Baby Bunting Group Limited (formerly Baby Investments Limited)

ACN 128 533 693

Annual Report for the financial year ended 28 June 2015

Directors' Report

The directors of Baby Bunting Group Limited (formerly Baby Investments Limited) ("the company") submit herewith the annual financial report of the company and its controlled entity ("the consolidated entity") for the financial year ended 28 June 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during or since the end of the financial year are:

Mr Tom Cowan	Bachelor of Commerce, Independent Fund Manager (i)
Mr Arnold G Nadelman	Former owner of the business (ii)
Mr Barry AE Saunders	Bachelor of Commerce, Associate of the Australian Society of Accountants. Former director of The Myer Emporium Ltd, Coles Myer Ltd, Woolworths Ltd, The Reject Shop Ltd
Mr Matthew Spencer	Bachelor of Business – Major in Accounting from Chisholm Institute of Technology Caulfield (Monash University)
Mr Gary Levin	Bachelor of Commerce and Law. Non-Executive director of JB Hi-Fi Ltd
Ms Tamalin Morton	Master of Arts, Professional Diploma in Marketing, and MBA. General Manager – Marketing and Brand at Medibank Ltd
Mr Ian Cornell	Non-Executive Director of Myer Ltd and William Inglis. Former Non-Executive director of Goodman Fielder. Former Chairman and CEO of Franklins, executive roles at Westfield Group and Woolworth's Supermarkets
Mr Michael Vukadinovic	Bachelor of Economics, CA, SIA
(i) Mr Hamish Corlett	Alternate Director for Mr Tom Cowan
(ii) Mr Grant Nadelman	Alternate Director for Mr Arnold Nadelman

The above named directors held office during the whole of the financial year and since the end of the financial year except for:

Mr Arnold G Nadelman – retired 24 July 2015
Mr Grant Nadelman (Alternate Director for Mr Arnold Nadelman) – retired 24 July 2015
Mr Ian Cornell – appointed 1 January 2015
Ms Tamalin Morton – appointed 1 January 2015
Mr Michael Vukadinovic – retired 25 September 2014
Mr Gary Levin – appointed 28 August 2014

During the financial year the company secretary was Darin Hoekman.

Principal activities

The principal activity of the consolidated entity during the financial year was the retailing of baby merchandise.

Review of operations

Baby Bunting is an Australian 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. The company only retails goods and services within Australia.

Market demand for baby goods is underpinned by resilient long-term drivers, such as the number of births and population growth. The industry is characterized by many small independent specialty retailers, a number of online only retailers and a few larger retailers where baby goods is part of their overall offering, for example department stores.

Baby Bunting operated 31 stores across Australia and a baby goods website, www.babybunting.com.au. The Company is focused on delivering a multi sales channel experience to its customers, providing flexibility on how, when and where they transact. During the year, the company opened 8 new stores across Australia. This has had a positive impact on both sales and earnings during the year. The new store roll out resulted in the employment of an additional 93 team members in our store network.

The profit of the consolidated entity for the financial year after providing for income tax amounted to $6,040,144 (2014: $4,064,003).

Changes in the state of affairs

There has been no material change in the state of affairs of the company or the consolidated entity during the year.

Subsequent events

On the 20 July 2015, Shareholders of the company approved the following special resolutions at a General Meeting held at its registered office and its principal place of business:

- To allow the Board to undertake a listing of the company on the Australian Securities Exchange ("ASX").
- That the company change its name to Baby Bunting Group Limited with effect from the day on which the Australian Securities and Investments Commission issues a new certificate of registration.
- That the company adopt a new constitution, conditional upon, and with effect from, the quotation of the company's fully paid ordinary shares on the official list of ASX.

Future developments

The consolidated entity is anticipating a listing of the company on the ASX following the approval of a special resolution by Shareholders of the company on 20 July 2015. The directors have excluded from this report any further information on the likely developments of the consolidated entity and the expected results of these operations in future financial years, as the directors believe that it would likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory. The company is a signatory to 'The Australian Packaging Covenant'. As a signatory to this covenant the company is committed to reducing the amount of used packaging going to landfill.

Directors' meetings held during the financial year

	Meetings Attended	Meetings Eligible to Attend
Tom Cowan	11	11
Arnold Nadelman	9	11
Barry Saunders	11	11
Matthew Spencer	11	11
Michael Vukadinovic	3	3
Gary Levin	8	8
Tamalin Morton	5	5
Ian Cornell	4	5

Dividends

No dividend was paid or proposed during the financial year.

Indemnification of officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, Mr Darin Hoekman, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Proceedings on behalf of the company

No person has applied for Leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor's independence declaration

The auditor's independence declaration is included on page 4 of the annual report.

Rounding of Amounts

The Company is a kind referred to in Class Order 98/100, issued by the Australian Securities and Investment 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.298 (2) of the Corporations Act 2001.

On behalf of the Directors

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Barry A E Saunders
Chairman
Melbourne: 17th August 2015

Deloitte.

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17 August 2015

The Board of Directors
Baby Bunting Group Limited (formerly Baby Investments Limited)
955 Taylors Rd
Dandenong South VIC 3175

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 audit of the financial statements of Baby Bunting Group Limited for the financial year ended 28 June 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Rachel Smith
Partner
Chartered Accountants

Deloitte.

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

We have audited the accompanying financial report of Baby Bunting Group Limited (formerly Baby Investments Limited), which comprises the statement of financial position as at 28 June 2015, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the 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 Baby Bunting Group Limited and the entities it controlled at the year's end or from time to time during the financial year, as set out on pages 7 to 31.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

Auditor's Independence Declaration

In conducting our audit, 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 report.

Opinion

In our opinion:

(a) the financial report of Baby Bunting Group Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 28 June 2015 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Rachel Smith
Partner
Chartered Accountants
Melbourne, 17 August 2015

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 company and consolidated entity, and

(c) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 2 to the financial statements.

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in note 23 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors

....

Barry A E Saunders
Chairman

Melbourne: 17th August 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Financial Year Ended 28 June 2015

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Revenue	3	180,175	150,158	-	-
Cost of sales		(118,314)	(100,221)	-	-
Gross profit		61,861	49,937	-	-
Other revenue	3	45	20	-	-
Store expenses		(37,833)	(31,917)	-	-
Administrative expenses		(8,073)	(5,654)	-	-
Marketing expenses		(3,054)	(2,531)	-	-
Warehousing expenses		(3,316)	(3,275)	-	-
Finance costs	4	(807)	(1,146)	-	-
Change in fair value of interest rate swap		205	402	-	-
Profit before tax		9,028	5,836	-	-
Income tax (expense) / benefit	5	(2,988)	(1,772)	-	-
Profit after tax	20	6,040	4,064	-	-
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		6,040	4,064	-	-
Earnings per share	30				
From continuing and discontinuing operations					
Basic (cents per share)		6.25	4.23		
Diluted (cents per share)		6.19	4.22		
From continuing operations					
Basic (cents per share)		6.25	4.23		
Diluted (cents per share)		6.19	4.22		

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
As at 28 June 2015

	Note	Consolidated 2015 S'000	Consolidated 2014 S'000	Company 2015 S'000	Company 2014 S'000
CURRENT ASSETS					
Cash and cash equivalents	6	3,568	3,377	-	-
Other receivables	7	5,834	4,516	-	-
Inventories	8	35,492	27,895	-	-
Other assets	9	281	261	-	-
TOTAL CURRENT ASSETS		45,175	36,049	-	-
NON-CURRENT ASSETS					
Plant and equipment	10	14,902	11,227	-	-
Other receivables	7	-	-	47,784	44,922
Other financial assets	23	-	-	8,891	8,891
Goodwill	11	44,180	44,180	-	-
Deferred tax assets	12	2,071	1,970	-	-
TOTAL NON-CURRENT ASSETS		61,153	57,377	56,675	53,813
TOTAL ASSETS		106,328	93,426	56,675	53,813
CURRENT LIABILITIES					
Trade and other payables	13	19,566	16,024	-	-
Operating lease adjustment	13	45	159	-	-
Borrowings	14	-	8,050	-	-
Current tax liabilities	15	2,439	2,022	2,439	2,022
Provisions	16	1,667	1,101	-	-
Other financial liabilities	17	-	205	-	-
TOTAL CURRENT LIABILITIES		23,717	27,561	2,439	2,022
NON-CURRENT LIABILITIES					
Borrowings	14	7,950	-	-	-
Provisions	16	261	349	-	-
Operating lease adjustment	13	2,386	1,987	-	-
TOTAL NON-CURRENT LIABILITIES		10,597	2,336	-	-
TOTAL LIABILITIES		34,314	29,897	2,439	2,022
NET ASSETS		72,014	63,529	54,236	51,791
EQUITY					
Issued capital	18	55,070	53,538	55,070	53,538
Share based payment reserve	19	989	76	989	76
Retained earnings / (Accumulated losses)	20	15,955	9,915	(1,823)	(1,823)
TOTAL EQUITY		72,014	63,529	54,236	51,791

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
For the Financial Year Ended 28 June 2015

Consolidated	Issued Capital $'000	Retained Earnings $'000	Reserves $'000	Total Equity $'000
Balance at 30 June 2013	53,538	5,851	42	59,431
Profit for the year	-	4,064	-	4,064
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	4,064	-	4,064
Issue of shares (Note 18)	-	-	-	-
Share based payment (Note 19)	-	-	34	34
Balance at 29 June 2014	53,538	9,915	76	63,529
Balance at 29 June 2014	53,538	9,915	76	63,529
Profit for the year	-	6,040	-	6,040
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	6,040	-	6,040
Issue of shares (Note 18)	1,532	-	-	1,532
Share based payment (Note 19)	-	-	913	913
Balance at 28 June 2015	55,070	15,955	989	72,014

Company	Issued Capital $'000	Accumulated Losses $'000	Reserves $'000	Total Equity $'000
Balance at 30 June 2013	53,538	(1,823)	42	51,757
Profit for the year	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Issue of shares (Note 18)	-	-	-	-
Share based payment (Note 19)	-	-	34	34
Balance at 29 June 2014	53,538	(1,823)	76	51,791
Balance at 29 June 2014	53,538	(1,823)	76	51,791
Profit for the year	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Issue of shares (Note 18)	1,532	-	-	1,532
Share based payment (Note 19)	-	-	913	913
Balance at 28 June 2015	55,070	(1,823)	989	54,236

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
For the Financial Year Ended 28 June 2015

	Note	Consolidated 2015 S'000	Consolidated 2014 S'000	Company[1] 2015 S'000	Company[1] 2014 S'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		196,899	149,259	-	-
Payments to suppliers and employees		(188,583)	(142,003)	-	-
Income tax paid		(2,673)	(790)	-	-
Interest received		18	20	-	-
Interest and other costs of finance paid		(880)	(1,106)	-	-
Net cash provided by operating activities	22(a)	4,781	5,380	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for plant and equipment		(6,047)	(3,528)	-	-
Proceeds on sale of plant & equipment		25	-	-	-
Net cash used in investing activities		(6,022)	(3,528)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		1,532	-	-	-
Net (repayment) / proceeds from borrowings		(100)	(1,050)	-	-
Net cash (used in) / provided by financing activities		1,432	(1,050)	-	-
Net increase in cash and cash equivalents		191	802	-	-
Cash and cash equivalents at beginning of the financial year		3,377	2,575	-	-
Cash and cash equivalents at end of the financial year	22(b)	3,568	3,377	-	-

[1] The company does not hold a bank account therefore cash flow transactions are paid notionally through intercompany accounts.

The above statement of cash flows should be read in conjunction with the accompanying notes.

Note 1: General Information

Baby Bunting Group Limited (formerly Baby Investments Limited) is an unlisted public company, incorporated and operating in Australia. Its registered office and its principal place of business is:

955 Taylors Road
Dandenong South VIC 3175
Tel: (03) 8795 8100

The consolidated entity's principal activity is the retailing of baby merchandise.

Note 2: Significant accounting policies

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

Statement of compliance

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

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

The financial statements were authorised for issue by the directors on 18 August 2015.

Basis of Preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Impairment of goodwill

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

Forecasted sales growth	3.0% for comparable store growth.
Forecasted gross margin	Average gross margins achieved in the period immediately before the forecast period increased in the subsequent year for expected efficiency improvements, with no further changes to forecasted gross margins thereafter. The directors expect efficiency improvements of approximately 0.5% - 1.0% in FY2016 to be reasonably achievable based on the improvements seen in previous years.
Forecasted retail store expenses	Forecast increases correlate to the consumer price indices during the forecast period. The values assigned to the key assumption are consistent with external sources of information.
Post-tax weighted average cost of capital	11.0%

Note 2: Significant accounting policies (continued)

(a) Basis of Consolidation

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

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

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

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

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

(b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The consideration of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the consolidated entity in exchange for control of the business acquired. Acquisition related costs are recognised in the statement of profit or loss and other comprehensive income as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the consideration of the business combination over the consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the consolidated entity's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the consideration of the business combination, the excess is recognised immediately in the statement of profit or loss and other comprehensive income.

(c) Income Tax

The company is part of a tax consolidated group under Australian taxation law, of which Baby Bunting Group Limited (formerly Baby Investments Limited) is the head entity. As a result Baby Bunting Group Limited (formerly Baby Investments Limited) is subject to income tax through its membership of the tax consolidated group. The consolidated current and deferred tax amounts for the tax consolidated group are allocated to members of the tax consolidated group (including Baby Bunting Group Limited (formerly Baby Investments Limited)) using the 'separate taxpayer within group' approach, with deferred taxes being allocated a reference to the carrying amounts in the financial statements of each member entity and the tax values applying under tax consolidation. Current tax liabilities and deferred tax assets arising from unused tax losses and relevant tax credits arising from this allocation process are then accounted for as immediately assumed by the head entity, as under Australian taxation law the head entity has the legal obligation (or right) to these amounts.

Entities within the tax consolidated group have entered into a tax funding arrangement and a tax sharing arrangement with the head entity. Under the terms of the tax funding arrangement, Baby Bunting Pty Ltd has agreed to pay a tax equivalent payment to or from the head entity equal to the tax liability or asset assumed by the head entity for that period as noted above. Such amounts are reflected in amounts receivable from or payable to the head entity. Accordingly, the amount arising under the tax funding arrangement for each period is equal to the tax liability or asset assumed by the head entity for that period and no contribution from (or distribution to) equity participants arises in relation to income taxes.

Note 2: Significant accounting policies (continued)

(c) Income Tax (cont'd)

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Current and deferred tax for the period

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

(d) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a weighted average cost formula basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

(e) Plant and Equipment

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

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

Note 2: Significant accounting policies (continued)

(f) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

(g) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Revenue

Revenue from the sale of goods is recognised at the point of sale. All revenue is stated net of the amount of goods and services tax (GST), returns and discounts. Revenue from lay by sales is recognised at the point of sale. This approach is taken as experience indicates that most lay by sales are consummated, the customer has paid a significant deposit and the goods are on hand, identified and ready for delivery to the customer. The balance owing on outstanding lay by sales is recognised as a receivable at balance date.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(i) Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

(j) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Note 2: Significant accounting policies (continued)

(k) Goodwill

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

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

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

(l) Financial assets

Financial assets are classified as follows depending on the nature and purpose of the financial assets and are determined at the time of initial recognition.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Investments in subsidiaries
Investments in subsidiaries are measured at cost using the effective interest method less impairment.

(m) Trade Payables

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

(n) Financial liabilities

Financial liabilities
Financial liabilities are classified as either financial liabilities at fair value through profit & loss ('FVTPL') or 'other financial liabilities'.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

Note 2: Significant accounting policies (continued)

(n) Financial liabilities (continued)

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of profit or loss and other comprehensive income.

Other financial liabilities
Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(o) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest rate.

(q) Store opening costs

Costs associated in the setup of a new store are expensed in the period in which they are incurred.

(r) Comparative amounts

The comparative figures are for the period 1 July 2013 to 29 June 2014.

(s) New and amended Standards and Interpretations adopted

In the current reporting period, the consolidated entity has applied a number of amendments to AASBs and a new Interpretation issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2014, and therefore relevant for the current reporting period.

Note 2: Significant accounting policies (continued)

(s) New and amended Standards and Interpretations adopted (continued)

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

- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2014-1 'Amendments to Australian Accounting Standards' (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)
- AASB 1031 'Materiality', AASB 2013-9 'Amendments to Australian Accounting Standards' – Conceptual Framework, Materiality and Financial Instruments' (Part B: Materiality), AASB 2014-1 'Amendments to Australian Accounting Standards' (Part C: Materiality)

The adoption of these standards did not have any financial impact on the current reporting period or the prior comparative reporting period.

(t) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below which may be relevant to the consolidated entity were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 July 2017	30 June 2018

The consolidated entity has not yet determined the potential effect, if any, of the new and amending standards and interpretations on the consolidated entity's financial report.

	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000

Note 3: Revenue

An analysis of the Group and Company's revenue for the year, is as follows:

	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Revenue from sale of goods	180,175	150,158	-	-
Other revenue				
Interest revenue	20	20	-	-
Profit on sale of equipment	25	-	-	-
	45	20	-	-
	180,220	150,178	-	-

Note 4: Profit for the year

Profit before income tax expense includes the following expenses:

	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Interest and finance charges paid/payable	807	1,146	-	-
Depreciation	2,372	2,013	-	-
Rental expenses relating to operating leases				
Minimum lease payments	12,010	10,265	-	-
Employee benefits expense[1]	26,845	22,859	-	-
Loss on disposal of fixes assets	-	64		

[1] The consolidated entity recorded a share based payments expense of $913k (2014: $34k) disclosed in the Statement of profit or loss and other comprehensive income under "Administrative expenses". The current reporting period expense reflects the anticipated shortened vesting period of issued employee share options (relative to the prior year).

Note 5: Income Tax

Income tax recognised in profit / (loss)

	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Tax expense comprises:				
Current tax	3,089	2,355	-	-
Deferred tax	(101)	(583)	-	-
Total tax expense	2,988	1,772	-	-

The prima facie income tax expense on pre-tax accounting profit / (loss) from operations reconciles to the income tax (expense) / benefit in the financial statements as follows:

	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Profit before tax from continuing operations	9,028	5,836	-	-
Income tax expense calculated at 30% (2014: 30%)	(2,708)	(1,751)	-	-
Non-deductible expenditure	(280)	(21)	-	-
Income tax expense recognised in profit or loss	(2,988)	(1,772)	-	-

The tax rate used for 2015 and 2014 in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Note 6: Cash and cash equivalents					
Cash on hand	22(b)	49	45	-	-
Cash at bank	22(b)	3,519	3,332	-	-
		3,568	3,377	-	-

	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Note 7: Other receivables				
Current				
Lay by receivables	4,612	3,590	-	-
Other receivables	1,222	926	-	-
	5,834	4,516	-	-

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 trade balance of receivables.

	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Non Current				
Related party receivable (i)	-	-	47,784	44,922

(i) The receivable is secured by assets and is non interest bearing and at call. The classification of non-current reflects the likelihood of repayment not occurring in the coming 12 months.

	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Note 8: Inventories				
Finished goods	35,492	27,895	-	-

The cost of inventories recognised as an expense during the year in respect of continuing operations was $118.314million (2014: $100.221million).

	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Note 9: Other assets				
Prepayments	281	261	-	-

	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Note 10: Plant and equipment				
Plant & Equipment				
At cost	21,462	16,428	-	-
Less accumulated depreciation	(8,794)	(6,898)	-	-
Net Book Value	12,668	9,530	-	-
Leasehold improvements				
At cost	3,432	2,641	-	-
Less accumulated amortisation	(1,198)	(944)	-	-
Net Book Value	2,234	1,697	-	-
Total				
At cost	24,894	19,069	-	-
Less accumulated depreciation	(9,992)	(7,842)	-	-
Net Book Value	14,902	11,227	-	-

	Consolidated		Company	
	2015	2014	2015	2014
	S'000	S'000	S'000	S'000

Note 10: Plant and equipment (continued)

Movements in Carrying Amounts

Movements in the carrying amounts between the beginning and the end of the current financial year are as follows:

	Plant & Equipment Consolidated	Plant & Equipment Consolidated	Plant & Equipment Company	Plant & Equipment Company
Plant & Equipment				
Balance at beginning of the year	9,530	8,540	-	-
Additions	5,253	2,839	-	-
Disposals at WDV	-	(45)	-	-
Depreciation	(2,115)	(1,804)	-	-
Balance at end of the year	12,668	9,530	-	-
Leasehold Improvements				
Balance at beginning of the year	1,697	1,236	-	-
Additions	794	689	-	-
Disposals at WDV	-	(19)	-	-
Depreciation	(257)	(209)	-	-
Balance at end of the year	2,234	1,697	-	-
Total				
Balance at beginning of the year	11,227	9,776	-	-
Additions	6,047	3,528	-	-
Disposals at WDV	-	(64)	-	-
Depreciation	(2,372)	(2,013)	-	-
Balance at end of the year	14,902	11,227	-	-

Note 11: Goodwill

Book value				
At beginning of the year	44,180	44,180	-	-
At end of the year	44,180	44,180	-	-

Refer to Note 2 for detail on the inputs used in the impairment calculation.

Note 12: Deferred tax assets

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

	Consolidated		Company	
	2015	2014	2015	2014
	S'000	S'000	S'000	S'000
Deferred tax assets	2,218	1,970	-	-
Deferred tax liability	(147)	-	-	-
	2,071	1,970	-	-

Note 12: Deferred tax assets (continued)

2015 - Consolidated	Opening balance (\$'000)	Recognised in profit or loss (\$'000)	Recognised in other comprehensive income (\$'000)	Recognised directly in equity (\$'000)	Reclassified from equity to profit or loss (\$'000)	Acquisitions /disposals (\$'000)	Other (\$'000)	Closing balance (\$'000)
Temporary Differences								
Employee benefits	435	144						579
Non deductible accruals	133	62						210
Non assessable lay by gross profit	128	(259)						(147)
Inventories	385	73						459
Gift vouchers	184	57						241
Operating lease adjustment	644	85						729
Interest rate swap	61	(61)						-
Total	1,970	101						2,071

2014 - Consolidated	Opening balance (\$'000)	Recognised in profit or loss (\$'000)	Recognised in other comprehensive income (\$'000)	Recognised directly in equity (\$'000)	Reclassified from equity to profit or loss (\$'000)	Acquisitions /disposals (\$'000)	Other (\$'000)	Closing balance (\$'000)
Temporary Differences								
Employee benefits	361	74						435
Non deductible accruals	53	80						133
Non assessable lay by gross profit	(242)	370						128
Inventories	258	127						385
Gift vouchers	130	54						184
Operating lease adjustment	645	(1)						644
Interest rate swap	182	(121)						61
Total	1,387	583						1,970

Note 13: Payables

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Company 2015 \$'000	Company 2014 \$'000
Current				
Trade payables	14,318	12,380	-	-
Gift voucher payables	802	614	-	-
Sundry payables and accruals	4,446	3,030	-	-
	19,566	16,024	-	-
Current				
Operating lease adjustment	45	159	-	-
Non - Current				
Operating lease adjustment	2,386	1,987	-	-

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Note 14: Borrowings				
Current - Secured				
Bank Loan	-	8,050	-	-
Non-Current - Secured				
Bank Loan	7,950	-	-	-

In the current reporting period, the consolidated entity extended the maturity of loan facility arrangements with the National Australia Bank ("NAB") to 31 December 2017 (2014: 31 December 2014). For further details on funding arrangements refer to note 24.

Note 15: Tax liabilities				
Current				
Income tax	2,439	2,022	2,439	2,022
Note 16: Provisions				
Current				
Employment benefits	1,667	1,101	-	-
Non-Current				
Employment benefits	261	349	-	-
Note 17: Other financial liabilities				
Interest Rate Swap	-	205	-	-

The company held an interest rate swap with a floor of 6.50%. When interest rates fell below the floor, the company paid the National Australia Bank the difference between the floor rate and BBSY (BID) each quarter. These payments have been expensed each quarter and appear in the statement of profit or loss and other comprehensive income as part of finance costs. The interest rate swap expired on 8th December 2014.

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Note 18: Issued capital				
97,528,411 (2014: 95,659,943) fully paid ordinary shares	55,070	53,538	55,070	53,538

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2015 Company		2014 Company	
	No. '000	$000	No. '000	$'000
Fully paid ordinary shares				
Balance at beginning of the year	95,660	53,538	95,660	53,538
Shares issued in lieu of management fee	-	-	-	-
Issue of shares	1,868	1,532	-	-
Cost of equity raising	-	-	-	-
Balance at end of the year	97,528	55,070	95,660	53,538

	Consolidated		Company	
	2015	2014	2015	2014
	S'000	S'000	S'000	S'000
Note 19: Share based payments				
Share based payments reserve				
Balance at beginning of the year	76	42	76	42
Share option expense (note 4)	913	34	913	34
Balance at the end of the year	989	76	989	76

Employee share option plan

The consolidated entity has an ownership-based compensation scheme for executives and senior employees. In accordance with the terms of the plan, each employee share option converts into one ordinary share of Baby Bunting Group Limited (formerly Baby Investments Limited) on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry, subject to achievement of performance hurdles, vesting conditions, and exercise conditions, and payment of the relevant exercise price.

The plan seeks to reward performance in support of the achievement of consolidated entity's business strategy. Specifically, the plan aims to recognise long-term performance by executives and senior employees.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Options series	Grant date	Grant date fair value	Exercise price	Expiry date	Vesting conditions
2011 – Series 1	29 April 2011	$0.03	$0.29	30 November 2015	Satisfaction of share valuation hurdle Satisfactory annual performance Service to vesting date
2011 – Series 2	12 May 2011	$0.03	$0.29	30 November 2015	Satisfaction of share valuation hurdle Satisfactory annual performance Service to vesting date
2012 – Series 1	25 October 2011	$0.02	$0.55	25 October 2016	Satisfaction of share valuation hurdle
2013 – Series 1	14 September 2012	$0.07	$0.30	14 October 2016	Satisfaction of share valuation hurdle Service to vesting date
2013 – Series 2	14 September 2012	$0.10	$0.25	14 October 2016	Satisfaction of share valuation hurdle Satisfactory annual performance Service to vesting date
2013 – Series 3	14 September 2012	$0.07	$0.30	14 October 2016	Satisfaction of share valuation hurdle Satisfactory annual performance Service to vesting date
2014 – Series 1	19 August 2013	$0.07	$0.29	17 September 2017	Satisfaction of share valuation hurdle Satisfactory annual performance Service to vesting date
2015 – Series 1	14 November 2014	$0.53	$0.30	14 November 2017	Satisfaction of share valuation hurdle Satisfactory annual performance Service to vesting date
2015 – Series 2	14 November 2014	-	$0.82	19 December 2014	Service to vesting date
2015 – Series 3	28 February 2015	$0.55	$0.30	1 March 2019	Satisfaction of share valuation hurdle Satisfactory annual performance Service to vesting date

Fair value of share options granted in the year

The weighted average fair value of the share options granted during the financial year is $0.55 (2014: $0.29). 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.

Note 19: Share based payments (continued)

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.

	Option Series				
	2011 – Series 1	2011 – Series 2	2012 – Series 1	2013 – Series 1	2013 – Series 2
Grant date share price	$0.30	$0.30	$0.30	$0.30	$0.30
Exercise price	$0.29	$0.29	$0.55	$0.30	$0.25
Expected volatility	40%	40%	29%	31%	31%
Expected option life (years)	4	4	3.12	3.12	3.12
Dividend yield	-	-	-	-	-
Risk-free interest rate (p.a)	5.15%	5.15%	3.8%	2.7%	2.7%

	Option Series				
	2013 – Series 3	2014 – Series 1	2015 – Series 1	2015 – Series 2	2015 – Series 3
Grant date share price	$0.30	$0.30	$0.82	$0.82	$0.85
Exercise price	$0.30	$0.29	$0.30	$0.82	$0.30
Expected volatility	31%	31%	40%	-	40%
Expected option life (years)	3.12	2.19	0.96	0.08	0.68
Dividend yield	-	-	-	-	-
Risk-free interest rate (p.a)	2.7%	2.6%	2.5%	2.5%	1.9%

Movements in shares options during the year

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

	2015		2014	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of year	**7,869,178**	**$0.39**	**7,650,3184**	**$0.45**
Granted during the year	3,818,468	$0.55	660,000	$0.29
Forfeited during the year	-	-	(441,140)	$0.29
Exercised during the year	(1,868,468)	$0.82	-	-
Lapsed during the year	-	-	-	-
Balance at end of year	**9,819,178**	**$0.37**	**7,869,178**	**$0.39**
Exercisable at end of year	**-**	**-**	**-**	**-**

Share options exercised during the year

The following share options were exercised during the year:

2015 – Series 2	**Number exercised**	**Exercise Date**	**Share price at exercise date $**
Granted 14 November 2014	1,868,468	18 December 2014	$0.82
	1,868,468		

Share options outstanding at the end of the year

The share options outstanding at the end of the year had an exercise price of $0.25 to $0.55 (2014: $0.25 to $0.55), and a weighted average remaining contractual life of 1.6 years (2014: 2.2 years).

	Consolidated		Company	
	2015 S'000	2014 S'000	2015 S'000	2014 S'000

Note 20: Retained earnings / (Accumulated losses)

	2015 S'000	2014 S'000	2015 S'000	2014 S'000
Balance at the beginning of the year	9,915	5,851	(1,823)	(1,823)
Net profit attributable to members	6,040	4,064	-	-
Balance at the end of the year	15,955	9,915	(1,823)	(1,823)

Note 21: Commitments for expenditure

Operating Lease Commitments
Non - cancellable operating leases contracted for but not capitalised in the financial statements:

	2015 S'000	2014 S'000	2015 S'000	2014 S'000
Not later than one year	12,204	10,171	-	-
Later than one year and not later than five years	33,802	29,926	-	-
Later than five years	10,442	5,786	-	-
	56,448	45,883	-	-

The consolidated entity enters into operating leases for its retail outlets and related equipment such as forklifts.

Capital Commitments
The consolidated entity has capital commitments totalling $nil (2014: $220,532).

Note 22: Notes to the statement of cash flows

(a) Reconciliation of profit / (loss) for the year to net cash flows from ordinary activities

	2015 S'000	2014 S'000	2015 S'000	2014 S'000
Profit / (loss) after income tax	6,040	4,064	-	-
Non-cash flows in profit from ordinary activities				
Depreciation	2,372	2,013	-	-
Share based payments (Options)	913	35	-	-
(Profit)/Loss on disposal of equipment	(25)	64	-	-
Changes in assets and liabilities:				
Decrease / (Increase) in other receivables	(1,318)	(911)	-	-
Decrease / (Increase) in prepayments	(20)	(2)	-	-
Decrease / (Increase) in inventories	(7,597)	(4,590)	-	-
Decrease / (Increase) in tax assets	(101)	(583)	-	-
Increase / (Decrease) in trade and other payables	3,542	3,885	-	-
Increase / (Decrease) in provisions	478	247	-	-
Increase / (Decrease) in income tax liability	417	1,565	-	-
Increase / (Decrease) in other financial liabilities	(205)	(402)	-	-
Increase / (Decrease) in operating lease adjustment	285	(5)	-	-
Net cash provided by operating activities	4,781	5,380	-	-

(b) Reconciliation of Cash and Cash equivalents
For the purposes of the statement cash flows, cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2015 S'000	2014 S'000	2015 S'000	2014 S'000
Cash on hand	49	45	-	-
Cash at bank	3,519	3,332	-	-
	3,568	3,377	-	-

Note 23: Subsidiaries

Baby Bunting Group Limited (formerly Baby Investments Limited) has one 100% owned subsidiary, Baby Bunting Pty Ltd incorporated in Australia. The investment in this entity is $8,891,700 which represents the issued capital of the entity, together with the value of non cash costs associated with the acquisition of the business.

Note 23: Subsidiaries (continued)

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

			Proportion of ownership interest and voting power held by the Group	
Name of subsidiary	**Principal activity**	**Place of incorporation and operation**	**2015**	**2014**
Baby Bunting Pty Ltd[1]	Retailing of baby merchandise	Australia	100%	100%

[1]This wholly-owned subsidiary has entered into a deed of cross guarantee with Baby Bunting Group Limited (formerly Baby Investments 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. All parties to the deed of cross guarantee are within the consolidated financial statements therefore, this information has not been repeated in this set of financial statements.

Note 24: Loan facilities

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 and each member of the consolidated entity 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 28 June 2015.

The current facility does not require the consolidated entity to amortise borrowings.

	2015		2014	
	Limit	**Utilised**	**Limit**	**Utilised**
	$'000	**$'000**	**$'000**	**$'000**
Market Rate Facility	20,000	7,950	14,000	8,050
Bank Guarantee Facility	6,000	3,220	4,000	2,520
Total Facility	26,000	11,170	18,000	10,570

Note 25: Remuneration of auditors

During the year the following fees were paid to Deloitte Touche Tohmatsu as the auditor of the parent entity and its wholly owned subsidiary:

	Consolidated		Company	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Assurance Services				
Non statutory half year review	19,000	18,500	-	-
Audit of the year-end financial report	70,000	62,500	-	-
	89,000	81,000	-	-
Tax and Consulting Services				
Tax compliance	14,123	14,175	-	-
Other advisory services	3,675	-	-	-
Total remuneration	106,798	95,175	-	-

Note 26: Segment information

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (the chief operating decision maker as defined under AASB 8) that are used to make strategic and operating decisions. The Chief Executive Officer considers the business primarily from a geographic perspective. 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	
	2015 S'000	**2014 S'000**	**2015 S'000**	**2014 S'000**
Revenue	180,175	150,158	180,175	150,158
Operating EBIT	10,493	6,560	10,493	6,560
Total segment assets	106,328	93,426	106,328	93,426
Additions to plant and equipment	6,047	3,528	6,047	3,528
Depreciation	2,372	2,013	2,372	2,013
Total non-current assets[1]	59,082	55,407	59,082	55,407
Total segment liabilities	34,314	29,897	34,314	29,897

[1]Non-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 year (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.

Operating EBIT

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

	Consolidated	
	2015 S'000	**2014 S'000**
Operating EBIT	**10,493**	**6,560**
Interest revenue	20	20
Finance costs	(807)	(1,146)
Change in fair value of interest rate swap	205	402
Other non-operating costs	(883)	-
Profit before tax	**9,028**	**5,836**

Segment assets and liabilities

The amounts provided to the Chief Executive Officer with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements.

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

	Consolidated	
	2015 S'000	**2014 S'000**
Segment assets	106,328	93,426
Total assets as per the balance sheet	**106,328**	**93,426**
Segment liabilities	34,314	29,897
Total liabilities as per the balance sheet	**34,314**	**29,897**

Note 27: Related party transactions

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

Balances and transactions between the company and its subsidiary, 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.

Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the company and the consolidated entity is set out below:

	Consolidated	
	2015 $	2014 $
Short-term employment benefits	1,811,439	1,765,077
Post-employment benefits	133,154	100,306
Other long-term benefits	17,482	7,224
Termination benefits	-	-
Employee option plan benefit	849,847	34,860
	2,811,922	1,907,467

Loans to and from key management personnel and directors

In the current reporting period and the comparative period, no loans were outstanding nor advanced or repaid to or from key management personnel or directors of the consolidated entity and subsidiary.

Note 28: Dividends on equity instruments

No dividends have been declared or paid on Baby Bunting Group Limited (formerly Baby Investments Limited) ordinary shares during the current or comparative reporting periods.

	Company	
	2015 $'000	2014 $'000
Adjusted franking account balance	5,874	3,247

Note 29: Subsequent events

On the 20 July 2015, Shareholders of the company approved the following special resolutions at a General Meeting held at its registered office and its principal place of business:

- To allow the Board to undertake a listing of the company on the Australian Securities Exchange ("ASX").
- That the company change its name to Baby Bunting Group Limited with effect from the day on which the Australian Securities and Investments Commission issues a new certificate of registration.
- That the company adopt a new constitution, conditional upon, and with effect from, the quotation of the company's fully paid ordinary shares on the official list of ASX.

Note 30: Earnings per share

	Year ended 28/06/2015 Cents per share	Year ended 29/06/2014 Cents per share
Basic earnings per share		
From continuing operations	6.25	4.23
Total basic earnings per share	6.25	4.23
Diluted earnings per share		
From continuing operations	6.19	4.22
Total diluted earnings per share	6.19	4.22

30.1 Basic earnings per share

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

	Year ended 28/06/2015 (S'000)	Year ended 29/06/2014 (S'000)
Profit for the year attributable to owners of the company	6,040	4,064
Earnings used in the calculation of basic earnings per share	6,040	4,064
Earnings used in the calculation of basic earnings per share from continuing operations	6,040	4,064

	Year ended 28/06/2015 '000	Year ended 29/06/2014 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	96,646	96,186

30.2 Diluted earnings per share

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

	Year ended 28/06/2015 (S'000)	Year ended 29/06/2014 (S'000)
Earnings used in the calculation of basic earnings per share	6,040	4,064
Earnings used in the calculation of diluted earnings per share	6,040	4,064
Earnings used in the calculation of basic earnings per share from continuing operations	6,040	4,064

Note 30: Earnings per share (continued)

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

	Year ended 28/06/2015 '000	Year ended 29/06/2014 '000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	96,646	96,186
Shares deemed to be issued for no consideration in respect of:		
- employee share options	926	224
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	97,572	96,410