Baby Bunting Group Limited

ABN 58 128 533 693

Appendix 4D

Financial report for the half-year ended 1 January 2017

Appendix 4D
(Rule 4.2A.3)

Baby Bunting Group Limited
ABN 58 128 533 693

For the half-year ended:	27 weeks ended 1 January 2017
Previous corresponding period:	26 weeks ended 27 December 2015

Results for announcement to the market

Statutory Financial Results	27 weeks ended 1 Jan 2017 $'000	26 weeks ended 27 Dec 2015 $'000	Mvmt $'000	up/(down) %
Revenue from ordinary activities	135,072	108,195	26,877	24.8%
Net profit from ordinary activities after tax attributable to members	5,223	2,260	2,963	131.1%
Net profit attributable to members	5,223	2,260	2,963	131.1%
Earnings before interest, tax, depreciation and amortisation	9,768	5,211	4,557	87.4%

Pro Forma Financial Results	27 weeks ended 1 Jan 2017 $'000	27 weeks ended 3 Jan 2016 $'000	Mvmt $'000	up/(down) %
Revenue from ordinary activities	135,072	114,382	20,690	18.1%
Net profit from ordinary activities after tax attributable to members	5,736	4,682	1,054	22.5%
Net profit attributable to members	5,736	4,682	1,054	22.5%
Earnings before interest, tax, depreciation and amortisation	10,392	8,426	1,966	23.3%

Pro forma financial results have been calculated to:

- reflect the result of the consolidated entity for the previous corresponding period as if the Company was publicly listed for full comparable 27 week period; and
- exclude employee equity incentive expenses. The Company has previously issued guidance for FY2017 (on 12 August 2016) on the basis that employee equity incentive expenses were excluded.

The following table reconciles the statutory result to pro forma financial results for the period ended 1 January 2017 (noting that this financial information has not been reviewed in accordance with Australian Auditing Standards):

27 weeks ended 1 January 2017 $'000	Sales	EBIT	EBITDA	NPAT
Statutory results	**135,072**	**7,742**	**9,768**	**5,223**
Employee equity incentive expenses[1]				
– Performance rights[2]	-	209	209	209
– Employee share plan offer[3]	-	415	415	415
Tax impact from underlying adjustments	-	-	-	(111)
Underlying statutory results	**135,072**	**8,366**	**10,392**	**5,736**
Pro forma results	**135,072**	**8,366**	**10,392**	**5,736**

[1] The adjustment removes the Long Term Incentive (LTI) equity and the General Employee Share Plan offer expense incurred during the first half of FY2017.

[2] Expense reflects the cost amortisation of performance rights (LTI) on issue in the current reporting period.

[3] The Company issued 132,368 shares under its General Employee Share Plan in the current reporting period where eligible employees with no monetary consideration payable received approximately $1,000 worth of shares.

Appendix 4D

(Rule 4.2A.3)

The following table reconciles the statutory result (26 weeks) to pro forma financial results for the 27 weeks ended 3 January 2016 (noting that this financial information has not been reviewed in accordance with Australian Auditing Standards):

27 weeks ended 3 January 2016 $'000	**Sales**	**EBIT**	**EBITDA**	**NPAT**
Statutory results (26 weeks to 27 December 2015)	**108,195**	**3,710**	**5,211**	**2,260**
Impact of week 27 trade[1]	6,187	470	532	463
Employee equity incentive expenses[2]				
– Performance rights	-	43	43	43
Adjusted for non-recurring Initial Public Offer (IPO) related items:				
IPO transaction costs[3, 6]	-	1,852	1,852	1,852
Employee equity incentive expenses[2]				
– Historical share options plan[4]	-	475	475	475
– Employee share plan offer[5]	-	397	397	397
Tax impact from IPO and underlying adjustments	-	-	-	(814)
Underlying statutory results (27 weeks)	**114,382**	**6,947**	**8,510**	**4,676**
Other pro forma adjustments:				
Listed public company costs[6]	-	(84)	(84)	(84)
Net finance costs	-	-	-	65
Tax impact from other pro forma adjustments	-	-	-	25
Pro forma results (27 weeks to 3 January 2016)	**114,382**	**6,863**	**8,426**	**4,682**

[1] FY2016 week 27 trade included to enable comparison to the FY2017 first half financial period (27 weeks in duration).
[2] Earnings guidance was provided excluding the impact of equity expenses on EBITDA. The adjustments remove the LTI, historical share options plan and Employee share plan equity expense incurred during the first half of FY2016.
[3] Transaction costs attributable to the listing recognised in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.
[4] Expense reflects the cost amortisation of the historical share options plan which was accelerated during the first half of FY2016 when the IPO of shares in the Company became probable and the Directors and senior executives committed to exercising their share options.
[5] The Company issued a total of 283,458 shares in "the Employee Gift Offer" in the IPO with no monetary consideration payable by participating eligible employees.
[6] The Listed public company and IPO transaction costs adjustments have been made to better reflect financial performance (excluding employee equity incentive expenses) as if the Company was publicly listed for the full comparative period (noting Baby Bunting was admitted to quotation on the ASX on 14 October 2015).

Dividends

	Amount per security (cps)	**Franked amount**
Dividends paid		
Final 2016 dividend – paid 16 September 2016	6.3	100%
Dividends determined		
Interim dividend – current period	2.9	100%
Interim dividend – previous corresponding period	Nil	Nil
Record date for determining entitlements to the dividend	3 March 2017	
Date dividend is payable	17 March 2017	

The Company does not currently offer a dividend reinvestment plan.

Commentary on results for the period

For further explanation of the statutory figures above refer to the accompanying Financial Report for the half-year ended 1 January 2017, which includes the Directors' Report. The Half Year Results Presentation released in conjunction with this Results Announcement provides further analysis of the results.

Net tangible assets per ordinary share

Net tangible assets per ordinary share	**1 January 2017 $**	**27 December 2015 $**
Net tangible assets per ordinary share	0.33	0.31

Details of entities over which control has been gained or lost

Not applicable for the half-year ended 1 January 2017.

Other information

Independent Review by Auditor
This report is based on the condensed consolidated financial statements which have been reviewed by Deloitte Touche Tohmatsu.

Baby Bunting Group Limited

ABN 58 128 533 693

Financial Report for the half-year ended 1 January 2017

Financial Report
for the half-year ended 1 January 2017

CONTENTS

Directors' Report

The Directors of Baby Bunting Group Limited (the Company or Baby Bunting) submit the financial report of the Company and its controlled entities (the consolidated entity) for the half-year ended 1 January 2017.

Directors

The names of the Directors of the Company during the half-year and up to the date of this report:

Mr Ian Cornell (appointed Chairman on 21 November 2016)
Mr Barry Saunders (retired as Chairman and Non-executive Director on 21 November 2016)
Mr Tom Cowan
Mr Gary Levin
Ms Melanie Wilson
Mr Matthew Spencer
Ms Donna Player (appointed Non-executive Director on 16 January 2017)

The above named Directors, except where specifically indicated, held office during the whole of the half-year and since the end of the half-year.

Review of operations

Baby Bunting is Australia's largest specialty retailer of baby goods, primarily catering to parents with children from newborn to three years of age and parents-to-be. The Company's principal product categories include prams, cots and nursery furniture, car safety, toys, babywear, feeding, nappies, manchester, associated accessories and consumables.

The half-year statutory and pro forma financial results have been reported for the 27 weeks ended 1 January 2017 to include the Boxing Day sales event for comparability with the previous corresponding period.

The consolidated entity reported a statutory net profit after tax of $5.223 million.

Pro forma financial results have been calculated to reflect the result of the consolidated entity for the previous corresponding period as if the Company was publicly listed for full comparable 27 week period. The pro forma results exclude equity related expenses for comparison to FY2017 guidance.

For the 27 weeks ended 1 January 2017:

- Sales increased to $135.072 million (an increase of 18.1% against the prior corresponding 27 week period), with comparable store sales growth of 8.2%;
- Gross margin softened by 11bps to 34.4%, reflecting changes in product sales mix to lower margin categories from the previous corresponding period;
- Pro forma EBITDA (excluding employee equity incentive expenses) grew by 23.3% to $10.392 million, with EBITDA margin increasing by 0.3% to 7.7% of sales; and
- Pro forma NPAT grew by 22.5% to $5.736 million, with NPAT margin increasing by 0.1% to 4.2% of sales.

Achieving growth from the Company's existing stores is one element of the Company's existing growth strategy. During the reporting period, the Company continued its investment in improving customer experience to grow sales. An ability for customers to rate their experience each time they transact with Baby Bunting was implemented during the reporting period. The "net promoter score" based on all responses received during the reporting period was 58. This displays a good level of customer loyalty with the Baby Bunting brand. Nevertheless, the Company continues to work on opportunities to improve customer experience.

Online is now the Company's largest trading unit in the network. Online sales accounted for 5.9% of sales for the period, an increase of 94.7% of sales against the prior corresponding period. As part of the Company's efforts to improve online customer experience, during the period, work was undertaken to transition the Company's click and collect service from a centralised fulfilment model to a store based fulfilment model. This project was completed after the end of the half, with click and collect fulfilment from stores commencing in January 2017. This will bring click and collect fulfilment times down to a matter of hours (down from days).

Directors' Report

The Company opened four new stores during the period, bringing the total number of Baby Bunting stores to forty. The new stores were opened in Camperdown and Belrose (in New South Wales), Preston (in Victoria) and Baldivis (in Western Australia). The Company aims to open between four and eight new stores each year.

During the reporting period, the Company received the results of an inaugural employee engagement survey, designed to measure the alignment and engagement of the Company's employees throughout Australia. The survey results have assisted in identifying areas of focus as the Company continues with its theme of "building the best team". For example, the Company launched a national training program for sales and leadership across the store network, to continue its investment in team members to continue to improve customers' experience.

The Company finished the reporting period with a net cash position of $3.210 million.

Non-IFRS measures

The consolidated entity uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are collectively referred to as "non-IFRS financial measures". Non-IFRS measures are intended to supplement the measures calculated in accordance with Australian Accounting Standards and are not a substitute for those measures. Underlying statutory and pro forma results and measures are intended to provide shareholders additional information to enhance their understanding of the performance of the consolidated entity.

Non-IFRS financial measures that are referred to in this report are as follows:

Non-IFRS financial measure	Definition
EBITDA	Earnings before interest, tax, depreciation and amortisation expenses. Eliminates non-cash charges for depreciation and amortisation.
EBIT	Earnings before interest and tax. EBIT eliminates the impact of the consolidated entity's capital structure and historical tax position when assessing profitability.
Operating EBIT	Excludes the effects of interest revenue, finance costs, income tax, change in fair value of interest rate swap, equity expenses, other non-operating and associated indirect tax costs. The CEO and Managing Director assesses the performance of the only operating segment (Australia) based on a measure of Operating EBIT.

Pro forma financial results

Pro forma financial results have been calculated to:

- reflect the result of the consolidated entity for the previous corresponding period as if the Company was publicly listed for full comparable 27 week period; and
- exclude employee equity incentive expenses. The Company has previously issued guidance for FY2017 (on 12 August 2016) on the basis that employee equity incentive expenses were excluded.

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Directors' Report

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[6] The Listed public company and IPO transaction costs adjustments have been made to better reflect financial performance (excluding employee equity incentive expenses) as if the Company was publicly listed for the full comparative period (noting Baby Bunting was admitted to quotation on the ASX on 14 October 2015).

Auditor's independence declaration

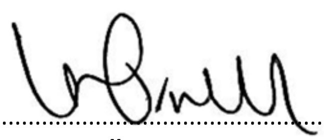
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached to this Directors' Report on page 5.

Rounding of amounts

The Company is a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' and financial reports. Amounts in these reports have been rounded off in accordance with that Instrument to the nearest thousand dollars, unless otherwise indicated.

The Directors' Report is made in accordance with a resolution of Directors.

On behalf of the Directors



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Ian Cornell
Chairman
Melbourne: 17 February 2017

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The Board of Directors
Baby Bunting Group Limited
955 Taylors Road
DANDENONG SOUTH VIC 3175

17 February 2017

Dear Board Members

Baby Bunting Group Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Baby Bunting Group Limited.

As lead audit partner for the review of the financial report of Baby Bunting Group Limited for the half-year ended 1 January 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Gerard Belleville
Partner
Chartered Accountant

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 1 January 2017

	Note	27 weeks ended 1 Jan 2017 $'000	26 weeks ended 27 Dec 2015 $'000 *restated*[1]
Revenue	4	135,072	108,195
Cost of sales		(88,541)	(70,592)
Gross profit		**46,531**	**37,603**
Other revenue	4	8	9
Store expenses		(28,226)	(22,808)
Marketing expenses		(2,412)	(2,044)
Warehousing expenses		(1,911)	(1,761)
Administrative expenses		(6,240)	(5,429)
IPO transaction costs expensed		-	(1,852)
Finance costs	5	(180)	(244)
Profit before tax		**7,570**	**3,474**
Income tax expense		(2,347)	(1,214)
Profit after tax		**5,223**	**2,260**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**5,223**	**2,260**
Profit for the period attributable to:			
Equity holders of Baby Bunting Group Limited		**5,223**	**2,260**
Earnings per share			
From continuing operations			
Basic (cents per share)		4.2	2.0
Diluted (cents per share)		4.1	2.0

[1]Refer to note 2(d).

Notes to the condensed consolidated financial statements are included in Pages 10 to 18.

Condensed Consolidated Statement of Financial Position

as at 1 January 2017

			Consolidated	
	Note	1 Jan 2017 $'000	26 Jun 2016 $'000	27 Dec 2015 $'000
CURRENT ASSETS				
Cash and cash equivalents		3,210	7,363	7,219
Other receivables	6	8,426	8,135	6,336
Inventories	7	49,999	41,042	44,295
Other assets		1,028	771	830
TOTAL CURRENT ASSETS		**62,663**	**57,311**	**58,680**
NON-CURRENT ASSETS				
Plant and equipment		18,797	17,005	17,079
Intangibles		917	903	-
Goodwill		44,180	44,180	44,180
Deferred tax assets		3,835	3,361	3,395
TOTAL NON-CURRENT ASSETS		**67,729**	**65,449**	**64,654**
TOTAL ASSETS		**130,392**	**122,760**	**123,334**
CURRENT LIABILITIES				
Trade and other payables	8	33,339	23,828	24,377
Current tax liabilities		854	844	568
Provisions		2,463	2,267	1,972
Operating lease provision	8	108	135	165
TOTAL CURRENT LIABILITIES		**36,764**	**27,074**	**27,082**
NON-CURRENT LIABILITIES				
Borrowings	9	-	-	7,000
Provisions		300	260	277
Operating lease provision	8	2,739	2,702	2,398
TOTAL NON-CURRENT LIABILITIES		**3,039**	**2,962**	**9,675**
TOTAL LIABILITIES		**39,803**	**30,036**	**36,757**
NET ASSETS		**90,589**	**92,724**	**86,577**
EQUITY				
Issued capital	10	84,816	84,420	84,436
Share based payments reserve	13	290	132	43
Retained earnings		5,483	8,172	2,098
TOTAL EQUITY		**90,589**	**92,724**	**86,577**

Notes to the condensed consolidated financial statements are included in Pages 10 to 18.

Condensed Consolidated Statement of Changes in Equity

for the half-year ended 1 January 2017

	Issued Capital $'000	Share Based Payments Reserve $'000	Retained Earnings $'000	Total Equity $'000
Balance at 28 June 2015	55,070	989	15,955	72,014
Profit for the period	-	-	2,260	2,260
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	2,260	2,260
Issue of shares (Note 10)	29,366	-	-	29,366
Dividends (Note 11)	-	-	(16,117)	(16,117)
Share based payment (Note 13)	-	(946)	-	(946)
Balance at 27 December 2015	**84,436**	**43**	**2,098**	**86,577**
Balance at 26 June 2016	84,420	132	8,172	92,724
Profit for the period	-	-	5,223	5,223
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	5,223	5,223
Issue of shares (Note 10)	396	-	-	396
Dividends (Note 11)	-	-	(7,912)	(7,912)
Share based payment (Note 13)	-	158	-	158
Balance at 1 January 2017	**84,816**	**290**	**5,483**	**90,589**

Notes to the condensed consolidated financial statements are included in Pages 10 to 18.

Condensed Consolidated Statement of Cash Flows

for the half-year ended 1 January 2017

	27 weeks ended 1 Jan 2017 $'000	26 weeks ended 27 Dec 2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	148,440	118,747
Payments to suppliers and employees	(137,812)	(115,342)
Income tax paid	(2,810)	(3,891)
Interest received	9	8
Finance costs paid	(236)	(266)
Transaction costs for listing	-	(1,852)
Net cash from / (used in) operating activities	**7,591**	**(2,596)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment and intangibles	(3,833)	(3,678)
Proceeds on sale of plant and equipment	1	6
Net cash used in investing activities	**(3,832)**	**(3,672)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	28,717
Transaction costs for issue of shares	-	(1,731)
Dividends paid	(7,912)	(16,117)
(Repayment of) / Proceeds from borrowings	-	(950)
Net cash (used in) / provided by financing activities	**(7,912)**	**9,919**
Net (decrease) / increase in cash and cash equivalents	**(4,153)**	**3,651**
Cash and cash equivalents at beginning of the period	7,363	3,568
Cash and cash equivalents at end of the period	**3,210**	**7,219**

Notes to the condensed consolidated financial statements are included in Pages 10 to 18.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 1 January 2017

Note 1: Reporting entity

This half-year financial report of the Company as at and for the half-year ended 1 January 2017 comprises the Company and its subsidiaries (together referred to as the consolidated entity). Baby Bunting Group Limited is a listed public company, incorporated and operating in Australia. The consolidated entity's principal activity is the retailing of baby merchandise.

The Company was admitted to the official list of the Australian Securities Exchange (ASX) on 14 October 2015 under the ASX code 'BBN'.

The annual financial report of the consolidated entity as at and for the year ended 26 June 2016 is available upon request from the Company's registered office and principal place of business at 955 Taylors Road, Dandenong South, Victoria 3175 or at www.babybuntingcorporate.com.au.

Note 2: Summary of significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the half-year financial report.

(a) Statement of Compliance

The half-year financial report has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This half-year 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 26 June 2016 and any public announcements made by Baby Bunting Group Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

This half-year financial report was approved by the Directors on 17 February 2017.

(b) Basis of Preparation

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2016 annual financial report for the year ended 26 June 2016, except for the impact of the adoption of the new and revised accounting policies discussed below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Comparative figures are shown for 27 December 2015 in addition to 26 June 2016 in the balance sheet due to the seasonality of the business and the impact this has on working capital.

The Company is a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' and financial reports. Amounts in this report have been rounded off in accordance with that Instrument to the nearest thousand dollars, unless otherwise indicated.

(c) New and amended Standards and Interpretations adopted

New and amended Standards and Interpretations effective for the current reporting period did not have any financial impact on the amounts recognised in the condensed financial statements of the consolidated entity for the current or prior comparative reporting period.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 1 January 2017

Note 2: Summary of significant accounting policies

(d) Reclassification of comparatives

Depreciation and amortisation

The consolidated entity has reclassified depreciation and amortisation for Plant and Equipment and Intangibles to more accurately reflect the function of the expenses and ensure consistency with the reporting of these comparative amounts with those disclosed in the 2016 annual report. Comparative amounts have been reclassified accordingly in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income and relevant notes. The following table summarises the impact of this change in presentation (refer to the 'Reclassification' column). The change in presentation had no effect on the total comprehensive income.

26 weeks ended 27 December 2015	As previously reported $'000	Reclassi-fication $'000	As restated $'000
Revenue	108,195	-	108,195
Cost of sales	(70,592)	-	(70,592)
Gross profit	**37,603**		**37,603**
Other revenue	9	-	9
Store expenses	(21,570)	(1,238)	(22,808)
Marketing expenses	(2,044)	-	(2,044)
Warehousing expenses	(1,675)	(86)	(1,761)
Administrative expenses	(5,252)	(177)	(5,429)
Depreciation and amortisation	(1,501)	1,501	-
IPO transaction costs expensed	(1,852)		(1,852)
Finance costs	(244)	-	(244)
Profit before tax	**3,474**	**-**	**3,474**
Income tax expense	(1,214)	-	(1,214)
Profit after tax	**2,260**	**-**	**2,260**
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	**2,260**	**-**	**2,260**

Note 3: Accounting estimates and judgements

The preparation of the half-year financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this report, the significant estimates and judgements applied in the consolidated entity's accounting policies were consistent with those applied to the consolidated financial statements as at and for the year ended 26 June 2016.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 1 January 2017

Note 4: Revenue

	27 weeks ended 1 Jan 2017 $'000	26 weeks ended 27 Dec 2015 $'000
An analysis of the consolidated entity's revenue for the year, is as follows:		
Revenue from sale of goods	135,072	108,195
Other revenue		
Interest revenue	8	8
Profit on sale of equipment	-	1
Total other revenue	8	9
	135,080	108,204

Note 5: Profit for the period

	27 weeks ended 1 Jan 2017 $'000	26 weeks ended 27 Dec 2015 $'000
Profit before income tax expense includes the following expenses:		
Interest and finance charges paid/payable	180	244
Depreciation and amortisation	2,026	1,501
Rental expenses relating to operating leases:		
Minimum lease payments	8,448	7,023
Employee benefits expense	21,051	17,718

Depreciation and amortisation

Depreciation and amortisation is disclosed in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Store expenses", "Warehousing expenses" and "Administrative expenses" as detailed below:

27 weeks ended 1 January 2017	As reported $'000	Depreciation and amortisation $'000	Excluding Depreciation and Amortisation $'000
Store expenses	(28,226)	1,730	(26,496)
Warehousing expenses	(1,911)	98	(1,813)
Administrative expenses	(6,240)	198	(6,042)
Total	**(36,377)**	**2,026**	**(34,351)**

26 weeks ended 27 December 2015	As reported $'000	Depreciation and amortisation $'000	Excluding Depreciation and Amortisation $'000
Store expenses	(22,808)	1,238	(21,570)
Warehousing expenses	(1,761)	86	(1,675)
Administrative expenses	(5,429)	177	(5,252)
Total	**(29,998)**	**1,501**	**(28,497)**

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 1 January 2017

Note 6: Other receivables

	1 Jan 2017 $'000	26 Jun 2016 $'000	27 Dec 2015 $'000
Current			
Lay by receivables	5,962	6,514	5,056
Other receivables	2,464	1,621	1,280
	8,426	8,135	6,336

The average layby period is 3 months. No interest is charged on layby accounts. There are no customers who represent more than 5% of the total trade balance of receivables. There are no material receivables past due date.

Note 7: Inventories

Finished goods	49,999	41,042	44,295

The cost of inventories recognised as an expense during the half-year in respect of continuing operations was $88.541 million (December 2015: $70.592 million).

Note 8: Payables

Current			
Trade payables	28,576	17,889	19,481
Gift voucher payables	1,190	998	1,055
Sundry payables and accruals	3,573	4,941	3,841
	33,339	23,828	24,377
Operating lease provision			
Operating lease provision – Current	108	135	165
Operating lease provision – Non-Current	2,739	2,702	2,398
	2,847	2,837	2,563

The operating lease provision reflects the recognition of rental expenses and lease incentives on a straight-line basis over the lease term.

Note 9: Loans and Borrowings

Non-Current - Secured			
Bank Loan	-	-	7,000

The ongoing funding requirements of the consolidated entity are provided by the National Australia Bank (NAB). The secured multi option facility matures on 31 December 2017. Security consists of a Deed of Charge over the assets of Baby Bunting Pty Ltd. The Company is a guarantor to the facility.

The total facility limit at balance date was $26,000,000, consisting of $20,000,000 market rate facility and $6,000,000 bank guarantee facility. The market rate facility can be drawn to the lesser of $20,000,000 or 2.00 times the last 12 months historical rolling EBITDA. Interest on the facility is charged at a variable rate.

The consolidated entity is in compliance with its facility agreement at 1 January 2017. The current facility does not require the consolidated entity to amortise borrowings.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 1 January 2017

Note 10: Issued capital

	1 Jan 2017		26 Jun 2016		27 Dec 2015	
Fully paid ordinary shares	**No.**	**$'000**	**No.**	**$'000**	**No.**	**$'000**
Balance at beginning of the period	125,588,120	84,420	97,528,411	55,070	97,528,411	55,070
Issue of shares - IPO	-	-	17,857,073	25,000	17,857,073	25,000
Issue of shares - Options exercised	-	-	9,919,178	5,181	9,919,178	5,181
Issue of shares - Employee share plan offer (note 13(b))	132,368	396	283,458	397	283,458	397
Transaction costs recognised in equity, net of tax	-	-	-	(1,228)	-	(1,212)
Balance at end of the period	**125,720,488**	**84,816**	**125,588,120**	**84,420**	**125,588,120**	**84,436**

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Note 11: Dividends

	27 weeks ended 1 Jan 2017		26 weeks ended 27 Dec 2015	
	$ per ordinary share	**$'000**	**$ per ordinary share**	**$'000**
Recognised amounts				
Special fully franked dividend – paid 14 October 2015	-	-	0.150	16,117
2016 Final fully franked dividend – paid 16 September 2016	0.063	7,912	-	-
Unrecognised amounts				
Interim dividend	0.029	3,646	-	-

On 12 August 2016, the Directors determined to pay a fully franked final dividend of 6.3 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 26 June 2016. The dividend was subsequently paid to shareholders on 16 September 2016 totalling $7.912 million.

On 17 February 2017, the Directors determined to pay an interim fully franked final dividend of 2.9 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 1 January 2017, to be paid to shareholders on 17 March 2017. The dividend has not been included as a liability in these condensed consolidated financial statements. The record date for determining entitlements to the dividend is 3 March 2017. The total estimated dividend to be paid is $3.646 million.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 1 January 2017

Note 12: Segment information

Management has determined the operating segments based on the reports reviewed by the CEO and Managing Director (the chief operating decision maker as defined under AASB 8) that are used to make strategic and operating decisions. The CEO and Managing Director considers the business primarily from a geographic perspective. On this basis management has identified one reportable segment, Australia. The consolidated entity does not operate in any other geographic segment.

The following is an analysis of the consolidated entity's revenue and results from continuing operations by reportable segment:

	Australia		Total	
	27 weeks ended 1 Jan 2017 $'000	26 weeks ended 27 Dec 2015 $'000	27 weeks ended 1 Jan 2017 $'000	26 weeks ended 27 Dec 2015 $'000
Revenue	135,072	108,195	135,072	108,195
Operating EBIT	8,366	6,477	8,366	6,477
Total segment assets	130,392	123,334	130,392	123,334
Additions to plant and equipment and intangibles	3,833	3,678	3,833	3,678
Depreciation and amortisation	2,026	1,501	2,026	1,501
Total non-current assets[1]	63,894	61,259	63,894	61,259
Total segment liabilities	39,803	36,757	39,803	36,757

[1]Non-current assets exclude financial instruments, deferred tax assets and deferred tax liabilities.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current reporting period (December 2015: nil).

The accounting policies of the reportable segment are the same as the consolidated entity's accounting policies described in note 2. The CEO and Managing Director assesses the performance of the operating segment based on a measure of Operating EBIT. This measure basis excludes the effects of interest revenue, finance costs, income tax, change in fair value of interest rate swap, equity expenses, other non-operating and associated indirect tax costs.

Operating EBIT

A reconciliation of operating EBIT to profit before tax is provided as follows:

	27 weeks ended 1 Jan 2017 $'000	26 weeks ended 27 Dec 2015 $'000
Operating EBIT	**8,366**	**6,477**
Interest revenue	8	8
Finance costs	(180)	(244)
IPO transaction costs recognised in condensed consolidated statement of profit or loss and other comprehensive income	-	(1,852)
Employee share based payments (inclusive of indirect tax)	(624)	(915)
Profit before tax	**7,570**	**3,474**

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 1 January 2017

Note 12: Segment information

Segment assets and liabilities

The amounts provided to the CEO and Managing Director with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. The reportable segment's assets and liabilities are reconciled to total assets as follows:

	1 Jan 2017 $'000	26 Jun 2016 $'000	27 Dec 2015 $'000
Segment assets	130,392	122,760	123,334
Total assets as per the balance sheet	**130,392**	**122,760**	**123,334**
Segment liabilities	39,803	30,036	36,757
Total liabilities as per the balance sheet	**39,803**	**30,036**	**36,757**

Note 13: Share based payments

Share based payments reserve			
Balance at beginning of period	132	989	989
Historical share options – expense	-	475	475
Historical share options – exercised	-	(1,464)	(1,464)
Performance rights – expense (Note 13(a))	158	132	43
Balance at end of period	**290**	**132**	**43**

(a) Performance rights

In the previous reporting period, the consolidated entity established a Long Term Incentive Plan (LTI Plan) involving the grant of performance rights. Upon vesting, each right entitles the participant to one fully paid ordinary share in the Company. No dividends or voting rights are attached to performance rights prior to vesting. The number of rights in a grant that vest will be determined by reference to two performance conditions. Half of the rights granted are subject to an earnings per share (EPS) growth performance condition (EPS Rights). The other half of the rights granted are subject to a total shareholder return (TSR) growth performance condition (TSR Rights).

Fair value of performance rights granted

The weighted average fair value of the performance rights TSR component granted under the LTI Plan is $0.23 (December 2015: $0.12). The fair value of the TSR component of performance rights is determined at grant date using a Monte-Carlo simulation. For the non-market component (EPS CAGR), the fair value is determined with reference to the share price of ordinary shares at grant date.

Performance rights granted in the current reporting period (2017 – Series 1) were on the same terms and conditions (including as to performance periods) as the existing performance rights on issue at the beginning of the reporting period.

Performance rights series	Grant date	Grant date fair value	Exercise price	Expiry date
2016 – Series 1 (TSR CAGR)	14 October 2015	$0.12	nil	(1)
2016 – Series 1 (EPS CAGR)	14 October 2015	$1.40	nil	(1)
2016 – Series 2 (TSR CAGR)	10 June 2016	$1.03	nil	(1)
2016 – Series 2 (EPS CAGR)	10 June 2016	$2.45	nil	(1)
2017 – Series 1 (TSR CAGR)	24 November 2016	$1.26	nil	(1)
2017 – Series 1 (EPS CAGR)	24 November 2016	$2.65	nil	(1)

(1) These performance rights vest and are automatically exercised at the end of the relevant service and performance period, subject to meeting the relevant performance condition. The Board will determine whether the relevant performance conditions have been satisfied. Any performance rights that have not vested at the end of the third performance period (which occurs following the release of the Company's financial results for the 2020 financial year), will lapse.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 1 January 2017

Note 13: Share based payments

(a) Performance rights

	Performance rights Series		
	2017 – Series 1 TSR	**2016 – Series 1 TSR**	**2016 – Series 2 TSR**
Grant date share price	$2.65	$1.40 (IPO offer price)	$2.45
Exercise price	nil	nil	nil
Expected volatility	25%	25%	25%
Expected life	1.6, 2.6, 3.6 years	3, 4, 5 years	2.3, 3.3, 4.3 years
Dividend yield	4.50%	4.50%	4.50%
Risk-free interest rate (p.a)	1.60%	1.90%	1.90%

Movements in performance rights during the period
The consolidated entity recorded a share based payments expense for performance rights of $0.158 million (December 2015: $0.043 million) disclosed in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Administrative expenses".

The following reconciles the performance rights outstanding at the beginning and end of the period:

	27 weeks ended 1 January 2017		26 weeks ended 27 December 2015	
	TSR Number of rights	**EPS Number of rights**	**TSR Number of rights**	**EPS Number of rights**
Balance at beginning of the period	**2,665,762**	**2,665,762**	**-**	**-**
Granted during the period	145,500	145,500	2,511,762	2,511,762
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Lapsed during the period	-	-	-	-
Balance at end of period	**2,811,262**	**2,811,262**	**2,511,762**	**2,511,762**
Exercisable at end of period	**-**	**-**	**-**	**-**

(b) General Employee Share Plan (GESP)

In the previous reporting period, the consolidated entity established the GESP which is intended to be part of the consolidated entity's overall remuneration policy to reward Baby Bunting employees, from time to time. The GESP provides for grants of Shares to eligible employees of the consolidated entity up to a value determined by the Board.

During the current reporting period, the Board issued a total of 132,368 shares (December 2015: 283,458 shares) under the GESP with no monetary consideration payable by participating eligible employees. Shares issued were subject to a disposal restriction in accordance with current Australian tax legislation. The fair value of $0.396 million (December 2015: $0.397 million) was fully expensed at the time of granting, as there are no performance or service conditions.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 1 January 2017

Note 14: Related Party Transactions

The immediate parent and ultimate controlling party of the consolidated entity is Baby Bunting Group Limited (incorporated in Australia).

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the consolidated entity and other related parties are disclosed below.

(a) Loans to and from key management personnel and directors
As at the end of the current reporting period (December 2015: nil), no loans were outstanding to or from key management personnel or directors of the consolidated entity.

(b) Loan arrangement with executives
The Company has entered into an agreement with certain executives to, if requested by an executive, provide a loan to the person on a limited recourse basis. The maximum amount that may be advanced by the Company is $3 million.

The request can be made during the period following the end of the escrow period for executives (being 23 February 2017) until 30 April 2017. If the loan is requested and made, the money advanced can only be used to meet the tax liabilities of the executive that arose in connection with the executive acquiring shares before the date of the Prospectus for the IPO (as part of pre-existing equity incentives). Any loan is to be repaid as soon as practicable and no later than six months after the date of the advance (or such longer period as the Board may determine).

Interest will be payable on any amount advanced equivalent to the interest rate payable on the Company's finance facilities at that time. Funds will not be advanced where an executive has ceased to be an employee. Shareholders approved the entry into these arrangements in respect of the CEO and Managing Director before the date of the Prospectus for the initial public offering.

Note 15: Subsequent Events

Dividends on the Company's ordinary shares
An interim dividend of 2.9 cents per fully paid ordinary shares has been determined for the half-year ended 1 January 2017 - refer Note 11.

There have been no events subsequent to the date of this report which would have a material effect on the interim financial report of the consolidated entity as at 1 January 2017.

Directors' Declaration

The Directors declare that:

(a) in their opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in their opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

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Ian Cornell
Chairman

Melbourne: 17 February 2017

Deloitte.

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Independent Auditor's Review Report to the Members of Baby Bunting Group Limited

We have reviewed the accompanying half-year financial report of Baby Bunting Group Limited, which comprises the condensed statement of financial position as at 1 January 2017, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 19.

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 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 gives a true and fair view and 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 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 half-year 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 1 January 2017 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 Baby Bunting Group 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.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Baby Bunting Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 Baby Bunting Group 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 1 January 2017 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Gerard Belleville

Gerard Belleville
Partner
Chartered Accountants
Melbourne, 17 February 2017