Appendix 4E
(Rule 4.3A)

Baby Bunting Group Limited
ABN 58 128 533 693

For the period ended: 52 weeks ended 30 June 2024
Previous corresponding period: 53 weeks ended 2 July 2023

Results for announcement to the market

Statutory Financial Results	2024 $'000	2023 $'000	Mvmt $'000	up/(down) %
Revenue from ordinary activities	498,387	524,281	(25,894)	(5%)
Net profit from ordinary activities after tax (attributable to members)	1,696	9,854	(8,158)	(83%)
Net profit attributable to members	1,696	9,854	(8,158)	(83%)

Pro Forma Financial Results	2024 $'000	2023 $'000	Mvmt $'000	up/(down) %
Revenue from ordinary activities	498,387	515,790	(17,403)	(3%)
Net profit from ordinary activities after tax (attributable to members)	3,676	14,503	(10,827)	(75%)
Net profit attributable to members	3,676	14,503	(10,827)	(75%)

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 30 June 2024 and 2 July 2023 and provide 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 audited in accordance with Australian Auditing Standards).

The following table reconciles the statutory to pro forma financial results for the year ended 30 June 2024 (noting that this financial information has not been audited in accordance with Australian Auditing Standards):

Period ended 30 June 2024 $'000	Sales	NPAT
Statutory results	**498,387**	**1,696**
Employee equity incentive expenses[1]	–	461
Transformation project expenses[2]	–	930
Restructuring costs[3]	–	1,438
Tax impact from pro forma adjustments	–	(849)
Pro forma results	**498,387**	**3,676**

1. Expense reflects the cost amortisation of performance rights (LTI) on issue in the reporting period. This also includes a recovery of prepaid payroll tax on the plans as the EPS CAGR hurdles as defined under the LTI plan were not achieved.
2. The Company incurred non-capital costs ($1.330 million) for transformation projects. This was offset by a $0.400 million cash settlement received in December 2023 from the vendor of order management software following a dispute in relation to that software and its implementation.
3. The Company incurred restructuring costs ($1.438 million) which included make good costs relating to the Camperdown store closure ($0.186 million) and payments associated with organisational restructure including the disestablishment of a number of head office roles.

Appendix 4E
Continued

The following table reconciles the statutory to pro forma financial results for the year ended 2 July 2023 (noting that this financial information has not been audited in accordance with Australian Auditing Standards):

Year ended 2 July 2023 $'000	Sales	NPAT
Statutory results	**524,281**	**9,854**
Employee equity incentive expenses[1,2]	–	965
Transformation project expenses[3]	–	4,745
Impact of week 53[4]	(8,491)	(412)
Tax impact from pro forma adjustments[5]	–	(649)
Pro forma results	**515,790**	**14,503**

1. Expense reflects the cost amortisation of performance rights (LTI) on issue in the reporting period. This also includes a write-back of the 2020 (EPS CAGR) expenses ($1.673 million) and the 2021 (EPS CAGR) expenses ($0.275 million) and the payroll tax paid on the plans as the CAGR hurdles as defined under the LTI plan, are unlikely to be achieved.
2. The Company issued 277,182 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 ($0.782 million).
3. The Company continued its investment in transformation projects and during the period the Company incurred non-capital costs ($4.745 million) associated with the implementation of a time and attendance system and the initial planning phase of a replacement of its enterprise resource planning (ERP) and point-of-sale systems. Other transformation project expenses include external consultant costs associated with project management costs to deliver the transformation projects.
4. FY2023 was a 53 week retail financial year. Week 53 revenues and expenses have been excluded to enable comparison to the FY2024 full year financial period (52 weeks) and prior years.
5. Tax impact from pro forma adjustments includes income tax expense relating to performance rights vesting under the Company's Long Term Incentive Plan ($0.864 million).

Dividends

	Amount per security (cps)	Franked amount
Dividends paid		
Final FY2023 dividend – paid 8 September 2023	4.8	100%
Interim FY2024 dividend – paid 19 March 2024	1.8	100%
Dividends determined		
Final FY2024 dividend	Nil	–

The Company does not propose to pay a final FY2024 dividend.

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 period ended 30 June 2024, which includes the Directors' Report. The Full Year Results Presentation released in conjunction with this Results Announcement provides further analysis of the results.

Net tangible assets per ordinary share

Net tangible asset per ordinary share	2024 $	2023 $
Net tangible asset per ordinary share[1]	0.35	0.41

1. Net tangible assets per ordinary share includes the Right-of-use assets as per AASB16.

Other information

Independent Audit by Auditor

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

Page left intentionally blank.

BabyBunting®

Annual Report 2024

Baby Bunting Group Limited
ABN 58 128 533 693

Contents

The 2024 Baby Bunting Annual Report reflects Baby Bunting's performance for the 52 week period from 3 July 2023 to 30 June 2024.

The Baby Bunting Group Limited Annual Report is available online at investors.babybunting.com.au. Hard copies can be obtained by contacting Baby Bunting's share registry (details inside back cover).

Our Vision

The best start for the brightest future

Notice of 2024 Annual General Meeting

10.00am (Sydney time) Tuesday, 15 October 2024.

Further details will be contained in the Notice of Annual General Meeting that will be made available in September 2024.

Our Mission

To support and inspire confident parenting, from newborn to toddler

Customer Value Proposition

What we promise to deliver to our customer

Choice

We offer ANZ's widest range of carefully curated products across every stage of the early parenting journey, for every budget.

Service

We draw on 45 years of expertise to offer best in class service, reliable advice, education and services from car seat fitment to postnatal support to make the parenting journey easier.

Experience

We go beyond the transaction to provide world class Customer Experience across our network of stores and seamless online shopping experience, making it easy to find what you need, when you need it.

Value

We deliver exceptional value for all parents by ensuring competitive prices backed by our strong price guarantee.

Baby Bunting has been supporting and inspiring confident parenting for 45 years

Performance overview

FY2024 pro forma results

$498.4m
Sales

-3.4%
Total sales growth

73
Net promotor score
Up from 72 in FY23

21.8%
Online Sales
(% of total sales)
(incl. C&C)

9.7%
Private Label
(% of total sales)
Up 69 bps

>90%
of sales from loyalty customers

36.8%
Gross Margin
Down 56 bps

36.3%
Exclusive Products
(% of total sales)
Up 22 bps

+800,000
Active loyalty customers

$15.9m
Group EBITDA
(pre-AASB 16)
EBITDA margin 3.2%

$3.7m
Pro forma Group NPAT
Down 74.7% vs pcp
AU NPAT $6.8m

Refer to Section 2.5 of the Directors' Report for further discussion on pro forma financial information and a reconciliation to statutory results.

Chair's report

Melanie Wilson,
Chair

Dear Shareholder

This year has been a pivot point for the Group. While conditions have been challenging, we have reset the business around growth pillars as we continue to build the Baby Bunting platform to return the Group to growth and our target of being a plus 10% EBITDA margin business. There are signs early in FY2025 that our new strategy is driving positive momentum.

Our customers are more sensitive than many other groups to cost-of-living pressures. In these times, we have seen that many of them have been managing their spending carefully as they move into a new and different stage of their lives. In these conditions, the Board, with Baby Bunting's new CEO, Mark Teperson, and his management team, have been focused on developing a new long-term strategy to deliver shareholder value. The Board approved that strategy during the year which was announced to shareholders in June 2024.

Baby Bunting has a great platform with the largest store network across Australia, the leading baby goods specialty website, a fantastic team and a very strong position in the market. We are still in the early stages of establishing Baby Bunting in the New Zealand market. It was very pleasing to welcome three new stores into our New Zealand network during the year, with two new stores in Auckland and one in Christchurch. We received a strong endorsement of our New Zealand business with our appointment in June 2024 as the exclusive retailer for Bugaboo in New Zealand, a leading premium international brand.

Our financial results for the year reflected the challenges we have been working through in what has been a difficult economic climate. The Board is committed to leading the organisation in its recovery and to future growth. Our new strategy is an important part of returning value to our shareholders.

Our new strategy

The strategy is built around three objectives:

- grow market share;
- grow EBITDA; and
- grow return on invested capital.

The Board believes that these objectives, and the initiatives that underpin them, are part of a clear plan to re-establish the business as a plus 10% EBITDA margin business and deliver sustainable shareholder value. Mark Teperson, in his comments that follow, will touch on these objectives and the underlying initiatives. You can also read more about them in the Directors' Report.

Building our capabilities

The Board appointed Mark Teperson as our new CEO and he commenced in October 2023. Mark has led a review of the business and, in addition to the focus on stabilising the business's performance, has prioritised defining the change required to re-engineer the business to return to growth.

Under Mark's leadership, we have seen new team members join the executive leadership team, with a new role of Chief Customer Officer and Chief Data & Analytics Officer appointed. This role is critical to ensure that Baby Bunting leverages the data and insights it has about our customers, to ensure that we can build more engaging customer experiences and build customer lifetime value. A new General Manager of Supply Chain will join early in the new financial year, with a mandate to build operational efficiency in our supply chains throughout Australia and New Zealand.

Disciplined capital management

Towards the end of the financial year, the Group rolled over its existing NAB debt facility, which was due to mature in March 2025. The facility has been extended to September 2027, with the existing pricing maintained.

The Group's initiatives for FY2025 see it undertaking a range of capital investments, including our new store redesign and new store formats which are expected to be deployed towards the end of this financial year. We will also continue to make investments in ongoing store and Store Support Centre sustenance and further investments in our digital architecture to ensure we remain a leading omni-channel retailer. In light of these investments, and with a view to supporting the future growth of the business, the Board determined that no final dividend would be paid in respect of the 2024 financial year.

Sustainability

The Board continues to be focused on ensuring the long-term sustainable operation of the Group. The Group continues to provide significant support for the communities in which we operate. Baby Bunting helped raise over $650,000 for our key charity partners, PANDA (Perinatal Anxiety & Depression Australia) and Lifes Little Treasures Foundation, as well as making other donations and donations in kind.

The Group maintained its focus on achieving its gender diversity objectives, with Board and senior store and operations leadership objectives met. Work is ongoing at the executive level. Through operational improvements, progress was also made towards our goal of eliminating single use plastics in our supply chain and optimising online deliveries to reduce transportation impacts.

Baby Bunting has also recently commenced a 12-month trial in Melbourne of an end-of-life car seat recycling program. The trial aims to divert up to 12 tonnes of car seats from landfill, with about 80% of car seats by weight able to be recycled. Baby Bunting has for a number of years been a participant in efforts to find a sustainable solution for end-of-life car seats and we are excited about this trial which we hope will be a step to further efforts across the industry.

The year ahead

Our strategy is one that we believe will deliver sustainable shareholder value. Baby Bunting has a great foundation on which to build, and we are focused on driving the success of the business.

Our long-term success depends upon our customers, our suppliers and our great team. Our suppliers bring innovation and new products to our customers, and we are excited to be able to provide a great platform for them to interact with our customers. Our team, spread across our Australian and New Zealand stores, our distribution centres and our Store Support Centre are committed to our mission to support and inspire confident parenting, from newborn to toddler. On behalf of the Board, I thank them for their amazing efforts.

Thank you all for your continued support.

Melanie Wilson
Chair
Baby Bunting Group Limited

CEO's report

Mark Teperson,
Chief Executive Officer

Dear Shareholder

I'm pleased to be able to address shareholders at the end of my first financial year with the Group, I joined Baby Bunting in October 2023 with a mandate from the Board to return the Group to growth.

Baby Bunting is a fantastic brand and has been supporting families for 45 years in Australia, and more recently in New Zealand. Baby Bunting has a great platform with over 800,000 active loyalty customers, more than 32 million visits to our websites and more than 90% of our sales coming from members of our loyalty program. This means we are generating great insights into how our customers interact with us and how they are moving through their parenting journey.

Our evolving customer

Baby Bunting is a leader in supporting parents. As part of this leadership, as our customer base evolves, Baby Bunting needs to evolve. A large part of our store fleet was established and deployed at a time when our core customers were Generation X, being parents born in the period 1965 to 1980. Our present core customers are families born in the Millennial Generation (1981 to 1996). In five years, our core customers will be Generation Z or Zoomers, who were born between 1997 to 2010. The parenting style, technological awareness, brand loyalty, price sensitivity and product preferences of each of these generations are varied.

Our growth strategy

We have developed a strategy that seeks to build on and leverage the Baby Bunting platform and to drive sustainable shareholder returns.

Baby Bunting operates in a $6.3 billion total addressable market across Australia and New Zealand. Baby Bunting is the leader in hard goods, which includes prams, strollers, car safety seats and furniture. There is a clear opportunity to leverage our leadership in hard goods to grow our market share in soft goods, which includes manchester, apparel, feeding, sleeping and consumables.

We are focused on driving long term growth and returning the business to be a plus 10% EBITDA margin business, which was a level of performance last achieved in FY2022. Our plan sees us targeting this through a combination of an increase in gross margin and operating leverage achieved through network growth and productivity improvements.

The strategy we presented in June 2024, has three key objectives: grow market share, grow EBITDA and grow return on invested capital. The Directors' Report, included in this Annual Report, includes further detail on the initiatives that sit under those objectives. The objectives have at their heart enhancing customer experience, driving platform leverage and disciplined capital management.

To grow market share and enhance customer experience, we will focus on providing market leading products, exceptional services and best-in-class experience, combined with data and analytical skills and insights. Key elements of this involve new product innovation to drive growth and reinforce our market leadership. Innovation and newness is very important to demonstrate that we can meet the evolving needs of parents. Pleasingly, we will introduce around 25% more newness into the business in Q1 FY2025 compared to the prior corresponding period. Where we have focused on newness and range innovation, in particular in categories like manchester and sleeping, we have delivered positive growth.

A key project that commenced towards the end of FY2024 is the development of our new store design. Our stores serve as an experience centre for our customers, a distribution centre for our products and a stage for our brand partners to showcase their innovation and new products. Revamping our existing large format stores will enhance the experience for our customers by moving to an emotionally resonant and activity-led design. Final store designs are expected towards the end of the first half in FY2025, with the first redesigned stores expected to be in market in the second half of FY2025. This will be a key focus for Baby Bunting and after a period of testing and assessment, we expect to move to deploying the new design across our store network.

Baby Bunting has significant investments in its existing assets and has plans to make future investments. A key focus of our new strategy is to grow return on Baby Bunting's invested capital. This will focus on our new store roll-out which sees a further 26 metro and 15 regional stores in Australia and a further 6 large format stores in New Zealand. The newly developed small format store design may also provide further opportunities to deploy stores into new catchments to reach more consumers outside of our traditional large format areas. We are also focused on inventory productivity and ensuring efficient working capital.

Our immediate objectives

While we have a plan to drive growth into future years, we are also focused on our operating and financial performance for FY2025. Our aims are to stabilise sales, improve our gross margin to 40% and progress and embed the many productivity improvements we have commenced in the business.

To achieve our mission to support and inspire confident parenting, from newborn to toddler we will be making further investments in our team to ensure that they continue to provide great service and advice to our customers throughout Australia and New Zealand who are on their parenting journey.

As a team, we are focused on continuing to build Baby Bunting to be the leading baby goods retailer providing the best start, for the brightest future.

Mark Teperson
CEO
Baby Bunting Group Limited

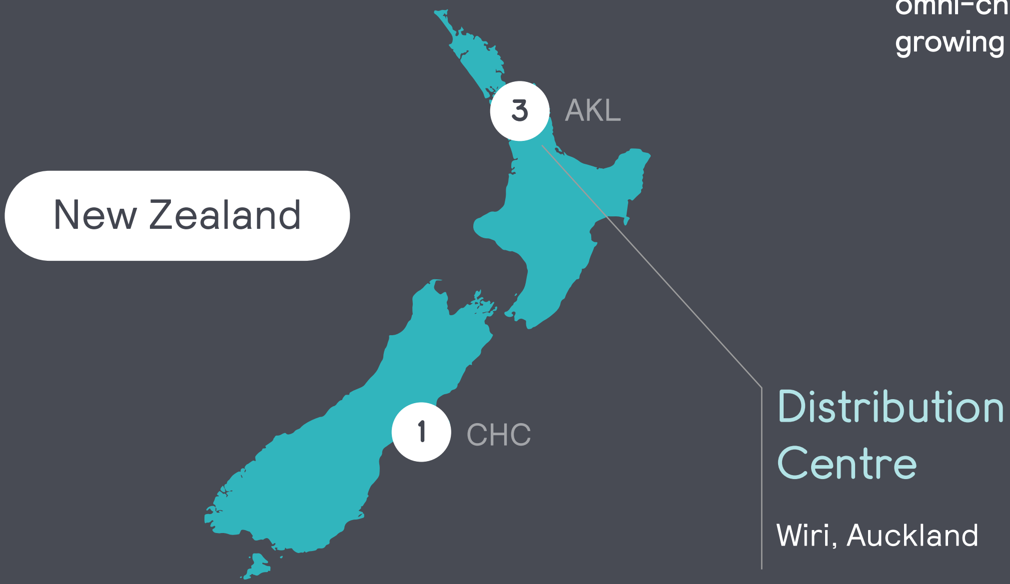
Store network

Growing our store network in Australia and New Zealand

Store Support Centre and National Distribution Centre

Dandenong South, Victoria

- Network plan for more than 110 large format stores in Australia and more than 10 large format stores in New Zealand
- Network growth is key to building omni-channel customers and growing customer lifetime value



- Store of the Future initiative commenced in FY2024 to undertake a brand and store redesign. First stores in the new format expected to be in market towards the end of FY2025
- Trialling new small format store, which will provide an opportunity to meet more needs of parents in new markets and different regions

Sustainability

Baby Bunting and sustainability

Our ESG strategy is based around the following three pillars:

- Our People – creating an equitable, inclusive and safe workplace where our team members can thrive. With a focus on being a parent friendly organisation.
- Our Communities – contributing to support the communities in which we operate and to focus on the needs of parents and families.
- Our Planet – operating in a sustainable manner to reduce the environmental impact of our actions.

Some highlights for FY2024 include:

- We raised and donated over $650,000 to support our charity partners and families in need.
- We partnered with The Nappy Collective for the first time during the year. The Nappy Collective is an organisation that collects donations of new and leftover nappies - ones that little ones have grown out of or no longer need - and pass them onto community partners who support families. Our store network helped collect more than 324,000 nappies which assisted more than 10,000 families.
- Our use of green energy remained consistent with FY2023 levels. Across Australian stores and the Distribution Centre, energy consumption declined by 1.4% (unaudited). The Group's estimated Scope 2 emissions declined by 10% (unaudited).
- With expanded online fulfilment capabilities we were able to reduce the number of split orders (being orders delivered in two or more instalments) eliminating more than 12,000 individual delivery journeys.
- We have replaced recycled plastic bubblemailers with a paper craft alternative, a further progression towards our goal of eliminating single use packaging used in online fulfilment.

Car seat recycling trial

We finalised arrangements for an end-of-life car seat recycling trial, to commence in early FY2025 in some of our Melbourne stores.

The trial is targeting up to 2,400 seats which equates to around 12 tonnes of materials, most of which can be processed and diverted from landfill. The trial will operate for around 12 months, during which time we will seek to better understand the costs of the trial and the ability to roll it out in other places.

Our 2024 Sustainability Report describes in detail our goals and progress during FY2024. It is available at **investors.babybunting.com.au**

The board

Details of the qualifications, experience and special responsibilities of each current director are as follows:

Melanie Wilson

Chair, Non-Executive Director

MBA, B.Comm (Hons), GAICD

Melanie has over 15 years' retail experience in senior management roles. Her appointments have included Limited Brands, Starwood Hotels (New York), Woolworths and Diva/Lovisa and have covered a wide spectrum of retail including store operations, merchandise systems, online e-commerce, marketing, brand development and logistics/ fulfilment.

In her most recent executive position, Melanie was Head of Online at BIG W. Prior to her retail experience, Melanie performed roles at Bain and Company (Boston) and Goldman Sachs (Hong Kong and Sydney).

Melanie holds a Bachelor of Commerce (Hons) and has a Master of Business Administration (Harvard). She is a graduate of the Australian Institute of Company Directors.

She is currently a non-executive director of JB Hi-Fi Limited (appointed in June 2020) and PropertyGuru Group Ltd (a NYSE listed entity) (appointed November 2019). She was a non-executive director of iSelect Limited (April 2016 to October 2021) and EML Payments Limited (February 2018 to February 2023).

Gary Levin

Non-Executive Director

B.Comm, LLB, MAICD

Chair of the Audit and Risk Committee

Gary has over 40 years' management, executive and non-executive experience in public and private companies including in the retail, investment and online industries.

As a founder, Gary has built and grown many successful retail businesses, and as a non-executive director he has been closely involved in the transformation and growth of retail and digital businesses. These businesses include Rabbit Photo (former joint managing director), JB Hi-Fi (former non-executive director), Catch Group (former Chair), Cheap as Chips (a discount variety retailer) (current Chair) as well as his role at Baby Bunting since 2015.

Donna Player

Non-Executive Director

BA, GAICD

Member of the Remuneration and Nomination Committee

Donna has over 40 years' experience in retail, marketing and product development gained in both retail and wholesale industries. Currently she is Director of Merchandise for Camilla Australia and has had executive responsibilities for merchandise, planning, branding, sourcing and supplier strategies in previous roles.

Donna holds a Bachelor of Arts from the University of NSW and is a graduate of the Australian Institute of Company Directors.

She is currently a non-executive director of Accent Group Limited (appointed in November 2017).

Gary Kent

Non-Executive Director

BEc, GAICD
Chair of the Remuneration and Nomination Committee, Member of the Audit and Risk Committee

Gary has an extensive background in the retail and services sector, with considerable experience in corporate finance transactions. He had a career of 18 years with Coles Myer and the Coles Group, during which time his roles included Chief Financial Officer of the Coles Group and Group General Manager for Finance at Kmart and Myer. Gary has served as the Chief Executive Officer of the Western Bulldogs AFL club, where he has also served as a non-executive director and as Chair of the club's audit and risk committee.

He is a non-executive director of Blooms The Chemist Management Services Limited.

Gary holds an economics degree, is a chartered accountant and a graduate of the Harvard advanced management program.

Francine Ereira

Non-Executive Director

B.Bus, GAICD
Member of the Remuneration and Nomination Committee

Francine brings over 20 years' experience in areas including e-commerce, digital/technology, retail, payments, marketing and supply chain.

Most recently her appointments have included CEO at Klarna, Australia & New Zealand, General Manager Sales & Solution Delivery at Zip Co Limited, and senior management roles at Disney, Saab, Sheridan and Holden.

Francine holds a Bachelor of Business from Monash University and is a graduate of the Australian Institute of Company Directors.

She is currently a non-executive director of Brainwave Australia and an advisory Board member of Greener and InDebted.

Stephen Roche

Non-Executive Director

B.Bus, FAICD
Member of the Audit and Risk Committee

Stephen has over 15 years' experience as a director of public companies, private family offices and not for profit enterprises.
Most recently he was Managing Director of Bridgestone Australia & New Zealand. He has also been Managing Director and CEO of Australian Pharmaceutical Industries Limited from August 2006 to February 2017.

He brings extensive experience in strategy, business development and supply chains across retail, healthcare and consumer markets.

Stephen is currently a non-executive director of GWA Group Limited (appointed in November 2022), Myer Family Investments Limited and a director of the Adelaide Football Club. He was previously a non-executive director of Blackmores Limited (September 2021 to August 2023).

He holds a Bachelor of Business from the University of South Australia, is an alumnus of Columbia University NY and is a fellow of the Australian Institute of Company Directors.

Our corporate governance statement describes Baby Bunting's governance framework designed to support effective and responsible decision-making.

Corporate governance statement

The Board of Baby Bunting Group Limited (Baby Bunting or the Group), with the support of its Board Committees, is responsible for the oversight of Baby Bunting and its subsidiaries' governance framework.

The purpose of this governance framework is to provide effective and responsible decision-making and to seek to ensure that Baby Bunting is managed and operates in a way that delivers on its strategy and purpose.

This Statement, which has been approved by the Board, is current as at 30 June 2024 being the balance date for FY2024.

See investors.babybunting.com.au/corporate-governance for more information

Additional information on Baby Bunting's corporate governance framework and practices can be found at:

- the corporate governance page of Baby Bunting's website at investors.babybunting.com.au/corporate-governance;
- the **Appendix 4G – Key to Disclosure Corporate Governance Council Principles and Recommendations**. A copy was lodged with ASX on 20 August 2024 and is also available on the corporate governance page of Baby Bunting's website;
- the **Remuneration Report**;
- the **Material business risks and uncertainties** section of the Directors' Report;
- copies of the **Board and Board Committee charters** can be found at investors.babybunting.com.au/corporate-governance;
- copies of the **policies** referred to in this statement can be found at investors.babybunting.com.au/corporate-governance.

1. Board of Directors

1.1. Board composition

Baby Bunting's Board comprises six Non-Executive Directors, each of whom is independent, and Baby Bunting's Chief Executive Officer (CEO), Mark Teperson.

Melanie Wilson is the independent Chair of the Board. The roles of the Chair and CEO are separate.

Three of Baby Bunting's Directors are female and four are male.

The qualifications, experience and special responsibilities of each Director is set out on pages 12 and 13 of this Annual Report and is also available on Baby Bunting's website at investors.babybunting.com.au/our-board-executives.

The name of each Director, together with their appointment information, is set out below. In accordance with Baby Bunting's Constitution, Melanie Wilson, Francine Ereira and Stephen Roche will each seek re-election as a Director at the 2024 AGM. As CEO, Mark Teperson is not required to seek re-election by shareholders every three years in accordance with ASX Listing Rules.

Directors	Roles	Date appointed to the Board	AGM where last elected/re-elected
Melanie Wilson	Chair of the Board	February 2016	October 2021 – will seek re-election at the 2024 AGM
Mark Teperson	CEO	October 2023	n/a
Gary Levin	Chair of the Audit and Risk Committee	August 2014	October 2023
Donna Player	Member of the Remuneration and Nomination Committee	January 2017	October 2023
Gary Kent	Chair of the Remuneration and Nomination Committee Member of the Audit and Risk Committee	December 2018	October 2022
Francine Ereira	Member of the Remuneration and Nomination Committee	September 2021	October 2021 – will seek re-election at the 2024 AGM
Stephen Roche	Member of the Audit and Risk Committee	September 2021	October 2021 – will seek re-election at the 2024 AGM

1.2. Role of the Board and management

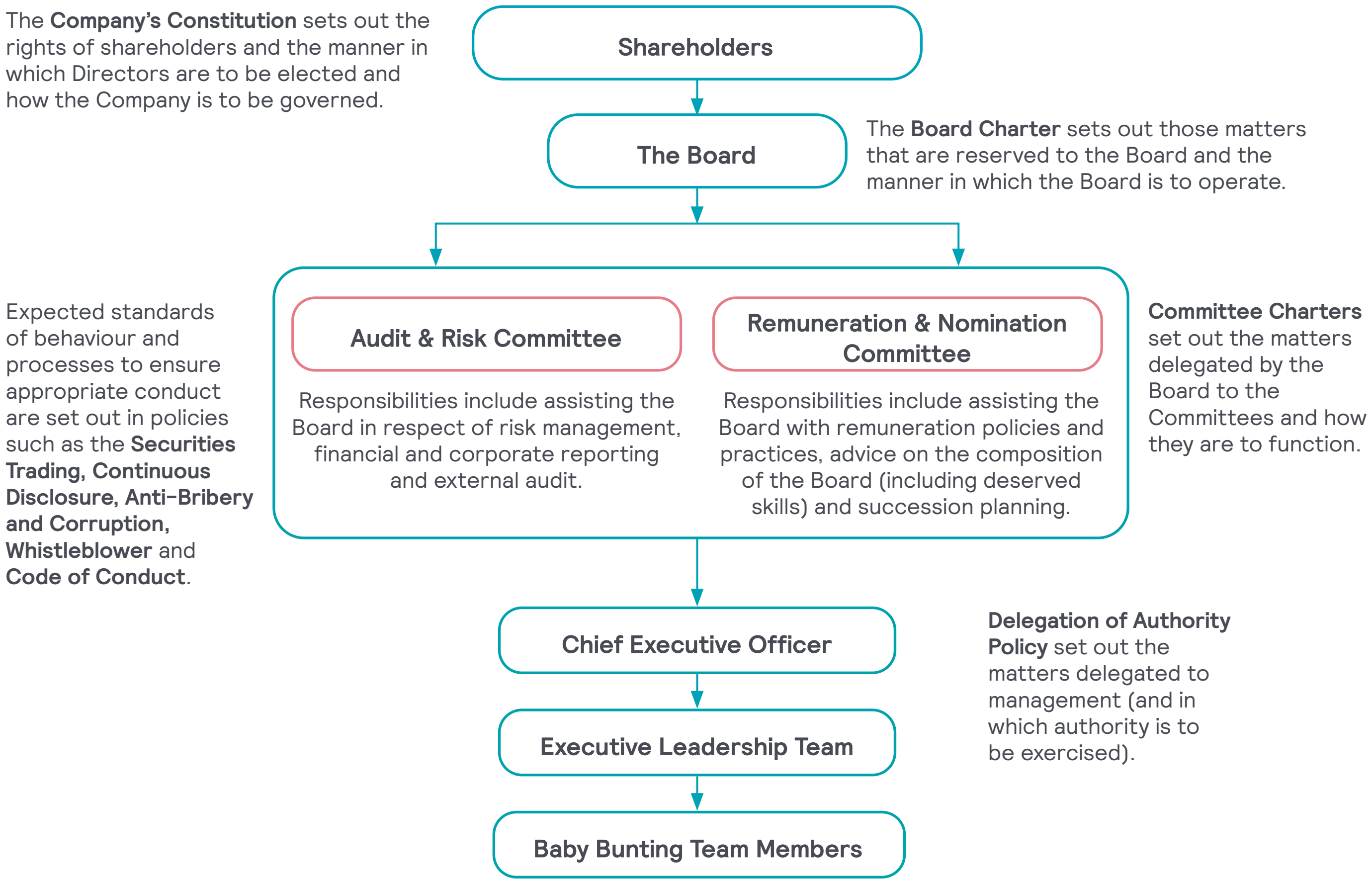
The Board is responsible for the overall performance of Baby Bunting and accordingly takes accountability for monitoring the Group's business and affairs and setting its strategic direction, establishing policies and overseeing Baby Bunting's financial position and performance.

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the Board's composition, its role and responsibilities, including that the Board is responsible for approving and monitoring the Group's strategy, business performance objectives, financial performance objectives, and overseeing and monitoring the establishment of systems of risk management and internal controls;
- the roles and responsibilities of the Chair and the company secretary;
- the division of authority between the Board, the CEO and management;
- the ability of Directors to seek independent advice; and
- the process for periodic performance evaluations of the Board, each Director and the Board committees.

The Group's Delegation of Authority Policy sets out in detail the authority that has been delegated to the CEO, other executives and Team Members.

While the Board is responsible for approving the annual budget prepared by management, executives are delegated responsibility for the budgets that apply to their functions and departments. The Delegation of Authority Policy also specifies the processes for review and approval of contracts and other commitments.



1.3. Director's attendance at Board and Committee meetings

The number of Board, and Board Committee, meetings held during the financial year and Director's attendance at those meetings are set out below. All Directors are invited to attend Board Committee meetings and most Board Committee meetings are attended by all Directors. However, only attendance by Directors who are members of the relevant Board Committee is shown in the table below.

During the year, the Board formally approved one matter by way of circulating resolution. The substance of that matter had been considered at a prior Board meeting.

	Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	A	B	A	B	A	B
Melanie Wilson	10	10				
Mark Teperson[1]	8	8				
Gary Levin	10	10	6	6		
Donna Player	10	10			3	3
Gary Kent	10	10	6	6	3	3
Francine Ereira	10	10			3	3
Stephen Roche	10	10	6	6		

1. Mark Teperson was appointed a Director with effect on 2 October 2023.

A Special Committee of the Board can be convened to formally approve certain matters in relation to the half-year and full year results, where the Board had previously considered and provided in-principle approval for those matters subject to finalisation of certain procedural matters. The Special Committee met once during the year, noting that membership is ad hoc.

Column A indicates the number of meetings the Director was eligible to attend as a member. **Column B** indicates the number of meetings attended.

1.4. CEO and delegation to management

The Board appoints the CEO. The CEO appoints other executives, after consultation with the Board. Executive remuneration is subject to the approval of the Board. All executives enter into written employment agreements with the Group, with their appointment subject to completion of appropriate screening and background checks, including police checks.

The Board has delegated authority to the CEO, and through the CEO, to senior management (set out in the Delegation of Authority Policy).

The Executive Leadership Team meets weekly and is responsible for the Group's operational performance and management. There are a number of other management committees and meetings, which are held on a regular basis, with a focus on specific aspects of Baby Bunting's operations, including Health and Safety, Trading, Property, Merchandise and Compliance.

1.5. Board composition, selection and appointment

The Board has an objective that the Board comprise at least 40% of women and 40% of men. This objective has been met since September 2021. Three out of the seven Directors during this time have been women and, excluding the CEO, there are three female Non-Executive Directors and three male Non-Executive Directors.

The Board seeks to ensure that there is a mix of skills and diversity on the Board (see Board skills and experience below). The Board periodically considers its composition. If it considers that additional appointments should be made, the Remuneration and Nomination Committee has specific responsibilities in respect of candidate assessment, Board composition and the Board's skills matrix.

Potential new directors are subject to appropriate screening and background checks, including police checks, prior to their appointment. Once appointed, new Directors are required by Baby Bunting's constitution to retire at the next AGM and seek election by shareholders. All material information about the Director, that is held by the Group, is included in the Notice of AGM to enable shareholders to assess whether or not to elect or re-elect a Director.

Before a Director is appointed, Baby Bunting enters into a written agreement with the Director setting out the terms of their appointment. The appointment letter specifies, among other things, that the Director must comply with Baby Bunting's constitution and key policies, including the Securities Trading Policy. It also discusses the Director's responsibilities and expectations about dedicating sufficient time to the Group's affairs, as well as conflicts of interests and the obligations to make appropriate disclosures to the Board. The appointment letter also sets out details of the remuneration arrangements for Directors, noting that Non-Executive Directors are not entitled to participate in any of the Group's incentive programs.

Since November 2022, the Board has had a Minimum Shareholding Policy which requires Directors to obtain, over time, a holding of Baby Bunting's shares at least equal to 100% of their Director's fees. Details of Directors' shareholdings are set out in the Remuneration Report on page 56.

1.6. Board skills and experience

The Board, having regard to the current size of the Group and its current strategies, has adopted a skills matrix setting out the mix of skills and diversity that the Board is looking to achieve in its membership at this time. The Board also has regard to the attributes and personal qualities of Directors, including the ability of individual Directors to contribute effectively to the functioning of the Board and a commitment to the Group's values and its purpose.

For persons being considered for appointment to the Board, the Board will seek to identify whether the person has a demonstrated or assessed ability to work in a collegiate environment along with the ability, where necessary, to express a dissenting view objectively and constructively. The Board considers that each Non-Executive Director possesses these attributes.

Given the Group's size, the Board considers that the Board should be comprised of five to seven Non-Executive Directors.

Skill or experience	Description
Executive Leadership	Demonstrated success at CEO or senior executive level in a major business. Effective communication skills to foster collaboration and consensus among diverse stakeholders.
Retail / Commercial and financial acumen	Demonstrated success via a senior executive or leadership position in sustainably managing the financial and non-financial performance of a large retail business or commercial undertaking. Proficiency in interpreting financial statements, and financial analysis to support strategic decision making and assessing financial health and reporting compliance.
People and organisational culture	Experience with managing people and teams, including the ability to appoint and evaluate senior executives, manage talent development and oversee organisational change.
Industry knowledge and innovation	Demonstrated ability to understand the dynamics and trends of the retail industry, including challenges, opportunities and emerging trends. Relevant experience with digital and online retailing including the ability to assess the impact of technological advancements, changing consumer preferences and macroeconomic factors. Experience in driving innovation, exploring new business models and leveraging technology.
Governance, Risk management and compliance and ESG	Experience in overseeing risk management and compliance frameworks and related policies and processes, setting risk appetites, identifying and providing oversight of material business risks. Understanding of corporate governance principles, regulatory requirements and best practices relevant to the retail sector and public companies. Experience in formulating, implementing and/or overseeing corporate governance and strategies focused on conducting business responsibly and ethically, enhancing corporate culture and generating long-term sustainable value for shareholders, employees, stakeholders and the community.
Information technology and supply chain	Knowledge and experience in retail logistics and distribution. Extensive experience in overseeing major system upgrades or transformational programs in large scale enterprises.
ASX-board experience and investor advocacy	Experience as a non-executive director of an ASX listed company, including an ability to articulate the expected views of all categories of investors.
International experience	Experience in international markets, exposed to a range of political, cultural, regulatory and business environments.

1.7. Director induction and training

The Board Charter contemplates that new Directors will be provided with an induction program to assist them in becoming familiar with the Group, its management and its business following their appointment. The induction program involves, among other things, meetings with members of the Board and executive briefings on the Group's operations and relevant business matters.

Directors may, with the approval of the Chair, undertake appropriate professional development opportunities (at the expense of the Group) to maintain their skills and knowledge needed to perform their role.

The Board and executives have adopted processes to ensure that the Board is briefed on developments relevant to the Group and the markets in which it operates.

During the financial year, the Board received briefings from subject matter experts on a range of topics, including artificial intelligence, developments in sustainable retail, consumer preferences and demographics and changes in key regulatory requirements.

1.8. Director independence

Baby Bunting's Board Charter provides that a majority of the Board will be independent Directors.

The Board Charter also specifies the test for independence and the manner in which the Board will assess independence.

The Board considers an independent Director to be a Non-Executive Director who is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of Baby Bunting. The materiality of the interest, position, association or relationship will be assessed to determine whether it might interfere, or might reasonably be seen to interfere, with the Director's characterisation as an independent Director.

In assessing independence, the Board has had regard to the factors set out in the ASX Corporate Governance Council Principles and Recommendations.

The Board has assessed each Non-Executive Director to be independent.

1.9. Outside commitments of Non-Executive Directors

The letter of appointment for each Non-Executive Director provides that if that Director wishes to accept any additional directorships, the Director should first discuss that with the Chair of the Board. In discussing the proposed directorship, the Chair and the relevant Director will reflect on the likely time commitments that any additional role may impose as well as the potential for any conflict between the Directors' duties to Baby Bunting and their interests or duties owed to the proposed external organisation.

In the case of the Chair of the Board, the Chair of the Remuneration and Nomination Committee participates in the discussion and reflection.

For FY2025, each Non-Executive Director has confirmed that they anticipate being available to perform their duties without constraint from other outside commitments.

2. Performance evaluations

2.1. Board performance evaluations

The Remuneration and Nomination Committee Charter provides that the Remuneration and Nomination Committee will assist the Board to assess Board performance, and the performance of Board committees and individual Directors.

In June and July 2024, the Board assessed its own performance, and considered the performance of the Board committees and individual Directors.

The performance reviews were undertaken by way of questionnaires as well as discussions on how the Board and each committee's processes could be improved or modified. The Board also sought the views of other Board meeting participants to seek additional perspectives on the Board and Committee processes and interactions between the Board and management.

2.2. Senior executive performance evaluations

The Remuneration and Nomination Committee Charter provides that the Committee will oversee the processes for the performance evaluation of the executives reporting to the CEO and review the results of that performance evaluation process.

The Board is responsible for reviewing the performance of the CEO.

In relation to the performance of senior executives, after the end of the reporting period, the Remuneration and Nomination Committee and the Board received reports of the outcome of the executive performance evaluation processes.

These were subsequently considered by the Board. The executive evaluation processes involved, among other things, assessing the performance of executives against their specific performance objectives as well as the Group's overall performance on a range of measures (including financial and specific key performance indicators).

For the performance assessment of the CEO, the Board considers the CEO's performance for the year having regard to, among other things, his specific performance objectives and the Group's performance. The Chair was responsible for engaging with the CEO in relation to the Board's assessment of his performance.

3. Company secretaries

The Board appoints Baby Bunting's company secretaries. For administrative reasons, the Group has appointed two company secretaries, Corey Lewis and Darin Hoekman.

Corey Lewis is the Chief Legal Officer (CLO). He is responsible for the provision of legal services to Baby Bunting. He works with the Chair, the Chairs of the Board Committees and the Directors and senior management and is responsible to the Board for the corporate governance function. He oversees the Group's relationship with its share registrar and the interactions with the ASX and other regulators.

He is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

Corey commenced employment with the Group in February 2016 and was appointed company secretary in March 2016. Before joining Baby Bunting, Corey worked as a corporate lawyer at a national law firm. He holds a Bachelor of Laws (Hons) and a Bachelor of Arts. He is a graduate of the Australian Institute of Company Directors.

Darin Hoekman, the Chief Financial Officer (CFO), is also a company secretary of the Company. He has responsibility for the matters described above in the absence of the CLO. Darin is a Chartered Accountant and holds a Bachelor of Commerce.

4. Board Committees

4.1. Structure, composition and functioning

The Board has established two principal Board Committees:

- the Audit and Risk Committee; and
- the Remuneration and Nomination Committee.

Each Board Committee has its own Charter, is comprised only of independent Non-Executive Directors and has three members, and has a Chair that is a Non-Executive Director who is not the Board Chair.

	Audit and Risk Committee	Remuneration and Nomination Committee
Chair	Gary Levin	Gary Kent
Members	Gary Kent Stephen Roche	Donna Player Francine Ereira

Each Board Committee has the ability to access Baby Bunting's records and employees and the external auditor for the purpose of carrying out its responsibilities. The Committee Charters provide that the Committee may seek the advice of independent advisors on any matter relating to the duties or responsibilities of the Committee.

The papers for all Board Committee meetings are distributed to all Directors. Directors who are not members of the Committee may attend Committee meetings.

From time-to-time, the Board may establish ad hoc or special purpose Board Committees. Where these have been established, they have related to specific matters (procedural matters relating to the approval of periodic reports) or due to significant business events (for example, the Group's COVID-19 response).

4.2. Audit and Risk Committee

The role of the Audit and Risk Committee is to assist the Board in fulfilling its responsibilities for corporate governance and oversight of the Group's financial and corporate reporting, risk management and compliance structures and external audit functions.

Under its Charter, the Committee has specific responsibilities in respect of the areas of risk management and compliance, financial and corporate reporting and external audit matters. With respect to external audit matters, the Committee has responsibility for developing and overseeing implementation of the Group's policy on the engagement of the external auditor to supply non-audit services (noting that the Committee is required to advise the Board as to whether it is satisfied that the provision of any non-audit services is compatible with the general standard of independence for auditors).

During the year, the Committee's Charter was updated to specify that the Committee's responsibilities in relation to risk management include climate-related risks.

Members of the Committee, between them, have financial and accounting experience, technical knowledge and an understanding of the industries in which the Group operates.

The Audit and Risk Committee meets with the external auditor without management being present. The Chair of the Committee meets separately with the external auditor and management. The CFO is the primary contact for the Audit and Risk Committee and the CLO, as company secretary, assists with the administration and operation of the Committee.

The Audit and Risk Committee receives reports from management in relation to the Group's risk management framework and material business risks. The purpose of the Committee's risk management processes is to assist the Board in relation to risk management policies, procedures and systems and to ensure that risks are identified, assessed and appropriately managed.

CEO and CFO declarations

The Audit and Risk Committee reviews the preparation of the Group's periodic financial reports. As part of that process it reviews and considers declarations provided by the CEO and CFO.

The CEO and CFO provided declarations to the Board concerning:

- the Group's 2024 half year financial statements and other matters that are recommended by Recommendation 4.2 of the ASX Corporate Governance Council Governance Principles; and
- the Group's 2024 full year financial statements, and other matters, that are required by section 295A of the Corporations Act and Recommendation 4.2 of the ASX Corporate Governance Council Governance Principles.

The declaration included that, in the opinion of the person giving the declaration, the financial records of the entity have been properly maintained, the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity, the consolidated entity disclosure required by the Corporations Act is true and correct, and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively in all material respects.

Corporate reporting

In addition to the CEO and CFO Declarations (described above), the Group has processes that seek to ensure that its annual reports, half yearly reports and other reports prepared for the benefit of investors are not misleading or deceptive and do not omit material information. These processes include:

- a process of confirming pro forma non-statutory numbers against appropriate supporting files, along with review and verification by the appropriate individuals;
- verifying key statements against appropriate source material; and
- allocating material parts of the report or document for review and confirmation by an appropriate approver.

Risk management framework

The Board is responsible for overseeing the establishment of and approving risk management strategies, policies, procedures and systems of the Group, and is supported in this area by the Audit and Risk Committee. The Group's management is responsible for establishing the Group's risk management framework.

The objectives of the risk management framework include:

- identifying the key risks associated with Baby Bunting's business;
- raising the profile of risk within Baby Bunting and helping to embed a risk-aware culture within Baby Bunting;
- assisting management and the Board to ensure that the Group has a sound risk management framework;
- supporting the declarations by the CEO and the CFO; and
- where appropriate, having controls, policies and procedures to manage certain specific business risks – e.g an insurance program, regular financial budgeting and reporting, business plans, strategic plans, etc – so as to mitigate the likelihood, or consequence, of certain specific business risks.

As part of the risk management framework, processes exist to identify, assess, monitor and review the Group's key risks and to document and monitor the Group's other risks. In connection with its responsibilities for risk management, the Audit and Risk Committee receives reports from management on the risk management system, key risks and the related risk treatment plans as well as information on critical events that may arise throughout the year.

Risk appetite statement

The Board has adopted a Risk Appetite Statement. The statement provides guidance as to the type and degree of risk that the Board is willing to accept in pursuing the Group's strategy and conducting its business. Risk appetite is the amount of risk that Baby Bunting is willing to accept or retain to pursue its strategy and conduct its business. It seeks to balance the benefits of an activity or new opportunity with the risk that the activity or opportunity might bring.

The Risk Appetite Statement identifies a number of risk types (eg operational risk, people and culture risk, financial risk, legal and compliance risk, strategic risk) and states a risk appetite rating or tolerance for each. Risk appetite ratings range from zero appetite through to high appetite. Instances where a risk tolerance has been exceeded must be reported to the Audit and Risk Committee or Board, along with details of any proposed corrective actions.

4.3. Remuneration and Nomination Committee

The role of the Remuneration and Nomination Committee is to assist the Board in fulfilling its responsibilities relating to Board composition and succession as well as remuneration policies and practices for the Group.

During the financial year, the Committee considered and made recommendations to the Board in relation to specific remuneration matters (see the Remuneration Report on page 43 for more information).

The General Manager – People and Culture provides support to the Committee and the CLO, as company secretary, assists with the administration and operation of the Committee.

Minimum Shareholding Policy

The Board has adopted a minimum shareholding policy for directors and key management personnel. A person subject to the policy is required to achieve and maintain a minimum shareholding in Baby Bunting's shares equivalent to 100% of their director's fees or fixed annual remuneration, as applicable. Participants must accumulate the shareholding within the later of 5 years after the adoption of the policy or their date of appointment. See Section 9 of the Remuneration Report.

5. Audit and Financial Governance

5.1. Financial controls

The Audit and Risk Committee is responsible for reviewing the adequacy of the Group's financial and corporate reporting processes and internal control framework.

Members of the executive team periodically attest to the integrity of the financial results and disclosures, compliance with reporting obligations and the effectiveness of internal controls.

5.2. Internal audit

The Group does not have a formalised internal audit function, but has processes for evaluating and continually improving the effectiveness of risk management and internal financial control processes.

To evaluate and continually improve the effectiveness of the Group's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks. These processes are implemented, overseen and assessed by the management team, the CFO and CEO, and the Audit and Risk Committee.

5.3. External audit

Ernst & Young is the Group's external auditor. It was first appointed in November 2017 and it first conducted the external audit of the Group's financial statements for the 2018 financial year.

Tony Morse has been the lead audit partner since the 2020 financial year and he has performed that role in respect of the 2024 financial year. In accordance with auditor independence requirements, Tony will cease in that role. For the 2025 financial year, Katie Struthers, a partner at Ernst & Young, will perform the role of lead audit partner.

The Audit and Risk Committee has responsibilities that include making recommendations to the Board on the appointment, reappointment or replacement of the external auditor, reviewing the external auditor's proposed work plan for the year, and monitoring auditor independence issues, including the engagement of the auditor for non-audit work. The Committee provides advice and a report to the Board as to whether the Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence, and an explanation of why those non-audit services do not compromise audit independence. This report and advice support the Board in being in a position to make the statements required by the Corporations Act about auditor independence.

6. Ethical and responsible decision making

6.1. Vision, Mission and Values

Baby Bunting's Vision is "The best start for the brightest future" and its mission is "To support and inspire confident parenting, from newborn to toddler".

The Group's values are:

- Be passionate about providing our customers with great products and services, advice and value every day.
- Be considerate and respectful of others and think about how our decisions and actions impact others.
- Act with integrity and use good judgement.
- Think big, but get on with doing the small things that make a big difference.
- Never be afraid to evolve – encourage a culture of adventure and creativity.
- Be positive and enjoy doing the things that contribute to a great team spirit.

6.2. Code of Conduct

The Board has approved the adoption of a formal Code of Conduct which outlines how Baby Bunting expects its employees to behave and conduct business in the workplace. The Code of Conduct applies to all employees, regardless of employment status or work location. In addition, the Directors, in the Board Charter, have committed to abiding by the Code of Conduct as it applies to the Board.

The Code of Conduct is designed to:

- provide a benchmark for ethical and professional behaviour throughout Baby Bunting;
- promote a healthy, respectful and positive workplace and environment for all Team Members;
- ensure that there is compliance with laws, regulations, policies and procedures relevant to Baby Bunting's operations, including workplace health and safety, privacy, fair trading and conflicts of interest;
- ensure that there is an appropriate mechanism for Team Members to report conduct which breaches the Code of Conduct; and
- ensure that Team Members are aware of the consequences they face if they breach the Code of Conduct.

6.3. Whistleblower Protection Policy

The Group has adopted a Whistleblower Protection Policy.

The CLO has been appointed the Whistleblower Investigations Officer and the General Manager – People and Culture has been appointed the Whistleblower Protection Officer, for the purposes of the Policy. When they arise, the Board is informed of all whistleblower reports in a manner consistent with the confidentiality and security requirements of the Policy. No such matters were reported in the financial year.

6.4. Anti-Bribery and Corruption Policy

The Group has adopted an Anti-Bribery and Corruption Policy. To support the Policy, the Group has adopted Acceptable Monetary Limits and Reporting Requirements which set out when an instance of a gift, entertainment or hospitality may be accepted by Baby Bunting Team Members. Generally, they must relate to general relationship building activities where it cannot reasonably be construed as an attempt to improperly influence the performance of the role or function of the recipient.

Team Members must report instances of gifts, entertainment or hospitality other than where the value is immaterial. Where the estimated value exceeds specified limits, prior approval must be sought and obtained.

The Board must be informed of material breaches of the Anti-Bribery and Corruption Policy. No such incidents or breaches were reported in the financial year.

6.5. Securities Trading Policy

The Group's Securities Trading Policy provides that persons subject to that policy (including Directors and executives) must not engage in transactions designed to hedge their exposure to Baby Bunting's shares. In addition, designated persons must only trade during designated trading windows and must seek approval under the Policy before doing so.

7. Commitment to shareholders

7.1. Communicating with shareholders

The Board's aim is to ensure that shareholders are provided with sufficient information to assess the performance of the Group and that they are informed of all major developments affecting the affairs of the Group.

The Group is required by law to communicate to shareholders through the lodgement of all relevant financial and other information with ASX and, in some instances, distributing information to shareholders. Information (including information released to ASX) is published on Baby Bunting's website. The website also contains information about it, including key policies and the charters of the Board Committees.

In addition, from time to time, the Group conducts ad-hoc briefings with institutional investors, as well as financial media. In some instances, that can involve site visits to stores or Baby Bunting's Distribution Centre. It is the Group's policy not to hold briefings with investors or analysts from 1 June until the release of the full year results in August and from 1 December until the release of the half year results in February.

The Group encourages shareholders to receive communications from it and its share registrar electronically and provides details for shareholders to send electronic communications and to have them actioned appropriately.

7.2. Shareholder meetings

The Group's annual general meeting for the financial year ended 30 June 2024 will be held on 15 October 2024. It will be an in-person meeting.

Shareholders are provided with notice of the meeting (either electronically or by hard copy) in advance of the scheduled meeting time. Shareholders have an opportunity to ask questions at the meeting. In addition, shareholders can submit questions electronically in advance of a meeting via the share registrar's website.

The Group's external auditor attends the Group's AGMs and is available to answer shareholder questions on any matter that concerns them in their capacity as auditor.

It is the Group's practice that all voting on substantive resolutions at shareholder meetings is conducted by way of a poll.

8. Continuous Disclosure

The Group has adopted a Continuous Disclosure Policy. The Continuous Disclosure Policy establishes procedures to ensure the Group complies with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules.

The Board receives copies of all material market announcements promptly after they have been lodged with ASX. In addition, a copy of any new and substantive investor presentation is released to ASX in advance of the presentation.

9. Environmental and social risks

The Group is exposed to a number of risks, details of which are included in the Directors' Report on pages 36 to 39. These risks could have a material impact on the Group, its strategies and future financial performance. These risks were identified as part of the Group's risk management framework (described above). Management is responsible for developing strategies to manage identified risks.

As a retailer, the Group is exposed to environmental and social risks, including risks relating to supply chains, sustainable packaging and sustainable product development and sustainable operating practices.

Further details about Baby Bunting's approach to environmental and social sustainability matters are contained in its Sustainability Report (released in August 2024). The Group has published its 2024 Modern Slavery Statement. The statement describes the modern slavery risks that exist in the Group's supply chains.

A copy of these documents are available on Baby Bunting's website (investors.babybunting.com.au).

10. Diversity

The Board has adopted a Diversity Policy which sets out Baby Bunting's commitment to recognising the importance of diversity for its business.

Baby Bunting actively promotes diversity through its hiring and promotion practices, measures gender diversity in the composition of its senior executives and team members generally, and reports these annually to the Australian Government's Workplace Gender Equality Agency.

Baby Bunting has a majority female workforce (79% in FY2024, 80% in FY2023). Baby Bunting's measurable objectives for gender diversity focus on the composition of senior levels of the organisation. This is considered to be a more appropriate objective and measure as it seeks to ensure diversity is achieved and maintained at levels of the organisation where significant operational or strategic decisions are designed, made and implemented.

Baby Bunting has an objective of at least 40% of women across all levels of the Group by 2030. As at 30 June 2024, the proportion of women at Baby Bunting across parts of the organisation is set out below.

Group	2024 objective	2023 objective	2024 actual % of women	2023 actual % of women
Board	That the Board comprise at least 40% of women and 40% of men	That the Board comprise at least 40% of women and 40% of men	43%	43%
Senior Executives (incl. CEO)	That at least a third of Senior Executives are women in the medium term	That at least a third of Senior Executives are women in the medium term	20%	20%
Area and Regional Managers	That at least 40% of Area Managers and Regional Managers are women	That at least 40% of Area Managers and Regional Managers are women	54%	58%

Under the Workplace Gender Equality Act, Baby Bunting is required to make annual public filings with the Workplace Gender Equality Agency, disclosing its "Gender Equality Indicators". These reports are filed annually in respect of the 12 month period ending 31 March. A copy of Baby Bunting's latest filing is available on Baby Bunting's website at investors.babybunting.com.au/resource-centre.

Directors' report

The Directors of Baby Bunting Group Limited (the Group or Baby Bunting) submit the financial report of the Group and its controlled entities ("the consolidated entity") for the financial year ended 30 June 2024.

1. Principal activities

During the financial period, the principal activity of the Group and its consolidated entities was the operation of Baby Bunting retail stores in Australia and New Zealand and related online stores.

Baby Bunting is Australia's largest specialty retailer of maternity and baby goods, primarily catering to parents with children from newborn to three years of age and parents-to-be.

The Group's principal product categories include prams, cots and nursery furniture, car safety, toys, babywear, feeding, nappies, manchester and associated accessories. Baby Bunting also provides services that are complementary to the products it sells, including car seat installation and hire services of certain nursery products.

2. Operating and financial review

2.1. The Group's business model

The Group's business model is centred around the sale of baby goods through its store network and digital channel, as well as product services offered to parents and parents-to-be.

Products sold by Baby Bunting include third-party produced and branded baby goods (many of which are sold exclusively by Baby Bunting) and private label products.

Baby Bunting's private label products include products sold under the 4baby, Bilbi and JENGO brands. Exclusive products are products sourced by the Group for sale on an exclusive basis (so that those products can only be purchased from Baby Bunting). Historically, exclusive supply arrangements have been arranged with suppliers in relation to selected products and for varying lengths of time.

Providing complementary services is also part of Baby Bunting's business model. The Group offers car seat installation services at its stores throughout Australia and New Zealand and the hire of certain nursery products.

Baby Bunting's business model is based on the following elements:

Extensive store network With 70 stores around Australia, Baby Bunting's store network is within one hour travel time of around 65% of Australia's population. The stores carry a wide selection of products across a variety of categories, providing a platform for consumers to compare and experience products and to meet consumer preferences. Baby Bunting has four stores in New Zealand, with plans to open further stores in future periods.	**Consistent retail experience** Baby Bunting is focused on providing customers with a consistent retail experience across its network. The Group's stores in major market catchments (with populations greater than 200,000) range in size from approximately 1,500 to 2,000 square metres and are typically located in either bulky goods centres or at stand-alone sites. Baby Bunting has a number of stores located in shopping centres, where the format incorporates the key elements of the standard destination store format. In regional centres (with populations of less than 200,000), the Group typically operates a smaller store format of approximately 1,200 to 1,500 square metres, without compromising product range or customer service.
Leading digital channel The Group's website, babybunting.com.au, continues to be Australia's leading specialty baby goods website as measured by number of visits. The Group is focused on delivering customers the best possible retail experience across all channels, in store, online or on mobile.	**Omni-channel experience** All stores are enabled for online fulfilment. This means that orders can be allocated to the best location for fulfillment, with benefits in customer experience and inventory efficiency.

Customer centric team culture	Widest product offering, in-stock and available
Baby Bunting has a dedicated team of well-trained and knowledgeable staff to service customers' individual needs. Baby Bunting collects feedback from customers in-store and online. Insights gained from customer feedback and preferences are enabling Baby Bunting to tailor its offering to focus on the steps in the customer journey of first time parents as well as parents with growing families. Baby Bunting's Net Promotor Score at the end of the financial year was 73.	Baby Bunting offers what it believes to be the widest range of products, with over 7,800 products available. Through its Australian store network, approximately 22,000 square metre Distribution Centre and through the use of interstate third party warehouses, Baby Bunting aims to have its product range in-stock and available at the time of the customer's purchase. In New Zealand, the Group has established a distribution centre in Auckland to support the store network and online fulfillment to ensure a strong in-stock position for that market.
Competitively priced	**Complementary services**
Baby Bunting's approach to pricing is centred on offering customers value every day, every visit. Baby Bunting also has a range of essentials priced at entry-level pricing. Baby Bunting also offers a price promise to beat a competitor's lower price on an identical in-stock product, subject to certain conditions.	Across its entire store network, Baby Bunting provides additional services to its customers, including click & collect services, layby, parenting rooms which include baby weigh scales, and an in-store/online gift registry. Car seat installation services are provided at all Baby Bunting stores.

2.2. People

At the end of the financial year, the Group employed around 1,590 team members with the majority employed at the Group's stores, and others located at the Group's Store Support Centre and Distribution Centre at Dandenong South (Vic) and the distribution centre and support office in Auckland (NZ).

2.3. Review of the Group's operations

The adverse impact of cost-of-living pressures on consumer spending observed during the second half of FY2023 continued throughout FY2024. This had a negative impact on the Group's financial performance. The Group's consumers are more sensitive than many other groups to the widespread cost-of-living pressures and managed their spending carefully.

At the start of the financial year, the Group initiated steps to optimise its cost structure by restructuring some Store Support Centre functions. This saw a small number of roles being made redundant from the Store Support Centre. The Group also decided to moderate the level of investment in the final transformation project, relating to its enterprise resource planning (ERP) and point of sale systems (POS) replacement. This assisted in the management of costs in the short term, with the investment expected to be undertaken in a future period.

Australian operations

Operational highlights for Baby Bunting in Australia during FY2024 included:

- opening an additional new store, being Cranbourne (Vic), bringing the Australian store network to 70 stores (noting the closure of the Camperdown store in Sydney that occurred at the end of its lease during the year);
- enabling online fulfilment in all Australian stores that did not already have this functionality. This means that orders can be allocated to the best location for fulfillment, with benefits in customer experience and inventory efficiency. In the first half of the 2025 financial year, the Group plans to initiate same day and urgent delivery services to provide customers with the option to select expedited delivery where required;
- continuing the performance of the Group's private label and exclusive products range, with these sales making up 46.0% of total sales for the year (up slightly from 45.1%). With the support of supplier partners, exclusive products made up 36.3% of sales and Baby Bunting's private label range makes up 9.7% of sales;
- the first full year of Baby Bunting's marketplace, which was launched in June 2023. The marketplace enables third-party seller SKUs to be available for sale on babybunting.com.au. There are now more than 17,000 SKUs available on the marketplace, providing consumers with access to a broader selection of products. The number of curated marketplace SKUs is anticipated to grow further over the course of FY2025. The marketplace also plays an important role in future range planning and new product innovation; and

- continuing the Group's support for community partners through the support for fundraising efforts for Perinatal Anxiety & Depression Australia (PANDA) and Life's Little Treasures Foundation (a foundation that provides support, friendship and information, specifically tailored for families of premature or sick babies). Funds raised and contributed by the Group for these and other causes during the year was around $650,000.

Store operations were affected due to the extended closure of the Cairns store (July 2023 to March 2024) due to structural issues with the property. This resulted in additional expenses and costs and also had an adverse impact on the store's trading. Repairs were completed and the store re-opened in March 2024.

New Zealand operations

For New Zealand, operational highlights include opening three new stores towards the end of the first half of the financial year. Two stores (Sylvia Park and Manukau) are located in Auckland, joining the existing store at Albany, located towards the north of Auckland. A store was also opened in Christchurch on the South Island of New Zealand.

Further investments were made in the New Zealand team, with roles added in marketing, supply chain and inventory functions dedicated to operations in New Zealand.

Refer to the Chair's Report on page 4 of this Annual Report for more information on the Group's operations during the 2024 financial year.

2.4. Review of the Group's financial performance

The full year statutory results for the 52-week period ended 30 June 2024 (FY2023: 53-week period ended 2 July 2023) are summarised below:

- total sales down 4.9% to $498.4 million;
- gross profit margin of 36.8%, down 0.6% year-on-year;
- statutory net profit after tax (NPAT) of $1.7 million, a decrease of 82.8% on the prior year;
- statutory basic earnings per share (EPS) of 1.3 cents;
- cash and cash equivalents less borrowings (net debt) of $13.0 million (versus net debt of $6.2 million at the end of FY2023); and
- cash flow from operations of $40.1 million (down $2.9 million year-on-year).

In relation to the 2024 and 2023 financial years, the underlying operating results (as measured by pro forma earnings) are more clearly demonstrated with the following exclusions or adjustments:

- employee equity incentive expenses: the primary economic impact is issued capital dilution if and when shares are issued;
- business transformation project expenses: non-recurring project related expenses associated with significant one-off projects primarily focused around transition of business systems to modern platforms;
- pro forma earnings before interest, tax, depreciation and amortisation is calculated on a pre AASB 16 lease accounting basis; and
- business restructuring costs incurred in relation to organisational changes.

The Directors consider that these adjustments are appropriate to better represent the underlying financial performance of the business and to facilitate comparisons with prior periods.

On a pro forma basis, the FY2024 financial results were:

- pro forma earnings before interest, tax, depreciation and amortisation (EBITDA) was $15.9 million, down 48.9% on the prior corresponding period;
- total sales down 3.4% to $498.4 million, with comparable store sales being negative 6.3% for the financial year;
- gross profit of $183.7 million down 4.8%, with a gross profit margin of 36.8%;
- pro forma NPAT of $3.7 million, down 74.7% on the prior corresponding period;
- pro forma costs of doing business (CODB) (excluding the impact of AASB 16 lease accounting) were $167.7 million or 33.6% of sales, an increase of 229 basis points on the prior corresponding period (CODB of 31.4% of sales in FY2023); and
- cash flow from operations of $13.7 million, down $11.8 million on the prior corresponding period.

A reconciliation between statutory and pro forma financial results is below.

Non-IFRS financial 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 operating and pro forma results and non-IFRS financial measures are intended to provide shareholders with 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 the impact of AASB 16 Leases accounting).
EBIT	Earnings before interest and tax. EBIT eliminates the impact of the consolidated entity's capital structure and historical tax position when assessing profitability.
Operating EBIT	Excludes the effects of interest revenue, finance costs, income tax and other non-operating costs. The CEO assesses the performance of the two reportable segments, Australia and New Zealand, based on a measure of Operating EBIT.
Pro forma EBITDA	Earnings before interest, tax, depreciation and amortisation expense (excluding the impact of AASB 16 Leases accounting) and excludes pro forma adjustments included in the financial results below.

Pro forma financial results

In relation to the 2024 and 2023 financial years, the pro forma financial results have been calculated to exclude the impact of employee equity incentive expenses and business transformation project expenses. This has been done to more clearly represent the consolidated entity's underlying earnings (noting that this financial information has not been audited in accordance with the Australian Auditing Standards).

Year ended 30 June 2024 $'000	Sales	NPAT
Statutory results	**498,387**	**1,696**
Employee equity incentive expenses[1]	–	461
Transformation project expenses[2]	–	930
Restructuring costs[3]	–	1,438
Tax impact from pro forma adjustments	–	(849)
Pro forma results	**498,387**	**3,676**

1. Expense reflects the cost amortisation of performance rights (LTI) on issue in the reporting period. This also includes a recovery of prepaid payroll tax on the plans as the EPS CAGR hurdles as defined under the LTI plan were not achieved.
2. The Company incurred non-capital costs ($1.330 million) for transformation projects. This was offset by a $0.400 million cash settlement received in December 2023 from the vendor of order management software following a dispute in relation to that software and its implementation.
3. The Company incurred restructuring costs ($1.438 million) which included make good costs relating to the Camperdown store closure ($0.186 million) and payments associated with organisational restructure including the disestablishment of a number of head office roles.

The following table reconciles the statutory to pro forma financial results for the year ended 2 July 2023 (noting that this financial information has not been audited in accordance with Australian Auditing Standards):

Year ended 2 July 2023 $'000	Sales	NPAT
Statutory results	**524,281**	**9,854**
Employee equity incentive expenses[1,2]	–	965
Transformation project expenses[3]	–	4,745
Impact of week 53[4]	(8,491)	(412)
Tax impact from pro forma adjustments[5]	–	(649)
Pro forma results	**515,790**	**14,503**

1. Expense reflects the cost amortisation of performance rights (LTI) on issue in the reporting period. This also includes a write-back of the 2020 (EPS CAGR) expenses ($1.673 million) and the 2021 (EPS CAGR) expenses ($0.275 million) and the payroll tax paid on the plans as the CAGR hurdles as defined under the LTI plan, are unlikely to be achieved.
2. The Company issued 277,182 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 ($0.782 million).
3. The Company continued its investment in transformation projects and during the period the Company incurred non-capital costs ($4.745 million) associated with the implementation of a time and attendance system and the initial planning phase of a replacement of its enterprise resource planning (ERP) and point-of-sale systems. Other transformation project expenses include external consultant costs associated with project management costs to deliver the transformation projects.
4. FY2023 was a 53-week retail financial year. Week 53 revenues and expenses have been excluded to enable comparison to the FY2024 full year financial period (52 weeks) and prior years.
5. Tax impact from pro forma adjustments includes income tax expense relating to performance rights vesting under the Company's Long Term Incentive Plan ($0.864 million).

Revenue

The sales for the year ended 30 June 2024 of $498.4 million represented a decrease of 3.4% on FY2023.

During the period, four new stores opened, and one store closed (being Camperdown in NSW). In addition, seven new stores opened during FY2023 and traded for a full financial year in FY2024.

Comparable store sales were negative 6.3% when compared to the prior year. Comparable store sales growth is calculated having regard to the growth of stores that have been open for all of the prior financial year and includes click & collect sales fulfilled from the store. Stores not included in the comparable store sales growth calculations in FY2024 were the four stores opened in FY2024, and the seven stores opened in FY2023 noting also that the stores that closed during the period were also excluded from the date they ceased trading. This sales decline was driven by lower first half transaction volumes and lower transaction values in the second half. Transaction values were impacted by price competition in the key categories of car seats and prams.

Sales from private label and exclusive products were 46.0% of total sales in FY2024, up from 45.1% in FY2023. This has been sustained partly from the support of key suppliers expanding the range of their products sold exclusively through Baby Bunting. Categories where exclusive product ranges have expanded significantly include prams and strollers, cots and furniture and car safety (ie car seats). On a standalone basis, exclusive products represented 36.3% of sales (36.1% in FY2023).

Baby Bunting's range of private label products include 4baby, Bilbi and JENGO. Sales of private label products represented 9.7% of sales (9.0% in FY2023).

Total online sales (including click & collect) were 21.8% of total sales, an increase of 5.6% on the prior financial year (20.0% in FY2023).

Expenses

Pro forma costs of doing business (CODB) expenses (excluding the impact of AASB 16 Leases accounting) as a percentage of sales were 229 basis points higher year-on-year at 33.6% of sales (31.4% of sales in FY2023). In FY2024, pro forma CODB expenses were $167.7 million, up 3.7% on the prior year pro forma CODB expenses of $161.7 million. The increased investment in operating expenditure was driven by:

- seven stores opened in FY2023 trading for a full financial year in FY2024;
- four new stores opened in FY2024; and
- wage inflation of 5.7% which impacted both store labour and distribution centre activities. Wage inflation in stores was offset by productivity initiatives which delivered a 6.0% reduction in store labour hours in the Group's comparable store sales base year-on-year.

These increases were offset by administrative expense reductions resulting from cost-out initiatives undertaken in the first half of FY2024.

2.5. Review of the Group's financial position

The Group finished the financial year in a net debt position of $13.0 million, a change of $6.8 million on the prior year net debt position of $6.2 million.

Key items for the year include:

- operating cash conversion of 86.0% and free cash flow of $4.2 million;
- payment of $8.9 million in dividends, relating to the FY2023 final dividend of $6.5 million (paid on 8 September 2023) and the FY2024 interim dividend of $2.4 million (paid on 19 March 2024); and
- capital expenditure of $8.6 million in FY2024 relating to new stores, store sustenance and continued investment in IT and digital assets.

Renewed banking facilities

In June 2024, the Group renewed its banking facility with National Australia Bank. The facility, which has a limit of $78 million (consisting of a $70 million corporate market loan facility and a $8 million bank guarantee facility), was due to mature in March 2025. The loan facility has been extended and now matures in September 2027.

Dividends

Reflecting an approach to disciplined balance sheet management, the Board has chosen not to pay a final dividend in respect of FY2024. An interim dividend of 1.8 cents per share was paid in March 2024.

3. Business strategy and future developments

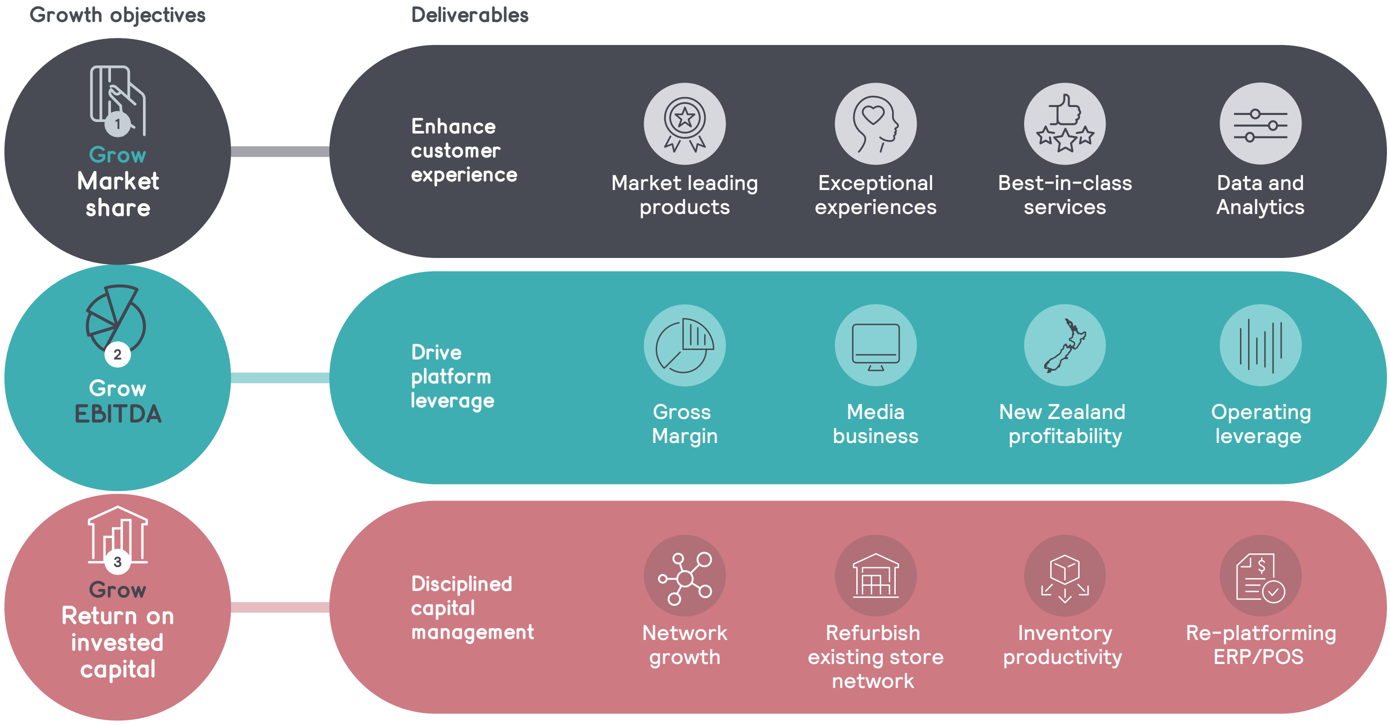
During the year, the Group refined its business strategy and plans for future financial years. The strategy reflects that there has been a demographic shift in the Group's customers. The Group's current customers are different from the Group's future customers. A significant growth in Baby Bunting's store network occurred at a time when Generation X parents (born 1965-1980) were the core customers. Over recent years and through to today, Baby Bunting's core customers are Generation Y or Millennial parents (born 1981-1996). In the coming years, Baby Bunting's core customers will be Generation Z parents (born 1997-2010) and the customer experience provided by the Group will evolve to meet these changes.

The Group's vision is the best start for the brightest future.

The Group's mission is to support and inspire confident parenting, from newborn to toddler.

The Group has the long-term financial objective of returning to be a 10% plus EBITDA margin business and delivering shareholder value.

The Group's strategy involves three key objectives:



3.1. Grow market share

Market leading products

Growing market share will target growth in strategic product categories and improving the Group's product offer.

The Group will seek to broaden market share in the prams and strollers category and the furniture and nursery category, along with amplifying the Group's presence in the car seat category through the Group's expanding store network. The Group intends to continue to expand into the food, formula and feeding, clothing and toys categories.

The Group intends to focus on range segmentation and expansion, fostering newness and innovation, enhancing customer experience and enriching offerings with valuable content.

The Group launched the Baby Bunting marketplace in June 2023. This curated marketplace facilitates the offer for sale of additional SKUs by third-party sellers on babybunting.com.au. The marketplace capability builds on the Group's e-commerce site and provides consumers with access to a broader range of products through the Group's online channel.

The Group intends to integrate marketplace into core categories, to enrich offerings with a wider array of colours and brand choice for customers. This expansion can assist in meeting the evolving preferences of customers and also services as a rich data source for understanding customer demand in new and adjacent categories.

Exceptional experiences

The Group seeks to provide exceptional experiences in store, with each store serving as an experience centre for customers, a distribution centre for products and a stage for the Group's brand partners to showcase their innovation and new products.

Towards the end of FY2024, the Group commenced a program to develop a brand and store redesign. The updated large format store design is intended to revamp the existing design with an emotionally resonant and activity-led design. It is anticipated that the final design plans will be available towards the end of Q2 FY2025, with the first stores to be refurbished completed towards the end of FY2025.

The store redesign program will also develop a design for a small format store, which will be a new format for the Group.

The Group is also focused on using its store network and online channel together to drive greater customer lifetime value. The store network can be used to facilitate delivery of goods from stores to fulfil online orders, providing benefits in terms of speed of fulfilment, cost savings and inventory efficiency.

Best-in-class services

The Group, through its car seat installation team, installs around 140,000 car seats a year in Australia. Providing car seat installation services at its stores throughout Australia and New Zealand is a key service offer for the Group.

During FY2025, the Group intends to pilot two additional services in store: one-on-one personalised appointments and a pram cleaning service. One-on-one appointments will provide customers with extended consultations with experienced team members as they commence their pregnancy journey. The pram cleaning service is intended to assist customers to extend the lifecycle of their products and extend the customer lifetime value.

Data and Analytics

The Group has access to transaction and loyalty data that offers insights into customer behaviour and trends, including understanding customers through their early parenthood journey. The Group has expanded its Data & Analytics team, including with the appointment of a Chief Data & Analytics Officer, with the view to, among other things, build predictive analytics based on known milestones through pregnancy and the early years of raising children. This will enable the Group to offer education content, guidance and products to support parents of newborns and toddlers, growing loyalty and lifetime customer value.

3.2. Grow EBITDA

The Group's long term goal is to return to being a 10% plus EBITDA margin business.

Gross margin

The Group is targeting 40% gross margin in FY2025 and further growth in future years.

Initiatives to achieve this goal include:

- simplifying price architecture by eliminating layering of price discounting;
- working with suppliers on trading terms to support mutual profitability and growth;
- amplifying exclusive brands;
- scaling the private label range, with a multi-year target to double the size of the Group's private label sales from 10% to around 20%; and
- de-ranging underperforming brands and products.

In relation to its exclusive brand initiatives, in June 2024, the Group announced that it had entered into a 5-year exclusivity agreement with Nuna Baby for the supply of Nuna baby gear in Australia. The Group also announced that it had entered into a 3-year agreement with Bugaboo to be the exclusive retailer of Bugaboo products in New Zealand.

Media business

A focus for FY2025 is the establishment of a new revenue stream through monetising the Group's existing in-store and digital assets. With around 800,000 active loyalty customers, 3.4 million annual transactions, around 32 million website visits and retail space in excess of approximately 100,000 square metres, the Group has significant assets to offer brand partners an opportunity to engage with new and expectant parents.

New Zealand profitability

The Group has an objective of scaling its New Zealand business to contribute positively to the Group's overall earnings. This scaling will focus on continuation of the store roll-out and achieving operating leverage.

There are four Baby Bunting stores in New Zealand, with plans to open at least a further six large format stores. The next store in New Zealand is anticipated to be in Auckland and to open in FY2025.

The initial priority when establishing the New Zealand business was to grow market share and build brand awareness. In the future, a focus will be on growing gross margin to a level that supports ongoing profitability along with improving the supply chain economics.

Operating leverage

To support its objective of growing EBITDA margin, the Group will focus on operating leverage including lowering variable costs, leveraging investments made in systems and simplifying the operating structure. Through cost discipline, better use of existing systems and operational excellence in processes, the Group is seeking to achieve improved performance without increasing costs.

3.3. Grow return on invested capital

The Group seeks to unlock value from its existing assets combined with discipline in relation to future investments.

Grow store network

The Group has a network plan for Australia and New Zealand that sees more than 110 large format stores in Australia (70 stores presently) and more than 10 large format stores in New Zealand (4 stores presently).

The network plan is developed with the assistance of a third-party network planner and demographer, based on market share data, bureau of statistics information on growth rates and spend, as well as assessments of sales re-direction potential and retail growth areas. Network growth is an important element in further building omni-channel customers and growing customer lifetime value.

The development of a small format store is anticipated to enable opportunities to target higher traffic areas and grow customer lifetime value. It also provides the opportunity to unlock high value smaller catchments that do not currently support the Group's existing large format store, for example in inner urban and regional areas.

A pilot of a small number of small format stores is expected to be commenced towards the end of FY2025, followed by a period of testing and assessment. Whether the small format store model is deployed more fully depends upon the performance of the pilot. Subject to this, the Group estimates that the potential exists for between 20 to 40 small format stores over the longer term.

Refurbish existing store network

Once the new store design has been developed, the Group intends to undertake a program of existing store refurbishments. The new store design is anticipated to contribute to increased store sales performance. Towards the end of FY2025, the Group intends to refurbish three existing large format stores and pilot the new design in three new stores. Following a period of assessment, the Group intends to roll-out the new store design over future years and commence a program of store refurbishments. Refurbishments will be targeted to occur in line with the renewal of existing store leases.

Inventory productivity

The Group has a significant investment in inventory. The Group intends to increase its focus on inventory productivity, to better inform range management and achieve improved returns from working capital.

Re-platforming ERP/POS

Modernising the Group's enterprise resource planning (ERP) and point of sale (POS) systems is important for improving the Group's productivity, enhancing customer engagement and improving operational efficiency. The Group anticipates commencement of this program in FY2026 with a two-year implementation period.

3.4. Capability platform

Achievement of the Group's strategy will be facilitated by building new capabilities in the Group and recalibrating existing capabilities.

During FY2024, the Group has:

- expanded its Data & Analytics team, to increase the use of data and improve insights and business decision-making, measurement and innovation. A new Chief Customer Officer and Chief Data & Analytics Officer was appointed in March 2024, along with a new Head of Data & Analytics and a new Head of Insights;
- increased its growth marketing and digital trade capability, with the addition of a new Head of Social & Content and a new Head of Online Trade & Experience. Growth marketing capabilities are important in navigating the competitive retail landscape and by leveraging data-driven strategies, targeted customer acquisition, and retention tactics, the Group can pursue customer and sales growth.

The Group also intends to invest in continuous education and training for its team, to continue to build product knowledge and awareness and retail and operational skills. Other areas for further investment include private label product development, merchandise planning and supply chain and a team to lead the re-platform of ERP and POS.

Further information on likely developments in the Group's operations and the expected results of those operations has not been included in this Directors' Report. The Directors believe that the disclosure of such information, including certain business strategies, projects, and prospects would be likely to result in unreasonable prejudice to the Group's interests.

4. Material business risks and uncertainties

4.1. Material business risks

The Group's strategies take into account the expected operating and retail market conditions, together with general economic conditions, which are inherently uncertain.

The Group has a structured risk management framework and internal control systems in place to manage material risks (see page 23 for further information on the Group's risk management framework). Some of the other key risks and uncertainties that may have an effect on the Group's ability to execute its business strategies and the Group's future growth prospects and how the Group manages these risks are set out below.

Risk	Description	Mitigation
External economic factors affecting consumer sentiment	The Group's performance is sensitive to the current state of, and future changes in, the retail environment and general economic conditions. A deterioration in consumer confidence, including as a result of increases in interest rates and the rate of inflation, or more generally, may cause consumers to reduce the size or value of purchases with the Group, which could have an adverse effect on sales and the Group's financial performance. Public health restrictions, of the kind seen introduced with COVID-19, may also affect consumer sentiment.	The Group seeks to ensure that it has a broad range of products across a range of price points, with a focus on value for customers every day. Inventory levels are monitored to minimise the risk of being overstocked. A large proportion of the Group's inventory is non-seasonal. Attention is paid to ensuring that inventory levels are appropriate for trading conditions. The Group seeks to ensure that its cost profile is appropriate for the anticipated level of sales.
Competitive and digital disruption risks	The Group faces competition from specialty retailers as well as department stores, discount department stores and online only retailers. International online retailers and marketplaces are also sources of current and future competition. Second hand or buy, swap, sell markets, which facilitate the exchange of used baby goods, are also a source of competition for the Group. In addition, direct to consumer operators (without a physical store network) compete with the Group in specific product categories. Competition is based on a variety of factors including price, merchandise range, advertising, store location, store presentation, product presentation, new store roll-out and customer service.	The Group seeks to address competitive risks by focusing on providing customers with competitive prices. Product differentiation through exclusive access to key brands is a strategy to mitigate this risk. In addition, the Group is focused on providing an excellent customer experience — regardless of whether the customer is visiting a physical store or the online store. Elements of this experience include quality advice, high service levels and a very wide product range.

Risk	Description	Mitigation
Supply chain risks	The Group's supply chain is important to ensuring that products are available in-store and online for customers. The key risks associated with Baby Bunting's supply chain include events of global significance that disrupt global supply chains, operational disruption due to catastrophic events such as fire or flood, delays in product delivery or complete failure to receive products ordered. Poor supply chain management could adversely affect the Group's financial performance and customers' experience of shopping with Baby Bunting.	The Group continues to focus on logistics and technology initiatives to ensure that this risk is managed appropriately. While the Group's Distribution Centre has reduced the need for third party logistics facilities, they remain available to assist in managing supply chain risks by carrying additional inventory.
Supplier relationships	An element of the Group's strategy involves growing its private label and exclusive product offerings as well as exclusive brand relationships. The ability of the Group to continue to offer exclusive products depends upon the relationships it has with suppliers. Any deterioration of those relationships could adversely impact the Group's ability to supply exclusive products or, more generally, to successfully provide customers with a wide range of products at sustainable prices.	The Group continues to invest in its merchandising team to continue to ensure that it is appropriately managing relationships with its suppliers.
Workplace and people management risks	Failure to manage health and safety risks could have a negative effect on the Group's reputation and performance. The Group's future performance depends to a significant degree on its key personnel, and its ability to attract and retain experienced and high performing personnel. At times of full or near-full employment, competition to attract and retain employees can become more pronounced with the result that the time and costs to recruit increase. This may impact the Group's ability to achieve its operational and business transformation objectives.	The Group has a Safety Management System, which includes a Health, Safety and Injury Management Policy, with the aim of identifying and assessing workplace health and safety risks as well as educating team members in stores, at the Store Support Centre and at the Distribution Centre about safe ways of working. The Group's remuneration policies and practices seek to ensure that executives and managers are provided with appropriate incentives and rewards to support their retention. In addition, the Group continues to make investments in training and development to further expand the skills of the Group's team members.

Risk	Description	Mitigation
Cyber, technology and information risks	In common with other retailers, the Group faces a range of cyber risks. This is a broad concept and encompasses a variety of risks that could impact computer systems and that could result in unauthorised access or disclosure of information held by the Group (including the personal information of our customers), the commission of fraud or theft, or the disruption of normal business operations. The Group relies on its IT systems, retail point of sale and inventory management systems, networks and backup systems, and those of its external service providers, such as communication carriers and data providers, to process transactions (including online transactions), manage inventory, report financial results and manage its business. A malfunction of IT systems or a cybersecurity violation could adversely impact Baby Bunting's ability to trade and to meet the needs of its customers. Unauthorised disclosure of, or unauthorised access to, personal information under the control of the Group could have an adverse effect on the Group's reputation and ultimately the Group's financial performance.	The Group has a continuing focus on IT systems and security, with the aim of ensuring that the IT systems are available to support the Group's operations and that steps are being taken to protect against adverse IT and cyber related events. Investments in security systems and processes continue to be made. IT infrastructure and data assets have been migrated to an external data centre and the Group remains focused on constantly improving its ability to prepare for and respond to a cyber attack or other adverse event. The Group also has systems and processes in place designed to appropriately use and secure customers' personal information.
Regulatory compliance and product safety	Baby Bunting is subject to laws and regulations, including competition and consumer laws, taxation and workplace health and safety laws. Many of the products sold in Baby Bunting's stores or online must comply with mandatory product safety standards. In addition, the products Baby Bunting sells must comply with general product safety requirements under applicable law and also meet the expectations of our consumers. Failure to do so may require the Group to, among other things, undertake a recall of products or take other actions. This may adversely affect the Group's reputation and performance and result in significant financial penalties.	The Group has procedures to assess compliance issues of the products that it supplies, as well as procedures to respond to and investigate reports of product safety incidents that it receives. Investments in the Group's quality assurance and compliance team and equipment continue to ensure that product compliance remains a key focus. The Group also engages external advisers that provide training and advice on particular compliance matters.
Business interruption and failure of the Store Support Centre	Other unanticipated events such as natural disasters, wars, strikes and epidemics have the potential to materially affect the Group through their impact on supply chain, consumer behaviour and company operations. Some may pose a threat to the health and safety of those who work and shop with the Group. These events can arise rapidly with little or no warning and their duration and the subsequent recovery period is uncertain and may be protracted.	The Group has a risk management framework intended to identify key risks and develop risk control measures. Mitigants include seeking to avoid over-concentration on a key supplier or provider (of goods or services). Business continuity and disaster recovery planning is also undertaken.

4.2. Sustainability and climate-related risks

Sustainability

The Group's stakeholders (including customers, suppliers, team and shareholders) have expectations for Baby Bunting in relation to a range of environmental, social and governance matters. A failure to acknowledge and adequately address these expectations over time could negatively impact the Group's reputation and profitability.

Baby Bunting has adopted a sustainability strategy and commenced reporting on its approach to ESG matters in its Sustainability Report. Baby Bunting also discloses the manner in which it seeks to eliminate the risk of modern slavery in its operations and supply chain in its Modern Slavery Statement.

Climate-related risks – physical risks

As a retailer operating in Australia and New Zealand, the Group has an exposure to acute physical risks arising from climate change:

- **stores:** extreme weather events, such as floods or storms, can damage the Group's retail stores. These events can lead to temporary closures, loss of inventory and repair costs and other disruptions to trade. In recent years, some stores in Queensland and New South Wales have experienced disruptions and damage arising from flood events.

  In addition, extreme weather events can affect our team members. For example, team members may live in communities affected by extreme weather events, and they may experience disruptions associated with these events ranging from impacts associated with travel disruptions to more extreme impacts including damage to their own property.
- **supply chain disruptions:** as a retailer with operations throughout Australia and parts of New Zealand, the Group's operations are heavily dependent upon functioning supply chains. Climate-related events can disrupt supply chains through temporarily cutting off transport routes or damaging road and rail infrastructure, resulting in delays in delivering inventory and increased costs. Rail freight from parts of eastern Australia to Western Australia have, in recent years, been disrupted due to weather and flooding events impacting rail transportation.

Climate-related risks – transition risks

The Group has an exposure to transition risks arising from climate change. Economic transition risks for the Group include policy and regulatory responses, such as:

- emissions reductions laws or regulations, which could increase the costs of energy or other inputs used by the Group;
- changes to planning and building regulation which could increase the costs associated with store developments;
- technological developments, for example affecting energy production or transportation technology; and
- changes in the preferences of the Group's consumers and other stakeholders.

These risks may increase the costs of the Group's operations, require greater capital investment and potentially impact the Group's sales and financial performance where the Group does not address changes in applicable consumer preferences.

Climate-related risks – governance

The Audit and Risk Committee has the responsibility to assist the Board of the Group in overseeing management's risk identification, planning and administration of climate-related risks and opportunities.

During the 2025 financial year, the Board and management will undertake further activities in relation to climate-related risks and opportunities, including strategic risk planning and assessing their potential financial impact.

5. Significant changes in the state of affairs in FY2024

There were no significant changes in the state of affairs of the Group during the financial year.

6. Matters subsequent to the end of the financial year

No matter or circumstance has arisen since the end of the financial year which has not been dealt with in this Directors' Report or the Financial Report, and which has significantly affected, or may significantly affect:

- the Group's operations in future financial years;
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years.

7. Dividends

The following dividends have been paid to shareholders during the financial year:

Dividend	$'000
Final dividend in respect of the financial year ended 2 July 2023 (4.8 cents per share fully franked)	6,476
Interim dividend in respect of the half year ended 31 December 2023 (1.8 cents per share fully franked)	2,428

The Board has elected not to pay a final dividend in respect of the financial year ended 30 June 2024.

8. Directors and Company Secretaries

The following persons were Directors of Baby Bunting Group Limited during the financial period and/or up to the date of this Directors' Report:

Director	Position	Date appointed
Melanie Wilson	Chair, Non-Executive Director	15 February 2016
Mark Teperson	CEO & Managing Director	2 October 2023
Gary Levin	Non-Executive Director	25 August 2014
Donna Player	Non-Executive Director	16 January 2017
Gary Kent	Non-Executive Director	12 December 2018
Francine Ereira	Non-Executive Director	1 September 2021
Stephen Roche	Non-Executive Director	1 September 2021

8.1. Directors' qualifications, experience and special responsibilities

Details of the qualifications, experience and special responsibilities of each current director are set out on pages 12 and 13 of the Annual Report.

8.2. Directors' attendance at Board and Committee meetings

Details of the number of meetings of the Board and each Board Committee held during the financial year are set out in the Corporate Governance Statement on page 18.

8.3. Directors' relevant interests in shares

Details of the relevant interests that each Director has in the Group's ordinary shares or other securities as at the date of this Directors' Report are set out in the Remuneration Report on page 56.

8.4. Company secretaries

Details of the Group's company secretaries are set out in the Corporate Governance Statement on page 21.

9. Details of rights and options

Rights

The CEO was the only Director eligible to participate in the Group's long-term incentive plan (LTI Plan). Further details of the LTI Plan are set out on pages 49 to 53 of the Remuneration Report. Each right entitles the holder to receive one fully paid share in the Group, subject to the satisfaction of the applicable performance or service conditions.

All of the rights granted during the financial year are subject to performance or service conditions (see pages 49 to 53 of the Remuneration Report for more details).

Details of rights that were granted, lapsed or forfeited are set out below:

Event	Issue price	Number of rights
Opening balance (3 July 2023)		**4,745,000**
Lapse of rights (FY2020 to FY2023 award) (23 October 2023)		(2,360,000)
Grant of rights under the LTI Plan – FY2023 to FY2026 grant (15 December 2023)	nil	1,844,736
Grant of service rights under the LTI Plan (15 December 2023)	nil	1,117,289
Forfeiture of rights (31 December 2023)		(105,000)
Forfeiture of rights (15 March 2024)		(170,000)
Closing balance		**5,072,025**

Options

There are no options over shares on issue as at the date of this Directors' Report and no shares were issued during the year as a result of the exercise of options.

10. Remuneration Report

The Remuneration Report, which forms part of this Directors' Report, is presented separately from page 43.

11. Indemnification and insurance of directors and officers and the auditor

Under the Group's Constitution, to the fullest extent permitted by law, the Group must indemnify every officer of the Group and its wholly owned subsidiaries, and may indemnify its auditor against any liability incurred as such an officer or auditor to a person (other than the Group or a related body corporate).

The Group has entered into a deed of access, indemnity and insurance with each Non-Executive Director and the Chief Executive Officer which confirms each person's right of access to certain books and records of the Group while they are a Director and after they cease to be a Director. The deed also requires the Group to provide an indemnity for liability incurred as an officer of the Group and its subsidiaries, to the maximum extent permitted by law.

The Constitution also allows the Group to enter into and pay premiums on contracts of insurance, insuring any liability incurred by a current or former Director and officer of the Group. The deed of access, indemnity and insurance requires the Group to use its best endeavours to maintain an insurance policy, which insures the Director against liability as a Director and officer of the Group from the date of the deed until the date which is seven years after the Director ceases to hold office as a Director.

During the financial year, the Group paid insurance premiums for directors' and officers' liability insurance that provides cover for the current and former directors, secretaries, executive officers and officers of the Group and its subsidiaries. The Directors have not included details of the nature of the liabilities covered in this contract or the amount of the premium paid, as disclosure is prohibited under the terms of the contract.

To the extent permitted by law, the Group has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

12. External auditor

12.1. Auditor appointment and rotation

The Group's external auditor is Ernst & Young and shareholders approved the appointment of Ernst & Young as the Group's external auditor at the 2017 AGM. Tony Morse, a partner of Ernst & Young, is the current signing audit partner for the Group's audit. Following the conclusion of the audit for the 2024 financial year, Tony Morse will rotate off the Group's audit and Katie Struthers, a partner of Ernst & Young, will succeed him as the signing partner for the Group's audit.

12.2. Non-audit services

The Group may decide to engage its external auditor on engagements additional to its statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to Ernst & Young for audit and assurance services ($245,000) (FY2023: $220,300) and for non-audit services $30,900 (FY2023: $27,817) provided during the year are set out in the Financial Statements (at Note 30). The major element of non-audit services during the year related to taxation services.

The Board has considered this and in accordance with advice received from the Audit and Risk Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence imposed on auditors by the Corporations Act. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure that they do not impact on the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

12.3. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is attached to this Directors' Report on page 104.

13. Proceedings on behalf of the Group

No proceedings have been brought or intervened in on behalf of the Group with the leave of the court under section 237 of the Corporations Act. No person has applied to the court under section 237 of the Corporations Act for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party.

14. Environmental regulation

The Group is not involved in activities that have a marked influence on the environment within its area of operation. As such, the Directors do not consider that the Group's operations are subject to any particular and significant environmental regulation in Australia.

15. Rounding of amounts

The Group 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
Chair

20 August 2024

Remuneration report – audited

The Remuneration Report sets out remuneration information for the Group's Non-Executive Directors and the other key management personnel identified in Section 1 (Disclosed Executives) for the year ended 30 June 2024.

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act.

1. Key management personnel

The Group's key management personnel (KMPs) are its Non-Executive Directors and those executives who have been identified as having the greatest authority for planning, directing and controlling the activities of the Group.

Having regard to their roles and responsibilities and the authority limits contained in the Group's Delegation of Authority Policy, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are considered to be KMP. They are referred to in this report as Disclosed Executives.

The key change during the year to the Group's KMP was the commencement of Mark Teperson as CEO on 2 October 2023. In the period before Mark commenced, Darin Hoekman (CFO) acted as interim CEO.

Non-Executive Directors	Disclosed Executives
Melanie Wilson	Mark Teperson – CEO (from 2 October 2023)
Gary Levin	Darin Hoekman – CFO
Donna Player	
Gary Kent	
Francine Ereira	
Stephen Roche	

2. Outcome at a glance

2.1. Overview

CEO remuneration

- Mark Teperson commenced as CEO on 2 October 2023.
- His fixed annual remuneration (FAR) during the year was $850,000 per annum (inclusive of superannuation).
- Mark will not be awarded any payment under the Group's Short Term Incentive Plan in respect of FY2024, as the Group's financial performance was below the level required for FY2024.
- Following shareholder approval at the 2023 AGM, he was granted 467,289 service rights under the Group's Long Term Incentive Plan. One third of these rights vest and become exercisable on the first, second and third anniversary of Mark's commencement date. Accordingly, on 2 October 2024, 155,763 rights will vest and become exercisable.
- Shareholders also approved the grant of 612,980 rights under the Group's Long Term Incentive Plan, and in December 2023, Mark was provided with these rights, which will be assessed having regard to the Group's EPS and TSR growth over the performance period from FY2023 to FY2026.

CFO remuneration

- In addition to his role as CFO, Darin Hoekman acted as CEO in the period from 2 June 2023 to 2 October 2023. During this period, his FAR was $625,000 per annum (inclusive of superannuation).
- From 2 October 2023, Darin Hoekman's FAR became $525,000 per annum (inclusive of superannuation).
- Darin will not be awarded any payment under the Group's Short Term Incentive Plan in respect of FY2024, as the Group's financial performance was below the level required for FY2024.
- Darin previously participated in the grant of rights under the Group's Long Term Incentive Plan in respect of the performance period FY2021 to FY2024. He holds 70,000 EPS Rights and 105,000 TSR Rights. As the Group's EPS growth over the performance period was below target, the EPS Rights will lapse. Whether the TSR Rights vests will be assessed after September 2024, but at current share price levels these rights are expected to lapse without vesting.

- During the year, Darin was granted, as part of retention and incentive arrangements, 250,000 service rights with half of these rights vesting and becoming exercisable on 2 October 2024 and the balance vesting and becoming exercisable on 2 October 2025.
- In December 2023, Darin Hoekman was provided with 252,403 rights under the Group's Long Term Incentive Plan. These rights will be assessed over the period from FY2023 to FY2026.

STI and LTI outcomes for FY2024

- As the Group's financial performance was below target, no payments will be made under the Group's Short Incentive Plan in respect of FY2024.
- There are 1,092,192 rights outstanding which were granted under the Group's Long Term Incentive Plan in relation to the FY2021 to FY2024 performance period. All of these rights are expected to lapse and not provide any benefit to participants holding these rights. Forty percent of these rights were subject to an EPS growth performance condition which was not met at the end of FY2024. The balance of the rights are subject to a TSR growth performance condition which will be measured at the end of September 2024. On the current share price, these rights are not expected to vest.

Non-Executive Director fees

- There were no increases in Non-Executive Director fees during FY2024. The last fee increase occurred in February 2022.

2.2. Received remuneration

This Section 2.2 has been included in the Remuneration Report to show the remuneration actually received by the Disclosed Executives.

The table in this section supplements, and is different to, the statutory remuneration tables (see Section 8) which presents the accounting expenses for both vested and unvested performance rights in accordance with Australian Accounting Standards.

The table shows the remuneration the CEO and the CFO realised in relation to the 2024 financial year as cash, or in the case of prior equity awards, the value which vested in FY2024.

		Fixed remuneration[1] $	STI variable cash remuneration $	Total cash $	Long term incentives which vested during the year[2] $	Actual remuneration received $	Long term incentives which lapsed during the year[3] $
Disclosed Executives							
Mark Teperson[4]	2024	631,172	–	631,172	–	631,172	–
	2023	–	–	–	–	–	–
Darin Hoekman	2024	556,758	–	556,758	–	556,758	(612,500)
	2023	493,672	–	493,672	967,566	1,461,238	(62,310)

1. Fixed remuneration includes superannuation contributions.
2. During FY2023, the vested performance rights were the performance rights granted under the FY2019 to FY2022 award that were assessed against a TSR CAGR performance condition and an EPS CAGR performance condition (351,842 rights vested for Darin Hoekman). To determine a monetary value for the rights that vested, the closing share price of $2.75 (being the closing price on 6 December 2022 which was the date of issue of shares following the exercise of the vested rights) has been used.
3. The value of the long term incentives which lapsed during the year was determined by multiplying the number of rights that lapsed by $1.75, being the closing share price on 23 October 2023. For FY2023, the amount was calculated using $2.75, being the share price on 6 December 2022.
4. Mark Teperson commenced as CEO on 2 October 2023.

3. Remuneration during FY2024

3.1. FY2024 short term incentive payments – outcome

The Group's short term incentive plan operated again for the 2024 financial year. For the 2024 financial year, pro forma NPAT growth was negative 74.7%. The "threshold" growth target level for short term incentive payments was set at 44% pro forma NPAT year-on-year inclusive of the costs of any short term incentive payments. As the threshold growth target level was not achieved, no STI payments were awarded under the plan for FY2024.

See Section 6.2 for further details.

3.2. FY2020 to FY2023 long term incentives – outcome

The Group had previously granted rights under its Long Term Incentive Plan to certain participants, including the CFO. These rights were granted in relation to the FY2020 to FY2023 performance period.

Having regard to the Group's EPS and TSR performance over the period, these rights did not vest. They lapsed and the rights ceased in October 2023.

3.3. FY2021 to FY2024 long term incentives – expected outcome

The Group had previously granted rights under its Long Term Incentive Plan to certain participants, including the CFO. These rights were granted in relation to the FY2021 to FY2024 performance period.

Having regard to the Group's EPS performance over the period and the current share price, these rights are not expected to vest and all rights will lapse. TSR performance will be calculated after the end of September 2024. On the current share price, these rights are not expected to vest.

See Section 6.3 for further details.

3.4. FY2023 to FY2026 long term incentives – new grant

Following shareholder approval at the 2023 AGM, the Group granted the CEO, 612,980 performance rights under the FY2023 to FY2026 grant. Approval for the grant was obtained under ASX Listing Rule 10.14. An additional 252,403 performance rights were granted on the same terms to the CFO.

Details of the terms and conditions of this grant are contained in Section 6.3.1 below.

3.5. Service rights – new grant

Following shareholder approval at the 2023 AGM, the Group granted the CEO 467,289 service rights. Approval for the grant was obtained under ASX Listing Rule 10.14. An additional 250,000 service rights were granted to the CFO.

Details of the terms and conditions of this grant are contained in Section 6.3.2 below.

4. Incentive arrangements for FY2025

During the year, the Board undertook a review of the Group's incentives for key management personnel and other executives. Following that review, the Board has decided to replace the EPS performance condition used as part of the Long Term Incentive Plan. In its place, the Board has selected a return on average funds employed (ROFE) performance condition. This condition has been selected as it better measures the capital efficiency of the earnings growth achieved over the performance period. Further details of the Long Term Incentive Plan and the performance conditions will be included in the Notice of 2024 Annual General Meeting to be made available in September 2024, where approval will be sought for a grant under the LTI to the CEO.

5. Relationship between remuneration and the Group's performance

The following table shows key performance indicators for the Group over the last five years.

	2020	2021[1]	2022	2023	2024	Growth in 2024	CAGR last 5 years
EBITDA (statutory) $'000	46,119	56,833	67,052	60,433	50,089	–17.1%	2%
Net profit after tax (statutory) $'000	9,986	17,039	19,521	9,854	1,696	–82.8%	–36%
Net profit after tax (pro forma) $'000	19,291	26,031	29,573	14,503	3,676	–74.7%	–34%
Dividends per share – ordinary (cents)	10.5	14.1	15.6	7.5	1.8	–76.0%	–36%
Basic earnings per share (cents) (statutory)	7.8	13.2	14.9	7.4	1.3	–82.9%	–37%
Earnings per share (cents) (pro forma)	15.2	20.2	22.5	10.8	2.7	–74.8%	–35%
Share price at the end of the financial year	**$3.30**	**$5.42**	**$4.14**	**$1.38**	**$1.55**	**12.3%**	**–17%**

1. At the end of FY2022, the results for FY2021 were restated to reflect changes in the accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements. Refer to Note 2(aa) for detailed information on restatement of comparatives in the Financial Report for the year ended 26 June 2022.

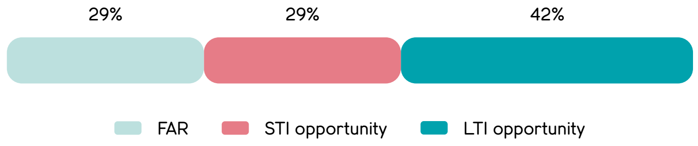
6. Remuneration policy and practices

6.1. Remuneration mix

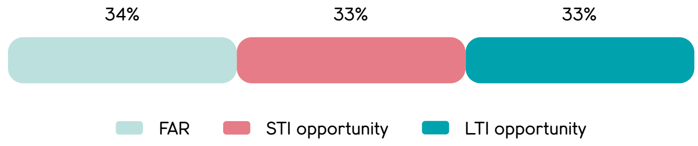
The Group's remuneration policy seeks to appropriately reward, incentivise and retain key employees, by providing a link between remuneration outcomes and both the Group's and an individual's performance.

The remuneration practices adopted by the Group include the use of fixed and variable remuneration, and short term and long term performance based incentives.

For FY2024, the CEO's target remuneration mix was a function of his FAR and the STI opportunity and LTI opportunity. The maximum STI opportunity is equal to 100% of his FAR and the LTI opportunity is equal to 150% of his FAR. On this basis, the total target remuneration mix for FY2024 was:



The CFO has an STI opportunity equal to 100% of his fixed annual remuneration and an LTI opportunity equal to 100% of his fixed annual remuneration. The total target remuneration mix for FY2024 was:



6.2. Short term incentives

The Group operates short term incentive plans for eligible employees, including executives and employees in other management or specialist roles.

Under the Group's principal short term incentive plans (STI plans), a cash bonus can be paid to an eligible employee, subject to the achievement of a range of financial and additional key performance indicators for the relevant financial year. Participation in, and payments under, the STI plans for a financial year are at the discretion of the Board. The annual key performance indicators for participants and related targets are also reviewed annually.

Gateway for short term incentive payments for FY2024

For participants to become eligible to receive a payment under the STI plans in FY2024, there were the following gateways:

- the participant's performance evaluation rating for the year must exceed an acceptable rating for both performance and values, as assessed by the participant's manager or, in the case of the CEO, the Board; and
- the Group's pro forma NPAT (inclusive of payments to be made under the STI plans) must be at least 44% higher than the prior year (this is known as "threshold" growth).

Potential STI payments for FY2024

For FY2024, the CEO and the CFO had the opportunity to earn a maximum short term incentive payment of an amount equal to 100% of their FAR. At "threshold" growth, the opportunity was equal to 20% of fixed annual remuneration. Where pro forma NPAT growth exceeds "threshold" growth of 44%, the potential STI payment increases on a scale up to 100% of FAR if pro forma NPAT growth is at or beyond 90%. This scaling is to encourage and reward performance in achieving extraordinary NPAT growth.

Performance conditions and determining the potential STI benefits for FY2024

The size of each participating executive's actual STI payment is determined by applying financial and additional criteria.

There is a large weighting of the performance conditions to the Group's financial performance (which represent 70% of the weighting of the potential STI benefit), reflecting the principle that benefits under the STI plan are to be provided primarily when the Group has performed well.

The additional criteria represent 30% of the potential STI benefit and were selected to focus on particular commercial, operational or customer and employee goals.

Once "threshold" growth has been met (and the other gateways for eligibility have been satisfied), any actual STI payment is based on the extent of the pro forma NPAT growth and the satisfaction of other specific additional performance criteria.

The level of pro forma NPAT growth required for the minimum and maximum potential STI payments are shown below:

	Minimum potential STI	Maximum potential STI	Actual STI for FY2024
	If pro forma NPAT growth of 44% is achieved	**If pro forma NPAT growth of 90% is achieved**	**Pro forma NPAT growth of below 44%**
Achievement of pro forma NPAT condition	14% of FAR becomes payable	70% of FAR becomes payable	0% of FAR becomes payable
Achievement of all additional performance criteria (KPIs)	6% of FAR becomes payable	30% of FAR becomes payable	0% of FAR becomes payable
Total potential STI payment	20% of FAR	100% of FAR	0% of FAR

Outcome for FY2024

The pro forma NPAT growth against the prior year was negative 74.7%. Accordingly, no STI payments were awarded under the plan for FY2024.

Additional performance criteria

The additional performance criteria that applied to the Disclosed Executives for FY2024 related to, among other things, health and safety targets, customer and employee metrics, and business improvement projects. As the threshold financial performance was not achieved, the additional performance criteria were not assessed for the purposes of the STI.

These performance criteria were selected to provide an incentive to participating executives to achieve specific targets relevant to the business as well as contributing to the overall financial performance of the Group.

Assessment of whether the performance criteria have been satisfied for participating executives is undertaken by the CEO with any decision to award a payment approved by the Board. In relation to the CEO, the Board assesses the relevant performance criteria and approves any STI payment.

For the Disclosed Executives, 100% of the potential STI payment was forfeited.

If they are awarded, STI plan benefits are paid in cash and reflect amounts earned during the financial year and are provided for in the annual financial statements.

6.3. Long term incentives

The Long Term Incentive Plan (LTI Plan) is designed to align the interests of Disclosed Executives and participating employees more closely with the interests of the Group's shareholders by providing an opportunity for eligible employees to receive an equity interest in the Group through the grant of "rights". Upon vesting, each right entitles the participant to one fully paid ordinary share in the Group. Participation in a grant under the LTI Plan is by invitation. The Board may determine which executives or other employees are eligible.

For grants of performance rights, whether a right vests depends upon the achievement of performance conditions. For this purpose, the Board has selected two performance conditions being:

- growth in the Group's profit (as measured by earnings per share growth); and
- growth in returns to shareholders (as measured by total shareholder returns, which includes share price appreciation and dividends reinvested).

The conditions are measured on an absolute basis – that is, growth is measured having regard to the Group's earnings or share price from a prior period. The Board has considered this to be appropriate as it seeks to drive an improvement in the Group's performance along with sustainable and profitable growth. On this basis, rewards to participating executives are firmly linked to the performance of the Group.

FY2023 to FY2026 grant

During the 2024 financial year, a grant was made under the LTI Plan for the period FY2023 to FY2026 and details of that grant are provided in Section 6.3.1.

The number of performance rights granted to the CEO was determined by dividing 150% of his FAR by $2.08. This was the volume weighted average price of the Group's shares traded on ASX during August 2023. The number of rights granted was 612,980.

The number of performance rights granted to the CFO was determined by dividing 100% of his FAR by $2.08. The number of rights granted was 252,403.

Service rights grant

A grant of service rights was also made to the CEO and the CFO during the 2024 financial year. Details of these rights are provided in Section 6.3.2.

Rights outstanding

Information on grants made in previous years that remain outstanding are also contained in this section. As at 30 June 2024, the number of performance rights outstanding was:

Long Term Incentive Plan grant

Performance rights	EPS Rights	TSR Rights
FY2021 to FY2024 grant[1]	436,877	655,315
FY2022 to FY2025 grant	407,123	610,685
FY2023 to FY2026 grant	737,894	1,106,842
Service rights	**Service rights**	
FY2024 grant	1,117,289	
Total	**5,072,025**	

1. The EPS Rights from the FY2021 to FY2024 grant have not met the performance condition and will lapse. The TSR Rights from that same grant will be assessed after September 2024; however, based on the Group's share price it is unlikely that those rights will vest.

6.3.1 Performance rights

There are three grants of performance rights outstanding at the date of this report. A summary of the conditions of those grants is set out below.

	FY2021 to FY2024 grant	FY2022 to FY2025 grant	FY2023 to FY2026 grant
Performance conditions	40% of the rights granted are subject to the EPS growth performance condition (EPS Rights). 60% of the rights granted are subject to the TSR growth condition (TSR Rights).		
EPS growth performance condition	The EPS growth performance condition is a measure of the compound annual growth rate in the Group's EPS measured over the relevant performance period.		
EPS performance period	FY2021 to FY2024	FY2022 to FY2025	FY2023 to FY2026
EPS base level	14.1 cents per share. This base level EPS was calculated by dividing the Group's pro forma NPAT for the financial year ended 27 June 2021 by the average weighted number of ordinary shares on issue for the 2021 financial year.	15.6 cents per share. This base level EPS was calculated by dividing the Group's pro forma NPAT for the financial year ended 26 June 2022 by the average weighted number of ordinary shares on issue for the 2022 financial year.	9.6 cents per share. This base level EPS was calculated by dividing the Group's pro forma NPAT for the financial year ended 2 July 2023 by the average weighted number of ordinary shares on issue for the 2023 financial year.
	Pro forma NPAT excludes any unusual items but includes the statutory employee equity incentive expense.		
EPS vesting schedule	EPS Rights vest and become exercisable if EPS CAGR is achieved over the performance period, as follows: • 30% of the EPS Rights will vest if the minimum EPS growth hurdle condition of 10% EPS CAGR is achieved; • 100% of the EPS Rights will vest if the EPS growth hurdle of 20% EPS CAGR is achieved; and • if the EPS CAGR is within the range of 10% to 20% EPS CAGR, the number of EPS Rights that will vest will be pro-rated on a straight-line basis for between 30% and 100% of the EPS Rights		
			For the EPS Rights granted to the CEO, see the EPS vesting schedule at the end of this table.
TSR growth performance condition	The TSR growth performance condition is a measure of the compound annual growth of the Group's TSR measured over the relevant performance period.		
TSR performance period	**Period to determine base share price:** 1 July to 30 September 2021 **Period to determine finishing share price:** 1 July to 30 September 2024 or such other period as the Board considers appropriate.	**Period to determine base share price:** 1 July to 30 September 2022 **Period to determine finishing share price:** 1 July to 30 September 2025 or such other period as the Board considers appropriate.	**Period to determine base share price:** 1 to 31 August 2023 **Period to determine finishing share price:** 1 to 31 August 2026 or such other period as the Board considers appropriate.

	FY2021 to FY2024 grant	FY2022 to FY2025 grant	FY2023 to FY2026 grant
TSR base level	$5.55 This was the volume weighted average price of the Group's shares on ASX in the period 1 July 2021 to 30 September 2021.	$4.49 This was the volume weighted average price of the Group's shares on ASX in the period 1 July 2022 to 30 September 2022.	$2.08 This was the volume weighted average price of the Group's shares on ASX during August 2023.
TSR vesting schedule	TSR Rights vest and become exercisable if TSR CAGR is achieved over the performance period, as follows: • 30% of the TSR Rights will vest if the minimum TSR growth hurdle condition of 10% TSR CAGR is achieved; • 100% of the TSR Rights will vest if the TSR growth hurdle of 20% TSR CAGR is achieved; and • if the TSR CAGR is within the range of 10% to 20% TSR CAGR, the number of TSR Rights that will vest will be pro-rated on a straight-line basis for between 30% and 100% of the TSR Rights.		
			For the TSR Rights granted to the CEO, see the TSR vesting schedule at the end of this table.
Retesting	If a performance right does not vest at the end of the relevant performance period it lapses. There is no retesting.		
Post-vesting disposal restriction	Half of any shares that are issued to a participant upon vesting and exercise of a right will be subject to a 12 months disposal restriction.	None	None
Number of participants (including Disclosed Executives)	9 participants	9 participants	10 participants
Approval for the grant obtained under ASX Listing Rule 10.14 for the CEO	Yes, at the 2021 AGM	Yes, at the 2022 AGM	Yes, at the 2023 AGM
Number of initially rights granted	1,375,000	1,370,000	1,844,736
Number of rights that have lapsed during the performance period	282,808 rights lapsed when certain participants ceased employment	352,192 rights lapsed when certain participants ceased employment	Nil
Number of rights outstanding as at 30 June 2024	1,092,192 being: • 436,877 EPS Rights • 655,315 TSR Rights	1,017,808 being: • 407,123 EPS Rights • 610,685 TSR Rights	1,844,736 being: • 737,894 EPS Rights • 1,106,842 TSR Rights

	FY2021 to FY2024 grant	FY2022 to FY2025 grant	FY2023 to FY2026 grant
Vesting outcome	The EPS Rights will not vest, as the Group's EPS CAGR for the period FY2021 to FY2024 was negative. The TSR Rights are unlikely to vest noting that the Group's current share price is below the base level share price of $5.55. The final determination of TSR performance will occur after September 2024.	To be determined at the end of FY2025	To be determined at the end of FY2026

Vesting schedule for EPS Rights and TSR Rights granted to the CEO (FY2023 to FY2026 grant)

The CEO was first granted rights under the FY2023 to FY2026 grant. The grant was structured to provide the CEO with a target variable LTI opportunity equal to 100% of his FAR when EPS CAGR and TSR CAGR is at 20%. The grant will provide him with a maximum variable LTI opportunity equal to 150% of his FAR, which will be achieved when EPS CAGR and TSR CAGR is 30% or above. The schedule of vesting that applies is set out below.

EPS CAGR	EPS Rights that vest
Less than 10%	No EPS Rights vest
Equal to 10%	30% of the EPS Rights vest
Equal to 20%	66.67% of the EPS Rights vest
30% or more	100% of the EPS Rights vest

TSR CAGR	TSR Rights that vest
Less than 10%	No TSR Rights vest
Equal to 10%	30% of the TSR Rights vest
Equal to 20%	66.67% of the TSR Rights vest
30% or more	100% of the TSR Rights vest

Vesting occurs on a straight line basis between the applicable performance levels.

6.3.2 Service rights

During the financial year, the Group granted service rights to the CEO and CFO. These rights will vest and become exercisable on specified dates. Vesting is conditional upon the participant being employed by the Group (and not serving out a period of notice) at the time of vesting. No amount is payable upon the exercise of a vested right.

The Group agreed to provide the CEO with these rights as a condition of him being appointed as CEO. Service rights were granted to the CFO as part of his retention and incentive arrangements.

Shareholder approval for the grant of these rights to the CEO for the purpose of ASX Listing Rule 10.14 was obtained at the 2023 AGM.

Details of the rights granted to the CEO and the CFO are below:

	Grant to CEO	Grant to CFO
Number of rights	**467,289 rights**	**250,000 rights**
Vesting schedule and periods	• 155,763 rights vest on 2 October 2024 • 155,763 rights vest on 2 October 2025 • 155,763 rights vest on 2 October 2026	• 125,000 rights vest on 2 October 2024 • 125,000 rights vest on 2 October 2025

6.3.3 General comments on rights

Exercise period

If a right vests, a participant has two years from the vesting date in which they can elect to exercise the vested right and receive an ordinary share. If a vested right is not exercised in that period, it lapses.

Malus and clawback

The Long Term Incentive Plan provide for malus to be applied to unvested awards and for clawback provision to be applied for vested awards. This is to ensure that in the event of serious misconduct or the identification of a serious adverse subsequent event, the relevant participant does not inappropriately benefit in those circumstances.

Treatment on cessation of employment

Upon resignation or in instances where a participant's employment is terminated for cause or as a result of unsatisfactory performance, their unvested rights will lapse. In other circumstances, a person ceasing employment may retain unvested rights with vesting to be tested at the end of the relevant performance period. However, in all cases, the Board has discretion to permit a participant to retain unvested rights, including a discretion to reduce the number of retained unvested rights to reflect the part of the performance period for which the participant was employed.

Shareholder approval has been obtained for the purposes of sections 200B and 200E of the Corporations Act to permit the Group to give a benefit to a participant who holds a managerial or executive office in these circumstances. This approval was obtained at the 2021 annual general meeting and was expressed to be for the period up to the 2024 annual general meeting.

Treatment on change of control

In the event of a change of control of the Group, subject to the ASX Listing Rules, the Board has discretion to determine whether a change in control has occurred and the treatment of the rights at that time. Treatment may include permitting some or all outstanding unvested rights to vest or determining that unvested rights have lapsed.

Other conditions

Subject to the ASX Listing Rules (where relevant), a participant may only participate in new issues of shares or other securities if the right has been exercised in accordance with its terms and shares are issued or transferred and registered in respect of the right on or before the record date for determining entitlements to the issue.

Participants will also be entitled to receive an allocation of additional shares as an adjustment for bonus issues.

6.4. Shares purchased on-market

During the 2024 financial year, the Group arranged for the purchase of the Group's shares on-market for the purpose of the Long Term Incentive Plan and to satisfy any future entitlements for participants to be provided with shares under the Long Term Incentive Plan.

The number of shares purchased on-market was 467,289 with the average purchase price per share being $2.24.

These shares are held by the trustee of the Group's employee share plan trust, Baby Bunting EST Pty Ltd, in its capacity as trustee of that trust.

7. Non-Executive Directors

Remuneration Policy

Under Baby Bunting's Constitution, Non-Executive Directors' remuneration for their services as a Director must not exceed in aggregate in any financial year $1,000,000 (being the amount specified in the Constitution) or any other amount fixed by shareholders in a general meeting. Currently, the aggregate fee cap is $1,000,000 (inclusive of superannuation contributions).

Non-Executive Directors' remuneration must not include a commission on, or a percentage of, operating revenue. Non-Executive Directors are not entitled to participate in any of the Group's employee incentive plans. Non-Executive Directors may be reimbursed for travel and other reasonable expenses incurred on the business of the Group or in carrying out duties as a director. A director may be paid additional or special remuneration where a director performs extra services or makes special exertions.

Non-Executive Directors' fees

Similar to executive remuneration, the Committee undertakes reviews of Non-Executive Director remuneration from time to time. A review was last undertaken by the Committee in February 2022 with fees adjusted with effect on 1 February 2022. Prior to that, the last fee adjustment occurred on 1 January 2019.

The per annum fees (inclusive of superannuation contributions provided by the Group) are set out below:

	Fees $ per annum
Chair	200,000
Non-Executive Director	100,000
Chair of a Board Committee	15,000
Member of a Board Committee	0

Recognising the expectation that Directors serve on Board Committees, no additional fees are provided for serving on one of the established Board Committees.

For the financial year ended 30 June 2024, the fees paid and superannuation contributions to all Non-Executive Directors were approximately $730,000 in aggregate.

8. Details of remuneration for Non-Executive Directors and Disclosed Executives

Details of the remuneration of the Non-Executive Directors and other key management personnel of the Group are set out in the following table.

		Short term employee benefits			Post-employment benefits	Long term benefits	Termination benefits[2]	Share-based payment[3]		
	Year	Salary and fees[1] $	STI and other fees $	Non-monetary benefits $	Super-annuation $	Long service leave $	$	LTI Plan rights[4] $	Total[5] $	Performance related %
Non-Executive Directors										
Melanie Wilson	2024	180,180	–	–	19,820	–	–	–	200,000	–
	2023	184,476	–	–	19,213	–	–	–	203,689	–
Gary Levin	2024	103,604	–	–	11,396	–	–	–	115,000	–
	2023	106,074	–	–	11,048	–	–	–	117,122	–
Donna Player	2024	90,090	–	–	9,910	–	–	–	100,000	–
	2023	92,239	–	–	9,607	–	–	–	101,846	–
Gary Kent	2024	103,604	–	–	11,396	–	–	–	115,000	–
	2023	106,074	–	–	11,048	–	–	–	117,122	–
Francine Ereira	2024	90,090	–	–	9,910	–	–	–	100,000	–
	2023	92,239	–	–	9,607	–	–	–	101,846	–
Stephen Roche	2024	90,090	–	–	9,910	–	–	–	100,000	–
	2023	92,239	–	–	9,607	–	–	–	101,846	–
Disclosed Executives										
Mark Teperson[6]	2024	610,624	–	8,828	20,549	–	–	261,089	901,090	29.0%
	2023	–	–	–	–	–	–	–	–	–
Darin Hoekman[7]	2024	523,127	–	7,500	26,130	(7,933)	–	206,016	754,840	27.3%
	2023	467,111	–	7,789	26,561	40,408	–	(40,647)	501,222	0.0%
Former Disclosed Executives										
Matt Spencer	2024	–	–	–	–	–	–	–	–	–
	2023	644,754	–	10,927	26,643	18,915	467,571	91,597	1,260,407	7.3%
TOTAL	**2024**	**1,791,409**	**–**	**16,328**	**119,021**	**(7,933)**	**–**	**467,105**	**2,385,930**	
	2023	**1,785,206**	**–**	**18,716**	**123,334**	**59,323**	**467,571**	**50,950**	**2,505,100**	

1. Amount includes the value of annual leave accrued during the financial year and salary sacrifice arrangements.
2. The termination benefits recorded in FY2023 reflect an accrual for amounts that Matt Spencer was to receive in respect of cessation of his employment, which occurred on 31 December 2023. Matt Spencer ceased as a director and a member of the key management personnel of the Group on 2 June 2023.
3. The value of Share-based payments has been calculated in accordance with applicable accounting standards.
4. The value of the LTI plan rights included as remuneration in the table is an accounting value and represents the aggregate of amounts determined for both market based and non-market based performance hurdles.
5. As the 2023 financial period was 53 weeks, the total remuneration for Non-Executive Directors shown slightly exceeds the per annum amounts set out in Section 7.
6. Mark Teperson commenced on 2 October 2023.
7. The negative long term benefit is due to the reversal of a long service leave provision from FY2023, noting that he was temporarily paid a higher level of remuneration while acting as CEO in the period from 2 June 2023 to 2 October 2023.

9. Equity instruments held by key management personnel

The tables in this Section show the number of shares, performance rights and options in the Group that were held during the financial year by key management personnel, including close members of their family and entities related to them. No amounts remain unpaid in respect of the ordinary shares at the end of the financial year.

Ordinary shares

Shares held by key management personnel, including close members of their family and entities related to them.

Non-Executive Directors	Balance at start of the year	Change	Balance at end of the year
Melanie Wilson	30,000	30,000	60,000
Gary Levin	220,000	30,000	250,000
Donna Player	36,000	10,000	46,000
Gary Kent	32,000	8,000	40,000
Francine Ereira	25,531	11,183	36,714
Stephen Roche	35,000	–	35,000

Disclosed Executive	Balance at start of the year	Change	Balance at end of the year
Mark Teperson	–	–	–
Darin Hoekman	552,630	–	552,630

Minimum shareholding policy

The Board has adopted a minimum shareholding policy for directors and other key management personnel. A person subject to the policy is required to achieve and maintain a minimum shareholding in Baby Bunting's shares equivalent to 100% of their director's fees or fixed annual remuneration, as applicable. Participants must accumulate the shareholding within the later of 5 years after the adoption of policy (in November 2022) or their date of appointment.

The value of a shareholding is calculated using the greater of the purchase price paid by the person for the shares and the closing price of Baby Bunting shares on the last day of the financial year.

KMP	Shareholding at the end of the year	Shareholding value as a % of fees / FAR	Time by which minimum holding must be met
Melanie Wilson	60,000	78%	November 2027
Gary Levin	250,000	>100%	November 2027
Donna Player	46,000	96%	November 2027
Gary Kent	40,000	>100%	November 2027
Francine Ereira	36,714	90%	November 2027
Stephen Roche	35,000	62%	November 2027
Mark Teperson[1]	–	–	October 2028
Darin Hoekman	552,630	>100%	November 2027

1. Mark Teperson commenced as CEO on 2 October 2023.

Rights granted to Disclosed Executives

Disclosed Executives	Balance at start of the year	Number of rights granted as compensation during the year	Fair value per right at grant date	Value of rights granted during the year	Number of rights exercised during the year	Value of rights exercised during the year	Number of rights lapsed during the year	Number of rights held at end of the year (all unvested)
Mark Teperson								
FY2023 to FY2026 rights	–	612,980	$1.23	$754,701	–	–	–	612,980
Service rights	–	467,289	$1.83	$855,139	–	–	–	467,289
Darin Hoekman								
FY2020 to FY2023 rights	350,000	–	–	–	–	–	(350,000)	–
FY2021 to FY2024 rights	175,000	–	–	–	–	–	–	175,000
FY2022 to FY2025 rights	175,000	–	–	–	–	–	–	175,000
FY2023 to FY2026 rights	–	252,403	$1.23	$310,759	–	–	–	252,403
Service rights	–	250,000	$1.83	$457,500	–	–	–	250,000

Details of the performance conditions and performance periods for those rights are set out in Section 6.3 (Long term incentive plan) above.

Options

There are no options over shares on issue as at the date of this Directors' Report.

10. Employment contracts

Each Disclosed Executive has an employment contract specifying, among other things, remuneration arrangements, benefits, notice periods and other terms and conditions. The contracts provide that participation in the STI and LTI arrangements are at the Board's discretion.

The employment contracts for each of Mark Teperson and Darin Hoekman do not have a fixed term. Employment may be terminated by the Disclosed Executive by providing 6 months' notice, or by the Group with 6 months' notice or by payment in lieu of notice, or with immediate effect in circumstances including serious or wilful misconduct.

The employment contracts with Disclosed Executives contain a 12-month post-employment restraint.

The employment contract for Mark Teperson provides that if the Group makes a payment to Mark arising out of the cessation of employment and he is subsequently found to have engaged in serious misconduct, clawback will apply to those payments. This applies for two years after employment ends.

11. Other KMP disclosures

Other than as disclosed in this Remuneration Report, no member of the Group's key management personnel (or their respective close family members or an entity over which they have control or significant influence) has entered into any transaction with the Group or a subsidiary during the reporting period, other than transactions that occur within a normal employee, customer or supplier relationship, on arms-length terms and that are trivial or domestic in nature.

There are no loans to key management personnel.

This is the end of the Remuneration Report.

Financial report

for the 52 weeks ended 30 June 2024

Contents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the 52 weeks ended 30 June 2024

	Note	2024 $'000	2023 $'000
Revenue	3	498,387	524,281
Cost of sales		(314,733)	(328,087)
Gross profit		**183,654**	**196,194**
Other Income	4	400	–
Store expenses	5	(115,076)	(110,216)
Marketing expenses		(9,056)	(8,312)
Warehousing expenses	5	(11,742)	(11,372)
Administrative expenses	5	(33,434)	(37,584)
Transformation project expenses	5	(1,330)	(4,745)
Restructuring costs	5	(1,438)	–
Finance expenses	5	(9,136)	(8,733)
Profit before tax		**2,842**	**15,232**
Income tax expense	6	(1,146)	(5,378)
Profit after tax		**1,696**	**9,854**
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		78	(13)
Net (loss)/gain on cash flow hedges	25	(129)	(101)
Income tax effect relating to the components of OCI	13	–	(55)
Net other comprehensive (loss)/gain that may be reclassified to profit or loss in subsequent periods		**(51)**	**(169)**
Net other comprehensive (loss)/gain for the period, net of tax		**(51)**	**(169)**
Total comprehensive income for the period, net of tax		**1,645**	**9,685**

Notes to the consolidated financial statements are included in pages 64 to 100.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the 52 weeks ended 30 June 2024

	Note	2024 $'000	2023 $'000
Profit for the period attributable to:			
Equity holders of Baby Bunting Group Limited		1,696	9,854
Total comprehensive income attributable to:			
Equity holders of Baby Bunting Group Limited		1,645	9,685
Earnings per share			
From continuing operations			
Basic (cents per share)	29(a)	1.3	7.4
Diluted (cents per share)	29(b)	1.2	7.1

Notes to the consolidated financial statements are included in pages 64 to 100.

Consolidated Statement of Financial Position

as at 30 June 2024

	Note	30 June 2024 $'000	2 July 2023 $'000
Current Assets			
Cash and cash equivalents	26(b)	9,525	4,997
Trade and other receivables	7	3,968	3,451
Inventories	8	94,414	98,046
Current tax assets		–	96
Other financial assets	25	–	185
Other assets	9	3,575	4,183
Total Current Assets		**111,482**	**110,958**
Non-Current Assets			
Plant and equipment	10	27,148	29,453
Intangibles	11	7,772	6,863
Goodwill	11	45,321	45,321
Right-of-use asset	12	131,260	143,916
Deferred tax assets	13	9,222	7,377
Total Non-Current Assets		**220,723**	**232,930**
Total Assets		**332,205**	**343,888**
Current Liabilities			
Trade and other payables	14	43,067	45,371
Other liabilities	15	4,659	6,156
Current tax liabilities		631	–
Lease liability	12	37,139	34,057
Provisions	17	5,730	6,795
Total Current Liabilities		**91,226**	**92,379**
Non-Current Liabilities			
Loans and borrowings	16	22,570	11,209
Lease liability	12	115,704	130,296
Provisions	17	2,081	2,070
Total Non-Current Liabilities		**140,355**	**143,575**
Total Liabilities		**231,581**	**235,954**
Net Assets		**100,624**	**107,934**
Equity			
Issued capital	18	87,650	88,695
Reserves	22	16,616	15,673
(Accumulated losses)/Retained earnings	20	(3,642)	3,566
Total Equity		**100,624**	**107,934**

Notes to the consolidated financial statements are included in pages 64 to 100.

Consolidated Statement of Changes in Equity

for the 52 weeks ended 30 June 2024

	Issued Capital $'000	Shares Held in Trust $'000	Share-based Payments Reserve $'000	Share-based Payment Tax Reserve $'000	Cash Flow Hedge Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Total Equity $'000
Balance at 26 June 2022	**87,913**	**–**	**15,782**	**1,287**	**285**	**24**	**9,430**	**114,721**
Profit for the period	–	–	–	–	–	–	9,854	9,854
Other comprehensive income	–	–	–	–	(156)	(13)	–	(169)
Total comprehensive income for the period	–	–	–	–	(156)	(13)	9,854	9,685
Issue of shares (Note 18)	782	–	–	–	–	–	–	782
Dividends (Note 19)	–	–	–	–	–	–	(15,563)	(15,563)
Share-based payment expense (Note 22)	–	–	(251)	–	–	–	–	(251)
Tax effect of share-based payments (Note 22)	–	–	–	(1,440)	–	–	–	(1,440)
Transfer to retained earnings (Note 22)	–	–	–	155	–	–	(155)	–
Balance at 2 July 2023	**88,695**	**–**	**15,531**	**2**	**129**	**11**	**3,566**	**107,934**
Balance at 2 July 2023	**88,695**	**–**	**15,531**	**2**	**129**	**11**	**3,566**	**107,934**
Profit for the period	–	–	–	–	–	–	1,696	1,696
Other comprehensive income	–	–	–	–	(129)	(91)	–	(220)
Total comprehensive income for the period	–	–	–	–	(129)	(91)	1,696	1,476
Issue of shares (Note 18)	–	–	–	–	–	–	–	–
Purchase of shares in relation to equity incentive plan (Note 18)	–	(1,045)	–	–	–	–	–	(1,045)
Dividends (Note 19)	–	–	–	–	–	–	(8,904)	(8,904)
Share-based payment expense (Note 22)	–	–	1,163	–	–	–	–	1,163
Tax effect of share-based payments (Note 22)	–	–	–	–	–	–	–	–
Transfer to retained earnings (Note 22)	–	–	–	–	–	–	–	–
Balance at 30 June 2024	**88,695**	**(1,045)**	**16,694**	**2**	**–**	**(80)**	**(3,642)**	**100,624**

Notes to the consolidated financial statements are included in pages 64 to 100.

Consolidated Statement of Cash Flows

for the 52 weeks ended 30 June 2024

	Note	2024 $'000	2023 $'000
Cash flows from operating activities			
Receipts from customers		547,692	577,248
Payments to suppliers and employees		(496,271)	(520,666)
Income tax paid		(2,226)	(4,668)
Finance costs paid		(9,136)	(8,910)
Net cash from operating activities	26(a)	**40,059**	**43,004**
Cash flows from investing activities			
Payments for plant and equipment	10	(5,686)	(5,755)
Payments for intangibles	11	(2,918)	(3,039)
Net cash used in investing activities		**(8,604)**	**(8,794)**
Cash flows from financing activities			
Dividends paid	19	(8,904)	(15,563)
Net borrowings/(repayments)		11,207	(1,738)
Payments of principal portion of lease liability		(28,184)	(24,151)
Purchase of shares in relation to equity incentive plan		(1,045)	–
Net cash used in financing activities		**(26,926)**	**(41,452)**
Net increase/(decrease) in cash and cash equivalents		**4,529**	**(7,242)**
Net foreign exchange difference		(1)	1
Cash and cash equivalents at beginning of the period		4,997	12,238
Cash and cash equivalents at end of the period	26(b)	**9,525**	**4,997**

Notes to the consolidated financial statements are included in pages 64 to 100.

Notes to the Consolidated Financial Statements

for the 52 weeks ended 30 June 2024

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 period ended 30 June 2024 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 52 week retail calendar for financial reporting purposes which ended 30 June 2024. The prior period was a 53 week retail calendar ended on 2 July 2023.

Note 2: Summary of material accounting policies

The following material accounting policies have been adopted in the preparation and presentation of the financial report.

a. Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the consolidated entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the consolidated entity comply with International Financial Reporting Standards (IFRS). For the purposes of preparing the Consolidated Financial Statements, the Company is a for-profit entity.

The financial statements were authorised for issue by the directors on 20 August 2024.

b. Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial assets and financial liabilities measured at fair value, as explained in the accounting policies below. All amounts are presented in Australian dollars, unless otherwise noted.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the consolidated entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

c. Critical accounting judgements and key sources of estimation uncertainty

In the application of the consolidated entity's accounting policies, the Company is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Determination of inventory provision for shrinkage, obsolescence and mark-down

The Company's judgement is applied in determining the inventory provision for shrinkage, obsolescence and mark-down. Estimates of shrinkage trends based on historical observations have been applied against inventory held at period end and where the estimated selling price of inventory including the costs necessary to sell is lower than the cost to sell, the difference is recognised in the provision for obsolescence.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units (CGUs) to which goodwill has been allocated. The value in use calculation estimates the future cash flows expected to arise from the cash generating unit and a pre-tax discount rate in order to calculate present value. The key assumptions used in the value in use calculations are as follows:

Forecasted sales growth of existing stores	2% for comparable store growth over a 5 year period (2023: 3.0%)
Terminal sales growth rate	3.0% (2023: 3.0%)
Forecasted gross margin	Average gross margin achieved in the period immediately before the forecast period
Forecasted retail store expenses	Forecast increases correlate to the consumer price index. The values assigned to the key assumption are consistent with external sources of information
Pre-tax weighted average cost of capital	13.84% (2023: 14.07%)

The pre-tax weighted average cost of capital (WACC) calculated for the current period includes consideration of lease liabilities as part of the capital structure when determining debt/equity assumptions in the WACC.

Goodwill is allocated to the Australian operating segment, as a group of cash generating units (CGUs) for the purpose of impairment testing.

The recoverable amount of the consolidated entity's CGU to which goodwill is allocated currently exceeds its carrying value. Reasonably possible changes that may occur to the assumptions used would not result in impairment.

Lease term of contracts with renewal options and incremental borrowing rate for leases

Refer to Note 2(t) for significant judgements required for lease term of contracts with renewal options and determining the incremental borrowing rate for leases.

Revenue recognition – loyalty programme

Refer to Note 2(l) for significant judgements required for assessment of breakage.

d. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the consolidated entity's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the consolidated entity are eliminated in full on consolidation.

e. Fair value measurement

The Company measures financial instruments such as derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

f. Income tax

The Company and its wholly-owned Australian controlled entities are part of a tax consolidated group under Australian taxation law, of which the Company is the head entity. As a result, the Company is subject to income tax through its membership of the tax consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group (if any) are recognised by the Company (as head entity in the tax-consolidated group).

Nature of tax funding arrangements and tax sharing agreements

Entities within the Australian tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, the Company and the other entities in the tax-consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The consolidated entity's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax is recognised on share-based payments for the tax deduction that will be available to the Company on vesting of the LTI share-based payments. The deferred tax measurement is based on the share price at reporting date. The income tax benefit is recognised through income tax expense up to the amount relating to the cumulative share-based payment expense. Any tax benefit in excess of the amount relating to the cumulative share-based payment expense is recognised in the share-based payment tax reserve within equity. Refer to Note 22.

g. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to inventory on hand by the method most appropriate to each particular class of inventory being valued on a weighted average cost formula basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. Volume rebates are recognised as a reduction in the cost of inventory and are recorded as a reduction in the cost of goods sold when the inventory is sold. Supplier promotional and marketing rebates that arise upon sale of inventory have been brought to account as a direct deduction in costs of goods sold.

h. Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation. The depreciable amount of all fixed assets are depreciated over their estimated useful lives. The estimated useful lives and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis. The useful life for each class of asset is:

Class of fixed asset	Useful Life
Plant & equipment	3 – 10 years
Leasehold improvements	5 – 10 years

i. Intangibles – computer software

Intangible assets with finite lives that are acquired separately or internally generated are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Class of intangible asset	Useful Life
Computer software	5 years

j. Employee benefits

Short-term employee benefits liabilities recognised for salaries and wages, annual leave and any other short term employee benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are measured at the amounts expected to be paid when the liabilities are settled in respect of services provided by employees up to the reporting date.

Long-term employee benefits liabilities recognised in respect of long service leave and any other long term employee benefits that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are measured at the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to the reporting date. Consideration is given to expected future salary levels, historical employee turnover rates and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

k. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. All receivables from EFT, credit card and debit card point of sale transactions during the period are classified as cash and cash equivalents.

l. Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. This is generally in store when the customer purchases the goods or services, on delivery to the customer for online sales and on customer pickup for click and collect.

For layby, revenue is recognised when customers make the final payment and goods have been collected. The initial layby deposit paid and subsequent instalment payments are recorded as unearned income in the balance sheet and included in sundry payables. A contractual liability is recognised of $4.308 million (2023: $4.899 million), of which 80% is refundable when the customer cancels the layby.

Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Company uses the expected value method (historical return rates provide a basis for the expected value) to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. The requirements in AASB 15 Revenue from Contracts with Customers on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Company recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer and recorded at cost value. The Company's change of mind policy is 30 days or 60 days for members of the Company's loyalty program.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

The Company operates a loyalty program. Customers receive a loyalty voucher upon joining the Company's loyalty program. In addition, under the loyalty program, the Company offered loyalty vouchers when a customer's cumulative spend reached a specified threshold. On 12 March 2024, the reward element was retired. This resulted in a decrease in the unredeemed vouchers liability. The continuing loyalty program consists of one-off vouchers provided as a Welcome reward and upon the participant's birthday.

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 of expired loyalty vouchers. The Company records the contract liability based on the breakage rate for unspent and unexpired vouchers and un-issued vouchers. Refer to Note 15.

m. Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

n. Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the consolidated entity’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition.

Goodwill is subsequently measured at its cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the consolidated entity’s cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the business combination. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the cash-generating unit (or groups of cash-generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of cash-generating units) and then to the other assets of the cash generating units pro-rata on the basis of the carrying amount of each asset in the cash-generating unit (or groups of cash-generating units). An impairment loss recognised for goodwill is recognised immediately in the statement of profit or loss and other comprehensive income and is not reversed in a subsequent period.

o. Trade payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

p. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties

Provisions for the expected cost of warranty obligations under applicable consumer law are recognised at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Company's obligation.

q. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

r. Share-based payment arrangements

Employees (including senior executives) of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 22.

The cost is recognised as employee benefit expense, together with a corresponding increase in equity (share-based payment reserve), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 22(b).

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market condition, the transactions are treated as vested irrespective of whether the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 29).

s. Comparative amounts

The comparative figures are for the period 27 June 2022 to 2 July 2023. Where appropriate, comparative information has been reformatted to allow comparison with current year information.

t. Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract coveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and lease of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right-of-use of the underlying assets.

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 and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Property 5 to 12 years
- Motor vehicles and material handling equipment 1 to 6 years

The right-of-use assets are also 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.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate 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 lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option 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 material handling 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 to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an 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.

u. Capital management

For the purpose of the Company's capital management, capital includes issued capital, borrowings and all other equity reserve attributable to the equity holder of the parent. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and make adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company has a dividend payout ratio policy to pay out approximately 70% of full year pro forma NPAT, subject to an assessment of anticipated current or future capital needs.

v. Changes in accounting policies and disclosures

The following new and amended Australian Accounting Standards and AASB interpretations apply for the first time during the period ended 30 June 2024. The impact of these new standards and amendments were not material to the consolidated financial statements of the Company.

Reference	Title	Application
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023
AASB 2021-5	Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

Other Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the reporting period ended 30 June 2024.

Reference	Title	Application
AASB 2020-1	Amendments to AASs – Classification of Liabilities as Current or Non-current	1 January 2024
AASB 2022-6	Amendments to AASs – Non-current Liabilities with Covenants	1 January 2024
AASB 18	Presentation and Disclosure of Financial Statements	1 January 2027

Note 3: Revenue from contracts with customers

	2024 $'000	2023 $'000
An analysis of the consolidated entity's revenue for the period, is as follows:		
Total revenue from contracts with customers[1]	498,387	524,281

1. Revenue from contracts with customers includes online revenue (including click & collect) $105.776 million (2023: $102.471 million) and from New Zealand store operations $7.238 million (2023: $2.920 million).

Note 4: Other Income

	2024 $'000	2023 $'000
Other Income[1]	400	–

1. The Company received a cash settlement payment ($0.400 million) from the vendor of order management software following a dispute in relation to that software and its implementation.

Note 5: Profit for the period

	2024 $'000	2023 $'000
Profit before income tax expense includes the following expenses:		
Interest and finance charges paid/payable		
Interest on lease liabilities	7,205	7,023
Interest on borrowings	1,931	1,710
Depreciation and amortisation	8,680	7,910
Depreciation on right-of-use assets	29,830	28,559
Employee benefits expense	90,239	94,683

Depreciation and amortisation

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

For the period ended 30 June 2024	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	(115,076)	6,923	26,540	(81,613)
Warehousing expenses	(11,742)	216	3,135	(8,391)
Administrative expenses	(33,434)	1,538	155	(31,741)
Transformation project expenses	(1,330)	3	–	(1,327)
Total	**(161,582)**	**8,680**	**29,830**	**(123,072)**

For the period ended 2 July 2023	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	(110,216)	6,184	25,296	(78,736)
Warehousing expenses	(11,372)	214	3,079	(8,079)
Administrative expenses	(37,584)	1,512	184	(35,888)
Transformation project expenses	(4,745)	–	–	(4,745)
Total	**(163,917)**	**7,910**	**28,559**	**(127,448)**

	2024 $'000	2023 $'000
Transformation project expenses include the following:		
Transformation project expenses[1]	1,330	4,745
Restructuring costs[2]	1,438	–

1. The Company incurred $1.330 million non-capital costs (2023: $4,745 million) associated with the implementation of a time and attendance system and the initial planning phase of a replacement of its enterprise resource planning (ERP) and point-of-sale systems.
2. The Company incurred restructuring costs of $1.438 million which included make good costs relating to the Camperdown store closure ($0.186 million) and payments associated with organisational restructure including the disestablishment of a number of head office roles.

Note 6: Income tax

	2024 $'000	2023 $'000
Current tax in respect of the current period	2,936	6,593
Current tax in respect of the prior period	–	251
Deferred tax	(1,790)	(1,466)
Total tax expense	**1,146**	**5,378**

The income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2024 $'000	2023 $'000
Profit before tax from continuing operations	2,842	15,232
Income tax expense calculated at 30% (2023: 30%)	(853)	(4,570)
Non-deductible expenditure	(30)	(55)
Over/under from prior year	–	251
Share-based payments	(344)	(1,077)
Effect of lower tax rates in New Zealand	81	73
Income tax expense recognised in profit or loss	**(1,146)**	**(5,378)**

The tax rate used for financial year 2024 and 2023 in the above reconciliation is the corporate tax rate of 30% payable by large Australian corporate entities on taxable profits under Australian tax law. The tax rate used for financial year 2024 for New Zealand is the corporate tax rate of 28% payable by New Zealand corporate entities on taxable profits under New Zealand tax law.

Note 7: Trade and other receivables

	2024 $'000	2023 $'000
Current		
Trade receivables	133	229
Other receivables	3,835	3,222
	3,968	**3,451**

There are no material receivables past due date. The receivables are expected to be settled within 30-90 days, subject to the terms of the relevant agreement.

Note 8: Inventories

	2024 $'000	2023 $'000
Finished goods	96,196	98,792
Less: Provision for shrinkage, obsolescence and mark-down	(1,782)	(746)
	94,414	98,046

The cost of inventories recognised as an expense during the current reporting period in respect of continuing operations was $314.733 million (2023: $328.087 million). During the financial year, there was an increase in the provision for shrinkage, obsolescence and mark-down of $1.036 million (2023: a decrease of $0.048 million in provision).

Note 9: Other assets

	2024 $'000	2023 $'000
Prepayments	2,424	3,011
Right of return	1,151	1,172
	3,575	4,183

Note 10: Plant and equipment

Cost	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balance at 2 July 2023	**12,031**	**57,686**	**69,717**
Additions	3,526	2,160	5,686
Disposals	(876)	(702)	(1,578)
Balance at 30 June 2024	**14,681**	**59,144**	**73,825**
Accumulated depreciation			
Balance at 2 July 2023	**(5,524)**	**(34,740)**	**(40,264)**
Depreciation	(1,618)	(5,047)	(6,665)
Disposals	213	39	252
Balance at 30 June 2024	**(6,929)**	**(39,748)**	**(46,677)**
Carrying amount as at 30 June 2024	**7,752**	**19,396**	**27,148**

Cost	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balance at 26 June 2022	**9,494**	**56,289**	**65,783**
Additions	3,695	2,060	5,755
Disposals	(1,158)	(663)	(1,821)
Balance at 2 July 2023	**12,031**	**57,686**	**69,717**
Accumulated depreciation			
Balance at 26 June 2022	**(4,849)**	**(30,618)**	**(35,467)**
Depreciation	(1,808)	(4,622)	(6,430)
Disposals	1,133	500	1,633
Balance at 2 July 2023	**(5,524)**	**(34,740)**	**(40,264)**
Carrying amount as at 2 July 2023	**6,507**	**22,946**	**29,453**

Note 11: Intangible assets and goodwill

Cost	Goodwill $'000	Intangibles $'000
Balance at 2 July 2023	**45,321**	**10,717**
Additions	–	2,918
Disposals	–	–
Balance at 30 June 2024	**45,321**	**13,635**
Amortisation and impairment losses		
Balance at 2 July 2023	**–**	**(3,854)**
Amortisation	–	(2,009)
Disposals	–	–
Balance at 30 June 2024	**–**	**(5,863)**
Carrying amount as at 30 June 2024	**45,321**	**7,772**

Cost	Goodwill $'000	Intangibles $'000
Balance at 26 June 2022	**45,321**	**7,678**
Additions	–	3,039
Disposals	–	–
Balance at 2 July 2023	**45,321**	**10,717**
Amortisation and impairment losses		
Balance at 26 June 2022	**–**	**(2,374)**
Amortisation	–	(1,480)
Disposals	–	–
Balance at 2 July 2023	**–**	**(3,854)**
Carrying amount as at 2 July 2023	**45,321**	**6,863**

Refer to Note 2(c) for detail on the inputs used in the impairment calculation of goodwill.

Note 12: Leases

The Company has lease contracts for various items of property, motor vehicles and material handling equipment used in its operations. Leases of buildings generally have lease terms between 5 and 12 years, while motor vehicles and material handling equipment generally have lease terms between 1 and 6 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets.

There are several lease contracts that include extension options and variable lease payments. Relevant factors the Company considers in determining the likelihood to exercise a lease renewal, to the point of reasonable certainty, include the Company's overall property strategy, the importance of the leased asset to the Company, the existence of renewal options and their pricing, whether the market is a new market or an existing market, the costs of returning the leased asset in a contractually specified condition, the existence of alternate sites within the relevant catchment and the associated costs of a relocation, and any broader trends generally shaping the retail industry. The Company's lease portfolio contains option periods averaging around 5 years that are not considered reasonably certain options to be exercised. However, these options provide the Company flexibility in managing the leased asset portfolio. The present value of the lease payments to be made under options considered reasonably certain to be exercised has been included in the lease liability balance as at 30 June 2024.

The Company has several lease contracts that include extension options. These options are negotiated to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. The undiscounted potential future payments at current rental rates under options that are not considered reasonably certain to be exercised is $295.414 million (2023: $279.050 million), which includes potential lease payments within the next five years of $32.395 million (2023: $22.334 million) should those options be exercised.

The Company has several lease commitments entered into but not yet commenced and recognised as a right-of-use asset and lease liability. The undiscounted future payments at current rental rates is $37.067 million (2023: $31.963 million).

The Company also has certain leases of material handling equipment with lease terms of 12 months or less and leases of office equipment that are low in value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

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			
	Property $'000	Motor Vehicles $'000	Material Handling equipment $'000	Total $'000
As at 26 June 2022	**136,569**	**337**	**2,932**	**139,838**
Additions	17,850	134	493	18,477
Remeasurements[1]	13,926	–	234	14,160
Depreciation expense	(27,357)	(190)	(886)	(28,433)
Impairment	(126)	–	–	(126)
As at 2 July 2023	**140,862**	**281**	**2,773**	**143,916**
Additions	12,789	30	1,488	14,307
Remeasurements[1]	3,164	–	–	3,164
Depreciation expense	(28,965)	(192)	(970)	(30,127)
As at 30 June 2024	**127,850**	**119**	**3,291**	**131,260**

1. Remeasurements of right-of-use asset primarily represents lease extensions of stores.

Lease Liabilities	2024 $'000	2023 $'000
Opening balance	**164,353**	**156,232**
Additions	14,307	18,477
Accretion of interest	7,205	7,023
Remeasurements[1]	2,783	13,795
Payments	(35,805)	(31,174)
Closing balance	**152,843**	**164,353**
Current	37,139	34,057
Non-current	115,704	130,296
Total lease liabilities	**152,843**	**164,353**

1. Remeasurements of lease liabilities primarily represents lease extensions of stores.

The maturity analysis of lease liabilities is disclosed in Note 25 Financial Instruments.

The following are the amounts recognised in profit and loss:

	2024 $'000	2023 $'000
Depreciation expense of right-of-use asset	29,830	28,559
Interest expense on lease liabilities	7,205	7,023
Rent expenses – short-term leases (included in stores, administration and warehouse)	76	96
Rent expenses – leases of low-value assets (included in stores, administration and warehouse)	780	596
Rent expenses – variable lease payments (included in store, administration and warehouse)	4,340	3,553
Total	**42,231**	**39,827**

The Company had total cash outflows for leases of $41.000 million in 2024 ($35.419 million in 2023). The Company also had additions to right-of-use assets and lease liabilities of $14.307 million in 2024 ($18.477 million in 2023).

Note 13: Deferred tax assets

Deferred tax balances are presented in the consolidated statement of financial position as follows:

	2024 $'000	2023 $'000
Deferred tax assets		
Australia	7,215	6,354
New Zealand	2,007	1,023
Total	**9,222**	**7,377**

2024 – Consolidated $'000	Opening balance	Recognised in profit or loss	Recognised in other comprehen-sive income	Recognised in equity	Closing balance
Employee benefits	**2,323**	(228)	–	–	**2,095**
Non-deductible accruals	**380**	(61)	–	–	**319**
Non-refundable layby income	**877**	(130)	–	–	**747**
Inventories	**374**	368	–	–	**742**
Gift vouchers	**1,275**	(439)	–	–	**836**
Right of return	**179**	24	–	–	**203**
Right-of-use asset	**(43,085)**	3,946	–	–	**(39,139)**
Lease liability	**49,207**	(3,611)	–	–	**45,596**
Property, plant and equipment	**(4,985)**	1,079	–	–	**(3,906)**
Cash flow hedge reserve	**(55)**	–	55	–	**–**
Tax losses carried forward (NZ)	**887**	842	–	–	**1,729**
Total	**7,377**	**1,790**	**55**	**–**	**9,222**

2023 – Consolidated $'000	Opening balance	Recognised in profit or loss	Recognised in other comprehen-sive income	Recognised in equity	Closing balance
Employee benefits	**2,182**	141	–	–	**2,323**
Non-deductible accruals	**188**	192	–	–	**380**
Non-refundable layby income	**995**	(118)	–	–	**877**
Inventories	**423**	(49)	–	–	**374**
Gift vouchers	**1,041**	234	–	–	**1,275**
Right of return	**240**	(61)	–	–	**179**
Right-of-use asset	**(40,257)**	(2,828)	–	–	**(43,085)**
Lease liability	**45,170**	4,037	–	–	**49,207**
Property, plant and equipment	**(4,066)**	(919)	–	–	**(4,985)**
Share-based payments	**4,293**	(3,007)	–	(1,286)	**–**
Cash flow hedge reserve	**(122)**	–	67	–	**(55)**
Unrealised FX gain/(loss)	**50**	(50)	–	–	**–**
Tax losses carried forward (NZ)	**–**	887	–	–	**887**
Total	**10,137**	**(1,541)**	**67**	**(1,286)**	**7,377**

Of the total net deferred tax assets of $9.222 million as at 30 June 2024 (2023: $7.377 million), $1.729 million (2023: $0.887 million) is recognized in respect of subsidiary Baby Bunting NZ Limited where there have been losses in the current and preceding period. Management's projections support the assumption that it is probable that the results of future operations will generate sufficient taxable income to utilize these deferred tax assets. This judgement is performed annually and based on budgets and business plans for the coming years, including planned commercial initiatives.

No deferred tax liability has been recognized in respect of undistributed earnings of Baby Bunting NZ Limited, with an impact of $0.205 million (2023: nil). This is because it is probable that such differences may not reverse in the foreseeable future.

Note 14: Trade and other Payables

	2024 $'000	2023 $'000
Current		
Trade payables	28,131	29,713
Sundry payables	14,936	15,658
Total	**43,067**	**45,371**

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms.
- Sundry payable includes $4.308 million (2023: $4.899 million) of deposit and instalment payments received by the Company in relation to layby sales taken out by customers.
- Sundry payables (other than layby sales) are non-interest bearing and have an average term of three months.
- For explanations on the Company's liquidity risk management processes, refer to Note 25(b).

Note 15: Other Liabilities

	2024 $'000	2023 $'000
Unredeemed gift cards and vouchers[1]	2,791	4,255
Refund liability	1,828	1,782
Security deposits – car seat hire	40	119
Total	**4,659**	**6,156**

1. The unredeemed gift cards are expected to be redeemed within three years. Loyalty vouchers have a redemption period of 60 days.

Note 16: Loans and Borrowings

	2024 $'000	2023 $'000
Non-current – Secured		
Bank loan	22,570	11,209

The ongoing funding requirements of the consolidated entity are provided by the National Australia Bank ("NAB"). On 26 June 2024, the Company entered into an amendment deed with NAB with the effect that the capital market loan facility now matures on 30 September 2027. Security consists of a Deed of Charge over the assets of Baby Bunting Pty Ltd. The Company and Baby Bunting NZ Limited are guarantors to the facility.

The total facility limit 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 2.5 times the last 12 months historical rolling EBITDA. Interest on the facility is charged at a variable rate.

The consolidated entity was in compliance with the facility agreement at 30 June 2024. The current facility does not require the consolidated entity to amortise borrowings.

Note 17: Provisions

	2024 $'000	2023 $'000
Current		
Employee benefits	5,730	6,495
Make-good provision[1]	–	300
Total current	**5,730**	**6,795**
Non-current		
Employee benefits	1,262	1,251
Make-good provision[1]	819	819
Total non-current	**2,081**	**2,070**

Make-good provision	2024 $'000	2023 $'000
Opening balance	1,119	563
(Utilised)/arising during the period[1]	(300)	556
Closing balance	**819**	**1,119**

1. Provision for make-good costs relate to costs that arise in the event we were to vacate the premise at the end of the lease.

Note 18: Issued capital

	30 June 2024		2 July 2023	
	No. of shares	$'000	No. of shares	$'000
Fully paid ordinary shares				
Balance at beginning of the period	134,906,489	88,695	132,458,126	87,913
Issue of shares:				
– Employee Gift Offer	–	–	277,182	782
– LTI vesting	–	–	2,171,181	–
Balance at end of the period	**134,906,489**	**88,695**	**134,906,489**	**88,695**
Shares held in trust				
Balance at beginning of the period	–	–	–	–
Purchase of shares in relation to equity incentive plan	(467,289)	(1,045)	–	–
Balance at end of the period	**134,439,200**	**87,650**	**134,906,489**	**88,695**

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

Note 19: Dividends

	2024		2023	
	$ per ordinary share	$'000	$ per ordinary share	$'000
Recognised amounts				
Final 2023 dividend	0.048	6,476	0.090	11,921
Interim 2024 dividend	0.018	2,428	0.027	3,642

On 11 August 2023, the Directors determined to pay a fully franked final dividend of 4.8 cents per share to the holders of fully paid ordinary shares in respect of the financial period ended 2 July 2023. The dividend was subsequently paid to shareholders on 8 September 2023 totalling $6.476 million.

On 20 February 2024, the Directors determined to pay an interim fully franked dividend of 1.8 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2023. The dividend was subsequently paid to shareholders on 19 March 2024 totalling $2.428 million.

No final dividend will be paid in respect of the financial period ended 30 June 2024.

	Company	
	2024 $'000	2023 $'000
Adjusted franking account balance	303	1,897
Franking credits that will arise from the payment of income tax payable as at the end of the financial period	762	–
Franking debits that will arise from the payment of final dividend in respect of the financial period[1]	–	(2,790)

There are no income tax consequences attached to the payment of dividends in either 2024 or 2023 by the Company to its shareholders.

Note 20: Retained earnings

	2024 $'000	2023 $'000
Retained earnings		
Balance at beginning of period	3,566	9,430
Profit attributable to owners of the Company	1,696	9,854
Payment of dividends	(8,904)	(15,563)
Share-based payments[1]	–	(155)
Balance at end of period	**(3,642)**	**3,566**

1. In the reporting period, no performance rights vested under the Company's Long Term Incentive Plan. In the prior period, performance rights vested (2,171,181 performance rights) with a market value of market value of $5.798 million. This vesting resulted in an income tax benefit of $1.892 million. The vested portion of $0.155 million was a reduction to retained earnings.

Note 21: Segment information

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (the chief operating decision maker as defined under AASB 8) that are used to make strategic and operating decisions. The Chief Executive Officer considers the business primarily from a geographic perspective. Operations in New Zealand have been conducted by Baby Bunting NZ Limited, a wholly-owned subsidiary of the Company. All transactions were in New Zealand dollars. On this basis management has identified two reportable segment, Australia and New Zealand.

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

	Australia		New Zealand		Total	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Revenue	487,366	518,727	11,021	5,554	498,387	524,281
Operating EBIT	15,760	28,287	(3,721)	(3,357)	12,039	24,930
Total segment assets	306,529	332,256	25,676	11,632	332,205	343,888
Additions to plant and equipment and intangibles	4,632	7,621	3,972	1,173	8,604	8,794
Depreciation and amortisation	35,998	35,117	2,512	1,352	38,510	36,469
Total non-current assets[1]	193,838	218,391	17,663	7,162	211,501	225,553
Total segment liabilities	208,557	226,590	23,024	9,364	231,581	235,954

1. Non-current assets exclude deferred tax assets.

Revenue reported above represents revenue generated from external customers. Inter-segment sales are eliminated on consolidation in the current reporting period of $3.624 million (2023: $2.285 million).

The accounting policies of the reportable segment are the same as the consolidated entity's accounting policies described in Note 2. The Chief Executive Officer assesses the performance of the operating segment based on a measure of Operating EBIT. This measurement basis excludes the effects of interest revenue, other operating income, finance costs, income tax and employee equity expenses.

Operating EBIT

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

	Australia		New Zealand		Total	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Operating EBIT	**15,760**	**28,287**	**(3,721)**	**(3,357)**	**12,039**	**24,930**
Other Income	400	–	–	–	400	–
Finance costs	(8,557)	(8,485)	(579)	(248)	(9,136)	(8,733)
Employee share-based payments (inclusive of tax)	(461)	(965)	–	–	(461)	(965)
Profit before tax	**7,142**	**18,837**	**(4,300)**	**(3,605)**	**2,842**	**15,232**

Segment assets and liabilities

The amounts provided to the Chief Executive Officer with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. Reportable segments' assets and liabilities are reconciled to total assets as follows:

	Australia		New Zealand		Total	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Total segment assets	306,529	332,256	25,676	11,632	332,205	343,888
Total segment liabilities	208,557	226,590	23,024	9,364	231,581	235,954

Note 22: Reserves

a. Share-based payments

	2024 $'000	2023 $'000
Share-based payments reserve		
Balance at beginning of period	15,531	15,782
Performance rights – expense (Note 22(b))	1,163	1,698
Performance rights – reversal (Note 22(b))	–	(1,949)
Balance at end of period	**16,694**	**15,531**

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 some or all of the following:

- Earnings per share (EPS) growth;
- Total shareholder return (TSR) growth; and
- Service condition (Service 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 $0.83 (2023: $0.45). The fair value of the TSR component of performance rights is determined at grant date using a Monte-Carlo simulation. For the non-market component (EPS CAGR), the fair value is determined with reference to the share price of ordinary shares at grant date.

Performance rights series	Grant date	Number of rights	Grant date fair value	Exercise price	Expiry date
2022 (TSR CAGR)	23 November 2021	655,315	$1.89	nil	(1)
2022 (EPS CAGR)	23 November 2021	436,877	$5.81	nil	(1)
2023 (TSR CAGR)	21 November 2022	610,685	$0.45	nil	(1)
2023 (EPS CAGR)	21 November 2022	407,123	$2.56	nil	(1)
2024 (TSR CAGR)	15 December 2023	1,106,842	$0.83	nil	(1)
2024 (EPS CAGR)	15 December 2023	737,894	$1.83	nil	(1)
2024 (Service rights)	15 December 2023	1,117,289	$1.83	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 or not. Any performance rights that have not vested following the final applicable performance period lapse.

	2024 (TSR CAGR)	2023 (TSR CAGR)
Share Price	$1.83	$2.60
Exercise price	Nil	Nil
Expected volatility	45%	40%
Expected life (years)	2.70	2.90
Expected dividend yield	4.00%	3.00%
Risk-free interest rate	3.79%	3.20%

Movements in performance rights during the period

The consolidated entity recorded a share-based payments expense for performance rights of $1.163 million (2023: $0.251 million write-back) disclosed in the 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:

	52 weeks ended 30 June 2024			53 weeks ended 2 July 2023		
	TSR Number of rights	EPS Number of rights	Service Number of rights	TSR Number of rights	EPS Number of rights	Service Number of rights
Balance at beginning of the period	**2,611,000**	**2,134,000**	**–**	**3,310,500**	**3,035,500**	**–**
Granted during the period	1,106,842	737,894	1,117,289	822,000	548,000	–
Forfeited during the period	(165,000)	(110,000)	–	(366,000)	(294,000)	–
Exercised during the period	–	–	–	(1,015,681)	(1,155,500)	–
Lapsed during the period	(1,180,000)	(1,180,000)	–	(139,819)	–	–
Balance at end of period	**2,372,842**	**1,581,894**	**1,117,289**	**2,611,000**	**2,134,000**	**–**
Exercisable at end of period	**–**	**–**	**–**	**–**	**–**	**–**

c. General Employee Share Plan ("GESP")

The consolidated entity has 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 reporting period, no offers of shares (2023: 277,182 shares) were made under the GESP. In the prior reporting period, the fair value $0.782 million was fully expensed at the time of granting, as there are no performance or service conditions.

d. Share-based payment tax reserve

	30 Jun 2024 $'000	2 Jul 2023 $'000
Share-based payment tax reserve		
Balance at beginning of period	2	1,287
Tax effect of share-based payments[1]	–	(1,440)
Transfer to retained earnings[2]	–	155
Balance at end of period	**2**	**2**

1. In 2023, $1.440 million represents a decrease 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 decrease in the reserve reflects the unlikelihood of performance rights vesting, relative to what was estimated as at the last reporting date, plus the addition of the 2023 performance rights granted to executives in December 2022 under the Company's Long Term Incentive Plan.
2. In 2023, performance rights of 2,171,181 vested under the Company's Long Term Incentive Plan with a market value of $5.798 million. The balance transferred to retained earnings represented the income tax payable recorded in the reserves associated with share-based payments that vested in the current period.

Note 23: Related Party Transactions

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

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

a. Loans to and from key management personnel and directors

As at the end of the current reporting period, no loans were outstanding to or from key management personnel or directors of the consolidated entity (2023: nil).

b. Key management personnel compensation

The aggregate compensation made to directors and KMP of the Company and the consolidated entity is set out below:

	2024 $	2023 $
Short-term employment benefits	1,807,737	1,803,922
Post-employment benefits	119,021	123,334
Other long-term benefits	(7,933)	59,323
Termination benefits[1]	–	467,571
Share-based payments	467,105	50,950
Total	**2,385,930**	**2,505,100**

1. This figure reflects the accrual for amounts that Matt Spencer received in respect of the cessation of his employment, which occurred on 31 December 2023. Matt Spencer ceased as a director of the Company on 2 June 2023.

Note 24: Commitments for expenditure

Capital commitments

The consolidated entity has capital commitments totalling nil (2023: nil).

Note 25: Financial instruments – Fair values and risk management

The consolidated entity's activities expose it to a variety of financial risks, including market risk (foreign currency and interest rate risk), liquidity risk and credit risk.

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. There have been changes to the consolidated entity's exposure to financial risks or the manner in which it manages and measures these risks from the previous period.

The consolidated entity holds the following financial assets and liabilities at reporting date:

	2024 $'000	2023 $'000
Financial assets		
Cash and cash equivalents	9,525	4,997
Other receivables	3,968	3,451
Derivatives designated as hedging instruments1	–	185
Total	**13,493**	**8,633**
Financial liabilities		
Trade and other payables	43,067	45,371
Other liabilities	1,828	1,782
Borrowings	22,570	11,209
Lease liability	152,843	164,353
Total	**220,308**	**222,715**

1. *Derivatives designated as hedging instruments* reflect the positive change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable inventory purchases in US dollars (USD).

a. Market risk

i. Foreign exchange risk

The majority of the consolidated entity's operations are transacted in the functional currency of the Company, AUD, and therefore exposure to foreign exchange risk is limited to around 17.0% of goods which are purchased in a foreign currency.

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments is foreign currency risk.

Foreign exchange forward contracts are designated as hedging instruments in cash flow hedges of forecast purchases in US dollars. These forecast transactions are highly probable, and they comprise about 15.9% of the Company's total expected purchases. The foreign exchange forward contract balances vary with the level of expected foreign currency purchases and changes in foreign exchange forward rates.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments;
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments;
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items;
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

The Company manages its foreign currency risk by hedging transactions that are expected to occur based on known purchases.

When a derivative is entered into for the purpose of being a hedge, the Company negotiates the terms of the derivative to match the terms of the hedged exposure. For hedges of known transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting payable that is denominated in the foreign currency.

At 30 June 2024, the Company had no hedges for future purchases.

						Maturity
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
As at 30 June 2024						
Foreign exchange forward contracts (highly probably forecast purchase)						
Notional amount (in $AUD'000)	–	–	–	–	–	–
Average forward rate (AUD/USD)	–	–	–	–	–	–
As at 2 July 2023						
Foreign exchange forward contracts (highly probably forecast purchase)						
Notional amount (in $AUD'000)	3,528	3,359	–	–	–	6,887
Average forward rate (AUD/USD)	0.6842	0.6846	–	–	–	

ii. Cash flow and fair value interest rate risk

The consolidated entity is exposed to interest rate risk as it borrows funds at floating interest rates. Any increase in interest rates will impact the consolidated entity's costs of servicing these borrowings, which may adversely impact its financial position.

iii. Summarised sensitivity analysis

The following table summarises the sensitivity of the consolidated entity's financial assets and financial liabilities to interest rate risk.

The consolidated entity is using a sensitivity of 2.5% (2023: 2.5%) as management considers this to be reasonable having regard to historic movements in interest rates. A positive number represents an increase in profit and a negative number a decrease in profit.

		Foreign exchange risk	
	Change in USD rate	-2.5%	+2.5%
At 2 July 2023	Carrying amount $'000	Profit $'000	Profit $'000
Financial assets			
Other financial assets	6,888	(172)	172
Total increase/(decrease)	**–**	**(172)**	**172**

		Foreign exchange risk	
	Change in USD rate	-2.5%	+2.5%
At 30 June 2024	Carrying amount $'000	Profit $'000	Profit $'000
Financial assets			
Other financial assets	–	–	–
Total increase/(decrease)	**–**	**–**	**–**

		Interest rate risk	
		-2.5%	+2.5%
At 2 July 2023	Carrying amount $'000	Profit $'000	Profit $'000
Financial liabilities			
Borrowings – CML Facility	11,209	280	(280)
Total increase/(decrease)	**–**	**280**	**(280)**

		Interest rate risk	
		-2.5%	+2.5%
At 30 June 2024	Carrying amount $'000	Profit $'000	Profit $'000
Financial liabilities			
Borrowings – CML Facility	22,570	564	(564)
Total increase/(decrease)	**–**	**564**	**(564)**

b. Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, who assess the consolidated entity's short, medium and long term funding and liquidity management requirements. The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities and by continuously monitoring forecast and actual cash flows.

Financing arrangements

The consolidated entity has access to the following undrawn borrowing facilities at the end of the reporting period:

	2024		2023	
	Limit $'000	Utilised $'000	Limit $'000	Utilised $'000
CML Facility	70,000	22,570	70,000	11,209
Bank Guarantee Facility	8,000	2,375	8,000	2,816
Total Facility	**78,000**	**24,945**	**78,000**	**14,025**

Maturities of financial assets and financial liabilities

The following tables detail the consolidated entity's remaining contractual maturity for its financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the consolidated entity can be required to pay. The table includes both principal and estimated interest cash flows. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at the reporting date.

							Maturity
At 30 June 2024	Less than 6 months $'000	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Weighted average effective interest rate %
Financial assets							
Cash and cash equivalents	9,525	–	–	–	–	**9,525**	4.10%
Other receivables	3,968	–	–	–	–	**3,968**	
Other financial assets	–	–	–	–	–	**–**	
Total	**13,493**	**–**	**–**	**–**	**–**	**13,493**	
Financial liabilities							
Trade and other payables	43,067	–	–	–	–	**43,067**	
Other liabilities	1,828	–	–	–	–	**1,828**	
Lease liability	18,720	18,756	62,734	45,687	28,720	**174,617**	
Borrowings – CML facility	–	–	–	22,570	–	**22,570**	5.86%
Total	**63,615**	**18,756**	**62,734**	**68,257**	**28,720**	**242,082**	

At 2 July 2023	Less than 6 months $'000	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Maturity Weighted average effective interest rate %
Financial assets							
Cash and cash equivalents	4,997	–	–	–	–	**4,997**	3.85%
Other receivables	3,451	–	–	–	–	**3,451**	–
Other financial assets	185	–	–	–	–	**185**	–
Total	**8,633**	**–**	**–**	**–**	**–**	**8,633**	
Financial liabilities							
Trade and other payables	45,371	–	–	–	–	**45,371**	–
Other liabilities	1,782	–	–	–	–	**1,782**	–
Lease liability	17,480	17,453	66,176	47,546	41,025	**189,680**	–
Borrowings – CML facility	–	–	–	11,209	–	**11,209**	5.70%
Total	**64,633**	**17,453**	**66,176**	**58,755**	**41,025**	**248,042**	

c. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has endeavoured to minimise its credit risk by dealing with creditworthy counterparties and use of counterparty account based credit limits which are regularly reviewed against historical spending patterns for appropriateness.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any allowance for impairment, represents the consolidated entity's maximum exposure to credit risk.

d. Fair value of financial instruments

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

Note 26: Notes to the statement of cash flows

a. Reconciliation of profit for the period to net cash flows from ordinary activities

	2024 $'000	2023 $'000
Profit after income tax	1,696	9,854
Non cash expenses and other adjustments:		
Depreciation and amortisation	38,510	36,469
Share-based payments and tax reserves	1,163	(755)
Changes in assets and liabilities:		
Decrease/(Increase) in other receivables	(516)	1,851
Decrease/(Increase) in other assets	758	956
Decrease/(Increase) in inventories	3,620	(1,378)
Decrease/(Increase) in deferred tax assets	(1,793)	2,484
Increase/(Decrease) in trade and other payables	(1,557)	(7,184)
Increase/(Decrease) in provisions	(1,054)	1,020
Increase/(Decrease) in income tax assets/liability	728	(683)
Increase/(Decrease) in other financial liabilities	(1,496)	370
Net cash provided by operating activities	**40,059**	**43,004**

b. Reconciliation of Cash and Cash equivalents

For the purposes of the statement cash flows, cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2024 $'000	2023 $'000
Cash on hand	93	88
Cash and cash equivalents	9,432	4,909
Total	**9,525**	**4,997**

Note 27: Parent entity disclosures

As at, and throughout, the 52 weeks ended 30 June 2024 the parent entity of the consolidated entity was Baby Bunting Group Limited.

	Parent Entity	
	2024 $'000	2023 $'000
Result of parent entity:		
Profit for the period	9,612	10,000
Other comprehensive income	–	–
Total comprehensive income for the period	9,612	10,000
Financial position of parent entity at period end:		
Current assets	–	–
Non-current assets	97,134	96,425
Total assets	**97,134**	**96,425**
Current liabilities	1,303	1,303
Non-current liabilities	–	–
Total liabilities	**1,303**	**1,303**
Total equity of the parent entity comprising of:		
Issued capital	86,357	86,357
Reserves	–	–
Retained earnings	9,474	8,765
Total equity	**95,831**	**95,122**

The Company does not have any contractual commitments for the acquisition of property, plant and equipment (2 July 2023: nil). The Company does not have any contingent liabilities (2 July 2023: nil).

The Company has entered into a deed of support with its wholly-owned subsidiary, Baby Bunting NZ Limited, under which it agrees to provide any necessary financial support to its subsidiary to ensure it is able to pay its debts as they become due in the normal course of business.

Note 28: Group entities

Baby Bunting Group Limited has three 100% owned subsidiaries, Baby Bunting Pty Ltd, Baby Bunting EST Pty Ltd and Baby Bunting NZ Limited. The investment in Baby Bunting Pty Ltd is $8,891,700 which represents the issued capital of the entity, together with the value of non-cash costs associated with the acquisition of the business.

The Company and Baby Bunting Pty Ltd have entered into a Deed of Cross Guarantee.

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, the wholly-owned subsidiary (Baby Bunting Pty Ltd) is relieved from the Corporations Act 2001 requirements for the preparation, audit and lodgment of Financial Reports.

The effect of the deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of the subsidiary under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full.

Subsidiaries listing

			Proportion of ownership interest and voting power held by the Company	
Name of subsidiary	Principal activity	Place of incorporation and operation	June 2024	June 2023
Baby Bunting Pty Ltd[1]	Retailing of baby merchandise in Australia	Australia	100%	100%
Baby Bunting EST Pty Ltd[2]	Trustee of the trust established in connection with the Company's employee share plans	Australia	100%	100%
Baby Bunting NZ Limited	Retailing of baby merchandise in New Zealand	New Zealand	100%	100%

1. This wholly-owned subsidiary has entered into a deed of cross guarantee with Baby Bunting Group Limited. Baby Bunting Pty Ltd became a party to the deed of cross guarantee on 19 June 2008.
2. Baby Bunting EST Pty Ltd has no material net assets or profit and the financial information disclosed in this report does not include Baby Bunting EST Pty Ltd.

Closed Group Disclosure

The members of the closed group are the Company and Baby Bunting Pty Ltd.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income, summary of movements in consolidated retained earnings and the Consolidated Statement of Financial Position of the entities that are members of the closed group are as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2024

	2024 $'000	2023 $'000
Revenue	490,991	521,013
Cost of sales	(310,983)	(326,413)
Gross profit	**180,008**	**194,600**
Other Income	400	–
Store expenses	(110,810)	(108,794)
Marketing expenses	(8,464)	(7,442)
Warehousing expenses	(9,971)	(9,752)
Administrative expenses	(32,695)	(36,545)
Project expenses	(1,330)	(4,745)
Restructuring costs	(1,438)	–
Finance expenses	(8,558)	(8,485)
Profit before tax	**7,142**	**18,837**
Income tax expense	(2,145)	(6,396)
Profit after tax	**4,997**	**12,441**
Other comprehensive income for the period		
Net gain/(loss) on cash flow hedges	(129)	(101)
Income tax effect relating to the components of OCI	–	(55)
Total comprehensive income for the period	**(129)**	**(156)**
Profit for the period attributable to:		
Equity holders of Baby Bunting Group Limited	**4,868**	**12,285**

	2024 $'000	2023 $'000
Summary of movement in consolidated retained earnings		
Retained earnings at the beginning of the year	**8,283**	**11,560**
Profit for the year	4,997	12,441
Dividend provided for or paid	(8,904)	(15,563)
Transfer to retained earnings	(8)	(155)
Retained earnings at the end of the year	**4,368**	**8,283**

Financial report
for the 52 weeks ended 30 June 2024
Continued

Consolidated Statement of Financial Position as at 30 June 2024:

	2024 $'000	2023 $'000
Current assets		
Cash and cash equivalents	8,673	4,694
Trade and Other receivables	11,517	6,827
Inventories	89,547	95,242
Current tax assets	–	96
Other financial assets	–	185
Other assets	3,441	3,849
Total current assets	**113,178**	**110,893**
Non-current assets		
Plant and equipment	22,166	27,228
Intangibles	7,098	6,473
Goodwill	45,321	45,321
Loan to associate	10,740	6,973
Right of use asset	119,252	139,368
Deferred tax assets	7,215	6,355
Total non-current assets	**211,792**	**231,718**
Total assets	**324,970**	**342,611**
Current liabilities		
Trade and other payables	40,904	44,569
Other liabilities	4,583	6,093
Current tax liabilities	631	–
Lease liabilities	34,522	32,763
Provisions	5,618	6,450
Total current liabilities	**86,258**	**89,875**
Non-current liabilities		
Borrowings	22,570	11,209
Lease liabilities	105,479	126,648
Provisions	1,953	2,240
Total non-current liabilities	**130,002**	**140,097**
Total liabilities	**216,260**	**229,972**
Net assets	**108,710**	**112,639**
Equity		
Issued capital	87,650	88,695
Reserves	16,692	15,661
Retained earnings	4,368	8,283
Total equity	**108,710**	**112,639**

Note 29: Earnings per share

	2024 cents per share	2023 cents per share
Basic earnings per share from continuing operations[1]	1.3	7.4
Diluted earnings per share from continuing operations[1]	1.2	7.1

1. In the current and comparative reporting periods there were no discontinued operations.

a. Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to members of the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2024 $'000	2023 $'000
Earnings used in the calculation of basic earnings per share from continuing operations[1]	1,696	9,854

	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	134,478,888	133,884,366

1. In the current and comparative reporting periods there were no discontinued operations.

b. Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit attributable to members of the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The earnings used in the calculation of diluted earnings per share are as follows:

	2024 $'000	2023 $'000
Earnings used in the calculation of diluted earnings per share from continuing operations[1]	1,696	9,854

1. In the current and comparative reporting periods there were no discontinued operations.

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Number	Number
Weighted average number of ordinary shares for the purposes of diluted earnings per share[2]	138,975,747	138,437,063

2. The weighted average number of shares takes into account the weighted average effect of performance rights granted during the year.

The following table reflects the share data used in the basic and diluted earnings per share calculations:

	Number	Number
Weighted average number of ordinary shares for basic earnings per share	134,478,888	133,884,366
Effects of dilution from Share options	4,496,859	4,552,697
Weighted average number of ordinary shares adjusted for the effect of dilution	138,975,747	138,437,063

Note 30: Remuneration of auditors

	2024 $'000	2023 $'000
Assurance Services		
Review of the financial report for the half-year	61,250	55,075
Audit of the period-end financial report	183,750	165,225
	245,000	220,300
Tax and Consulting Services		
Taxation services	24,900	19,500
Remuneration advisory services	6,000	8,317
	30,900	27,817
Total remuneration	**275,900**	**248,117**

The auditors of the consolidated entity and the Company are Ernst & Young. From time to time, Ernst & Young provides other services to the consolidated entity and the Company, which are subject to the corporate governance procedures adopted by the Company.

Note 31: Events after balance sheet date

There have been no events subsequent to the date of this report which would have a material effect on the financial report of the consolidated entity at 30 June 2024.

Consolidated entity disclosure statement

for the 52 weeks ended 30 June 2024

Entity Name	Entity Type	Body corporate country of incorporation	Body corporate % of share capital held	Country of tax residence
Baby Bunting Pty Ltd	Body corporate	Australia	100%	Australia
Baby Bunting EST Pty Ltd	Body corporate	Australia	100%	Australia
Baby Bunting NZ Limited	Body corporate	New Zealand	100%	New Zealand

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;

(b) in their opinion, the attached financial statements and notes are in compliance with International Financial Reporting Standards, as stated in Note 2 to the financial statements;

(c) in their opinion, the attached financial statements and notes of the Company and its subsidiaries (collectively the Group) there to are in accordance with the Corporations Act 2001, including compliance with the Australian Accounting Standards and the Corporations Regulations 2001 and giving a true and fair view of the Group's financial position as at 30 June 2024 and performance for the period ended on that date;

(d) in their opinion, the consolidated entity disclosure statement required by section 295(3A) of the Corporations Act is true and correct; and

(e) the Directors have been given the declarations required by section 295A of the Corporations Act 2001.

In the Directors' opinion, there are reasonable grounds to believe that the Company and its subsidiary which have entered into the Deed of Cross Guarantee, as detailed in Note 28 to the financial statements will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors

Melanie Wilson

Melanie Wilson

Chair

20 August 2024

Auditor's independence declaration

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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

As lead auditor for the audit of Baby Bunting Group Limited for the 52 week period ended 30 June 2024, 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 audit;

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

(c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Baby Bunting Group Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Tony Morse

Tony Morse
Partner
20 August 2024

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Baby Bunting Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 52 week period then ended, notes to the financial statements, including a summary of material accounting policies, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2024 and of its consolidated financial performance for the 52 week period ended on that date; and

(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Building a better working world

Carrying value of inventories

Why significant	How our audit addressed the key audit matter
As at 30 June 2024, the Group held $94.4 million in inventories representing 28%of total assets of the Group. As detailed in Note 2(h) of the financial report, inventories are valued at the lower of cost and net realisable value. The cost of inventory is determined using a weighted average cost approach adjusted for volume rebates and settlement discounts. Judgement was required to be exercised by the Group to determine the net realisable value for items which may be ultimately sold below cost. These judgements include consideration of expectations for future sales based on historical experience. Given the process and judgement involved in determining the cost and carrying value of inventories, this was considered a key audit matter.	► Assessed the appropriateness of the Group's accounting policies in relation to inventory including volume rebates and settlement discounts in accordance with Australian Accounting Standards. ► Assessed the design and operating effectiveness of relevant controls used by the Group to record the purchasing of inventories and the costing of inventories. ► Assessed the accuracy of the Group's inventory costing model and tested the cost price of inventory recorded on a sample basis. ► Assessed the effectiveness of controls in place relating to the recognition and measurement of rebate and settlement discount amounts and tested a sample of rebates and discounts to individual supplier agreements. ► Assessed the basis for inventory provisions recorded by the Group for slow moving inventories and stock losses. In doing so, we examined the Group's process for identifying slow moving inventories, negative margin sales, historical stock loss rate trends and expected costs to sell. We assessed how these trends impacted the determination of the inventory provisions recorded. ► Considered sales subsequent to year end in assessing the value of inventories at balance date by comparing the actual selling prices to the carrying value for a sample of inventories.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2024 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Building a better working world

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

a. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001; and;

b. The consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

i The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii The consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Building a better working world

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 43 to 57 of the directors' report for the 52 week period ended 30 June 2024.

In our opinion, the Remuneration Report of Baby Bunting Group Limited for the 52 week period ended 30 June 2024, complies with section 300A of the Corporations Act 2001.

Building a better working world

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Tony Morse
Partner

Melbourne
20 August 2024

Shareholder information

as at 15 July 2024

Baby Bunting Group Limited has one class of shares on issue (being fully paid ordinary shares). There are 134,906,489 shares on issue. All of the Company's shares are listed on the Australian Securities Exchange. There is no current on-market buy-back.

Twenty Largest Shareholders

	Name	Number of shares	% of shares
1	J P Morgan Nominees Australia Pty Limited	28,095,507	20.83
2	HMC Capital Partners Holdings Pty Ltd <HMC Cap Prtns Hlds A/C>	16,734,518	12.40
3	HSBC Custody Nominees (Australia) Limited	14,204,169	10.53
4	Citicorp Nominees Pty Limited	12,423,276	9.21
5	UBS Nominees Pty Ltd	4,355,210	3.23
6	BNP Paribas Nominees Pty Ltd <HUB24 Custodial Serv Ltd >	3,343,116	2.48
7	Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	2,880,707	2.14
8	Fiddian Teal Nominees Pty Ltd <Fiddian Teal Family A/C>	1,229,741	0.91
9	HSBC Custody Nominees (Australia) Limited-GSI EDA	1,190,000	0.88
10	HSBC Custody Nominees (Australia) Limited <NT-Commwlth Super Corp A/C>	1,174,647	0.87
11	Mr Matthew Gerald Spencer	1,007,244	0.75
12	BNP Paribas Noms Pty Ltd <Global Markets>	827,869	0.61
13	Mirrabooka Investments Limited	775,467	0.57
14	Maple and Redwood Pty Ltd <G & S Haines Super Fund A/C>	671,264	0.50
15	Neweconomy Com Au Nominees Pty Limited <900 Account>	562,456	0.42
16	Shankland Super Pty Ltd <Shankland SF A/C>	510,024	0.38
17	Fergus & Co Pty Ltd <Fergus Investment A/C>	488,974	0.36
18	Michael Pane	479,444	0.36
19	Netwealth Investments Limited <Wrap Services A/C>	473,578	0.35
20	Baby Bunting EST Pty Ltd <Unallocated A/C>	467,289	0.35
	Total	**91,894,500**	**68.12**

Unmarketable parcels

There were 1,774 holdings of less than a marketable parcel (less than $500 in value or less than 360 shares) based on the closing market price of $1.39 per share at 15 July 2024.

Distribution of Shareholders and Shareholdings

Range	Total holders	% of total holders	Number of shares	% of shares
1 – 1,000	3,686	44.9	1,610,706	1.19
1,001 – 5,000	2,859	34.8	7,222,612	5.35
5,001 – 10,000	824	10.0	6,209,081	4.60
10,001 – 100,000	765	9.3	18,799,875	13.94
100,001 and over	70	0.9	101,064,215	74.91
Total	**8,204**	**100.0**	**134,906,489**	**100.0**

Percentage totals may not add due to rounding.

Substantial shareholders

As at 15 July 2024, the substantial holders (as disclosed in substantial holdings notices given to the Company) are:

Name	Date of most recent notice	Number of shares	Relevant interest
AustralianSuper Pty Ltd	10 Sept 2021	17,710,679	13.65%
HMC Capital Limited	5 June 2024	16,613,457	12.31%
Superannuation and Investments HoldCo Pty Ltd	28 June 2024	7,612,009	5.64%
Commonwealth Bank of Australia	28 June 2024	7,612,009	5.64%
KKR Entities	1 July 2024	7,612,009	5.64%
Yarra Capital Management Limited	8 September 2023	6,862,617	5.09%

Voting rights of ordinary shares

The Company's Constitution sets out the voting rights attached to ordinary shares. In summary, shareholders may vote at a meeting of shareholders in person, directly or by proxy or attorney and, in the case of a shareholder that is a company, also by representative. On a show of hands, a shareholder has one vote. On a poll, a shareholder has one vote for every fully paid share held.

Performance rights

The Company has unquoted performance rights on issue. As at 15 July 2024, there were 11 holders of performance rights. There are no voting rights attached to performance rights.

Corporate directory

Registered Office

Baby Bunting Group Limited
153 National Drive
Dandenong South VIC 3175

(03) 8795 8100

Directors

Melanie Wilson

Mark Teperson

Gary Levin

Donna Player

Gary Kent

Francine Ereira

Stephen Roche

Company Secretary

Corey Lewis

Investor Relations

Darin Hoekman
Chief Financial Officer

(03) 8795 8100

Shareholder Enquiries

Share Registry
Computershare Investor Services Pty Ltd
GRP Box 2975
Melbourne VIC 3001

1800 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

Auditor

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000

Securities Exchange Listing

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

(ASX code: BBN)

Investor website

investors.babybunting.com.au

Online store

babybunting.com.au babybunting.co.nz

BabyBunting®