



Baby Bunting Group Limited
ACN 128 533 693

Appendix 4D

**Financial report for the half-year ended
27 December 2015**

Appendix 4D

(Rule 4.2A.3)

Baby Bunting Group Limited ACN 128 533 693

For the half-year ended: 27 December 2015

Previous corresponding period: 28 December 2014

Results for announcement to the market

Statutory Financial Results	2015 \$'000	2014 \$'000	Mvmt \$'000	up/(down) %
Revenue from ordinary activities	108,195	83,036	25,159	30.3%
Net profit from ordinary activities attributable to members	2,260	2,928	(668)	(22.8%)
Net profit attributable to members	2,260	2,928	(668)	(22.8%)
Earnings before interest, tax, depreciation and amortisation	5,211	5,452	(241)	(4.4%)
Pro Forma Financial Results	2015 \$'000	2014 \$'000	Mvmt \$'000	up/(down) %
Revenue from ordinary activities	108,195	83,036	25,159	30.3%
Net profit from ordinary activities attributable to members	4,297	2,778	1,519	54.7%
Net profit attributable to members	4,297	2,778	1,519	54.7%
Earnings before interest, tax, depreciation and amortisation	7,809	5,184	2,625	50.6%

Pro forma financial results have been calculated to reflect the result of the consolidated entity for the half-year ended 27 December 2015 and the comparative period as if the Company was publicly listed for the full 6 month period.

The following table reconciles the statutory to pro forma financial results for the half-year ended 27 December 2015 (noting that this financial information has not been reviewed in accordance with Australian Auditing Standards):

Half-year ended 27 December 2015 \$'000	Sales	EBIT	EBITDA	NPAT
Statutory results	108,195	3,710	5,211	2,260
<i>Adjusted for non-recurring Initial Public Offer (IPO) related items:</i>				
IPO transaction costs	-	1,852	1,852	1,852
Historical share options plan ¹	-	475	475	475
Employee gift offer ²	-	397	397	397
Tax impact from IPO related items	-	-	-	(556)
Underlying statutory results	108,195	6,434	7,935	4,428
<i>Other pro forma adjustments:</i>				
Listed public company costs ³	-	(126)	(126)	(126)
Net finance costs	-	-	-	65
Tax impact from other pro forma adjustments	-	-	-	(70)
Pro forma results	108,195	6,308	7,809	4,297

¹ Expense reflects the cost of the historical share options plan which was accelerated when the IPO of shares in the Company became probable and the Directors and senior executives committed to exercising their share options.

² The Board issued a total of 283,458 shares (714 shares per eligible employee) in "the Employee Gift Offer" at IPO with no monetary consideration payable by participating eligible employees.

³ The Listed public company costs adjustment is made to actual costs incurred to better reflect a full 6 months of costs in a listed environment (noting Baby Bunting was admitted to quotation on the ASX on 14 October 2015).

Results for announcement to the market (continued)

Pro forma financial results (continued)

The following table reconciles the statutory to pro forma financial results for the half-year ended 28 December 2014 (noting that this financial information has not been reviewed in accordance with Australian Auditing Standards):

Half-year ended 28 December 2014 \$'000	Sales	EBIT	EBITDA	NPAT
Statutory results	83,036	4,359	5,452	2,928
Underlying statutory results	83,036	4,359	5,452	2,928
<i>Other pro forma adjustments:</i>				
Listed public company costs	-	(268)	(268)	(268)
Net finance costs	-	-	-	173
Tax impact from other pro forma adjustments	-	-	-	(55)
Pro forma results	83,036	4,091	5,184	2,778

Commentary on results for the period

For further explanation of the statutory figures above refer to the accompanying Financial report for the half year ended 27 December 2015, which includes the Directors' Report.

The Half Year Results Presentation released in conjunction with this Results Announcement provides further analysis of the results.

Pro forma financial results have been prepared on a consistent basis with the pro forma financial information in the Company's Prospectus dated 29 September 2015. Adjustments from statutory to pro forma financial results have been made to exclude the impact of IPO transaction costs expensed, and estimate the impact on the financial results for the half year and previous corresponding period as if the Company had undertaken an IPO and become a listed company at the beginning of each financial period.

Dividends

	Amount per security (cps)	Franked amount
Dividends paid		
Pre IPO special dividend – paid 14 October 2015	15.0	100%
Dividends declared		
Interim dividend – current period	Nil	Nil
Interim dividend – previous corresponding period	Nil	Nil
Record date for determining entitlements to the dividend	N/A	
Date dividend is payable	N/A	

The Company does not currently offer a dividend reinvestment plan.

Net tangible assets per ordinary share

	Half-year ended 27 December 2015 \$	Half-year ended 28 December 2014 \$
Net tangible asset per ordinary share	0.31	0.22

Details of entities over which control has been gained or lost

Name of the entity	Date of the gain or loss of control
Baby Bunting EST Pty Ltd	10 September 2015

Other information

Independent Review by Auditor

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

Baby Bunting Group Limited

ACN 128 533 693

**Financial report for the half-year
ended 27 December 2015**

Directors' Report

The directors of Baby Bunting Group Limited ("the Company" or "Baby Bunting") submit the financial report of the Company and its controlled entities ("the consolidated entity") for the half-year ended 27 December 2015.

Directors

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

Mr Barry AE Saunders (Chairman)
Mr Tom Cowan
Mr Matthew Spencer
Mr Gary Levin
Mr Ian Cornell
Ms Tamalin Morton – retired 12 February 2016
Mr Arnold G Nadelman – retired 24 July 2015
Mr Grant Nadelman (Alternate Director for Mr Arnold Nadelman) – retired 24 July 2015
Mr Hamish Corlett (Alternate Director for Mr Tom Cowan) – retired 11 August 2015

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

Review of operations

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

For the half year ended 27 December 2015:

- Sales increased by 30.3% to \$108.2 million, with comparable store sales growth of 9.2%;
- Gross margin increased by 0.5% to 34.3%, reflecting a strong focus on product sourcing and an increase in private label and exclusive products. As a proportion of total sales, private label and exclusive products increased to 9.5%, an increase of 2.3% from FY2015;
- Pro forma EBITDA grew by 50.7% to \$7.8 million, with the EBITDA margin increasing by 1.0% to 7.2% of sales; and
- Pro forma NPAT grew by 54.7% to \$4.3 million, with NPAT margin increasing by 0.7% to 4.0% of sales

In addition to the strong financial performance the business has continued to execute on several initiatives to support the Company's future growth. These include the implementation of a new warehouse management system, launching an improved website, enabling Click & Collect, and expanding the range of private label and exclusive products. The Company has also commenced implementation of a new online learning and development platform that will support the development of the growing Team and help Baby Bunting continue to deliver high levels of service to its customers.

New stores were opened in Booval, North Lakes and Burleigh Waters in Queensland, and Campbelltown in New South Wales.

ASX listing

Baby Bunting Group Limited was admitted to the official list of the Australian Securities Exchange (ASX) on 14 October 2015. A diversified group of retail and institutional shareholders acquired shares in Baby Bunting Group Limited at the listing.

Transaction costs of \$1.852 million (pre-tax) attributable to the listing were recognised in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income in the current reporting period. Transaction costs of \$1.731 million were recognised directly in equity (\$1.212 million, net of tax) which represent the portion of transaction costs attributable to the issuance of new shares.

Non-IFRS measures

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

Directors' Report (continued)

Non-IFRS measures (continued)

The principal non-IFRS financial measures that are referred to in this report are as follows:

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

Pro forma financial results

Pro forma financial results have been calculated to reflect the result of the consolidated entity for the half-year ended 27 December 2015 and the comparative period as if the Company was publicly listed for the full 6 month period.

The following table reconciles the statutory to pro forma financial results for the half-year ended 27 December 2015 (noting that this financial information has not been reviewed in accordance with Australian Auditing Standards):

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The following table reconciles the statutory to pro forma financial results for the half-year ended 28 December 2014 (noting that this financial information has not been reviewed in accordance with Australian Auditing Standards):

Half-year ended 28 December 2014 \$'000	Sales	EBIT	EBITDA	NPAT
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Underlying statutory results	83,036	4,359	5,452	2,928
<i>Other pro forma adjustments:</i>				
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Directors' Report (continued)

Auditor's independence declaration

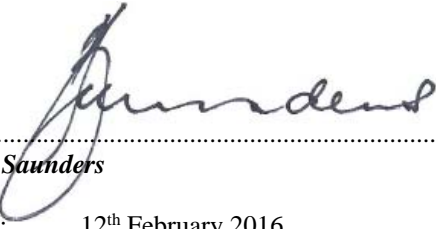
The auditor's independence declaration is included on page 4 of the half-year report.

Rounding of amounts

The Company is a kind referred to in ASIC Class Order [98/100], issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' and financial reports. Amounts in these reports have been rounded off in accordance with that Class Order to the nearest thousand dollars, or unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



.....
Barry A E Saunders
Chairman

Melbourne: 12th February 2016

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

12 February 2016

Dear Board Members

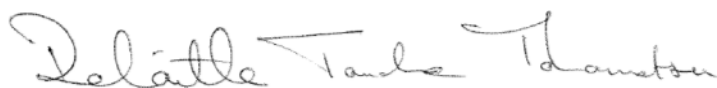
Baby Bunting Group Limited

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

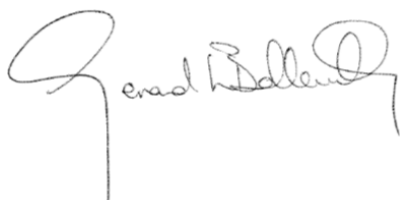
As lead audit partner for the review of the financial statements of Baby Bunting Group Limited for the half-year ended 27 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Gerard Belleville
Partner
Chartered Accountant

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

We have reviewed the accompanying half-year financial report of Baby Bunting Group Limited, which comprises the condensed statement of financial position as at 27 December 2015, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 20.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 27 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Baby Bunting Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

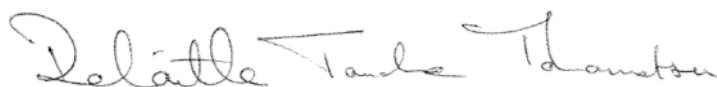
Auditor's Independence Declaration

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

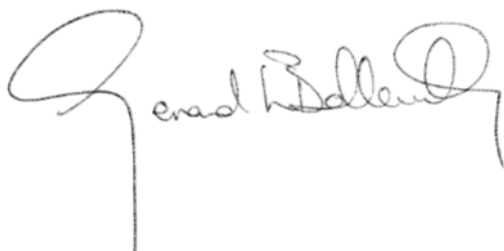
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Baby Bunting Group Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 27 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Gerard Belleville
Partner
Chartered Accountants
Melbourne, 12 February 2016

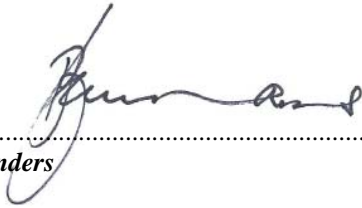
Directors' Declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors



.....

Barry A E Saunders
Chairman

Melbourne: 12th February 2016

Baby Bunting Group Limited

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the half-year ended 27 December 2015

		Consolidated	
	Note	Half-year ended 27 Dec 2015 \$'000	Half-year ended 28 Dec 2014 \$'000
Revenue	4	108,195	83,036
Cost of sales		<u>(70,592)</u>	<u>(54,573)</u>
Gross profit		37,603	28,463
Other revenue	4	9	13
Store expenses		(21,570)	(16,801)
Marketing expenses		(2,044)	(1,410)
Warehousing expenses		(1,675)	(1,583)
Administrative expenses		(5,252)	(3,217)
Depreciation and amortisation		(1,501)	(1,093)
IPO transaction costs expensed		(1,852)	-
Finance costs	5	(244)	(513)
Change in fair value of interest rate swap		-	205
Profit before tax		<u>3,474</u>	<u>4,064</u>
Income tax expense		<u>(1,214)</u>	<u>(1,136)</u>
Profit after tax		2,260	2,928
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>2,260</u>	<u>2,928</u>
Profit for the period attributable to:			
Equity holders of Baby Bunting Group Limited		<u>2,260</u>	<u>2,928</u>
 Earnings per share			
From continuing and discontinuing operations			
Basic (cents per share)		2.00	3.06
Diluted (cents per share)		2.00	3.04
From continuing operations			
Basic (cents per share)		2.00	3.06
Diluted (cents per share)		2.00	3.04

Notes to the condensed financial statements are included in Pages 12 to 20.

Baby Bunting Group Limited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 27 December 2015

	Note	27 Dec 2015 \$'000	Consolidated 28 Jun 2015 \$'000	28 Dec 2014 \$'000
CURRENT ASSETS				
Cash and cash equivalents		7,219	3,568	5,944
Other receivables	6	6,336	5,834	4,771
Inventories	7	44,295	35,492	32,185
Other assets		830	281	570
TOTAL CURRENT ASSETS		58,680	45,175	43,470
NON-CURRENT ASSETS				
Plant and equipment		17,079	14,902	13,030
Goodwill		44,180	44,180	44,180
Deferred tax assets		3,395	2,071	2,066
TOTAL NON-CURRENT ASSETS		64,654	61,153	59,276
TOTAL ASSETS		123,334	106,328	102,746
CURRENT LIABILITIES				
Trade and other payables	8	24,377	19,566	17,849
Current tax liabilities		568	2,439	1,082
Provisions		1,972	1,667	1,292
Operating lease adjustment	8	165	45	71
TOTAL CURRENT LIABILITIES		27,082	23,717	20,294
NON-CURRENT LIABILITIES				
Borrowings	9	7,000	7,950	11,600
Provisions		277	261	387
Operating lease adjustment	8	2,398	2,386	2,456
TOTAL NON-CURRENT LIABILITIES		9,675	10,597	14,443
TOTAL LIABILITIES		36,757	34,314	34,737
NET ASSETS		86,577	72,014	68,009
EQUITY				
Issued capital	10	84,436	55,070	55,070
Share based payments reserve	14	43	989	96
Retained earnings		2,098	15,955	12,843
TOTAL EQUITY		86,577	72,014	68,009

Notes to the condensed financial statements are included in Pages 12 to 20.

Baby Bunting Group Limited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 27 December 2015

Consolidated	Issued Capital	Retained Earnings	Share Based Payments Reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000
Balance at 29 June 2014	53,538	9,915	76	63,529
Profit for the period	-	2,928	-	2,928
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	2,928	-	2,928
Issue of shares (Note 10)	1,532	-	-	1,532
Dividends (Note 11)	-	-	-	-
Share based payment (Note 14)	-	-	20	20
Balance at 28 December 2014	55,070	12,843	96	68,009
Balance at 28 June 2015	55,070	15,955	989	72,014
Profit for the period	-	2,260	-	2,260
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	2,260	-	2,260
Issue of shares (Note 10)	29,366	-	-	29,366
Dividends (Note 11)	-	(16,117)	-	(16,117)
Share based payment (Note 14)	-	-	(946)	(946)
Balance at 27 December 2015	84,436	2,098	43	86,577

Notes to the condensed financial statements are included in Pages 12 to 20.

Baby Bunting Group Limited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the half-year ended 27 December 2015

	Consolidated	
	Half-year ended 27 Dec 2015 \$'000	Half-year ended 28 Dec 2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	118,747	83,251
Payments to suppliers and employees	(115,342)	(79,915)
Income tax paid	(3,891)	(2,148)
Interest received	8	13
Finance costs paid	(266)	(590)
Transaction costs for listing	(1,852)	-
Net cash (used in) / from operating activities	(2,596)	611
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(3,678)	(3,126)
Proceeds on sale of plant & equipment	6	-
Net cash used in investing activities	(3,672)	(3,126)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	28,717	1,532
Transaction costs for issue of shares	(1,731)	-
Dividends paid	(16,117)	-
(Repayment of) / Proceeds from borrowings	(950)	3,550
Net cash provided by financing activities	9,919	5,082
Net increase in cash and cash equivalents	3,651	2,567
Cash and cash equivalents at beginning of the period	3,568	3,377
Cash and cash equivalents at end of the period	7,219	5,944

Notes to the condensed financial statements are included in Pages 12 to 20.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 27 December 2015**

Note 1: Reporting entity

This half-year financial report of the Company as at and for the half-year ended 27 December 2015 comprises the Company and its subsidiaries (together referred to as “the consolidated entity”). Baby Bunting Group Limited is a listed public company, incorporated and operating in Australia. The consolidated entity’s principal activity is the retailing of baby merchandise.

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

The annual financial report of the consolidated entity as at and for the year ended 28 June 2015 is available upon request from the company’s registered office and principal place of business at 955 Taylors Road, Dandenong South Victoria 3175 or at www.babybuntingcorporate.com.au.

Note 2: Summary of significant accounting policies

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

(a) Statement of compliance

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

This half-year financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 28 June 2015 and any public announcements made by Baby Bunting Group Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

This half-year financial report was approved by the Board of Directors on 12 February 2016.

The Company is a company of the kind referred to in ASIC Class Order [98/100] and in accordance with that class order amounts in the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

(b) Basis of preparation

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company’s 2015 annual financial report for the year ended 28 June 2015, except for the impact of the adoption of the new and revised accounting policy’s discussed below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Comparative figures are shown for 28 December 2014 in addition to 28 June 2015 in the balance sheet due to the seasonality of the business and the impact this has on working capital. There has been no restatement of the figures in the prior period.

(c) New and amended standards adopted

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to the operations and effective for the current annual reporting period.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the consolidated entity include:

- AASB 2015-3 ‘Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality’

The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognized in the financial statements of the consolidated entity for the current or prior periods.

Baby Bunting Group Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 27 December 2015

Note 3: Accounting estimates and judgements

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

In preparing this report, the significant estimates and judgements applied in the consolidated entity's accounting policies were consistent with those applied to the consolidated financial statements as at and for the year ended 28 June 2015.

	Half-year ended 27 Dec 2015 \$'000	Half-year ended 28 Dec 2014 \$'000
Note 4: Revenue		
An analysis of the Group and Company's revenue for the period, is as follows:		
Revenue from sale of goods	108,195	83,036
Other revenue		
Interest revenue	8	13
Profit on sale of equipment	1	-
	9	13
	108,204	83,049

Note 5: Profit for the period

Profit before income tax expense includes the following expenses:

Interest and finance charges paid/payable	244	513
Depreciation and amortisation	1,501	1,093
Rental expenses relating to operating leases		
Minimum lease payments	7,023	5,591
Employee benefits expense	17,718	12,440

Note 6: Other receivables

	27 Dec 2015 \$'000	28 Jun 2015 \$'000	28 Dec 2014 \$'000
Current			
Lay by receivables	5,056	4,612	3,458
Other receivables	1,280	1,222	1,313
	6,336	5,834	4,771

The average layby period is 3 months (28 June 2015: 3 months, 28 December 2014: 3 months). No interest is charged on layby accounts. There are no customers who represent more than 5% of the total trade balance of receivables.

Note 7: Inventories

Finished goods	44,295	35,492	32,185
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The cost of inventories recognised as an expense during the half-year in respect of continuing operations was \$70.592 million (2014: \$54.573 million).

Baby Bunting Group Limited

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 27 December 2015**

Note 8: Payables

	27 Dec 2015	28 Jun 2015	28 Dec 2014
	\$'000	\$'000	\$'000
Current			
Trade payables	19,481	14,318	13,222
Gift voucher payables	1,055	802	749
Sundry payables and accruals	3,841	4,446	3,878
	<u>24,377</u>	<u>19,566</u>	<u>17,849</u>
Current			
Operating lease adjustment	<u>165</u>	<u>45</u>	<u>71</u>
Non - Current			
Operating lease adjustment	<u>2,398</u>	<u>2,386</u>	<u>2,456</u>

Note 9: Loans and Borrowings

Non-Current - Secured			
Bank Loan	<u>7,000</u>	<u>7,950</u>	<u>11,600</u>

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

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

The consolidated entity is in compliance with its facility agreement at 27 December 2015. The current facility does not require the consolidated entity to amortise borrowings.

Note 10: Issued capital

	27 Dec 2015		28 Jun 2015		28 Dec 2014	
	No.	\$'000	No.	\$'000	No.	\$'000
Fully paid ordinary shares						
Balance at beginning of the period	97,528,411	55,070	95,659,943	53,538	95,659,943	53,538
Issue of shares - IPO	17,857,073	25,000	-	-	-	-
Issue of shares - Options exercised	9,919,178	5,181	1,868,468	1,532	1,868,468	1,532
Issue of shares - Employee Gift Offer	283,458	397	-	-	-	-
Transaction costs recognised in equity, net of tax	-	(1,212)	-	-	-	-
Balance at end of the period	<u>125,588,120</u>	<u>84,436</u>	<u>97,528,411</u>	<u>55,070</u>	<u>97,528,411</u>	<u>55,070</u>

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

Baby Bunting Group Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 27 December 2015

Note 10: Issued capital (continued)

Initial Public Offering

On 14 October 2015, the Company was admitted to the official list of the Australian Securities Exchange (ASX). The settlement of the issue or transfer of shares as part of the Company's initial public offer on 14 October 2015 resulted in the issue of 17.857 million ordinary shares at the offer price of \$1.40 per ordinary share. Transaction costs of \$1.731 million were recognised directly in equity (\$1.212 million, net of tax) which represent the portion of transaction costs attributable to the issuance of new shares. Transaction costs of \$1.852 million attributable to the listing were recognised in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income in the current reporting period.

Note 11: Dividends

	Half-year ended 27 Dec 2015		Half-year ended 28 Dec 2014	
	\$ per ordinary share	\$'000	\$ per ordinary share	\$'000
Dividends paid				
Special fully franked dividend – 14 October 2015	0.15	16,117	-	-

During the current reporting period, a special fully franked dividend of 15.0 cents per ordinary share was declared and paid to the existing shareholders at the completion of the Initial Public Offer.

No dividends have been proposed or paid since the end of the current reporting period.

Note 12: Segment information

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

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

	Australia		Total	
	December 2015 \$'000	December 2014 \$'000	December 2015 \$'000	December 2014 \$'000
Revenue	108,195	83,036	108,195	83,036
Operating EBIT	6,477	4,359	6,477	4,359
Total segment assets	123,334	102,746	123,334	102,746
Additions to plant and equipment	3,678	3,126	3,678	3,126
Depreciation	1,501	1,093	1,501	1,093
Total non-current assets ¹	61,259	57,210	61,259	57,210
Total segment liabilities	36,757	34,737	36,757	34,737

¹Non-current assets exclude financial instruments and deferred tax assets.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current reporting period (December 2014: nil).

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 measure basis excludes the effects of interest revenue, finance costs, income tax, change in fair value of interest rate swap and other non-operating costs.

Baby Bunting Group Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 27 December 2015

Note 12: Segment information (continued)

Operating EBIT

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

	December 2015 \$'000	December 2014 \$'000
Operating EBIT	6,477	4,359
Interest revenue	8	13
Finance costs	(244)	(513)
Change in fair value of interest rate swap	-	205
IPO transaction costs recognised in condensed consolidated statement of profit or loss and other comprehensive income (Note 10)	(1,852)	-
Other non-operating costs (Note 14)	(915)	-
Profit before tax	3,474	4,064

Segment assets and liabilities

The amounts provided to the CEO and Managing Director with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements.

Reportable segments' assets and liabilities are reconciled to total assets as follows:

	27 Dec 2015 \$'000	28 Jun 2015 \$'000	28 Dec 2014 \$'000
Segment assets	123,334	106,328	102,746
Total assets as per the balance sheet	123,334	106,328	102,746
Segment liabilities	36,757	34,314	34,737
Total liabilities as per the balance sheet	36,757	34,314	34,737

Note 13: Subsidiaries

Details of the Company's subsidiaries at the end of the reporting period are as follows.

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Company	
			December 2015	June 2015
Baby Bunting Pty Ltd ¹	Retailing of baby merchandise	Australia	100%	100%
Baby Bunting EST Pty Ltd	Trustee of the trust established in connection with the Group's employee share plans	Australia	100%	-

¹This wholly-owned subsidiary has entered into a deed of cross guarantee with Baby Bunting Group Limited pursuant to ASIC Class Order 98/1418 and is relieved from the requirement to prepare and lodge an audited financial report. Baby Bunting Pty Ltd became a party to the deed of cross guarantee on 19 June 2008.

Baby Bunting Group Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 27 December 2015

Note 14: Share based payments

Details of the consolidated entity's share based payments as at and during the period are as follows.

(a) Share options

Fair value of share options granted during the period

The weighted average fair value of the share options granted during the reporting period is \$0.50 (2014: \$0.58). Options were priced using a Black-Scholes-Merton pricing model. Service and non-market performance conditions attached to the transactions were not taken into account in measuring fair value.

Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on an evaluation of the historical volatility of other comparable companies based on publically available information.

	Options Series
	2016 – Series 1
Grant date share price	\$1.00
Exercise price	\$0.50
Expected volatility	25%
Expected option life (years)	1
Dividend yield	-
Risk-free interest rate (p.a)	1.9%

Movements in shares options during the period

The consolidated entity recorded a share based payments expense for options of \$0.475 million (2014: \$0.020 million) disclosed in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Administrative expenses". The current reporting period expense reflects the cost of the historical share options plan which was accelerated when the initial public offering of the Company became probable and the Directors and senior executives committed to exercising their share options.

All outstanding share options in existence (number of options: 9.9 million; exercise price: \$0.25 to \$0.55) were exercised prior to completion of the Initial Public Offer in October 2015.

The following reconciles the share options outstanding at the beginning and end of the period:

	December 2015		December 2014	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of period	9,819,178	\$0.37	7,869,178	\$0.39
Granted during the period	100,000	\$0.50	3,418,468	\$0.58
Forfeited during the period	-	-	-	-
Exercised during the period	(9,919,178)	\$0.37	(1,868,468)	\$0.82
Lapsed during the period	-	-	-	-
Balance at end of period	-	-	9,419,178	\$0.38
Exercisable at end of period	-	-	-	-

Baby Bunting Group Limited

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 27 December 2015**

Note 14: Share based payments (continued)

Share options exercised during the period

The following share options were exercised during the period:

Option series	Number exercised	Exercise Date	Share price at exercise date \$
2011 – Series 1	355,064	12 August 2015	1.00
2011 – Series 2	554,114	12 August 2015	1.00
2012 – Series 1	3,000,000	12 August 2015	1.00
2013 – Series 1	2,000,000	12 August 2015	1.00
2013 – Series 2	250,000	12 August 2015	1.00
2013 – Series 3	1,050,000	12 August 2015	1.00
2014 – Series 1	660,000	12 August 2015	1.00
2015 – Series 1	1,550,000	12 August 2015	1.00
2015 – Series 3	400,000	12 August 2015	1.00
2016 – Series 1	100,000	12 August 2015	1.00
	9,919,178		

(b) Performance rights

The company has established a Long Term Incentive Plan (LTI Plan) to assist in the motivation, retention and reward of Baby Bunting senior executives. The LTI Plan is designed to align the interests of senior management more closely with the interests of shareholders by providing an opportunity for senior management of the company to receive an equity interest in the company through the grant of performance rights.

Upon vesting, each right entitles the participant to one fully paid ordinary share in the company. No dividends or voting rights are attached to performance rights prior to vesting.

The number of rights in a grant that vest will be determined by reference to two performance conditions. Half of the rights granted are subject to an earnings per share (EPS) growth performance condition (EPS Rights). The other half of the rights granted are subject to a total shareholder return (TSR) growth performance condition (TSR Rights). Broadly, TSR is a measure of the increase in the price of a share (assuming dividends are reinvested). Both of these conditions are expressed as compound annual growth rate (CAGR) percentage

Unvested rights will lapse on upon resignation. If the senior executive is dismissed for cause or unsatisfactory performance 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, subject to board discretion.

If an EPS or TSR Right does not vest at the end of the first and/or second performance period, it does not lapse but remains available for vesting at the end of the next applicable performance period. If an EPS or TSR Right has not vested at the end of the third performance period, it will lapse. There is no further re-testing after the third performance period.

The performance periods and the number of performance rights that vest if the relevant performance condition is satisfied are as follows:

EPS Rights	TSR Rights
Performance periods	
<ul style="list-style-type: none"> • 20% of the EPS Rights will be assessed against EPS growth measured in the two year period from the end of FY2016 to the end of FY2018 • 30% of the EPS Rights will be assessed against EPS growth measured in the three year period from the end of FY2016 to the end of FY2019 • 50% of the EPS Rights will be assessed against EPS growth measured in the four year period from the end of FY2016 to the end of FY2020 	<ul style="list-style-type: none"> • 20% of the TSR Rights will be assessed against TSR growth measured in the period from completion of the IPO to shortly following the release of the company's financial results for FY2018 • 30% of the TSR Rights will be assessed against TSR growth measured in the period from completion of the IPO to shortly following the release of the company's financial results for FY2019 • 50% of the TSR Rights will be assessed against TSR growth measured in the period from completion of the IPO to shortly following the release of the company's financial results for FY2020

Baby Bunting Group Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the half-year ended 27 December 2015

Note 14: Share based payments (continued)

EPS Rights	TSR Rights
Number of performance rights to vest	
<ul style="list-style-type: none"> 15% of the EPS Rights will vest if the minimum EPS growth hurdle condition of 15% EPS CAGR is achieved over the relevant performance period; 100% of the EPS Rights will vest if the EPS growth hurdle of 25% EPS CAGR is achieved over the relevant performance period; and if the EPS CAGR is within the range of 15% to 25% EPS CAGR, the number of EPS Rights that will vest will be pro-rated on a straight-line basis. 	<ul style="list-style-type: none"> 15% of the TSR Rights will vest if the minimum TSR growth hurdle condition of 15% TSR CAGR is achieved over the relevant performance period; 100% of the TSR Rights will vest if the TSR growth hurdle of 25% TSR CAGR is achieved over the relevant performance period; and if the TSR CAGR is within the range of 15% to 25% TSR CAGR, the number of TSR Rights that will vest will be pro-rated on a straight-line basis.

Fair value of performance rights granted during the period

The weighted average fair value of the performance rights TSR component granted under the LTI Plan is \$0.12. The fair value of the TSR component of performance rights is determined at grant date using a Monte-Carlo simulation. For the non-market component (EPS CAGR), the fair value is determined based on the share price at grant date (IPO offer price of \$1.40).

<u>Performance Rights Series</u>	
2016 – Series 1	
	TSR
Grant date share price (IPO offer price)	\$1.40
Exercise price	nil
Expected volatility	25%
Expected life	3,4,5 years
Dividend yield	4.50%
Risk-free interest rate (p.a)	1.90%

Movements in performance rights during the period

The consolidated entity recorded a share based payments expense for performance rights of \$0.042 million (2014: nil) disclosed in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income under “Administrative expenses”.

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

	<u>December 2015</u>	
	TSR Number of rights	EPS Number of rights
Balance at beginning of period	-	-
Granted during the period	2,511,762	2,511,762
Forfeited during the period	-	-
Exercised during the period	-	-
Lapsed during the period	-	-
Balance at end of period	2,511,762	2,511,762
Exercisable at end of period	-	-

General Employee Share Plan (GESP)

The company has established the GESP which is intended to be part of the company’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 Company up to a value determined by the Board.

During the current reporting period, the Board issued a total of 283,458 shares (714 shares per eligible employee) in “the Employee Gift Offer” with no monetary consideration payable by participating eligible employees. Shares issued are subject to a disposal restriction in accordance with current Australian tax legislation. The fair value of \$0.397 million was fully expensed at the time of granting, as there are no performance or service conditions.

Baby Bunting Group Limited

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 27 December 2015**

Note 14: Share based payments (continued)

The following reconciles the restricted shares outstanding at the beginning and end of the period:

	December 2015		December 2014	
	Number of restricted shares	Weighted average exercise price \$	Number of restricted shares	Weighted average exercise price \$
Balance at beginning of period	-	-	-	-
Granted during the period	283,458	Nil	-	-
Forfeited during the period	-	-	-	-
Exercised during the period	(283,458)	Nil	-	-
Lapsed during the period	-	-	-	-
Balance at end of period	-	-	-	-
Exercisable at end of period	-	-	-	-

Note 15: Related Party Transactions

Consultancy fee – Initial public offer

TDM Asset Management (Tom Cowan is a partner at TDM Asset Management) was engaged by the Company to provide advisory and other services in relation to the IPO. The Company has paid \$300,000 (excluding disbursements and GST) for services provided in relation to the IPO.

Loans to and from key management personnel and directors

As at the end of the current period (2014: nil), no loans were outstanding to or from Key Management Personnel (KMP) or directors of the consolidated entity.

Historical option holder loans

During the current reporting period, the Company provided limited recourse loans totalling \$3,477,562 to historical option holders (including loans totalling \$1,636,357 to KMP and directors) to enable holders to exercise their options prior to the IPO. These loans were provided on a limited recourse and interest free basis. Loans were repaid immediately prior to the settlement of the IPO through the application of proceeds from the special dividend (refer Note 11), cash settlement and/or sale of shares into the initial public offer to satisfy the balance outstanding.

Loan arrangement with senior executive

The Company has entered into an agreement with each senior executive to, if requested by that person, provide a loan to the person on a limited recourse basis. The maximum amount that may be advanced by the company is \$3 million.

The request can be made during the period following the end of the Escrow Period for senior executive (being three days after the Company's half-year results for the period ending 31 December 2016 or thereabouts are released to the ASX) until 30 April 2017. If the loan is requested and made, the money advanced can only be used to meet the tax liabilities of the executive that arose in connection with the executive acquiring shares before the date of the Prospectus for the IPO (as part of pre-existing equity incentives). Any loan is to be repaid as soon as practicable and no later than six months after the date of the advance (or such longer period as the Board may determine).

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

Note 16: Subsequent Events

Dividends on the Company's ordinary shares

No interim dividend has been declared for the period ended 27 December 2015 - refer Note 11.

There have been no events subsequent to 27 December 2015 which would have a material effect on the half-year financial report of the consolidated entity at 27 December 2015.