Baby Bunting Group Limited

ABN 58 128 533 693

Appendix 4D

Financial report for the half-year ended 29 December 2019

Appendix 4D
(Rule 4.2A.3)

Baby Bunting Group Limited
ABN 58 128 533 693

For the half-year ended:	26 weeks ended 29 December 2019
Previous corresponding period:	27 weeks ended 30 December 2018

Results for announcement to the market

Statutory Financial Results	**26 weeks ended 29 Dec 2019 $'000**	**27 weeks ended 30 Dec 2018 $'000 Restated[1]**	**Mvmt $'000**	**up/(down) %**
Revenue from ordinary activities	186,389	177,688	8,701	5%
Net profit from ordinary activities after tax (attributable to members)	4,838	4,807	31	1%
Net profit attributable to members	4,838	4,807	31	1%

[1] AASB 16 *Leases*. Refer to Note 2(c) in the Financial Report for the half-year ended 29 December 2019.

Pro Forma Financial Results	**26 weeks ended 29 Dec 2019 $'000**	**26 weeks ended 30 Dec 2018 $'000 Restated[1]**	**Mvmt $'000**	**up/(down) %**
Revenue from ordinary activities	186,389	172,503	13,886	8%
Net profit from ordinary activities after tax (attributable to members)	7,514	5,751	1,763	31%
Net profit attributable to members	7,514	5,751	1,763	31%

[1] AASB 16 *Leases*. Refer to Note 2(c) in the Financial Report for the half-year ended 29 December 2019.

Pro forma financial results have been calculated to exclude the non-cash impact of employee equity incentive expenses and transformation project expenses. This has been done to more clearly represent the consolidated entity's underlying earnings.

The following table reconciles the statutory results to pro forma financial results for the period ended 29 December 2019 (noting that this financial information has not been reviewed in accordance with Australian Auditing Standards):

26 weeks ended 29 December 2019 $'000	**Sales**	**NPAT**
Statutory results	**186,389**	**4,838**
Employee equity incentive expenses[1,2]	**-**	1,979
Transformation project expenses[3,4,5]	**-**	1,275
Tax impact from Pro Forma adjustments	-	(578)
Pro forma results	**186,389**	**7,514**

[1] Expense reflects the cost amortisation of performance rights (LTI) on issue in the current reporting period ($1.327 million).

[2] The Company issued 185,134 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 ($0.652 million).

[3] The Company is currently undertaking a process of assessment and when necessary, replacement of its core information technology systems. In the first half the Company incurred ($0.311 million) non-capital costs associated with the implementation of a merchandise forecasting and replenishment system. The Company's review of core systems is anticipated to continue through FY20 and FY21.

[4] In 1H FY20, the Company incurred ($0.214 million) costs in relation to scoping and building a new loyalty program aimed at enhancing the Company's relationship with its customers. The new loyalty program is expected to be launched in FY21.

[5] Other transformation project expenses ($0.750 million) include external consultant costs associated with the selection and establishment of a new National Distribution Centre ($0.157 million) and project management costs ($0.342 million) to deliver the transformation projects.

Appendix 4D
(Rule 4.2A.3)

The following table reconciles the statutory results 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** **Restated**[1]	**Sales**	**NPAT**
Statutory results	**177,688**	**4,807**
Employee equity incentive expenses[2,3]	-	887
Impact of one additional week of trade [4]	(5,185)	267
Tax impact from proforma adjustments	-	(210)
Pro forma results	**172,503**	**5,751**

1 AASB 16 *Leases*. Refer to Note 2(c) in the Financial Report for the half-year ended 29 December 2019. The results have been restated to reflect the full retrospective adoption of new lease accounting standards.

2 Expense reflects the cost amortisation of performance rights (LTI) on issue in the period ($0.454 million).

3 The Company issued 163,944 shares under its General Employee Share Plan in the period with no monetary consideration payable by participating eligible employees who each received approximately $750 worth of shares ($0.433 million).

4 1H FY19 was a 27 week period. Revenues and expenses from the additional week of trade has been excluded to enable comparison to the 1H FY20 half year financial period (26 weeks).

Dividends

	Amount per security (cps)	**Franked amount**
Dividends paid		
Final 2019 dividend – paid 13 September 2019	5.1	100%
Dividends determined		
Interim dividend – current period	4.1	100%
Record date for determining entitlements to the dividend	28 February 2020	
Date dividend is payable	13 March 2020	

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 29 December 2019, 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	**29 December 2019** **$**	**30 December 2018** **$** **Restated**
Net tangible assets per ordinary share[1]	0.34	0.32

1 Net tangible assets per ordinary share includes the Right-of-use assets as per AASB 16.

Details of entities over which control has been gained or lost

Not applicable for the half-year ended 29 December 2019.

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 29 December 2019

Financial Report
for the half-year ended 29 December 2019

Contents

Directors' Report

The Directors of Baby Bunting Group Limited (the Company or Baby Bunting) submit the statutory reports of the Company and its controlled entities (the consolidated entity) for the half-year ended 29 December 2019.

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

The above named Directors 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 up 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 and some baby related services. Baby Bunting's core purpose is to support new and expectant parents in the early years of parenthood.

The Company's strategy is focussed on growing its market share and continuing to improve its execution and financial performance.

This is underpinned by the following key strategies:

- invest in digital to deliver the best possible customer experience across all channels;
- invest to grow sales from existing stores;
- growth from new markets;
- profit margin improvement.

During the half, the Company continued to implement its strategy of growing market share from existing stores and its online store as well as growing its network of stores.

Key operational achievements for the Company in 1H FY20 included:

- Private label and exclusive product expansion program delivering value for customers and increased gross margins – sale of these products now represents 35.5% of sales (25.3% in the prior corresponding 27 week period). Key initiatives driving this growth included launching new international brands into the business (Nuna), introducing new models into the Company's private label pram range, a refresh of the Company's private label "4baby" brand, and the launch of a second soft-goods private label "Bilbi".
- Opening three new stores, being Doncaster (VIC) the Company's second shopping centre format store, Wetherill Park (NSW) and Casula (NSW). At the date of this report, there are 56 Baby Bunting stores across Australia.
- Launching a refreshed Baby Bunting brand which provides a platform to further create an emotional connection and engagement with current and future parents and parents-to-be. This has involved developing a new design for the Baby Bunting brand as well as new marketing and promotional collateral. The new brand is being rolled out progressively across the store network.
- Successful integration of the "Baby on Board" car seat installation businesses purchased in the last quarter of FY19. This has delivered strong growth in car seat fitting sales which have increased by 40% (against the prior corresponding 26 week period).
- Rollout of online fulfilment hubs in Hobart in Tasmania and Cannington in Western Australia delivering better customer experience in remote markets.
- There has also been good progress on a number of major transformation projects including our investment in a new merchandising system, and the design of a new loyalty program which is expected to launch in FY21.

Directors' Report

Review of the Company's financial performance
The half-year statutory results for the 26 week period ended 29 December 2019 (1H FY19: 27 week period ended 30 December 2018 restated) are summarised below:

- Total sales were $186.389 million, an increase of 4.9% against the prior corresponding 27 week period;
- Gross profit of $68.868 million up 12.0% against the prior corresponding 27 week period. Gross margin increased by 230 basis points to 36.9%;
- Statutory net profit after tax (NPAT) of $4.838 million, an increase of 0.6% (against the prior corresponding 27 week period);
- Statutory basic earnings per share (EPS) of 3.8 cents;
- Net debt of $10.692 million (versus net cash of $2.708 million at the end of FY19) – driven by a short term increase in working capital to support business trade through the Christmas and New Year period (a significant sales and promotional period for Baby Bunting).

Pro forma financial results have been calculated to exclude the non-cash impact of employee equity incentive expenses and transformation project expenses. This has been done to more clearly represent the consolidated entity's underlying earnings. In addition, the prior corresponding period ended 30 December 2018 (27 weeks) has been adjusted to remove the impact of the additional week of trade to better enable like-for-like comparisons with the FY20 first half financial period (26 weeks duration).

On a pro forma basis, the 1H FY20 financial results were:

- Total sales grew 8.1% to $186.389 million (against the prior corresponding 26 week period); with comparable store sales growth of 1.0%;
- Pro forma NPAT of $7.514 million, an increase of 30.6% on the prior corresponding 26 week period
- Pro forma cost of doing business was $58.260 million or 31.3% of total sales, an increase of 140 basis points on the prior corresponding 27 week period (CODB 29.9% of sales in 1H FY19).

The Company continued to execute on its strategy and grew market share delivering sales of $186.389 million representing growth of 8.1% for the half (against the prior corresponding 26 week period). Growth was achieved from existing stores, online sales, three new stores opened in 1H FY20 and the annualising stores opened in FY19.

Comparable store sales growth in 1H FY20 was 1.0% (on a 26 week pro forma basis). Comparable store sales were impacted by sales re-direction that occurred in the Sydney and Melbourne markets. There was also a temporary reduction in traffic conversion experienced in the Online store this financial year, which has impacted sales.

In respect of new stores, comparable store sales growth has been temporarily affected by the very strong performance of the new Baby Bunting stores that have been opened over the last 18 months in the Sydney and Melbourne metropolitan markets. The new stores that opened in FY19 and FY20 in those markets are performing well and are on track to achieve sales well in excess of historical averages for first full year sales stores. It is noted that comparable store sales growth in markets unaffected by new store openings range between 4.5% and 6.7% for the first half.

Overall, the bricks and mortar store network is performing well and expanding the store network continues to be a key focus.

Comparable store sales growth has also been affected by the performance of Baby Bunting's Online store. In early July 2019, Baby Bunting launched a new website platform. Post launch, the new website's traffic conversion performance was less than expected and the growth in online sales slowed to 7.2%. In November 2019, the Company decided to roll back to its former website platform to enable the performance issues to be further analysed and addressed. Since November 2019, the performance of the Online store has stabilised with sales growth rates running at greater than 20% during this period.

Directors' Report

Sales from private label and exclusive products grew 51.6% (against the prior corresponding 26 week period) and now represent 35.5% of total sales driven primarily by the support of key suppliers expanding the range of products exclusively sold to Baby Bunting. The Company's online sales (including click & collect) represented 11.7% of sales (consistent with the prior corresponding period).

Pro forma Cost of Doing Business (CODB) expenses were $58.260 million ($51.488 million in the prior corresponding 26 week period). The majority of the increase was due to the annualising of five stores opened in the FY19 financial year completing a full half of trade in the current financial year, plus the addition of three new stores opened in the first half of FY20. As a percentage of sales, pro forma CODB was 31.3% for the reporting period up 140 basis points (versus 29.9% of sales in the prior corresponding 26 week period). The increase in the CODB to sales metric was driven by the opening of the new stores investments in the Support Office team, business processes and systems to support the growth of the store network and online.

Dividends

The Company paid a fully franked final dividend of 5.1 cents per share, in respect of the 2019 financial year, on 13 September 2019 totalling $6.448 million. The Directors have determined to pay an interim fully franked dividend of 4.1 cents to be paid on 13 March 2020 (with a record date of 28 February 2020).

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 financial 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
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.

Directors' Report

Pro forma financial results have been calculated to exclude the non-cash impact of employee equity incentive expenses and transformation project expenses. This has been done to more clearly represent the consolidated entity's underlying earnings.

The following table reconciles the statutory results to pro forma financial results for the period ended 29 December 2019 (noting that this financial information has not been reviewed in accordance with Australian Auditing Standards):

26 weeks ended 29 December 2019 **$'000**	**Sales**	**NPAT**
Statutory results	**186,389**	**4,838**
Employee equity incentive expenses[1,2]	-	1,979
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Tax impact from underlying adjustments	-	(578)
Pro forma results	**186,389**	**7,514**

[1] Expense reflects the cost amortisation of performance rights (LTI) on issue in the current reporting period ($1.327 million).

[2] The Company issued 185,134 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 ($0.652 million).

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[4] In 1H FY20, the Company incurred ($0.214 million) costs in relation to scoping and building a new loyalty program aimed at enhancing the Company's relationship with its customers. The new loyalty program is expected to be launched in FY21.

[5] Other transformation project expenses ($0.750 million) include external consultant costs associated with the selection and establishment of a new National Distribution Centre ($0.157 million) and project management costs ($0.342 million) to deliver the transformation projects.

The following table reconciles the statutory results to pro forma financial results for the prior comparable 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** **Restated[1]**	**Sales**	**NPAT**
Statutory results	**177,688**	**4,807**
Employee equity incentive expenses[2,3]	-	887
Impact of one additional week of trade [4]	(5,185)	267
Tax impact from proforma adjustments	-	(210)
Pro forma results	**172,503**	**5,751**

[1] AASB 16 *Leases*. Refer to Note 2(c) in the Financial Report for the half-year ended 29 December 2019. The results have been restated to reflect the full retrospective adoption of new lease accounting standards.

[2] Expense reflects the cost amortisation of performance rights (LTI) on issue in the period ($0.454 million).

[3] The Company issued 163,944 shares under its General Employee Share Plan in the period with no monetary consideration payable by participating eligible employees who each received approximately $750 worth of shares ($0.433 million).

[4] 1H FY19 was a 27 week period. Revenues and expenses from the additional week of trade has been excluded to enable comparison to the 1H FY20 half year financial period (26 weeks).

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 7.

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: 14 February 2020

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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 29 December 2019, 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

Tony Morse
Partner
14 February 2020

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 29 December 2019

	Note	26 weeks ended 29 Dec 2019 $'000	27 weeks ended 30 Dec 2018 $'000 Restated
Revenue	4	186,389	177,688
Cost of sales		(117,521)	(116,193)
Gross profit		**68,868**	**61,495**
Finance Income		4	9
Store expenses	5	(39,746)	(37,220)
Marketing expenses		(3,225)	(3,053)
Warehousing expenses	5	(2,255)	(2,172)
Administrative expenses	5	(12,162)	(9,026)
Transformation project expenses		(1,275)	-
Finance costs	5	(2,855)	(2,783)
Profit before tax		**7,354**	**7,250**
Income tax expense		(2,516)	(2,443)
Profit after tax		**4,838**	**4,807**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**4,838**	**4,807**
Profit for the period attributable to:			
Equity holders of Baby Bunting Group Limited		**4,838**	**4,807**
Earnings per share			
From continuing operations			
Basic (cents per share)		3.8	3.8
Diluted (cents per share)		3.8	3.8

Notes to the condensed consolidated financial statements are included in Pages 12 to 25.

Condensed Consolidated Statement of Financial Position

as at 29 December 2019

	Note	29 Dec 2019 $'000	30 Jun 2019 $'000 Restated
Current assets			
Cash and cash equivalents		10,419	5,841
Other receivables	6	3,899	4,095
Inventories	7	80,810	68,204
Other assets	8	1,527	1,511
Total current assets		**96,655**	**79,651**
Non-current assets			
Plant and equipment		26,296	24,452
Intangibles		4,482	4,535
Goodwill		45,321	45,321
Right of Use Asset	2(iii)	100,262	95,674
Deferred tax assets		6,632	7,000
Total non-current assets		**182,993**	**176,982**
Total assets		**279,648**	**256,633**
Current liabilities			
Trade and other payables	9	45,416	44,273
Other liabilities	10	1,887	1,928
Current tax liabilities		1,259	2,728
Lease Liability	2(iii)	29,373	28,969
Provisions	11	4,477	4,111
Total current liabilities		**82,412**	**82,009**
Non-current liabilities			
Borrowings	12	21,111	3,133
Lease Liability	2(iii)	82,797	78,520
Provisions	11	504	427
Total non-current liabilities		**104,412**	**82,080**
Total liabilities		**186,824**	**164,089**
Net assets		**92,824**	**92,544**
Equity			
Issued capital	13	86,358	85,706
Share based payments reserve	16	3,753	2,515
Retained earnings		2,713	4,323
Total equity		**92,824**	**92,544**

Notes to the condensed consolidated financial statements are included in Pages 12 to 25.

Condensed Consolidated Statement of Changes in Equity

for the half-year ended 29 December 2019

	Issued Capital $'000	Share Based Payments Reserve $'000	Retained Earnings $'000 Restated	Total Equity $'000 Restated
Balance at 24 June 2018	85,292	912	4,803	91,007
Adoption of AASB16	-	-	(4,804)	(4,804)
Profit for the period	-	-	4,807	4,807
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	3	3
Issue of shares	414	-	-	414
Dividends	-	-	(3,152)	(3,152)
Share based payment	-	386	-	386
Balance at 30 December 2018 (restated)	**85,706**	**1,298**	**1,654**	**88,658**
Balance at 30 June 2019 (restated)	85,706	2,515	4,323	92,544
Profit for the period	-	-	4,838	4,838
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	4,838	4,838
Issue of shares (Note 13)	652	-	-	652
Dividends (Note 14)	-	-	(6,448)	(6,448)
Share based payment (Note 16)	-	1,238	-	1,238
Balance at 29 December 2019	**86,358**	**3,753**	**2,713**	**92,824**

Notes to the condensed consolidated financial statements are included in Pages 12 to 25.

Condensed Consolidated Statement of Cash Flows
for the half-year ended 29 December 2019

	26 weeks ended 29 Dec 2019 $'000	27 weeks ended 30 Dec 2018 $'000 Restated
Cash flows from operating activities		
Receipts from customers	202,702	192,162
Payments to suppliers and employees	(189,510)	(170,810)
Income tax paid	(3,763)	(2,529)
Interest received	4	9
Finance costs paid	(2,855)	(2,860)
Net cash from / (used in) operating activities	**6,578**	**15,972**
Cash flows from investing activities		
Payments for plant and equipment and intangibles	(3,938)	(7,459)
Net cash used in investing activities	**(3,938)**	**(7,459)**
Cash flows from financing activities		
Lease payments	(9,592)	(8,382)
Dividends paid	(6,448)	(3,150)
Proceeds from borrowings	17,978	2,277
Net cash (used in) / provided by financing activities	**1,938**	**(9,255)**
Net increase / (decrease) in cash and cash equivalents	4,578	(742)
Cash and cash equivalents at beginning of the period	5,841	7,233
Cash and cash equivalents at end of the period	**10,419**	**6,491**

Notes to the condensed consolidated financial statements are included in Pages 12 to 25.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 29 December 2019

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 29 December 2019 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 26 week retail calendar for financial reporting purposes which ended on 29 December 2019. The prior half year was a 27 week retail calendar ending on 30 December 2018.

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 30 June 2019 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 14 February 2020.

(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 2019 annual financial report for the year ended 30 June 2019, except for the impact of the adoption of the new and revised accounting policies discussed below.

Comparative figures are shown in the balance sheet for 30 June 2019.

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.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 29 December 2019

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

(c) Changes in accounting policies and disclosures

New and amended Standards and Interpretations adopted

The accounting policies adopted in the preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended 30 June 2019, except for the adoption of new accounting standards effective as of 1 January 2019 and first applied to the Company on 1 July 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company applies, for the first time, AASB 16 Leases. As required by AASB 134, the nature and effect of these changes are disclosed below.

AASB 16 Leases

AASB 16 supersedes AASB 117 Leases, Interpretation-4 Determining whether an Arrangement contains a Lease, Interpretation-115 Operating Leases-Incentives and Interpretation-127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Company adopted AASB 16 using the full retrospective method of adoption with the date of initial application of 1 July 2019. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). The Company has applied the practical expedient not to separate non-lease components from lease components, and instead accounted for each lease component and any associated non-lease components as a single lease component.

i) Nature of the effect of adoption of AASB 16

The Company has lease contracts for various items of property, material handling equipment and motor vehicles. Before the adoption of AASB 16, the Company classified each of its leases (where it is the lessee) at the inception date as an operating lease. For operating leases of leased property, the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent was recognised under Prepayments and Trade and other payables, respectively. Operating leases of material handling equipment and motor vehicles, lease payments were recognised as expenses on a straight-line basis over the lease term.

Upon adoption of AASB 16, the Company applied a single recognition and measurement approach for all leases where it is the lessee, except for short-term leases (less than 12 months in duration) and leases of low-value assets. Adoption of AASB 16 meant the Company recorded lease liabilities (in recognition of its contracted obligation to make future lease payments), and right-of-use assets (representing the future economic benefit associated with the right to use the assets under lease).

In accordance with the full retrospective method of adoption, the Company applied AASB 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts. Accordingly, the comparative information in these interim condensed consolidated financial statements has been restated.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 29 December 2019

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

The effect of adopting AASB 16 on the prior period is, as follows:

As at 24 June 2018:

- Right-of-use assets of $85.203 million were recognised and presented separately in the statement of financial position.
- Additional lease liabilities of $95.441 million were recognised and presented separately in the statement of financial position.
- Deferred tax assets increased by $1.755 million due to the deferred tax impact of the changes in assets and liabilities.
- Operating lease provisions decreased by $3.684 million.
- The net effect of these adjustments has been adjusted to Retained earnings ($4.804 million).

For the 27 weeks ended 30 December 2018:

- Depreciation expense increased by $8.858 million relating to the depreciation of additional assets recognised (i.e., increase in right-of-use assets).
- Rent expense decreased by $10.804 million relating to previous operating leases.
- Finance costs increased by $2.422 million relating to the interest expense on additional lease liabilities recognised.
- Income tax expense decreased by $0.067 million relating to the tax effect of these changes in expenses.
- There was a reclassification of cash outflow in relation to leases. Previously, $8.382 million was classified under operating activities which is now presented under financing activities.

As at 30 June 2019:

- Right-of-use assets of $95.674 million were recognised and presented separately in the statement of financial position.
- Lease liabilities of $107.489 million were recognised and presented separately in the statement of financial position.
- Deferred tax assets increased by $2.047 million due to the deferred tax impact of the changes in assets and liabilities.
- Operating lease provisions decreased by $4.286 million.
- Current tax liabilities increased by $0.077 million.
- The net effect of these adjustments has been adjusted to Retained earnings ($5.559 million).

ii) Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of AASB 16:

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 29 December 2019

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate for each lease determined using inputs including the Company's three-year multi-option facility lending margin (adjusted for tenure) and the government bond rates for each lease period at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below $5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement is required in determining the lease term of contracts with renewal options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Company has the option, under some of its leases, to lease the assets for additional terms of mostly five year options. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (i.e. a change in business strategy).

Significant judgement in determining the incremental borrowing rate for each lease
The Company calculates the incremental borrowing rate for each lease determined using inputs including the Company's three-year multi option facility lending margin (adjusted for tenure) and the government bond rate applicable at the time of entering into the lease if the interest rate implicit in the lease is not readily determinable. The discount rate methodology applied at transition date continues to be applied for leases entered into during the current financial reporting period using revised inputs and assumptions as appropriate.

iii) Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period:

	Right of use Asset			Lease Liabilities
	Land and Building $'000	Other equipment $'000	TOTAL $'000	$'000
As at 30 June 2019 (restated)	**94,154**	**1,520**	**95,674**	**107,489**
Additions	14,274	-	14,274	14,274
Depreciation expense	(9,418)	(268)	(9,686)	-
Interest expense	-	-	-	2,462
Payments	-	-	-	(12,055)
As at 29 December 2019	**99,010**	**1,252**	**100,262**	**112,170**

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 29 December 2019

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

	26 weeks ended 29 Dec 2019 $'000	27 weeks ended 30 Dec 2018 $'000 Restated
Depreciation expense of right-of-use assets	9,686	8,858
Interest expense on lease liabilities	2,462	2,422
Total amount recognised in profit or loss	**12,148**	**11,280**

Impact on the Statement of Profit or Loss and Other Comprehensive Income (increase/(decrease)) for the 27 weeks ended 30 December 2018

	Reference	AASB 16 $'000	Previous AASB $'000	Increase/ (decrease) $'000
Revenue		177,688	177,688	-
Cost of sales		(116,193)	(116,193)	-
Gross profit		**61,495**	**61,495**	**-**
Finance Income		9	9	-
Store expenses	2(i)	(37,220)	(38,865)	(1,645)
Marketing expenses		(3,053)	(3,053)	-
Warehousing expenses	2(i)	(2,172)	(2,434)	(262)
Administrative expenses	2(i)	(9,026)	(9,065)	(39)
Transformation project expenses		-	-	-
Finance costs	2(i)	(2,783)	(361)	2,422
Profit before tax		**7,250**	**7,726**	**(476)**
Income tax expense		(2,443)	(2,510)	(67)
Profit after tax		**4,807**	**5,216**	**(409)**
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		**4,807**	**5,216**	**(409)**
Profit for the period attributable to:				
Equity holders of Baby Bunting Group Limited		**4,807**	**5,216**	**(409)**
Earnings per share				
From continuing operations				
Basic (cents per share)		3.8	4.1	(0.3)
Diluted (cents per share)		3.8	4.1	(0.3)

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 29 December 2019

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

Condensed Consolidated Statement of Financial Position as at 30 June 2019

	Reference	AASB 16 $'000	Previous AASB $'000	Increase/ (decrease) $'000
Current assets				
Cash and cash equivalents		5,841	5,841	-
Other receivables		4,095	4,095	-
Inventories		68,204	68,204	-
Other assets		1,511	1,511	-
Total current assets		**79,651**	**79,651**	**-**
Non-current assets				
Plant and equipment		24,452	24,452	-
Intangibles		4,535	4,535	-
Goodwill		45,321	45,321	-
Right of use asset	2(i)	95,674	-	95,674
Deferred tax assets	2(i)	7,000	4,953	2,047
Total non-current assets		**176,982**	**79,261**	**97,721**
Total assets		**256,633**	**158,912**	**97,721**
Current liabilities				
Trade and other payables		44,273	44,273	-
Other liabilities		1,928	1,928	-
Current tax liabilities	2(i)	2,728	2,651	77
Lease Liability	2(i)	28,969	-	28,969
Provisions	2(i)	4,111	4,902	(791)
Total current liabilities		**82,009**	**53,754**	**28,255**
Non-current liabilities				
Borrowings		3,133	3,133	-
Lease Liability	2(i)	78,520	-	78,520
Provisions	2(i)	427	3,922	(3,495)
Total non-current liabilities		**82,080**	**7,055**	**75,025**
Total liabilities		**164,089**	**60,809**	**103,280**
Net assets		**92,544**	**98,103**	**(5,559)**
Equity				
Issued capital		85,706	85,706	-
Share based payments reserve		2,515	2,515	-
Retained earnings	2(i)	4,323	9,882	(5,559)
Total equity		**92,544**	**98,103**	**(5,559)**

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 29 December 2019

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

AASB 12 – Income Tax: Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 12 Income Taxes. It does not apply to taxes or levies outside the scope of AASB 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions. The Company determined, based on its tax compliance processes, that it is probable that its tax treatments will be accepted by the taxation authorities.

The Interpretation did not have an impact on the consolidated financial statements of the Company.

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 30 June 2019 other than those highlighted above in respect of AASB 16.

Note 4: Revenue

	26 weeks ended 29 Dec 2019 $'000	27 weeks ended 30 Dec 2018 $'000 Restated
Revenue from contracts with customers	186,389	177,688

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 29 December 2019

Note 5: Profit for the period

	26 weeks ended 29 Dec 2019 $'000	27 weeks ended 30 Dec 2018 $'000 Restated
Profit before income tax expense includes the following expenses:		
Interest and finance charges paid/payable:		
Interest on lease liabilities	2,462	2,422
Interest on borrowings	393	361
Depreciation and amortisation	2,701	2,611
Depreciation on right of use asset	9,686	8,858
Occupancy expenses	1,385	1,067
Employee benefits expense	33,220	28,803

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:

26 weeks ended 29 December 2019	As reported $'000	Depreciation and amortisation on PPE $'000	Depreciation on right of use asset $'000	Excluding Depreciation and amortisation $'000
Store expenses	(39,746)	2,297	9,299	(28,150)
Warehousing expenses	(2,255)	94	102	(2,059)
Administrative expenses	(12,162)	310	285	(11,567)
Total	**(54,163)**	**2,701**	**9,686**	**(41,776)**

27 weeks ended 30 December 2018 Restated	As reported $'000	Depreciation and amortisation on PPE $'000	Depreciation on right of use asset $'000	Excluding Depreciation and amortisation $'000
Store expenses	(37,220)	2,248	8,553	(26,419)
Warehousing expenses	(2,172)	85	81	(2,006)
Administrative expenses	(9,026)	278	224	(8,524)
Total	**(48,418)**	**2,611**	**8,858**	**(36,949)**

Note 6: Other receivables

	29 Dec 2019 $'000	30 Jun 2019 $'000
Current		
Trade receivables	172	150
Other receivables	3,727	3,945
	3,899	4,095

There are no material receivables past due date.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 29 December 2019

Note 7: Inventories

	29 Dec 2019 $'000	30 Jun 2019 $'000
Finished goods	81,550	69,256
Less: Provision for shrinkage, obsolescence and mark-down	(740)	(1,052)
	80,810	68,204

The cost of inventories recognised as an expense during the half-year in respect of continuing operations was $117.521 million (30 December 2018: $116.193 million).

Note 8: Other assets

	29 Dec 2019 $'000	30 Jun 2019 $'000
Prepayments	1,098	1,014
Right of return	429	497
	1,527	1,511

Note 9: Trade and other payables

	29 Dec 2019 $'000	30 Jun 2019 $'000
Current		
Trade payables	34,331	30,398
Sundry payables and accruals	11,085	13,875
	45,416	44,273

Note 10: Other liabilities

	29 Dec 2019 $'000	30 Jun 2019 $'000
Unredeemed gift cards	1,213	1,169
Refund liability	674	759
	1,887	1,928

Note 11: Provisions

	29 Dec 2019 $'000	30 Jun 2019 $'000 Restated
Current		
Employee benefits	4,477	4,111
Non-current		
Employee benefits	504	427

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 29 December 2019

Note 12: Borrowings

	29 Dec 2019 $'000	30 Jun 2019 $'000
Non-Current - Secured		
Bank Loan	21,111	3,133

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 2022. 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 $58,000,000, consisting of $50,000,000 Corporate Market Loan ("CML") facility and $8,000,000 bank guarantee facility. The CML facility can be drawn to the lesser of $50,000,000 or 2.25 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 29 December 2019. The current facility does not require the consolidated entity to amortise borrowings.

Note 13: Issued capital

	29 Dec 2019		30 Jun 2019	
	No.	$'000	No.	$'000
Fully paid ordinary shares				
Balance at beginning of the period	126,441,237	85,706	125,980,596	85,292
Issue of shares				
- Employee Gift Offer	185,134	652	163,944	414
- Vesting of TSR Shares	938,103	-	296,697	-
Balance at end of the period	**127,564,474**	**86,358**	**126,441,237**	**85,706**

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

Note 14: Dividends

	26 weeks ended 29 Dec 2019		27 weeks ended 30 Dec 2018	
	$ per ordinary share	$'000	$ per ordinary share	$'000
Recognised amounts				
2019 Final fully franked dividend – paid 13 September 2019	0.051	6,448	0.025	3,152
Unrecognised amounts				
Interim dividend	0.041	5,260	0.033	4,173

On 16 August 2019, the Directors determined to pay a fully franked final dividend of 5.1 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2019. The dividend was subsequently paid to shareholders on 13 September 2019 totalling $6.448 million.

On 14 February 2020, the Directors determined to pay an interim fully franked dividend of 4.1 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 29 December 2019, to be paid to shareholders on 13 March 2020. 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 28 February 2020. The total estimated dividend to be paid is $5.260 million.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 29 December 2019

Note 15: 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	
	26 weeks ended 29 Dec 2019 $'000	27 weeks ended 30 Dec 2018 $'000 Restated	26 weeks ended 29 Dec 2019 $'000	27 weeks ended 30 Dec 2018 $'000 Restated
Revenue	186,389	177,688	186,389	177,688
Operating EBIT	13,459	10,911	13,459	10,911
Total segment assets	279,648	258,188	279,648	258,188
Additions to plant and equipment and intangibles	3,938	7,459	3,938	7,459
Depreciation and amortisation	12,387	11,469	12,387	11,468
Total non-current assets[1]	176,361	171,264	176,361	171,264
Total segment liabilities	186,824	169,531	186,824	169,531

[1] 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 (30 December 2018: 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.

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

	26 weeks ended 29 Dec 2019 $'000	27 weeks ended 30 Dec 2018 $'000 Restated
Operating EBIT	**13,459**	**10,911**
Interest revenue	4	9
Transformation project expenses	(1,275)	-
Finance costs	(2,855)	(2,783)
Employee share based payments (inclusive of indirect tax)	(1,979)	(887)
Profit before tax	**7,354**	**7,250**

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 29 December 2019

Note 15: Segment information (cont'd)

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:

	29 Dec 2019 $'000	30 Dec 2018 $'000 Restated
Segment assets	279,648	258,188
Total assets as per the balance sheet	**279,648**	**258,188**
Segment liabilities	186,824	169,531
Total liabilities as per the balance sheet	**186,824**	**169,531**

Note 16: Share based payments

	29 Dec 2019 $'000	30 Jun 2019 $'000
Share based payments reserve		
Balance at beginning of period	2,515	912
Performance rights – expense (Note 16(a))	1,238	1,603
Balance at end of period	**3,753**	**2,515**

(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).

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 $1.67. 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.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 29 December 2019

Note 16: Share based payments (cont'd)

Performance rights series	Grant date	Grant date fair value	Exercise price	Expiry date
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	$0.74	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)
2019 – Series 4 (TSR CAGR)	31 May 2019	$1.14	nil	(1)
2019 – Series 4 (EPS CAGR)	31 May 2019	$2.45	nil	(1)
2019 – Series 4 (Retention)	31 May 2019	$2.45	nil	(1)
2020 – Series 1 (TSR CAGR)	25 October 2019	$1.67	nil	(1)
2020 – Series 1 (EPS CAGR)	25 October 2019	$3.79	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 following the end of the performance period will lapse.

	2019 – Series 1 TSR	2019 – Series 2 TSR	2019 – Series 3 TSR	2019 – Series 4 TSR	2020 – Series 1 TSR
Grant date share price	$2.39	$2.32	$2.32	$2.45	$1.67
Exercise price	nil	nil	nil	nil	nil
Expected volatility	45%	45%	45%	45%	55%
Expected life (years)	0.8, 1.8	1.6	2.6	2.6	2.6
Dividend yield	4.50%	3.70%	3.70%	3.70%	2.21%
Risk-free interest rate	1.96%	2.11%	2.11%	2.11%	1.35%

Movements in performance rights during the period

The consolidated entity recorded a share-based payments expense for performance rights of $1.238 million (30 December 2018: $0.386 million) disclosed in the condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Administrative expenses".

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 29 December 2019

Note 16: Share based payments (cont'd)

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

	26 weeks ended 29 December 2019			53 weeks ended 30 June 2019		
	TSR	**EPS**	**Retention**	**TSR**	**EPS**	**Retention**
	Number of rights	**Number of rights**	**Number of rights**	**Number of rights**	**Number of rights**	**Number of rights**
Balance at beginning of the period	**3,942,223**	**4,219,334**	**614,000**	**2,730,641**	**2,730,644**	**-**
Granted during the period	1,155,500	1,155,500	-	1,602,000	1,602,000	614,000
Forfeited during the period	(226,740)	(257,000)	(50,000)	-	-	-
Exercised during the period	(938,103)	-	-	(296,697)	-	-
Lapsed during the period	-	-	-	(93,721)	(113,310)	
Balance at end of period	**3,932,880**	**5,117,834**	**564,000**	**3,942,223**	**4,219,334**	**614,000**
Exercisable at end of period	**-**	**-**	**-**	**-**	**-**	**-**

(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 185,134 shares (30 December 2018: 163,944 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 $0.652 million (30 December 2018: $0.414 million) was fully expensed at the time of granting, as there are no performance or service conditions.

Note 17: 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, no loans were outstanding to or from key management personnel or directors of the consolidated entity (30 December 2018: nil).

Note 18: Subsequent events

Dividends on the Company's ordinary shares
An interim dividend of 4.1 cents per fully paid ordinary shares has been determined for the half-year ended 29 December 2019 - refer Note 14.

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 29 December 2019.

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

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Ian Cornell
Chairman

Melbourne: 14 February 2020

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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 29 December 2019, 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 29 December 2019 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 29 December 2019 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.

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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

Tony Morse
Partner

Melbourne
14 February 2020

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