Billabong International Limited

ABN 17 084 923 946

Contents

: : INTERIM FINANCIAL REPORT 31 DECEMBER 2013

This interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2013 and any public announcements made by Billabong International Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Billabong International Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:
1 Billabong Place, Burleigh Heads Qld 4220
For queries in relation to reporting please call +61 7 5589 9899 or email: secretary@billabong.com.au
Corporate website: www.billabongbiz.com

APPENDIX 4D
Half-yearly Report

Billabong International Limited
ABN 17 084 923 946

Extracts from this report for announcement to the market.

	Half-year		Change	
	2013 $'000	2012 $'000	$'000	%
Total revenue from ordinary activities	669,990	702,318	(32,328)	(4.6%)
Loss from ordinary activities after tax attributable to members	(126,287)	(536,642)	410,355	76.5%
Net loss for the period attributable to members	(126,287)	(536,642)	410,355	76.5%

Dividends	Amount per Security	Franked amount per security
Interim dividend	0.0 cents	0.0 cents
Previous corresponding period interim dividend	0.0 cents	0.0 cents

The Board has not declared an interim ordinary dividend for the half-year ended 31 December 2013.

The Dividend Reinvestment Plan (DRP) remains suspended.

Explanation of Results

Please refer to the Review of Operations within the Directors' Report for an explanation of the results.

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 half-year ended 31 December 2013.

Directors
The following persons were Directors of Billabong International Limited during the whole of the half-year and up to the date of this report:

G.S. Merchant
H. Mowlem
S. Pitkin
I. Pollard

N. Fiske was appointed as a Director on 21 September 2013 and continues in office at the date of this report.

J. Mozingo was appointed as a Director on 4 November 2013 and continues in office at the date of this report.

A. Doshi was appointed as an Alternate Director on 10 December 2013 to J. Mozingo and continues in office at the date of this report.

M. Wilson was appointed as a Director on 4 November 2013 and continues in office at the date of this report.

T. Casarella was appointed as an Alternate Director on 10 December 2013 to M. Wilson and continues in office at the date of this report.

C. Paull was a Director from the beginning of the financial period until her resignation on 30 January 2014.

A.G. Froggatt was a Director from the beginning of the financial period until his resignation on 4 November 2013.

J. Rogers was appointed as a Director on 23 July 2013 and continued as a Director until his resignation on 4 November 2013.

K. Schwartz was appointed as a Director on 23 July 2013 and continued as a Director until his resignation on 4 November 2013.

P. Naude was a Director from the beginning of the financial period until his resignation on 5 August 2013. He was on leave of absence from 19 November 2012 to the date of his resignation.

L. Inman was a Director from the beginning of the financial period until she ceased employment on 2 August 2013.

Review of Operations
The Group results for the period and the prior corresponding period (pcp) include certain significant items including impairment charges, costs associated with the various control and/or refinancing proposals announced over the last two years and the restructuring of the Group's operations pursuant to the various strategic reform programs announced in August 2012 and December 2013. Refer to note 4 of the half-year financial statements for more information in relation to these items.

During the period the Group sold its interest in the DaKine brand (sale completed 23 July 2013) and agreed to sell its Canadian retail chain West 49 (sale completed on 5 February 2014). West 49 has been classified as an asset held for sale in the results for the half-year ended 31 December 2013.

The segment results are presented on a basis including all significant items and including the operations of DaKine for the relevant period of ownership and West 49 for the whole period. See Table A "Segment Results As Reported – Including significant items and discontinued operations".

In order to provide users with additional information regarding the continuing operations excluding the aforementioned significant items the segment results are also presented on a basis which excludes the significant items and excludes DaKine and West 49 from both the current and pcp. See Table B "Adjusted Segment Results (As Reported) – Excluding significant items and discontinued operations".

Review of operations (continued)

Due to a significant portion of the Group's operations being outside Australia, the Group is exposed to currency exchange rate translation risk i.e. the risk that the Group's offshore earnings and assets fluctuate when reported in Australian Dollars. The Group's segment information for the prior period has therefore also been presented on a constant currency basis (i.e. using the current period monthly average exchange rates to convert the prior period foreign earnings) to remove the impact of foreign exchange movements from the Group's performance against the prior period comparative. The constant currency comparatives are not compliant with Australian Accounting Standards. See Table C "Adjusted Segment Results (Constant Currency) - Excluding significant items and discontinued operations".

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

	Segment revenues		**Segment EBITDAI***	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Australasia	272,484	275,930	16,405	14,555
Americas	295,990	320,091	(16,848)	13,312
Europe	98,489	103,601	(7,831)	(547)
Third party royalties	1,560	1,435	1,560	1,435
Discontinued operation – adjustment to onerous supply agreement in relation to Nixon	---	---	---	(3,482)
Segment revenues / EBITDAI*	668,523	701,057	(6,714)	25,273
Share of net profit after-tax of associate			---	1,142
Less: Net interest expense			(19,239)	(6,907)
Depreciation and amortisation			(19,992)	(22,493)
Fair value adjustment to assets held for sale			(17,718)	---
Impairment charge			---	(534,455)
Loss before income tax (expense)/benefit			(63,663)	(537,440)
Income tax (expense)/benefit			(64,664)	481
Loss after income tax (expense)/benefit			(128,327)	(536,959)
Loss attributable to non-controlling interests			2,040	317
Loss attributable to members of Billabong International Limited			(126,287)	(536,642)

* 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). In previous years unwind of capitalised borrowing costs has been included in EBITDAI. For the half-year ended 31 December 2013 and its comparative these costs have been included in amortisation expense in the Directors' report and in finance costs in the income statement of the financial report.

Review of operations (continued)

Table B: Adjusted Segment Results (As Reported) – Excluding significant items and discontinued operations

Adjusted EBITDAI by Segment:	**2013 $'000**	**2013 Excluding discontinued operations* $'000**	2012 $'000	2012 Excluding discontinued operations* $'000
Australasia	34,450	34,450	32,460	32,460
Americas	8,202	9,723	21,241	17,720
Europe	(3,023)	(3,362)	2,641	(2,266)
Third party royalties	1,560	1,560	1,435	1,435
Adjusted EBITDAI	41,189	42,371	57,777	49,349
Share of net profit after-tax of associate	---	---	1,142	1,142
Less: Depreciation and amortisation	(19,992)	(18,085)	(22,493)	(19,933)
Net interest expense	(19,239)	(19,141)	(6,907)	
Adjusted net profit before income tax benefit/(expense)	1,958	5,145	29,519	
Adjusted income tax benefit/(expense)	2,306	(3,319)	(10,620)	
Adjusted net profit after income tax benefit/(expense)	4,264	1,826	18,899	
Loss attributable to non-controlling interest	2,040	2,040	317	
Adjusted net profit attributable to members of Billabong International Limited	6,304	3,866	19,216	

* Excludes DaKine, West 49 and Nixon (discontinued operation - adjustment to onerous supply agreement).

The Group results for the period and the pcp include certain significant items including impairment charges, costs associated with the various control and/or refinancing proposals announced over the last two years and the restructuring of the Group's operations pursuant to the various strategic reform programs announced in August 2012 and December 2013 (consulting costs, inventory write downs and redundancies) and other significant costs comprising, fair value adjustments for assets held for sale, a South American sales tax provision and in the prior half-year the impairment of brands, goodwill and investment (collectively significant items). These significant items have been identified on a consistent basis to that used in the annual report for the year ended 30 June 2013 to enable comparability.

Review of operations (continued)

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

Adjusted EBITDAI by Segment:	**2013 $'000**	**2013 Excluding discontinued operations*** $'000**	2012 $'000	2012 Excluding discontinued operations*** $'000
Australasia	34,450	34,450	32,616	32,616
Americas	8,202	9,723	24,373	20,442
Europe	(3,023)	(3,362)	3,905	(1,877)
Third party royalties	1,560	1,560	1,435	1,435
Adjusted EBITDAI	41,189	42,371	62,329	52,616
Share of net profit after-tax of associate	---	---	1,142	1,142
Less: Depreciation and amortisation	(19,992)	(18,085)	(23,972)	(21,208)
Net interest expense	(19,239)	(19,141)	(7,450)	
Adjusted net profit before income tax benefit/(expense)	1,958	5,145	32,049	
Adjusted income tax benefit/(expense)	2,306	(3,319)	(11,546)	
Adjusted net profit after income tax benefit/(expense)	4,264	1,826	20,503	
Loss attributable to non-controlling interest	2,040	2,040	317	
Adjusted net profit attributable to members of Billabong International Limited	6,304	3,866	20,820	

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

Adjusted EBITDAI excludes pre-tax significant items of $47.9 million (note 4 pre-tax significant items of $65.6 million less fair value adjustment to assets held for sale of $17.7 million) and $32.5 million (note 4 pre-tax significant items of $567.0 million less goodwill, brand and investment impairment of $534.5 million) for the half-years ended 31 December 2013 and 31 December 2012 respectively. Refer to note 4 of the half-year financial report for detailed disclosure in relation to these items.

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

Consolidated result including significant items and impairment charges
Net Loss After Tax for the half-year ended 31 December 2013 was $126.3 million compared to a Net Loss After Tax of $536.6 million in the prior corresponding period (pcp).

Group performance excluding significant items and excluding DaKine and West 49
Group sales to external customers of $576.8 million, excluding third party royalties, represents an as reported 3.0% increase on the pcp. In constant currency terms Group revenues decreased 3.4% on the pcp. In constant currency terms, sales revenue in Australasia decreased 1.3% compared with the pcp including the effect of the previously announced store closure program, the Americas decreased 7.6% and Europe increased 0.7%.

Consolidated gross margins were 53.6% (54.9% in the pcp).

Adjusted EBITDAI excluding discontinued operations of $42.4 million for the period compares to $49.3 million for the pcp. This is a decrease of 14.1% (a decrease of 19.5% in constant currency terms).

Review of operations (continued)

The Adjusted EBITDAI excluding discontinued operations was highlighted by:

- In Australasia Adjusted EBITDAI was up $2.0 million (6.1%) compared to the pcp despite revenues being 1.3% lower than the pcp in constant currency terms, with cost savings achieved through the Group's store closure program and the exit from some of the smaller Asian territories.
- In Americas Adjusted EBITDA was down $8.0 million (45.1%) compared to the pcp. Revenue was down 7.6% compared to the pcp in constant currency terms largely as a result of weakness in the Canadian market. There were also lower results from South America (including Peru and Chile which were restructured in November and December 2013 by closing the Group's owned and operated operations in favour of the appointment of a distributor). In terms of the United States of America weak trading conditions were experienced in retail and across most brands.
- In Europe Adjusted EBITDAI fell by $1.1 million compared to the pcp. Results were impacted by the continuing start up losses of Surfstitch Europe (which the Group consolidates but in which it has only a 51% interest).

Share of associates
The Group's interest in Nixon was restructured in July 2013 and as a result Nixon is no longer treated as an associate.

Group performance including significant items and including DaKine and West 49
Group sales to external customers of $667.0 million, excluding third party royalties, represents a 4.7% decrease on the pcp primarily as a result of the sale of DaKine in July 2013.

At a segment level, in as reported terms, sales revenue in the Americas decreased 7.5% and Europe decreased 4.9% compared with the pcp reflecting the DaKine revenues included for the whole of the pcp however only for the period 1 July 2013 to 23 July 2013 in the current half-year period. Australasia decreased 1.2% on the pcp.

EBITDAI of $6.7 million loss for the period compares to $25.3 million profit for the pcp. The DaKine EBITDA was included in the whole of the pcp, however only for the period 1 July 2013 to 23 July 2013 in the current half-year period and the current period includes $47.9 million of significant items (pcp $32.5 million of significant items). In addition to the significant items and DaKine differences the comparison is impacted by the trading matters noted above.

Significant items
Pre-tax significant items for the half-year ended 31 December 2013 of $65.6 million includes $17.7 million of fair value adjustment to assets held for sale and $47.9 million of items impacting EBITDAI.

Pre-tax significant items for the half-year ended 31 December 2012 of $567.0 million includes $534.5 million of impairment charges and $32.5 million of items impacting EBITDAI.

Refer to note 4 of the half-year financial report for detailed disclosure in relation to these items.

Depreciation and amortisation expense
Depreciation and amortisation expense decreased 11.1% in reported terms compared to the pcp primarily due to a reduction in property, plant and equipment following the retail store closure program, the write down of asset carrying values and the sale of DaKine.

Fair value adjustment to assets held for sale
On 4 November 2013 the Group announced that it has entered an agreement to sell its Canadian retail chain, West 49, to YM Inc. West 49 has been reported as an asset classified as held for sale and a discontinued operation. The assets were adjusted to their fair value with a $17.7 million expense recognised based on information available at balance sheet date using the terms of the sales agreement.

Impairment charge expense – relates to the half-year ended 31 December 2012
In the pcp as a result of the impairment review of intangible assets, the values of brands and/or goodwill in several Cash Generating Units were written down to their recoverable amounts, being either their value in use or fair value less costs to sell. For the half-year ended 31 December 2012, this resulted in an impairment charge amounting to $427.8 million.

Also in the pcp in relation to the investment in Nixon Investments, LLC based on the then current forecasts of the business and having regard to the differential capital structure referred to in the full financial report, the Group wrote down its investment by $106.6 million in the half-year ended 31 December 2012.

Also in the pcp, a review of fixed assets and other intangibles was performed and where appropriate these were written down to their recoverable amount.

Review of operations (continued)

For the half-year ended 31 December 2012, these items collectively resulted in a total impairment charge of $534.5 million.

Net interest expense
The increase in net interest expense from $6.9 million to $19.2 million was driven primarily by the new financing arrangements that have been entered into during the half-year ended 31 December 2013 as well as an increase in debt levels.

Income tax expense
The aggregate income tax expense for the half-year ended 31 December 2013 was $64.7million. During the half-year ended 31 December 2013 the Company made the decision to write off the remainder of its deferred tax assets (net of deferred tax liabilities) as it has been estimated that it is not probable for income tax profits to be generated in the near future to utilise these assets. The charge taken during the period for the write off of the deferred tax assets was $39.1 million. In addition a charge of $28.2 million was taken during the period due to the non-recognition of tax losses. Due to these charges, this tax rate is not reflective of the tax rate expected for the continuing operations.

Consolidated balance sheet, cash flow items and capital expenditure
Working capital at $170.4 million represents 12.7% of the prior twelve months' sales (excluding DaKine wholesale external sales) stated at half-year end exchange rates, being 6.3% lower compared to the pcp of 19.0%. This reduction is largely a result of the sale of DaKine, fair value adjustment on West 49 assets held for sale, liquidation of surplus inventory, increased provision levels, improved debtors collections and the restructure of operations in certain territories.

Cash outflow from operating activities was $27.3 million, compared to an inflow of $29.0 million in the pcp, principally reflecting the impact of the costs of the refinancing with finance costs of $68.9 million in the current period (which included approximately $47 million of significant items which are not expected to recur) compared to $12.8 million in the pcp. Receipts from customers net of payments to suppliers and employees of $47.6 million were 30.8% higher compared to $36.4 million in the pcp.

Cash inflow from investing activities of $52.1 million includes the proceeds from the sale of DaKine and other immaterial divestments.

Net debt increased from $152.2 million in the pcp to $175.0 million, principally reflecting the abovementioned refinancing costs, the payment of the deferred consideration to SDS/Jetty Surf offset by the receipt of the proceeds from the sale of DaKine and the impact of a lower USD/AUD exchange rate on the Group's USD denominated borrowings.

Significant changes in the state of affairs
The statement below should be read in conjunction with note 41 (events occurring after the balance sheet date) of the annual report for the year ended 30 June 2013 and any public announcements made by the Company during the interim period.

On 23 July 2013 the Group's interest in Nixon was restructured so as to reduce the Group's commitment to purchase previously agreed volumes of product in exchange for make good payments and the dilution of the Group's interest in Nixon Joint Venture from 48.5% to 4.85%. As a result Nixon is no longer treated as an associate.

On 19 September 2013 the Company announced that it had entered binding agreements with the Centerbridge Partners, L.P. and Oaktree Capital Management, L.P. Consortium ("C/O Consortium") in relation to long term financing.

The refinancing included a new term loan of US$360 million which was used in part by the Company to replace the US$294 million bridge loan facility which had been provided pursuant to a July 2013 agreement with Altamont Capital Partners and entities sub-advised by GSO Capital Partners (together with Altamont the "Altamont Consortium").

The Company also announced that as part of the long term financing it had entered into an equity funding deed which included the placement ("the Placement") to the C/O Consortium of A$135 million at A$0.41 per share (329,268,294 shares), subject to shareholder approval as at reporting date, which was subsequently approved on 30 January 2014. Following the Placement there will also be a non-underwritten, renounceable rights offering, to shareholders other than the C/O Consortium as of the record date, of up to A$50 million at A$0.28 per share (up to 178,571,429 shares). The arrangement included the issue of 29,581,852 options ("the Options") to the C/O Consortium upon funding the term loan.

Significant changes in the state of affairs (continued)

On 16 December 2013 the Company refinanced prior indebtedness additional to the term loan with an asset-based multicurrency revolving credit facility of up to US$100 million arranged by GE Capital.

The details of the new term loan, the equity funding deed and the asset-based facility are disclosed in note 7 of the half-year financial report.

In the preparation of the 31 December 2013 interim financial report the Group identified a deferred tax liability totalling $45.0 million which should have been derecognised at 30 June 2012. Accordingly a restatement of prior period financial statements has been reported in this interim financial report for the half-year ended 31 December 2013. For details regarding the restatement refer to note 1 of the half-year financial statements for more information.

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

Matters subsequent to the end of the half-year

On 30 January 2014 the Group held a General Meeting at which shareholders voted to support the strengthening of the Company's balance sheet by approving the issue of A$135 million of ordinary equity to the C/O Consortium in order to reduce debt and provide a stronger financial platform for the turnaround plan outlined by the Company's CEO Neil Fiske at the AGM on 10 December 2013. On 6 February 2014 A$135 million of ordinary equity at A$0.41 per share was issued resulting in the issuance of 329,268,294 shares to the C/O Consortium with the proceeds subsequently used to pay down the term loan.

On 6 February 2014 the Group announced the following:

1. The previously announced sale of West 49 had closed. The final proceeds of approximately CA$3 million were below the previously announced range due to seasonal end of year trading and other factors contributing to lower working capital on completion;
2. A strategic review would be undertaken of the Group's multi-brand eCommerce businesses SurfStitch.com in Australia and Europe, and Swell.com in North America; and
3. A new contract with Pat Tenore, the founder of RVCA, had been entered into. The financial aspects of the agreed contractual extension include an amendment to the 2015 earn out arrangements which were negotiated as part of the original acquisition in 2010, a new performance related component for the period to 2018, and the issue of 1.2 million ten year options exercisable at A$0.60 per option.

Other than those items mentioned above, there has not arisen in the interval between the end of the half-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 of the Group, 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

Following this report the Company will launch a pro rata accelerated renounceable entitlement offer of new Billabong shares at an offer ratio of 3 new shares for every 8 existing shares and an offer price of A$0.28 per new share to issue up to 180,273,753 shares and raise up to approximately A$50 million. The entitlement offer provides the Group the opportunity to apply at least A$20 million of the amount raised toward the part prepayment of the term loan facility provided by the C/O Consortium with no prepayment penalty. The Group also has the discretion to determine whether to apply the proceeds from the entitlement offer in excess of A$20 million to the part prepayment of the term loan facility with no prepayment penalty. Proceeds of the entitlement offer that the Group does not apply to the term loan facility will be used for general corporate purposes.

In the event that the entitlement offer raises less than A$20 million, the Group is not obliged to make up any shortfall from the A$20 million to prepay the term loan facility. The offer is being made only to eligible shareholders and investors. The C/O Consortium has agreed that it will not participate in the entitlement offer and that its entitlements will not be part of any shortfall bookbuild.

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 11.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

The financial information that is not in compliance with Australian Accounting Standards contained within this Directors' Report has not been reviewed in accordance with Australian Auditing Standards.

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

Ian Pollard
Chairman
Gold Coast, 21 February 2014

Auditor's independence declaration

As lead auditor for the review of Billabong International Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Steven Bosiljevac
Partner
PricewaterhouseCoopers

Brisbane, 21 February 2014

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	Notes	**Half-year 2013 $'000**	Half-year 2012 $'000
Revenue from continuing operations		579,835	562,640
Cost of goods sold		(270,309)	(254,218)
Other income		7,853	686
Selling, general and administrative expenses		(238,671)	(225,409)
Other expenses		(61,116)	(513,395)
Finance costs		(57,300)	(10,275)
Share of net profit after-tax of associate accounted for using the equity method		---	1,142
Loss before income tax from continuing operations		(39,708)	(438,829)
Income tax (expense)/benefit	5	(70,289)	2,080
Loss from continuing operations		(109,997)	(436,749)
Loss from discontinued operations after income tax	6	(18,330)	(100,210)
Loss for the half-year		(128,327)	(536,959)
Loss attributable to non-controlling interests		2,040	317
Loss for the half-year attributable to the members of Billabong International Limited		(126,287)	(536,642)
Earnings per share from continuing operations attributable to the ordinary equity holders of the Company		Cents	Cents
Basic earnings per share		(22.7)	(88.4)
Diluted earnings per share		(22.7)	(88.4)
Earnings per share for loss attributable to the ordinary equity holders of the Company		Cents	Cents
Basic earnings per share		(26.6)	(108.8)
Diluted earnings per share		(26.6)	(108.8)

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

Statement of comprehensive income
For the half-year ended 31 December 2013 : :

	Note	**Half-year 2013 $'000**	Half-year 2012 $'000
Loss for the half-year		(128,327)	(536,959)
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		(1,458)	(1,373)
Exchange differences on translation of foreign operations		7,022	(16,099)
Net investment hedge, net of tax		(3,247)	15,003
Other comprehensive income/(expense) for the half-year, net of tax		2,317	(2,469)
Total comprehensive expense for the half-year		(126,010)	(539,428)
Loss attributable to non-controlling interests		2,040	317
Total comprehensive expense for the half-year attributable to members of Billabong International Limited		(123,970)	(539,111)
Total comprehensive expense for the half-year attributable to members of Billabong International Limited arises from:			
Continuing operations		(105,640)	(438,901)
Discontinued operations	6	(18,330)	(100,210)
		(123,970)	(539,111)

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

Balance sheet
As at 31 December 2013 : :

	Notes	31 December 2013 $'000	Restated 30 June 2013 $'000	Restated 31 December 2012 $'000
ASSETS				
Current assets				
Cash and cash equivalents		266,528	113,837	134,167
Trade and other receivables		141,258	204,429	192,070
Inventories		208,344	266,806	288,840
Current tax receivables		6,376	12,391	16,802
Other		19,633	24,905	20,827
Assets classified as held for sale	6	22,615	---	---
Total current assets		664,754	622,368	652,706
Non-current assets				
Receivables		9,138	8,522	9,334
Investment accounted for using the equity method		---	---	29,089
Property, plant and equipment		102,378	118,551	153,123
Intangible assets		181,364	212,686	351,624
Deferred tax assets	1, 5	---	56,297	86,634
Other		795	868	9,136
Total non-current assets		293,675	396,924	638,940
Total assets		958,429	1,019,292	1,291,646
LIABILITIES				
Current liabilities				
Trade and other payables		181,862	240,227	230,109
Borrowings		9,538	314,556	279,521
Current tax liabilities		4,922	1,740	6,486
Provisions		33,661	55,972	36,401
Liabilities directly associated with assets classified as held for sale	6	21,673	---	---
Total current liabilities		251,656	612,495	552,517
Non-current liabilities				
Borrowings		432,058	5,916	6,819
Deferred tax liabilities	1, 5	---	---	5,434
Provisions and other payables		39,378	41,094	64,643
Deferred payment		41,475	47,720	44,208
Total non-current liabilities		512,911	94,730	121,104
Total liabilities		764,567	707,225	673,621
Net assets		193,862	312,067	618,025

	Notes	**31 December 2013 $'000**	Restated 30 June 2013 $'000	Restated 31 December 2012 $'000
EQUITY				
Contributed equity		910,836	910,836	910,836
Treasury shares		(22,508)	(24,861)	(23,951)
Option reserve		10,663	5,211	5,554
Other reserves		(104,460)	(106,777)	(128,115)
Retained losses	1	(593,862)	(467,575)	(144,676)
Capital and reserves attributable to members of Billabong International Limited		200,669	316,834	619,648
Non-controlling interests		(6,807)	(4,767)	(1,623)
Total equity		193,862	312,067	618,025

The above 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 $'000
Balance at 1 July 2012		843,268	(161,667)	346,970	1,028,571	(1,306)	1,027,265
Adjustment on correction of error	1	---	---	44,996	44,996	---	44,996
Restated total equity at the beginning of the financial year		843,268	(161,667)	391,966	1,073,567	(1,306)	1,072,261
Loss for the half-year		---	---	(536,642)	(536,642)	(317)	(536,959)
Other comprehensive expense		---	(2,469)	---	(2,469)	---	(2,469)
Total comprehensive expense for the half-year		---	(2,469)	(536,642)	(539,111)	(317)	(539,428)
Transactions with equity holders in their capacity as equity holders:							
Rights issue, net of transaction costs	8	67,568	---	---	67,568	---	67,568
Treasury shares purchased by employee share plan trusts	8	---	(1,827)	---	(1,827)	---	(1,827)
Option reserve in respect of employee share plan		---	1,990	---	1,990	---	1,990
Redemption option for non-controlling derivative		---	17,461	---	17,461	---	17,461
		67,568	17,624	---	85,192	---	85,192
Restated balance at 31 December 2012		910,836	(146,512)	(144,676)	619,648	(1,623)	618,025
Restated balance at 1 July 2013	1	910,836	(126,427)	(467,575)	316,834	(4,767)	312,067
Loss for the half-year		---	---	(126,287)	(126,287)	(2,040)	(128,327)
Other comprehensive income		---	2,317	---	2,317	---	2,317
Total comprehensive expense for the half-year		---	2,317	(126,287)	(123,970)	(2,040)	(126,010)
Transactions with equity holders in their capacity as equity holders:							
Option reserve in respect of employee share plan		---	(34)	---	(34)	---	(34)
Option reserve in respect of recapitalisation option issues		---	7,839	---	7,839	---	7,839
		---	7,805	---	7,805	---	7,805
Balance at 31 December 2013		910,836	(116,305)	(593,862)	200,669	(6,807)	193,862

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

	Half-year 2013 $'000	Half-year 2012 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	772,422	795,861
Payments to suppliers and employees (inclusive of GST)	(724,843)	(759,495)
	47,579	36,366
Interest received	454	783
Other revenue	3,031	2,333
Finance costs	(68,938)	(12,829)
Income taxes (paid)/received	(9,418)	2,370
Net cash (outflow)/inflow from operating activities	(27,292)	29,023
Cash flows from investing activities		
Payments for purchase of subsidiaries and businesses, net of cash acquired	(17,748)	(67,807)
Payments for property, plant and equipment	(7,668)	(12,304)
Payments for intangible assets	(4,853)	(5,781)
Proceeds from sale of business, net of cash divested and transaction costs	82,256	---
Proceeds from sale of property, plant and equipment	90	48
Net cash inflow/(outflow) from investing activities	52,077	(85,844)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	---	66,811
Payments for treasury shares held by employee share plan trusts	---	(1,827)
Proceeds from borrowings	873,608	449,445
Repayment of borrowings	(750,395)	(638,892)
Net cash inflow/(outflow) from financing activities	123,213	(124,463)
Net increase/(decrease) in cash and cash equivalents	147,998	(181,284)
Cash and cash equivalents at the beginning of the half-year	113,324	315,664
Effects of exchange rate changes on cash and cash equivalents	4,080	(1,071)
Cash and cash equivalents at the end of the half-year	265,402	133,309
(a) Reconciliation to cash at the end of the half-year		
Balance per consolidated balance sheet	266,528	134,167
Bank overdrafts	(1,240)	(858)
Cash classified as held for sale (note 6)	114	---
Balance per consolidated cash flow statement	265,402	133,309

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

Note 1. Basis of preparation for the half-year report

This interim financial report for the half-year reporting period ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Billabong International Limited (the Company) during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.* The financial report covers the consolidated entity consisting of Billabong International Limited and its subsidiaries (the Group or consolidated entity).

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Changes in accounting standards

The new or revised accounting standards which became effective for the reporting period commencing on 1 July 2013 are AASB 10 Consolidated Financial Statements, AASB 13 Fair Value Measurement and revised AASB 119 Employee Benefits. There has been no impact to the interim financial statements as a result of the new or revised accounting standards.

There are no other standards that have become effective from the beginning of the reporting period that are expected to have a material impact on the consolidated entity in the current or future reporting periods and on foreseeable future transactions.

Impact of standards issued but not yet applied by the entity

AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective reporting periods beginning 1 January 2014)
The AASB has made small changes to some of the disclosures that are required under AASB 136 *Impairment of Assets.* These may result in additional disclosures if the Group recognises an impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements. The Group intends to apply the amendment from 1 July 2014.

Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycle (effective reporting periods beginning 1 January 2014)
In December 2013, the IASB approved a number of amendments to International Financial Reporting Standards as a result of the annual improvements project. While the AASB has not yet made equivalent amendments to the Australian Accounting Standards, they are expected to be issued in the first quarter of 2014. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

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

Correction of prior period error

Tax effect accounting for brand intangible assets
Following a review of the deferred tax liability associated with the brand intangible assets held by the Group it has been determined that it is necessary to restate the balance sheet and the income statement for the financial year ended 30 June 2012.

It should be noted that there has been no cash flow impact associated with the restatement for 2012 or any subsequent period, nor has there been any income statement impact on any reporting periods subsequent to 30 June 2012.

At 30 June 2012 the carrying value of a brand intangible asset held by the Group was impaired. The deferred tax liability attributable to this impaired intangible continued to be carried in the balance sheet at this date. It has since been determined that upon impairing the brand carrying value the associated deferred tax liability should have been de-recognised.

Note 1. Basis of preparation for the half-year report (continued)

The financial impacts of the restatement to the financial statements at 30 June 2012 are:

Income statement changes
- an increase in the income tax benefit from continuing operations in the income statement by $45.0 million;
- a decrease in the loss from continuing operations by $45.0 million to $437.7 million; and
- a decrease in the loss for the year by $45.0 million to $230.7 million.

Balance sheet changes
- a reduction in the deferred tax liability of $44.2 million;
- an increase in the deferred tax asset of $0.8 million; and
- an increase in the retained earnings by $45.0 million to $392.0 million.

These adjustments were recognised in the 30 June 2012 reporting period which is immediately prior to the comparative disclosures included in this half-year report.

As a consequence, the balance sheet comparatives at 30 June 2013 and 31 December 2012 in this interim financial report for the half year ended 31 December 2013 have been restated with the only impact being on deferred tax liabilities, deferred tax assets and retained losses.

The impact of this adjustment to the affected balance sheet line items at each balance date is shown below.

	30 June 2013 $'000	Deferred Tax Adjustment $'000	30 June 2013 Restated $'000	31 December 2012 $'000	Deferred Tax Adjustment $'000	31 December 2012 Restated $'000
Deferred tax asset	49,747	6,550	56,297	86,634	---	86,634
Deferred tax liability	38,446	(38,446)	---	50,430	(44,996)	5,434
Net Assets	**267,071**	**44,996**	**312,067**	**573,029**	**44,996**	**618,025**
Retained losses	(512,571)	44,996	(467,575)	(189,672)	44,996	(144,676)
Total Equity	**267,071**	**44,996**	**312,067**	**573,029**	**44,996**	**618,025**

Note 2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The most significant estimates and assumptions made in the interim financial statements that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below. Other critical accounting estimates and judgements are disclosed in the annual report for the year ended 30 June 2013.

Estimated impairment of goodwill and indefinite life intangibles
The Group tests annually, or when indicators of impairment arise, whether goodwill and indefinite life intangibles have suffered any impairment and if any intangibles cease to have an indefinite life, in accordance with the accounting policy stated in note 1(i) of the annual report for the year ended 30 June 2013. 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. Refer to note 15.

Note 2. Critical accounting estimates and judgements (continued)

If the VIU of a CGU is lower than its carrying amount, then the CGU's fair value less costs to sell (FVLCTS) is determined as AASB 136 requires the recoverable amount of a CGU to be the higher of VIU and FVLCTS. In applying the FVLCTS approach, the recoverable amount of a CGU is assessed using market based valuation techniques such as comparable transactions and observable trading multiples.

Taxation
Given the Group is in a period of restructuring and considering the financial structure going forward, it has been estimated that it is not probable for taxable profits to be generated in the near future. On this basis, carried forward tax losses and timing differences in territories where deferred tax assets exceed deferred tax liabilities have been written off. Refer note 5.

Note 3. Segment information

(a) Description of segments
Management has determined the operating segments based on the reports reviewed by the CEO. The results of the operating segments are analysed and strategic decisions made as to the future operations of the segment. This review is also used to determine how resources will be allocated across the segments.

The CEO currently considers the business from a geographic perspective and has identified three reportable segments being Australasia, Americas and Europe. The CEO monitors the performance of these geographic segments separately. 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:

Australasia
This segment includes Australia, New Zealand, Japan, South Africa, Singapore and Indonesia.

Americas
This segment includes the United States of America, Canada, Brazil, Peru and Chile. Peru and Chile going forward will be operated by a distributor.

Europe
This segment includes Austria, Belgium, the Czech Republic, England, France, Germany, Italy, Luxembourg, the Netherlands and Spain.

Rest of the world
This segment relates to royalty receipts from third party operations.

Segment Earnings Before Interest, Taxes, Depreciation, Amortisation and Impairment ("EBITDAI") excludes inter-company royalties and sourcing fees and includes an allocation of global overhead costs (which include corporate overhead, international advertising and promotion costs, central sourcing costs and foreign exchange movements). In the prior periods the unwind of capitalised borrowing costs has been included in EBITDAI. For the half-year ended 31 December 2013 and its comparative these costs have been included in amortisation expense in the segment note and in finance costs in the income statement.

The geographical segment assets exclude income tax assets and derivative assets.

(b) Segment information provided to the CEO
The segment information provided to the CEO for the reportable segments for the half-year ended 31 December is as follows:

The table below shows the total of results from continuing and discontinued operations. For a breakdown of continuing and discontinued operations, refer to (c) below.

Note 3. Segment information (continued)

(b) Segment information provided to the CEO (continued)

Half-year 2013	Australasia $'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	272,484	295,990	98,489	---	666,963
Third party royalties	---	---	---	1,560	1,560
Total segment revenue	272,484	295,990	98,489	1,560	668,523
EBITDAI	16,405	(16,848)	(7,831)	1,560	(6,714)
Less: depreciation and amortisation					(19,992)
Less: impairment charges					---
Less: fair value adjustment to assets held for sale					(17,718)
Less: net interest expense					(19,239)
Loss before income tax					(63,663)
Segment assets	1,708,561	644,697	145,516	---	2,498,774
Elimination					(1,546,917)
Unallocated assets:					
Deferred tax					---
Derivative assets					6,572
Total assets					958,429
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	3,184	7,421	2,621	---	13,226

Half-year 2012	Australasia $'000	Americas $'000	Europe $'000	Other* $'000	Rest of the World $'000	Total $'000
Total from continuing and discontinued operations including significant items						
Sales to external customers	275,930	320,091	103,601	---	---	699,622
Third party royalties	---	---	---	---	1,435	1,435
Total segment revenue	275,930	320,091	103,601	---	1,435	701,057
EBITDAI	14,555	13,312	(547)	(3,482)	1,435	25,273
Plus: share of net profit after tax of associate accounted for using the equity method						1,142
Less: depreciation and amortisation						(22,493)
Less: impairment charges						(534,455)
Less: net interest expense						(6,907)
Loss before income tax						(537,440)
Segment assets	2,529,113	553,974	188,981	---	---	3,272,068
Elimination						(2,067,712)
Unallocated assets:						
Deferred tax						86,634
Derivative assets						656
Total assets						1,291,646
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	6,882	7,087	4,894	---	---	18,863

Note 3. Segment information (continued)

(b) Segment information provided to the CEO (continued)

* Included in 'Other' segment EBITDAI for the half-year ended 31 December 2012 is the following item:

	2012 $'000
Discontinued operation – adjustment to onerous supply agreement (note 6)	(3,482)
	(3,482)

(c) Breakdown of segment results between continuing and discontinued operations

The table below is a breakdown of the total segment results shown in (b) above between continuing and discontinued operations.

Half-year 2013	Australasia $'000	Americas $'000	Europe $'000	Rest of the World $'000	Total $'000
From continuing operations including significant items					
Sales to external customers	272,484	208,830	95,517	---	576,831
Third party royalties	---	---	---	1,560	1,560
Total segment revenue	272,484	208,830	95,517	1,560	578,391
EBITDAI	16,405	(13,093)	(7,352)	1,560	(2,480)
Less: depreciation and amortisation					(18,085)
Less: impairment charges					---
Less: net interest expense					(19,143)
Loss before income tax					(39,708)

Half-year 2013	Australasia $'000	Americas $'000	Europe $'000	Rest of the World $'000	Total $'000
From discontinued operations including significant items					
Sales to external customers	---	87,160	2,972	---	90,132
Third party royalties	---	---	---	---	---
Total segment revenue	---	87,160	2,972	---	90,132
EBITDAI	---	(3,755)	(479)	---	(4,234)
Less: depreciation and amortisation					(1,907)
Less: impairment charges					---
Less: fair value adjustment to assets held for sale					(17,718)
Less: net interest expense					(96)
Loss before income tax (note 6)					(23,955)

Note 3. Segment information (continued)

(c) Breakdown of segment results between continuing and discontinued operations (continued)

Half-year 2012	Australasia $'000	Americas $'000	Europe $'000	Rest of the World $'000	Total $'000
From continuing operations including significant items					
Sales to external customers	275,930	204,035	80,006	---	559,971
Third party royalties	---	---	---	1,435	1,435
Total segment revenue	275,930	204,035	80,006	1,435	561,406
EBITDAI	14,555	9,791	(5,454)	1,435	20,327
Plus: share of net profit after tax of associate accounted for using the equity method					1,142
Less: depreciation and amortisation					(19,933)
Less: impairment charges					(434,700)
Less: net interest expense					(5,665)
Loss before income tax					(438,829)

Half-year 2012	Australasia $'000	Americas $'000	Europe $'000	Other* $'000	Rest of the World $'000	Total $'000
From discontinued operations including significant items						
Sales to external customers	---	116,056	23,595	---	---	139,651
Third party royalties	---	---	---	---	---	---
Total segment revenue	---	116,056	23,595	---	---	139,651
EBITDAI	---	3,521	4,907	(3,482)	---	4,946
Less: depreciation and amortisation						(2,560)
Less: impairment charges						(99,755)
Less: net interest expense						(1,242)
Loss before income tax (note 6)						(98,611)

* Adjustment to onerous supply agreement.

Note 4. Significant items

The following significant items increase/(reduce) loss before income tax:

	2013 $'000	2012 $'000
From continuing operations:		
Significant items included in cost of goods sold (note (a))		
Net realisable value shortfall expense on inventory realised	2,384	1,875
	2,384	1,875
Significant items included in other income (note (b))		
Term debt repayment foreign exchange derivative impact	(7,177)	---
	(7,177)	---
Significant items included in selling, general and administrative expenses (note (c))		
Specific doubtful debts expense	---	3,066
Potential control or refinancing proposal costs	1,595	5,775
Transformation strategy and other restructuring costs	4,997	6,349
Surfstitch compensation and other expense	998	1,036
South American sales tax provision	4,072	---
Redundancy costs	2,644	---
	14,306	16,226
Significant items included in other expenses (note (d))		
Loss from adjustment to contingent consideration	---	251
Fair value adjustment to derivative liabilities	---	10,670
Impairment of goodwill and brands	---	427,824
Impairment of investment accounted for using the equity method	---	106,631
	---	545,376
Significant items included in finance costs (note (e))		
Borrowing costs	35,338	---
	35,338	---
Total significant items from continuing operations	44,851	563,477
From discontinued operations:		
Significant items included in discontinued operations (note (f))		
Adjustment to onerous supply agreement provision (note 6)	---	3,482
Transaction costs West 49	1,863	---
Fair value adjustment to assets held for sale	17,718	---
DaKine loss on sale, net of transaction costs (note 6)	1,189	---
Total significant items from discontinued operations	20,770	3,482
Total significant items	65,621	566,959

Note 4. Significant items (continued)

(a) Significant items included in cost of goods sold

(i) Net realisable value shortfall expense on inventory realised
In the half-year ended 31 December 2012 as a result of the strategic capital structure review by the Group and business simplification identified as part of the transformation strategy a decision was made to liquidate specific parcels of stock below cost to clear inventory. In the half-year ended 31 December 2013 as a result of further analysis of previously written down inventory (included in prior year significant items), a current year adjustment has been made in relation to this inventory given the limited distribution channels due to the age of the product.

(b) Significant items included in other income

(i) Term debt repayment foreign exchange derivative impact
In respect of the AU$135.0 million share placement to the Oaktree / Centerbridge Consortium which occurred on 6 February 2014, it had been agreed the New Term Debt would be deemed to be prepaid by the amount of the net issuance proceeds converted into USD at the rate of 0.924 AUD/USD. This agreed exchange rate resulted in a derivative asset being booked as at 31 December 2013 with an unrealised foreign exchange gain (being the fair value increase) in the half-year income statement which is non-recurring in nature.

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

(i) Specific doubtful debts expense
In the prior year in a number of geographies, the Group had discontinued or was in the process of ceasing arrangements with specific wholesale accounts as a result of either their financial position and/or the decision not to supply product under specific arrangements. As the discontinuation of supply to these accounts may have resulted in recoverability issues arising in the current outstanding amounts due to the Group, a provision was raised against these large receivable balances.

(ii) Potential control or refinancing proposal costs
As a result of the various recapitalisation and takeover proposals the Group has received during the half-years ended 31 December 2013 and 31 December 2012, significant bid related costs have been incurred in responding to these proposals and facilitating due diligence.

(iii) Transformation strategy and other restructuring costs
As a result of the transformation strategy announced to the market in August 2012 and the further restructuring announced in December 2013 following the appointment of CEO Neil Fiske, significant consulting costs were incurred, firstly during the half-year ended 31 December 2012 as work was undertaken to develop and implement the restructure of the Group and second, following Mr Fiske's appointment, during the half-year ended 31 December 2013 whereby additional restructuring has been identified.

(iv) Surfstitch compensation and other expense
Under the terms of the options to acquire the remaining shares that the Company does not already own in Surfstitch Australia and Surfstitch Europe, and in accordance with Australian Accounting Standards, the Company is required to recognise through the income statement any deemed compensation expense attached to those options in respect of key employees who continue in the business. This is a non-cash accounting item essentially relating to the acquisition of the remaining shares in these businesses. This will only become a cash item if the put and call options under the relevant agreements are exercised in future periods.

(v) South American sales tax provision
A provision for VAT (Value Added Tax) credits and associated penalties and interest (that are being disputed by the tax authorities) has been recognised in the half-year ended 31 December 2013 results however the provision relates to transactions which occurred in the years ended 30 June 2009 through 30 June 2011. The matter is being defended.

vi) Redundancy costs
As a result of the restructuring of the South American business (including the appointment of a distributor in Peru and Chile) and senior management of the Group in line with the various restructuring plans, redundancy costs have been incurred during the half-year ended 31 December 2013.

Note 4. Significant items (continued)

(d) Significant items included in other expenses

(i) Adjustment to contingent consideration / derivative liabilities
In accordance with Australian Accounting Standards, adjustments to deferred consideration payable and adjustments to derivative liabilities held at fair value must be recorded through the income statement.

(ii) Impairment of goodwill and brands
In the half-year ended 31 December 2012 as a result of the impairment review of intangible assets, the values of brands and/or goodwill in several Cash Generating Units were written down to their recoverable amounts, being either their value in use or fair value less costs to sell. For the half-year ended 31 December 2012, this resulted in an impairment charge amounting to $427.8 million.

(iii) Impairment of investment accounted for using the equity method
In the half-year ended 31 December 2012 in relation to the investment in Nixon Investments, LLC based on the then current forecasts of the business and having regard to the differential capital structure referred to in the full financial statements, the Group wrote down its investment by $106.6 million in the half-year ended 31 December 2012.

(e) Significant items included in finance costs

(i) Borrowing costs
As a result of the Group's announcement on 19 September 2013 of its intention to recapitalise the Group through the Centerbridge / Oaktree Consortium ("C/O Consortium"), all capitalised borrowing costs associated with the establishment of the Altamont Consortium facility in July 2013 together with the break fee of $6.0 million (paid in November 2013) have been written off.

(f) Significant items included in discontinued operations

(i) Transaction costs West 49
On 4 November 2013 the Group announced that it has entered an agreement to sell its Canadian retail chain, West 49, to YM Inc. West 49 has been reported in these financial statements as a discontinued operation and asset classified as held for sale. In the half-year ended 31 December 2013 the Group has incurred transaction costs in relation to this sale which will form part of the gain or loss on sale in the second half of the 30 June 2014 financial year. Refer note 13.

(ii) Fair value adjustment to assets held for sale
In relation to the abovementioned sale of West 49, as at 31 December 2013 the assets classified as held for sale were adjusted to their fair value based on information available at balance sheet date using the terms of the sales agreement.

Note 5. Income tax expense and deferred taxes

The aggregate income tax expense for the half-year ended 31 December 2013 was $64.7 million. During the half-year ended 31 December 2013 the Company made the decision to write off the remainder of its deferred tax assets (net of deferred tax liabilities) as it has been estimated that it is not probable for income tax profits to be generated in the near future to utilise these assets. The charge taken during the period for the write off of the deferred tax assets was $39.1 million. In addition a charge of $28.2 million was taken during the period due to the non-recognition of tax losses. Due to these charges, this tax rate is not reflective of the tax rate expected for the continuing operations.

	Half-year 2013 $'000	Restated Half-year 2012 $'000
(a) Income tax expense/(benefit)		
Income tax expense is attributable to:		
Loss from continuing operations	70,289	(2,080)
Loss from discontinued operation (note 6)	(5,625)	1,599
Aggregate income tax expense/(benefit)	64,664	(481)
(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable		
Loss from continuing operations before income tax expense	(39,708)	(438,829)
Loss from discontinuing operation before income tax expense	(23,955)	(98,611)
	(63,663)	(537,440)
Tax at the Australian tax rate of 30%	(19,099)	(161,232)
Tax effect of amounts which are not (taxable)/deductible in calculating taxable income:		
Net exempt income	(1,499)	(992)
Goodwill impairment	---	154,906
Adjustment to contingent consideration	---	3,201
Fair value adjustment to assets held for sale	5,315	---
Sundry items	3,594	1,521
Other non-deductible permanent differences	8,382	(495)
	(3,307)	(3,091)
Difference in overseas tax rates	144	114
Under provision in prior years	478	(253)
Tax losses not recognised in current period	28,220	2,749
Other deferred tax assets derecognised in current period	39,129	---
Income tax expense/(benefit)	64,664	(481)
(c) Deferred tax assets		
Total deferred tax assets	23,150	100,863
Set-off of deferred tax assets against deferred tax liabilities pursuant to set-off provisions	(23,150)	(14,229)
Net deferred tax assets	---	86,634
(d) Deferred tax liabilities		
Total deferred tax liabilities	23,150	19,663
Set-off of deferred tax assets against deferred tax liabilities pursuant to set-off provisions	(23,150)	(14,229)
Net deferred tax liabilities	---	5,434

Note 6. Assets and liabilities classified as held for sale and discontinued operations

2013
On 23 July 2013 the Company announced it had sold the DaKine brand and its operations to Altamont for a purchase price of $70 million. The results of DaKine have been reported in these financial statements as a discontinued operation.

On 4 November 2013 the Group announced that it has entered an agreement to sell its Canadian retail chain, West 49, to YM Inc. The Group also announced that it had entered into an approximate CAD$34 million non-exclusive wholesale agreement with YM Inc. over the next two years. West 49 has been reported in these financial statements as a discontinued operation and asset classified as held for sale as the sale was not completed as at 31 December 2013. Refer to note 13 in relation to the completion of the sale post balance sheet date.

2012
On 17 April 2012 the Group sold 51.5% of Nixon Investments LLC (Nixon) with 48.5% being purchased by Trilantic Capital Partners and 3% being purchased by Nixon management. The Group retained a 48.5% interest in Nixon. The agreement was signed on 16 April 2012 with effect from 17 April 2012 and Nixon has been reported in these financial statements as a discontinued operation.

On 23 July 2013 the Group's interest in Nixon was further restructured which reduced the Group's commitment to purchase previously agreed volumes of product in exchange for make good payments and the dilution of the Group's interest in Nixon Joint Venture from 48.5% to 4.85% and as such Nixon is no longer treated as an associate.

Financial information relating to the discontinued operations for the half-years ended 31 December 2013 and 31 December 2012 is set out below.

(a) Assets classified as held for sale

	Half-year 2013 $'000	Half-year 2012 $'000
Disposal group held for sale (discontinued operation - refer to (c) below)		
Cash and cash equivalents	114	---
Trade and other receivables	1,585	---
Inventories	20,613	---
Other	303	---
Total assets of disposal group held for sale	22,615	---

(b) Liabilities directly associated with assets classified as held for sale

	Half-year 2013 $'000	Half-year 2012 $'000
Disposal group held for sale (discontinued operation - refer to (c) below)		
Trade and other payables	21,048	---
Provisions	625	---
	21,673	---

Note 6. Assets and liabilities classified as held for sale and discontinued operations (continued)

(c) Discontinued operations

(i) Financial performance and cash flow information

The financial performance and cash flow information presented are for the half-year ended 31 December 2013 and the half-year ended 31 December 2012.

	Half-year 2013 $'000	Half-year 2012 $'000
Revenue	90,155	139,678
Expenses	(112,921)	(238,289)
Loss before income tax (includes significant items – see below)	(22,766)	(98,611)
Income tax benefit/(expense)	5,625	(1,599)
Loss after income tax from discontinued operation	(17,141)	(100,210)
Loss on sale, net of transaction costs before income tax	(1,189)	---
Income tax	---	---
Loss on sale, net of transaction costs after income tax	(1,189)	---
Loss from discontinued operation	(18,330)	(100,210)

2013 Significant Items: included in the half-year ended 31 December 2013 expense is $17.7 million fair value adjustment to assets held for sale for West 49 and $1.9 million of transaction costs associated with the sale. Total significant items impacting the loss before income tax is $19.6 million.

2012 Significant Items: included in the half-year ended 31 December 2012 expense is a $3.5 million adjustment to the provision for the Nixon onerous contracts. A provision was recognised for the estimated minimum unavoidable costs under a contract executed in April 2012 as part of the partial sale of Nixon. The provision reflected the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract.

For details of the partial sale of Nixon and the carrying value of assets and liabilities as at the date of sale refer to the annual report for the year ended 30 June 2012. The majority of the Group's remaining interest in Nixon was disposed of in July 2013.

	Half-year 2013 $'000	Half-year 2012 $'000
Net cash (outflow)/inflow from operating activities	(7,460)	23,888
Net cash inflow/(outflow) from investing activities *	67,847	(37,640)
Net cash outflow from financing activities	---	(4,845)
Net increase/(decrease) in cash generated by discontinued operations	60,387	(18,597)

* 2013 includes an inflow of $69.2 million from the sale of DaKine (net of transaction costs) and outflow from payments for property, plant and equipment of $1.4 million. 2012 includes an outflow of $36.0 million for DaKine deferred consideration in relation to the original acquisition of the brand.

Note 6. Assets and liabilities classified as held for sale and discontinued operations (continued)

(ii) Details of the sale of DaKine

	2013 $'000
Consideration received or receivable:	
Cash net of transaction costs	69,207
Total disposal consideration	69,207
Carrying value of net assets sold	(70,396)
Loss on sale, net of transaction costs before income tax	(1,189)
Income tax	---
Loss on sale, net of transaction costs after income tax	(1,189)

The carrying value of assets and liabilities as at the date of sale (23 July 2013) were:

	23 July 2013 Carrying value $'000
Trade and other receivables	23,685
Inventory	22,675
Plant and equipment	1,428
Identifiable intangible assets	36,947
Total assets	84,735
Trade and other payables	(14,339)
Total liabilities	(14,339)
Net assets	70,396

Note 7. Borrowings

The statement below should be read in conjunction with note 41 (events occurring after the balance sheet date) of the annual report for the year ended 30 June 2013 and any subsequent public announcements made by the Company.

On 19 September 2013 the Company announced that it had entered binding agreements with the C/O Consortium in relation to a long term financing to recapitalise the Company and provide a stronger balance sheet and capital structure to allow it to stabilise the business, address its cost structure, and pursue a growth strategy.

Long term funding agreements
The C/O Consortium proposal included senior secured term loan funding of up to US$360 million. The facility term is six years (with a final maturity date of 16 September 2019). 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) and has a single financial covenant (in respect of leverage) which will first be tested on 31 December 2014.

The facility is subject to prepayment premiums, where in the event of early repayment of any amount the C/O Consortium will be entitled to be paid a premium over and above the face value of the debt which is being repaid by the Company. There are no prepayment premiums for up to A$185 million to be repaid by way of the equity raising (specifically the issue of the A$135 million placement to the C/O Consortium and the A$50 million rights offering referred to in note 8).

On 4 November 2013 the Company announced that US$300 million tranche of the new term loan facility had been funded on 1 November 2013. US$60 million of the US$360 million new term loan was delayed at the Company's option. The new term loan was used in part by the Company to replace the US$294 million bridge loan facility provided by the Altamont Capital Partners and entities sub-advised by GSO Capital Partners (together with Altamont the "Altamont Consortium"), as well as pay the A$6 million break fee in respect of the revised commitment letter executed with the Altamont Consortium.

At 31 December 2013 the Company had drawn in full the US$360 million term loan facility. The term loan balance will be reduced by up to A$185 million from proceeds of the Equity Raising without prepayment premiums.

Asset-Based Revolver
On 16 December 2013 the asset-based multicurrency revolving credit facility of up to US$100 million arranged by GE Capital was agreed and the first drawdowns were made on this date. The revolving credit facility was used to refinance prior indebtedness and to provide support for working capital, capital expenditures and other general corporate purposes of the Company. Whilst the facility limit is US$100 million, the amount available for drawing is determined by reference to the value of certain borrowing base assets held by relevant Group entities that are party to the facility.

The facility incurs interest at a variable rate plus 2% margin. The facility term is five years. The size of the facility had been reduced from up to US$140 million, in part due to the sale of West 49 that was announced on 4 November 2013.

Note 8. Equity securities issued

	Half-year		Half-year	
	2013 Shares	2012 Shares	**2013 $'000**	2012 $'000
Issues of ordinary shares during the half-year				
Rights issue	---	67,974,719	---	69,334
Less: Transaction costs arising on rights issue	---	---	---	(2,523)
Deferred tax credit recognised directly in equity	---	---	---	757
	---	67,974,719	---	67,568
Movements in treasury shares during the half-year				
Acquisition of shares by the employee share plan trusts	---	(1,372,452)	---	(1,827)
Employee share scheme issue	650,091	744,841	2,353	5,811
Net movement	650,091	(627,611)	2,353	3,984

Earnings Per Share
The 2012 basic and diluted earnings per share were restated in the prior year to reflect the impact of the institutional rights issue in the 2012 financial year and the retail rights issue during the half-year ended 31 December 2012 in order to achieve a comparable calculation to the 2012 basic and diluted earnings per share. This change takes into account the bonus element included in the rights offer for ordinary shares as the offer was made at a discount to market price.

C/O Options and Placement
On 19 September 2013 the Company announced that it had agreed to issue 29,581,852 options ("the Options") to the C/O Consortium upon funding of the new term loan.

The Options will be exercisable at the election of the C/O Consortium at a strike price of A$0.50 per share and will expire seven years from the date of grant. Shares issued upon exercise of the Options will rank equally with the then shares on issue. On 3 December 2013 the Company granted the Options to the C/O Consortium, following receipt by the C/O Consortium of approval from the Foreign Investment Review Board.

The options have not been exercised as at 31 December 2013.

The Company also agreed to the placement to the C/O Consortium of A$135 million at A$0.41 per share (a 46% premium to the Rights Issue price), subject to shareholder approval ("the Placement"). The Placement will result in the issuance of 329,268,294 shares to the C/O Consortium.

On 23 December 2013 the Company announced a General Meeting of Shareholders would be held on 30 January 2014 to approve the issue of the Placement to the C/O Consortium. Refer to note 13 for further information in regards to the Placement approval.

Under the terms of the agreement with the C/O Consortium, there will also be a non-underwritten, renounceable rights offering, available only to shareholders other than the C/O Consortium as of the record date, of A$50 million at A$0.28 per share. The Rights Issue will result in the issuance of up to 178,571,429 shares to eligible shareholders. The C/O Consortium will not have any entitlement under the Rights Issue in respect of the Placement shares.

On 18 December 2013 the Company announced that the intended date of the launch of the Rights Issue would coincide with the date of the release of the half-year results (for the period ending 31 December 2013), expected to be on or around Friday 21 February 2014.

Following the Placement and if C/O Consortium exercises the Options, the C/O Consortium's potential future ownership in the Company will be between 33.9% and 40.8%, depending on existing shareholder take up of the Rights Issue. Refer to note 13 for further information in regards to the Placement approval.

Shares issued to the C/O Consortium on exercise of the Options and under the Placement are subject to escrow for the period commencing on the date of issue of such shares and ending on 19 September 2015.

Note 8. Equity securities issued (continued)

Altamont Options
On 16 July 2013 the Company announced that it had agreed to issue 42,259,790 options to the Altamont Consortium.

The options are exercisable at the election of the Altamont Consortium at a strike price of A$0.50 per share and will expire seven years from the date of grant. Shares issued upon exercise of the options will rank equally with the then shares on issue. On 16 July 2013 the Company granted the options to the Altamont Consortium.

The options have not been exercised as at 31 December 2013.

The fair value of these options has been expensed in borrowing costs as a significant item for the half-year ended 31 December 2013.

2012 Rights issue
On 29 June 2012 the Company invited eligible retail shareholders to participate in an accelerated non-renounceable pro-rata entitlement offer to subscribe for 6 new ordinary shares for every 7 existing ordinary shares at an issue price of $1.02 per new share with such shares to be issued on, and rank for dividends after 27 July 2012. As a result, 68.0 million new shares were issued, resulting in gross cash proceeds of $69.3 million. The entitlement offer was fully underwritten by Goldman Sachs Australia Pty Ltd and Deutsche Bank AG, Sydney Branch.

Costs incurred in relation to the rights issue up to and including 31 December 2012 were $2.5 million ($1.8 million net of deferred tax credits recognised directly in equity). Directly attributable equity raising costs incurred have been recognised net of any tax effects directly in equity, and therefore do not impact earnings for the half-year ended 31 December 2012.

Note 9. Dividends

The Board has not declared an interim ordinary dividend for the half-year ended 31 December 2013 and nor for the half-year ended 31 December 2012.

The Dividend Reinvestment Plan (DRP) remains suspended.

Note 10. Business combinations

Purchase consideration – cash outflow

	Consolidated	
	2013 $'000	2012 $'000
Payments relating to prior year acquisitions	17,748	67,807
Outflow of cash – investing activities	17,748	67,807

Acquisition related costs
Acquisition related costs of nil (2012: nil) are included in 'other expenses' in the income statement.

2013

There were no business combinations that were of a material nature for the half-year ended 31 December 2013. The payments for purchase of subsidiaries and businesses, net of cash acquired in the consolidated cash flow statement is in relation to the deferred consideration payments for SDS/Jetty Surf and other immaterial prior year acquisitions.

On 1 November 2013 and 17 December 2013 the deferred consideration payments in relation to SDS/Jetty Surf were paid in full and therefore no further amounts are due in relation to this acquisition.

Note 10. Business combinations (continued)

2012

There were no business combinations that were of a material nature for the half-year ended 31 December 2012. The payments for purchase of subsidiaries and businesses, net of cash acquired in the consolidated cash flow statement is in relation to the deferred consideration payments for Quiet Flight, Swell, DaKine and Sector 9, the payment relating to the increase in the Group's ownership of Surfstitch Pty Ltd from 20% to 51% and other immaterial current year acquisitions.

On 6 August 2012 the deferred consideration payment in relation to Quiet Flight was paid in full and therefore no further amounts are due in relation to this acquisition.

On 9 August 2012 the deferred consideration payment in relation to Swell was paid in full and therefore no further amounts are due in relation to this acquisition.

On 2 October 2012 the Group acquired 31% of the issued share capital of Surfstitch Pty Ltd. The Group now controls 51% of the issued share capital of Surfstitch Pty Ltd. The Group previously had control of Surfstitch Pty Ltd through the acquisition of greater than 50% of the voting rights and has been fully consolidating this entity from the date on which control was transferred to the Group, being 1 December 2009.

On 20 November 2012 the deferred consideration payment in relation to Sector 9 was paid in full and therefore no further amounts are due in relation to this acquisition.

On 26 November 2012 the majority of the deferred consideration payment in relation to DaKine was paid. The remaining amount outstanding (US$1.5 million) has been retained as a reserve for payment of any purchaser's damages incurred in relation to ongoing litigation.

Note 11. Net tangible asset backing

	Half-year 2013	Half-year 2012
Net tangible asset backing per ordinary share	$0.03	$0.57

Note 12. Contingencies

There has been no change in the nature of contingencies of the consolidated entity since the last annual reporting date.

Note 13. Events occurring after the balance sheet date

On 30 January 2014 the Group held a General Meeting at which shareholders voted to support the strengthening of the Company's balance sheet by approving the issue of A$135 million of ordinary equity to the C/O Consortium in order to reduce debt and provide a stronger financial platform for the turnaround plan outlined by the Company's CEO Neil Fiske at the AGM on 10 December 2013. On 6 February 2014 A$135 million of ordinary equity at A$0.41 per share was issued resulting in the issuance of 329,268,294 shares to the C/O Consortium with the proceeds subsequently used to pay down the term loan.

On 6 February 2014 the Group announced the following:

1. The previously announced sale of West 49 had closed. The final proceeds of approximately CAD$3 million were below the previously announced range due to seasonal end of year trading and other factors contributing to lower working capital on completion;
2. A strategic review would be undertaken of the Group's multi-brand eCommerce businesses SurfStitch.com in Australia and Europe, and Swell.com in North America; and
3. A new contract with Pat Tenore, the founder of RVCA, had been entered into. The financial aspects of the agreed contractual extension include an amendment to the 2015 earn out arrangements which were negotiated as part of the original acquisition in 2010, a new performance related component for the period to 2018, and the issue of 1.2 million ten year options exercisable at A$0.60 per option.

Other than those items mentioned above, there has not arisen in the interval between the end of the half-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 of the Group, 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 14. Financial risk management

(a) Fair value measurements

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2013.

At 31 December 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Financial assets				
Forward exchange contracts – cash flow hedges	---	6,572	---	6,572
Total financial assets	---	6,572	---	6,572
Financial Liabilities				
Forward exchange contracts – cash flow hedges	---	180	---	180
Contingent consideration	---	---	20,360	20,360
Total financial liabilities	---	180	20,360	20,540

At 30 June 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Forward exchange contracts – cash flow hedges	---	3,185	---	3,185
Total assets	---	3,185	---	3,185
Liabilities				
Forward exchange contracts – cash flow hedges	---	303	---	303
Contingent consideration	---	---	19,286	19,286
Total liabilities	---	303	19,286	19,589

Note 14. Financial risk management (continued)

(a) Fair value measurements (continued)

Recurring fair value measurements
The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. These instruments are included in level 1. The Group does not hold any of these financial instruments at 31 December 2013 or 30 June 2013.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2 and comprise derivative financial instruments.

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.

Fair value measurements using significant unobservable inputs (level 3):

The following table presents the changes in level 3 instruments for the half-year ended 31 December 2013 and the year ended 30 June 2013:

Changes in contingent consideration

	December 2013 $'000	June 2013 $'000
Balance at beginning of period	19,286	25,558
Transfer out of level 3 as no longer considered contingent as considered guaranteed	---	(7,354)
Other increases	208	141
Gains recognised in other income	---	(846)
Exchange losses	866	1,787
Balance at end of period	20,360	19,286
Total gains for the period included in other income that relate to liabilities held at the end of the reporting period	---	846

The fair value of the contingent consideration is calculated at present value taking into account the latest Board approved forecasts. A change to the discount rate used to calculate contingent consideration would not change the fair value significantly.

(b) Liquidity risk
The Group is exposed to liquidity risk due to the financial liabilities in place. The 30 June 2013 financial report outlines the main liquidity risks that the Group is exposed to. Due to the refinancing procedures undertaken in this reporting period, the Group has secured long term financing with a single financial covenant that will be first tested on 31 December 2014. This has reduced the Group's exposure to liquidity risk and the senior secured term loan funding has been classified as non-current on this basis. Refer note 7 for further details.

There are no other material changes to the Group's liquidity risk that has occurred during the reporting period.

Note 15. Impairment of intangible assets

(a) Impairment tests for goodwill and brands

For the half-year report, detailed impairment testing is only performed for those brands or CGU's where there is any indication that the relevant assets may be impaired. At 31 December 2013 this was the case for the following two brands resulting in the calculation of the recoverable amount of the relevant CGU's in line with the requirements of AASB 136 *Impairment of Assets.*

Carrying Value	**Goodwill**		**Brands**	
	31 December 2013 $'000	30 June 2013 $'000	**31 December 2013 $'000**	30 June 2013 $'000
Honolua	7,411	7,090	4,385	4,385
Sector 9	14,282	13,663	10,143	9,704
	21,693	20,753	14,528	14,089

The impairment testing of the above CGU's concluded that no impairment charge was required to be recognised for the half-year ended 31 December 2013.

(b) Key assumptions used for Honolua value-in-use calculation

The recoverable amount of the Honolua CGU has been determined using the value-in-use (VIU) calculation.

The VIU calculation has been based on a three year business plan projecting forecast profitability and cash flows prepared by management and approved by the Board.

The following key assumptions shown in the table below have been used in the calculation.

		Headroom*	**Discount Rate**		**Terminal Growth Rate**		**EBITDA**
	Average EBITDA Growth Rate FY14–FY17 %	**2013 $'m**	**Discount rate 2013 %**	**Impact on headroom of +0.5% change $'m**	**Terminal growth rate %**	**Impact on headroom of -0.5% change $'m**	**Impact on headroom of -10% change $'m**
31 December 2013							
Honolua	3.0	5.1	16.3	(0.5)	2.5	(0.4)	(1.8)

(c) Key assumptions used for Sector 9 fair value less costs to sell calculation

The recoverable amount of the Sector 9 CGU has been determined using fair value less costs to sell (FVLCTS). In applying the FVLCTS approach, the recoverable amount of a CGU is assessed using market based valuation techniques such as comparable transactions and observable trading multiples.

The Sector 9 CGU's headroom is sensitive to movements in both EBITDA and multiple:

	Multiple	**Headroom* $'m**	**Impact on headroom of -10% change in EBITDA $'m**	**Impact on headroom of a 1 times change in multiple $'m**
31 December 2013				
Sector 9	7.0	0.4	(3.1)	(4.4)

* Headroom is the difference between the carrying value and the VIU or FLVCTS calculation for the CGU.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 12 to 37 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 31 December 2013 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Billabong International Limited will be able to pay its debts as and when they become due and payable.

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

Ian Pollard
Chairman

Gold Coast, 21 February 2014

Independent auditor's review report to the members of Billabong International Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Billabong International Limited (the Company), which comprises the balance sheet as at 31 December 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Billabong International Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Billabong International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Independent auditor's review report to the members of Billabong International Limited (continued)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Billabong International Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date;

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

Steven Bosiljevac
Partner

Brisbane
21 February 2014

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