
Plant and equipment under finance lease	1,253	1,471
Total depreciation ^	23,773	22,921
Amortisation of finite life intangible assets ^	4,630	6,186
Interest and finance charges		
Interest expense	34,350	30,242
Other finance costs	556	309
Amortisation of capitalised borrowing costs	3,827	3,724
Write-off of capitalised borrowing costs *	3,614	---
Total interest and finance charges	42,347	34,275
Net loss on disposal of property, plant and equipment and intangibles ^	360	1,691
*Foreign exchange losses ^ **	586	---
*Divestment of immaterial operations including divestment costs ^ **	4,904	---
Rental expense relating to operating leases		
Minimum lease payments	84,675	83,356
Contingent rentals	(146)	482
Sub-leases	79	101
Total rental expense relating to operating leases ^	84,608	83,939
Impairment of other assets		
Inventories (included in the cost of goods sold amount above)	4,614	2,939
Trade receivables ^	8,966	9,904
Intangibles ^ *	(97)	---
Property, plant and equipment ^ *	---	3,040

* Included in these expenses are a number of significant items. Refer to note 5 for further information.
^ Included within the other expenses line item in the income statement.

Note 4. Taxes

Critical accounting estimates and judgments

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.

The income tax expense or benefit 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.

The statutory loss before tax for the period ended 30 June 2016 was $15.9 million with an income tax expense of $7.8 million. The income tax expense arises primarily from non-claimable withholding tax credits and the prevailing position that deferred tax assets are not being recognised on tax losses or temporary differences, particularly in Europe and North America.

In the majority of jurisdictions, the Group only recognises a deferred tax asset to the extent it offsets a deferred tax liability. This is on the basis that it is not considered probable that sufficient taxable profits will be generated in those jurisdiction to utilise a deferred tax asset in excess of the deferred tax liability. The main exceptions to this position are Australia, Japan and New Zealand where the deferred tax asset being recognised exceeds the deferred tax liability (on the basis that recovery of the deferred tax asset is probable). With the exception of New Zealand, no deferred tax asset is being recognised in respect of any tax losses on the basis that utilisation of any tax losses in the other jurisdictions is not considered probable.

Income tax expense

	2016 $'000	2015 $'000
(a) Income tax expense		
Current tax	4,298	2,739
Deferred tax	2,246	(14,515)
Adjustments of prior periods	1,300	(455)
	7,844	(12,231)
Income tax expense/(benefit) is attributable to:		
Loss from continuing operations	7,844	(12,231)
Profit from discontinued operations (note 7)	---	---
Aggregate income tax expense/(benefit)	7,844	(12,231)
Deferred income tax revenue/(expense) included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets	3,311	(3)
Decrease in deferred tax liabilities	(1,065)	(14,512)
	2,246	(14,515)

Note 4. Taxes (continued)

Income tax expense (continued)

(b) Reconciliation of income tax expense/(benefit) to prima facie tax payable	2016 $'000	2015 $'000
Loss from continuing operations before income tax expense	(15,895)	(20,195)
Profit from discontinuing operation before income tax expense	---	10,516
	(15,895)	(9,679)
Tax at the Australian tax rate of 30% (2015: 30%)	(4,769)	(2,904)
Tax effect of amounts which are not (taxable)/deductible in calculating taxable income:		
Net exempt (benefit)/expense	(606)	1,669
Non-claimable credits	1,647	1,326
Sundry items	(2,472)	(5,771)
Divestment of immaterial operations	2,655	---
Other non-deductible permanent differences	1,977	142
	(1,568)	(5,538)
Difference in overseas tax rates	(201)	(147)
Under/(over) provision in prior years	1,300	(455)
Prior year tax losses previously not recognised	(1,716)	(1,343)
Prior year temporary differences previously not recognised	(1,301)	(16,763)
Tax losses not recognised in current period	4,489	13,766
Temporary differences not recognised in current period	6,022	(1,751)
Foreign currency related items	819	---
Income tax expense/(benefit)	7,844	(12,231)

(c) Amounts recognised directly in equity

	2016 $'000	2015 $'000
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	299	(745)
	299	(745)

(d) Tax (benefit)/expense relating to items of other comprehensive income

	2016 $'000	2015 $'000
Cash flow hedges	(2,110)	1,559
Investment hedge	---	---
	(2,110)	1,559

Current tax assets and liabilities

	2016 $'000	2015 $'000
Income tax receivable	1,499	1,934
Income tax payable	3,629	4,115

Note 4. Taxes (continued)

Deferred tax assets and liabilities

	Consolidated balance sheet		Consolidated income statement	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Deferred tax balances recognised				
Trade and other receivables	5,456	4,265	1,009	(2,749)
Employee benefits	2,925	2,462	216	(1,376)
Inventories	589	2,448	397	(1,584)
Trade and other payables	999	3,487	673	(2,665)
Property, plant and equipment	6,667	7,160	1,213	2,320
Rights issue	595	1,260	665	655
Other	848	2,525	649	450
Tax losses	1,190	243	(1,145)	(207)
Finance lease liabilities	---	638	---	4,249
Cash flow hedges	964	46	138	---
Provisions	3,253	817	(504)	904
Total deferred tax assets	23,486	25,351	3,311	(3)
Trade and other receivables	(76)	(1)	71	(818)
Employee benefits	(4,710)	(5,300)	(314)	(32)
Trade and other payables	(44)	---	(8)	---
Property, plant and equipment	(1,477)	(427)	(137)	(7,213)
Prepayments	(427)	(998)	(615)	216
Other	(1,032)	(2,119)	(62)	1,486
Intangible assets - brands	---	---	---	(8,151)
Cash flow hedges	(8)	(1,122)	---	---
Total deferred tax liabilities	(7,774)	(9,967)	(1,065)	(14,512)
Deferred tax benefit/(expense)			2,246	(14,515)
Net deferred tax assets/(liabilities)	15,712	15,384		

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Gross losses and temporary differences		Potential tax benefit	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Unrecognised and unused tax losses*	551,811	547,086	165,223	167,179
Unrecognised and unused USA state tax losses	364,762	531,319	29,586	24,175
Unrecognised and unused capital losses	74,842	57,939	22,453	17,382
Unrecognised and unused temporary differences	115,389	104,447	39,224	35,217
Unrecognised and unused tax credits	---	---	19,072	18,102

* Excluding state tax losses

Tax loss expiry date	Federal tax losses		USA state tax losses	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Subject to expiry within 12 months	826	181	---	---
Subject to expiry in 1 to 5 years	687	1,589	364	---
Subject to expiry in more than 5 years	287,922	284,987	364,398	531,319

Utilisation of all tax losses is subject to various loss testing rules in the relevant tax jurisdictions including continuity of ownership rules.

Note 5. Significant items

The Group results for the period and the prior corresponding period (pcp) include certain significant 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 unrelated to the results of the trading operations during the financial year (eg restatement of contingent consideration, reclassification of foreign currency translation reserve 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 expense or reversal of an impairment expense;
(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 strategy announced in December 2013. 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 write downs of assets which are material and unusual in nature.

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

The following significant items would increase / (reduce) profit before income tax if excluded from the financial results:

	2016 $'000	2015 $'000
From continuing operations:		
Significant items included in cost of goods sold (note (a))		
Net realisable value shortfall expense on inventory	---	2,668
South African warehouse fire - damaged inventory adjustment	1,240	---
	1,240	2,668
Significant items included in other income (note (b))		
Insurance settlement	(5,000)	---
South African warehouse fire - insurance income	(1,240)	---
Gain from adjustment to contingent consideration	(2,413)	(7,748)
	(8,653)	(7,748)
Significant items included in selling, general and administrative expenses (note (c))		
Specific doubtful debts expense	---	(918)
Early termination of leases and onerous lease/restructuring expense	(607)	416
Strategy and other restructuring costs	8,520	21,560
Redundancy costs	1,409	2,044
RVCA compensation expense	(2,935)	2,320
	6,387	25,422
Significant items included in other expenses (note (d))		
Impairment of goodwill, brands and other intangibles	(97)	---
Impairment of property, plant and equipment	---	3,040
Asset disposals	---	1,320
Foreign currency translation reserve reclassified to income statement	225	---
Divestment of immaterial operations including divestment costs	4,904	---
	5,032	4,360
Significant items included in finance costs (note (e))		
Borrowing costs	3,614	---
Total from continuing operations	7,620	24,702
From discontinued operations:		
Significant items included in discontinued operations		
SurfStitch and Swell gain on sale, net of transaction costs	---	(13,711)
Total significant items from discontinued operations	---	(13,711)
Total significant items	7,620	10,991

(a) Significant items included in cost of goods sold

(i) Net realisable value shortfall expense on inventory realised
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.

Note 5. Significant items (continued)

(a) Significant items included in cost of goods sold (continued)

(ii) South African warehouse fire - damaged inventory adjustment
On 30 June 2016, the Group announced that the South African warehouse and its contents were destroyed by an extensive fire. The warehouse was leased from a third party. The inventory and fixtures which were in the warehouse at the time of the fire have been written off as at 30 June 2016.

(b) Significant items included in other income

(i) Insurance settlement
In the year ended 30 June 2016 the Company received an insurance settlement in relation to a legal dispute and this is considered to be a significant item given its nature is outside of normal trading. Refer to note 2.

(ii) South African warehouse fire - insurance income
On 30 June 2016, the Group announced that the South African warehouse and its contents were destroyed by an extensive fire. The warehouse was leased from a third party. The inventory and fixtures which were in the warehouse at the time of the fire have been written off as at 30 June 2016. The Group is due to receive an insurance settlement in relation to the inventory and fixtures and has recognised an estimate of the insurance income and associated receivable as at 30 June 2016. Refer to note 2.

(iii) Gain from adjustment to contingent consideration
In accordance with Australian Accounting Standards, adjustments to deferred consideration payable must be recorded through the income statement. This item relates to RVCA deferred consideration payable and is considered to be a significant item given its nature is outside of normal trading. Refer to note 2.

(c) Significant items included in selling, general and administrative expenses

(i) Specific doubtful debts expense
During the year ended 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 year ended 30 June 2015 the Group adjusted the onerous lease provision on a number of loss making or underperforming stores in its portfolio that were 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) Strategy and other restructuring costs
As a result of the 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 years ended 30 June 2016 and 30 June 2015 restructuring initiatives include consulting costs in relation to the supply chain reconfiguration and other key strategic priorities.

(iv) Redundancy costs
During the years ended 30 June 2016 and 30 June 2015 as result of continued restructuring of the Group in line with the strategy restructuring plans, redundancy costs were incurred.

(v) RVCA compensation expense
Under the terms of a contract with the founder of RVCA, announced to the market on 6 February 2014 and in accordance with Australian Accounting Standards, the Group 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 240,000 ten year options exercisable at $3.00 per option. These resulted in non-cash accounting items for the years ended 30 June 2016 and 30 June 2015. 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) 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 2016.

(ii) 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.

(iii) Foreign currency translation reserve reclassified to income statement
During the year ended 30 June 2016 the Group wound up a number of foreign denominated functional currency entities in Europe. 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.

(iv) Divestment of immaterial operations including divestment costs
On 29 June 2016, the Group announced the sale of Sector 9 for approximately USD$12 million ($16.1 million) to an affiliate of Bravo Sports, a portfolio company of Transom Capital Group which resulted in a $4.9 million loss including divestment costs. The results of Sector 9 did not meet the conditions under AASB 5 to be disclosed as a discontinued operation during the year ended 30 June 2016.

Note 5. Significant items (continued)

(e) Significant items included in finance costs

(i) Borrowing costs
On 14 July 2016, the Group announced that it had refinanced its asset-based multi-currency revolving credit facility. As the Group expected the refinancing to occur shortly after 30 June 2016, all unamortised capitalised borrowing costs associated with the General Electric Capital Corporation ABL facility were written off as at 30 June 2016. Refer to note 33.

Note 6. Earnings per share

Basic earnings per share (EPS) is profit/(loss) for the year attributable to ordinary equity holders of the Company, divided by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares and adjusted for any bonus elements in ordinary shares issued during the year.

Diluted EPS is calculated on the same basis as basic EPS except that it reflects the impact of any potential commitments the Group has to issue shares in the future. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements that would impact the EPS calculations.

The 2015 basic and diluted earnings per share were restated to reflect the impact of share consolidation in the year ended 30 June 2016 in order to achieve a comparable calculation to the 2016 basic and diluted earnings per share.

(a) Information concerning the classification of securities

Securities	Details	Dilutive/anti-dilutive impact on EPS calculation
Shares held in trust	The shares held in trust are a result of unvested and forfeited performance shares sourced for the purposes of servicing the Group's Executive Long-Term Incentive Plan and Short-Term Incentive deferral scheme and are considered to be potential ordinary shares. The shares held in trust could potentially dilute basic earnings per share in the future.	Anti-dilutive
Altamont Consortium options	The 8,451,958 options in Billabong International Limited exercisable at $2.50 were granted on 16 July 2013 to the Altamont Consortium. The options are exercisable at the election of the Altamont Consortium 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. The options have not been exercised as at 30 June 2016.	Anti-dilutive
Centerbridge / Oaktree (C/O) Consortium options	The 5,916,371 options in Billabong International Limited exercisable at $2.50 were granted on 3 December 2013 to the C/O Consortium. The options will be exercisable at the election of the C/O 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. The options have not been exercised as at 30 June 2016.	Anti-dilutive
Pat Tenore options	The 240,000 10 year options in Billabong International Limited exercisable at $3.00 granted on 31 January 2014 to Pat Tenore, the founder of RVCA. The options have not been exercised as at 30 June 2016.	Anti-dilutive

The options noted above are anti-dilutive as they are currently out of the money however, could potentially dilute basic earnings per share in the future.

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 the Group has reported 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.

(b) Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company

	2016 Cents	2015 Cents
Basic earnings per share	(12.0)	(3.2)
Diluted earnings per share	(12.0)	(3.2)

Note 6. Earnings per share (continued)

(c) Earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company

	2016 Cents	2015 Cents
Basic earnings per share	(12.0)	2.1
Diluted earnings per share	(12.0)	2.1

(d) Earnings used in calculating earnings per share

	2016 $'000	2015 $'000
Loss from continuing operations attributable to the ordinary equity holders of the Company	(23,739)	(6,366)
(Loss)/profit attributable to the ordinary equity holders of the Company	(23,739)	4,150

(e) Weighted average number of shares used as the denominator

	2016 Number	2015 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	197,655,647	197,539,609
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	197,655,647	197,539,609

Note 7. 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.

(a) Description

2016
On 29 June 2016 the Group announced the sale of Sector 9 for approximately USD$12 million ($16.1 million) to an affiliate of Bravo Sports, a portfolio company of Transom Capital Group which resulted in a $4.9 million loss including divestment costs. The results of Sector 9 did not meet the conditions under AASB 5 to be disclosed as a discontinued operation during the year ended 30 June 2016.

2015
On 5 September 2014 the Group 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 were reported in the financial statements as discontinued operations.

Financial information relating to the discontinued operations for the year ended 30 June 2015 is set out below. Refer to note 1 for the impact of divestments on operating segments.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the year ended 30 June 2015.

	2016 $'000	2015 $'000
Revenue (note 2)	---	15,390
Expenses	---	(18,585)
Loss before income tax (includes significant items- see below)	---	(3,195)
Income tax benefit	---	---
Loss after income tax of discontinued operations	---	(3,195)
Profit on sale, including transaction costs before income tax (note 5)	---	13,711
Income tax expense	---	---
Profit on sale, including transaction costs after income tax	---	13,711
Profit from discontinued operations	---	10,516

Note 7. Discontinued operations (continued)

(b) Financial performance and cash flow information (continued)

Earnings per share for profit from discontinuing operations attributable to the ordinary equity holders of the Company	**Cents**	Cents
Basic earnings per share	---	5.3
Diluted earnings per share	---	5.3

Cash flow	**2016 $'000**	2015 $'000
Net cash inflow from operating activities	---	167
Net cash inflow from investing activities*	---	37,801
Net cash inflow from financing activities	---	---
Net increase in cash generated by discontinued operations	---	37,968

* 2015 includes proceeds from sale of SurfStitch and Swell, net of cash divested and transaction costs totalling $38.4 million. Partially offsetting the $38.4 million are payments for property, plant and equipment.

Working capital

Working capital at $190.9 million represents 17.4% of the prior twelve months' sales stated at year end exchange rates, being 1.9% higher compared to the pcp of 15.5% (excluding Surfstitch and Swell). Working capital as a percentage of sales at June 2016 compared to June 2015 is higher as a result of a reduction in creditors as part of the Group's supplier consolidation strategy, as well as a reduction in payables in respect of significant items and short-term employee benefit obligations at 30 June 2016 when compared to the pcp.

	2016 $'000	2015 $'000
Trade and other receivables	171,644	164,504
Inventories	185,556	187,125
Trade and other payables	(166,318)	(183,689)
Net working capital	190,882	167,940

Note 8. Current assets - Trade and other 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.

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

	2016 $'000	2015 $'000
Trade receivables	182,474	184,245
Provision for impairment of receivables (note (a))	(13,349)	(24,676)
Provision for sales returns (note (a))	(5,931)	(7,403)
	163,194	152,166
Other receivables	8,450	12,338
	171,644	164,504

The Group wrote-off a significant amount of long outstanding impaired trade receivables which were fully provided in Europe during the year ended 30 June 2016.

(a) Impaired trade receivables

As at 30 June 2016 current trade receivables of the Group with a nominal value of $20.5 million (2015: $28.4 million) were impaired. The amount of the provision was $13.3 million (2015: $24.7 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:

	2016 $'000	2015 $'000
Up to 3 months	2,941	5,206
3 to 6 months	7,804	2,656
Over 6 months	9,779	20,495
	20,524	28,357

Note 8. Current assets - Trade and other receivables (continued)

(a) Impaired trade receivables (continued)

Movements in the provision for impairment of receivables and sales returns are as follows:

2016	Provision for impairment of receivables $'000	Provision for sales returns $'000
Opening balance at 1 July	24,676	7,403
Provision for impairment recognised during the year	5,130	3,836
Receivables written off, collected or returns during the year	(17,078)	(5,703)
Exchange differences	621	395
Closing balance at 30 June	13,349	5,931

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 2016, trade receivables of $34.7 million (2015: $37.0 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:

	2016 $'000	2015 $'000
Up to 3 months	25,223	29,997
3 to 6 months	5,896	4,505
Over 6 months	3,596	2,515
	34,715	37,017

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.

(c) Credit risk

Credit is the risk of financial loss to the Group if a customer does not pay in full the amounts owing to the Group under their customer contract.

Credit risk management
Customer related credit risk is managed by the Group in accordance with the procedures outlined in the Group policy. These include:
- 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. These credit limits are regularly monitored; and
- Collectability of trade receivables are reviewed on an ongoing basis.

Despite the Group not holding any collateral as security, the Group has no significant concentrations of credit risk as 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, sales to retail customers are settled in cash or using major credit cards and the Group undertakes transactions with a large number of customers with policies in place to ensure sales are made to customers with appropriate credit history.

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 expense 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.

Note 9. Current assets - Inventories

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

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 or losses on qualifying cash flow hedges relating to purchases.

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

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.

	2016 $'000	2015 $'000
Raw materials and stores	673	1,767
Work in progress	4,645	6,554
Finished goods held at cost	167,886	171,242
Finished goods held at net realisable value	12,352	7,562
	185,556	187,125

(a) Inventory expense

Inventories recognised as an expense from continuing operations during the year ended 30 June 2016 amounted to $537.8 million (2015: $492.4 million). Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2016 amounted to $4.6 million (2015: $2.9 million). The expense has been included in cost of goods sold in the income statement. The $4.6 million (2015: $2.9 million) write down included nil (2015: $2.7 million) of significant item write downs (refer to note 5).

Note 10. Current liabilities - 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.

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.

	2016 $'000	2015 $'000
Trade payables	121,408	133,735
Other payables	44,910	49,954
	166,318	183,689

The reduction in creditors is part of the Group's supplier consolidation strategy, as well as a reduction in payables in respect of significant items and short-term employee benefit obligations at 30 June 2016 when compared to the pcp.

Cash Management/Net Debt

Capital risk management
The Group's objectives when managing capital are to:
- Ensure that there is secure access to sufficient capital to fund its strategies; and
- Subject to the above, to achieve the mix of debt and equity funding that minimises the overall 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.

The gearing ratios at 30 June 2016 and 30 June 2015 were as follows:

	Notes	**2016 $'000**	2015 $'000
Total borrowings	13	274,377	266,855
Less: cash and cash equivalents	11	(89,171)	(153,334)
Net debt		185,206	113,521
Total equity		259,289	281,584
Total capital		444,495	395,105
Gearing ratio		42%	29%

There has been an increase in the Group's gearing ratio over the last two years as the Group has continued to invest in restructuring. The objective is to lower this ratio over the next few years as net cash generation increases.

The Group has complied with the financial covenant of its borrowing facility during the years ended 30 June 2016 and 30 June 2015.

Note 11. Current assets - Cash and cash equivalents

	2016 $'000	2015 $'000
Cash at bank and in hand	68,739	131,355
Deposits	20,432	21,979
	89,171	153,334

(a) 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 and deposits with banks and financial institutions and committed transactions.

The Group has no significant concentrations of credit risk.

Credit risk management
Credit risk from balances held with financial institutions is managed by the Group in accordance with the procedures outlined in the Group policy. These include:
- 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;
- Financial guarantees are provided only in exceptional circumstances and are subject to specific Board approval; and
- The vast majority of cash at bank and short-term bank deposits are held with banks of a credit rating of at least 'A'.

Note 12. Reconciliation of (loss)/profit for the year to net cash outflow from operating activities

	2016 $'000	2015 $'000
(Loss)/profit for the year, before non-controlling interests	(23,739)	2,552
Depreciation and amortisation (excluding amortisation of capitalised borrowing costs)	28,403	29,765
Impairment of intangibles	(97)	---
Impairment of property, plant and equipment	---	3,040
Share-based payment amortisation expense	1,615	1,453
Net loss on sale of non-current assets	360	1,691
Loss/(gain) on divestments, including transaction costs	4,904	(13,711)
Foreign currency translation reserve reclassified to income statement	225	---
Gain from adjustment to contingent consideration	(2,413)	(7,748)
Net exchange differences	3,955	5,663
Change in operating assets and liabilities (2015: adjusted for the sale of SurfStitch and Swell)		
(Increase)/decrease in trade debtors	(7,140)	(11,945)
(Increase)/decrease in inventories	1,569	(29,790)
(Increase)/decrease in deferred tax assets	(328)	(14,544)
(Increase)/decrease in provision for income taxes receivable	435	1,268
(Increase)/decrease in other operating assets	(2,088)	4,518
Increase/(decrease) in trade creditors and other operating liabilities	(20,780)	19,879
Increase/(decrease) in provision for income taxes payable	(486)	(64)
Increase/(decrease) in deferred tax liabilities	---	---
Increase/(decrease) in other provisions	(6,498)	(6,652)
Net cash outflow from operating activities	(22,103)	(14,625)

Note 13. Current and non-current liabilities - Borrowings

Bank loans represent term loans at variable interest rates.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. To the extent that it is probable that some or all of a loan facility will be drawn down, fees paid on the establishment of such loan facility are recognised as transaction costs on the loan 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 has 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 as at balance date unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

	2016 $'000	2015 $'000
Current unsecured		
Bank loans	6,493	5,271
Lease liabilities (note 26)	1,675	1,634
Total current borrowings	8,168	6,905
Non-current secured		
Term loan facility	264,956	257,097
Non-current unsecured		
Lease liabilities (note 26)	1,253	2,853
Total non-current borrowings	266,209	259,950

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. 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 certain amounts 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 2016 the Group had $271.7 million (US$201.7 million) of borrowings under the term loan, offset by prepaid borrowing costs of $6.7 million. No amounts were drawn during the year ended 30 June 2016 but $8.4 million interest was paid in kind and $11.2 million was repaid without a prepayment premium. 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.

Note 13. Current and non-current liabilities - Borrowings (continued)

General Electric Capital Corporation (GE Capital) ABL facility
The Group had an asset-based multi-currency revolving credit facility with a maturity date of 13 December 2018. Whilst the facility limit was US$100 million, the amount available for drawing was determined by reference to the value of certain borrowing base assets held by relevant Group entities that were party to the facility. These borrowing base assets were subject to seasonal fluctuations.

On 13 October 2015, GE Capital announced that it had reached an agreement to sell their North American Corporate Finance platform to Wells Fargo & Co. and on 9 November 2015, GE Capital announced that it had reached an agreement to sell their Australian Commercial Lending portfolio to Sankaty Advisors. While these transactions included sale of the Group's ABL facility to new financiers, none of the terms of the Group's ABL facility changed as a result of these transactions.

The GE ABL facility was replaced subsequent to the year ended 30 June 2016 by the Bank of America Merrill Lynch ABL facility as outlined below. Refer note 33.

Bank of America Merrill Lynch (BAML) ABL facility
On 14 July 2016**,** the Group entered into a US$100 million asset-based multi-currency credit facility with BAML to refinance the GE Capital ABL facility described above, and to provide support for working capital, capital expenditures and other general corporate purposes of the Group. The BAML ABL facility incurs interest at a variable rate plus a margin between 0.5% and 2.0%. The facility term is five years (subject to terms and conditions).

The BAML ABL facility limit is US$100 million and 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 2016 the Group had no borrowings drawn on the asset-based multi-currency credit facility (2015: Nil), but $7.8 million letters of credit were outstanding under the Letter of Credit sub-facility.

Asset-Based Revolver and Letter of Credit sub-facility	**2016 $'000**	2015 $'000
Borrowing base (85% is readily available to drawdown at any time)	71,909	75,911
Amount drawn by way of letters of credit	(7,810)	(18,359)
Net available amount for drawing as at balance date	64,099	57,552
Borrowings drawn on the asset-based multi-currency revolving credit facility	---	---

(a) Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	2016 $'000	2015 $'000
Current		
Cash and cash equivalents	82,562	141,040
Trade and other receivables	152,894	143,418
Inventories	166,462	160,877
Current tax receivables	1,333	1,174
Other	12,597	14,763
Total current assets pledged as security	415,848	461,272
Non-current		
Receivables	3,264	2,683
Property, plant and equipment	79,193	82,807
Intangible assets	163,193	159,629
Deferred tax assets	14,708	14,092
Other	4,250	2,167
Total non-current assets pledged as security	264,608	261,378
Total assets pledged as security	680,456	722,650

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 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.

Note 13. Current and non-current liabilities - Borrowings (continued)

(b) Financing arrangements

	2016 $'000	2015 $'000
Credit standby arrangements		
Total facilities		
Bank overdrafts and at-call facilities	1,436	1,447
Trade finance, cash advance and other facilities	348,744	330,002
	350,180	331,449
Used at balance date		
Trade finance, cash advance and other facilities	281,909	287,689
	281,909	287,689
Unused at balance date		
Bank overdrafts and at-call facilities	1,436	1,447
Trade finance, cash advance and other facilities	66,835	42,313
	68,271	43,760
Bank loan facilities (current and non-current)		
Total facilities	17,775	14,427
Used at balance date	6,493	5,271
Unused at balance date	11,282	9,156

(c) Cash flow interest rate risk

Interest rate risk is the risk that the Group is impacted by significant changes in interest rates.

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 has no significant borrowings issued at variable rates as the non-current term loan facility incurs interest at a fixed rate and the Group's cash flow interest rate risk arising from current borrowings is not significant.

(d) 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.

Liquidity risk management
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 liquidate market positions. At the end of the reporting period the Group held deposits at call of $20.4 million (2015: $22.0 million). Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

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 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.

2016	**Less than 6 months $'000**	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount (assets) / liabilities $'000**
Non-interest bearing trade and other payables	166,318	---	---	---	---	166,318	166,318
Fixed rate debt	10,474	11,642	20,045	346,886	---	389,047	267,884
Variable rate debt	6,918	239	664	219	---	8,040	6,493
Less: Cash	(89,171)	---	---	---	---	(89,171)	(89,171)
Net variable rate liquidity position	(82,253)	239	664	219	---	(81,131)	(82,678)

Note 13. Current and non-current liabilities - Borrowings (continued)

(d) Liquidity risk (continued)

2015	Less than 6 months $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets) / liabilities $'000
Non-interest bearing trade and other payables	204,067	---	---	---	---	204,067	204,067
Fixed rate debt	17,119	16,842	37,385	334,175	---	405,521	261,584
Variable rate debt	5,661	212	601	794	---	7,268	5,271
Less: Cash	(153,334)	---	---	---	---	(153,334)	(153,334)
Net variable rate liquidity position	(147,673)	212	601	794	---	(146,066)	(148,063)

Note 14. Deferred payment

RVCA
The deferred payments for RVCA which were current liabilities as at 30 June 2015, were paid in full during the year ended 30 June 2016.

The split between guaranteed and contingent consideration for RVCA was as follows:

	2016 $'000	2015 $'000
Current liabilities		
Guaranteed deferred consideration	---	9,551
Contingent deferred consideration (note 25)	---	10,827
	---	20,378

As part of the RVCA deferred consideration arrangement the remaining loan receivable as at 30 June 2015 of $3.4 million was offset in the balance sheet as there was an intention to settle this loan receivable and the deferred consideration payable on a net basis. The loan receivable and the deferred consideration payable were settled on a net basis during the financial year ended 30 June 2016.

Note 15. Dividends

The Board has not declared a final ordinary dividend for the year ended 30 June 2016 and nor for the year ended 30 June 2015. 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.

There are no franking credits available for subsequent financial years to the equity holders of the parent entity based on a tax rate of 30% (2015: Nil franking credits). As the Board has not declared a final ordinary dividend for the year ended 30 June 2016, there is no impact on the franking account in relation to dividends recommended but not recognised as a liability at year end (2015: Nil).

The Dividend Reinvestment Plan (DRP) remains suspended.

Other assets and liabilities

Note 16. Non-current assets - Property, plant and equipment

Critical accounting estimates and judgments

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 as discussed below. Impairment tests are performed based on the 'expected recoverable amount' of the asset using either the value-in-use (VIU) or fair value less costs of disposal (FVLCD) method.

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 of lease term and estimated useful life.

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.

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

	Land and buildings	Furniture, fittings and equipment	Leased plant and equipment	Total
Estimated useful lives	*Buildings: 20-40 years*	*3-20 years*	*Shorter of lease term or 3-20 years*	
	$'000	$'000	$'000	$'000
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
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 7)	---	(2,428)	---	(2,428)
Depreciation	(786)	(20,820)	(1,471)	(23,077)
Impairment (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

Note 16. Non-current assets - Property, plant and equipment (continued)

	Land and buildings	Furniture, fittings and equipment	Leased plant and equipment	Total
Estimated useful lives	*Buildings: 20-40 years*	*3-20 years*	*Shorter of lease term or 3-20 years*	
	$'000	**$'000**	**$'000**	**$'000**
Year ended 30 June 2016				
Opening net book amount	29,266	52,131	8,107	89,504
Additions	---	24,322	---	24,322
Disposals	(5,002)	(2,047)	---	(7,049)
Depreciation	(694)	(21,826)	(1,253)	(23,773)
Exchange differences	205	2,884	228	3,317
Closing net book amount	23,775	55,464	7,082	86,321
At 30 June 2016				
Cost	44,173	282,585	15,867	342,625
Accumulated depreciation and impairment	(20,398)	(227,121)	(8,785)	(256,304)
Net book amount	23,775	55,464	7,082	86,321

Non-current assets pledged as security
Refer to note 13(a) for information on non-current assets pledged as security by the consolidated entity.

(a) Impairment tests for furniture, fittings and equipment

In the prior year, 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 expense 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 expense in respect of furniture, fittings and equipment in various countries which amounted to $3.0 million. This impairment expense was included within the other expenses line item in the income statement. As at 30 June 2016, no impairment expense was required to be recognised.

Note 17. Non-current assets - Intangible assets

Critical accounting estimates and judgments

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. 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.

Goodwill
Goodwill represents the excess amount the Group has paid in acquiring a business over the fair value of the assets and liabilities acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is carried at cost less accumulated impairment expense and is considered as having an indefinite useful life. 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.

Gains or losses on the disposal of a CGU include the carrying amount of goodwill relating to the CGU sold.

Brands
Expenditure incurred in developing or enhancing brands is expensed as incurred. Brands are carried at cost less accumulated impairment expense. 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 considered annually for impairment and reversal of any previous impairment, and is held at cost less accumulated impairment expense.

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 17. Non-current assets - Intangible assets (continued)

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 lessors' 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 expense.

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).

Amortisation expense
Amortisation expense has been included in other expenses in the income statement.

	Goodwill	Brands	Key money	Finite life	Total
Estimated useful lives	*Indefinite*	*Indefinite*	*Indefinite*	*3-5 years*	
	$'000	$'000	$'000	$'000	$'000
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
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
Disposals	---	---	(180)	(160)	(340)
Disposal of discontinued operations (note 7)	---	---	---	(5,950)	(5,950)
Amortisation	---	---	---	(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

	Goodwill	**Brands**	**Key money**	**Finite life**	**Total**
Estimated useful lives	*Indefinite*	*Indefinite*	*Indefinite*	*3-5 years*	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Year ended 30 June 2016					
Opening net book amount	84,454	56,226	6,108	14,746	161,534
Additions	---	---	---	1,053	1,053
Work in progress	---	---	---	12,369	12,369
Disposals	---	---	(93)	(1)	(94)
Disposal of Sector 9 (note 5)	---	(9,285)	---	(17)	(9,302)
Amortisation	---	---	---	(4,630)	(4,630)
Impairment expense	---	(1,033)	---	---	(1,033)
Reversal of impairment expense	---	1,130	---	---	1,130
Exchange differences	3,066	1,397	98	(553)	4,008
Closing net book amount	87,520	48,435	6,113	22,967	165,035
At 30 June 2016					
Cost	461,440	522,596	9,068	70,669	1,063,773
Accumulated amortisation and impairment	(373,920)	(474,161)	(2,955)	(47,702)	(898,738)
Net book amount	87,520	48,435	6,113	22,967	165,035

Note 17. Non-current assets - Intangible assets (continued)

(a) Impairment tests for goodwill and brands

Goodwill is allocated to the Group's cash-generating units for the purpose of impairment testing and 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 identified according to individual brands.

The recoverable amount of a CGU is firstly determined based on value-in-use 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 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**	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Von Zipper	---	---	1,187	1,187
Kustom	---	---	7,752	8,785
Honolua	518	501	4,385	4,385
Xcel	4,376	4,231	4,579	4,427
Tigerlily	---	---	3,600	2,470
Sector 9	---	---	---	8,930
RVCA	78,131	75,548	26,932	26,042
New Zealand	4,495	4,174	---	---
	87,520	84,454	48,435	56,226

Other than Kustom and Tigerlily the movement in the carrying value of brands and goodwill relates to foreign exchange spot rate differences between 30 June 2016 and 30 June 2015.

As at 30 June 2016 and 2015, all of the above CGUs were tested for impairment in accordance with AASB 136.

The Group experienced declines in sales and profitability for the Kustom brand and as a result impairment expense was recognised in the year ended 30 June 2016.

The Group has experienced improvements in sales and profitability for the Tigerlily brand since the original impairment expense was recognised in the year ended 30 June 2013 and as a result a reversal in impairment expense was recognised in the year ended 30 June 2016.

Impairment expense / (reversal of impairment expense)	**Goodwill**		**Brands**	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Kustom	---	---	1,033	---
Tigerlily	---	---	(1,130)	---
	---	---	(97)	---

(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 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% (2015: 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% (2015: 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)

30 June 2016	Average EBITDA Growth Rate FY16-FY20* %	Headroom** $'m	Discount rate %	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
Von Zipper	97.4	2.8	15.8	(0.5)	2.5	(0.4)	(1.2)
Tigerlily	21.1	16.3	15.8	(1.1)	2.5	(0.8)	(2.5)
RVCA	26.1	51.6	15.8	(7.0)	2.5	(5.3)	(22.8)
New Zealand	17.7	4.9	14.5	(1.0)	2.5	(0.7)	(4.4)

The below 30 June 2015 key assumptions and sensitivities were based on the four year business plan at that point in time:

30 June 2015	Average EBITDA Growth Rate FY15-FY19* %	Headroom** $'m	Discount rate %	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
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)

* 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. 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.

30 June 2016	Multiple	Headroom* $'m	Impact on headroom of-10% change in EBITDA $'m	Impact on headroom of a -1 times change in multiple $'m
Kustom	7.0	---	(1.0)	(1.6)
Honolua	7.0	0.1	(0.9)	(1.3)
Xcel	7.0	4.9	(1.8)	(2.8)

30 June 2015	Multiple	Headroom* $'m	Impact on headroom of-10% change in EBITDA $'m	Impact on headroom of a -1 times change in multiple $'m
Xcel	8.0	4.6	(1.4)	(2.2)
Sector 9	8.0	1.8	(1.3)	(2.3)

* Headroom is the difference between the carrying value and the FLVCD calculation for the CGU.

The EBITDA multiple that could be achieved for a brand divestment was reassessed and a 7 times multiple was deemed appropriate for brands subject to FVLCD calculations.

(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).

Note 17. Non-current assets - Intangible assets (continued)

(d) Sensitivity (continued)

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 2017 to 2020 business plan.

Note 18. Current and non-current assets - Other

	2016 $'000	2015 $'000
Current		
Prepayments	16,144	12,977
Non-current		
Other receivables	7,792	7,202
Prepayments	2,590	2,360
Prepaid borrowing costs for facilities not drawn at 30 June	2,344	4,243
	12,726	13,805

Other receivables predominantly relate to store lease deposits.

(a) Impaired receivables and receivables past due

None of the non-current receivables are impaired (2015: Nil) and none of the non-current receivables are considered past due but not impaired (2015: Nil).

Note 19. Non-current liabilities - Other payables

	2016 $'000	2015 $'000
Straight line lease adjustment	8,884	8,973
Other	357	882
	9,241	9,855

Note 20. Current and non-current liabilities - 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.

Employee benefits

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.

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.

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 20. Current and non-current liabilities – Provisions (continued)

Make-good provision
Make-good costs arising from contractual obligations in lease agreements are recognised as provisions at the inception of the agreement. A corresponding asset is taken up in property, plant and equipment at that time. Expected future payments are discounted using appropriate market yields at reporting date.

	2016 $'000	2015 $'000
Provisions		
Current		
Employee benefits	12,320	11,667
Onerous lease and restructuring provisions (note (a))	2,716	8,441
Make-good provisions (note (a))	1,108	1,132
	16,144	21,240
Non-current		
Employee benefits	7,722	10,667
Onerous lease and restructuring provisions (note (a))	742	3,445
Make-good provisions (note (a))	3,113	1,711
	11,577	15,823

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits provision, are set out below:

2016	Onerous lease and restructuring provisions		Make-good provisions	
	Current $'000	Non-current $'000	Current $'000	Non-current $'000
Opening balance at 1 July	8,441	3,445	1,132	1,711
Additional provisions recognised	605	---	334	1,587
Unused amounts reversed	(797)	---	(144)	(111)
Amounts used during the year	(8,286)	---	(180)	---
Reclassification from non-current to current	2,712	(2,712)	33	(33)
Exchange differences	41	9	(67)	(41)
Closing balance at 30 June	2,716	742	1,108	3,113

Capital structure and risk management

Note 21. Contributed equity

Ordinary shares
Ordinary shares are classified as equity. 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.

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.

Other equity securities
The amount shown for other equity securities is the value of the options issued but not outstanding in relation to the Element acquisition.

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.

On 7 December 2015 the consolidation of all of the Company's shares and options on a 5:1 basis as approved by shareholders on 24 November 2015 was completed. This resulted in a reduction of the number of shares on issue without a corresponding reduction in the share capital.

Note 21. Contributed equity (continued)

Movements in ordinary share capital	2016 Shares '000	2016 $'000	2015 Shares '000	2015 $'000
Fully paid ordinary shares				
Opening balance at 1 July	990,370	1,091,323	990,370	1,091,323
Share consolidation	(792,291)	---	---	---
Closing balance at 30 June	198,079	1,091,323	990,370	1,091,323
Other equity securities	---	2,951	---	2,951
Total contributed equity	198,079	1,094,274	990,370	1,094,274

Unissued ordinary shares of the Company under option as at 30 June 2016 are set out in the below table.

	Number	Grant date	Issue price of shares	Expiry date
Refinancing proposal - Altamont	8,451,958	16 July 2013	$2.50	16 July 2020
Refinancing proposal - C/O Placement	5,916,371	3 December 2014	$2.50	3 December 2020
Executive Option Plan	240,000	31 January 2014	$3.00	31 January 2024

Note 22. Treasury shares, reserves and retained losses

(a) Treasury shares

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 - International trust for the purpose of issuing shares under the Group's Executive Long-Term Incentive Plan and Short-Term Incentive deferral scheme (note 32). Expenses are in relation to administration costs of the trusts and are recorded in the income statement as incurred.

Movements in treasury shares	2016 Shares '000s	2016 $'000	2015 Shares '000s	2015 $'000
Opening balance at 1 July	(2,485)	(20,959)	(3,695)	(22,508)
Employee share scheme issue	444	210	1,210	1,549
Deferred tax credit recognised directly in equity	---	318	---	---
Share consolidation	1,633	---	---	---
Closing balance at 30 June	(408)	(20,431)	(2,485)	(20,959)

(b) 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 - International 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.

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.

Note 22. Treasury shares, reserves and retained losses (continued)

(b) Reserves (continued)

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.

The foreign exchange loss of $3.7 million (2015: loss of $0.9 million) on translation of inter-company loans to AUD at reporting date is transferred to the foreign currency translation reserve, in equity. There was no ineffectiveness to be recorded from net investments in foreign entity hedges.

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 23. 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 7.

Movements in reserves	**2016 $'000**	2015 $'000
Option reserve		
Opening balance at 1 July	10,664	10,760
Share-based payment expense	1,615	1,453
Employee share scheme issue	(210)	(1,549)
Closing balance at 30 June	12,069	10,664
Foreign currency translation reserve		
Opening balance at 1 July	(105,682)	(98,793)
Net investment hedge	(3,727)	(917)
Foreign currency translation reserve reclassified to income statement	225	(313)
Currency translation differences arising during the year	7,730	(5,659)
Closing balance at 30 June	(101,454)	(105,682)
Cash flow hedge reserve		
Opening balance at 1 July	424	(3,178)
Revaluation - gross	(3,244)	3,565
Deferred tax	1,086	(1,233)
Transfer to inventory - gross	(3,806)	1,835
Deferred tax	1,328	(601)
Effect of exchange rate changes	(81)	36
Closing balance at 30 June	(4,293)	424
Other equity reserve		
Opening balance at 1 July	---	(9,244)
Other equity reserve reclassified to income statement	---	9,244
Closing balance at 30 June	---	---
Total reserves	(93,678)	(94,594)

(c) Retained losses

Movements in retained losses	**2016 $'000**	2015 $'000
Opening balance at 1 July	(697,137)	(701,287)
Net (loss)/profit for the year	(23,739)	4,150
Dividends (note 15)	---	---
Closing balance at 30 June	(720,876)	(697,137)

Note 23. Derivative financial instruments

The Group uses derivative financial instruments hedge certain risk exposures, in particular foreign exchange risks. Derivatives are used exclusively for hedging purposes and not for trading or speculative purposes.

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.

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.

Type of hedge held by the Group	Cash flow hedge
Definition	A derivative or financial instrument to hedge the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or forecast transaction.
Recognition date	The date the instrument is entered into
Measurement	Measured at fair value
Changes in fair value	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.

	2016 $'000	2015 $'000
Current assets		
Forward foreign exchange contracts - cash flow hedges	440	3,879
Current liabilities		
Forward foreign exchange contracts - cash flow hedges	3,673	441
Net derivative financial instrument (liabilities)/assets	(3,233)	3,438

(a) Instruments used by the Group

Forward exchange contracts - cash flow hedges for 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 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. 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 noted in the following table.

Note 23. Derivative financial instruments (continued)

(a) Instruments used by the Group (continued)

	Buy USD	
	2016 USD$'000	2015 USD$'000
0 - 6 Months		
Sell EUR	27,000	23,000
Sell AUD	34,700	30,500
Sell CAD	700	4,905
Sell JPY	3,400	4,634
Sell ZAR	1,835	2,076
Sell NZD	330	600
6 - 12 Months		
Sell EUR	5,000	10,700
Sell AUD	15,200	14,000
Sell JPY	3,400	2,923
Sell NZD	260	175

	Buy AUD	
	2016 AUD$'000	2015 AUD$'000
0 - 6 Months		
Sell NZD	3,950	4,938
6 - 12 Months		
Sell NZD	3,450	600

Amounts disclosed above represent currency acquired, measured at the contracted rate.

(b) Credit risk

Credit risk represents the loss that would be recognised if a counterparty failed to perform as contracted. Credit risk arises from derivative financial instruments and committed transactions.

The Group has no significant concentrations of credit risk.

Credit risk management
Credit risk from balance held with financial institutions is managed by the Group in accordance with the procedures outlined in the Group policy. Derivative counterparties are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

(c) Liquidity risk

The table below analyses the Group's 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.

Gross settled derivatives: forward exchange contracts	Less than 6 months $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets) / liabilities $'000
2016							
(inflow)	(95,473)	(35,580)	---	---	---	(131,053)	---
outflow	98,443	35,973	---	---	---	134,416	3,233
	2,970	393	---	---	---	3,363	3,233
2015							
(inflow)	(90,505)	(36,795)	---	---	---	(127,300)	(3,438)
outflow	88,027	36,469	---	---	---	124,496	---
	(2,478)	(326)	---	---	---	(2,804)	(3,438)

Note 24. Financial risk management

The Group's activities expose it to a variety of financial risks including credit risk, market risk (e.g. cash flow interest rate risk and foreign exchange 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. Further information is included in the following notes:

Credit risk	Note 8 - Current assets - Trade and other receivables Note 11 - Current assets - Cash and cash equivalents Note 23 - Derivative financial instruments
Cash flow interest rate risk	Note 13 - Current and non-current liabilities - Borrowings
Liquidity risk	Note 23 - Derivative financial instruments
Foreign exchange risk	Refer to (a) below

(a) Foreign exchange risk

Foreign exchange transactions
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 (functional currency). The consolidated financial statements are presented in Australian Dollars, which is the Group's functional and presentation currency.

Transactions in foreign currencies are translated into the functional currency of the entity using exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at year end are translated to the functional currency at the year end spot rate. Foreign exchange gains and losses arising from settlement of such transactions and from the translation 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, net investment hedges, or are attributable to part of the net investment in a foreign operation.

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.

Whilst the Group's principal borrowing facility is a USD denominated term loan, this in itself does not create an income statement foreign exchange risk as at 30 June specifically. It does however create volatility in credit ratios as it is subject to translation at the year end spot rate at balance date. Subsequent to year end the Group has renegotiated the basis of the covenant calculation in the term loan so as to reduce the volatility by aligning the exchange rates used in converting into Australian Dollars both the debt (of the covenant calculation) and the Americas EBITDA contribution.

Foreign exchange risk management
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 23, forward exchange contracts designated as cash flow hedges.

Note 24. Financial risk management (continued)

(a) Foreign exchange risk (continued)

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	2016 $'000	2015 $'000
Australian Dollars			
Cash and cash equivalents	11	13,335	48,779
Trade and other receivables	8, 18	21,960	21,618
Borrowings	13	(4)	(5)
Trade and other payables	10	(19,232)	(22,521)
		16,059	47,871
United States Dollars			
Cash and cash equivalents	11	51,792	68,090
Trade and other receivables	8, 18	82,070	81,068
Borrowings	13	(265,588)	(257,775)
Trade and other payables	10	(102,552)	(107,420)
		(234,278)	(216,037)
Euro			
Cash and cash equivalents	11	6,951	4,862
Trade and other receivables	8, 18	24,743	25,207
Borrowings	13	(2,291)	(3,805)
Trade and other payables	10	(17,732)	(21,942)
		11,671	4,322
Other			
Cash and cash equivalents	11	17,093	31,603
Trade and other receivables	8, 18	50,663	43,813
Borrowings	13	(6,494)	(5,270)
Trade and other payables	10	(26,802)	(31,806)
		34,460	38,340

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 2016 relates to USD denominated assets and liabilities in non-USD functional currency subsidiaries and the 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.

The below table does not represent the foreign exchange exposure as at 30 June 2016 on the term loan as the term loan is USD denominated debt borrowed by a USD functional currency subsidiary.

As shown in the table above, the Group is exposed to foreign exchange risk primarily with respect to United States Dollars. Refer to table below:

	Increase/(decrease) on post tax profit		Increase/(decrease) on other components of equity	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
USD/AUD exchange rate weakened 10%*	1,289	(722)	10,392	7,689
USD/AUD exchange rate strengthened 10%*	(1,576)	883	(10,135)	(7,529)

* Holding all other variables constant

The Group is in a net USD liability position at 30 June 2016 for USD denominated assets and liabilities in non-USD functional currency subsidiaries compared to a net USD asset position at 30 June 2015. This change has impacted the profit sensitivities above. The change from an asset to liability position is primarily due to a reduction in USD cash held in non-USD functional currency subsidiaries.

The Group's exposure to other foreign exchange movements as at 30 June 2016 is not material.

Note 25. Fair value measurements

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

Financial asset and liability	Fair value approach
- Cash - Current trade and other receivables - Trade and other payables	Carrying value approximates fair value due to short term nature of the assets and liabilities.
- Borrowings	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. For 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.
- Non-current other receivables	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.

The Group has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values approximate their carrying amounts. Differences between the carrying amount and fair value were identified for the following instruments at 30 June:

		Carrying amount		Fair value	
	Notes	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
Lease liabilities (current and non-current)	13	2,928	4,487	2,827	4,246
Term loan facility	13	264,956	257,097	271,660	265,313

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 Group has no reason to believe that the terms and conditions on borrowings represent anything other than fair value.

The fair values are classified as level 3 fair values due to the use of unobservable inputs, including own credit risk. Refer to (a) below.

(a) Fair value hierarchy

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.

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 did not hold any of these financial instruments at 30 June 2016 or 30 June 2015.

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. The derivative financial instruments in note 23 were recognised at fair value using level 2 valuation method.

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.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

Note 25. Fair value measurements (continued)

(b) 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 2016 and 30 June 2015:

Changes in contingent consideration	2016 $'000	2015 $'000
Opening balance at 1 July	10,827	15,709
Amounts recognised in other income	(2,413)	(7,748)
Exchange losses	634	2,866
Transfer from contingent liability to trade and other payables	(9,048)	---
Closing balance at 30 June	---	10,827

The deferred consideration payable was settled in full during the financial year ended 30 June 2016.

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:

30 June 2015	Fair value $'000	Unobservable inputs	Range of inputs (probability weighted average)	Relationship of unobservable inputs to fair value
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.

Valuation processes
Valuations of contingent consideration payable 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.

Note 26. Lease commitments

Operating leases
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. 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.

Finance 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. Upon initial recognition, the leased asset is measured at an amount equal to the lower of the fair value of the leased asset and 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. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding lease liability. The interest element of the finance cost is recognised in 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.

Subsequent to initial recognition, the asset is depreciated over the shorter of the asset's useful life and the lease term, unless it is reasonably certain that ownership will be obtained by the end of the lease term where it is depreciated over the period of the expected use which is the useful life of the asset.

(a) Lease commitments

	2016 $'000	2015 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	67,356	74,972
Later than one year but not later than five years	134,327	136,112
Later than five years	13,125	12,546
	214,808	223,630
Representing:		
Non-cancellable operating leases	214,575	223,271
Future finance charges on finance leases	233	359
	214,808	223,630

Note 26. Lease 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.

	2016 $'000	2015 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	67,223	74,841
Later than one year but not later than five years	134,227	135,884
Later than five years	13,125	12,546
	214,575	223,271

(ii) Finance leases

The Group leases various plant and equipment with a carrying amount of $7.1 million (2015: $8.1 million).

	2016 $'000	2015 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	1,808	1,765
Later than one year but not later than five years	1,353	3,081
Later than five years	---	---
Minimum lease payments	3,161	4,846
Future finance charges	(233)	(359)
Total lease liabilities recognised as a liability	2,928	4,487
Representing lease liabilities:		
Current (note 13)	1,675	1,634
Non-current (note 13)	1,253	2,853
	2,928	4,487
The present value of finance lease liabilities is as follows:		
Within one year	1,675	1,634
Later than one year but not later than five years	1,253	2,853
Later than five years	---	---
Minimum lease payments	2,928	4,487

Group structure

Note 27. 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 2016 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.

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.

The consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries in accordance with the accounting policy:

Note 27. Subsidiaries (continued)

Name of entity		Country of incorporation	Class of shares	Equity holding ** 2016 %	2015 %
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	*	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

* 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 29.
** The proportion of ownership interest is equal to the proportion of voting power held.

Note 28. 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 27.

(c) Key management personnel compensation

	2016 $	2015 $
Short-term employee benefits	4,953,220	5,906,963
Long-term employee benefits - long service leave	20,125	25,577
Termination benefits	2,621	636,590
Post-employment benefits	112,365	109,349
Share-based payments	678,609	868,439
	5,766,940	7,546,918

Detailed remuneration disclosures are provided in the Remuneration Report.

Note 28. Related party transactions (continued)

(d) Transactions with other related parties

In addition to the interest paid (refer to (f) below) the following transactions occurred with other related parties:

Expense reimbursement	**2016 $**	2015 $
Oaktree Capital Management, L.P	8,504	114,807
Centerbridge Partners, L.P	127,110	225,341
Non-Executive Director remuneration		
Oaktree Capital Management, L.P	18,521	101,305
Centerbridge Partners, L.P	---	98,884

Jason Mozingo requested to waive his board fees for the financial year ended 30 June 2016, as his board duties are part of his responsibilities as a Senior Managing Director at Centerbridge Partners, L.P.

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

Expense reimbursement payable	**2016 $**	2015 $
Oaktree Capital Management, L.P	---	8,730
Centerbridge Partners, L.P	9,484	37,178

(f) Loans from related parties

Oaktree Capital Management, L.P	**2016 $**	2015 $
Opening balance at 1 July	132,656,250	108,152,866
Loans advanced	---	---
Loan repayments	(5,584,134)	---
Interest charged	16,980,684	14,759,360
Interest paid in cash	(12,783,738)	(15,068,300)
Exchange differences	4,561,022	24,812,324
Closing balance at 30 June	135,830,084	132,656,250
Interest paid in kind	4,185,437	---

Centerbridge Partners, L.P	**2016 $**	2015 $
Opening balance at 1 July	132,656,250	108,152,866
Loans advanced	---	---
Loan repayments	(5,584,134)	---
Interest charged	16,980,684	14,759,360
Interest paid in cash	(12,783,738)	(15,068,300)
Exchange differences	4,561,022	24,812,324
Closing balance at 30 June	135,830,084	132,656,250
Interest paid in kind	4,185,437	---

(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 29. Deed of cross guarantee

The parent entity, Billabong International Limited, and subsidiaries listed below are parties to a deed of cross guarantee under which each company guarantees the debts of the others:

GSM (Europe) Pty Ltd
GSM (Operations) Pty Ltd
Pineapple Trademarks Pty Ltd
BBG Asia Pty Ltd
Amazon (New Zealand) Pty Ltd
GSM Trading (South Africa) Pty Ltd
GSM (Canada) Pty Ltd

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.

The above companies represent a 'Closed Group' for the purposes of the Class Order.

(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained losses

Set out below are the condensed consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained losses for the year ended 30 June 2016 and 30 June 2015 of the Closed Group.

	2016 $'000	2015 $'000
Income statement		
Revenue from continuing operations	584,452	548,923
Other income	14,318	26,070
Finance costs	(5,587)	(2,677)
Other expenses	(595,847)	(598,989)
Loss before income tax	(2,664)	(26,673)
Income tax benefit	1,608	9,600
Loss for the year	(1,056)	(17,073)
Loss attributable to non-controlling interests	---	1,598
Loss for the year attributable to the members of the Closed Group	(1,056)	(15,475)
Statement of comprehensive income		
Loss for the year	(1,056)	(17,073)
Other comprehensive income/(expense)		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges, net of tax	(2,770)	2,685
Exchange differences on translation of foreign operations	2,022	(16,879)
Net investment hedge, net of tax	9,100	(7,894)
Other comprehensive income/(expense) for the year, net of tax	8,352	(22,088)
Total comprehensive income/(expense) for the year	7,296	(39,161)
Loss attributable to non-controlling interests	---	1,598
Total comprehensive income/(expense) for the year attributable to members of the Closed Group	7,296	(37,563)
Summary of movements in consolidated retained losses		
Opening balance at 1 July	(443,642)	(428,167)
Loss for the year	(1,056)	(15,475)
Dividends received	---	---
Closing balance at 30 June	(444,698)	(443,642)

Note 29. Deed of cross guarantee (continued)

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2016 and 30 June 2015 of the Closed Group, consisting of the entities as named above at each point in time.

	2016 $'000	2015 $'000
ASSETS		
Current assets		
Cash and cash equivalents	35,399	96,849
Trade and other receivables	87,439	74,336
Inventories	95,184	97,543
Current tax receivables	2,845	1,154
Other	8,160	7,421
Total current assets	229,027	277,303
Non-current assets		
Receivables	368,023	171,974
Other financial assets	443,047	432,637
Property, plant and equipment	31,813	32,325
Intangible assets	35,482	36,093
Deferred tax assets	12,065	10,735
Other	4,250	3,685
Total non-current assets	894,680	687,449
Total assets	1,123,707	964,752
LIABILITIES		
Current liabilities		
Trade and other payables	80,960	99,377
Borrowings	1,730	1,644
Provisions	11,130	12,667
Total current liabilities	93,820	113,688
Non-current liabilities		
Borrowings	420,608	254,097
Deferred tax liabilities	2,189	2,481
Provisions	3,806	2,967
Other	6,444	3,905
Total non-current liabilities	433,047	263,450
Total liabilities	526,867	377,138
Net assets	596,840	587,614
EQUITY		
Contributed equity	1,094,274	1,094,274
Reserves	(52,736)	(63,018)
Retained losses	(444,698)	(443,642)
Capital and reserves attributable to members of the Closed Group	596,840	587,614
Total equity	596,840	587,614

Note 30. Parent entity financial information

The financial information for the parent entity, Billabong International Limited, has been prepared on the same basis as the consolidated financial report, except:

- Investments in subsidiaries are accounted for at cost, tested for impairment on an annual basis;
- Dividends received from subsidiaries are recognised in the parent entity's income statement when its right to receive the dividend is established; and
- 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.

Note 30. Parent entity financial information (continued)

(a) Summary financial information

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

	Parent entity	
	2016 $'000	2015 $'000
Total current assets	8,961	7,925
Total assets	802,850	757,787
Total current liabilities	4,974	7,878
Total liabilities	513,104	482,028
Shareholders' equity		
Issued capital	1,094,274	1,094,274
Reserves		
Option reserve	50,473	48,858
Retained earnings	(855,001)	(867,373)
	289,746	275,759
Profit for the year	12,372	43,503
Total comprehensive income	12,372	43,503

(b) Contingent liabilities of the parent entity

Refer to note 31 (c).

(c) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2016 the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

(d) Guarantees entered into by the parent entity

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.

Billabong International Limited is a party to the deed of cross guarantee as described in note 29. No deficiencies of assets exist in any of the companies described in note 29. Billabong International Limited also provide guarantees to other subsidiaries in the Group for rental obligations.

(e) Tax consolidation legislation

Billabong International Limited and its wholly-owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2002. Members of the tax consolidated group have entered into a tax sharing agreement in order to allocate income tax expense to the wholly owned subsidiaries on a stand-alone basis. In the opinion of the Directors, the tax sharing agreement limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Billabong International Limited.

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.

The entities have also entered into a tax funding agreement which requires each member of the tax consolidated group to pay a tax equivalent amount to or from the head entity in accordance with their notional current tax liability or current tax asset. The funding amounts are recognised as intercompany receivables or payables.

Other

Note 31. Contingencies

Details and estimates of maximum amounts of contingent liabilities as at 30 June 2016 are as follows:

(a) Guarantees

For information about guarantees given by entities within the Group, including the parent entity, please refer to notes 29 and 30.

Note 31. Contingencies (continued)

(b) Letters of Credit

The Group had $7.8 million letters of credit in favour of suppliers executed but undrawn as at 30 June 2016 (2015: $18.4 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.

(c) Class Action

As announced on 26 March 2015, the Company was defending a representative proceeding (shareholder class action) commenced in the Federal Court of Australia relating to historical market disclosures that occurred in 2011. As announced on 11 July 2016 the Company has entered into an agreement to settle the shareholder class action proceedings, with such settlement having no material financial impact on the Company's financial results at any time. The settlement is subject to Court approval. Refer to note 33.

Note 32. Share-based payments

The Company provides benefits to employees (including senior executives) of the Group under the Executive Long-Term Incentive Plan and the Short-Term Incentive deferral scheme in the form of share-based payments, whereby employees render services in exchange for performance rights over shares.

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.

The fair value of performance rights is recognised as an expense proportionally over the vesting period, with a corresponding increase in equity.

The fair value of awards with market-based performance conditions (for example, Relative Total Shareholder Return (TSR)) is calculated at the date of grant using the Monte-Carlo simulation model. The probability of achieving market-based performance conditions is incorporated into the determination of the fair value per award.

The fair value of awards with non-market based performance conditions (for example, Earnings per share (EPS) hurdle) is calculated using the Black-Scholes pricing model.

The amount recognised as an expense over the vesting period is adjusted to reflect the actual number of instruments that vest except where forfeiture is due to failure to achieve market-based performance 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 Long-Term Incentive Plan and Short-Term Incentive deferral scheme. 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 - International trust are disclosed as treasury shares and deducted from equity.

(a) Billabong Executive Long-Term Incentive Plan (ELTIP)

For the awards granted, 50% of awards will be tested on an EPS hurdle, with the remaining 50% of awards tested on TSR as determined by the Human Resource and Remuneration Committee with consideration given to 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. Awards under the ELTIP vest only if the performance hurdles for the portion of the award are satisfied in the relevant performance period.

Set out below is a summary of performance rights awarded under the ELTIP. The number of awards outstanding have been adjusted for the share consolidation of 5:1 during the financial year ended 30 June 2016.

ELTIP- performance rights	**2016 Number**	2015 Number
Opening balance at 1 July	10,752,405	4,115,956
Share consolidation	(8,601,917)	---
Granted	2,241,222	7,480,642
Exercised	---	---
Expired	(108,352)	(844,193)
Closing balance at 30 June	4,283,358	10,752,405

Fair value of rights granted
During the year ended 30 June 2016, the assessed fair value at grant date of the performance rights tested under the EPS performance hurdle was $2.45 per right (2015: $3.27) and the performance rights tested under the TSR performance hurdle was $1.60 per right (2015: $2.59). The fair value per right for the financial year ended 30 June 2015 has been adjusted for the 5:1 share consolidation.

Note 32. Share-based payments (continued)

(b) Short-Term Incentive (STI) deferral

Under the Group's short-term incentive (STI) scheme, a portion (25%) of the STI awarded to executives are deferred into equity as performance rights. 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 (two year period).

Set out below is a summary of performance rights awarded under STI deferral:

STI deferred- performance rights	2016 Number	2015 Number
Opening balance at 1 July	624,825	443,553
Exercised	(443,553)	---
Granted	153,539	181,272
Share consolidation	(267,848)	---
Expired	---	---
Closing balance at 30 June	66,963	624,825

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 2016 was $3.15 per right (2015: $2.74). The fair value per right for the financial year ended 30 June 2015 has been adjusted for the 5:1 share consolidation.

(c) 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:

	2016 $	2015 $
Operating costs of the Billabong Long-Term Incentive Plans	26,426	25,908
Share-based payment expense	1,614,941	1,453,052
	1,641,367	1,478,960

Note 33. Events occurring after the balance sheet date

As announced on 26 March 2015, the Company was defending a representative proceeding (shareholder class action) commenced in the Federal Court of Australia relating to historical market disclosures that occurred in 2011. As announced on 11 July 2016 the Company has entered into an agreement to settle the shareholder class action proceedings, with such settlement having no material financial impact on the Company's financial results at any time. The settlement is subject to Court approval.

On 14 July 2016, the Group announced that it had refinanced its asset-based multi-currency revolving credit facility. Refer to note 13. As the Group expected the refinancing to occur shortly after 30 June 2016, all unamortised capitalised borrowing costs associated with the General Electric Capital Corporation ABL facility were written off as at 30 June 2016. Refer to note 3.

Other than those items noted above, 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 34. 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:

	2016 $	2015 $
PwC Australia		
Audit and other assurance services		
Audit and review of financial reports	1,248,879	1,053,747
Other assurance services	46,114	16,891
Taxation services		
International tax consulting together with separate tax advice on acquisitions and disposals	193,354	303,509
Total remuneration of PwC Australia	1,488,347	1,374,147
Network firms of PwC Australia		
Audit and other assurance services		
Audit and review of financial reports	334,523	266,655
Other assurance services	---	493
Taxation services		
International tax consulting together with separate tax advice on acquisitions and disposals	192,908	81,527
Total remuneration of Network firms of PwC Australia	527,431	348,675
Total auditor's remuneration	2,015,778	1,722,822

Note 35. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are generally disclosed above where the related accounting balance or financial statement matter is discussed. 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 2016.

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 36.

(b) 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.

Note 35. Summary of significant accounting policies (continued)

(c) Rounding of amounts

The Company is of a kind referred to in Class order ASIC Corporations (Rounding in Financial Report/Directors' Report) Instrument 2016/191, 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.

(d) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 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:

Title of Standard	Summary and impact on Group's financial statements	Application date for Group financial year ending
AASB 9 Financial Instruments	AASB 9 replaces AASB 139 and addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also addresses the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs and risk components that can be hedged. AASB 9 introduces a new expected-loss impairment model that will require entities to account for expected credit losses at the time or recognising the asset. The Group does not expect the adoption of the new Standard to have a material impact on its classification and measurement of the financial assets and liabilities, its hedging arrangements or its results on adoption of the new impairment model. The Group has decided not to early adopt AASB 9.	30 June 2019
AASB 15 Revenue from contracts with customers	AASB 15 replaces AASB 118 Revenue and related Interpretations. The core principle of AASB 15 is that revenue is recognised when control of a good or service transfers to a customer at the transaction price. An entity recognises revenue by applying the following steps: - Step 1: Identify the contract with a customer - Step 2: Identify the performance obligations in the contract - Step 3: Determine the transaction price - Step 4: Allocate the transaction price to the performance obligations in the contract - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Due to the timing of issue of the new Standard, the Group is still currently evaluating the impact of the new Standard. Detailed assessments of the impact will be made over the next twelve months. The Group has decided not to early adopt AASB 15.	30 June 2019
AASB 16 Leases	AASB 16 will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. Given the number of retail stores, offices and warehouses the Group leases under operating leases, it is expected that the impact of this standard will be significant. Specifically, new assets will be realised (the right to use the leased asset) as well as new liabilities, being the liability to pay rentals. The consolidated statement of comprehensive income will also be affected. Due to the timing of issue of the new standard, the Group is still currently evaluating the impact of the new standard. The Group will assess the full impact of this standard on the financial statements and report on this in future financial statements. The Group has decided not to early adopt AASB 16.	30 June 2020

Note 36. Summary of critical accounting estimates

In applying the Group's accounting policies, the Directors are required to make estimates, judgements and assumptions that affect amounts reported in this financial report. The estimates, judgements and assumptions are based on historical experience, adjusted for current market conditions and other factors that are believed to be reasonable under the circumstances and are reviewed on a regular basis. Actual results may differ from these estimates. The estimates and judgements which involve a higher degree of complexity or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period are included in the following notes:

- Note 4 - Taxes
- Note 16 - Property, plant and equipment
- Note 17 - Intangible assets

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period and future periods if the revision affects both current and future periods.

Directors' Declaration
For the year ended 30 June 2016

In the Directors' opinion:

(a) the financial statements and notes set out on pages 35 to 86 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 2016 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 29 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 29.

Note 35 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
25 August 2016

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 2016, 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 35, 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 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in note 35.

Report on the Remuneration Report

We have audited the remuneration report included in pages 15 to 31 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins
Partner

Sydney
25 August 2016

The shareholder information set out below was applicable as at 21 September 2016.

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	12,639	2,728,502	---	---
1,001	5,000	2,090	4,710,052	---	---
5,001	10,000	416	2,974,171	---	---
10,001	100,000	416	11,488,498	---	---
100,001	and over	78	176,177,887	6	14,608,329
		15,639	198,079,110	6	14,608,329

There were 10,611 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**
J P Morgan Nominees Australia Limited	54,078,040	27.30%
OCM Clean Wave Holdings BV	32,926,830	16.62%
Gordon Merchant No 2 Pty Ltd <The Merchant Family A/C>	20,726,815	10.46%
Citicorp Nominees Pty Limited	15,506,747	7.83%
HSBC Custody Nominees (Australia) Limited-GSCO ECA	10,246,767	5.17%
National Nominees Limited	7,873,146	3.97%
HSBC Custody Nominees (Australia) Limited	7,144,186	3.61%
BNP Paribas Nominees Pty Ltd <Agency Lending Collateral>	2,922,000	1.48%
GSM Superannuation Pty Ltd ACN 120 470 813 <The Gordon Merchant Super A/C>	2,068,966	1.04%
Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	1,265,915	0.64%
BNP Paribas Noms Pty Ltd <DRP>	1,258,383	0.64%
Warbont Nominees Pty Ltd <Accumulation Entrepot A/C>	1,171,030	0.59%
Mr Michael Mcauliffe and Ms Colette Paull	944,720	0.48%
Merrill Lynch (Australia) Nominees Pty Limited	838,987	0.42%
CGA No 2 Pty Ltd <The Bondi A/C>	782,542	0.40%
Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	755,465	0.38%
Mr Timothy Lindsay McCaughey <Citadel A/C>	755,000	0.38%
HSBC Custody Nominees (Australia) Limited – A/C 2	696,279	0.35%
GSM Superannuation Pty Ltd <Gordon Merchant Super A/C>	693,990	0.35%
GSM Pty Ltd	623,974	0.32%
	163,279,782	82.43%

Unquoted Equity Securities

		Unquoted Equity Securities	
		Number on issue	**Number of holders**
Options issued under the refinancing proposal as announced to the Australian Securities Exchange on 16 July 2013:			
Class - BBGAO		8,451,958	3
The following entities hold 20% or more of these securities:			
Class - BBGAO	ACP Burleigh Holdings, LLC	1,549,526	
	FS Investment Corporation	3,451,216	
	FS Investment Corporation II	3,451,216	
Options issued under the recapitalisation proposal as announced to the Australian Securities Exchange on 19 September 2013:			
Class - BBGAQ		5,916,371	2
The following entities hold 20% or more of these securities:			
Class - BBGAQ	CCP II Dutch Acquisition - E, B.V.	2,958,185	
	OCM Clean Wave Holdings B.V.	2,958,186	
Options issued pursuant to the Company's Executive Option as announced to the Australia Securities Exchange on 6 February 2014:			
Class - BBGAS		240,000	1
The following entities hold 20% or more of these securities:			
Class - BBGAS	Patrick M, Tenore, Jr	240,000	

Substantial Holders
As at 21 September 2016 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.	38,105,300	19.24%
OCM Clean Wave Holdings B.V.	38,105,301	19.24%
Gordon Stanley Merchant	25,368,716	12.81%
Coastal Capital International, Limited	9,903,700	5.00%

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 Brisbane.

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 2016. 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

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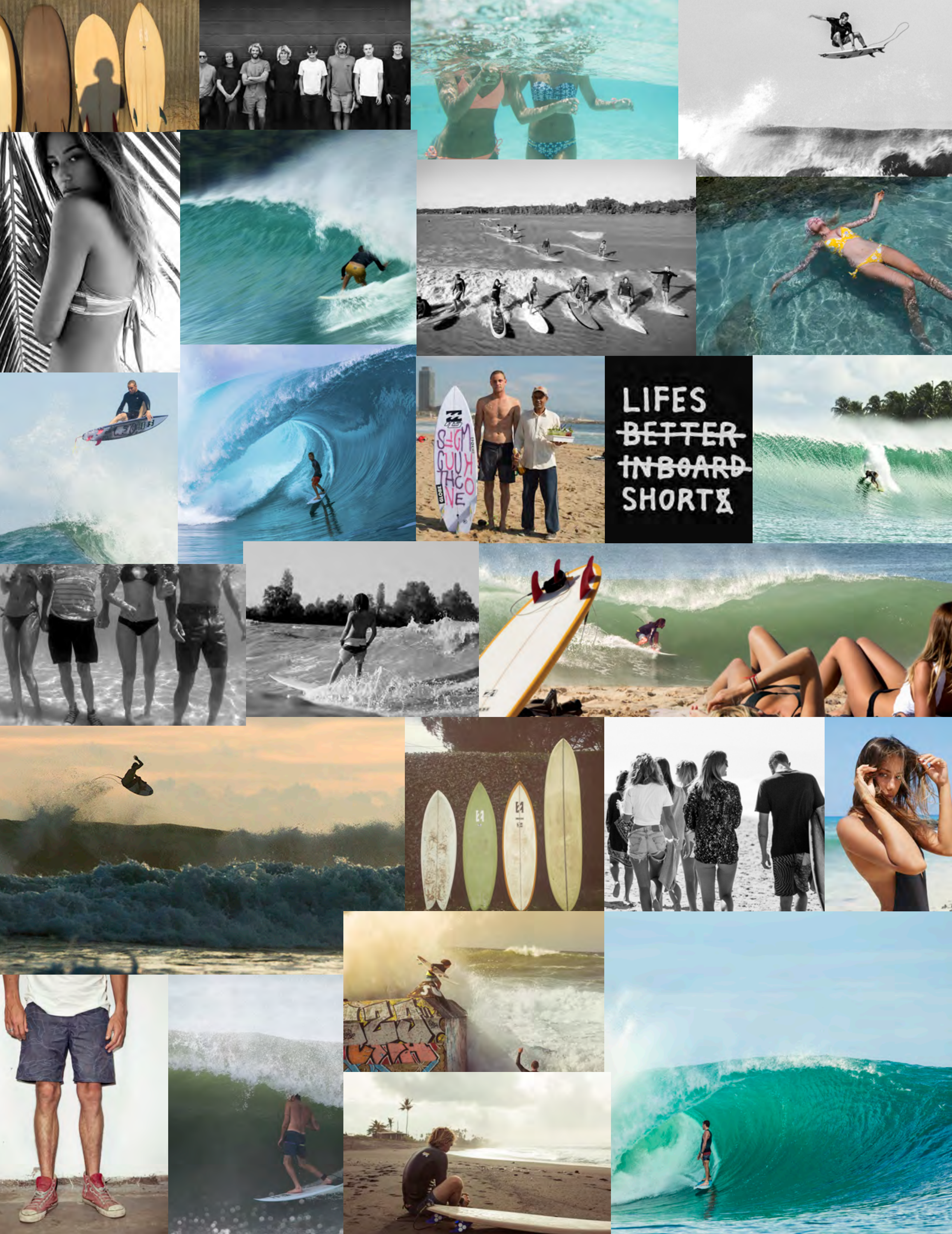
LIFES
~~BETTER~~
~~IN BOARD~~
SHORTS