Appendix 4D

(Rule 4.2A.3)

Baby Bunting Group Limited

ABN 58 128 533 693

For the year ended:	26 weeks ended 26 December 2021
Previous corresponding period:	26 weeks ended 27 December 2020

Results for announcement to the market

Statutory Financial Results	26 weeks ended 26 Dec 2021 $'000	26 weeks ended 27 Dec 2020 $'000 (Restated)[1]	Mvmt $'000	up/(down) %
Revenue from ordinary activities	239,066	217,320	21,746	10.0%
Net profit from ordinary activities after tax (attributable to members)	8,147	7,262	885	12.2%
Net profit attributable to members	8,147	7,262	885	12.2%

1. Refer to Note 2(c) for detailed information on restatement of comparatives in the Financial Statement for the period ended 26 December 2021.

Pro Forma Financial Results	26 weeks ended 26 Dec 2021 $'000	26 weeks ended 27 Dec 2020 $'000 (Restated)[1]	Mvmt $'000	up/(down) %
Revenue from ordinary activities	239,066	217,320	21,746	10.0%
Net profit from ordinary activities after tax (attributable to members)	12,545	10,781	1,764	16.4%
Net profit attributable to members	12,545	10,781	1,764	16.4%

1. Refer to Note 2(c) for detailed information on restatement of comparatives in the Financial Statement for the period ended 26 December 2021.

Pro forma financial results have been calculated to exclude certain items contained in the following table that reconciles the statutory results to pro forma financial results for the period ended 26 December 2021 and provides further detail on pro forma adjustments. This has been done to more clearly represent the consolidated entity's underlying earnings (noting that this financial information has not been reviewed in accordance with Australian Auditing Standards).

26 weeks ended 26 December 2021 $'000	Sales	NPAT
Statutory results	**239,066**	**8,147**
Employee equity incentive expenses[1,2]	–	4,736
Transformation project expenses[3,4]	–	2,749
Tax impact from pro forma adjustments	–	(3,087)
Pro forma results	**239,066**	**12,545**

1. Expense reflects the cost amortisation of performance rights (LTI) on issue in the current reporting period.
2. The Company issued 135,051 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 ($0.760 million).
3. The Company is currently undertaking a process of assessment and when necessary, replacement of its core information technology systems. During the half, the Company incurred ($2.017 million) non-capital costs associated with the implementation of a Loyalty system, People systems and digital technology assets.
4. Other transformation project expenses ($0.732 million) include external consultant costs associated with project management costs to deliver the transformation projects.

Appendix 4D
(Rule 4.2A.3)
(cont.)

The following table reconciles the statutory results to pro forma financial results for the period ended 27 December 2020 (noting that this financial information has not been reviewed in accordance with Australian Auditing Standards):

26 weeks ended 27 December 2020 $'000 Restated[1]	Sales	NPAT
Statutory results	**217,320**	**7,262**
Employee equity incentive expenses[2,3,4]	–	3,666
Transformation project expenses[5,6]	–	3,008
Other income[7]	–	(2,400)
Other expenses[8]	–	1,091
Tax impact from pro forma adjustments	–	(1,846)
Pro forma results	**217,320**	**10,781**

1. Refer to Note 2(c) for detailed information on restatement of comparatives in the Financial Statement for the period ended 26 December 2021.
2. Expense reflects the cost amortisation of performance rights (LTI) on issue in the reporting period.
3. The Company issued 165,221 shares under its General Employee Share Plan in the reporting period with no monetary consideration payable by participating eligible employees who each received approximately $1,000 worth of shares ($0.795 million).
4. The Company made a $2.774 million cash incentive payment to participating executives in connection with EPS performance rights (assessed over the period FY16 to FY20) granted by the Company in October 2015 as part of the Company's Long Term Incentive Plan. This plan involved the issue of shares, however due to a timing difference between the $3.215 million impairment of certain digital assets in June 2020 and the receipt of a $2.400 million settlement payment from the vendor of those assets (refer Note (7) below – Other Income), the original performance rights lapsed. If not for this timing difference, the compound annual growth rate of the Company's EPS measured over the FY16 to FY20 performance period would have been 16.2% which would have resulted in 25.5% of the EPS performance rights vesting. The Board had regard to the significant earnings per share growth achieved since the Company's IPO, as well as the direct connection between the impairment of the digital assets and the settlement payment recovered by the Company shortly after the end of the performance period. On this basis, the Board determined to provide a benefit to participating executives calculated by reference to the EPS performance rights that would have vested if the recovery were received during FY20. A share price of $4.09 was used to calculate the cash payments (based on 678,438 rights that would have otherwise vested). The share price was determined by reference to a VWAP of the Company's shares in the period 1 July to 30 September 2020.
5. The Company was undertaking a process of assessment and when necessary, replacement of its core information technology systems. In 1H FY21, the Company incurred ($1.888 million) non-capital costs associated with the implementation of a merchandise demand planning and replenishment system, order fulfilment systems, Loyalty system, People systems and assessment of digital technology assets.
6. Other transformation project expenses ($1.120 million) include external consultant costs associated with the setup of the new National Distribution Centre ($0.172 million) and project management costs ($0.524 million) to deliver the transformation projects.
7. The Company received a cash payment ($2.400 million) from the vendor of certain digital commerce technology assets that were impaired in FY20 following settlement of a dispute relating to those assets.
8. In 1H FY21, the Company responded to an interception of insects found in packaging of goods in an imported shipping container. Working closely with the Federal Department of Agriculture, Water and the Environment, the Company implemented a number of actions in accordance with Departmental requirements, including the treatment of all store rooms where the affected stock was held and the Distribution Centre and fumigation of some inventory. This resulted in some short term increases to supply chain costs and one-off costs of treatment and fumigation costs and customer remediation costs. These issues have now been resolved. Around 50% of costs associated with this incident were recovered through its insurance policies in 2H FY21.

Dividends

	Amount per security (cps)	Franked amount
Dividends paid		
Final 2021 dividend per share (paid 10 September 2021)	8.3	100%
Dividends determined		
Interim 2022 dividend per share	6.6	100%
Record date for determining entitlements to the dividend	25 February 2022	
Date dividend is payable	11 March 2022	

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 26 December 2021, 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	26 December 2021 $	27 December 2020 $ Restated[1]
Net tangible assets per ordinary share	0.46	0.37

1. Refer to Note 2(c) for detailed information on restatement of comparatives in the Financial Statement for the period ended 26 December 2021.

Details of entities over which control has been gained or lost

Baby Bunting NZ Limited (100%) – 8 September 2021.

Other information

Independent Review by Auditor

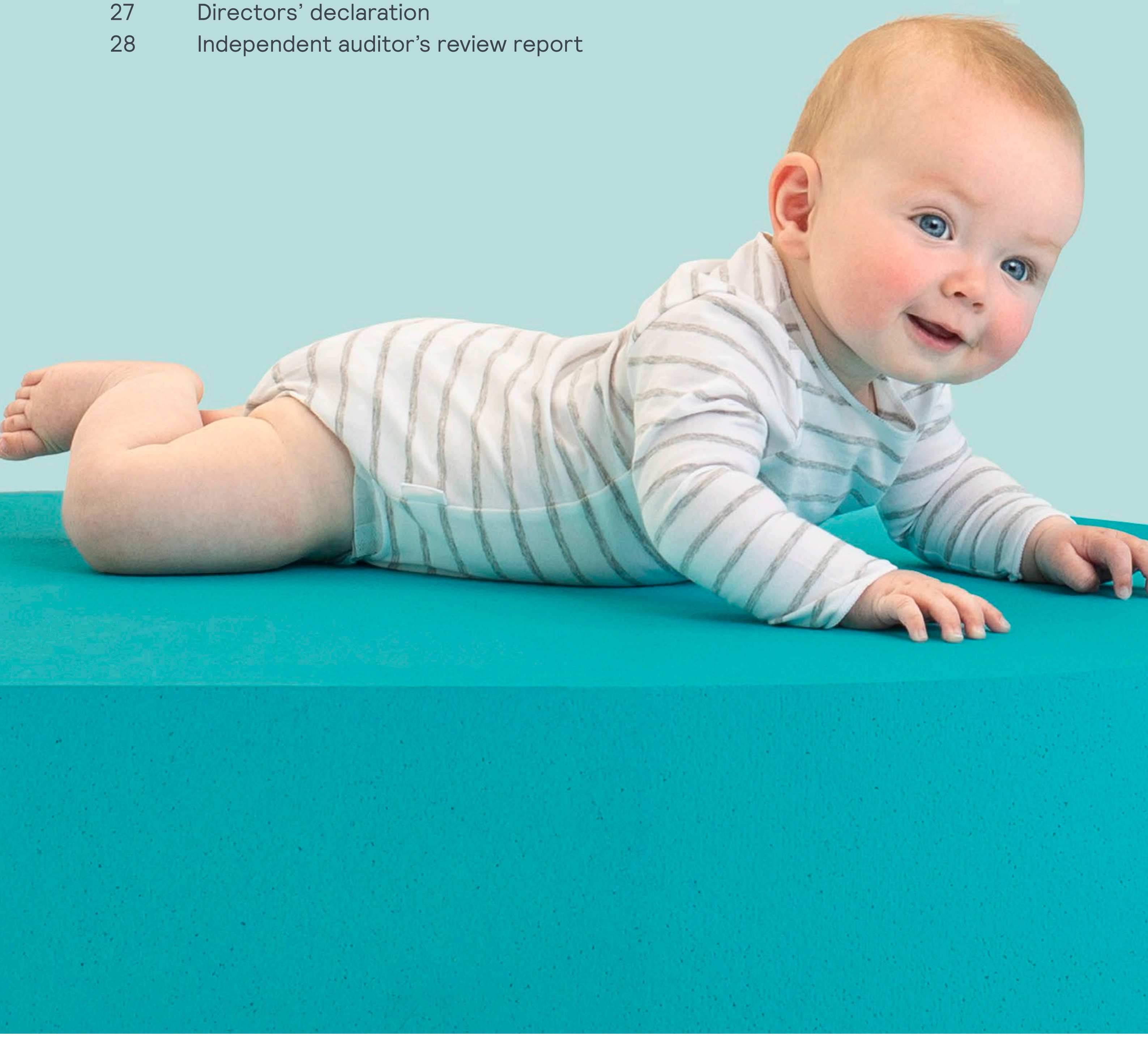
This report is based on the condensed consolidated financial statements which have been reviewed by Ernst & Young.

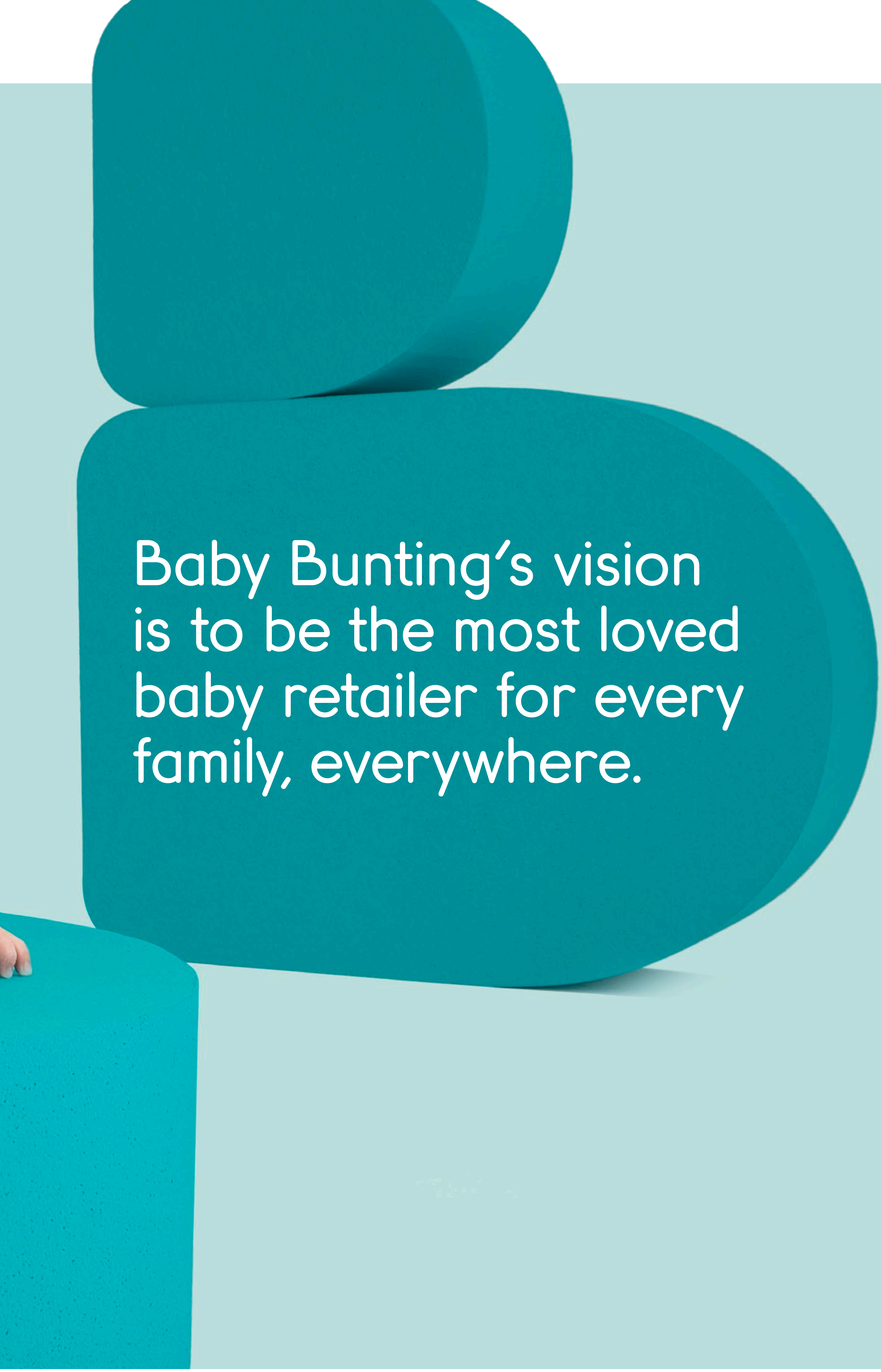
Baby Bunting
Group Limited
ABN 58 128 533 693

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 26 DECEMBER 2021

Contents





Baby Bunting's vision is to be the most loved baby retailer for every family, everywhere.

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 26 December 2021.

Directors

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

- Ms Melanie Wilson
- Mr Matthew Spencer
- Mr Gary Levin
- Ms Donna Player
- Mr Gary Kent
- Ms Francine Ereira (appointed 1 September 2021)
- Mr Stephen Roche (appointed 1 September 2021)
- Mr Ian Cornell (retired 5 October 2021)

The above named Directors held office during the whole of the half-year other than where indicated.

Review of operations

Baby Bunting is Australia's largest specialty retailer of maternity and 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 also offers baby related services including safety accredited car seat fitting and the hire of certain nursery and travel safe products. Baby Bunting's core purpose is to support new and expectant parents in the early years of parenthood.

The Company has a network of retail stores throughout Australia as well as an online store. In July 2020, the Company established an online store supplying goods to customers in New Zealand.

The Company's strategy is focused 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 retailing experience across channels and enable new business models;
- Invest to grow market share from Baby Bunting's core business, including the roll out of new stores and formats, enhanced fulfilment, and new services to existing customers;
- Growth from new markets leveraging Baby Bunting's core competencies and data into adjacent categories, entering new geographies and expanding the value chain;
- Profit margin improvement by increasing scale, developing private label and exclusive products and leveraging infrastructure to reduce the cost of doing business.

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. Progress on other key strategic aspects during the half included further investment and progress toward transitioning to a headless digital architecture and general enhancements around the digital customer experience. Significant progress has also been made on the execution of the transformation program.

Key operational achievements for the Company in 1H FY22 included:

- Private label and exclusive product expansion continued to deliver value for customers and increased gross margins with sales growth of 25.3%. These products now represent 44.5% of sales (39.0% in the prior corresponding period). The Company continues to see strong growth in its 4baby and Bilbi private label brands as well as the latest private label brand, JENGO.
- Opening four new stores, being Shepparton (VIC), Wagga Wagga (NSW), Alexandria (NSW), and Cairns (QLD), bringing the store network to 64 stores around Australia.
- Relocation of two stores, being Hawthorn (VIC) and Fortitude Valley (QLD).
- Executing the transition to our headless e-commerce architecture to strengthen the online and digital commerce experience with the new Australian e-commerce site going live shortly after the end of the half in early January 2022.
- Launching our "Baby Bunting family" loyalty program both in store and online which features personalised offers and greater rewards and benefits for customers.
- Online fulfilment hub stores scaled up to improve the customer experience with 44% of online orders processed and fulfilled through the store network.

Review of the Company's financial performance

The half-year statutory results for the 26 week period ended 26 December 2021 (1H FY21: period ended 27 December 2020) are summarised below:

- Total sales were $239.066 million, an increase of 10.0% against the prior corresponding period;
- Gross profit of $93.895 million up 15.6% against the prior corresponding period. Gross margin increased by 192 basis points to 39.3%;
- Statutory net profit after tax (NPAT) of $8.147 million, an increase of 12.2% against the prior corresponding period;
- Statutory basic earnings per share (EPS) of 6.3 cents, an increase of 10.5% against the prior corresponding period;
- Net debt of $8.444 million (versus net debt of $14.534 million at the end of the prior corresponding period);
- The first half financial performance included start up costs of $0.633 million to establish in-country operations in New Zealand in the second half of FY22.

Pro forma financial results have been calculated to exclude the impact of employee equity incentive expenses, significant transformation project expenses, and the income tax benefit received due to the issue of shares that vested under the Long Term Incentive Scheme. The transformation projects are a number of key strategic business programs necessary to modernise the business and its systems to ensure it remains both relevant to its customers and to able to support its future growth aspirations. The costs are one-off establishment costs in nature to integrate new operating systems with existing business systems. Such systems are only replaced every 5 to 10 years. This has been done to represent the consolidated entity's underlying earnings more clearly.

On a pro forma basis, the 1H FY22 financial results were:

- Total sales grew 10.0% to $239.066 million; with comparable store sales growth of 6.8%;
- Pro forma NPAT of $12.545 million, an increase of 16.4% on the prior corresponding period;
- Pro forma cost of doing business was $72.136 million or 30.2% of total sales, an increase of 125 basis points on the prior corresponding period (CODB 28.9% of sales in 1H FY21).

The Company continued to execute on its strategy and grew market share delivering sales of $239.066 million representing growth of 10.0% for the half (against the prior corresponding period). This sales growth was achieved from existing stores, online sales, four new stores opened in 1H FY22 and the annualising stores opened in FY21. The Company continued to deliver sales and earnings growth in challenging conditions.

There was strong comparable store sales growth in 1H FY22 of 6.8%. Total online sales (including click & collect) grew 32.6% on the prior corresponding period. Online sales now represent 23.8% of total sales (up from 19.7% in 1H FY21).

Sales from private label and exclusive products grew 25.3% (against the prior corresponding period) and now represent 44.5% of total sales (up from 39.0% in 1H FY21). The growth continues to be delivered across key categories supported through the Company's supplier partners bringing great ranges to market. This has been complemented by the growth and strong performance in private label brands 4baby, Bilbi and JENGO.

Pro forma Cost of Doing Business (CODB) expenses (excluding the impact of AASB 16 lease accounting) as a percentage of sales increased by 125 bps above to 30.2% of sales (28.9% of sales in 1H FY21). Pro forma CODB expenses were $72.136 million ($62.805 million in the prior corresponding period). The increase in business expenses primarily relate to the opening of four new stores in 1H FY22 as well as four stores opened in FY21. The business continues to invest in the Store Support Centre team, business processes as well as IT systems and infrastructure ensuring it is appropriately supported for future growth.

Dividends

The Company paid a fully franked final dividend of 8.3 cents per share, in respect of the 2021 financial year, on 10 September 2021 totalling $10.772 million. The Directors have determined to pay an interim fully franked dividend of 6.6 cents to be paid on 11 March 2022 (with a record date of 25 February 2022).

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
Cost of doing business (CODB)	Includes store, administrative, marketing and warehousing expenses (excluding pre AASB 16 depreciation and amortisation).
Operating EBIT	Excludes the effects of interest revenue, finance costs, income tax and other non-operating 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 have been calculated to exclude certain items contained in the following table that reconciles the statutory results to pro forma financial results for the period ended 26 December 2021 and provides further detail on pro forma adjustments. This has been done to more clearly represent the consolidated entity's underlying earnings (noting that this financial information has not been reviewed in accordance with Australian Auditing Standards).

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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

Melanie Wilson

Melanie Wilson
Chair

11 February 2022

Auditor’s independence declaration

Building a better working world

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Auditor’s independence declaration to the directors of Baby Bunting Group Limited

As lead auditor for the review of the half-year financial report of Baby Bunting Group Limited for the half-year ended 26 December 2021, 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;

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

(c) no non-audit services provided that contravene 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
11 February 2022

Financial report

for the half-year ended 26 December 2021

Contents

Condensed consolidated statement of profit or loss and other comprehensive income

for the half-year ended 26 December 2021

	Note	26 weeks ended 26 Dec 2021 $'000	26 weeks ended 27 Dec 2020 $'000 Restated[1]
Revenue	4	239,066	217,320
Cost of sales		(145,171)	(136,131)
Gross profit		**93,895**	**81,189**
Other operating income	5	46	2,400
Store expenses	6	(47,774)	(43,097)
Marketing expenses		(4,097)	(3,591)
Warehousing expenses	6	(4,465)	(2,850)
Administrative expenses	6	(21,082)	(17,077)
Other expenses	6	–	(1,091)
Transformation project expenses	6	(2,749)	(3,008)
Finance costs	6	(3,298)	(2,694)
Profit before tax		**10,476**	**10,181**
Income tax expense		(2,329)	(2,919)
Profit after tax		**8,147**	**7,262**
Other comprehensive income for the year		–	–
Total comprehensive income for the year		**8,147**	**7,262**
Profit for the year attributable to:			
Equity holders of Baby Bunting Group Limited		**8,147**	**7,262**
Earnings per share			
From continuing operations			
Basic (cents per share)		6.3	5.7
Diluted (cents per share)		5.8	5.4

Notes to the condensed consolidated financial statements are included in pages 13 to 26.

1. Refer to Note 2(c) for detailed information on restatement of comparatives in the Financial Statement for the period ended 26 December 2021.

Condensed consolidated statement of financial position
as at 26 December 2021

	Note	26 Dec 2021 $'000	27 Jun 2021 $'000 Restated[1]	27 Dec 2020 $'000 Restated[1]
Current assets				
Cash and cash equivalents		15,039	10,884	14,653
Other receivables	7	3,350	5,916	4,385
Inventories	8	92,931	79,987	92,791
Current tax assets		4,075	1,143	4,196
Other assets	9	4,836	3,864	4,588
Total current assets		**120,231**	**101,794**	**120,613**
Non-current assets				
Plant and equipment		28,869	27,229	28,016
Intangibles		3,757	1,785	1,518
Goodwill		45,321	45,321	45,321
Right of use asset		129,292	112,058	93,292
Deferred tax assets		11,288	11,692	6,146
Total non-current assets		**218,527**	**198,085**	**174,293**
Total assets		**338,758**	**299,879**	**294,906**
Current liabilities				
Trade and other payables	10	49,236	48,812	55,961
Other liabilities	11	4,694	3,163	3,075
Borrowings	13	23,483	–	–
Lease liabilities		26,675	25,521	24,880
Provisions	12	6,604	5,804	5,818
Total current liabilities		**110,692**	**83,300**	**89,734**
Non-current liabilities				
Borrowings	13	–	9,950	29,187
Lease liabilities		117,197	99,768	81,165
Provisions	12	759	691	650
Total non-current liabilities		**117,956**	**110,409**	**111,002**
Total liabilities		**228,648**	**193,709**	**200,736**
Net assets		**110,110**	**106,170**	**94,170**
Equity				
Issued capital	14	87,913	87,153	87,153
Reserves	17	15,354	13,149	4,451
Retained earnings		6,843	5,868	2,566
Total Equity		**110,110**	**106,170**	**94,170**

Notes to the condensed consolidated financial statements are included in pages 13 to 26.

1. Refer to Note 2(c) for detailed information on restatement of comparatives in the Financial Statement for the period ended 26 December 2021.

Condensed consolidated statement of changes in equity

for the half-year ended 26 December 2021

	Issued Capital $'000	Share-based Payments Reserve $'000	Share-based Payments Tax Reserve $'000	Retained Earnings $'000 Restated[1]	Total Equity $'000 Restated[1]
Balance at 28 June 2020	86,358	4,380	–	2,631	93,369
Adjustment for change in accounting policy (Note 2)	–	–	–	(1,099)	(1,099)
Balance as at 28 June 2020 (restated)	**86,358**	**4,380**	**–**	**1,532**	**92,270**
Profit for the period	–	–	–	7,262	7,262
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the period	–	–	–	7,262	7,262
Issue of shares (Note 14)	795	–	–	–	795
Dividends (Note 15)	–	–	–	(8,164)	(8,164)
Share based payment (Note 17)	–	71	–	–	71
Tax effect of share-based payment (Note 17)	–	–	1,936	–	1,936
Transfer to retained earnings	–	–	(1,936)	1,936	–
Balance at 27 December 2020	**87,153**	**4,451**	**–**	**2,566**	**94,170**
Balance at 27 June 2021 (restated)	87,153	8,954	4,195	5,868	106,170
Profit for the period	–	–	–	8,147	8,147
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the period	–	–	–	8,147	8,147
Issue of shares (Note 14)	760	–	–	–	760
Dividends (Note 15)	–	–	–	(10,772)	(10,772)
Share based payment (Note 17)	–	3,750	–	–	3,750
Tax effect of share-based payment (Note 17)	–	–	2,055	–	2,055
Transfer to retained earnings	–	–	(3,600)	3,600	–
Balance at 26 December 2021	**87,913**	**12,704**	**2,650**	**6,843**	**110,110**

Notes to the condensed consolidated financial statements are included in pages 13 to 26.

1 Refer to Note 2(c) for detailed information on restatement of comparatives in the Financial Statement for the period ended 26 December 2021.

Condensed consolidated statement of cash flows
for the half-year ended 26 December 2021

	Note	26 weeks ended 26 Dec 2021 $'000	26 weeks ended 27 Dec 2020 $'000 Restated[1]
Cash flows from operating activities			
Receipts from customers		267,135	238,004
Payments to suppliers and employees		(241,879)	(232,539)
Income tax paid		(2,809)	(5,435)
Interest received		–	–
Finance costs paid		(3,322)	(2,579)
Net cash from/(used in) operating activities		**19,125**	**(2,549)**
Cash flows from investing activities			
Payments for plant and equipment and intangibles		(6,666)	(7,369)
Net cash used in investing activities		**(6,666)**	**(7,369)**
Cash flows from financing activities			
Lease payments		(11,066)	(9,789)
Dividends paid		(10,772)	(8,164)
Proceeds from borrowings		13,534	29,187
Net cash (used in)/provided by financing activities		**(8,304)**	**11,234**
Net increase in cash and cash equivalents		**4,155**	**1,316**
Cash and cash equivalents at beginning of the period		10,884	13,337
Cash and cash equivalents at end of the period		**15,039**	**14,653**

Notes to the condensed consolidated financial statements are included in pages 13 to 26.

1. Refer to Note 2(c) for detailed information on restatement of comparatives in the Financial Statement for the period ended 26 December 2021.

Notes to the consolidated financial statements

for the half-year ended 26 December 2021

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 153 National Drive, Dandenong South, Victoria 3175, Australia.

The consolidated financial statements of the Company as at and for the half-year ended 26 December 2021 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 26 December 2021. The prior half year was a 26 week retail calendar ending on 27 December 2020.

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 27 June 2021 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 11 February 2022.

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 2021 annual financial report for the year ended 27 June 2021, except for the impact of the adoption of the new and revised accounting policies discussed below.

Comparative figures are shown in the statement of financial position for 27 June 2021 and 27 December 2020.

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.

c. Changes in accounting policies and disclosures

Changes in accounting policies — IFRIC agenda decision —
Configuration or Customisation Costs in a Cloud Computing Arrangement

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to a Software as a Service (SaaS) arrangement. The Company has changed its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements. The nature and effect of the changes as a result of changing this policy is described below.

Accounting policy — Software-as-a-Service (SaaS) arrangements

SaaS arrangements are arrangements in which the Company does not currently control the underlying software used in the arrangement.

Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the Company has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

Note 2: Summary of significant accounting policies (cont.)

Where costs incurred to configure or customise do not result in the recognition of an intangible software asset, then those costs that provide the Company with a distinct service (in addition to the SaaS access) are now recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are now recognised as expenses over the duration of the SaaS contract. Previously some costs had been capitalised and amortised over its useful life.

Impact of change in accounting policy

The change in policy has been retrospectively applied and comparative financial information has been restated, as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 27 December 2020:

	Restated $'000	As previously reported $'000	Increase/ (decrease) $'000
Revenue	217,320	217,320	–
Cost of sales	(136,131)	(136,131)	–
Gross profit	81,189	81,189	–
Other operating income	2,400	2,400	–
Store expenses	(43,097)	(43,097)	–
Marketing expenses	(3,591)	(3,591)	–
Warehousing expenses	(2,850)	(2,850)	–
Administrative expenses	(17,077)	(17,072)	5
Other expenses	(1,091)	(1,091)	–
Transformation project expenses	(3,008)	(2,692)	316
Finance costs	(2,694)	(2,694)	–
Profit before tax	10,181	10,502	(321)
Income tax expense	(2,919)	(3,016)	(97)
Profit after tax	7,262	7,486	(224)
Other comprehensive income for the period	–	–	–
Total comprehensive income for the period	7,262	7,486	(224)
Profit for the period attributable to:			
Equity holders of Baby Bunting Group Limited	7,262	7,486	(224)
Earnings per share			
From continuing operations			
Basic (cents per share)	5.7	5.9	(0.2)
Diluted (cents per share)	5.4	5.6	(0.2)

Condensed Consolidated Statement of Financial Position as at 27 December 2020:

	Restated $'000	As previously reported $'000	Increase/ (decrease) $'000
Current assets			
Cash and cash equivalents	14,653	14,653	–
Other receivables	4,385	4,385	–
Inventories	92,791	92,791	–
Current tax assets	4,196	4,110	86
Other assets	4,588	4,108	480
Total current assets	**120,613**	**120,047**	**566**
Non-current assets			
Plant and equipment	28,016	28,016	–
Intangibles	1,518	3,414	(1,896)
Goodwill	45,321	45,321	–
Right of use asset	93,292	93,292	–
Deferred tax assets	6,146	6,139	7
Total non-current assets	**174,293**	**176,182**	**(1,889)**
Total assets	**294,906**	**296,229**	**(1,323)**
Current liabilities			
Trade and other payables	55,961	55,961	–
Other liabilities	3,075	3,075	–
Current tax liabilities	–	–	–
Lease liabilities	24,880	24,880	–
Provisions	5,818	5,818	–
Total current liabilities	**89,734**	**89,734**	**–**
Non-current liabilities			
Borrowings	29,187	29,187	–
Lease liabilities	81,165	81,165	–
Provisions	650	650	–
Total non-current liabilities	**111,002**	**111,002**	**–**
Total liabilities	**200,736**	**200,736**	**–**
Net assets	**94,170**	**95,493**	**(1,323)**
Equity			
Issued capital	87,153	87,153	–
Reserves	4,451	4,451	–
Retained earnings	2,566	3,889	(1,323)
Total equity	**94,170**	**95,493**	**(1,323)**

Note 2: Summary of significant accounting policies (cont.)

Condensed Consolidated Statement of Financial Position as at 27 June 2021:

	Restated $'000	As previously reported $'000	Increase/ (decrease) $'000
Current assets			
Cash and cash equivalents	10,884	10,884	–
Other receivables	5,916	5,916	–
Inventories	79,987	79,987	–
Current tax assets	1,143	1,056	87
Other assets	3,864	3,019	845
Total current assets	**101,794**	**100,862**	**932**
Non-current assets			
Plant and equipment	27,229	27,229	–
Intangibles	1,785	4,430	(2,645)
Goodwill	45,321	45,321	–
Right of use asset	112,058	112,058	–
Deferred tax assets	11,692	11,568	124
Total non-current assets	**198,085**	**200,606**	**(2,521)**
Total assets	**299,879**	**301,468**	**(1,589)**
Current liabilities			
Trade and other payables	48,812	48,812	–
Other liabilities	3,163	3,163	–
Current tax liabilities	–	–	–
Lease liabilities	25,521	25,521	–
Provisions	5,804	5,804	–
Total current liabilities	**83,300**	**83,300**	**–**
Non-current liabilities			
Borrowings	9,950	9,950	–
Lease liabilities	99,768	99,768	–
Provisions	691	691	–
Total non-current liabilities	**110,409**	**110,409**	**–**
Total liabilities	**193,709**	**193,709**	**–**
Net assets	**106,170**	**107,759**	**(1,589)**
Equity			
Issued capital	87,153	87,153	–
Reserves	13,149	13,149	–
Retained earnings	5,868	7,457	(1,589)
Total equity	**106,170**	**107,759**	**(1,589)**

Condensed Consolidated Statement of Cash Flows for the half-year ended 27 December 2020:

	Restated $'000	As previously reported $'000	Increase/ (decrease) $'000
Cash flows from operating activities			
Receipts from customers	238,004	238,004	–
Payments to suppliers and employees	(232,539)	(231,986)	553
Income tax paid	(5,435)	(5,435)	–
Interest received	–	–	–
Finance costs paid	(2,579)	(2,579)	–
Net cash (used in)/from operating activities	**(2,549)**	**(1,996)**	**553**
Cash flows from investing activities			
Payments for plant and equipment and intangibles	(7,369)	(7,922)	(553)
Net cash used in investing activities	**(7,369)**	**(7,922)**	**(553)**
Cash flows from financing activities			
Lease payments	(9,789)	(9,789)	–
Dividends paid	(8,164)	(8,164)	–
Proceeds from borrowings	29,187	29,187	–
Net cash provided by financing activities	**11,234**	**11,234**	**–**
Net increase/(decrease) in cash and cash equivalents	1,316	1,316	–
Cash and cash equivalents at beginning of the period	13,337	13,337	–
Cash and cash equivalents at end of the period	**14,653**	**14,653**	**–**

Impact of change in accounting policy – Other

Several amendments and interpretations apply for the first time effective 28 June 2021, but have no significant impact on the interim condensed consolidated financial statements of the Group.

AASB 2020-5 Amendments to AASs – Insurance Contracts

AASB 2020-8 Amendments to AASs – Interest Rate Benchmark Reform – Phase 2

AASB 2021-3 Amendments to AASs – COVID-19-Related Rent Concessions beyond 30 June 2021

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, other than the changes in accounting estimates and judgements disclosed in Note 3(a) and (b), 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 27 June 2021.

Changes in accounting estimates and judgements

a. IFRIC agenda decision — Configuration or Customisation Costs in a Cloud Computing Arrangement

Note 2(c) describes the Company's accounting policy in respect of customisation and configuration costs incurred in implementing SaaS arrangements. In the process of applying the Company's accounting policy, management has made following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements. For the current year, $0.415 million (pre-tax) of costs that would previously have been capitalised (under previous policy) were expensed. Basic EPS and diluted EPS were both lower by 0.2 cents as a result. Cash outflow of $0.415 million were included in payments to suppliers and employees in the Condensed Consolidated Statement of Cash Flow that previously would have been included as payment to acquire intangible assets.

- Determining whether cloud computing arrangements contain a software licence intangible asset

The Company evaluates cloud computing arrangements to determine if it provides a resource that the Company can control. The Company determines that a software licence intangible asset exists in a cloud computing arrangement when both of the following are met at the inception of the arrangement:

- The Company has the contractual right to take possession of the software during the hosting period without significant penalty.
- It is feasible for the Company to run the software on its own hardware or contract with another party unrelated to the supplier to host the software.

- Capitalisation of configuration and customisation costs in SaaS arrangements

Where the Company incurs costs to configure or customise SaaS arrangements and such costs are considered to enhance current on-premise software or provide code that can be used by the Company in other arrangements, the Company applies judgement to assess whether such costs result in the creation of an intangible asset that meets the definition and recognition criteria in AASB 138 Intangible Assets. For the half-year ended 26 December 2021, $1.803 million (27 December 2020: $0.301 million) of costs incurred in implementing SaaS arrangements were recognised as intangible assets.

- Determination whether configuration and customisation costs provide a distinct service to access to the SaaS

The Company applies judgement in determining whether costs incurred provide a distinct service, aside from access to the SaaS. Where it is determined that no distinct service is identifiable, the related costs are recognised as expenses over the duration of the service contract.

b. Contract liabilities

The Company operates a loyalty program. Customers receive a loyalty voucher upon joining the Company's loyalty program, Baby Bunting family. In addition, under the loyalty program, the Company offers loyalty vouchers when the cumulative spend reaches a specified amount. The loyalty vouchers can be redeemed in store or online for future purchases. Loyalty vouchers are expected to be redeemed within 30 days.

The Company estimates the fair value of the un-issued loyalty vouchers based on the cumulative spend balance relative to the specified amount. The Company estimates the "breakage" rate based on redemption history and expiry dates of the issued loyalty vouchers. The Company records the contract liability based on the breakage rate for unspent and unexpired vouchers and un-issued vouchers.

Note 4: Revenue

	26 weeks ended 26 Dec 2021 $'000	26 weeks ended 27 Dec 2020 $'000
Revenue from contracts with customers	239,066	217,320

Note 5: Other operating income

	26 weeks ended 26 Dec 2021 $'000	26 weeks ended 27 Dec 2020 $'000
Other income(i)	–	2,400
Gain on derivative instruments at fair value through profit or loss(ii)	46	–

(i) The Company received a cash settlement payment ($2.400 million) for period ended 27 December 2020 from the vendor of certain digital commerce technology assets that were impaired in FY20 following a dispute in relation to the performance of these assets.

(ii) The Company entered into foreign exchange forward contracts during the half for inventory purchases that settled in foreign currency. The Company measures the derivative instrument at fair value through profit or loss and recorded a gain of $0.046 million (27 December 2020: nil).

Note 6: Profit for the period

	26 weeks ended 26 Dec 2021 $'000	26 weeks ended 27 Dec 2020 $'000 Restated
Profit before income tax expense includes the following expenses:		
Interest and finance charges paid/payable:		
Interest on lease liabilities	2,848	2,335
Interest on borrowings	450	359
Depreciation and amortisation	2,959	2,550
Depreciation on right of use asset	12,569	10,614
Occupancy expenses	1,573	1,322
Employee benefits expense	46,338	40,291

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", "Administrative expenses" and "Transformation Project expense" as detailed below:

26 weeks ended 26 December 2021	As reported $'000	Depreciation and amortisation on PPE and intangibles $'000	Depreciation on right of use asset $'000	Excluding Depreciation and amortisation $'000
Store expenses	(47,774)	2,335	11,314	(34,125)
Warehousing expenses	(4,465)	84	1,086	(3,295)
Administrative expenses	(21,082)	540	159	(20,383)
Transformation project expenses	(2,749)	–	10	(2,739)
Total	**(76,070)**	**2,959**	**12,569**	**(60,542)**

Note 6: Profit for the period (cont.)

26 weeks ended 27 December 2020	As reported $'000	Depreciation and amortisation on PPE and intangibles $'000	Depreciation on right of use asset $'000	Excluding Depreciation and amortisation $'000
Store expenses	(43,097)	2,145	10,149	(30,803)
Warehousing expenses	(2,850)	82	358	(2,410)
Administrative expenses	(17,077)	323	107	(16,647)
Transformation project expenses	(3,008)	–	–	(3,008)
Total	**(66,032)**	**2,550**	**10,614**	**(52,868)**

Other expenses

	26 weeks ended 26 Dec 2021 $'000	26 weeks ended 27 Dec 2020 $'000
Other expenses(i)	–	1,091

(i) During 1H FY21, the Company responded to an interception of insects found in packaging of goods in an imported shipping container. Working closely with the Federal Department of Agriculture, Water and the Environment, the Company implemented a number of actions in accordance with Departmental requirements, including the treatment of all store rooms where the affected stock was held and the Distribution Centre and fumigation of some inventory. This resulted in some short term increases to supply chain costs and one-off costs of treatment and fumigation costs and customer remediation costs. These issues have now been resolved. Around 50% of costs associated with this incident were recovered through its insurance policies in 2H FY21.

Note 7: Other receivables

	26 Dec 2021 $'000	27 Jun 2021 $'000	27 Dec 2020 $'000
Current			
Trade receivables	134	219	324
Other receivables	3,216	5,697	4,061
	3,350	**5,916**	**4,385**

There are no material receivables past due date.

Note 8: Inventories

	26 Dec 2021 $'000	27 Jun 2021 $'000	27 Dec 2020 $'000
Finished goods	94,149	80,961	93,867
Less: Provision for shrinkage, obsolescence and mark-down	(1,218)	(974)	(1,076)
	92,931	**79,987**	**92,791**

The cost of inventories recognised as an expense during the half-year in respect of continuing operations was $145.171 million (27 December 2020: $136.131 million).

The Company's finished goods on hand were $94.149 million at the end of the half, up from $80.961 million at the end of June 2021. The increase from June is driven by two factors. The first is due to the cyclical nature of retail and associated movements in working capital (the December finished goods inventory represents stock levels prior to the commencement of a significant promotional period, whereas the June finished goods inventory represents stock levels after the completion of a promotional period). This is a consistent timing difference that occurs each year between June and December. In addition to this normal cycle of inventory holdings pre and post promotional events, the inventory levels are also impacted each December by the scheduled annual shutdown of the suppliers during January and Chinese New Year. This requires inventory to be purchased ahead of time as access to inventory from manufacturers during this time is reduced.

Note 9: Other assets

	26 Dec 2021 $'000	27 Jun 2021 $'000 Restated	27 Dec 2020 $'000 Restated
Prepayments	3,955	3,230	4,134
Right of return(i)	881	634	454
	4,836	**3,864**	**4,588**

(i) The Company extended its change of mind policy from 14 days to 30 days on 7 September 2021 which provided a better experience for the Company's customers. This resulted in an increase in right of return assets.

Note 10: Trade and other payables

	26 Dec 2021 $'000	27 Jun 2021 $'000	27 Dec 2020 $'000
Current			
Trade payables	37,815	30,195	41,126
Sundry payables and accruals	11,421	18,617	14,835
	49,236	**48,812**	**55,961**

Note 11: Other liabilities

	26 Dec 2021 $'000	27 Jun 2021 $'000	27 Dec 2020 $'000
Unredeemed gift cards and vouchers	3,129	2,068	2,322
Refund liability	1,502	1,044	742
Security deposit – car seat hire	63	51	11
	4,694	**3,163**	**3,075**

Note 12: Provisions

	26 Dec 2021 $'000	27 Jun 2021 $'000	27 Dec 2020 $'000
Current			
Employee benefits	6,604	5,804	5,818
Non-current			
Employee benefits	759	691	650

Note 13: Borrowings

	26 Dec 2021 $'000	27 Jun 2021 $'000	27 Dec 2020 $'000
Current — Secured			
Bank Loan	23,483	–	–
Non-current			
Bank Loan	–	9,950	29,187

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. As the facility maturity date is less than 12 months from the date of the report, the borrowings are classified as current liabilities. Security consists of a Deed of Charge over the assets of Baby Bunting Pty Ltd. The Company is a guarantor to the facility. The Company has commenced discussions with NAB to renew its secured multi option facility.

The total facility limit as at balance date was $78,000,000, consisting of $70,000,000 Corporate Market Loan ("CML") facility and $8,000,000 bank guarantee facility. The CML facility can be drawn to the lesser of $70,000,000 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 26 December 2021. The current facility does not require the consolidated entity to amortise borrowings.

Note 14: Issued capital

	26 Dec 2021		27 June 2021		27 Dec 2020	
	No. of shares	$'000	No. of shares	$'000	No. of shares	$'000
Balance at beginning of the period	129,255,075	87,153	127,564,474	86,358	127,564,474	86,358
Issue of shares						
— Employee Gift Offer	135,051	760	165,221	795	165,221	795
— Vesting of LTI Plans	3,034,000	–	1,525,380	–	1,525,380	–
Balance at end of the period	**132,424,126**	**87,913**	**129,255,075**	**87,153**	**129,255,075**	**87,153**

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

Note 15: Dividends

	26 Dec 2021		27 June 2021	
	$ per ordinary share	$'000	$ per ordinary share	$'000
Recognised amounts				
Final prior year dividend	0.083	10,772	0.064	8,164
Unrecognised amounts				
Interim dividend	0.066	8.740	0.058	7,497

On 13 August 2021, the Directors determined to pay a fully franked final dividend of 8.3 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 27 June 2021. The dividend was subsequently paid to shareholders on 10 September 2021 totalling $10.772 million.

On 11 February 2022, the Directors determined to pay an interim fully franked dividend of 6.6 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 26 December 2021, to be paid to shareholders on 11 March 2022. 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 25 February 2022. The total estimated dividend to be paid is $8.740 million.

Note 16: 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. During the year, the Company sold products online to New Zealand customers and has embarked on a plan to establish a store network in New Zealand (with the first store expected to be opened in 2H FY22). However, transactions occur in Australian dollars and are undertaken by Baby Bunting Pty Ltd. On this basis management has identified one reportable segment, Australia.

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

	Australia		Total	
	26 weeks ended 26 Dec 2021 $'000	26 weeks ended 27 Dec 2020 $'000 Restated	26 weeks ended 26 Dec 2021 $'000	26 weeks ended 27 Dec 2020 $'000 Restated
Revenue	239,066	217,320	239,066	217,320
Operating EBIT	18,510	16,541	18,510	16,541
Total segment assets	338,758	294,906	338,758	294,906
Additions to plant and equipment and intangibles	6,666	7,369	6,666	7,369
Depreciation and amortisation	15,528	13,164	15,528	13,164
Total non-current assets[1]	207,239	168,147	207,239	168,147
Total segment liabilities	228,648	200,736	228,648	200,736

1. Non-current assets exclude net deferred tax assets.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current reporting period (27 December 2020: nil).

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.

Note 16: Segment information (cont.)

Operating EBIT

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

	26 weeks ended 26 Dec 2021 $'000	26 weeks ended 27 Dec 2020 $'000 Restated
Operating EBIT	**18,510**	**16,541**
Finance costs	(3,298)	(2,694)
Employee share based payments (inclusive of indirect tax)	(4,736)	(3,666)
Profit before tax	**10,476**	**10,181**

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:

	26 Dec 2021 $'000	27 June 2021 $'000 Restated	27 Dec 2020 $'000 Restated
Total segment assets	338,758	299,879	294,906
Total segment liabilities	228,648	193,709	200,736

Note 17: Reserves

a. Share based payments

	26 Dec 2021 $'000	27 Jun 2021 $'000	27 Dec 2020 $'000
Share based payments			
Balance at beginning of period	8,954	4,380	4,380
Performance rights – expense (Note 17(b))	3,750	4,574	71
Balance at end of period	**12,704**	**8,954**	**4,451**

b. 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, EPS, TSR).

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 $4.30 (27 December 2020: $2.18). 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 value	Exercise price	Expiry date
2021 – Series 1 (TSR CAGR)	24 December 2020	$2.18	nil	1
2021 – Series 1 (EPS CAGR)	24 December 2020	$4.67	nil	1
2022 – Series 1 (TSR CAGR)	23 November 2021	$4.30	nil	1
2022 – Series 1 (EPS CAGR)	23 November 2021	$5.81	nil	1

1. These performance rights vest and can be exercised at the end of the relevant service and performance period, subject to meeting the relevant performance condition. The Board determines whether vesting occurs. Any performance rights that have not vested following the final applicable performance period lapse.

	2022 – Series 1 TSR	2021 – Series 1 TSR
Grant date share price	$5.81	$4.67
Exercise price	Nil	nil
Expected volatility	48%	52%
Expected life (years)	2.8	2.8
Dividend yield	2.53%	3.22%
Risk-free interest rate	1.54%	0.15%

Movements in performance rights during the period

The consolidated entity recorded a share-based payments expense for performance rights of $3.750 million (27 December 2020: $2.845 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:

	26 weeks ended 26 December 2021			52 weeks ended 27 June 2021		
	TSR Number of rights	EPS Number of rights	Retention Number of rights	TSR Number of rights	EPS Number of rights	Retention Number of rights
Balance at beginning of the period	**3,737,500**	**3,737,500**	**564,000**	**3,932,880**	**2,407,500**	**564,000**
Granted during the period	825,000	550,000	–	1,330,000	1,330,000	–
Forfeited during the period	–	–	–	–	–	–
Exercised during the period	(1,252,000)	(1,252,000)	(530,000)	(1,525,380)	–	–
Lapsed during the period	–	–	–	–	–	–
Balance at end of period	**3,310,500**	**3,035,500**	**34,000**	**3,737,500**	**3,737,500**	**564,000**
Exercisable at end of period	**–**	**–**	**–**	**–**	**–**	**–**

Note 17: Reserves (cont.)

c. 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 135,051 shares (27 December 2020: 165,221 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 $0.760 million (27 December 2020: $0.795 million) was fully expensed at the time of granting, as there are no performance or service conditions.

d. Shared-based payments tax reserve

	26 Dec 2021 $'000	27 Jun 2021 $'000	27 Dec 2020 $'000
Share-based payment tax reserve			
Balance at beginning of period	4,195	–	–
Tax effect of share-based payments[1]	2,055	7,150	1,936
Transfer to retained earnings[2]	(3,600)	(2,955)	(1,936)
Balance at end of period	**2,650**	**4,195**	**–**

1. $2.055 million (27 December 2020: $1.936 million) represents an increase in future income tax benefits recognised in share-based payment tax reserve that is in excess of any future benefits relating to the cumulative share-based payment expense recognised in profit or loss. This increase in the reserve reflects the likelihood of greater number of performance rights vesting, relative to what was estimated as at the last reporting date, plus the addition of the 2022 performance rights granted to executives in November 2021 under the Company's Long Term Incentive Plan.
2. In 1H FY22, 3,034,000 performance rights (27 December 2020: 1,525,380 performance rights) vested under the Company's Long Term Incentive Plan (market value of $17.198 million (27 December 2020: $7.339 million)). The balance transferred to retained earnings represents the income tax benefit recorded in the reserves associated with share-based payments that vested in the current period.

Note 18: 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 (27 December 2020: nil).

Note 19: Subsequent events

Dividends on the Company's ordinary shares

An interim dividend of 6.6 cents per fully paid ordinary shares has been determined for the half-year ended 26 December 2021 - refer Note 15.

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 26 December 2021.

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

Melanie Wilson
Chair

11 February 2022

Independent auditor’s review report

Building a better working world

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Independent auditor's review report to the members of Baby Bunting Group Limited

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 26 December 2021, the condensed statement of 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, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the Corporations Act 2001, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 26 December 2021 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.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity (ASRE 2410). Our responsibilities are further described in the Auditor’s responsibilities for the review of the half-year financial report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors’ responsibilities for the half-year financial report

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

Auditor’s responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group’s financial position as at 26 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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.

Ernst & Young

Ernst & Young

Tony Morse

Tony Morse
Partner

Melbourne
11 February 2022

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Corporate directory

Registered Office

Baby Bunting Group Limited

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(03) 8795 8100

Directors

Melanie Wilson

Francine Ereira

Gary Kent

Gary Levin

Donna Player

Stephen Roche

Matt Spencer

Company Secretary

Corey Lewis
Group Legal Counsel and Company Secretary

Investor Relations

Darin Hoekman

Chief Financial Officer
(03) 8795 8100

Shareholder Enquiries

Share Registry

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Melbourne VIC 3001

1800 850 505 (within Australia)

+61 3 9415 4000 (outside Australia)

Auditor

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Securities Exchange Listing

Baby Bunting Group Limited shares are listed on the Australian Securities Exchange (ASX)

(ASX code: BBN)

Investor website

babybunting.com.au/investor

Online store

babybunting.com.au

babybunting.co.nz

BabyBunting