Baby Bunting Group Limited

ABN 58 128 533 693

Appendix 4D

Financial report for the half-year ended 31 December 2017

Appendix 4D
(Rule 4.2A.3)

Baby Bunting Group Limited
ABN 58 128 533 693

For the half-year ended:	27 weeks ended 31 December 2017
Previous corresponding period:	27 weeks ended 1 January 2017

Results for announcement to the market

Statutory Financial Results	27 weeks ended 31 Dec 2017 $'000	27 weeks ended 1 Jan 2017 $'000	Mvmt $'000	up/(down) %
Revenue from ordinary activities	148,262	135,072	13,190	9.8%
Net profit from ordinary activities after tax attributable to members	3,482	5,223	(1,741)	(33.3%)
Net profit attributable to members	3,482	5,223	(1,741)	(33.3%)
Earnings before interest, tax, depreciation and amortisation	7,562	9,768	(2,206)	(22.6%)

Pro Forma Financial Results	27 weeks ended 31 Dec 2017 $'000	27 weeks ended 1 Jan 2017 $'000	Mvmt $'000	up/(down) %
Revenue from ordinary activities	148,262	135,072	13,190	9.8%
Net profit from ordinary activities after tax attributable to members	4,167	5,736	(1,569)	(27.4%)
Net profit attributable to members	4,167	5,736	(1,569)	(27.4%)
Earnings before interest, tax, depreciation and amortisation	8,397	10,392	(1,995)	(19.2%)

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

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

27 weeks ended 31 December 2017 $'000	Sales	EBIT	EBITDA	NPAT
Statutory results	**148,262**	**5,323**	**7,562**	**3,482**
Employee equity incentive expenses[1]				
– Performance rights[2]	-	336	336	336
– Employee share plan offer[3]	-	499	499	499
Tax impact from underlying adjustments	-	-	-	(150)
Underlying statutory results	**148,262**	**6,158**	**8,397**	**4,167**
Pro forma results	**148,262**	**6,158**	**8,397**	**4,167**

[1] The adjustment removes the Long Term Incentive (LTI) equity and the General Employee Share Plan offer expense incurred during the first half of FY2018.
[2] Expense reflects the cost amortisation of performance rights (LTI) on issue in the current reporting period.
[3] The Company issued 260,108 shares under its General Employee Share Plan in the current reporting period with no monetary consideration payable by participating eligible employees who each received approximately $1,000 worth of shares.

Appendix 4D
(Rule 4.2A.3)

The following table reconciles the statutory result to pro forma financial results for the period ended 1 January 2017 (noting that this financial information has not been reviewed in accordance with Australian Auditing Standards):

27 weeks ended 1 January 2017 $'000	Sales	EBIT	EBITDA	NPAT
Statutory results	**135,072**	**7,742**	**9,768**	**5,223**
Employee equity incentive expenses[1]				
– Performance rights[2]	-	209	209	209
– Employee share plan offer[3]	-	415	415	415
Tax impact from underlying adjustments	-	-	-	(111)
Underlying statutory results	**135,072**	**8,366**	**10,392**	**5,736**
Pro forma results	**135,072**	**8,366**	**10,392**	**5,736**

[1] The adjustment removes the Long Term Incentive (LTI) equity and the General Employee Share Plan offer expense incurred during the first half of FY2017.

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

[3] The Company issued 132,368 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.

Dividends

	Amount per security (cps)	Franked amount
Dividends paid		
Final 2017 dividend – paid 15 September 2017	4.3	100%
Dividends determined		
Interim dividend – current period	2.8	100%
Record date for determining entitlements to the dividend	2 March 2018	
Date dividend is payable	16 March 2018	

The Company does not currently offer a dividend reinvestment plan.

Commentary on results for the period

For further explanation of the statutory figures above refer to the accompanying Financial Report for the half-year ended 31 December 2017, which includes the Directors' Report. The Half Year Results Presentation released in conjunction with this Results Announcement provides further analysis of the results.

Appendix 4D
(Rule 4.2A.3)

Net tangible assets per ordinary share

Net tangible assets per ordinary share	31 December 2017 $	1 January 2017 $
Net tangible assets per ordinary share	0.34	0.33

Details of entities over which control has been gained or lost

Not applicable for the half-year ended 31 December 2017.

Other information

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

Baby Bunting Group Limited

ABN 58 128 533 693

Financial Report for the half-year ended 31 December 2017

Financial Report
for the half-year ended 31 December 2017

CONTENTS

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 31 December 2017.

Directors

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

Mr Ian Cornell
Mr Matthew Spencer
Mr Gary Levin
Ms Melanie Wilson
Ms Donna Player
Mr Stephen Roche

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

Review of operations

Baby Bunting is Australia's largest specialty retailer of baby goods, primarily catering to parents with children from newborn to three years of age and parents-to-be. The Company's principal product categories include prams, cots and nursery furniture, car safety, toys, babywear, feeding, nappies, manchester, associated accessories and consumables. The Company's vision is to be the most loved baby retailer for every family, everywhere. The Company's strategy is a muti-channel approach to grow market share through its new store roll-out program (the company aims to open between four and eight new stores each year) and by growing its existing stores and online.

The consolidated entity reported a statutory net profit after tax of $3.482 million.

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

For the 27 weeks ended 31 December 2017:

- Sales increased to $148.262 million (an increase of 9.8% against the prior corresponding 27 week period);
- Gross margin decreased by 127 basis points to 33.2%, principally reflecting price deflation across the baby goods category driven by clearance activity from competitors liquidating inventory;
- Pro forma EBITDA (excluding employee equity incentive expenses) decreased by 19.2% against the prior corresponding 27 week period to $8.397 million, with EBITDA margin decreasing by 2% against the prior corresponding period to 5.7% of sales; and
- Pro forma NPAT decreased by 27.4% to $4.167 million against the prior corresponding period.

A key development affecting the Company's operations during the reporting period was a change to some of the Company's direct competitors where a number of specialty baby goods stores closed throughout Australia. The short term effect of this has seen a reduction in the gross profit margin percentage achieved by the Company as well as the average sales value. In addition, during the period the Company experienced some supply issues in the car seat, baby carrier and toy categories. Notwithstanding this, during the period, the Company's total business sales were up 9.8% against the prior corresponding period and the total number of transactions were up 14.2% for the reporting period and this growth partly offset the impact of price deflation seen in the baby goods market.

In addition to its physical stores, the Company operates an online store as well as offering a variety of delivery methods, including click and collect. Online continues to be the Company's largest trading unit in the network. Online sales accounted for 8.4% of sales for the period, an increase of 56.1% of sales against the prior corresponding period (where online sales accounted for 5.9% of sales).

Pro forma Cost of Doing Business (CODB) expenses were $40.798 million ($36.140 million in the prior corresponding period). As a percentage of sales, pro forma CODB was 27.5% for the reporting period (versus 26.8% of sales in the prior corresponding period).

At the date of this report, the Company has forty five stores throughout Australia. Two new stores were opened during the reporting period, being stores at Munno Para (South Australia) and Albury (New South Wales). Albury is the Company's third regional store. A further store in Aspley (Queensland) opened in January 2018.

The Company finished the reporting period with a net debt position of $1.472 million. The Company reported net cash flow from operating activities of $4.662 million.

Dividends

The Company paid a fully franked final dividend of 4.3 cents per share, in respect of the 2017 financial year, on 15 September 2017 totalling $5.406 million.

The Directors have determined to pay an interim fully franked dividend of 2.8 cents to be paid on 16 March 2018 (with a record date of 2 March 2018).

Non-IFRS measures

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

Non-IFRS financial measures that are referred to in this report are as follows:

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

Pro forma financial results

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

Directors' Report

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

27 weeks ended 31 December 2017 $'000	Sales	EBIT	EBITDA	NPAT
Statutory results	**148,262**	**5,323**	**7,562**	**3,482**
Employee equity incentive expenses[1]				
– Performance rights[2]	-	336	336	336
– Employee share plan offer[3]	-	499	499	499
Tax impact from underlying adjustments	-	-	-	(150)
Underlying statutory results	**148,262**	**6,158**	**8,397**	**4,167**
Pro forma results	**148,262**	**6,158**	**8,397**	**4,167**

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

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

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

The following table reconciles the statutory result to pro forma financial results for the prior comparable period ended 1 January 2017 (noting that this financial information has not been reviewed in accordance with Australian Auditing Standards):

27 weeks ended 1 January 2017 $'000	Sales	EBIT	EBITDA	NPAT
Statutory results	**135,072**	**7,742**	**9,768**	**5,223**
Employee equity incentive expenses[1]				
– Performance rights[2]	-	209	209	209
– Employee share plan offer[3]	-	415	415	415
Tax impact from underlying adjustments	-	-	-	(111)
Underlying statutory results	**135,072**	**8,366**	**10,392**	**5,736**
Pro forma results	**135,072**	**8,366**	**10,392**	**5,736**

[1] The adjustment removes the Long Term Incentive (LTI) equity and the General Employee Share Plan offer expense incurred during the first half of FY2017.

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

[3] The Company issued 132,368 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.

Directors' Report

Auditor's independence declaration

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

Rounding of amounts

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

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

On behalf of the Directors

Ian Cornell

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Ian Cornell
Chairman
Melbourne: 16 February 2018

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

As lead auditor for the review of Baby Bunting Group Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

Glenn Carmody
Partner
16 February 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2017

	Note	27 weeks ended 31 Dec 2017 $'000	27 weeks ended 1 Jan 2017 $'000
Revenue	4	148,262	135,072
Cost of sales		(99,065)	(88,541)
Gross profit		**49,197**	**46,531**
Other revenue	4	12	8
Store expenses		(31,893)	(28,226)
Marketing expenses		(2,920)	(2,412)
Warehousing expenses		(2,156)	(1,911)
Administrative expenses		(6,905)	(6,240)
Finance costs	5	(322)	(180)
Profit before tax		**5,013**	**7,570**
Income tax expense		(1,531)	(2,347)
Profit after tax		**3,482**	**5,223**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**3,482**	**5,223**
Profit for the period attributable to:			
Equity holders of Baby Bunting Group Limited		**3,482**	**5,223**
Earnings per share			
From continuing operations			
Basic (cents per share)		2.8	4.2
Diluted (cents per share)		2.8	4.1

Notes to the condensed consolidated financial statements are included in Pages 11 to 19.

Condensed Consolidated Statement of Financial Position

as at 31 December 2017

	Note	31 Dec 2017 $'000	25 June 2017 $'000	1 Jan 2017 $'000
Current assets				
Cash and cash equivalents		4,558	6,425	3,210
Other receivables	6	8,943	9,559	8,426
Inventories	7	55,123	47,882	49,999
Other assets		1,013	1,169	1,028
Total current assets		**69,637**	**65,035**	**62,663**
Non-current assets				
Plant and equipment		20,103	20,006	18,797
Intangibles		1,241	1,224	917
Goodwill		44,180	44,180	44,180
Deferred tax assets		3,517	3,434	3,835
Total non-current assets		**69,041**	**68,844**	**67,729**
Total assets		**138,678**	**133,879**	**130,392**
Current liabilities				
Trade and other payables	8	33,167	28,031	33,339
Current tax liabilities		154	851	854
Provisions		2,872	2,636	2,463
Operating lease provision	8	229	119	108
Total current liabilities		**36,422**	**31,637**	**36,764**
Non-current liabilities				
Borrowings	9	6,030	4,800	-
Provisions		311	341	300
Operating lease provision	8	2,952	2,973	2,739
Total non-current liabilities		**9,293**	**8,114**	**3,039**
Total liabilities		**45,715**	**39,751**	**39,803**
Net assets		**92,963**	**94,128**	**90,589**
Equity				
Issued capital	10	85,292	84,816	84,816
Share based payments reserve	13	734	451	290
Retained earnings		6,937	8,861	5,483
Total equity		**92,963**	**94,128**	**90,589**

Notes to the condensed consolidated financial statements are included in Pages 11 to 19.

Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2017

	Issued Capital $'000	Share Based Payments Reserve $'000	Retained Earnings $'000	Total Equity $'000
Balance at 26 June 2016	84,420	132	8,172	92,724
Profit for the period	-	-	5,223	5,223
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	5,223	5,223
Issue of shares (Note 10)	396	-	-	396
Dividends (Note 11)	-	-	(7,912)	(7,912)
Share based payment (Note 13)	-	158	-	158
Balance at 1 January 2017	**84,816**	**290**	**5,483**	**90,589**

Balance at 25 June 2017	84,816	451	8,861	94,128
Profit for the period	-	-	3,482	3,482
Other comprehensive income	-	-		
Total comprehensive income for the period	-	-	3,482	3,482
Issue of shares (Note 10)	476	-	-	476
Dividends (Note 11)	-	-	(5,406)	(5,406)
Share based payment (Note 13)	-	283	-	283
Balance at 31 December 2017	**85,292**	**734**	**6,937**	**92,963**

Notes to the condensed consolidated financial statements are included in Pages 11 to 19.

Condensed Consolidated Statement of Cash Flows

for the half-year ended 31 December 2017

	27 weeks ended 31 Dec 2017 $'000	27 weeks ended 1 Jan 2017 $'000
Cash flows from operating activities		
Receipts from customers	164,019	148,440
Payments to suppliers and employees	(156,658)	(137,812)
Income tax paid	(2,312)	(2,810)
Interest received	12	9
Finance costs paid	(399)	(236)
Transaction costs for listing	-	-
Net cash from / (used in) operating activities	**4,662**	**7,591**
Cash flows from investing activities		
Payments for plant and equipment and intangibles	(2,353)	(3,833)
Proceeds on sale of plant and equipment	-	1
Net cash used in investing activities	**(2,353)**	**(3,832)**
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Transaction costs for issue of shares	-	-
Dividends paid	(5,406)	(7,912)
(Repayment of) / Proceeds from borrowings	1,230	-
Net cash (used in) / provided by financing activities	**(4,176)**	**(7,912)**
Net (decrease) / increase in cash and cash equivalents	**(1,867)**	**(4,153)**
Cash and cash equivalents at beginning of the period	6,425	7,363
Cash and cash equivalents at end of the period	**4,558**	**3,210**

Notes to the condensed consolidated financial statements are included in Pages 11 to 19.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2017

Note 1: Reporting entity

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

The consolidated financial statements of the Company as at and for the half year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "consolidated entity"). The consolidated entity is primarily involved in the retailing of baby merchandise.

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

The Company has adopted a 27 week retail calendar for financial reporting purposes which ended on 31 December 2017. The prior half year was also a 27 week retail calendar ending on 1 January 2017.

Note 2: Summary of significant accounting policies

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

(a) Statement of Compliance

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

This half-year financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 25 June 2017 and any public announcements made by the Company during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

This half-year financial report was authorised for issue by the Directors on 16 February 2018.

(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 2017 annual financial report for the year ended 25 June 2017, except for the impact of the adoption of the new and revised accounting policies discussed below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Comparative figures are shown for 1 January 2017 in addition to 25 June 2017 in the balance sheet due to the seasonality of the business and the impact this has on working capital.

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

(c) New and amended Standards and Interpretations adopted

New and amended Standards and Interpretations effective for the current reporting period did not have any financial impact on the amounts recognised in the condensed financial statements of the consolidated entity for the current or prior comparative reporting period.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2017

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 25 June 2017.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2017

Note 4: Revenue

	27 weeks ended 31 Dec 2017 $'000	27 weeks ended 1 Jan 2017 $'000
An analysis of the consolidated entity's revenue for the year, is as follows:		
Revenue from sale of goods	148,262	135,072
Other revenue		
Interest revenue	12	8
	148,274	135,080

Note 5: Profit for the period

	27 weeks ended 31 Dec 2017 $'000	27 weeks ended 1 Jan 2017 $'000
Profit before income tax expense includes the following expenses:		
Interest and finance charges paid/payable	322	180
Depreciation and amortisation	2,239	2,026
Rental expenses relating to operating leases:		
Minimum lease payments	10,116	8,448
Employee benefits expense	23,171	21,051

Depreciation and amortisation

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

27 weeks ended 31 December 2017	As reported $'000	Depreciation and amortisation $'000	Excluding Depreciation and Amortisation $'000
Store expenses	(31,893)	1,914	(29,979)
Warehousing expenses	(2,156)	94	(2,062)
Administrative expenses	(6,905)	231	(6,674)
Total	**(40,954)**	**2,239**	**(38,715)**

27 weeks ended 1 January 2017	As reported $'000	Depreciation and amortisation $'000	Excluding Depreciation and Amortisation $'000
Store expenses	(28,226)	1,730	(26,496)
Warehousing expenses	(1,911)	98	(1,813)
Administrative expenses	(6,240)	198	(6,042)
Total	**(36,377)**	**2,026**	**(34,351)**

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2017

Note 6: Other receivables

	31 Dec 2017 $'000	25 Jun 2017 $'000	1 Jan 2017 $'000
Current			
Layby receivables	5,899	7,448	5,962
Other receivables	3,044	2,111	2,464
	8,943	9,559	8,426

The average layby period is 3 months. No interest is charged on layby accounts. There are no customers who represent more than 5% of the total layby balance of receivables. There are no material receivables past due date.

Note 7: Inventories

Finished goods	55,123	47,882	49,999

The cost of inventories recognised as an expense during the half-year in respect of continuing operations was $99.065 million (1 January 2017: $88.541 million).

Note 8: Payables

Current			
Trade payables	28,283	22,333	28,576
Gift voucher provision	994	682	1,190
Sundry payables and accruals	3,890	5,016	3,573
	33,167	28,031	33,339
Operating lease provision			
Operating lease provision – Current	229	119	108
Operating lease provision – Non-Current	2,952	2,973	2,739
	3,181	3,092	2,847

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

Note 9: Loans and Borrowings

Non-Current - Secured			
Bank Loan	6,030	4,800	-

The ongoing funding requirements of the consolidated entity are provided by the National Australia Bank ("NAB"). The secured multi option facility matures on 31 July 2020. Security consists of a Deed of Charge over the assets of Baby Bunting Pty Ltd. The Company is a guarantor to the facility.

The total facility limit at balance date was $36,000,000, consisting of $30,000,000 Corporate Market Loan ("CML") facility and $6,000,000 bank guarantee facility. The CML facility can be drawn to the lesser of $30,000,000 or 2.00 times the last 12 months' historical rolling EBITDA. Interest on the facility is charged at a variable rate.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2017

Note 10: Issued capital

	31 Dec 2017		25 Jun 2017		1 Jan 2017	
Fully paid ordinary shares	**No.**	**$'000**	**No.**	**$'000**	**No.**	**$'000**
Balance at beginning of the period	125,720,488	84,816	125,588,120	84,420	125,588,120	84,420
Issue of shares						
- Employee share plan offer (note 13(b))	260,108	476	132,368	396	132,368	396
Transaction costs recognised in equity, net of tax	-	-	-	-	-	-
Balance at end of the period	**125,980,596**	**85,292**	**125,720,488**	**84,816**	**125,720,488**	**84,816**

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

Note 11: Dividends

	27 weeks ended 31 Dec 2017		27 weeks ended 1 Jan 2017	
	$ per ordinary share	**$'000**	**$ per ordinary share**	**$'000**
Recognised amounts				
2017 Final fully franked dividend – paid 15 September 2017 (2016 fully franked dividend)	0.043	5,406	0.063	7,912
Unrecognised amounts				
Interim dividend	0.028	3,527	0.029	3,646

On 11 August 2017, the Directors determined to pay a fully franked final dividend of 4.3 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 25 June 2017. The dividend was subsequently paid to shareholders on 15 September 2017 totalling $5.406 million.

On 16 February 2018, the Directors determined to pay an interim fully franked dividend of 2.8 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2017, to be paid to shareholders on 16 March 2018. The dividend has not been included as a liability in these condensed consolidated financial statements. The record date for determining entitlements to the dividend is 2 March 2018. The total estimated dividend to be paid is $3,527 million.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2017

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	
	27 weeks ended 31 Dec 2017 $'000	27 weeks ended 1 Jan 2017 $'000	27 weeks ended 31 Dec 2017 $'000	27 weeks ended 1 Jan 2017 $'000
Revenue	148,262	135,072	148,262	135,072
Operating EBIT	6,158	8,366	6,158	8,366
Total segment assets	138,678	130,392	138,678	130,392
Additions to plant and equipment and intangibles	2,353	3,833	2,353	3,833
Depreciation and amortisation	2,239	2,026	2,239	2,026
Total non-current assets[1]	65,524	63,894	65,524	63,894
Total segment liabilities	45,715	39,803	45,715	39,803

[1]Non-current assets exclude deferred tax assets and deferred tax liabilities.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current reporting period (1 January 2017: nil).

The accounting policies of the reportable segment are the same as the consolidated entity's accounting policies described in note 2. The CEO and Managing Director assesses the performance of the operating segment based on a measure of Operating EBIT. This measure basis excludes the effects of interest revenue, finance costs, income tax, equity expenses, other non-operating and associated indirect tax costs.

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

	27 weeks ended 31 Dec 2017 $'000	27 weeks ended 1 Jan 2017 $'000
Operating EBIT	**6,158**	**8,366**
Interest revenue	12	8
Finance costs	(322)	(180)
Employee share based payments (inclusive of indirect tax)	(835)	(624)
Profit before tax	**5,013**	**7,570**

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2017

Note 12: Segment information

Segment assets and liabilities

The amounts provided to the CEO and Managing Director with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. The reportable segment's assets and liabilities are reconciled to total assets as follows:

	31 Dec 2017 $'000	25 Jun 2017 $'000	1 Jan 2017 $'000
Segment assets	138,678	133,879	130,392
Total assets as per the balance sheet	**138,678**	**133,879**	**130,392**
Segment liabilities	45,715	39,751	39,803
Total liabilities as per the balance sheet	**45,715**	**39,751**	**39,803**

Note 13: Share based payments

Share based payments reserve			
Balance at beginning of period	451	132	132
Performance rights – expense (Note 13(a))	283	319	158
Balance at end of period	**734**	**451**	**290**

(a) Performance rights

The consolidated entity has previously established a Long Term Incentive Plan (LTI Plan) involving the grant of performance rights. Upon vesting, each right entitles the participant to one fully paid ordinary share in the Company. No dividends or voting rights are attached to performance rights prior to vesting. The number of rights 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).

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 $0.54. 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 granted in the current reporting period (2018 – Series 1) were on the same terms and conditions (including as to performance periods) as the existing performance rights on issue at the beginning of the reporting period.

Performance rights series	Grant date	Grant date fair value	Exercise price	Expiry date
2016 – Series 1 (TSR CAGR)	14 October 2015	$0.12	nil	(1)
2016 – Series 1 (EPS CAGR)	14 October 2015	$1.40	nil	(1)
2016 – Series 2 (TSR CAGR)	10 June 2016	$1.03	nil	(1)
2016 – Series 2 (EPS CAGR)	10 June 2016	$2.45	nil	(1)
2017 – Series 1 (TSR CAGR)	24 November 2016	$1.26	nil	(1)
2017 – Series 1 (EPS CAGR)	24 November 2016	$2.65	nil	(1)
2018 – Series 1 (TSR CAGR)	20 September 2017	$0.54	nil	(1)
2018 – Series 1 (EPS CAGR)	20 September 2017	$1.72	nil	(1)

(1) These performance rights vest and are automatically exercised at the end of the relevant service and performance period, subject to meeting the relevant performance condition. The Board will determine whether the relevant performance conditions have been satisfied. Any performance rights that have not vested following the end of the third performance period (which occurs following the release of the Company's financial results for the 2020 financial year), will lapse.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31December 2017

Note 13: Share based payments

(a) Performance rights

	2016 – Series 1 TSR	2016 – Series 2 TSR	2017 – Series 1 TSR	2018 – Series 1 TSR
Grant date share price	$1.40 (IPO offer price)	$2.45	$2.65	$1.72
Exercise price	nil	nil	nil	Nil
Expected volatility	25%	25%	25%	39%
Expected life	3, 4, 5 years	2.3, 3.3, 4.3 years	1.6, 2.6, 3.6 years	1.8, 2.8 years
Dividend yield	4.50%	4.50%	4.50%	4.50%
Risk-free interest rate (p.a)	1.90%	1.90%	1.60%	2.15%

Movements in performance rights during the period

The consolidated entity recorded a share based payments expense for performance rights of $0.283 million (1 January 2017: $0.158 million) disclosed in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Administrative expenses".

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

	27 weeks ended 31 December 2017		27 weeks ended 25 June 2017	
	TSR Number of rights	EPS Number of rights	TSR Number of rights	EPS Number of rights
Balance at beginning of the period	**2,647,950**	**2,647,954**	**2,811,259**	**2,811,264**
Granted during the period	107,000	107,000	-	-
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Lapsed during the period	(174,309)	(174,310)	(163,309)	(163,310)
Balance at end of period	**2,580,641**	**2,580,644**	**2,647,950**	**2,647,954**
Exercisable at end of period	**-**	**-**	**-**	**-**

(b) General Employee Share Plan (GESP)

In the previous reporting period, the consolidated entity established the GESP which is intended to be part of the consolidated entity's overall remuneration policy to reward Baby Bunting employees, from time to time. The GESP provides for grants of Shares to eligible employees of the consolidated entity up to a value determined by the Board.

During the current reporting period, the Board issued a total of 260,108 shares (1 January 2017: 132,368 shares) under the GESP with no monetary consideration payable by participating eligible employees. Shares issued were subject to a disposal restriction in accordance with current Australian tax legislation. The fair value of $0.476 million (1 January 2017: $0.396 million) was fully expensed at the time of granting, as there are no performance or service conditions.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2017

Note 14: Related Party Transactions

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

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

Loans to and from key management personnel and directors
As at the end of the current reporting period (1 January 2017: nil), no loans were outstanding to or from key management personnel or directors of the consolidated entity.

Note 15: Subsequent Events

Dividends on the Company's ordinary shares
An interim dividend of 2.8 cents per fully paid ordinary shares has been determined for the half-year ended 31 December 2017 - refer Note 11.

There have been no other events subsequent to the date of this report which would have a material effect on the interim financial report of the consolidated entity as at 31 December 2017.

Directors' Declaration

The Directors declare that:

(a) in their opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in their opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors

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Ian Cornell
Chairman

Melbourne: 16 February 2018

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Baby Bunting Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of statement of profit and loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Glenn Carmody
Partner
Melbourne
16 February 2018