



**Baby Bunting Group Limited**  
ABN 58 128 533 693

**Appendix 4D**

**Financial report for the half-year ended  
30 December 2018**

## Appendix 4D

(Rule 4.2A.3)

### Baby Bunting Group Limited

ABN 58 128 533 693

For the half-year ended: 27 weeks ended 30 December 2018

Previous corresponding period: 27 weeks ended 31 December 2017

#### Results for announcement to the market

Statutory Financial Results	27 weeks ended	27 weeks ended	Mvmt \$'000	up/(down) %
	30 Dec 2018 \$'000	31 Dec 2017 \$'000 Restated <sup>1</sup>		
Revenue from ordinary activities	177,688	151,664	26,024	17.2%
Net profit from ordinary activities after tax (attributable to members)	5,216	4,082	1,134	27.8%
Net profit attributable to members	5,216	4,082	1,134	27.8%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	10,688	8,423	2,265	26.9%

<sup>1</sup> AASB 15 Revenue from contracts with customers restatement. Refer to Note 2(c).

Pro Forma Financial Results	27 weeks ended	27 weeks ended	Mvmt \$'000	up/(down) %
	30 Dec 2018 \$'000	31 Dec 2017 \$'000 Restated <sup>1</sup>		
Revenue from ordinary activities	177,688	151,664	26,024	17.2%
Net profit from ordinary activities after tax (attributable to members)	5,973	4,767	1,206	25.3%
Net profit attributable to members	5,973	4,767	1,206	25.3%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	11,575	9,258	2,317	25.0%

<sup>1</sup> AASB 15 Revenue from contracts with customers restatement. Refer to Note 2(c).

Pro forma financial results have been calculated to exclude employee equity incentive expenses for the current reporting period. Equity incentive expenses have been excluded to more clearly represent the consolidated entity's underlying earnings given these are a non-cash items whose primary economic impact is issued capital dilution if and when shares are issued.

The following table reconciles the statutory result to pro forma financial results for the period ended 30 December 2018 (noting that this financial information has not been reviewed in accordance with Australian Auditing Standards):

27 weeks ended 30 December 2018 \$'000	Sales	EBIT	EBITDA	NPAT
<b>Statutory results</b>	<b>177,688</b>	<b>8,078</b>	<b>10,688</b>	<b>5,216</b>
Employee equity incentive expenses <sup>1</sup>				
– Performance rights <sup>2</sup>	-	454	454	454
– Employee share plan offer <sup>3</sup>	-	433	433	433
Tax impact from underlying adjustments	-	-	-	(130)
<b>Underlying statutory results</b>	<b>177,688</b>	<b>8,965</b>	<b>11,575</b>	<b>5,973</b>
<b>Pro forma results</b>	<b>177,688</b>	<b>8,965</b>	<b>11,575</b>	<b>5,973</b>

<sup>1</sup> The adjustment removes the Long Term Incentive (LTI) equity and the General Employee Share Plan offer expense incurred during the first half of FY2019.

<sup>2</sup> Expense reflects the cost amortisation of performance rights (LTI) on issue in the current reporting period.

<sup>3</sup> The Company issued 163,944 shares under its General Employee Share Plan in the current reporting period with no monetary consideration payable by participating eligible employees who each received approximately \$750 worth of shares.

## Appendix 4D

(Rule 4.2A.3)

The following table reconciles the statutory result to pro forma financial results for the period ended 31 December 2017 (noting that this financial information has not been reviewed in accordance with Australian Auditing Standards):

27 weeks ended 31 December 2017 \$'000 Restated <sup>4</sup>	Sales	EBIT	EBITDA	NPAT
<b>Statutory results</b>	<b>151,664</b>	<b>6,184</b>	<b>8,423</b>	<b>4,082</b>
Employee equity incentive expenses <sup>1</sup>				
- Performance rights <sup>2</sup>	-	336	336	336
- Employee share plan offer <sup>3</sup>	-	499	499	499
Tax impact from underlying adjustments	-	-	-	(150)
<b>Underlying statutory results</b>	<b>151,664</b>	<b>7,019</b>	<b>9,258</b>	<b>4,767</b>
<b>Pro forma results</b>	<b>151,664</b>	<b>7,019</b>	<b>9,258</b>	<b>4,767</b>

<sup>1</sup> The adjustment removes the Long Term Incentive (LTI) equity and the General Employee Share Plan offer expense incurred during the first half of FY2018.

<sup>2</sup> Expense reflects the cost amortisation of performance rights (LTI) on issue in the current reporting period.

<sup>3</sup> The Company issued 260,108 shares under its General Employee Share Plan in the current reporting period with no monetary consideration payable by participating eligible employees who each received approximately \$1,000 worth of shares

<sup>4</sup> AASB 15 Revenue from contracts with customers restatement. Refer to Note 2(c).

### Dividends

	Amount per security (cps)	Franked amount
<b>Dividends paid</b>		
Final 2018 dividend – paid 14 September 2018	2.5	100%
<b>Dividends determined</b>		
Interim dividend – current period	3.3	100%
Record date for determining entitlements to the dividend	1 March 2019	
Date dividend is payable	15 March 2019	

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 30 December 2018, which includes the Directors' Report. The Half Year Results Presentation released in conjunction with this Results Announcement provides further analysis of the results.

(Rule 4.2A.3)

### Net tangible assets per ordinary share

	30 December 2018 \$	31 December 2017 \$ Restated
Net tangible assets per ordinary share	0.33	0.32

### Details of entities over which control has been gained or lost

Not applicable for the half-year ended 30 December 2018.

### Other information

#### Independent Review by Auditor

This report is based on the condensed consolidated financial statements which have been reviewed by Ernst & Young.

**Baby Bunting Group Limited**

**ABN 58 128 533 693**

**Financial Report for the half-year  
ended 30 December 2018**

## Financial Report

for the half-year ended 30 December 2018

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## 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 30 December 2018.

### Directors

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

Mr Ian Cornell  
Mr Matthew Spencer  
Mr Gary Levin  
Ms Melanie Wilson  
Ms Donna Player  
Mr Gary Kent (appointed 12 Dec 2018)

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 Company's vision is to be the most loved baby retailer for every family, everywhere. The Company's strategy is to invest in digital to deliver the best possible customer experience across all channels, invest to grow market share through its new store roll-out program (the Company aims to open between four and eight new stores each year) and by growing its existing stores and online. In addition to achieving market share growth, the company is undertaking a number of supply chain and product sourcing initiatives aimed at delivering improved profitability.

The consolidated entity reported a statutory net profit after tax of \$5.216 million.

Consistent with previous reporting periods, pro forma financial results have been calculated to exclude employee equity incentive expenses for the current reporting period. Equity incentive expenses have been excluded to more clearly represent the consolidated entity's underlying earnings given this is a non-cash item whose primary economic impact is issued capital dilution if and when shares are issued.

For the 27 weeks ended 30 December 2018:

- Sales increased to \$177.688 million (an increase of 17.2% against the prior corresponding 27 week period);
- Gross margin increased by 160 basis points to 34.6%;
- Pro forma EBITDA (excluding employee equity incentive expenses) increased by 25.0% against the prior corresponding 27 week period to \$11.575 million, with EBITDA margin increasing by 0.4% against the prior corresponding period to 6.5% of sales; and
- Pro forma NPAT increased by 25.3% to \$5.973 million against the prior corresponding period.

After significant competitor disruption in the prior financial year, featuring price deflation and significant inventory liquidation in the category, the Company made significant progress on a number of key fronts:

- Comparable store sales growth of 9.5% for the half driven by increased market share in catchments where competitors exited in the prior year;
- Increased penetration of private label and exclusive products which are now 25.3% of all Company sales (18.4% in the prior corresponding period);
- Improvement in gross margins achieved through continued increase in direct overseas purchasing, supply chain improvements and further expansion of our exclusive products range;
- The Company opened 5 new stores (1 regional, 4 metro) and relocated the Cannington (WA) store to a more prominent position. New store openings included the Company's first shopping centre format store in Chadstone (Australia's number one retail centre by sales revenue and foot traffic);

## Directors' Report

- The Company made significant progress in a number of digital initiatives, most significantly the replatforming of the Company's online store (which is expected to launch in March 2019); and
- Investment in talent to drive future growth beyond FY2019.

In addition to its physical stores, the Company operates an online store as well as offering a variety of fulfilment methods, including click and collect. Online continues to be the Company's largest trading unit in the network. Online sales accounted for 11.5% of sales for the period, an increase of 61% of sales against the prior corresponding period (where online sales accounted for 8.4% of sales).

Pro forma Cost of Doing Business (CODB) expenses were \$49.920 million (\$40.784 million in the prior corresponding period). Primarily this increase was due to the addition of 8 new stores relative to the prior comparable period (three in the second half of FY2018, plus the five new stores opened this financial year). As a percentage of sales, pro forma CODB was 28.1% for the reporting period (versus 26.9% of sales in the prior corresponding period). The increase in the CODB to sales metric was driven by investment in business support functions (predominantly people and systems to support current and future expansion of the store network), investment in in-store service for customers, plus the addition of "Buy Now, Pay Later" finance options. It is also important to note that three new stores were opened in the last 3 weeks of the financial year which meant the Company incurred significant pre-store opening costs late in the half.

At the date of this report, the Company has fifty-two stores throughout Australia. Five new stores were opened during the reporting period, being stores at Glenorchy, Chatswood, Toowoomba, Chadstone and Bankstown. Additionally, we relocated our Cannington store to a more prominent location in Cannington at the end of the lease.

The Company finished the reporting period with a net debt position of \$6.556 million. The Company reported net cash flow from operating activities of \$7.592 million.

### Dividends

The Company paid a fully franked final dividend of 2.5 cents per share, in respect of the 2018 financial year, on 14 September 2018 totalling \$3.152 million. The Directors have determined to pay an interim fully franked dividend of 3.3 cents to be paid on 15 March 2019 (with a record date of 1 March 2019).

### 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 exclude employee equity incentive expenses for the current reporting period. Equity incentive expenses have been excluded to more clearly represent the consolidated entity's underlying earnings given this is a non-cash item whose primary economic impact is issued capital dilution if and when shares are issued.

## Directors' Report

The following table reconciles the statutory result to pro forma financial results for the period ended 30 December 2018 (noting that this financial information has not been reviewed in accordance with Australian Auditing Standards):

<b>27 weeks ended 30 December 2018</b>				
<b>\$'000</b>	<b>Sales</b>	<b>EBIT</b>	<b>EBITDA</b>	<b>NPAT</b>
<b>Statutory results</b>	<b>177,688</b>	<b>8,078</b>	<b>10,688</b>	<b>5,216</b>
Employee equity incentive expenses <sup>1</sup>				
– Performance rights <sup>2</sup>	-	454	454	454
– Employee share plan offer <sup>3</sup>	-	433	433	433
Tax impact from underlying adjustments	-	-	-	(130)
<b>Underlying statutory results</b>	<b>177,688</b>	<b>8,965</b>	<b>11,575</b>	<b>5,973</b>
<b>Pro forma results</b>	<b>177,688</b>	<b>8,965</b>	<b>11,575</b>	<b>5,973</b>

<sup>1</sup> The adjustment removes the Long Term Incentive (LTI) equity and the General Employee Share Plan offer expense incurred during the first half of FY2019.

<sup>2</sup> Expense reflects the cost amortisation of performance rights (LTI) on issue in the current reporting period.

<sup>3</sup> The Company issued 163,944 shares under its General Employee Share Plan in the current reporting period with no monetary consideration payable by participating eligible employees who each received approximately \$750 worth of shares.

The following table reconciles the statutory result to pro forma financial results for the prior comparable period ended 31 December 2017 (noting that this financial information has not been reviewed in accordance with Australian Auditing Standards):

<b>27 weeks ended 31 December 2017</b>				
<b>\$'000</b>	<b>Sales</b>	<b>EBIT</b>	<b>EBITDA</b>	<b>NPAT</b>
<b>Restated<sup>4</sup></b>				
<b>Statutory results</b>	<b>151,664</b>	<b>6,184</b>	<b>8,423</b>	<b>4,082</b>
Employee equity incentive expenses <sup>1</sup>				
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<sup>3</sup> The Company issued 260,108 shares under its General Employee Share Plan in the current reporting period with no monetary consideration payable by participating eligible employees who each received approximately \$1,000 worth of shares

<sup>4</sup> AASB 15 *Revenue from contracts with customers* restatement. Refer to Note 2(c).



## Directors' Report

### Auditor's independence declaration

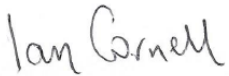
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached to this Directors' Report on page 6.

### Rounding of amounts

The Company has taken advantage of ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report and Financial Statements. Amounts in these reports have been rounded off in accordance with that Instrument to the nearest thousand dollars or in certain cases, to the nearest dollar.

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

On behalf of the Directors



.....  
**Ian Cornell**

**Chairman**

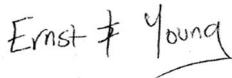
Melbourne: 15 February 2019

## Auditor's Independence Declaration to the Directors of Baby Bunting Group Limited

As lead auditor for the review of Baby Bunting Group Limited for the half-year ended 30 December 2018, I declare 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 Baby Bunting Group Limited and the entities it controlled during the financial period.



Ernst & Young



Glenn Carmody  
Partner  
15 February 2019

Baby Bunting Group Limited

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
for the half-year ended 30 December 2018

	Note	27 weeks ended 30 Dec 2018 \$'000	27 weeks ended 31 Dec 2017 \$'000 Restated
Revenue	4	177,688	151,664
Cost of sales		(116,193)	(101,621)
<b>Gross profit</b>		<b>61,495</b>	<b>50,043</b>
Interest revenue	4	9	12
Store expenses		(38,865)	(31,878)
Marketing expenses		(3,053)	(2,920)
Warehousing expenses		(2,434)	(2,156)
Administrative expenses		(9,065)	(6,905)
Finance costs	5	(361)	(322)
<b>Profit before tax</b>		<b>7,726</b>	<b>5,874</b>
Income tax expense		(2,510)	(1,792)
<b>Profit after tax</b>		<b>5,216</b>	<b>4,082</b>
Other comprehensive income for the period		-	-
<b>Total comprehensive income for the period</b>		<b>5,216</b>	<b>4,082</b>
<b>Profit for the period attributable to:</b>			
Equity holders of Baby Bunting Group Limited		<b>5,216</b>	<b>4,082</b>
<b>Earnings per share</b>			
From continuing operations			
Basic (cents per share)		4.1	3.2
Diluted (cents per share)		4.1	3.2

Notes to the condensed consolidated financial statements are included in Pages 11 to 23.

Baby Bunting Group Limited

**Condensed Consolidated Statement of Financial Position**

as at 30 December 2018

	Note	30 Dec 2018 \$'000	24 Jun 2018 \$'000 Restated	31 Dec 2017 \$'000 Restated
<b>Current assets</b>				
Cash and cash equivalents		6,491	7,233	4,558
Other receivables	6	4,106	3,805	3,150
Inventories	7	66,931	62,974	61,907
Other assets		2,693	1,677	1,413
<b>Total current assets</b>		<b>80,221</b>	<b>75,689</b>	<b>71,028</b>
<b>Non-current assets</b>				
Plant and equipment		24,980	21,030	20,103
Intangibles		3,454	2,554	1,241
Goodwill		44,180	44,180	44,180
Deferred tax assets		4,804	4,526	4,196
<b>Total non-current assets</b>		<b>77,418</b>	<b>72,290</b>	<b>69,720</b>
<b>Total assets</b>		<b>157,639</b>	<b>147,979</b>	<b>140,748</b>
<b>Current liabilities</b>				
Trade and other payables	8	39,497	36,462	36,797
Other liabilities		2,071	1,614	1,594
Current tax liabilities		1,142	883	183
Provisions	9	3,731	3,256	3,101
<b>Total current liabilities</b>		<b>46,441</b>	<b>42,215</b>	<b>41,675</b>
<b>Non-current liabilities</b>				
Borrowings	10	13,047	10,770	6,030
Provisions	9	4,280	3,987	3,263
<b>Total non-current liabilities</b>		<b>17,327</b>	<b>14,757</b>	<b>9,293</b>
<b>Total liabilities</b>		<b>63,768</b>	<b>56,972</b>	<b>50,968</b>
<b>Net assets</b>		<b>93,871</b>	<b>91,007</b>	<b>89,780</b>
<b>Equity</b>				
Issued capital	11	85,706	85,292	85,292
Share based payments reserve	14	1,298	912	734
Retained earnings		6,867	4,803	3,754
<b>Total equity</b>		<b>93,871</b>	<b>91,007</b>	<b>89,780</b>

Notes to the condensed consolidated financial statements are included in Pages 11 to 23.

**Baby Bunting Group Limited**

**Condensed Consolidated Statement of Changes in Equity**

for the half-year ended 30 December 2018

	Issued Capital	Share Based Payments Reserve	Retained Earnings	Total Equity
	\$'000	\$'000	\$'000 Restated	\$'000 Restated
Balance at 25 June 2017	84,816	451	5,078	90,345
Profit for the period	-	-	4,082	4,082
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	4,082	4,082
Issue of shares (Note 11)	476	-	-	476
Dividends (Note 12)	-	-	(5,406)	(5,406)
Share based payment (Note 14)	-	283	-	283
<b>Balance at 31 December 2017</b>	<b>85,292</b>	<b>734</b>	<b>3,754</b>	<b>89,780</b>
Balance at 24 June 2018	85,292	912	4,803	91,007
Profit for the period	-	-	5,216	5,216
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	5,216	5,216
Issue of shares (Note 11)	414	-	-	414
Dividends (Note 12)	-	-	(3,152)	(3,152)
Share based payment (Note 14)	-	386	-	386
<b>Balance at 30 December 2018</b>	<b>85,706</b>	<b>1,298</b>	<b>6,867</b>	<b>93,871</b>

Notes to the condensed consolidated financial statements are included in Pages 11 to 23.

**Baby Bunting Group Limited**

**Condensed Consolidated Statement of Cash Flows**

for the half-year ended 30 December 2018

	27 weeks ended 30 Dec 2018 \$'000	27 weeks ended 31 Dec 2017 \$'000 Restated
<b>Cash flows from operating activities</b>		
Receipts from customers	192,162	165,624
Payments to suppliers and employees	(181,612)	(158,263)
Income tax paid	(2,529)	(2,312)
Interest received	9	12
Finance costs paid	(438)	(399)
<b>Net cash from / (used in) operating activities</b>	<b>7,592</b>	<b>4,662</b>
<b>Cash flows from investing activities</b>		
Payments for plant and equipment and intangibles	(7,459)	(2,353)
<b>Net cash used in investing activities</b>	<b>(7,459)</b>	<b>(2,353)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(3,152)	(5,406)
(Repayment of) / Proceeds from borrowings	2,277	1,230
<b>Net cash (used in) / provided by financing activities</b>	<b>(875)</b>	<b>(4,176)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(742)</b>	<b>(1,867)</b>
Cash and cash equivalents at beginning of the period	7,233	6,425
<b>Cash and cash equivalents at end of the period</b>	<b>6,491</b>	<b>4,558</b>

Notes to the condensed consolidated financial statements are included in Pages 11 to 23.

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## Notes to the Condensed Consolidated Financial Statements

for the half-year ended 30 December 2018

### Note 1: Reporting entity

Baby Bunting Group Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office and its principal place of business is 955 Taylors Road, Dandenong South, Victoria 3175, Australia.

The consolidated financial statements of the Company as at and for the half year ended 30 December 2018 comprise the Company and its subsidiaries (together referred to as the "consolidated entity"). The consolidated entity is primarily involved in 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 Company has adopted a 27 week retail calendar for financial reporting purposes which ended on 30 December 2018. The prior half year was also a 27 week retail calendar ending on 31 December 2017.

### 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 24 June 2018 and any public announcements made by the Company during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This half-year financial report was authorised for issue by the Directors on 15 February 2019.

#### (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 2018 annual financial report for the year ended 24 June 2018, 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 in the balance sheet for 31 December 2017 and 24 June 2018 due to the seasonality of the business and the impact this has on working capital.

The Company has taken advantage of 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, or in certain cases to the nearest dollar.

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## Notes to the Condensed Consolidated Financial Statements

for the half-year ended 30 December 2018

### Note 2: Summary of significant accounting policies (cont'd)

#### (c) Changes in accounting policies and disclosures

##### New and amended Standards and Interpretations adopted

The Company applied AASB 15 *Revenue from Contracts with Customers* for the first time. This new accounting standard supersedes all existing revenue recognition requirements under Australian Accounting Standards. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted AASB 15 using the full retrospective approach which requires restatement of previous financial statements. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

Several other standards including AASB 9 *Financial Instruments* apply for the first time in the current reporting period, but do not have an impact on the consolidated financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

##### AASB 15 Revenue from Contracts with Customers

For retail sales other than layby sales, adoption of AASB 15 does not have any impact on the Company's revenue and profit or loss. Revenue recognition occurs at the point in time when control of the asset is transferred to the customer, generally at the point of sale or on delivery of the goods. Adoption of AASB 15 also does not have any impact on gift card sales, where revenue is recognised only on redemption. Under AASB 15, the Company will recognise revenue from estimated unredeemed gift cards over the expected customer redemption period, which is substantially within 12 months rather than on issue of the gift card or on expiry. The gift card redemption rates have been determined based on historical rates of issued and redeemed gift cards. The change in policy does not have any impact on the Company's gift card revenue recognition on transition to AASB 15.

The impact of change in AASB 15 has been noted in layby sales, customers right to return goods and delivery service revenue. Please refer to accounting policy below for further discussion.

Set out on the following page are the amounts by which each financial statement line item is affected as at and for the year ended 24 June 2018 and 31 December 2017 as a result of the adoption of AASB 15. The adoption of AASB 15 did not have a material impact on Other Comprehensive Income (OCI) or the Company's operating, investing and financial cash flows. The first column shows amounts prepared under AASB 15 and the second column represents figures if AASB 15 had not been adopted.



## Notes to the Condensed Consolidated Financial Statements

for the half-year ended 30 December 2018

### Note 2: Summary of significant accounting policies (cont'd)

Impact on the Statement of Profit or Loss and Other Comprehensive Income (increase/(decrease)) for the half-year ended 31 December 2017

	Reference	AASB 15 \$'000	Previous AASB \$'000	Increase/ (decrease) \$'000
Revenue	(i), (iii)	151,664	148,262	3,402
Cost of sales	(i), (iii)	(101,621)	(99,080)	(2,541)
<b>Gross profit</b>		<b>50,043</b>	<b>49,182</b>	<b>861</b>
Interest revenue		12	12	-
Store expenses		(31,878)	(31,878)	-
Marketing expenses		(2,920)	(2,920)	-
Warehousing expenses		(2,156)	(2,156)	-
Administrative expenses		(6,905)	(6,905)	-
Finance costs		(322)	(322)	-
<b>Profit before tax</b>		<b>5,874</b>	<b>5,013</b>	<b>861</b>
Income tax expense		(1,792)	(1,531)	(261)
<b>Profit after tax</b>		<b>4,082</b>	<b>3,482</b>	<b>600</b>
Other comprehensive income for the period		-	-	-
<b>Total comprehensive income for the period</b>		<b>4,082</b>	<b>3,482</b>	<b>600</b>
<b>Profit for the period attributable to:</b>				
Equity holders of Baby Bunting Group Limited		<b>4,082</b>	<b>3,482</b>	<b>600</b>
<b>Earnings per share</b>				
From continuing operations				
Basic (cents per share)		3.2	2.8	0.4
Diluted (cents per share)		3.2	2.8	0.4

## Notes to the Condensed Consolidated Financial Statements

for the half-year ended 30 December 2018

### Note 2: Summary of significant accounting policies (cont'd)

#### Condensed Consolidated Statement of Financial Position as at 31 December 2017

	Reference	AASB 15 \$'000	Previous AASB \$'000	Increase/ (decrease) \$'000
<b>Current assets</b>				
Cash and cash equivalents		4,558	4,558	-
Other receivables	(i)	3,150	8,943	(5,793)
Inventories	(i)	61,907	55,123	6,784
Other assets	(ii)	1,413	1,013	400
<b>Total current assets</b>		<b>71,028</b>	<b>69,637</b>	<b>1,391</b>
<b>Non-current assets</b>				
Plant and equipment		20,103	20,103	-
Intangibles		1,241	1,241	-
Goodwill		44,180	44,180	-
Deferred tax assets		4,196	3,517	679
<b>Total non-current assets</b>		<b>69,720</b>	<b>69,041</b>	<b>679</b>
<b>Total assets</b>		<b>140,748</b>	<b>138,678</b>	<b>2,070</b>
<b>Current liabilities</b>				
Trade and other payables	(i), (ii)	36,797	32,173	4,624
Other liabilities		1,594	994	600
Current tax liabilities		183	154	29
Provisions		3,101	3,101	-
<b>Total current liabilities</b>		<b>41,675</b>	<b>36,422</b>	<b>5,253</b>
<b>Non-current liabilities</b>				
Borrowings		6,030	6,030	-
Provisions		3,263	3,263	-
<b>Total non-current liabilities</b>		<b>9,293</b>	<b>9,293</b>	-
<b>Total liabilities</b>		<b>50,968</b>	<b>45,715</b>	<b>5,253</b>
<b>Net assets</b>		<b>89,780</b>	<b>92,963</b>	<b>(3,183)</b>
<b>Equity</b>				
Issued capital		85,292	85,292	-
Share based payments reserve		734	734	-
Retained earnings	(i), (ii)	3,754	6,937	(3,183)
<b>Total equity</b>		<b>89,780</b>	<b>92,963</b>	<b>(3,183)</b>

## Notes to the Condensed Consolidated Financial Statements

for the half-year ended 30 December 2018

### Note 2: Summary of significant accounting policies (cont'd)

#### Condensed Consolidated Statement of Financial Position as at 24 June 2018

	Reference	AASB 15 \$'000	Previous AASB \$'000	Increase/ (decrease) \$'000
<b>Current assets</b>				
Cash and cash equivalents		7,233	7,233	-
Other receivables	(i)	3,805	11,091	(7,286)
Inventories	(i)	62,974	54,584	8,390
Other assets	(ii)	1,677	1,277	400
<b>Total current assets</b>		<b>75,689</b>	<b>74,185</b>	<b>1,504</b>
<b>Non-current assets</b>				
Plant and equipment		21,030	21,030	-
Intangibles		2,554	2,554	-
Goodwill		44,180	44,180	-
Deferred tax assets		4,526	3,640	886
<b>Total non-current assets</b>		<b>72,290</b>	<b>71,404</b>	<b>886</b>
<b>Total assets</b>		<b>147,979</b>	<b>145,589</b>	<b>2,390</b>
<b>Current liabilities</b>				
Trade and other payables	(i), (ii)	36,462	30,831	5,631
Other liabilities		1,614	1,014	600
Current tax liabilities		883	914	(31)
Provisions		3,256	3,256	-
<b>Total current liabilities</b>		<b>42,215</b>	<b>36,015</b>	<b>6,200</b>
<b>Non-current liabilities</b>				
Borrowings		10,770	10,770	-
Provisions		3,987	3,987	-
<b>Total non-current liabilities</b>		<b>14,757</b>	<b>14,757</b>	-
<b>Total liabilities</b>		<b>56,972</b>	<b>50,772</b>	<b>6,200</b>
<b>Net assets</b>		<b>91,007</b>	<b>94,817</b>	<b>(3,810)</b>
<b>Equity</b>				
Issued capital		85,292	85,292	-
Share based payments reserve		912	912	-
Retained earnings	(i), (ii)	4,803	8,613	(3,810)
<b>Total equity</b>		<b>91,007</b>	<b>94,817</b>	<b>(3,810)</b>

The nature of the adjustments and the reasons for the significant changes in the statement of financial position as at 31 December 2017, 24 June 2018 and the statement of financial performance for the half year ended 31 December 2017 are described below.

## Notes to the Condensed Consolidated Financial Statements for the half-year ended 30 December 2018

### Note 2: Summary of significant accounting policies (cont'd)

#### (i) Layby sales (change in recognition point resulting from adoption of AASB 15)

Prior to FY2019, the Company recognised layby sales in full upon initiation of the layby by the customer. When a layby sale was initiated by a customer this included a minimum 25% deposit. At this point, the Company recorded 100% of the sale, took up a receivable to the value of 75%, reduced inventory (now committed to the customer) and increased cash (25% deposit).

Under AASB 15, the recognition point of layby sales now occurs upon the collection of goods by the customer. Relative to the Company's previous accounting revenue recognition policy for Layby sales, this has the effect of deferring revenue recognition by around three months (being the average duration from layby initiation to layby completion). Under AASB 15, as the recognition point for a Layby sale is now at the point of final payment and collection of goods by the customer, a receivable is no longer recorded, inventory continues to be owned by the Company (until customer collection) and all deposits and layby instalment payments received from customers are recorded as unearned income.

The prior year Statement of Financial Performance has been restated to adjust for the change in the timing of the recognition of layby sales. The impact on the financial performance for the period ended 31 December 2017 resulting from the change in recognition of layby sales is to increase sales by \$2.705m, increase cost of sales by \$1.844m and increase income tax expense by \$0.261m.

The Statement of Financial Position as at 31 December 2017 has been restated to adjust for the change in timing of the recognition of layby sales, as follows:

- The Company recognised additional inventory of \$6.784m to reflect that ownership is retained by the Company until collection of the goods;
- Layby receivables decreased by \$5.793m;
- Deferred tax asset increased by \$0.679m, reflecting that income tax is payable on customer deposits received for layby sales, before the layby sale is recognised as income, and tax expense recorded, for accounting purposes;
- Trade and other payables increased by a net \$4.624m, representing an increase in unearned income of \$5.667m (being the quantum of deposits and instalment payments received by the Company from customers at that point) less a decrease in GST payable of \$1.043m (GST reduces as it is not payable until the sale is finalised by the customer);
- Retained earnings as at 31 December 2017 decreased by \$2.983m, being the net change resulting from the restatement of account balances contained within the statement of financial position.

The Statement of Financial Position as at 24 June 2018 has also been restated to derecognise layby receivables of \$7.286m, recognise inventory of \$8.390m, record a deferred tax asset of \$0.886m and increase trade and other payables by \$5.631m, representing an increase in unearned income of \$6.922m less a decrease in GST payable of \$1.291m. As a result of these adjustments, retained earnings as at 24 June 2018 decreased by \$3.610m.

#### (ii) Right of Return (creation of liability for sales returns as a result of adoption of AASB 15)

Under AASB 15, the Company estimates the value of expected customer sales returns that will arise as a result of the Company's change of mind return policy which entitles customers to refund unused goods after purchase. Prior to adopting AASB 15, no right of return provision was recognised by the Company. The impact of this change on the statement of financial position as at 31 December 2017 and 24 June 2018 is as follows:

- Recognise a refund liability of \$0.600m, recorded in other liabilities, being the Company's estimate of refunds it will make to customers post period end in relation to sales made during the relevant reporting period, equating to 14 days of sales at the historical return rate.
- Recognise a right of return asset being the goods the Company expects to be returned by customers as a result of its change of mind returns policy. This asset amounts to \$0.400m, recorded in other assets in the Statement of Financial Position. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods. As a result of these adjustments, retained earnings decreased by \$0.200m.

## Notes to the Condensed Consolidated Financial Statements

for the half-year ended 30 December 2018

### Note 2: Summary of significant accounting policies (cont'd)

#### (iii) Delivery service revenue (change in disclosure resulting from adoption of AASB 15)

The company provides delivery services to customers for a fee. Predominantly these service fees are freight cost recoveries for online deliveries. Historically it has been allowable to record these fees against the associated delivery service expense (as a component of cost of goods sold). AASB 15 considers that monies received in relation to a performance obligation (in this instance delivery of goods) are to be considered as revenue. The impact of this disclosure change on the statement of profit or loss for the period ended 31 December 2017 is an increase in revenue by \$0.697m and an increase cost of sales by \$0.697m. Net impact on profit is nil.

No other changes to revenue recognition were identified under AASB 15.

### 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 24 June 2018.

### Note 4: Revenue

	27 weeks ended 30 Dec 2018 \$'000	27 weeks ended 31 Dec 2017 \$'000 Restated
Revenue from contracts with customers	177,688	151,664
Interest revenue	9	12

### Note 5: Profit for the period

	27 weeks ended 30 Dec 2018 \$'000	27 weeks ended 31 Dec 2017 \$'000 Restated
<b><i>Profit before income tax expense includes the following expenses:</i></b>		
Interest and finance charges paid/payable	361	322
Depreciation and amortisation	2,611	2,239
Rental expenses relating to operating leases:		
Minimum lease payments	11,700	10,116
Employee benefits expense	28,803	23,171

## Notes to the Condensed Consolidated Financial Statements

for the half-year ended 30 December 2018

### Note 5: Profit for the period (cont'd)

#### 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:

	As reported \$'000	Depreciation and amortisation \$'000	Excluding Depreciation and Amortisation \$'000
<b>27 weeks ended 30 December 2018</b>			
Store expenses	(38,865)	2,248	(36,617)
Warehousing expenses	(2,434)	85	(2,349)
Administrative expenses	(9,065)	278	(8,787)
<b>Total</b>	<b>(50,364)</b>	<b>2,611</b>	<b>(47,753)</b>

	As reported \$'000	Depreciation and amortisation \$'000	Excluding Depreciation and Amortisation \$'000
<b>27 weeks ended 31 December 2017</b>			
<b>Restated</b>			
Store expenses	(31,878)	1,914	(29,964)
Warehousing expenses	(2,156)	94	(2,062)
Administrative expenses	(6,905)	231	(6,674)
<b>Total</b>	<b>(40,939)</b>	<b>2,239</b>	<b>(38,700)</b>

### Note 6: Other receivables

	30 Dec 2018 \$'000	24 Jun 2018 \$'000 Restated	31 Dec 2017 \$'000 Restated
<b>Current</b>			
Trade Receivables	232	475	106
Other receivables	3,874	3,330	3,044
	<b>4,106</b>	<b>3,805</b>	<b>3,150</b>

There are no material receivables past due date.

### Note 7: Inventories

Finished goods	67,709	63,545	62,428
Less: Provision for shrinkage, obsolescence and mark-down	(778)	(571)	(521)
	<b>66,931</b>	<b>62,974</b>	<b>61,907</b>

The cost of inventories recognised as an expense during the half-year in respect of continuing operations was \$116.193 million (31 December 2017: \$101.621 million).

**Baby Bunting Group Limited**

**Notes to the Condensed Consolidated Financial Statements**

for the half-year ended 30 December 2018

**Note 8: Payables**

	30 Dec 2018 \$'000	24 Jun 2018 \$'000 Restated	31 Dec 2017 \$'000 Restated
<b>Current</b>			
Trade payables	28,271	25,807	28,283
Sundry payables and accruals	11,226	10,655	8,514
	39,497	36,462	36,797

**Note 9: Provisions**

**Current**

Employee benefits	3,689	3,206	2,872
Operating lease provision	42	50	229
	3,731	3,256	3,101

**Non-current**

Employee benefits	410	353	311
Operating lease provision	3,870	3,634	2,952
	4,280	3,987	3,263

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

**Note 10: Loans and Borrowings**

**Non-Current - Secured**

Bank Loan	13,047	10,770	6,030
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The ongoing funding requirements of the consolidated entity are provided by the National Australia Bank ("NAB"). The secured multi option facility matures on 31 July 2020. 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 \$36,000,000, consisting of \$30,000,000 Corporate Market Loan ("CML") facility and \$6,000,000 bank guarantee facility. The CML facility can be drawn to the lesser of \$30,000,000 or 2.0 times the last 12 months historical rolling EBITDA. Interest on the facility is charged at a variable rate.

The consolidated entity was in compliance with the facility agreement at 30 December 2018. The current facility does not require the consolidated entity to amortise borrowings.

**Note 11: Issued capital**

	30 Dec 2018		24 Jun 2018		31 Dec 2017	
	No.	\$'000	No.	\$'000	No.	\$'000
<b>Fully paid ordinary shares</b>						
Balance at beginning of the period	125,980,596	85,292	125,720,488	84,816	125,720,488	84,816
Issue of shares						
- Employee Gift Offer	163,944	414	260,108	476	260,108	476
- Vesting of TSR Shares	296,697	-	-	-	-	-
<b>Balance at end of the period</b>	<b>126,441,237</b>	<b>85,706</b>	<b>125,980,596</b>	<b>85,292</b>	<b>125,980,596</b>	<b>85,292</b>

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

## Notes to the Condensed Consolidated Financial Statements

for the half-year ended 30 December 2018

### Note 12: Dividends

	27 weeks ended 30 Dec 2018		27 weeks ended 31 Dec 2017	
	\$ per ordinary share	\$'000	\$ per ordinary share	\$'000
<b>Recognised amounts</b>				
2018 Final fully franked dividend – paid 14 September 2018	0.025	3,152	0.043	5,406
<b>Unrecognised amounts</b>				
Interim dividend	0.033	4,173	0.028	3,527

On 10 August 2018, the Directors determined to pay a fully franked final dividend of 2.5 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 24 June 2018. The dividend was subsequently paid to shareholders on 14 September 2018 totalling \$3.152 million.

On 15 February 2019, the Directors determined to pay an interim fully franked dividend of 3.3 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 30 December 2018, to be paid to shareholders on 15 March 2019. 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 1 March 2019. The total estimated dividend to be paid is \$4.173 million.

### Note 13: 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 30 Dec 2018 \$'000	27 weeks ended 31 Dec 2017 \$'000 Restated	27 weeks ended 30 Dec 2018 \$'000	27 weeks ended 31 Dec 2017 \$'000 Restated
Revenue	177,688	151,664	177,688	151,664
Operating EBIT	8,965	7,019	8,965	7,019
Total segment assets	157,639	140,748	157,639	140,748
Additions to plant and equipment and intangibles	7,459	2,353	7,459	2,353
Depreciation and amortisation	2,611	2,239	2,611	2,239
Total non-current assets <sup>1</sup>	72,614	65,524	72,614	65,524
Total segment liabilities	63,768	50,968	63,768	50,968

<sup>1</sup>Non-current assets exclude 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 (31 December 2017: 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 measurement basis excludes the effects of interest revenue, finance costs, income tax, equity expenses, other non-operating and associated indirect tax costs.



## Notes to the Condensed Consolidated Financial Statements

for the half-year ended 30 December 2018

### Note 13: Segment information (cont'd)

#### Operating EBIT

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

	27 weeks ended 30 Dec 2018 \$'000	27 weeks ended 31 Dec 2017 \$'000 Restated
<b>Operating EBIT</b>	<b>8,965</b>	<b>7,019</b>
Interest revenue	9	12
Finance costs	(361)	(322)
Employee share based payments (inclusive of indirect tax)	(887)	(835)
<b>Profit before tax</b>	<b>7,726</b>	<b>5,874</b>

#### 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:

	30 Dec 2018 \$'000	24 Jun 2018 \$'000 Restated	31 Dec 2017 \$'000 Restated
Segment assets	157,639	147,979	140,748
<b>Total assets as per the balance sheet</b>	<b>157,639</b>	<b>147,979</b>	<b>140,748</b>
Segment liabilities	63,768	56,972	50,968
<b>Total liabilities as per the balance sheet</b>	<b>63,768</b>	<b>56,972</b>	<b>50,968</b>

### Note 14: Share based payments

#### Share based payments reserve

Balance at beginning of period	912	451	451
Performance rights – expense (Note 14(a))	386	461	283
<b>Balance at end of period</b>	<b>1,298</b>	<b>912</b>	<b>734</b>

#### (a) Performance rights

The consolidated entity has previously 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 that vest, across various grants, will be determined by reference to certain performance conditions that include:

- Earnings per share (EPS) growth;
- Total shareholder return (TSR) growth; and
- Service condition (Retention rights).

## Notes to the Condensed Consolidated Financial Statements

for the half-year ended 30 December 2018

### Note 14: Share based payments (cont'd)

#### *Fair value of performance rights granted*

The weighted average fair value of the performance rights TSR component granted during the reporting period under the LTI Plan is \$1.46. 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 and retention rights), the fair value is determined with reference to the share price of ordinary shares at grant date.

Performance rights series	Grant date	Grant date fair		Expiry date
		value	Exercise price	
2018 – Series 1 (TSR CAGR)	20 September 2017	\$0.54	nil	(1)
2018 – Series 1 (EPS CAGR)	20 September 2017	\$1.72	nil	(1)
2018 – Series 2 (TSR CAGR)	21 May 2018	\$0.30	nil	(1)
2018 – Series 2 (EPS CAGR)	21 May 2018	\$1.45	nil	(1)
2019 – Series 1 (TSR CAGR)	3 September 2018	\$1.36	nil	(1)
2019 – Series 1 (EPS CAGR)	3 September 2018	\$2.39	nil	(1)
2019 – Series 2 (TSR CAGR)	30 November 2018	\$2.19	nil	(1)
2019 – Series 2 (EPS CAGR)	30 November 2018	\$2.32	nil	(1)
2019 – Series 3 (TSR CAGR)	30 November 2018	\$1.46	nil	(1)
2019 – Series 3 (EPS CAGR)	30 November 2018	\$2.32	nil	(1)
2019 – Series 3 (Retention)	30 November 2018	\$2.32	nil	(1)

<sup>(1)</sup> 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 following the end of the performance period will lapse.

	2018 – Series 1	2018 – Series 2	2019 – Series 1	2019 – Series 2	2019 – Series 3
	TSR	TSR	TSR	TSR	TSR
Grant date share price	\$1.72	\$1.45	\$2.39	\$2.32	\$2.32
Exercise price	nil	nil	nil	nil	nil
Expected volatility	39%	45%	45%	45%	45%
Expected life (years)	1.8, 2.8	1.1, 2.1	0.8, 1.8	1.6	2.6
Dividend yield	4.50%	4.50%	4.50%	3.70%	3.70%
Risk-free interest rate (p.a)	2.15%	2.05%	1.96%	2.11%	2.11%

#### *Movements in performance rights during the period*

The consolidated entity recorded a share based payments expense for performance rights of \$0.386 million (31 December 2017: \$0.283 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 30 December 2018			52 weeks ended 24 June 2018	
	TSR	EPS	Retention	TSR	EPS
	Number of rights	Number of rights	Number of rights	Number of rights	Number of rights
<b>Balance at beginning of the period</b>	<b>2,730,641</b>	<b>2,730,644</b>	<b>0</b>	<b>2,647,950</b>	<b>2,647,954</b>
Granted during the period	1,500,000	1,500,000	580,000	257,000	257,000
Forfeited during the period	-	-	-	-	-
Exercised during the period	(296,697)	-	-	-	-
Lapsed during the period	(93,721)	(113,310)	-	(174,309)	(174,310)
<b>Balance at end of period</b>	<b>3,840,223</b>	<b>4,117,334</b>	<b>580,000</b>	<b>2,730,641</b>	<b>2,730,644</b>
<b>Exercisable at end of period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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## Notes to the Condensed Consolidated Financial Statements

for the half-year ended 30 December 2018

### Note 14: Share based payments (cont'd)

#### (b) General Employee Share Plan (GESP)

The consolidated entity previously 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 163,944 shares (31 December 2017: 260,108 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 \$0.414 million (31 December 2017: \$0.476 million) was fully expensed at the time of granting, as there are no performance or service conditions.

### Note 15: 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.

#### Loans to and from key management personnel and directors

As at the end of the current reporting period (31 December 2017: nil), no loans were outstanding to or from key management personnel or directors of the consolidated entity.

### Note 16: Subsequent Events

#### Dividends on the Company's ordinary shares

An interim dividend of 3.3 cents per fully paid ordinary shares has been determined for the half-year ended 30 December 2018 - refer Note 12.

There have been no other 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 30 December 2018.

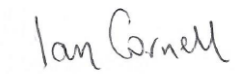
## Directors' Declaration

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



.....  
**Ian Cornell**  
**Chairman**

Melbourne: 15 February 2019

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

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the accompanying half-year financial report of Baby Bunting Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 30 December 2018, the condensed statement of profit and loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 December 2018 and of its consolidated financial 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.

### 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 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, anything has come to our attention that causes us to 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 Group's consolidated financial position as at 30 December 2018 and its consolidated financial 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 the Group, 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*.

Ernst & Young

Ernst & Young



Glenn Carmody  
Partner  
Melbourne  
15 February 2019