BabyBunting

Annual Report 2022

Baby Bunting Group Limited
ABN 58 128 533 693

Contents

The 2022 Baby Bunting Annual Report reflects Baby Bunting's performance for the 52 week period from 28 June 2021 to 26 June 2022.

The Baby Bunting Group Limited Annual Report is available online at babybunting.com.au/investor. Hard copies can be obtained by contacting the Company's share registry.

Vision: to be the most loved baby retailer for every family, everywhere.

Notice of 2022 Annual General Meeting

10.00am (Melbourne time) Tuesday, 11 October 2022

Further details will be contained in the Notice of Annual General Meeting that will be made available in September 2022.

About Baby Bunting

Baby Bunting Group Limited is Australia's largest specialty maternity and baby goods retailer. We operate 65 stores in Australia and an online store, with a National Distribution Centre based in Dandenong South, Victoria. We have a network plan of over 110 stores throughout Australia.

Baby Bunting sells goods online to customers in New Zealand, with our first physical store opened in New Zealand in August 2022, we have a network plan of more than 10 stores in New Zealand.

Further information about Baby Bunting is available at babybunting.com.au/investor

Supporting new and expectant parents is at the heart of everything we do.

We feel honoured to be trusted by parents and caregivers who choose us to help them navigate this significant period in their lives.

As we listen to the families we support, we continue to grow to meet their needs. Despite elements of uncertainty, we have worked hard to continue our expansion, bringing us closer to the hearts and homes of people throughout regional Australia and taking our first steps into New Zealand.

No success is achieved in isolation, and so we want to take this opportunity to thank our suppliers and our business partners, who continue to work with us to achieve our purpose.

A special thanks goes to our dedicated team members, both here in Australia and (excitingly) in New Zealand, who use their passion and expertise to support new and expectant families through all the big and little moments parenthood has to offer.

Core Purpose: to support new and expectant parents in the early years of parenting.

Supporting new and expectant parents for more than 40 years.

Baby Bunting's strategy

Supporting new and expectant parents

1
Invest to grow market share from our core business

2
Invest in digital

3
Growth from new markets

4
Profit margin improvement

Invest to grow market share from Baby Bunting's core business, including the roll out of new stores and formats, enhanced fulfilment, and new services to existing customers

FY22 outcomes

- Four new stores opened, two stores relocated and two stores refurbished
- Expansion of store fulfilment hubs and online fulfilment stores (now fulfilling online orders from 23 stores)
- 6 leases signed for stores opening in Australia in FY23
- Expanding our store network plan, now targeting more than 120 stores across Australia and New Zealand
- Keeping our customers safe through the expansion of car seat fitting services
- Expansion of our hire services

Invest in digital to deliver the best possible retailing experience across channels and enable new business models

FY22 outcomes

- New loyalty program rolled out in FY22 with further expansion planned
- New headless e-commerce architecture deployed
- Online range expansion underway

Growth from new markets leveraging Baby Bunting's core competencies and data into adjacent categories, entering new geographies and expanding the value chain

FY22 outcomes

- New Zealand store operations launched – first store to open in August 2022
- Expansion of private label business under the brands JENGO, Bilbi and 4baby
- Focus on expanding our total addressable market through greater online penetration

Profit margin improvement by increasing scale, developing private label and exclusive products and leveraging infrastructure to reduce the cost of doing business

FY22 outcomes

- 45.3% of sales were from private label and exclusive products
- First full year of National Distribution Centre operations – creating efficiencies and reducing 3PL requirements
- Leveraging our investment in supply chain infrastructure to produce better margin outcomes
- Cost leverage in retail expenses

Performance highlights

$507.3m
Sales

5.0%
Comparable Store Sales Growth

8.3%
Sales Growth

38.6%
Gross Margin
Up 151 bps

$50.5m
Pro forma EBITDA (Pre-AASB 16)
Up 16.1%

22.2%
Online Sales as % of total sales
Up 24.2%

1.4m
Baby Bunting family members
Baby Bunting family members now account for around 81% of Baby Bunting sales

72
Net Promoter Score (at the end of year)

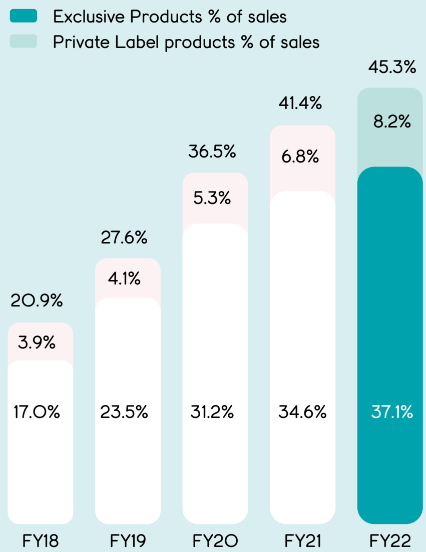
up 18.3%
Private Label and Exclusive Products

45.3% of total sales

Private label now at 8.2% of sales

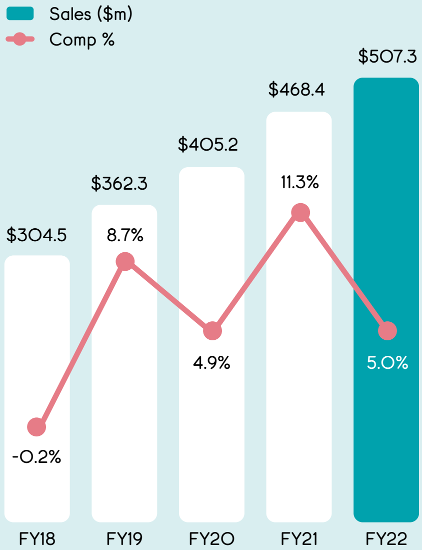
Exclusive products now at 37.1% of sales

Private label & exclusive products

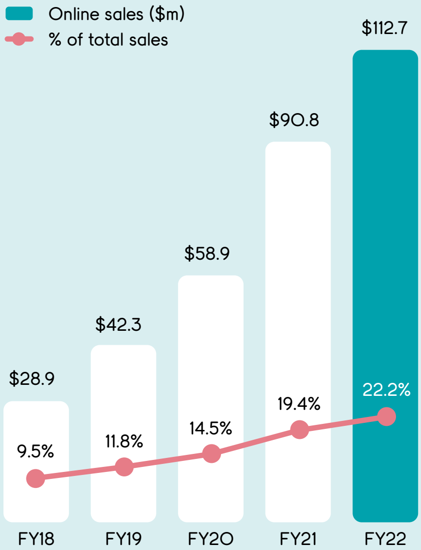


Refer to Section 2.5 of the Directors' Report for further discussion on pro forma financial information and a reconciliation to statutory results.

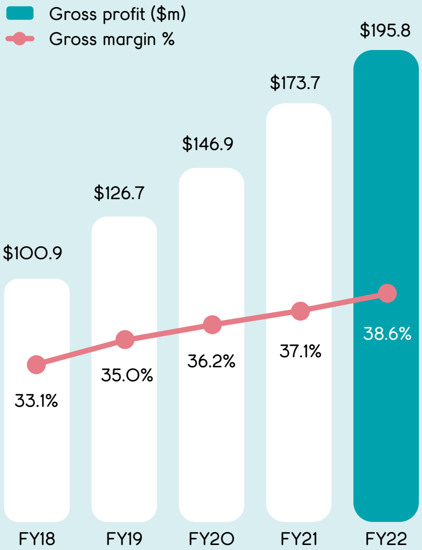
Sales ($m)



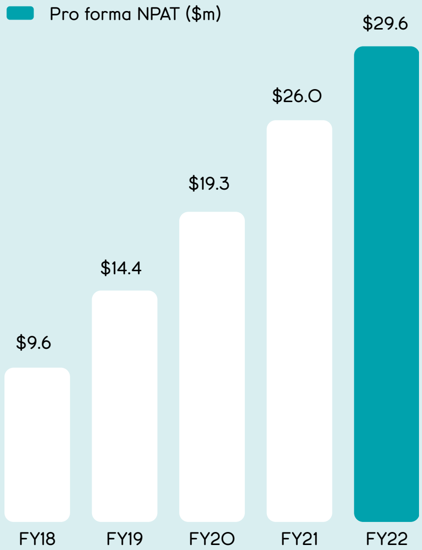
Online sales ($m)



Gross profit ($m)



Pro forma NPAT ($m)



New headless technology architecture deployed

Supporting the Australian and New Zealand websites

National Distribution Centre and Store Support Centre

Successfully commissioned in 2H FY2021; fully operational for FY2022

New Zealand operations initiated

Online sales to NZ parents commenced in July 2020. Local NZ website launched after the year end (in NZ$) with first store to open in Auckland in August 2022

Store network growth – now 66 stores

- 4 new Australian stores opened during FY22
- 2 stores refurbished and 2 stores relocated
- Australian network plan of over 110 stores
- First New Zealand store opened in August 2022
- New Zealand network store plan of over 10 stores

Chair and CEO's report

Melanie Wilson,
Chair and Non-executive Director

Matt Spencer,
CEO and Managing Director

Dear Shareholder

We are very pleased to present the 2022 Annual Report of Baby Bunting Group Limited.

FY2022 was another year of growth, change and progress. With our purpose at the heart of what we do, we continued to focus on our people and our customers and continuing our investments in the business to execute on our growth strategy to support more families across Australia and New Zealand.

FY2022 financial results

The 2022 financial year had a number of challenges. The ongoing effects of COVID-19 continued to be felt with lockdowns occurring throughout Australia in the first half and with further ongoing effects on the community as COVID-19 cases increased in the second half. Managing our supply chain and inventory was made more challenging this year due to global and national events. Increasing inflation, interest rate rises and other challenges for consumers have all become more prominent as the year has progressed. Impacts on building materials and trades has also made the timing of new store developments more challenging.

Against this background, we are pleased to report another year of growth for Baby Bunting. We have continued to grow sales and we have expanded our online and omnichannel offer.

Strong results

The team again delivered excellent growth as seen in our financial results for FY2022:

- total sales were $507.3 million, up 8.3% on the prior year;
- the total number of transactions were up 9.8% on the prior year;
- online sales of $112.7 million (up 24.2%), representing 22.2% of total sales;
- gross profit increased 12.7% on the prior period to $195.8 million and gross margin as a percentage of sales increased 151 basis points to 38.6%;
- statutory net profit after tax was $19.5 million, up 14.6% on the prior year.

On a pro forma basis, EBITDA was $50.5 million up 16.1% on the prior corresponding period and pro forma EBITDA margin increased 68 basis points to 10.0%.

Pro forma NPAT was $29.6 million, up 13.6% on the prior corresponding period.

A reconciliation between the statutory and pro forma financial results is set out in Section 2.5 on pages 40 to 41 of the Directors' Report.

Strong financial position and dividend

Baby Bunting's balance sheet is strong with minimal debt (net debt $0.7 million at year end) as our operating cash flows continue to fund our growth program.

During the year, the Company renegotiated and extended its $70 million banking facility with NAB, with the facility now maturing in March 2025.

Noting the Board's target of paying dividends equivalent to approximately 70% of the Company's pro forma NPAT, the Board has approved a final dividend of 9.0 cents per share fully franked. This takes the total dividend payment for the year to 15.6 cents per share.

New Zealand: first store opened!

We first started supporting parents in New Zealand through a dedicated New Zealand website in July 2020. In the first half, the New Zealand website transitioned to our new headless technology architecture. Since then, we have developed our strategy to support new and expectant parents in New Zealand.

Ongoing COVID-19 restrictions affected our ability to open our first store during FY2022. We have overcome those challenges and have opened a local distribution centre and are very excited that our first store opened in Auckland in August 2022 with a further store to follow in Christchurch, as we work to build out a store network of over ten stores in New Zealand.

Our plan is to build a New Zealand business, run by New Zealanders respecting the New Zealand culture.

We are excited to bring our one stop baby shop to parents in New Zealand, all as part of our large destination format offer. We believe New Zealand parents will respond well to our offer as we also work with a range of new suppliers in New Zealand.

Another year of challenges and growth

The early part of the financial year saw lockdowns in place at various times around Australia, with New South Wales and then Victoria having extended lockdowns. Interstate and international travel was also curtailed. Border closures had impacts on cross-border sales (across regions), resulted in the need to manage our state-based teams remotely and presented challenges to new store openings.

As the lockdowns and border restrictions eased, COVID-19 continued to affect the community through increased case numbers and isolation requirements which had an impact on business operations. COVID-19 also affected our normal measures of performance, with metrics like comparable store sales becoming a bit more volatile where prior or current periods were affected by lockdowns.

There were some broader challenges during the year, with impacts on supply chains arising from international and local events (including adverse weather conditions) and a changing consumer economic outlook with increasing inflation and interest rates rises.

Investments in transformational replenishment systems, our new larger Distribution Centre and strong relationships with our suppliers have enabled us to maintain a healthy stock position and strong product flow throughout the year.

We were able to limit price increases and maintain value for our customers through leveraging efficiencies. These included our direct import program, managing international freight costs though a multi-carrier strategy, expanding our private label range, and transitioning further suppliers from direct-to-store fulfilment to fulfilment through our Distribution Centre.

As unemployment reached record lows, team member recruitment became more intense with increased competition for talent.

In the context of the above, we are extremely pleased at what the Baby Bunting team has achieved this year.

Chair and CEO's report continued

Our digital journey

The trend of consumers shifting some of their purchases online featured prominently in the first half during what were essentially national COVID-19 lockdowns. Our strategic investments into our digital customer platforms continued to play a growing role in our omnichannel strategy, with some important progress made over the past year both for our online store and behind-the-scenes systems.

Online sales of $112.7 million were up 24.2%, and now make up 22.2% of total sales (up from 19.4% in FY2021). The click & collect portion of our online sales were particularly strong growing 28.2% to be 10.4% of all sales (8.8% in FY2021).

Our transition to a headless technology architecture hit a significant milestone, with the Australian website switching over to the new technology stack in January. This transition went extremely smoothly. We are already building on this new technology, integrating our loyalty program into our online experience and introducing online customer feedback opportunities to inform future enhancements for customer experience on these platforms. We also relaunched our gift registry service built on the new technology. The results have been pleasing and we continue to build out features to meet customer needs.

Our click & collect experience has also been in focus this year, with the introduction of a new platform to enable both our team and our customers to manage the end-to-end collection journey more efficiently. This is currently in a pilot phase and will be rolled out to more stores over the coming months.

Growing market share and supporting more parents across Australia

We opened four additional stores in Australia during the year, relocated two existing stores to new locations within existing catchments and refurbished a further two stores. Our 65th Australian store opened in early August 2022 at Hornsby (NSW) and we have signed leases for a further 5 stores that will open in Australia in FY2023.

We also completed our periodic review of our store network plan. In collaboration with third party demographers and taking into account changes in market share, customer spend patterns, population growth projections and our store economics, the Company is now looking to continue to grow its network of stores in Australia to over 110 stores (up from over 100 stores).

We will continue with our focus on opening stores in regional areas to support parents throughout Australia. During the year, we opened stores in Cairns, Wagga Wagga and Shepparton and, together with our other regional stores including at Albury, Ballarat, Bendigo, Coffs Harbour and Townsville, our regional store network is performing strongly, with exceptional market share penetration in these locations.

Our long-term store network plan is predicated on the availability of suitable store locations that meet our rigorous return on investment hurdles. In assessing potential new stores, we consider site factors, the demographic profile or the target catchment, the likely market share and the estimated effect of any sales re-direction on existing Baby Bunting stores.

As part of our omnichannel strategy, our expanding store network has become a critical part of our supply chain providing operational flexibility and improving our ability to fulfil online orders faster, more efficiently and where our customers need them. During the year, we had 48% of online orders fulfilled from stores. Our long term objective remains to fulfil 90% of online orders same day in metro areas.

Our loyalty program – Baby Bunting family – now a multichannel offer

During the year, we launched our new loyalty program, Baby Bunting family. We now have more than 1.4 million members and around 705,000 active members who have transacted with us in the period. Members of our Baby Bunting family earn rewards every time they shop with us and they can use their accumulated rewards to purchase further products they need. Around 81% of all purchases involve our loyalty members and our Net Promoter Score finished the year at a pleasing 72.

Through our investment in loyalty, we aim to have a deeper understanding of our customers through more sophisticated data and insights.

Our services offer

FY2022 saw more than 137,000 car seats installed by our trained car seat installers, a growth of 5.7% on last year. With land transport accidents a leading cause of death in children in Australia, child restraint installation is critical in supporting parents to keep their little ones as safe as possible.

We are committed to expanding our services business, so new and expectant parents can feel supported throughout their parenting journey. This year we have focused on expanding into the hire market for critical baby products, showcasing our car seat hire services as well as introducing breast pump hire.

Lastly, we are also trialling other services based on our customers' needs including nursery furniture assembly and car seat repairs.

Our range of services leverages our growing store network and experienced team and complements our wide range of products sold in stores.

Growing our private label and exclusive ranges

To ensure that we can continually adhere to our value proposition and provide our customers with a wide range of products at everyday low prices, we have continued to invest in our exclusive and private label ranges.

Our private label offer comprises three quality brands: 4baby, Bilbi and JENGO.

Our 4baby range is our entry price point range and includes high chairs, travel cots, apparel and consumables. Bilbi is a mid-tier brand used for soft good products. The JENGO range reflects quality finishes and includes products such as prams, travel cots and rockers.

Brands and offers exclusive to Baby Bunting have also grown over the year. When taken together with exclusive products, our private label and exclusive products represented 45.3% of all sales (up from 41.4% in the prior year).

Our investments in our network of stores, range, price and services enable us to differentiate against pure-play online retailers.

Sustainability: our People, our Community, our Planet

We have made pleasing progress on our sustainability agenda. However, we recognise that there is still much more to do to continue to ensure we maximise our positive impact. Our second Sustainability Report, which is published at the same time as this Annual Report, explains the Board and management's approach to sustainability.

As a business, we have responsibilities to our team, our customers, and the broader communities in which we operate. We also have relationships and responsibilities with other stakeholders, including suppliers, regulators and industry bodies.

Our Sustainability Strategy is based around three pillars:

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

We are pleased with the progress we have made across these key areas of focus. Our 12-month rolling Lost Time Injury[1] Frequency Rate finished the year at 8.44 (down from 9.98), we expanded team member training, our fundraising and charitable contributions were around $695,000 (up from $260,000) and consumption of green energy was around 11% for the year (up from 0% in the prior year) following the commencement of our green energy purchasing program in January 2022. Our scope 2 emissions reduced by 4% over FY2021 levels, at the time our store network added 4 more stores (and with the 4 stores added in FY2021 trading for a full year).

You can read more about our goals and our progress on page 16 and in our 2022 Sustainability Report.

Our commitment to product safety – our number 1 priority

Aligned to our purpose, we are passionate about product safety and compliance.

On page 18 of this Annual Report there is information about the product testing room we commissioned at our Store Support Centre during the year. In addition to being an important investment, there is an additional element of emotion for us associated with that testing room.

We have named the room the Wen Huang Product Testing Room. Wen was our first Quality Assurance and Compliance Manager at Baby Bunting. Wen, who had spent many years working in the nursery goods industry, had a vision of Baby Bunting having its own well-equipped product testing room. With the move to our new Store Support Centre, we were able to invest in such a room. Devastatingly, Wen passed away before he could see his vision realised.

We hope our investment is one small way to honour and remember Wen's contribution to Baby Bunting and to the safety of all infants in Australia and New Zealand.

1. We define a Lost Time Injury to be any injury that results in a team member being unable to attend their next rostered shift.

Chair and CEO's report continued

Our team

We acknowledge it every year because it continues to be true: our Team Members are the heart of our business, and without them, we could not do the incredible things we are doing.

The dedication of our store teams to excellence in customer service and advice are what help set us apart, and their support for parents and caregivers in the early years of parenthood cannot be overlooked. We thank every Team Member for their dedication and everything they do to support new and expectant parents in the early years of parenthood.

Our Distribution Centre team did a great job successfully transitioning to our new facilities, which had its first full year of operations. Our Store Support Centre team continued to adjust to new ways of working and worked hard to support all parts of the business and to deliver many of our transformation projects.

During the year, we continued to invest in new people systems and new learning and development resources to continue to build the best team. With further investment to be made in the coming year with new payroll and time and attendance systems, we are aiming to have in place systems that support our ongoing growth and make life easier for our team.

Board renewal

Melanie Wilson was welcomed to the position of Chair of the Board in October 2021, following the retirement of Ian Cornell. Ian had led the Board successfully since 2016 through a great period of growth for the Company.

In September 2021, the Board was strengthened when Francine Ereira and Stephen Roche joined the Board as Non-executive Directors. They are both experienced executives with significant retail and digital experience. The Board has now achieved its gender diversity target of having an equal number of female and male Non-executive Directors. Importantly, the Board has a mix of skills and experience appropriate for the ongoing growth of Baby Bunting.

Exciting times ahead as we grow market share

Baby Bunting's strategy has remained consistent over a number of years and we have worked to execute on it and drive market share growth. We have been happy with the progress we have made to date and remain committed to the further growth of Baby Bunting.

Our investment in online combined with our growing store network means we have a strong foundation for future growth. Our expansion into New Zealand will see us refine our international model which will enable us to support more parents and parents-to-be.

We will continue to add new stores, as we head towards our store network plan of 110 stores throughout Australia.

We are working to expand our product range and increasing the range of product available online. We have plans to broaden our total addressable market by opening up an Australia marketplace for baby products.

The 2023 financial year will, no doubt, present external challenges for retailers. As an organisation that supports new and expectant parents, we will continue to embrace the opportunity to provide quality goods and services to parents at great value, every day.

Centred on our core purpose and supported by a great and committed team and supplier partners, we are confident about Baby Bunting's future.

Thank you all for your continued support.

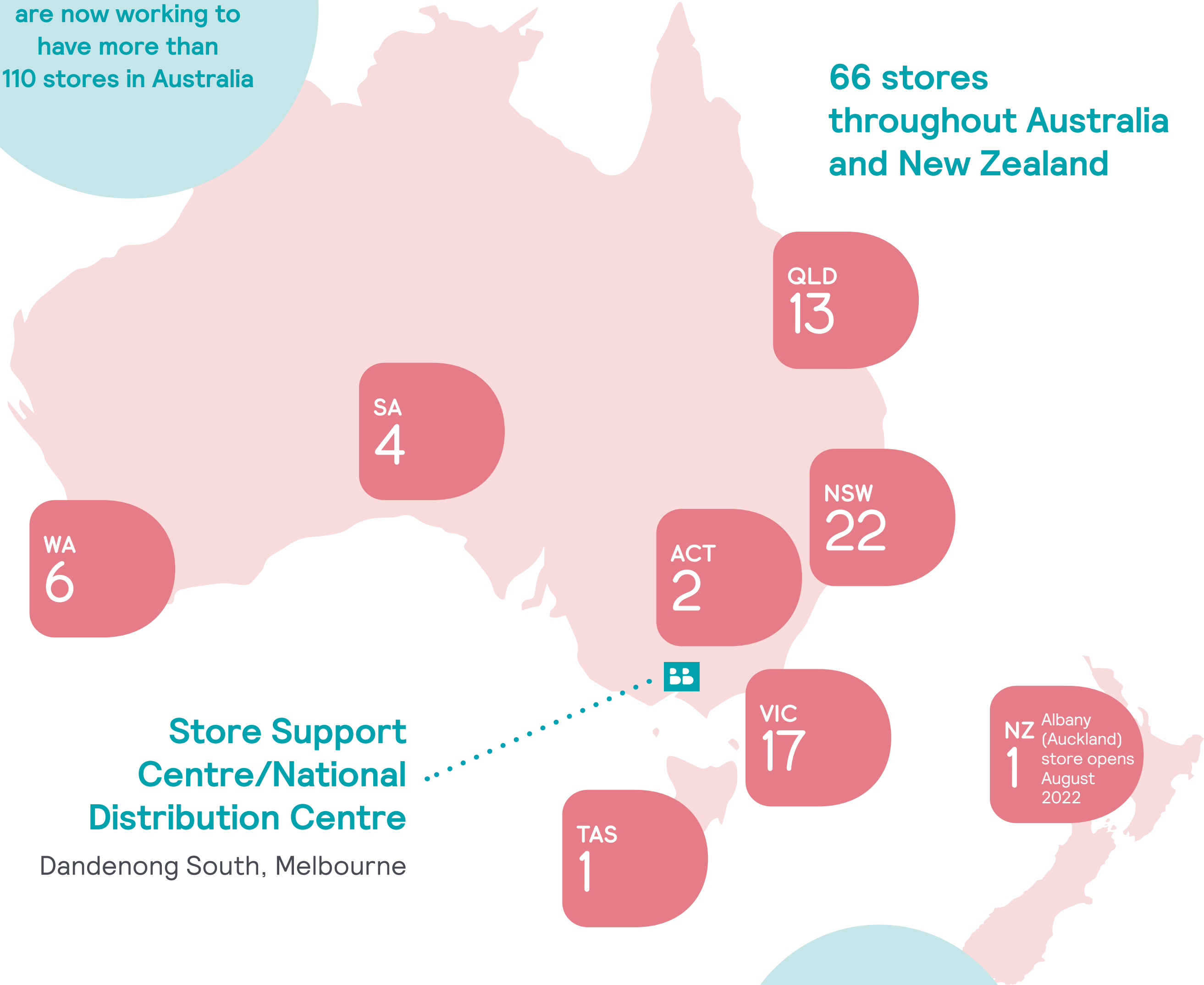
Melanie Wilson
Chair

Matt Spencer
CEO and Managing Director

Store network

We have updated our Australian store network plan and are now working to have more than 110 stores in Australia

66 stores throughout Australia and New Zealand



Store Support Centre/National Distribution Centre

Dandenong South, Melbourne

For New Zealand, we have a network plan for more than 10 stores

Distribution Centre

Wiri, Auckland

New Zealand

Kia ora!

We're excited to be opening stores in New Zealand to support New Zealand parents and parents-to-be.

We have a New Zealand team and are working with New Zealand suppliers to provide a great range of products suitable for New Zealand families.

Our first store will open at Albany, Auckland in August 2022.

Our New Zealand website, babybunting.co.nz is now operational providing great offers to parents and gift givers in New Zealand.

We have opened a distribution centre in Auckland that will support our growing store network as well as process online fulfilment.

It's a privilege to be able to live our core purpose in New Zealand to support new and expectant New Zealand parents. With plans for a store network of over 10 stores, we are looking forward to the years ahead!

Sustainability

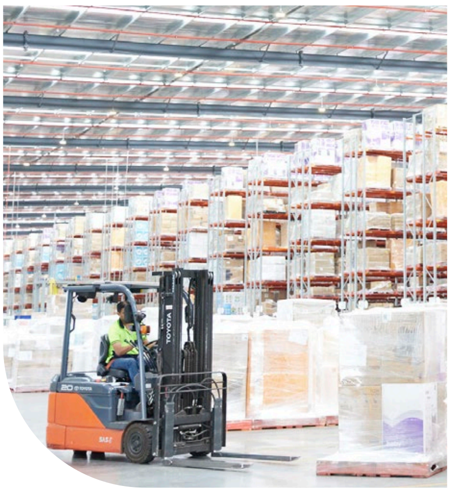
Baby Bunting and sustainability

Our ESG strategy is based around the following three pillars:

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

We have now commenced phasing out the use of plastic shopping bags in stores and are moving to paper bags that are reusable and 100% recyclable

We streamlined our paper catalogue printing processes and saved around 130.5 million pages of paper when compared with FY2021



Our 2022 Sustainability Report describes in detail our goals and progress during FY2022. It is available at babybunting.com.au/investor

Our goals related to these pillars include:

Goal	2022 achievement
Safety: Our Lost Time Injury Frequency Rate to be below 7 by 2025	We define a lost time injury to be any injury that results in a team member being unable to attend their next rostered shift. In FY2022, we achieved an LTIFR of 8.44 (an improvement from 9.98 in FY2021).
Gender equality: At least 50% women across all levels of Baby Bunting by 2030	• Women comprise 50% of the Non-executive Directors. • Women make up 25% of Senior Executives. • Women make up 76% of all Store Manager positions. • Women make up 58% of all Regional/Area Manager positions.
Training: On average, every team member to complete at least 15 hours of training each year	During the year, a focus was on training for our leaders (and emerging leaders), with, on average: • Store Managers completing around 37 hours of training; • Area Managers completing around 60 hours of training; • Store Support Centre and Distribution Centre managers completing around 15 hours of training. During FY2022, on average each team member completed around 4 hours of formal training.
Share ownership: At least 65% of our team members to be shareholders by 2025	Each year since our IPO in 2015, we have operated an employee share gift plan providing around $1,000 worth of Baby Bunting shares to eligible employees. Around 50% of our team members are shareholders and we want that number to grow.
Helping parents who need support: To raise $10 million in the period 2021 to 2030 to assist parents in need	In FY2022, we contributed $695,000 to support the communities in which we work (up from $260,000 in FY2021). We raised $285,000 to support Life's Little Treasures Foundation and a further $304,000 to support PANDA. We donated $50,000 to the Red Cross to support its flood relief program and provided around $55,000 of in-kind support that helped a number of parents in need and organisations that support them. Our cumulative total, over the last two years, is $955,000 – and we will be working hard to hit our long term goal.
Energy: 100% renewable energy by 2031 for sites we control	Our scope 2 emissions were 4% lower than FY2021 levels. This was achieved at the same time as our store network continued to grow in FY2022. During FY2022, around 11% of the electricity for the sites we control was purchased as green energy. Our program of purchasing green energy commenced in January 2022 and we expect to purchase around 25% of green energy for the sites we control in FY2023. In FY2023, we have plans to commence transitioning some of our stores to be powered predominantly by roof top solar, with our first store to be powered this way in 1H FY2023.
Climate change action: Net zero scope 1 and 2 greenhouse gas emissions by 2050	We have commenced a process for consolidating our energy provider information to enable an efficient data collection and monitoring. This will give us better visibility on the sources of our carbon emissions, highlighting areas where we can have the most significant impact and set short and medium term goals. We have commenced sourcing green energy for the sites we control and have commenced on a program of exploring roof top solar installations.
Product stewardship: Product stewardship schemes in place covering our hard goods category products by 2030	We have been working, along with other retailers and manufacturers, on a product stewardship scheme for children's car seats, known as SeatCare. SeatCare will be an industry-led voluntary product stewardship scheme. Scheme design has progressed since October 2021 and our hope is that the scheme is established and operating during early 2023. In New Zealand, we will participate in the product stewardship scheme known as SeatSmart. Consumers will be able to return end-of-life car seats at stores for processing to ensure as much of the seat is diverted from landfill and into recycling as possible.

The Wen Huang Product Testing Room

We pride ourselves on our dedication to product safety and compliance, and we've recently celebrated a milestone.

Our team officially commissioned our new Wen Huang Product Testing Room, which is a space dedicated to ensuring certain products we sell are safe for the little ones who will be using them.

For our team members, there is an extra element of emotion tied to the commissioning of the testing room.

Wen Huang, who this room was named after, was our very first Quality Assurance and Compliance Manager here at Baby Bunting. He was a leader in his field and passionate about his role, and he had an incredible vision: having our own well-equipped product testing room to enable us to test certain products thoroughly on-site at our Store Support Centre.

Devastatingly, Wen passed away before he could see his vision realised.

True to his dream, this testing room has specialised equipment that helps us to ensure parents can use products with confidence. This equipment includes a rolling road machine, a curb mounting test machine, an inclined stability testing machine and more, allowing us to thoroughly test baby products through a range of scenarios.

We are honoured to remember Wen and his commitment to safety through the Wen Huang Product Testing Room.

The board

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

Melanie Wilson Chair, Non-executive Director

MBA, B.Comm (Hons), GAICD

Member of the Remuneration and Nomination Committee

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

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

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

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

Matt Spencer CEO and Managing Director

B.Bus

Matt joined Baby Bunting as CEO and Managing Director in February 2012 (he was appointed as a Director of the Company on 23 April 2012).

Prior to Baby Bunting, Matt was General Manager Retail – Australia, New Zealand and the UK at Kathmandu from 2007 to 2012 where he was responsible for over 110 stores, including network planning, store design and store development.

Matt's previous roles include Operations, Strategy and Development Manager of Coles Express as well as various management roles at Shell Australia. He was a key contributor to the establishment and roll-out of the Coles Express brand.

Gary Levin Non-executive Director

B.Comm, LLB, MAICD

Chair of the Audit and Risk Committee

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

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

Donna Player Non-executive Director

BA, GAICD

Member of the Remuneration and Nomination Committee

Donna has over 35 years' experience in retail, marketing and product development gained in both retail and wholesale industries. Currently she is Director of Merchandise for Camilla Australia. In the four years to May 2016, Donna was the Group Executive of Merchandise for Fashion, Beauty, Footwear, Accessories and Home for David Jones. Prior to her role at David Jones, Donna was General Manager, Merchandise and Planning for BIG W.

During her career, Donna has had executive responsibilities for merchandise, planning, branding, sourcing and supplier strategies.

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

She is currently a non-executive director of Accent Group Limited (appointed in November 2017). She is also a non-executive director of MYSALE group plc and the Children's Tumour Foundation.

Gary Kent Non-executive Director

BEc, GAICD

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

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

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

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

Francine Ereira Non-executive Director

B.Bus, GAICD

Member of the Remuneration and Nomination Committee

Most recently Country Head Australia and New Zealand at Klarna, a leading global payments and shopping service, Francine brings over 20 years' experience in areas including e-commerce, payments/fintech, sales, supply chain and marketing.

Prior to her role at Klarna, she was General Manager Sales & Solution Delivery at Zip Co Limited, a leading Australian payments solutions provider.

Her roles have also included senior executive roles in e-commerce logistics and fulfilment, and sales and marketing roles at national and international consumer brand companies.

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

Stephen Roche Non-executive Director

B.Bus, FAICD

Member of the Audit and Risk Committee

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

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

Stephen is currently a non-executive director of Blackmores Limited (appointed in September 2021), Myer Family Investments Pty Ltd and a director of the Adelaide Football Club.

He holds a Bachelor of Business from the University of South Australia and is a fellow of the Australian Institute of Company Directors.

Corporate governance statement

This Corporate Governance Statement describes the corporate governance practices of Baby Bunting Group Limited (Baby Bunting or the Company) for the financial year ended 26 June 2022 and it is current as at that date. This Statement has been approved by the Board.

This Statement reports the Company's compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition) (ASX Principles and Recommendations).

Copies of a number of the charters and policies referred to in this Statement are available under the "Governance" section of the Company's corporate website babybunting.com.au/investor

Developments during FY2022

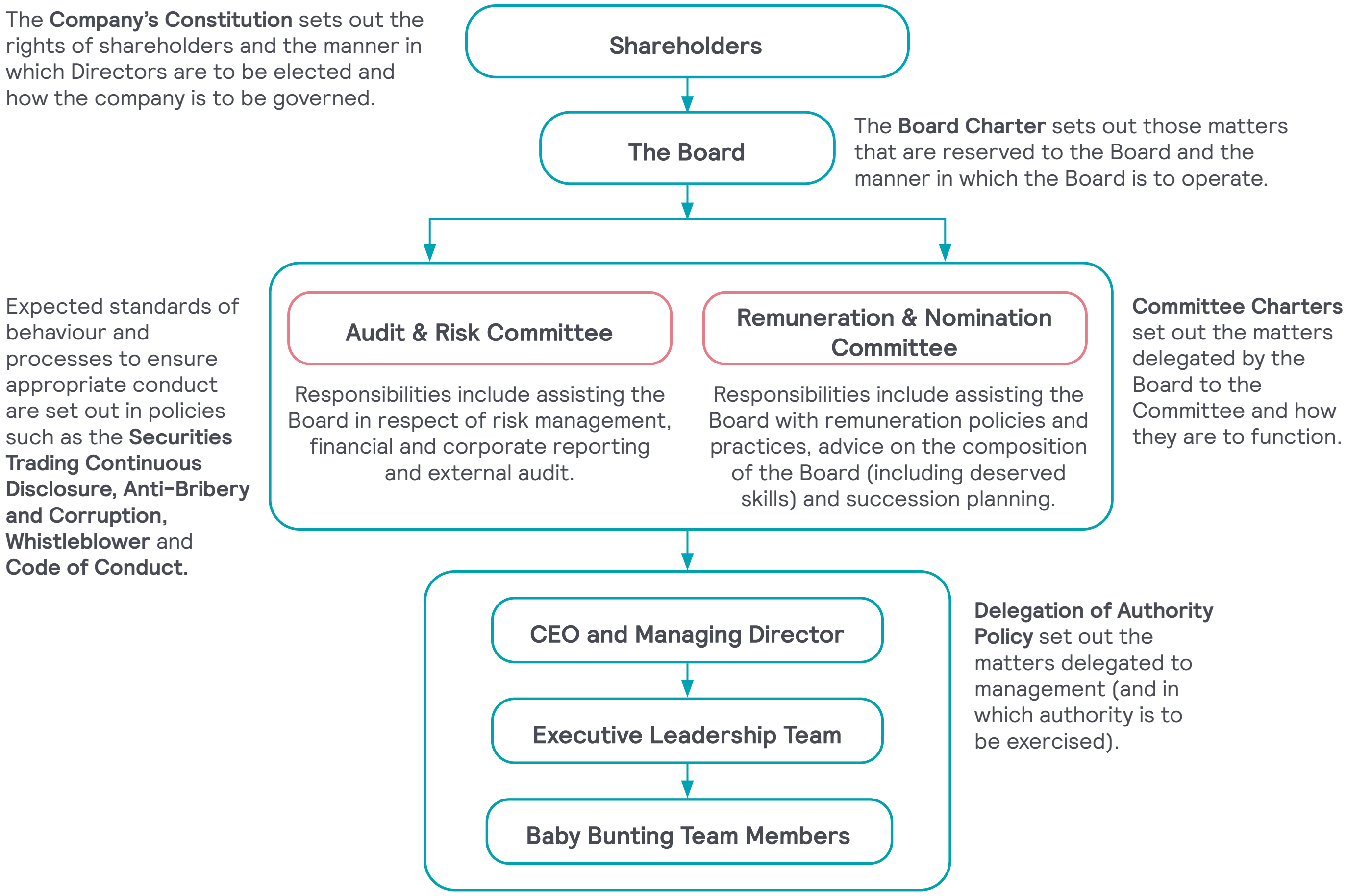
During the 2022 financial year, the composition of the Company's Board changed. Ian Cornell retired as a Non-executive Director at the Company's October 2021 AGM and Melanie Wilson became the Chair.

In September 2021, Francine Ereira and Stephen Roche become Non-executive Directors and each was elected at the Company's 2021 AGM. Following these appointments, the composition of the Board Committees was also adjusted.

The Company reviewed and updated its Delegation of Authority Policy, and its Securities Trading Policy. Information about the changes is included in this Statement.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Baby Bunting's corporate governance framework can be illustrated in the chart below. Further details of the governance elements included in the chart are described further in this Statement.



Corporate governance statement continued

Responsibilities of the Board and management

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

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

Delegation of Authority Policy

The Company's Delegation of Authority Policy sets out in detail the authority that has been delegated to the CEO and Managing Director and other executives and Team Members. The policy has been reviewed during the year having regard to the growth of the Company since it was initially adopted. While the Board is responsible for approving the annual budget prepared by management, executives are delegated responsibility for the budgets that apply to their functions and departments. The Delegation of Authority Policy also specifies the processes for review and approval of contracts and other commitments.

Director and senior executive appointments – conducting appropriate checks

Potential new directors are subject to appropriate screening and background checks prior, including police checks, prior to appointment as a director by the Board. In addition, the Company provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.

When appointing senior executives, screening, background checks and police checks are undertaken.

Written appointments

The Company has entered into written agreements with each of its Directors and senior executives setting out the terms of their appointment. The material terms of all employment, service or consultancy agreements with Directors or other related parties have been disclosed, to the extent required, in accordance with ASX Listing Rule 3.16.4.

The Company's Remuneration Report contains additional details on the remuneration of each Non-executive Director and summaries of the employment contracts of each other member of the Company's key management personnel.

Role of the Company Secretary

Corey Lewis is the Group Legal Counsel and Company Secretary. As part of his role as company secretary, he is responsible for day to day operations of company secretarial matters, including the administration of Board and committee meetings, overseeing the Company's relationship with its share registrar and lodgments with the ASX and other regulators. The company secretary is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

Darin Hoekman, the Chief Financial Officer, is also a company secretary of the Company. He has responsibility for the above matters in the absence of the Group Legal Counsel and Company Secretary.

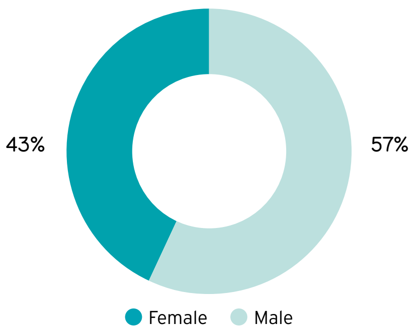
Diversity

The Board has adopted a Diversity Policy which sets out Baby Bunting's commitment to recognising the importance of diversity for its business. The policy is available on Baby Bunting's corporate website (babybunting.com.au/investor).

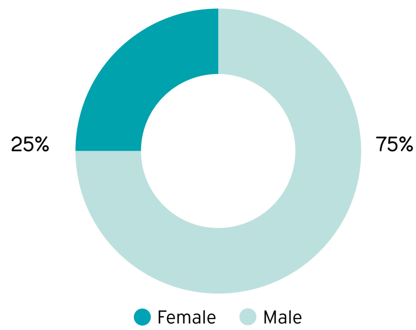
Baby Bunting actively promotes diversity through its hiring and promotion practices, measures gender diversity in the composition of its senior executives and team members generally, and reports these annually to the Australian Government's Workplace Gender Equality Agency.

As at 26 June 2022, the proportion of women employed by Baby Bunting was:

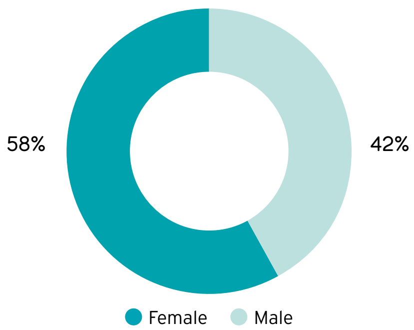
Directors



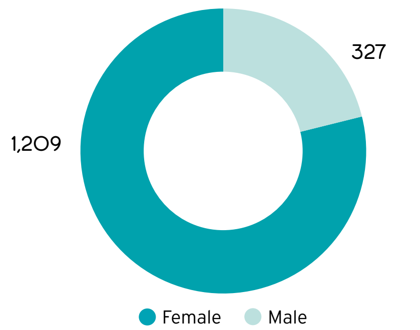
Senior Executives



Regional & Area Managers



All Team Members



Note: Senior Executives defined as the CEO and Managing Director and those executives who report to the CEO and Managing Director, plus the GM Merchandise, GM Store Operations, GM Supply Chain, GM Digital and GM IT and Transformation Program.

The Board has set the following gender diversity objectives:

Reference group	Gender diversity objective	FY22 outcome
Board of directors	That the Board comprise an equal number of women and men as Non-executive Directors and that the Board (including any executive directors) comprise at least 40% of each gender	Objective met During the year, the mix of Non-executive Directors moved to be three women and three men. Currently, the Board (including the executive director) comprises 43% women (three out of seven in total).
Senior Executives	That at least a third of the Company's Senior Executives are women in the medium term	Objective not met Currently, 25% of Senior Executives are women. Executive succession planning has regard to, among other things, achieving this objective in the medium term.
Area and Regional Managers	That 50% of the Company's Area Managers and Regional Managers be women	Objective met 58% of Regional and Area Managers are women.

The table below shows the level of gender diversity in the Company and the changes from the prior year:

	Number of females in category at 26 June 2022	Total number in category at 26 June 2022	% of females	Number of females in category at 27 June 2021	Total number in category at 27 June 2021	% of females
Board of directors (incl. CEO & MD)	**3**	**7**	**43%**	2	6	33%
Senior Executives (incl. CEO & MD)	**3**	**12**	**25%**	3	12	25%
Area, Regional and Store Managers	**58**	**79**	**73%**	50	70	71%
All Team Members	**1,209**	**1,536**	**79%**	1,082	1,383	78%

In June 2022, the Company lodged its Workforce Profile report with the Workplace Gender Equality Agency (WGEA).

Board performance evaluation

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

The Board assessed its own performance, and considered the performance of the Board committees and individual Directors.

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

Senior executive performance evaluation

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

The Board is responsible for reviewing the performance of the CEO and Managing Director.

In relation to the performance of senior executives, after the end of the reporting period, the Remuneration and Nomination Committee received reports of the outcome of the executive performance evaluation processes. These were subsequently considered by the Board. The executive evaluation processes involved, among other things, assessing the performance of executives against their specific performance objectives as well as the Company's overall performance on a range of measures (including financial and specific key performance indicators).

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

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Nomination – Remuneration and Nomination Committee

The Board has established the Remuneration and Nomination Committee. Its role is to review and make recommendations to the Board on remuneration policies and practices related to the Directors and senior management and to ensure that the remuneration policies and practices are consistent with the strategic goals of the Board.

Before October 2021, the composition of the Committee was Melanie Wilson (Chair), Donna Player and Ian Cornell. Following the retirement of Ian Cornell as a Non-executive Director, the composition of the Committee was reviewed and the Committee now comprises the following Non-executive Directors:

Position	Director
Chair	Gary Kent
Members	Melanie Wilson Donna Player Francine Ereira

Details of the qualifications and experience of Committee members are set out on pages 20 and 21. The number of meetings of the Committee and attendances by members during the reporting period are set out on page 51 of the Directors' Report. Directors who are not members of the Committee may attend any meeting.

The Remuneration and Nomination Committee Charter sets out:

- the composition of the Committee, including that the Committee must comprise only Non-executive Directors, a majority of whom are independent and that the Chair of the Committee is not to be the Chair of the Board;
- the Committee's ability to have access to Company records and employees and the external auditor for the purpose of carrying out its responsibilities. The Charter also provides that the Committee may seek the advice of independent advisors on any matter relating to the duties or responsibilities of the Committee; and
- the specific responsibilities of the Committee in respect of the areas of nomination (including in respect of matters going to the composition of the Board, the Board's skills matrix and succession planning for the Board) and remuneration (including responsibilities to review and make recommendations to the Board on executive and Non-executive Director remuneration, reviewing the Company's remuneration policies, overseeing employee equity incentive plans and responsibility for reviewing the Company's remuneration report).

Board skills matrix

The Board, having regard to the current size of the Company and its current strategies, has adopted a skills matrix setting out the mix of skills and diversity that the Board is looking to achieve in its membership at this time. The Board also has regard to the attributes and personal qualities of Directors, including the ability of individual Directors to contribute effectively to the functioning of the Board and a commitment to the Company's values and its Code of Conduct. For persons being considered for appointment to the Board, the Board will seek to identify whether the person has a demonstrated or assessed ability to work in a collegiate environment along with the ability, where necessary, to express a dissenting view objectively and constructively. The Board considers that each Non-executive Director possesses these attributes.

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

Corporate governance statement continued

Board skills matrix

	Skill or experience	Description
Technical skills	Executive leadership	Demonstrated success at CEO or senior executive level in a major business
	Commercial and financial acumen	Demonstrated success in sustainably managing the financial performance of a large retail business or commercial undertaking
	People and organisational culture	Experience with managing people and teams, including the ability to appoint and evaluate senior executives, manage talent development and oversee organisational change
	Information Technology	Knowledge and experience in the use and governance of information technology and applications in a retail environment
	Risk management and compliance	Experience in risk management and compliance frameworks and related policies and processes, setting risk appetites, identifying and providing oversight of material business risks
Experience	Retail	Experience at a customer/retail business obtained through an executive or leadership position
	Supply Chain	Knowledge and experience in retail logistics and distribution
	Consumer advocacy	Recent consumer experience in the retail baby goods sector (eg, as a parent or grandparent to small children) with an ability to bring the perspectives of parents or grandparents to deliberations (being among some of the Company's most important stakeholders)
	Digital and technology	Current experience with digital and online retailing, including a familiarity with changes in technology, applications and changing consumer habits
	ASX board experience and investor advocacy	Experience as a non-executive director of an ASX listed company, including an ability to articulate the expected views of all categories of investors
	International experience	Experience in international markets, exposed to a range of political, cultural, regulatory and business environments
	ESG and corporate social responsibility	Experience in formulating, implementing and/or overseeing corporate governance and strategies focused on conducting business responsibly and ethically, enhancing corporate culture and generating long-term sustainable value for shareholders, employees, stakeholders and the community

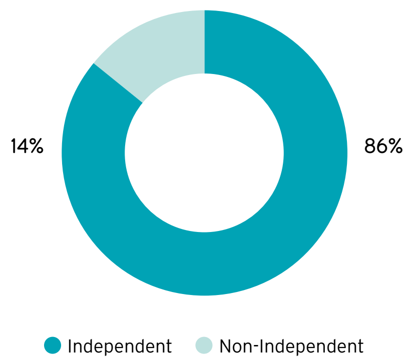
The Board intends to review the skills matrix annually to ensure that it remains appropriate for the Company, its circumstances and its strategies.

Independent Directors

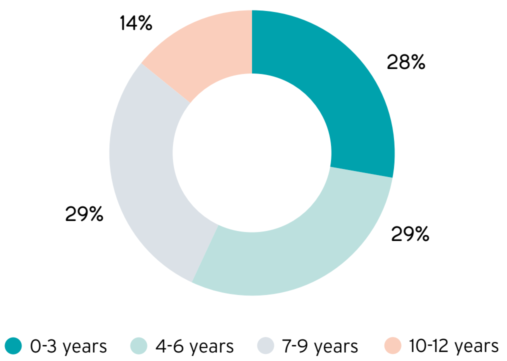
At the date of this Statement, the Board comprises seven directors. A majority of the Board are independent Non-executive Directors.

Name	Position	Appointed	Approximate length of service
Independent Directors			
Melanie Wilson	Chair, Independent Non-executive Director	15 February 2016	6 years 6 months
Gary Levin	Independent Non-executive Director	25 August 2014	8 years
Donna Player	Independent Non-executive Director	16 January 2017	5 years 7 months
Gary Kent	Independent Non-executive Director	12 December 2018	3 years 8 months
Francine Ereira	Independent Non-executive Director	1 September 2021	11 months
Stephen Roche	Independent Non-executive Director	1 September 2021	11 months
Executive Director			
Matt Spencer	CEO and Managing Director	23 April 2012	10 years 4 months

Director Independence



Director Tenure Diversity



Corporate governance statement continued

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

The Board has assessed each Non-executive Director to be independent. In assessing independence, the Board has had regard to the factors set out in the ASX Principles and Recommendations.

For FY2023, each Director has confirmed that they anticipate being available to perform their duties as a Non-executive Director or executive Director without constraint from other commitments.

Director induction and training

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

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

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

PRINCIPLE 3: INSTILL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

Baby Bunting's values

Baby Bunting's vision is to be the most loved baby retailer for every family, everywhere. The Company sees its core purpose as supporting new and expectant parents in the early years of parenthood. The Board has endorsed the following set of values developed for Baby Bunting:

Our Vision

To be the most loved baby retailer for every family, everywhere.

Our Core Purpose

To support new and expectant parents in the early years of parenthood.

Our Values

Being passionate
Be passionate about providing our customers with great products and services, advice and value every day

Being considerate
Be considerate and respectful of others and think about how our decisions and actions impact others

Being honest
Act with integrity and use good judgement

Being positive
Be positive and enjoy doing the things that contribute to a great team spirit

Being focused
Think big, but get on with doing the small things that make a big difference

Being bold
Never be afraid to evolve – encourage a culture of adventure and creativity

Code of Conduct

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

The Code of Conduct is designed to:

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

The Code of Conduct is available on Baby Bunting's corporate website (babybunting.com.au/investor).

Whistleblower Protection Policy

The Company has adopted a Whistleblower Protection Policy. A copy of the policy is available on Baby Bunting's corporate website (babybunting.com.au/investor).

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

Anti-Bribery and Corruption Policy

The Company has adopted an Anti-Bribery and Corruption Policy. A copy of the policy is available on Baby Bunting's corporate website (babybunting.com.au/investor).

To support the Policy, the Company has adopted Acceptable Monetary Limits and Reporting Requirements which set out when an instance of a gift, entertainment or hospitality may be accepted by Baby Bunting Team Members. Generally, they must relate to general relationship building activities where it cannot reasonably be construed as an attempt to improperly influence the performance of the role or function of the recipient. Team Members must report instances of gifts, entertainment or hospitality other than where the value is immaterial. Where the estimated value exceeds specified limits, prior approval must be sought and obtained.

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

PRINCIPLE 4: SAFEGUARD THE INTEGRITY OF CORPORATE REPORTING

Audit and Risk Committee

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

Before October 2021, the Committee comprised Gary Levin, Gary Kent and Melanie Wilson.

The composition of the Committee was reviewed during the year and the Committee now comprises the following Non-executive Directors:

Position	Director
Chair	Gary Levin
Members	Gary Kent Stephen Roche

Details of the qualifications and experience of Committee members are set out on pages 20 and 21.

The number of meetings of the Committee and attendances by members during the reporting period are set out on page 51 of the Directors' Report. Directors who are not members of the Committee may attend Committee meetings.

The Audit and Risk Committee Charter sets out:

- the composition of the Committee, including that the Committee must comprise only Non-executive Directors, a majority of whom are independent and that the Chair of the Committee is not to be the Chair of the Board;
- the Committee's ability to have access to Company records and employees and the external auditor for the purpose of carrying out its responsibilities. The Charter also provides that the Committee may seek the advice of independent advisors on any matter relating to the duties or responsibilities of the Committee; and
- the specific responsibilities of the Committee in respect of the areas of risk management and compliance, financial and corporate reporting and external audit matters. With respect to external audit matters, the Committee has responsibility for developing and overseeing implementation of the Company's policy on the engagement of the external auditor to supply non-audit services (noting that the Committee is required to advise the Board as to whether it is satisfied that the provision of any non- audit services is compatible with the general standard of independence for auditors).

CEO and CFO Declarations

The Board, before it approved the Company's financial statements for the half year ended 26 December 2021 and the full year ended 26 June 2022, received from the CEO and Managing Director and the Chief Financial Officer a declaration. The declaration was, in their opinion, that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively in all material respects.

Corporate reporting

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

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

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Company has adopted a Continuous Disclosure Policy. The Continuous Disclosure Policy establishes procedures to ensure the Company complies with its continuous disclosure obligations under the Corporations Act 2001 and the ASX Listing Rules.

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

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

The Company's website

The Company's corporate website (babybunting.com.au/investor) has information about the Company and its governance.

Investor relations program

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

The Company is required by law to communicate to shareholders through the lodgement of all relevant financial and other information with ASX and, in some instances, mailing information to shareholders. Information (including information released to ASX) is published on the

Company's website. The Company's website also contains information about it, including key policies and the charters of the Board committees.

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

Shareholder participation at meetings

The Company's annual general meeting for the financial year ended 26 June 2022 will be held on 11 October 2022.

In previous years, the annual general meeting has been held in either Melbourne or Sydney. Last year, the annual general meeting was held virtually due to COVID-19 public health restrictions.

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

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

Electronic shareholder communications

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

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk – Audit and Risk Committee

The role of the Audit and Risk Committee is to assist the Board in fulfilling its responsibilities for corporate governance and overseeing the Company's financial reporting, internal control structure, risk management systems and internal and external audit functions.

This includes considering the quality and reliability of the financial information prepared by the Company, working with the external auditor on behalf of the Board and reviewing non-audit services provided by the external auditor to confirm they are consistent with maintaining external audit independence.

The Audit and Risk Committee provides advice to the Board and reports on the status and management of the risks to the Company.

The purpose of the Committee's risk management process is to assist the Board in relation to risk management policies, procedures and systems and ensure that risks are identified, assessed and appropriately managed.

Details of the Committee are contained on page 31 above (see "Audit and Risk Committee") and details of the meetings of the Committee and the attendance of members are set out on page 51 of the Directors' Report.

Risk management framework

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

The objectives of the risk management framework include:

- identifying the key risks associated with Baby Bunting's business;
- raising the profile of risk within Baby Bunting and helping to embed a risk-aware culture within Baby Bunting;
- assisting management and the Board to ensure that the Company has a sound risk management framework;
- supporting the declarations by the CEO and Managing Director and the Chief Financial Officer that their opinions on the Company's financial statements are based on a "sound system of risk management and internal control which is operating effectively"; and
- where appropriate, having controls, policies and procedures to manage certain specific business risks – e.g an insurance program, regular financial budgeting and reporting, business plans, strategic plans, etc – so as to mitigate the likelihood, or consequence, of certain specific business risks.

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

Risk appetite statement

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

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

The statement forms parts of the Company's risk management framework.

Internal audit function

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

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

The Company has plans for a program of targeted reviews of specific activities (eg accounts payable, payroll, delegations, etc). The reviews will be conducted by an external assurance firm (not the external auditor) with the results reported to the Audit and Risk Committee.

Environmental and social sustainability risks

The Company is exposed to a number of risks, details of which are included in the Directors' Report on pages 46 to 49. These risks could have a material impact on the Company, its strategies and future financial performance. These risks were identified as part of the Company's risk management framework (described above). Management is responsible for developing strategies to manage identified risks.

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

Further details about Baby Bunting's approach to environmental and social sustainability matters are contained in its Sustainability Report (released in August 2022).

The Company has also published its second Modern Slavery Statement. The statement describes the modern slavery risks that exist in the Company's supply chains.

A copy of the statement is available on the Company's website (babybunting.com.au/investor).

PRINCIPLE 8: REMUNERATION FAIRLY AND RESPONSIBLY

Remuneration – Remuneration and Nomination Committee

The Board has established the Remuneration and Nomination Committee with specific responsibility for remuneration matters.

Details of the Committee are contained on page 27 above (see "Nomination – Remuneration and Nomination Committee") and details of the meetings of the Committee and attendances by members during the reporting period are set out on page 51 of the Directors' Report. Directors who are not members of the Committee may attend Committee meetings.

Remuneration for Non-executive Directors and Executives

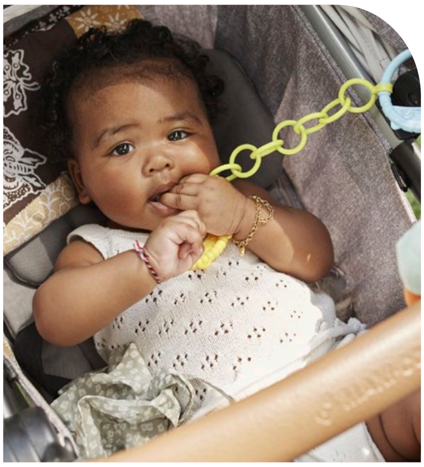
The Company's Remuneration Report, included as part of its Directors' Report, describes the Company's remuneration policies and practices as well as providing details for each Director and those executives considered to be members of the Company's key management personnel.

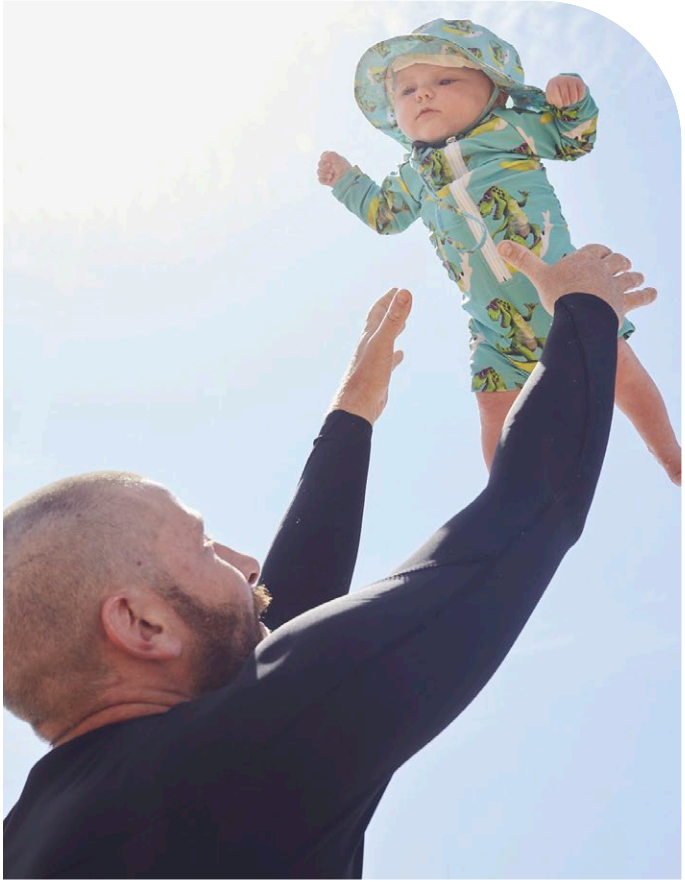
Non-executive Directors are not entitled to participate in the Company's short term or long term incentive plans.

Securities Trading Policy and hedging

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

In May 2022, the Board reviewed the Securities Trading Policy and an updated version was approved. The key changes were to provide that the Chair of the Board must seek the approval of the Chairs of the Remuneration and Nomination Committee and the Audit and Risk Committee before trading and that directors or executives placing orders to trade in securities must take steps to advise their broker of the duration of any trading clearance and the applicable trading windows.





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 financial year ended 26 June 2022.

1. Principal activities

During the financial period, the principal activity of the Company and its consolidated entities was the operation of Baby Bunting retail stores and its online store babybunting.com.au.

Baby Bunting is Australia's largest specialty retailer of maternity and baby goods, primarily catering to parents with children from newborn to three years of age and parents-to-be. Baby Bunting's core purpose is to support new and expectant parents in the early years of parenthood.

The Company also operates an online store, babybunting.co.nz, for customers in New Zealand. After the end of the financial year, the Company expects to commence store operations in New Zealand.

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

2. Operating financial review

2.1. The Company's business model

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

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

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

Baby product services is an expanding part of Baby Bunting's business model. The Company offers car seat installation services at all of its stores throughout Australia. A car seat hire service is also available at selected stores around Australia.

The Company commenced sales of product online to New Zealand customers in July 2020. The Company has plans to establish a store network in New Zealand and the first store is expected to open in August 2022.

Baby Bunting's business model leverages several core competitive advantages, as summarised in the table below.

Drivers of competitive advantage	Comment
Scale	Baby Bunting is the largest specialty retailer in the Australian baby goods market and the only specialty maternity and baby goods retailer with a national presence in Australia. Its industry position and continued growth has enabled the Company to invest in its people, technology, brand, inventory levels, prices and customer experience.
Convenient network of stores and a leading digital channel	The Company currently operates 65 stores across Australia. The Company's website, babybunting.com.au, continues to be Australia's leading specialty baby goods website as measured by number of visits. The Company is focused on delivering customers the best possible retail experience across all channels, in store, online or on mobile.

Drivers of competitive advantage	Comment
Customer centric team culture	Baby Bunting has a dedicated team of well trained and knowledgeable staff to service customers' individual needs. We collect feedback from customers instore and online. Feedback is also tracked via Net Promoter Score, which was 72 at the end of the year. Insights gained from customer feedback and preferences are enabling Baby Bunting to tailor its offering to focus on the steps in the customer journey of first time parents as well as parents with growing families.
Consistent retail format	Baby Bunting is focused on providing customers with a consistent retail experience across its network. The Company's stores in major market catchments (with populations greater than 200,000) range in size from approximately 1,500 to 2,000 square metres and are typically located in either bulky goods centres or at stand-alone sites. Baby Bunting has a number of stores located in shopping centres, where the format incorporates the key elements of the standard destination store format. In regional centres (with populations of less than 200,000), the Company typically operates a smaller store format of approximately 1,200 to 1,500 square metres, without compromising product range or customer service. Store formats and layout are largely consistent across the network, with customer-friendly navigation and clear demarcation of categories. Convenient parking is available directly outside our destination stores and all stores have parcel pick-up facilities allowing for easy loading of bulky items into customers' vehicles as well as enabling car seat installation services.
Widest product offering, in-stock and available	Baby Bunting offers what it believes to be the widest range of products, with over 7,000 products available. Through its Australian store network and approximately 22,000 square metre Distribution Centre and through the use of interstate third party warehouses, Baby Bunting aims to have its product range in-stock and available at the time of the customer's purchase.
Competitively priced	Baby Bunting's approach to pricing is centred on offering customers value every day, every visit. Baby Bunting's "Our Price Promise" means that if a customer finds a lower price at a competitor on an identical in-stock product, Baby Bunting will beat it by 5%. Baby Bunting has a "Best Buy" range, with everyday low prices. The Best Buy range includes the core range of car seats, cots and furniture and carriers.
Comprehensive range of ancillary services	Across its entire store network, Baby Bunting provides additional services to its customers, including click & collect services, layby, consumer payment services, parenting rooms which include baby weigh scales, and an in-store/online gift registry. Car seat installation services are provided (under the Baby On Board brand) at all Baby Bunting stores. Car seat hire services are also available in stores.
Cost effective marketing	The Company considers that its most successful marketing tool is word of mouth and it considers that it has a high unprompted brand awareness. This is a critical factor in allowing the Company to limit its marketing expenditure to under 2% of sales. Baby Bunting's marketing is further supported by traditional channels (regional TV, print media, catalogue and radio), online (email, search and digital) as well as social media. Baby Bunting also participates actively in baby expos.

2.2. Store network

The Company currently operates, at the date of this report, a network of 65 stores across all Australian states and territories, except Northern Territory. The location and layout of stores is designed to deliver customers a consistent retail experience across the network.

2.3. People

At the end of the financial year, the Company employed 1,536 employees with the majority employed at the Company's stores, and others located at the Company's Store Support Centre and Distribution Centre at Dandenong South (Vic).

2.4. Review of the Company's operations

During the financial year, the Company continued to implement its strategy to grow market share from existing stores and its online store as well as growing its network of stores.

Key operational achievements for the Company in FY2022 included:

- successfully transitioning to a new headless technology architecture, with the Australian website switching over to the new technology stack in January 2022;
- continuing the roll out of the Company's new loyalty program, "Baby Bunting family", with the loyalty program now available across store and online platforms. The program finished the year with around 1.4 million members (up from around 1 million in the prior year) with around 705,000 members active in the last 12 months;
- progressing the plans for the launch of the New Zealand store network, which has included signing leases for two stores (the first of which opened in Auckland in August 2022) and a lease for a warehouse, establishing a New Zealand store operations team and localising the New Zealand website offer for local pricing and local fulfilment;
- building on the successful commissioning in March 2021 of the new National Distribution Centre at Dandenong South, with FY2022 being its first full year of operation. Significant progress was made in continuing the transition of suppliers from direct-to-store arrangements to DC supply arrangements and increasing FOB fulfilment, all of which contributes to efficiencies in supply chain costs and gross margin improvements;
- opening four new stores, being Alexandria (NSW), Shepparton (Vic), Cairns (Qld) and Wagga Wagga (NSW), bringing the store network to 64 stores at the end of the year, along with refurbishing two stores and re-locating two existing stores to stronger locations within their catchments;
- expanding the number of stores performing online fulfilment throughout the existing store network as the Company works towards its long term objective to fulfil 90% of online orders same day in metro areas. Forty-eight percent of online orders for the year were processed through the store network, rather than the Distribution Centre;
- continuing the growth of the Company's private label and exclusive products range, with these sales making up 45.3% of total sales for the year (up from 41.4%). With the support of supplier partners, exclusive products now make up 37.1% of sales and Baby Bunting's private label range makes up 8.2% of sales;
- expanding the range of products available through the Company's online store and working to expand the overall product range;
- expanding the Company's support for community partners through the support for fundraising efforts for Perinatal Anxiety & Depression Australia (PANDA) and Life's Little Treasures Foundation (a foundation that provides support, friendship and information, specifically tailored for families of premature or sick babies). Funds raised and contributed by the Company for these and other causes during the year was around $695,000 (up from $260,000 in the prior year).

The effects of the COVID-19 pandemic continued to be felt on the Company's operations during the year. The operational arrangements introduced in FY2020 and FY2021 continued into FY2022, including additional health and safety measures in stores and working from home arrangements (where possible) for the Store Support Centre team for large parts of the year.

The Company continued its policy of paid COVID-19 leave, to provide team members who were unable to work due to self-isolation measures or other carer obligations with paid leave. This policy provides paid leave to cover an affected team member for up to two weeks. The policy applies to full and part-time employees and casual employees.

Border and travel restrictions within Australia introduced to manage COVID-19 had an impact on the manner in which some functions operated, with regional management practices occurring via technology. These restrictions also had some disruption on the timing of new store openings.

Refer to the Chair and CEO's Report on page 8 of this Annual Report for more information on the Company's operations during the 2022 financial year.

2.5. Review of the Company's financial performance

The full year statutory results for the 52 week period ended 26 June 2022 (FY2021: 52 week period ended 27 June 2021) are summarised below:

- Total sales up 8.3% to $507.3 million, with comparable store sales growth of 5.0% for the year;
- Gross profit of $195.8 million up 12.7%;
- Statutory net profit after tax (NPAT) of $19.5 million, an increase of 14.6% on the prior year;
- Statutory basic earnings per share (EPS) of 14.9 cents; and
- Cash and cash equivalents less borrowings (net debt) of $0.7 million (versus net cash of $0.9 million at the end of FY2021).

In relation to the 2022 and 2021 financial years, the underlying operating results (as measured by pro forma earnings) are more clearly demonstrated with the following exclusions or adjustments:

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

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

On a pro forma basis, the FY2022 financial results were:

- pro forma earnings before interest, tax, depreciation and amortisation (EBITDA) was $50.5 million, up 16.1% on the prior corresponding period;
- gross margin was 38.6%;
- pro forma NPAT of $29.6 million, up 13.6% on the prior corresponding period;
- pro forma costs of doing business (CODB) (excluding the impact of AASB 16 lease accounting) were $145.3 million or 28.6% of sales, an increase of 85 basis points on the prior corresponding period (CODB of 27.8% of sales in FY2021).

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

Non-IFRS financial measures

The consolidated entity uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are collectively referred to as "non-IFRS financial measures".

Non-IFRS financial measures are intended to supplement the measures calculated in accordance with Australian Accounting Standards and are not a substitute for those measures. Underlying operating and pro forma results and non-IFRS financial measures are intended to provide shareholders additional information to enhance their understanding of the performance of the consolidated entity. Non-IFRS financial measures that are referred to in this report are as follows:

Non-IFRS financial measure	Definition
Cost of doing business (CODB)	Includes store, administrative, marketing and warehousing expenses (excluding pre AASB 16 depreciation and amortisation).
EBIT	Earnings before interest and tax. EBIT eliminates the impact of the consolidated entity's capital structure and historical tax position when assessing profitability.
Operating EBIT	Excludes the effects of interest revenue, finance costs, income tax and other non-operating costs. The CEO and Managing Director assesses the performance of the only operating segment (Australia) based on a measure of Operating EBIT.
Pro forma EBITDA	Earnings before interest, tax, depreciation and amortisation expense (excluding the impact of AASB 16 lease accounting) and excludes pro forma adjustments included in the financial results below.

Pro forma financial results

In relation to the 2021 and 2022 financial years, the pro forma financial results have been calculated to exclude the impact of employee equity incentive expenses and business transformation project expenses. This has been done to more clearly represent the consolidated entity's underlying earnings (noting that this financial information has not been audited in accordance with Australian Auditing Standards).

Year ended 26 June 2022 $'000	Sales	NPAT
Statutory results	**507,274**	**19,521**
Employee equity incentive expenses[1,2]	–	9,330
Transformation project expenses[3,4]	–	4,668
Tax impact from pro forma adjustments[5]	–	(3,946)
Pro forma results	**507,274**	**29,573**

1. Expense includes $8.570 million for the amortisation of performance rights (LTI) on issue in the current reporting period and the associated payroll tax costs of the plans.
2. The Company issued 135,051 shares under its General Employee Share Plan in the current reporting period with no monetary consideration payable by participating eligible employees who each received approximately $1,000 worth of shares ($0.760 million).
3. The Company is currently undertaking a process of assessment and when necessary, replacement of its core information technology systems. During the year, the Company incurred ($3.242 million) non-capital costs associated with the implementation of an order fulfilment system, Loyalty system, People systems, and digital technology assets.
4. Other transformation project expenses ($1.426 million) include external consultant costs associated with project management to deliver the transformation projects described in Note 3 above. The non-capital cost of external consultants are associated with running the selection and planning for the integration of the new systems are not related to day-to-day operations or financial performance of the business. These project costs cease at project completion.
5. Tax impact from pro forma adjustments includes income tax benefit relating to performance rights vesting under the Company's Long Term Incentive Plan ($2.317 million).

The following table reconciles the statutory to pro forma financial results for the year ended 27 June 2021 (noting that this financial information has not been audited in accordance with Australian Auditing Standards):

Year ended 27 June 2021 $'000 Restated[1]	Sales	NPAT
Statutory results	**468,377**	**17,039**
Employee equity incentive expenses[2,3,4]	–	8,170
Transformation project expenses[5,6,7]	–	8,317
Other operating income[8]	–	(2,400)
Tax impact from pro forma adjustments[9]	–	(5,095)
Pro forma results	**468,377**	**26,031**

1. Refer to Note 2(aa) for detailed information on restatement of comparative in the Financial Statement for the period ended 26 June 2022.
2. Expense includes the non-cash cost amortisation of performance rights (LTI) on issue in the prior reporting period ($4.601 million).
3. The Company issued 165,221 shares under its General Employee Share Plan in the reporting period with no monetary consideration payable by participating eligible employees who each received approximately $1,000 worth of shares ($0.795 million).
4. The Company made a $2.774 million cash settled long term incentive payment to participating executives in connection with long term EPS performance rights (assessed over the period FY16 to FY20) granted by the Company in October 2015 as part of the Company's Long Term Incentive Plan. This plan involves the issue of shares, however due to a timing difference between the $3.215 million impairment of certain digital assets in June 2020 and the receipt of a $2.400 million settlement payment from the vendor of those assets (refer Note (7) below), the original performance rights lapsed. If not for this timing difference, the compound annual growth rate of the Company's EPS measured over the FY16 to FY20 performance period would have been 16.2% which would have resulted in 25.5% of the EPS performance rights vesting. The Board had regard to the significant earnings per share growth achieved since the Company's IPO, as well as the direct connection between the impairment of the digital assets and the settlement payment recovered by the Company shortly after the end of the performance period. On this basis, the Board determined to provide a benefit to participating executives calculated by reference to the EPS performance rights that would have vested if the recovery were received during FY20. A share price of $4.09 was used to calculate the cash payments (based on 678,438 rights that would have otherwise vested). The share price was determined by reference to a VWAP of the Company's shares in the period 1 July to 30 September 2020.
5. The Company undertook a process of assessment and when necessary, replacement of its core information technology systems. In FY21, the Company incurred ($2.889 million) non-capital costs associated with the implementation of a new online store, merchandise demand planning and replenishment system, order fulfilment systems, Loyalty system, People systems and assessment of digital technology assets.
6. The Company incurred $2.536 million in relation to the setup of the new National Distribution Centre including $1.265 million for the accelerated depreciation and make good of the former Distribution Centre.
7. Other transformation project expenses ($2.149 million) include external consultant costs associated with project management ($1.375 million) to deliver the transformation projects described in Note 5 above. The non-capital cost of external consultants are associated with running the selection and planning for the integration of the new systems are significant and not related to operations or financial performance of the business on the day-to-day basis. They cease at project completion.
8. The Company received a cash payment ($2.400 million) from the vendor of certain digital commerce technology assets that were impaired in FY20 following settlement of a dispute relating to those assets.
9. Tax impact from pro forma adjustments includes income tax benefit relating to performance rights vesting under the Company's Long Term Incentive Plan ($2.249 million).

Revenue

The sales for the year ended 26 June 2022 of $507.3 million represented an increase of 8.3% on FY2021. This sales growth was achieved through:

- growth from existing stores;
- growth in online sales;
- growth from the opening of four new stores during FY2022; and
- the annualising benefit of four stores opened in FY2021, trading for a full financial year in FY2022.

Comparable store sales growth for the year was 5.0% up on the prior year. Comparable store sales growth is calculated having regard to the growth of stores that have been open for all of the prior financial year and includes click & collect sales fulfilled from the store. Stores not included in the comparable stores sales growth calculations in FY2022 were the four stores opened in FY2022 and the four stores opened in FY2021.

Sales from private label and exclusive products grew by 18.3% on the prior year, and were 45.3% of total sales in FY2022, up from 41.4% in FY2021. This growth has partly come from the support of key suppliers expanding the range of their products sold exclusively through Baby Bunting. Categories where exclusive product ranges have expanded significantly include prams and strollers, cots and furniture and car safety (ie car seats). On a standalone basis, exclusive products represented 37.1% of sales in FY2022.

Baby Bunting's range of private label products include 4baby, Bilbi and JENGO. Sales of private label products represented 8.2% of sales in FY2022.

Online sales continued to see strong annual growth. Total online sales (including click & collect) grew 24.2% on the prior financial year and click & collect sales grew 28.2%. Online sales now represent 22.2% of total sales, up from 19.4% in FY2021. Baby Bunting's online channel and store networks are complementary. Online sales in a market catchment have consistently increased following the establishment of a Baby Bunting store in that area.

Expenses

Pro forma costs of doing business (CODB) expenses (excluding the impact of AASB 16 lease accounting) as a percentage of sales were 85 basis points higher year-on-year at 28.6% of sales (27.8% of sales in FY2021). In FY2022, pro forma CODB expenses were $145.3 million, up 11.6% on the prior year pro forma CODB expenses of $130.2 million. The increased investment in operating expenditure was driven by:

- four stores opened in FY2021 trading for a full financial year in FY2022;
- four new stores opened in FY2022;
- the continued investment in the Store Support Centre team, the Distribution Centre team, business processes and business systems to support the expanding store network and to improve the customer experience both in stores and online. Ensuring the business is appropriately sized for future growth continues to be a priority;
- one-off start up costs associated with establishing operations in New Zealand were $1.5 million and included project management team costs and third party consulting costs to initiate and integrate a number of core systems.

2.6. Review of the Company's financial position

The Company finished the financial year in a net debt position of $0.7 million, a change of ($1.6) million on the prior year net cash position of $0.9 million. This movement was driven primarily by a further investment in inventory safety stock to offset supply chain risks that included greater uncertainty of the timing of shipping arrivals.

Other key matters include:

- payment of $19.5 million in dividends, relating to the FY2021 final dividend of $10.8 million (paid on 10 September 2021) and the FY2022 interim dividend of $8.7 million (paid on 11 March 2022);
- investment in inventory of $16.7 million, with $3.1 million relating to new stores and the remainder to fund the growth and maintenance of appropriate levels of safety stock (including for suppliers now fulfilling direct to the National Distribution Centre);
- capital expenditure of $12.6 million in FY2022; and
- operating cash conversion of 71.0% and free cash flow of $18.8 million.

Dividends

The Board has determined to pay a final dividend of 9.0 cents per share fully franked. Together with the interim dividend of 6.6 cents per share, the total dividend to be paid in respect of FY2022 is 15.6 cents per share, equivalent to approximately 70% of the Company's FY2022 pro forma NPAT.

3. Business strategies and future developments

The Company's strategy has remained constant during the year and is focused on growing its market share and continuing to improve its execution and financial performance.

This strategy has the following key elements:

3.1. Invest in digital to deliver the best possible retailing experience across channels and enable new business models

Baby Bunting has a multi-channel approach to grow market share. Baby Bunting's goal is to create a seamless shopping experience across all channels.

Investments in digital have continued to improve the customer experience across all channels. The loyalty program, Baby Bunting family, was made available across all channels during the year, and plays an important role in enabling better understanding of customers and work on personalising shopping journeys.

Continually improving online fulfilment is also a key part of this strategy. Customers can transact online and have goods delivered directly or obtain the goods via contactless click & collect.

The Company has expanded the number of store-based fulfilment hubs and stores capable of fulfilling online orders to 23 stores across its Australian network, with further investments in fulfilment capability planned for FY2023. These hubs and stores enable online orders to be fulfilled from selected stores supporting the long-term target of being able to fulfil 90% of metro online orders same day.

In July 2020, the Company launched deliveries to New Zealand consumers through its website. In the first half, the New Zealand website transitioned on to the new headless technology architecture. The Company has recently expanded its New Zealand website offering, including by establishing fulfilment capabilities from New Zealand with the establishment of an Auckland distribution centre. This capability will be enhanced by the addition of physical stores in New Zealand, with the first store scheduled to open in August 2022.

The transition of the Company's e-commerce site to a new headless e-commerce architecture was completed during the year. This architecture enables Baby Bunting to leverage best of breed applications to deliver a world class customer experience through the digital channel.

The Company, through a number of strategic initiatives, has plans to further broaden its total addressable market. These include plans to build out the range of products available online in specific categories. The Company has also commenced a project to work towards the launch of an Australian online marketplace.

3.2. Invest to grow market share from Baby Bunting's core business, including the roll out of new stores and formats, enhanced fulfilment, and new services to existing customers

Baby Bunting's key strategies to grow market share from its core business include:

- improving customer experience. In this regard, Baby Bunting aims to be the leading place for parents and parents-to-be to come to for an extensive product range and great service, advice and guidance at great value everyday;
- performing targeted and effective marketing campaigns. The Company's loyalty program, Baby Bunting family, is enabling the Company to drive engagement with customers and to develop marketing having regard to customer preferences and product affinities; and
- leveraging the store network to grow the services offered to customers. In addition to the car seat installation business — conducted under the Baby On Board brand — the services offer is growing to include car seat and other product hire.

Growth from existing stores

The Company's stores historically take an average of four years to mature and generally have stronger comparable store sales growth in the first four years of operation. As a result, the maturity of newer stores should support further growth in comparable store sales. As at the report date, the Company's store network includes a significant proportion of "immature" stores, with 17% of stores less than three years old and with plans to add at least 6 new stores in FY2023.

The Company's contactless click & collect service is a key feature and click & collect sales grew 28.2% during the year to be 10.4% of all sales. Click & collect sales are fulfilled in store, providing very convenient fulfilment times for customers.

The Company's store network also facilitates fulfilment of online orders, with 48% of all online orders during the year fulfilled from a store. As noted above, this capability helps move the Company towards its long-term target of being able to fulfil 90% of online metro orders same day.

Store network plan

Growing market share through the roll out of new stores is a key part of the Company's growth strategy.

The Company has a store network plan and is looking to continue to grow its network of stores to over 110 stores in Australia.

This long-term network plan is predicated on the availability of suitable store locations that meet Baby Bunting's rigorous return on investment hurdles. In assessing potential new stores, regard is had to site factors, the demographic profile of the target catchment, existing market share and the estimated effect of any sales re-direction on existing Baby Bunting stores.

In pursuing this network plan, regard is also had to anticipated changes in future consumer behaviour and retail trends. The retail store sales have continued to grow year-on-year in addition to exceptional growth in online sales. This continues to highlight the complementary nature of Baby Bunting's bricks and mortar stores and its online store. That is, online sales in a catchment without a store, increase following the opening of a Baby Bunting store in that same catchment. This highlights the very tactile nature of the industry in which Baby Bunting operates, where first time parents, in particular, like to visit stores to touch, feel and visually assess products as part of the product selection process.

During the financial year ahead, Baby Bunting expects to continue to open new stores as it pursues its store network plan.

3.3. Growth from new markets leveraging Baby Bunting's core competencies and data into adjacent categories, entering new geographies and expanding the value chain

The Company's core competencies include, among other things, large format retailing, merchandising, baby and maternity products, operating a network at scale and private label and product-led retailing. The Company also has an expanding range of insights about baby goods consumers.

During the year, the Company has pursued its strategy of establishing operations in New Zealand. The Company's first store in New Zealand is expected to open in Auckland in August 2022 with more stores to follow, with a target of a network of more than ten stores. To support the store operations, the Company has established a distribution centre in Auckland.

Opportunities might also exist to apply Baby Bunting's skills in adjacent retail categories, where the ability to leverage existing customer insights could greatly expand the potential market opportunities.

While the immediate focus is on growing market share from Baby Bunting's core business, consideration will be given to exploring opportunities that will provide growth in future periods.

3.4. Profit margin improvement by increasing scale, developing private label and exclusive products and leveraging infrastructure to reduce the cost of doing business

The Company improved its pro forma EBITDA margin from 9.3% in FY2021 to 10.0%. Specifically, the Company's Australian operations (that is excluding the costs and revenues of the early stage New Zealand operations) went from 9.3% to 10.4%.

This was delivered through full year gross margin of 38.6% an improvement of 151 basis points from the prior year. The pro forma cost of doing business deleveraged year-on-year, increasing by 85 basis points in FY2022. EBITDA margin improved throughout the year, and on a full year basis, Baby Bunting achieved its long term target of a pro forma EBITDA margin of 10.0%.

A key driver to grow margin improvement is the growth in private label and exclusive product offerings. The Company offers private label products in strollers, pram, change tables, manchester, babywear, portacots, rockers, toys, consumables and highchair categories. While gross profit margin on private label and exclusive products varies by product, the Company believes that increased sales in these categories will continue to facilitate further margin improvement in future periods.

During the year, private label and exclusive products grew to represent 45.3% of sales, an increase from 41.4% over the previous year. This was largely driven by the support of key suppliers expanding the range of their products sold exclusively through Baby Bunting.

The Company has also continued to expand the products made available under its private label brand known as JENGO. Products available under this brand include prams, travel cots and other hard goods items.

Another element of the Company's strategy for profit margin improvement is the investment made in the Company's new National Distribution Centre in Dandenong South. This was commissioned in March 2021, and FY2022 was the first full year of operations at the site. Supply chain efficiencies were achieved by, among other things, converting certain suppliers from direct-to-store fulfilment to fulfilment by the Distribution Centre and increasing FOB purchasing.

In addition, the use of store-based fulfilment hubs will continue to play a critical role in facilitating prompt delivery of online orders.

Other areas of focus continue to be upgrades of selected store elements and store refurbishments.

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

4. Material business risks and uncertainties

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

The Company has a structured risk management framework and internal control systems in place to manage material risks (see page 33 for further information on the Company's risk management framework). Some of the other key risks and uncertainties that may have an effect on the Company's ability to execute its business strategies and the Company's future growth prospects and how the Company manages these risks are set out below.

Risk	Description	Mitigation
External economic factors affecting consumer sentiment	Although the purchase of baby goods is less discretionary than other consumer goods categories, Baby Bunting's performance is sensitive to the current state of, and future changes in, the retail environment and general economic conditions in Australia. A deterioration in consumer confidence, including as a result of increases in interest rates and the rate of inflation, or more generally, may cause consumers to reduce the size or extent of purchases with the Company, which could have an adverse effect on sales and the Company's financial performance. Public health restrictions, of the kind seen introduced with COVID-19, may also affect consumer sentiment.	Noting the essential nature of the Company's products, the Company seeks to ensure that it has a broad range of products across a range of price points, with a focus on value for customers every day.
Business interruption	The COVID-19 pandemic has been an example of an event that has given rise to significant business interruption since its emergence in Australia around March 2020. Other unanticipated events such as natural disasters, wars, strikes and epidemics have the potential to materially affect the Company through their impact on supply chain, consumer behaviour and company operations. Some may pose a threat to the health and safety of those who work and shop with the Company. These events can arise rapidly with little or no warning and their duration and the subsequent recovery period is uncertain and may be protracted.	The Company has a risk management framework intended to identify key risks and develop risk control measures. Mitigants include seeking to avoid over-concentration on a key supplier or provider (of goods or services) and maintaining an appropriate insurance program. Business continuity and disaster recovery planning is also undertaken.
Competitive and digital disruption risks	The Company faces competition from specialty retailers as well as department stores, discount department stores and online only retailers. International online retailers and marketplaces are also sources of current and future competition. Second hand or buy, swap, sell markets, which facilitate the exchange of used baby goods, are also a source of competition for the Company. In addition, direct to consumer operators (without a physical store network) compete with the Company in specific product categories. Competition is based on a variety of factors including price, merchandise range, advertising, store location, store presentation, product presentation, new store roll-out and customer service.	The Company seeks to address competitive risks by focusing on providing customers with low prices, every day. In addition, the Company is focused on providing an excellent customer experience — regardless of whether the customer is visiting a Baby Bunting physical store or the online store. Elements of this experience include quality advice, high service levels and a very wide product range. Product differentiation through exclusive access to key brands is a strategy to mitigate this risk.

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

Risk	Description	Mitigation
Cyber, technology and information risks	In common with other retailers, the Company faces a range of cyber risks. This is a broad concept and encompasses a variety of risks that could impact computer systems and that could result in unauthorised access or disclosure of information held by the Company (including the personal information of our customers), the commission of fraud or theft, or the disruption of normal business operations. The Company relies on its IT systems, retail point of sale and inventory management systems, networks and backup systems, and those of its external service providers, such as communication carriers and data providers, to process transactions (including online transactions), manage inventory, report financial results and manage its business. A malfunction of IT systems or a cybersecurity violation, could adversely impact Baby Bunting's ability to trade and to meet the needs of its customers. Unauthorised disclosure of, or unauthorised access to, personal information under the control of the Company could have an adverse effect on the Company's reputation and ultimately the Company's financial performance.	The Company has a continuing focus on IT systems and security, with the aim of ensuring that the IT systems are available to support the Company's operations and that steps are being taken to protect against adverse IT and cyber related events. Investments in team, security systems and processes continue to be made. IT infrastructure and data assets have been migrated to an external data centre and the Company remains focused on constantly improving its ability to prepare and respond to a cyber attack or other adverse event. The Company also has systems and processes in place designed to appropriately use and secure customers' personal information.
Regulatory compliance	Baby Bunting is subject to government laws and regulations, including competition and consumer laws and trade, taxation and workplace health and safety laws. Many of the products sold in Baby Bunting's stores or online must comply with mandatory product safety standards. In addition, products Baby Bunting sells must comply with general product safety requirements under applicable law and also meet the expectations of our consumers. Failure to do so may require the Company to, among other things, undertake a recall of products or other actions. This may adversely affect the Company's reputation and performance and result in significant financial penalties.	The Company has procedures to assess compliance issues of the products that it supplies, as well as procedures to respond to and investigate reports of product safety incidents that it receives. Investments in the Company's quality assurance and compliance team and equipment continue to ensure that product compliance remains a key focus. The Company also engages an external compliance advisory company that performs periodic audits of product compliance and provides training and advice on particular compliance matters.
Business transformation risks	The Company has a plan to continue making investments in new technology systems, including core system enhancements and other technology projects. The Company is also undertaking a range of business transformation projects. A failure to implement technology changes effectively or to manage and complete projects successfully could have an adverse effect on the Company's financial performance where new technology or projects cost more, take more time to implement and/or fail to achieve anticipated business benefits.	The Company seeks to manage this risk through appropriate project governance, management and resourcing.

Risk	Description	Mitigation
Property roll-out risks	The Company's new store roll-out strategy depends upon securing properties that meet the Company's rigorous selection criteria, at financially viable rents. A failure to secure appropriate sites could impact the Company's financial performance and position. As the Company's stores are leased the ability to continue in a store is subject to negotiation at the end of each lease term. Restrictions on movement between states and territories and within cities or regions, as occurred during the recent COVID-19 pandemic years, can disrupt store site selection and new store development activities. To the extent these restrictions are ongoing, the Company's store roll-out activities may be temporarily delayed. Additionally, increases in materials and labour in the construction industry (occurring due to the disruption caused by COVID-19 and global factors) may lead to increases in store development costs.	The Company actively manages its property portfolio to ensure appropriate sites continue to be available for its stores. The Company has a Group Property Leasing Manager who builds and maintains relationships with landlords and focuses on new market opportunities.
Environmental, social and governance (ESG) responsibility	The Company's stakeholders (customers, suppliers, team members and shareholders) have expectations for Baby Bunting on a range of environmental, social and governance matters. A failure to acknowledge and adequately address these expectations over time could negatively impact the Company's reputation and profitability.	Baby Bunting has adopted a sustainability strategy and commenced reporting on its approach to ESG matters in its Sustainability Report. Baby Bunting also discloses the manner in which it seeks to eliminate the risk of modern slavery in its operations and supply chain in its Modern Slavery Statement.

5. Significant changes in the state of affairs in FY2022

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

6. Matters subsequent to the end of the financial year

Apart from the determination to pay a final dividend in respect of the financial year ended 26 June 2022, no matter or circumstance has arisen since the end of the financial year which has not been dealt with in this Directors' Report or the Financial Report, and which has significantly affected, or may significantly affect:

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

7. Dividends

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

Dividend	$'000
Final dividend in respect of the financial year ended 27 June 2021 (8.3 cents per share fully franked)	**10,772**
Interim dividend in respect of the half year ended 26 December 2021 (6.6 cents per share fully franked)	**8,740**

The Board has determined to pay a final dividend in respect of the financial year ended 26 June 2022 of 9.0 cents per share.

This dividend is franked to 100% at the 30% corporate income tax rate. The record date for this final dividend is 26 August 2022 and the dividend payment date is 9 September 2022. The final dividend of 9.0 cents per share, when combined with the interim dividend of 6.6 cents per share, represents a payout ratio of approximately 70% of the full year pro forma NPAT.

8. Directors

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

Director	Position	Date appointed	Date retired
Melanie Wilson	Chair (from 5 October 2021)	15 February 2016	–
Ian Cornell	Chair (from 21 November 2016)	1 January 2015	5 October 2021
Matt Spencer	CEO and Managing Director	23 April 2012*	–
Gary Levin	Non-executive Director	25 August 2014	–
Donna Player	Non-executive Director	16 January 2017	–
Gary Kent	Non-executive Director	12 December 2018	–
Francine Ereira	Non-executive Director	1 September 2021	–
Stephen Roche	Non-executive Director	1 September 2021	–

* Matt Spencer joined the Company in February 2012 as CEO. He was appointed a Director on 23 April 2012.

Details of the qualifications, experience and special responsibilities of each current director are set out on pages 20 and 21 of the Annual Report.

9. Meetings of Directors and Board Committees

The number of meetings of the Board and each Board Committee held during the period ended 26 June 2022 are set out below. All directors are invited to attend Board Committee meetings and most Board Committee meetings are attended by all directors. However, only attendance by directors who are members of the relevant Board Committee is shown in the table below.

	Meetings of directors		Audit and Risk Committee		Remuneration and Nomination Committee	
Director	Attended	Held	Attended	Held	Attended	Held
Melanie Wilson	11	11	2	2	4	4
Ian Cornell	3	3	–	–	1	1
Matt Spencer	11	11	–	–	–	–
Gary Levin	11	11	6	6	–	–
Donna Player	11	11	–	–	4	4
Gary Kent	11	11	6	6	2	2
Francine Ereira	9	9	–	–	2	2
Stephen Roche	9	9	4	4	–	–

Attended = Number of meetings attended by the director.

Held = Number of meetings held during the time the director held office or was a member of the committee during the year.

Ian Cornell retired as a director on 5 October 2021.

10. Directors' relevant interest in shares

The following table sets out the relevant interests that each director has in the Company's ordinary shares or other securities as at the date of this Directors' Report.

Director	Ordinary shares	Performance rights
Melanie Wilson	30,000	Nil
Matt Spencer	1,227,589	1,198,000
Gary Levin	150,000	Nil
Donna Player	36,000	Nil
Gary Kent	24,000	Nil
Francine Ereira	4,110	Nil
Stephen Roche	35,000	Nil

11. Company secretaries

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

Darin Hoekman, the Company's Chief Financial Officer, is also a company secretary having been appointed in January 2014. Darin is a Chartered Accountant and holds a Bachelor of Commerce.

12. Details of performance rights

The CEO and Managing Director was the only Director eligible to participate in the Company's long term incentive plan (LTI Plan). Further details of the LTI Plan are set out on pages 63 to 70 of the Remuneration Report. Each performance right entitles the holder to receive one fully paid share in the Company, subject to the satisfaction of the applicable performance conditions.

During the financial year, the Company granted 1,375,000 performance rights under the LTI Plan. In addition, 2,504,000 performance rights, along with 564,000 retention rights, vested and were exercised. No performance rights were forfeited in accordance with the rules of the LTI Plan.

All of the performance rights granted during the financial year are subject to performance conditions (see pages 63 and 64 of the Remuneration Report for more details).

Performance right event	Issue price	Number of performance rights
Opening balance (28 June 2021)		8,039,000
Vesting of rights (6 August 2021)	n/a	(530,000)
Vesting of rights (27 October 2021)	n/a	(2,504,000)
Grant of rights under the LTIP Plan – FY2021 to FY2024 award (23 November 2021)	nil	1,375,000
Vesting rights (21 April 2022)		(34,000)
Closing balance		6,346,000

13. Details of options

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

14. Remuneration Report

The Remuneration Report, which forms part of this Directors' Report, is presented separately from page 55.

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

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

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

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

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

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

16. Proceedings on behalf of the Company

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

17. Environmental regulation

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

18. Non-audit services

The Company may decide to employ its external auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditor (Ernst & Young) for audit and assurance services ($191,400) (FY2021: $173,400) and for non-audit services ($30,435) (FY2021: $26,624) provided during the year are set out in the Financial Statements (at Note 30). The major element of non-audit services during the year related to taxation services.

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

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

19. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is attached to this Directors' Report on page 77.

20. Rounding of amounts

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

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

On behalf of the Directors

Melanie Wilson
Chair
12 August 2022

Remuneration report

The Remuneration Report sets out remuneration information for the Company's Non-executive Directors and other key management personnel (disclosed executives) for the year ended 26 June 2022. The information provided in this Remuneration Report (other than in section 3.1 and the pro forma NPAT figures at the end of section 6.3.4) has been audited as required by section 308(3C) of the Corporations Act 2001.

1. Key management personnel

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

Non-executive Directors	
Melanie Wilson	Non-executive Director
Gary Levin	Non-executive Director
Donna Player	Non-executive Director
Gary Kent	Non-executive Director
Francine Ereira (appointed 1 September 2021)	Non-executive Director
Stephen Roche (appointed 1 September 2021)	Non-executive Director
Former Non-executive Director	
Ian Cornell (retired 5 October 2021)	Non-executive Director
Disclosed executives	
Matt Spencer	CEO and Managing Director
Darin Hoekman	Chief Financial Officer

2. Remuneration governance

Ultimately, the Board is responsible for the Company's remuneration policy and practices. To assist the Board with this, it has established the Remuneration and Nomination Committee (Committee). The Committee's role is to review and make recommendations to the Board on remuneration policies and practices and to ensure that the remuneration policies and practices are consistent with the strategic goal of the Board to build and deliver value to shareholders over the long term.

A copy of the Committee's Charter is available at babybunting.com.au/investor. It sets out further details of the Committee's specific responsibilities and functions.

Details of the composition of the Committee and the meetings held during the year are set out on page 51 of the Directors' Report.

3. Remuneration outcomes for FY22

3.1. Realised remuneration received

This section 3.1 has been included in the Remuneration Report to show the "realised" remuneration of the disclosed executives.

The table in this section 3.1 supplements, and is different to, the statutory remuneration tables (see section 8) which presents the accounting expenses for both vested and unvested performance rights in accordance with Australian Accounting Standards.

The table shows the remuneration the CEO and Managing Director and the Chief Financial Officer realised in relation to the 2022 financial year as cash, or in the case of prior equity awards, the value which vested in 2022. The value of equity awards uses a point in time share price; in this case $5.85 per share and $5.95 per share (as described below). Whether a disclosed executive receives that value in cash, depends on the share price at the time at which any share is sold. The Company's share price at the end of the financial year was $4.14.

		Fixed remun-eration[1] $	STI variable cash remun-eration[2] $	LTI linked remun-eration[3] $	Total cash $	Long term incentives which vested during the year[4] $	Other shares benefits[5] $	Realised remun-eration received $	Long term incentives which lapsed/ forfeited during the year $
Disclosed executives									
Matt Spencer	2022	607,793	–	–	**607,793**	3,510,000	–	**4,117,793**	–
	2021	581,754	214,610	1,033,325	**1,829,689**	2,311,075	–	**4,140,764**	–
Darin Hoekman	2022	433,426	–	–	**433,426**	3,321,750	–	**3,755,176**	–
	2021	411,675	150,840	411,909	**974,424**	974,692	999	**1,950,115**	–

The point in time value of previously deferred remuneration granted as performance rights is based on the closing price of the Company's shares traded on the ASX on the date of issue of shares following the exercise of the rights or lapsing/forfeiture multiplied by the number of rights.

For FY2022, the closing share price on 27 October 2021 was $5.85; being the date of issue of shares in respect of the performance rights that vested during the year.

The closing share price on 6 August 2021 was $5.95; being the date of issue of shares upon vesting of the retention rights.

1. Fixed remuneration includes superannuation contributions.
2. As the performance conditions were not satisfied, no payment will be made under the FY2022 STI plan (see section 6.2 below).
3. During FY2021, LTI linked remuneration represents cash payments made in December 2020 in connection with the long term incentive payments related to EPS rights (FY2016 to FY2020) (see section 3.4 of the 2021 Remuneration Report).
4. During FY2022, the vested performance rights were the performance rights granted under the FY2018 to FY2021 award that were assessed against a TSR CAGR performance condition and an EPS CAGR performance condition (600,000 rights for Matt Spencer and 400,000 rights for Darin Hoekman). The closing share price of $5.85 has been used for this purpose. In respect of Darin Hoekman only, they also include 165,000 retention rights that vested and were exercised, with new shares issued, in August 2021. The closing share price of $5.95 has been used for this purpose.

   During FY2021, the vested performance rights were the performance rights granted under the FY2016 to FY2020 award that were assessed against the TSR CAGR performance condition.
5. Other share benefits relate to shares provided under the General Employee Share Plan and are valued using that acquisition price under that plan.

3.2. FY2022 fixed remuneration – disclosed executives

The remuneration of disclosed executives is reviewed by the Board annually, with any changes to take effect in September.

Having regard to the uncertainty associated with COVID-19 related lockdowns that were in effect in August and September 2021, the Board determined at that time that it was appropriate that the fixed remuneration of the CEO and Managing Director and the Chief Financial Officer remain unchanged.

In February 2022, the Board reviewed this position having regard to the Company's financial performance and the market conditions prevailing at that time. Following this review the Board identified that the base remuneration paid to the CEO and Managing Director and Chief Financial Officer was substantially below the median of a comparable group of ASX-listed retail companies. Data on comparator group of companies was taken from remuneration disclosures made for the 2021 financial year.

Noting that their base remuneration was last varied with effect in September 2020 and having regard to the differences between their fixed rate of pay and the comparator group, the Board determined to increase the fixed remuneration of the CEO and Managing Director and the Chief Financial Officer by 10%. These changes took effect on 1 February 2022.

3.3. FY2022 short term incentive payments

The Company's short term incentive plan operated again for the 2022 financial year. For the 2022 financial year, pro forma NPAT growth was 13.6%. The "threshold" growth target level for short term incentive payments was set at 10% pro forma NPAT year-on-year inclusive of the costs of any short term incentive payments. While the headline pro forma NPAT growth was above this level, allowing for potential STI payments results in the threshold growth target level not being achieved. Therefore, no STI payments were awarded under the plan for FY2022.

See Section 6.2 for further details.

3.4. FY2018 to FY2021 performance rights – vesting of TSR rights and EPS rights

On 27 October 2021, the Company issued a total of 2,504,000 ordinary shares to eligible participants in the Company's Long Term Incentive Plan upon vesting of the TSR Rights and EPS Rights that had been provided under the FY2018 to FY2021 grant.

The CEO and Managing Director received 600,000 shares and the Chief Financial Officer received 400,000 shares. These rights vested following satisfaction of the TSR compound annual growth performance hurdle and the EPS compound annual growth performance hurdle.

The TSR compound annual growth rate of the Company's total shareholder return in the period from 30 September 2018 to the end of the 2021 VWAP period (ie 1 July 2021 to 30 September 2021) was 39.3% (including dividends reinvested). The EPS compound annual growth rate of the Company's earnings per share from the end of FY2018 to the end of FY2021 was 38.3%. As these levels exceeded 20%, all of the available TSR Rights and EPS Rights vested.

3.5. Vesting of retention rights

As disclosed in the 2021 Remuneration Report, after the end of the 2021 financial year, in July 2021, the Board assessed the conditions attached to the retention rights and determined that the vesting conditions had been satisfied and 530,000 rights vested in July 2021, with 165,000 rights received by the Chief Financial Officer. Those rights were exercised by the six participants and 530,000 ordinary shares were issued in early August 2021 (the CEO and Managing Director did not receive any retention rights).

In March 2022, a further 34,000 retention rights held by one participant, vested and 34,000 ordinary shares were issued on 21 April 2022.

There are no retention rights outstanding.

See Section 6.3.5 for further information on the retention rights.

3.6. Grant of performance rights (FY2021 to FY2024 grant)

Following shareholder approval at the 2021 AGM, the Company granted the CEO and Managing Director, 185,000 performance rights under the FY2021 to FY2024 grant. Approval for the grant was obtained under ASX Listing Rule 10.14. An additional 1,190,000 performance rights were granted on the same terms to eleven other executives (including the Chief Financial Officer who was granted 175,000) participating in the Company's Long Term Incentive Plan.

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

3.7. 7th Employee Share Plan Gift Offer

The Company conducted its 7th Employee Share Plan Gift Offer in October 2021 and provided over 760 team members $1,000 of Baby Bunting shares. The Company has operated this gift share program for each year since its IPO in 2015 and as a result around 50% of team members are shareholders. See Section 6.4 below.

4. Key developments and future changes

4.1. Achieving a reduced proportion of performance rights

Over the last few years, the Board has been adjusting the mix of executive remuneration to reduce the proportion of "at-risk" remuneration represented by long term incentives. At the end of the 2022 financial year, the number of rights outstanding represents approximately 4.8% of the Company's issued capital.

There are currently 2,311,000 rights outstanding in respect of the FY2019 to FY2022 grant. The Board will assess whether these rights have satisfied the relevant performance hurdles in October 2022, after which time these rights will either be exercised or lapse.

When determining the number of rights to be granted for an award with a three year performance period, the Board's policy is to ensure that number of rights is generally equivalent to around 1.0% of the Company's issued capital. The rights are then allocated among participants having regard to the participant's performance, incentive and retention considerations and the mix of the participant's remuneration.

The Board intends to grant up to approximately 1.375 million rights in respect of the FY2022 to FY2025 period (see 4.3 below).

Assuming these rights are granted and noting that the rights outstanding in relation to the FY2019 to FY2022 grant will cease to exist in October 2022, the number of rights outstanding is expected to be at or below 4.0% of the Company's issued capital. This number is expected to reduce further in future years.

Participants in the Company's Long Term Incentive Plan are still provided with a substantial incentive, noting the appreciation in the Company's share price since the introduction of the plan and the potential value that each right represents.

4.2. FY2023 short term incentive plan

The FY2023 short-term incentive plan will operate on a similar basis to the prior years: there will be no eligibility to receive any payments until the Board's earnings growth target has been achieved and the participant has achieved satisfactory ratings in respect of their performance and values.

4.3. Long term incentive plan – FY2022 to FY2025 grant

The Board intends to grant the CEO and Managing Director performance rights, subject to approval by shareholders at the 2022 AGM. In addition, a further 11 executives (including the Chief Financial Officer) will participate in the proposed grant, with the total number of rights to be granted not exceeding 1.375 million rights.

The number of rights to be granted to the CEO and Managing Director and Chief Financial Officer have not been determined at the time of finalising this Remuneration Report. However, it is anticipated that the terms of any grant will be generally similar to the grant made last year (the FY2021 to FY2024 grant – see section 6.3.1 below).

5. Relationship between remuneration and the Company's performance

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

	2018	2019[1]	2020	2021[2]	2022	Growth in 2022	CAGR last 5 years
EBITDA (statutory) $'000	17,549	46,281	46,119	56,833	67,052	18%	40%
Net profit after tax (statutory) $'000	8,686	11,646	9,986	17,039	19,521	15%	22%
Net profit after tax (pro forma) $'000	9,607	14,388	19,291	26,031	29,573	14%	32%
Dividends per share – ordinary (cents)	5.3	8.4	10.5	14.1	15.6	11%	31%
Basic earnings per share (cents) (statutory)	6.9	9.2	7.8	13.2	14.9	12%	21%
Earnings per share (cents) (pro forma)	7.6	11.4	15.2	20.2	22.5	11%	31%
Share price at the end of the financial year	$1.36	$2.16	$3.30	$5.42	$4.14	-24%	32%

1. At the end of FY2020, the results for FY2019 were restated to reflect the full retrospective adoption of the lease accounting standard AASB 16. Refer to Note 2(x) in the Financial Report for the year ended 28 June 2020.
2. At the end of FY2022, the results for FY2021 were restated to reflect changes in the accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements. Refer to Note 2(aa) for detailed information on restatement of comparatives in the Financial Report for the year ended 26 June 2022.

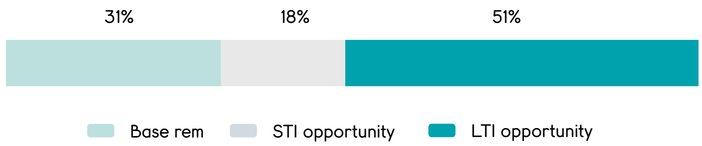
6. Remuneration policy and practices

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

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

For disclosed executives, the Board has a philosophy of supporting a smaller proportion of fixed remuneration (relative to comparable ASX companies) and a large proportion of "at-risk" remuneration. A focus over the last few years has been to progressively adjust the overall remuneration mix towards an increased proportion of fixed pay aligned to other comparable ASX companies). However, "at-risk" remuneration will continue to represent a significant proportion of an executive's remuneration mix.

For FY2022, the target remuneration mix for the CEO and Managing Director can be represented below:



For FY2022, the target remuneration mix for the Chief Financial Officer can be represented as set out below:

These representations use the amount of base remuneration (including superannuation) as at 1 February 2022 (being the date at which the base remuneration amount was most recently reviewed – noting that the usual review in September 2021 was deferred to enable an assessment of the impact of the ongoing COVID-19 pandemic). STI opportunity is calculated by reference to the maximum STI amount available (being 60% of base remuneration). Noting that for FY2022, no STI amount is payable to the CEO and Managing Director and the Chief Financial Officer (for the reasons described in section 6.2 below). The LTI opportunity is the number of share rights granted in November 2021 multiplied by the Company's share price on the date of grant (being $5.80).

6.1. Fixed remuneration

Fixed remuneration for employees is determined according to industry standards, relevant laws, labour market conditions and the profitability of the Company. It consists of base remuneration and superannuation. Base remuneration includes cash salary and any salary sacrifice items.

The Company provides employer superannuation contributions at Government legislated rates, capped at the relevant contribution limit unless part of a salary sacrifice election by an employee.

Fixed remuneration is reviewed annually and adjusted where appropriate. There is no guaranteed or automatic entitlement to an increase in fixed remuneration (other than to comply with any applicable legal requirements).

6.2. Short term incentives

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

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

Gateway for short term incentive payments for FY2022

For participants to become eligible to receive a payment under the STI plans in FY2022, there were the following gateways:

- the participant's performance evaluation rating for the year must exceed an acceptable rating for both performance and values, as assessed by the participant's manager or, in the case of the CEO and Managing Director, the Board; and
- the Company's pro forma NPAT (inclusive of payments to be made under the STI plans) must be at least 10% higher than the prior year (this is known as "threshold" growth).

Potential STI payments for FY2022

For FY2022, the CEO and Managing Director and the Chief Financial Officer had the opportunity to earn a maximum short term incentive payment of an amount equal to 60% of their base remuneration. At "threshold" growth, the opportunity was equal to 30% of base remuneration. Where pro forma NPAT growth exceeds "threshold" growth of 10%, the potential STI payment increases on a scale up to 60% of base remuneration. This scaling is to encourage and reward performance in achieving extraordinary NPAT growth.

Performance conditions and determining the potential STI benefits for FY2022

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

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

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

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

	Minimum potential STI	Maximum potential STI	Potential STI for FY2022
	If pro forma NPAT growth of 10% is achieved	**If pro forma NPAT growth of 30% is achieved**	**Pro forma NPAT growth of below 10% (after allowing for STI payments)**
Achievement of pro forma NPAT condition	21% of base remuneration becomes payable	42% of base remuneration becomes payable	0% of base remuneration becomes payable
Achievement of all additional performance criteria (KPIs)	9% of base remuneration becomes payable	18% of base remuneration becomes payable	0% of base remuneration becomes payable
Total STI potential STI payment	30% of base remuneration	60% of base remuneration	0% of base remuneration

The pro forma NPAT growth against the prior year was 13.6%. However, allowing for potential STI payments to all participants (not just the disclosed executives), this amount falls below the "threshold" growth target level. Accordingly, no STI payments were awarded under the plan for FY2022.

The additional performance criteria that applied to the disclosed executives for FY2022 were:

Disclosed executives	Additional criteria	Comment
Matt Spencer and Darin Hoekman		
KPI #1	Achievement of Net Promoter Score performance and Lost Time Injury Frequency Rate (LTIFR)	This was achieved as NPS finished the year at 72 and the LTIFR was 8.44.
KPI #2	New Zealand operations commenced in country	This was not achieved during FY2022. The first store in Auckland opens in August 2022. COVID-19 travel restrictions impacted store opening activities in FY2022.
KPI #3	Cost of Doing Business expense ratios to be below a targeted level	This was achieved.
KPI #4	Supply chain and fulfilment strategy matters (not disclosed due to commercial sensitivities)	Further work on this matter continues into FY2023.
Matt Spencer (alone)		
KPI #5	Range expansion initiatives (not disclosed due to commercial sensitivities)	Further work on this matter continues into FY2023.
KPI #6	Senior leadership team career planning and development initiatives (not disclosed due to commercial sensitivities)	This was achieved.
Darin Hoekman (alone)		
KPI #5	Execution of property pipeline activities for FY23 and beyond (not disclosed due to commercial sensitivities)	This was achieved.
KPI #6	Improvement in the Company's cyber-security posture	This was achieved. The focus on cyber-security remains ongoing with continuing efforts to maintain and enhance our cyber-security posture.

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

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

For the disclosed executives, 100% of the potential STI payment was forfeited.

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

6.3. Long term incentives

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

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

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

The conditions are measured on an absolute basis – that is, growth is measured having regard to the Company's earnings or share price from a prior period. The Board considers this to be appropriate given the current stage of the Company's development and the desire to ensure that management seek sustainable and profitable growth. On this basis, rewards to participating executives are firmly linked to the performance of the Company.

During the 2022 financial year, a single grant was made under the LTI Plan and details of that grant are provided in Section 6.3.1.

Information on grants made in previous years that remain outstanding are also contained in this section. As at 26 June 2022, the number of performance rights outstanding was:

Long Term Incentive Plan grant	EPS Rights	TSR Rights
Performance rights		
FY2019 to FY2022 grant	1,155,500	1,155,500
FY2020 to FY2023 grant	1,330,000	1,330,000
FY2021 to FY2024 grant	550,000	825,000

The Board will determine in October 2022 whether the FY2019 to FY2022 grant of EPS Rights and TSR Rights have vested having regard to the compound annual growth rate in EPS and TSR.

6.3.1 FY2021 to FY2024 performance rights grant

During the 2022 financial year, the Board made a grant under the Long Term Incentive Plan for the period FY2021 to FY2024. This grant is referred to as the FY2021 to FY2024 grant.

Under this grant, the Board granted 1,375,000 performance rights (in total) to the CEO and Managing Director, the Chief Financial Officer and ten other participating executives. The grant to the CEO and Managing Director was approved by shareholders at the Company's 2021 AGM.

The FY2021 to FY2024 grant is the first grant under the Long Term Incentive Plan where the EPS performance condition will be assessed having regard to a pro forma NPAT calculation that includes the statutory employee equity incentive expense and uses a denominator that is the average weighted number of ordinary shares on issue for the period. This change was foreshadowed in the 2021 Remuneration Report.

Terms and conditions of the FY2021 to FY2024 performance rights grant

Performance conditions and performance periods	The number of rights that vest will be determined by reference to two performance conditions: • earnings per share (EPS) growth; and • total shareholder return (TSR) growth. Forty percent of the rights granted are subject to the EPS growth performance condition (EPS Rights). Sixty percent of the rights granted are subject to the TSR growth condition (TSR Rights). Both of these conditions are expressed as a compound annual growth rate (CAGR) percentage.	
EPS growth performance condition	The EPS growth performance condition is a measure of the compound annual growth rate in the Company's EPS measured over the relevant performance period. EPS growth will be measured as the annual compound percentage increase in the Company's EPS from a base level of pro forma EPS in FY2021 (being 14.1 cents per share). This base level EPS was calculated by dividing the Company's pro forma NPAT for the financial year ended 27 June 2021 (excluding any unusual items but including the statutory employee equity incentive expense) by the average weighted number of ordinary shares on issue for the 2021 financial year.	
TSR growth performance condition	Broadly, TSR is a measure of the increase in the Company's share price (assuming dividends are reinvested). The TSR growth performance condition is a measure of the compound annual growth of the Company's TSR measured over the relevant performance period with $5.55 used as the base level. (This number was the volume weighted average price of the Company's shares on ASX in the period 1 July 2021 to 30 September 2021). The compound annual growth rate in the Company's TSR is measured at the end of the relevant performance period, having regard to the volume weighted average sale price on ASX of the Company's shares (as determined by the Board) in the period from 1 July to 30 September 2024 (inclusive) or such other period as the Board considers appropriate.	
Performance periods	The performance period ends after the conclusion of FY2024. If a performance right does not vest at the end of this performance period it lapses. There is no retesting.	
Vesting schedule	• 30% of the EPS Rights will vest if the minimum EPS growth hurdle condition of 10% EPS CAGR is achieved; • 100% of the EPS Rights will vest if the EPS growth hurdle of 20% EPS CAGR is achieved; and • if the EPS CAGR is within the range of 10% to 20% EPS CAGR, the number of EPS Rights that will vest will be pro-rated on a straight-line basis for between 30% and 100% of the EPS Rights	• 30% of the TSR Rights will vest if the minimum TSR growth hurdle condition of 10% TSR CAGR is achieved; • 100% of the TSR Rights will vest if the TSR growth hurdle of 20% TSR CAGR is achieved; and • if the TSR CAGR is within the range of 10% to 20% TSR CAGR, the number of TSR Rights that will vest will be pro-rated on a straight-line basis for between 30% and 100% of the TSR Rights.
Post-vesting disposal restriction	Once the performance right has vested, the participant will have two years in which to exercise the vested right and be provided with a share. To ensure ongoing alignment with shareholders, half of any shares that are issued to a participant upon vesting and exercise of a right will be subject to a 12 months disposal restriction.	

6.3.2 FY2020 to FY2023 performance rights grant (historical)

During the 2021 financial year, the Board made a grant under the Long Term Incentive Plan for the period FY2020 to FY2023. This grant is referred to as the FY2020 to FY2023 grant.

Under this grant, the Board granted 2,660,000 performance rights (in total) to the CEO and Managing Director, the Chief Financial Officer and ten other participating executives. The grant to the CEO and Managing Director was approved by shareholders at the Company's 2020 AGM.

Terms and conditions of the FY2020 to FY2023 performance rights grant

Performance conditions and performance periods	The number of rights that vest will be determined by reference to two performance conditions: • earnings per share (EPS) growth; and • total shareholder return (TSR) growth. Half of the rights granted are subject to the EPS growth performance condition (EPS Rights). The other half of the rights granted are subject to the TSR growth condition (TSR Rights). Both of these conditions are expressed as a compound annual growth rate (CAGR) percentage.	
EPS growth performance condition	The EPS growth performance condition is a measure of the compound annual growth rate in the Company's EPS measured over the relevant performance period. EPS growth will be measured as the annual compound percentage increase in the Company's EPS from a base level of pro forma EPS in FY2020 (being 15.2 cents per share). This base level EPS was calculated by dividing the Company's pro forma NPAT for the financial year ended 28 June 2020 (excluding the expense of the LTI Plan recognised in the Company's statutory financial statements and any unusual items) by the number of shares on issue as at 28 June 2020.	
TSR growth performance condition	Broadly, TSR is a measure of the increase in the Company's share price (assuming dividends are reinvested). The TSR growth performance condition is a measure of the compound annual growth of the Company's TSR measured over the relevant performance period with $4.09 used as the base level. (This number was the volume weighted average price of the Company's shares on ASX in the period 1 July 2020 to 30 September 2020). The compound annual growth rate in the Company's TSR is measured at the end of the relevant performance period, having regard to the volume weighted average sale price on ASX of the Company's shares (as determined by the Board) in the period from 1 July to 30 September 2023 (inclusive) or such other period as the Board considers appropriate.	
Performance periods	The performance period ends after the conclusion of FY2023. If a performance right does not vest at the end of this performance period it lapses. There is no retesting.	
Vesting schedule	• 30% of the EPS Rights will vest if the minimum EPS growth hurdle condition of 10% EPS CAGR is achieved; • 100% of the EPS Rights will vest if the EPS growth hurdle of 20% EPS CAGR is achieved; and • if the EPS CAGR is within the range of 10% to 20% EPS CAGR, the number of EPS Rights that will vest will be pro-rated on a straight-line basis for between 30% and 100% of the EPS Rights.	• 30% of the TSR Rights will vest if the minimum TSR growth hurdle condition of 10% TSR CAGR is achieved; • 100% of the TSR Rights will vest if the TSR growth hurdle of 20% TSR CAGR is achieved; and • if the TSR CAGR is within the range of 10% to 20% TSR CAGR, the number of TSR Rights that will vest will be pro-rated on a straight-line basis for between 30% and 100% of the TSR Rights.

Post-vesting disposal restriction	Once the performance right has vested, the participant will have two years in which to exercise the vested right and be provided with a share. To ensure ongoing alignment with shareholders, any shares that are issued to a participant upon vesting and exercise of a right will be subject to a 12 months disposal restriction.

6.3.3 FY2019 to FY2022 performance rights grant (historical)

During the 2020 financial year, the Board made a grant under the Long Term Incentive Plan for the period FY2019 to FY2022. This grant is referred to as the FY2019 to FY2022 grant.

Under this grant, the Board granted 2,311,000 performance rights (in total) to the CEO and Managing Director, the Chief Financial Officer and six other participating executives. The grant to the CEO and Managing Director was approved by shareholders at the Company's 2019 AGM.

Terms and conditions of the FY2019 to FY2022 performance rights grant

Performance conditions and performance periods	The number of rights that vest will be determined by reference to two performance conditions: • earnings per share (EPS) growth; and • total shareholder return (TSR) growth. Half of the rights granted are subject to the EPS growth performance condition (EPS Rights). The other half of the rights granted are subject to the TSR growth condition (TSR Rights). Both of these conditions are expressed as a compound annual growth rate (CAGR) percentage.
EPS growth performance condition	The EPS growth performance condition is a measure of the compound annual growth rate in the Company's EPS measured over the relevant performance period. EPS growth will be measured as the annual compound percentage increase in the Company's EPS (calculated before the application of AASB 16) from a base level of pro forma EPS in FY2019 (being 12.0 cents per share – calculated before the application of AASB 16). This base level EPS was calculated by dividing the Company's pro forma NPAT for the financial year ended 30 June 2019 (excluding the expense of the LTI Plan recognised in the Company's statutory financial statements and any unusual items) by the number of shares on issue as at 30 June 2019.
TSR growth performance condition	Broadly, TSR is a measure of the increase in the Company's share price (assuming dividends are reinvested). The TSR growth performance condition is a measure of the compound annual growth of the Company's TSR measured over the relevant performance period with $2.95 used as the base level. (This number was the volume weighted average price of the Company's shares on ASX in the period 1 July 2019 to 30 September 2019). The compound annual growth rate in the Company's TSR is measured at the end of the relevant performance period, having regard to the volume weighted average sale price on ASX of the Company's shares (as determined by the Board) in the period from 1 July to 30 September 2022 (inclusive) or such other period as the Board considers appropriate.
Performance periods	The performance period ends after the conclusion of FY2022. If a performance right does not vest at the end of this performance period it lapses. There is no retesting.

Vesting schedule	• 30% of the EPS Rights will vest if the minimum EPS growth hurdle condition of 10% EPS CAGR is achieved; • 100% of the EPS Rights will vest if the EPS growth hurdle of 20% EPS CAGR is achieved; and • if the EPS CAGR is within the range of 10% to 20% EPS CAGR, the number of EPS Rights that will vest will be pro-rated on a straight- line basis for between 30% and 100% of the EPS Rights.	• 30% of the TSR Rights will vest if the minimum TSR growth hurdle condition of 10% TSR CAGR is achieved; • 100% of the TSR Rights will vest if the TSR growth hurdle of 20% TSR CAGR is achieved; and • if the TSR CAGR is within the range of 10% to 20% TSR CAGR, the number of TSR Rights that will vest will be pro-rated on a straight- line basis for between 30% and 100% of the TSR Rights.
Post-vesting disposal restriction	Once the performance right has vested, the participant will have two years in which to exercise the vested right and be provided with a share. To ensure ongoing alignment with shareholders, half of any shares that are issued to a participant upon vesting and exercise of a right will be subject to a 12 months disposal restriction.	

6.3.4 FY2018 to FY2021 performance rights grant (historical)

During the 2019 financial year, the Board made a grant under the Long Term Incentive Plan for the period FY2018 to FY2021. This grant is referred to as the FY2018 to FY2021 grant.

Under this grant, the Board granted 2,704,000 performance rights (in total) to the CEO and Managing Director, the Chief Financial Officer and seven other participating executives (200,000 rights lapsed in a prior year). The grant to the CEO and Managing Director was approved by shareholders at the Company's 2018 AGM.

Terms and conditions of the FY2018 to FY2021 performance rights grant

Performance conditions and performance periods	The number of rights that vest will be determined by reference to two performance conditions: • earnings per share (EPS) growth; and • total shareholder return (TSR) growth. Half of the rights granted are subject to the EPS growth performance condition (EPS Rights). The other half of the rights granted are subject to the TSR growth condition (TSR Rights). Both of these conditions are expressed as a compound annual growth rate (CAGR) percentage.
EPS growth performance condition	The EPS growth performance condition is a measure of the compound annual growth rate in the Company's EPS measured over the relevant performance period. EPS growth will be measured as the annual compound percentage increase in the Company's EPS (calculated before the application of AASB 16) from a base level of 7.6 cents per share. This base level EPS was calculated by dividing the Company's pro forma NPAT (calculated before the application of AASB 16) for the financial year ended 24 June 2018 (excluding the expense of the LTI Plan recognised in the Company's statutory financial statements and any unusual items) by the number of shares on issue as at 24 June 2018.

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TSR growth performance condition	Broadly, TSR is a measure of the increase in the Company's share price (assuming dividends are reinvested). The TSR growth performance condition is a measure of the compound annual growth of the Company's TSR measured over the relevant performance period with $2.22 used as the base level. (This number was the volume weighted average price of the Company's shares on ASX in the period 1 July 2018 to 30 September 2018). The compound annual growth rate in the Company's TSR is measured at the end of the relevant performance period, having regard to the volume weighted average sale price on ASX of the Company's shares (as determined by the Board) in the period from 1 July to 30 September 2021 (inclusive) or such other period as the Board considers appropriate.	
Performance periods	The performance period ends after the conclusion of FY2021. If a performance right does not vest at the end of this performance period it lapses. There is no retesting.	
Vesting schedule	• 30% of the EPS Rights will vest if the minimum EPS growth hurdle condition of 10% EPS CAGR is achieved; • 100% of the EPS Rights will vest if the EPS growth hurdle of 25% EPS CAGR is achieved; and • if the EPS CAGR is within the range of 10% to 25% EPS CAGR, the number of EPS Rights that will vest will be pro-rated on a straight-line basis for between 30% and 100% of the EPS Rights.	• 30% of the TSR Rights will vest if the minimum TSR growth hurdle condition of 10% TSR CAGR is achieved; • 100% of the TSR Rights will vest if the TSR growth hurdle of 20% TSR CAGR is achieved; and • if the TSR CAGR is within the range of 10% to 20% TSR CAGR, the number of TSR Rights that will vest will be pro-rated on a straight-line basis for between 30% and 100% of the TSR Rights.

LTI outcomes to date under the FY2018 to FY2021 grant

In October 2021, the outstanding rights in relation to the FY2018 to FY2021 grant were assessed by the Board. As the performance conditions had been satisfied, the rights vested and were exercised and 2,504,000 new ordinary shares were issued in October 2021.

Details of the assessment is below.

TSR performance rights

The TSR compound annual growth rate for the FY2018 to FY2021 grant TSR rights (being 1,252,000 rights) was assessed by reference to volume weighted average sale price on ASX of the Company's shares in the period from 1 July 2021 to 30 September 2021.

On this basis, the total shareholder return compound annual growth rate (including dividends reinvested) over the performance period was 39.3%. At this level, all of the outstanding TSR rights vested and were exercised by participants.

EPS performance rights

For the FY2018 to FY2021 grant, the Board determined that EPS will be determined on the basis of pro forma NPAT for FY2021 and on the basis consistent with that used for reporting of the Company's pro forma NPAT with two exceptions: pro forma NPAT included the $2.400 million settlement payment received from a vendor of certain digital assets (as other income) as well as the cost of the $2.774 million payment being a cash incentive payment relating to certain EPS rights (see Section 3.4 of the 2021 Remuneration Report).

The compound annual growth rate in the Company's EPS measured over the period from the end of the 2018 financial year to the end of 2021 financial year was 38.3%. On this basis, all of the outstanding EPS rights in the FY2018 to FY2021 grant, being 1,252,000 rights, vested and were exercised.

A reconciliation between the EPS for FY2021 as used for the purposes of the Long Term Incentive Plan and statutory EPS is set out below:

	2018 $'000	2021 $'000
Pro forma NPAT	**9,607**	**26,004**
Adjustments to Pro forma NPAT		**NPAT Impact**
Settlement payment		1,607
Cash settled LTI payment		(1,942)
AASB15/16 – impact of accounting changes		684
Adjusted Pro forma NPAT		**26,353**
Shares on issue	125,980,596	129,255,075
Shares to be issued in relation to EPS		1,252,000
Adjusted Shares on issue	**125,980,596**	**130,507,075**
Pro forma EPS	0.0763	0.202
CAGR EPS (on FY18)		**38.3%**

6.3.5 FY2021 retention rights grant (historical)

During the 2019 financial year, the Board made a one-off grant of retention rights to participating eligible executives, including the Chief Financial Officer. At the end of the financial year, there were 564,000 retention rights granted in total. The Chief Financial Officer received 165,000. The CEO and Managing Director was not granted retention rights.

In July 2021, 530,000 retention rights vested and were exercised and 530,000 ordinary shares were subsequently issued. After this time, there were 34,000 outstanding retention rights held by one participant, with a relevant three year testing period that ended in March 2022. The Board determined that the performance condition was satisfied, and 34,000 ordinary shares were issued in April 2022.

There are no outstanding retention rights.

6.4. General comments on rights

Calculation of vesting of EPS Rights

In determining whether an EPS growth hurdle has been met, the Board has regard to the number of shares that are to be newly issued upon vesting of the EPS Rights. This has the effect of taking into account any dilution impact at the time of vesting. While reducing the number of EPS Rights that would otherwise vest, the Board considers this approach preferable as it reflects the dilution impact to shareholders arising where new shares are issued.

For the FY2021 to FY2024 grant, and future grants, the Board will calculate EPS growth for EPS Rights taking account of the employee equity incentive expenses. This is an adjustment from the approach that applied before this time. The Company has always presented its earnings on a pro forma basis, in addition to on a statutory basis. The Directors consider that pro forma earnings are appropriate as they better represent the underlying financial performance of the business. One of the pro forma adjustments applied to show earnings is the exclusion of the non-cash impact of employee equity incentive expenses. While this expense will be excluded from the Company's presentation of pro forma earnings, it will be included in pro forma earnings used to calculate EPS growth in the context of the Company's Long Term Incentive Plan. The change has been chosen to ensure that the measure of EPS growth used has regard to the full impact of the accounting expense of employee equity incentives. This will ensure that earnings calculations for equity incentive purposes have regard to the accounting expense of those equity incentives. The denominator for EPS calculations is the weighted average number of ordinary shares during the year.

Malus and clawback

First introduced for the FY2020 to FY2023 grant, the terms of the Long Term Incentive Plan provide for malus to be applied to unvested awards and for clawback provision to be applied for vested awards. This is to ensure that in the event of serious misconduct or the identification of a serious adverse subsequent event, the relevant participant does not inappropriately benefit in those circumstances.

Treatment on cessation of employment

Upon resignation or in instances where a participant's employment was terminated for cause or as a result of unsatisfactory performance, their unvested rights will lapse. In other circumstances, a person ceasing employment may retain unvested rights with vesting to be tested at the end of the relevant performance period. However, in all cases, the Board has discretion to permit a participant to retain unvested rights, including a discretion to reduce the number of retained unvested rights to reflect the part of the performance period for which the participant was employed. Shareholder approval has been obtained for the purposes of sections 200B and 200E of the Corporations Act to permit the Company to give a benefit to a participant who holds a managerial or executive office in these circumstances. This approval was obtained at the 2021 annual general meeting and was expressed to be for the period up to the 2024 annual general meeting.

Treatment on change of control

Generally, in the event of a change of control of the Company, unvested rights will vest on a pro rata basis having regard to the proportion of the performance period that has passed and after testing the relevant performance conditions at that time. The Board has discretion to determine whether a change in control has occurred and the treatment of the rights at that time.

Other conditions

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

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

6.5. General Employee Share Plan

The General Employee Share Plan (GES Plan) is part of the Company's overall remuneration policy to reward Baby Bunting employees, from time to time. By providing share ownership to employees, Baby Bunting is committed to creating a high performance culture and aligning employees to the creation of long term value for the Company.

The GES Plan provides for grants of shares to eligible employees of the Company up to a value determined by the Board. At the end of the financial year, just under 50% of the Company's employees were shareholders of the Company (generally consistent with the prior year), the vast majority of whom acquired their shares because of the GES Plan.

During the financial year, the Company made its seventh offer under this plan and issued 135,051 shares to 763 eligible employees who each received approximately $1,000 worth of Baby Bunting shares for no monetary consideration.

Eligible employees are generally those full-time or part-time employees (or long term casual employees) who have been employed for approximately 12 months before the date of the offer. Directors, including the CEO and Managing Director, are not eligible to participate in this plan.

To illustrate the benefits provided to participating team members under the GES Plan, an employee who has participated in each of the seven share offers under the GES Plan (since 2015) has received 2,559 Baby Bunting shares. This represents around $11,691 worth of value (using the share price at the end of the financial year and including the dividends that have been paid on those shares).

Details of the seven employee share plan offers are below:

	Value of shares offered	Number of shares provided
First employee gift offer (October 2015)	$1,000	714
Second employee gift offer (September 2016)	$1,000	334
Third employee gift offer (October 2017)	$1,000	546
Fourth employee gift offer (October 2018)	$750	297
Fifth employee gift offer (October 2019)	$1,000	284
Sixth employee gift offer (October 2020)	$1,000	207
Seventh employee gift offer (October 2021)	$1,000	177
Aggregate value (including dividends)	**$11,691**	**2,559**

Note: value of shares determined using the volume weighted average share price at the time of the offer and, in the case of the total amount, using the share price on 24 June 2022. Cumulative dividends of $1,096.90 have been paid on the Gift Shares over the relevant period.

Shares acquired under the GES Plan are subject to disposal restrictions having regard to applicable Australian tax legislation (currently, shares granted cannot be dealt with by a participant until the earlier of three years after the date of grant or the day after the day the participant ceases to be an employee).

The Board intends making grants under the GES Plan in the future to eligible employees to reward sustainable financial performance.

7. Non-executive Directors

Remuneration Policy

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

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

Non-executive Directors' fees

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

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

	Fees before 1 February 2022 $ per annum	Fees from 1 February 2022 $ per annum
Chair	135,000	200,000
Non-executive Director	80,000	100,000
Chair of a Board Committee	15,000	15,000
Member of a Board Committee	7,500	–

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

For the financial year ended 26 June 2022, the fees paid and superannuation contributions to all Non-executive Directors were approximately $644,000 in aggregate.

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

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

		Short term employee benefits			Post-employment benefits	Long term benefits	Share-based payment[2]				
	Year	Salary & fees[1] $	STI and other fees $	Non-monetary benefits $	Super-annuation $	Long service leave $	LTI Plan rights[3] $	Employee share plan[4] $	Long term incentive cash payment[5] $	Total[6] $	Performance related %
Non-executive Directors											
Melanie Wilson	2022	140,801	–	–	14,080	–	–	–	–	154,881	–
	2021	93,607	–	–	8,893	–	–	–	–	102,500	–
Gary Levin	2022	93,637	–	–	9,364	–	–	–	–	103,001	–
	2021	86,758	–	–	8,242	–	–	–	–	95,000	–
Donna Player	2022	84,091	–	–	8,409	–	–	–	–	92,500	–
	2021	79,909	–	–	7,591	–	–	–	–	87,500	–
Gary Kent	2022	93,531	–	–	9,353	–	–	–	–	102,884	–
	2021	79,909	–	–	7,591	–	–	–	–	87,500	–
Francine Ereira (appointed 1 September 2021)	2022	68,846	–	–	6,885	–	–	–	–	75,731	–
	2021	–	–	–	–	–	–	–	–	–	–
Stephen Roche (appointed 1 September 2021)	2022	68,846	–	–	6,885	–	–	–	–	75,731	–
	2021	–	–	–	–	–	–	–	–	–	–
Former Non-executive Director											
Ian Cornell (Retired 5 October 2021)	2022	35,874	–	–	3,587	–	–	–	–	39,461	–
	2021	130,137	–	–	12,363	–	–	–	–	142,500	–
Disclosed executives											
Matt Spencer	2022	584,225	–	7,869	23,568	22,553	1,288,982	–	–	1,927,197	66.9%
	2021	560,060	214,610	10,546	21,694	12,543	917,889	–	1,033,325	2,770,667	78.2%
Darin Hoekman	2022	409,858	–	7,500	23,568	14,278	967,812	–	–	1,423,016	68.0%
	2021	389,981	150,840	7,500	21,694	14,280	733,799	999	411,909	1,731,002	74.9%
TOTAL	**2022**	**1,579,709**	**–**	**15,369**	**105,699**	**36,831**	**2,256,794**	**–**	**–**	**3,994,402**	
	2021	**1,420,361**	**365,450**	**18,046**	**88,068**	**26,823**	**1,651,688**	**999**	**1,445,234**	**5,016,669**	

Notes are on the following page.

Notes:

1. Amount includes the value of annual leave accrued during the financial year and salary sacrifice arrangements.
2. The value of Share-based payments has been calculated in accordance with applicable accounting standards.
3. The value of the LTI plan rights included as remuneration in the table is an accounting value and represents the aggregate of amounts determined for both market based and non-market based performance hurdles.
4. The Company issued 135,051 shares under its General Employee Share Plan in the current reporting period with no monetary consideration payable by participating eligible employees who each received approximately $1,000 worth of shares. In the prior reporting period, the Company issued 165,221 shares under its General Employee Share Plan with no monetary consideration payment by participating eligible employees who each received approximately $1,000 worth of shares.
5. The cash incentive payment related to long term incentives for the period FY2016 to FY2020 and related to the 2021 financial year.
6. There were no termination benefits paid or payable during the current financial year.

9. Equity instruments held by key management personnel

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

Ordinary shares

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

	Balance at start of the year	Change	Balance at the end of the year
Non-executive Directors			
Ian Cornell (retired on 5 October 2021)[1]	600,000	–	600,000
Melanie Wilson	20,000	10,000	30,000
Gary Levin	150,000	–	150,000
Donna Player	36,000	–	36,000
Gary Kent	20,000	4,000	24,000
Francine Ereira (appointed on 1 September 2021)	—	4,110	4,110
Stephen Roche (appointed on 1 September 2021)[2]	35,000	—	35,000

Notes:

1. Year end balance is Ian Cornell's shareholding on the date he retired.
2. Opening balance is Stephen Roche's shareholding on the date he was appointed.

Disclosed executives	Balance at start of the year	Received upon vesting of performance rights	Sale of shares	Balance at end of the year
Matt Spencer	1,232,989	600,000	(605,400)	1,227,589
Darin Hoekman	2,272	565,000	(166,484)	400,788

Performance rights granted to disclosed executives

Disclosed executives	Balance at start of the year	Number of rights granted as compensation during the year	Fair value per right at grant date	Value of rights granted during the year	Number of rights exercised during the year	Value of the rights exercised during the year	Number of rights lapsed during the year	Number of rights held at end of year (all unvested)
Matt Spencer								
FY2018 to FY2021 rights	600,000	–	–	–	600,000	$918,000	–	–
FY2019 to FY2022 rights	533,000	–	–	–	–	–	–	533,000
FY2020 to FY2023 rights	480,000	–	–	–	–	–	–	480,000
FY2021 to FY2024 rights[1]	–	185,000	$3.46	$639,730	–	–	–	185,000
Darin Hoekman								
Retention rights (FY2021)	165,000[2]	–	–	–	165,000	$382,800	–	–
FY2018 to FY2021 rights	400,000	–	–	–	400,000	$612,000	–	–
FY2019 to FY2022 rights	374,500	–	–	–	–	–	–	374,500
FY2020 to FY2023 rights	350,000	–	–	–	–	–	–	350,000
FY2021 to FY2024 rights1	–	175,000	$3.46	$605,150	–	–	–	175,000

Notes:

1. In respect of the FY2021 to FY2024 rights, Matt Spencer was granted performance rights pursuant to shareholder approval granted at the 2021 AGM on 5 October 2021. During the year, Darin Hoekman was granted the rights detailed above on 23 November 2021.
2. Darin Hoekman's retention rights vested in July 2021 after the end of the 2021 financial year and were exercised in August 2021.

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

Options

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

10. Employment contracts

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

The employment contracts do not have a fixed term. Employment may be terminated by the executive with notice, or by the Company with notice or by payment in lieu of notice, or with immediate effect in circumstances including serious or wilful misconduct.

Disclosed executives	Termination by notice	Termination – notice by Company or payment in lieu
Matt Spencer	12 months	12 months
Darin Hoekman	6 months	6 months

11. Other KMP disclosures

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

There are no loans to key management personnel.

This is the end of the Remuneration Report.

Auditor's independence declaration

Building a better working world

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

As lead auditor for the audit of Baby Bunting Group Limited for the financial year ended 26 June 2022, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;

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

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

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

Ernst & Young

Ernst & Young

Tony Morse

Tony Morse
Partner
12 August 2022

Financial report

for the year ended 26 June 2022

Contents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the 52 weeks ended 26 June 2022

	Note	2022 $'000	2021 $'000 Restated[1]
Revenue	3	507,274	468,377
Cost of sales		(311,512)	(294,711)
Gross profit		**195,762**	**173,666**
Other operating income	4	–	2,466
Store expenses	5	(97,397)	(90,522)
Marketing expenses		(8,226)	(7,044)
Warehousing expenses	5	(9,529)	(6,552)
Administrative expenses	5	(40,653)	(35,495)
Transformation project expenses	5	(4,668)	(8,317)
Finance expenses	5	(6,987)	(5,650)
Profit before tax		**28,302**	**22,552**
Income tax expense	6	(8,781)	(5,513)
Profit after tax		**19,521**	**17,039**
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		24	–
Net gain/(loss) on cash flow hedges	25	407	–
Income tax effect relating to the components of OCI	13	(122)	–
Net other comprehensive gain/(loss) that may be reclassified to profit or loss in subsequent periods		**309**	**–**
Net other comprehensive income/(loss) for the year, net of tax		**309**	**–**
Total comprehensive income for the year, net of tax		**19,830**	**17,039**
Profit for the year attributable to:			
Equity holders of Baby Bunting Group Limited		19,521	17,039
Total comprehensive income attributable to:			
Equity holders of Baby Bunting Group Limited		19,830	17,039
Earnings per share			
From continuing operations			
Basic (cents per share)	29(a)	14.9	13.2
Diluted (cents per share)	29(b)	14.3	12.6

Notes to the consolidated financial statements are included in pages 83 to 123.

1. Refer to Note 2(aa) for detailed information on restatement of comparative in the Financial Statements for the period ended 26 June 2022.

Consolidated Statement of Financial Position

as at 26 June 2022

	Note	26 Jun 2022 $'000	27 Jun 2021 $'000 Restated[1]
Current Assets			
Cash and cash equivalents	26(b)	12,238	10,884
Other receivables	7	5,303	5,916
Inventories	8	96,667	79,987
Current tax assets		–	1,143
Other financial assets	25	407	–
Other assets	9	5,138	3,613
Total Current Assets		**119,753**	**101,543**
Non-Current Assets			
Plant and equipment	10	30,316	27,229
Intangibles	11	5,304	1,940
Goodwill	11	45,321	45,321
Right of use asset	12	139,838	112,058
Deferred tax assets	13	10,137	11,692
Total Non-Current Assets		**230,916**	**198,240**
Total Assets		**350,669**	**299,783**
Current Liabilities			
Trade and other payables	14	52,555	48,812
Other liabilities	15	5,785	3,163
Current tax liabilities		585	–
Lease liability	12	29,550	25,521
Provisions	17	6,537	5,804
Total Current Liabilities		**95,012**	**83,300**
Non-Current Liabilities			
Borrowings	16	12,946	9,950
Lease liability	12	126,682	99,768
Provisions	17	1,308	691
Total Non-Current Liabilities		**140,936**	**110,409**
Total Liabilities		**235,948**	**193,709**
Net Assets		**114,721**	**106,074**
Equity			
Issued capital	18	87,913	87,153
Reserves	22	17,378	13,149
Retained earnings	20	9,430	5,772
Total Equity		**114,721**	**106,074**

Notes to the consolidated financial statements are included in pages 83 to 123.

1. Refer to Note 2(aa) for detailed information on restatement of comparative in the Financial Statements for the period ended 26 June 2022.

Consolidated Statement of Changes in Equity

for the year ended 26 June 2022

	Issued Capital $'000	Share-based Payments Reserve $'000	Share-based Payment Tax Reserve $'000	Cash Flow Hedge Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000 Restated[1]	Total Equity $'000
Balance at 28 June 2020	86,358	4,380	–	–	–	2,631	93,369
Adjustment for change in accounting policy (Note 2(aa))	–	–	–	–	–	(1,192)	(1,192)
Balance as at 28 June 2020 (restated)	**86,358**	**4,380**	**–**	**–**	**–**	**1,439**	**92,177**
Profit for the period	–	–	–	–	–	17,039	17,039
Other comprehensive income	–	–	–			–	–
Total comprehensive income for the period	–	–	–	–	–	17,039	17,039
Issue of shares (Note 18)	795	–	–	–	–	–	795
Dividends (Note 19)	–	–	–	–	–	(15,661)	(15,661)
Share-based payment expense (Note 22)	–	4,574	–	–	–	–	4,574
Tax effect of share-based payments (Note 22)	–	–	7,150	–	–	–	7,150
Transfer to retained earnings (Note 22)	–	–	(2,955)	–	–	2,955	–
Balance at 27 June 2021	**87,153**	**8,954**	**4,195**	**–**	**–**	**5,772**	**106,074**
Balance at 27 June 2021 (restated)	**87,153**	**8,954**	**4,195**	**–**	**–**	**5,772**	**106,074**
Profit for the period	–	–	–	–	–	19,521	19,521
Other comprehensive income	–	–	–	285	24	–	309
Total comprehensive income for the period	–	–	–	285	24	19,521	19,830
Issue of shares (Note 18)	760	–	–	–	–	–	760
Dividends (Note 19)	–	–	–	–	–	(19,512)	(19,512)
Share-based payment expense (Note 22)	–	6,828	–	–	–	–	6,828
Tax effect of share-based payments (Note 22)	–	–	741	–	–	–	741
Transfer to retained earnings (Note 22)	–	–	(3,649)	–	–	3,649	–
Balance at 26 June 2022	**87,913**	**15,782**	**1,287**	**285**	**24**	**9,430**	**114,721**

Notes to the consolidated financial statements are included in pages 83 to 123.

1. Refer to Note 2(aa) for detailed information on restatement of comparative in the Financial Statements for the period ended 26 June 2022.

Consolidated Statement of Cash Flows

for the 52 weeks ended 26 June 2022

	Note	2022 $'000	2021 $'000 Restated[1]
Cash flows from operating activities			
Receipts from customers		560,740	515,670
Payments to suppliers and employees		(496,476)	(469,246)
Income tax paid		(4,884)	(5,307)
Interest received		–	–
Finance costs paid		(7,015)	(5,448)
Net cash from operating activities	26(a)	**52,365**	**35,669**
Cash flows from investing activities			
Payments for plant and equipment	10	(8,746)	(10,816)
Payments for intangibles	11	(3,873)	(44)
Net cash used in investing activities		**(12,619)**	**(10,860)**
Cash flows from financing activities			
Dividends paid	19	(19,512)	(15,661)
Net borrowings/(repayment)		2,996	9,950
Payments of principal portion of lease liability		(21,876)	(21,551)
Net cash used in financing activities		**(38,392)**	**(27,262)**
Net increase/(decrease) in cash and cash equivalents		**1,354**	**(2,453)**
Cash and cash equivalents at beginning of the period		10,884	13,337
Cash and cash equivalents at end of the period	26(b)	**12,238**	**10,884**

Notes to the consolidated financial statements are included in pages 83 to 123.

1. Refer to Note 2(aa) for detailed information on restatement of comparative in the Financial Statements for the period ended 26 June 2022.

Notes to the Consolidated Financial Statements

for the year ended 26 June 2022

Note 1: Reporting entity

Baby Bunting Group Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office and its principal place of business is 153 National Drive, Dandenong South, Victoria 3175, Australia.

The consolidated financial statements of the Company as at and for the year ended 26 June 2022 comprise the Company and its subsidiaries (together referred to as the "consolidated entity"). The consolidated entity is primarily involved in the retailing of baby merchandise.

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

The Company has adopted a 52 week retail calendar for financial reporting purposes which ended 26 June 2022. The prior year was a 52 week retail calendar ending on 27 June 2021.

Note 2: Summary of significant accounting policies

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

a. Statement of compliance

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

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

The financial statements were authorised for issue by the directors on 12 August 2022.

b. Basis of Preparation

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

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

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, other financial instruments such as forward currency contracts that are within the scope of AASB 9 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 'Inventories' or value in use in AASB 136 'Impairment of Assets'.

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

c. Critical accounting judgements and key sources of estimation uncertainty

In the application of the consolidated entity's accounting policies, the Company is required to make 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.

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

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

Impairment of goodwill

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

Forecasted sales growth of existing stores	3.0% for comparable store growth over a 5 year period (2021: 3.0%)
Terminal sales growth rate	3.0% (2021: 3.0%)
Forecasted gross margin	Average gross margin achieved in the period immediately before the forecast period
Forecasted retail store expenses	Forecast increases correlate to the consumer price index. The values assigned to the key assumption are consistent with external sources of information
Pre-tax weighted average cost of capital	13.78% (2021: 12.05%)

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

Goodwill is allocated to Baby Bunting Group Limited, as a group of cash generating units' for the purpose of impairment testing.

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

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

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

d. Basis of Consolidation

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

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

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the 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 in line with the consolidated entity's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the consolidated entity are eliminated in full on consolidation.

e. Fair value measurement

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

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

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statement are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosure, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

f. Business combinations

Business combinations are accounted for using the purchase acquisition 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.

g. Income tax

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

Nature of tax funding arrangements and tax sharing agreements

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

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

Current tax

The tax currently payable is based on taxable profit for the 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 consolidated entity's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

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

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

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

Current and deferred tax for the year

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

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

h. Inventories

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

i. 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 and equipment	3 - 10 years
Leasehold improvements	5 - 10 years

j. Intangibles – computer software

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

Class of intangible asset	Useful Life
Computer software	5 years

k. Employee benefits

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

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

l. Cash and cash equivalents

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

m. Revenue from contracts with customers

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

For layby, revenue is recognised when customers make the final payment and goods have been collected. The initial layby deposit paid and subsequent instalment payments are recorded as unearned income in the balance sheet and included in sundry payables.

Rights of return

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

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

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

The Company estimates the fair value of the un-issued loyalty vouchers based on the cumulative spend balance relative to the specified amount. The Company estimates the "breakage" rate based on redemption history and expiry dates of the issued loyalty vouchers. The Company records the contract liability based on the breakage rate for unspent and unexpired vouchers and un-issued vouchers. Refer to Note 15.

n. Goods and services tax

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

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

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

o. Goodwill

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

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

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

p. Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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. The most applicable category for the Company is amortised cost and fair value through OCI.

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- financial assets at amortised cost are subsequently measured using the effective interest rate method (EIR) and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade and other receivables and cash and cash equivalents.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

q. Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions. The ineffective portion relating to foreign currency contracts is recognised as other expense.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

r. 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.

s. Provisions

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

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

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

Warranties

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

t. Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

Derecognition

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

u. Borrowing costs

Borrowing costs are recognised as expenses using the effective interest rate method as described below.

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 EIR method.

v. Share-based payment arrangements

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

Equity-settled transactions

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

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

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

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

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

w. Comparative amounts

The comparative figures are for the period 29 June 2020 to 27 June 2021. Where appropriate, comparative information has been reformatted to allow comparison with current year information.

x. Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment for non-financial assets other than goodwill, the Company bases its impairment calculation on most recent budgets and projection calculations, which are prepared separately for each of the Company's CGUs. Intangible assets not yet available for use are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

y. Leases

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

Company as a lessee

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

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (x) Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

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

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of material handling equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement is required in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Company has the option, under some of its leases, to lease the assets for additional terms of mostly five year options. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (i.e. a change in business strategy).

Significant judgement in determining the incremental borrowing rate for each lease

The Company calculates the incremental borrowing rate for each lease determined using inputs including the Company's three-year multi option facility lending margin (adjusted for tenure) and the government bond rate applicable at the time of entering into the lease if the interest rate implicit in the lease is not readily determinable.

z. Capital management

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

The Company manages its capital structure and make adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company's has a dividend payout ratio of approximately 70% of full year pro forma NPAT.

aa. Changes in accounting policies and disclosures

New and amended standards and interpretations

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

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

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

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

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

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

Accounting estimates and judgements

In the process of applying the Company's accounting policy, management has made following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements. For the current year, $0.924 million (pre-tax) of costs that would previously have been capitalised (under previous policy) were expensed. Basic EPS and diluted EPS were both lowered by 0.7 cents as a result. Cash outflows of $0.924 million were included in payments to suppliers and employees in the Consolidated Statement of Cash Flows that previously would have been included as payment to acquire intangible assets.

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

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

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

- **Capitalisation of configuration and customisation costs in SaaS arrangements**

Where the Company incurs costs to configure or customise SaaS arrangements and such costs are considered to enhance current on-premise software or provide code that can be used by the Company in other arrangements, the Company applies judgement to assess whether such costs result in the creation of an intangible asset that meets the definition and recognition criteria in AASB 138 Intangible Assets. For the year ended 26 June 2022, $0.195 million (27 June 2021: $0.446 million) of costs incurred in implementing SaaS arrangements were recognised as intangible assets.

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

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

Impact of change in accounting policy

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 27 June 2021

	Restated $'000	As previously reported $'000	Increase/ (decrease) $'000
Revenue	468,377	468,377	–
Cost of sales	(294,711)	(294,711)	–
Gross profit	**173,666**	**173,666**	**–**
Other operating income	2,466	2,466	–
Store expenses	(90,522)	(90,520)	2
Marketing expenses	(7,044)	(7,044)	–
Warehousing expenses	(6,552)	(6,552)	–
Administrative expenses	(35,495)	(35,535)	(40)
Project expenses	(8,317)	(7,574)	743
Finance expenses	(5,650)	(5,650)	–
Profit before tax	**22,552**	**23,257**	**(705)**
Income tax expense	(5,513)	(5,725)	(212)
Profit after tax	**17,039**	**17,532**	**(493)**
Other comprehensive income for the period	–	–	–
Total comprehensive income for the period	**17,039**	**17,532**	**(493)**
Profit for the period attributable to:			
Equity holders of Baby Bunting Group Limited	**17,039**	**17,532**	**(493)**
Earnings per share			
From continuing operations			
Basic (cents per share)	13.2	13.6	(0.4)
Diluted (cents per share)	12.6	13.0	(0.4)

Consolidated Statement of Financial Position as at 27 June 2021:

	Restated $'000	As previously reported $'000	Increase/ (decrease) $'000
Current assets			
Cash and cash equivalents	10,884	10,884	–
Other receivables	5,916	5,916	–
Inventories	79,987	79,987	–
Current tax assets	1,143	1,056	87
Other assets	3,613	3,019	594
Total current assets	**101,543**	**100,862**	**681**
Non-current assets			
Plant and equipment	27,229	27,229	–
Intangibles	1,940	4,430	(2,490)
Goodwill	45,321	45,321	–
Right of use asset	112,058	112,058	–
Deferred tax assets	11,692	11,568	124
Total non-current assets	**198,240**	**200,606**	**(2,366)**
Total assets	**299,783**	**301,468**	**(1,685)**
Current liabilities			
Trade and other payables	48,812	48,812	–
Other liabilities	3,163	3,163	–
Current tax liabilities	–	–	–
Lease liabilities	25,521	25,521	–
Provisions	5,804	5,804	–
Total current liabilities	**83,300**	**83,300**	**–**
Non-current liabilities			
Borrowings	9,950	9,950	–
Lease liabilities	99,768	99,768	–
Provisions	691	691	–
Total non-current liabilities	**110,409**	**110,409**	**–**
Total liabilities	**193,709**	**193,709**	**–**
Net assets	**106,074**	**107,759**	**(1,685)**
Equity			
Issued capital	87,153	87,153	–
Reserves	13,149	13,149	–
Retained earnings	5,772	7,457	(1,685)
Total equity	**106,074**	**107,759**	**(1,685)**

Consolidated Statement of Financial Position as at 28 June 2020:

	Restated $'000	As previously reported $'000	Increase/ (decrease) $'000
Current assets			
Cash and cash equivalents	13,337	13,337	–
Other receivables	5,122	5,122	–
Inventories	65,094	65,094	–
Other assets	2,742	2,516	226
Total current assets	**86,295**	**86,069**	**226**
Non-current assets			
Plant and equipment	22,482	22,482	–
Intangibles	2,272	3,690	(1,418)
Goodwill	45,321	45,321	–
Right of use asset	93,504	93,504	–
Deferred tax assets	7,195	7,195	–
Total non-current assets	**170,774**	**172,192**	**(1,418)**
Total assets	**257,069**	**258,261**	**(1,192)**
Current liabilities			
Trade and other payables	49,950	49,950	–
Other liabilities	1,957	1,957	–
Current tax liabilities	1,305	1,305	–
Lease liabilities	24,895	24,895	–
Provisions	5,137	5,137	–
Total current liabilities	**83,244**	**83,244**	**–**
Non-current liabilities			
Borrowings	–	–	–
Lease liabilities	81,083	81,083	–
Provisions	565	565	–
Total non-current liabilities	**81,648**	**81,648**	**–**
Total liabilities	**164,892**	**164,892**	**–**
Net assets	**92,177**	**93,369**	**(1,192)**
Equity			
Issued capital	86,358	86,358	–
Reserves	4,380	4,380	–
Retained earnings	1,439	2,631	(1,192)
Total equity	**92,177**	**93,369**	**(1,192)**

Consolidated Statement of Cash Flows for the year ended 27 June 2021:

	Restated $'000	As previously reported $'000	Increase/ (decrease) $'000
Cash flows from operating activities			
Receipts from customers	515,670	515,670	–
Payments to suppliers and employees	(469,246)	(467,999)	1,247
Income tax paid	(5,307)	(5,307)	–
Interest received	–	–	–
Finance costs paid	(5,448)	(5,448)	–
Net cash from/(used in) operating activities	**35,669**	**36,916**	**1,247**
Cash flows from investing activities			
Payments for plant and equipment	(10,816)	(10,816)	–
Payments for intangibles	(44)	(1,291)	(1,247)
Net cash used in investing activities	**(10,860)**	**(12,107)**	**(1,247)**
Cash flows from financing activities			
Dividends paid	(15,661)	(15,661)	–
Net borrowings/(repayments)	9,950	9,950	–
Payments of principal portion of lease liability	(21,551)	(21,551)	–
Net cash used in financing activities	**(27,262)**	**(27,262)**	**–**
Net (decrease)/increase in cash and cash equivalents	**(2,453)**	**(2,453)**	**–**
Cash and cash equivalents at beginning of the period	13,337	13,337	–
Cash and cash equivalents at end of the period	**10,884**	**10,884**	**–**

The following new and amended Australian Accounting Standards and AASB interpretations apply for the first time during the period ended 26 June 2022. The impact of these new standards and amendments were not material to the consolidated financial statements of the Company.

Reference	Title	Application
AASB 2020-8	*Amendments to AASs – Interest Rate Benchmark Reform – Phase 2*	28 June 2021
AASB 2021-3	*Amendments to AASs – COVID-19-Related Rent Concession beyond 30 June 2021*	28 June 2021

Other Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the reporting period ended 26 June 2022.

Note 3: Revenue from contracts with customers

	2022 $'000	2021 $'000
An analysis of the consolidated entity's revenue for the year, is as follows:		
Revenue from contracts with customers[i]	507,274	468,377

i. Revenue from contracts with customers includes online revenue (including click & collect) $112.681 million (2021: $90.760 million).

Note 4: Other operating income

	2022 $'000	2021 $'000
Interest income	–	–
Other income[i]	–	2,400
Gain on derivative instruments at fair value through profit or loss[ii]	–	66
	–	2,466

i. The Company received a cash settlement payment in FY2021 ($2.400 million) from the vendor of certain digital commerce technology assets that were impaired in FY2020 following a dispute in relation to the performance of those assets.

ii. The Company entered into foreign exchange forward contracts in FY2021 for inventory purchases that settled in foreign currency. The Company measures the derivative instrument at fair value through profit or loss and recorded a gain of $0.066 million in FY2021. In the current year, the Company measures the derivative assets through other comprehensive income. Refer to Note 25 Financial instruments.

Note 5: Profit for the year

	2022 $'000	2021 $'000 Restated[1]
Profit before income tax expense includes the following expenses:		
Interest and finance charges paid/payable		
Interest on lease liabilities	6,102	4,729
Interest on borrowings	885	921
Depreciation and amortisation	6,168	6,323
Depreciation on right of use assets	25,595	22,308
Employee benefits expense	91,673	84,038

Depreciation and amortisation

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

For the year ended 26 June 2022	As reported $'000	Depreciation and amortisation on PPE and Intangibles $'000	Depreciation on Right of use Asset $'000	Excluding Depreciation and amortisation $'000
Store expenses	(97,397)	4,950	23,022	(69,425)
Warehousing expenses	(9,529)	171	2,396	(6,962)
Administrative expenses	(40,653)	1,047	167	(39,439)
Transformation project expenses	(4,668)	–	10	(4,658)
Total	**(152,247)**	**6,168**	**25,595**	**(120,484)**

For the year ended 27 June 2021	As reported $'000	Depreciation and amortisation on PPE and Intangibles $'000	Depreciation on Right of use Asset $'000	Excluding Depreciation and Amortisation $'000
Restated				
Store expenses	(90,522)	4,819	21,059	(64,644)
Warehousing expenses	(6,552)	163	964	(5,425)
Administrative expenses	(35,495)	625	95	(34,775)
Transformation project expenses	(8,317)	716	190	(7,411)
Total	**(140,886)**	**6,323**	**22,308**	**(112,255)**

	2022 $'000	2021 $'000 Restated[1]
Project expenses include the following:		
Project related expenses[i,ii]	4,668	8,317

i. The Company is currently undertaking a process of assessment and when necessary, replacement of its core information technology systems. During the year, the Company incurred ($3.242 million) non-capital costs associated with the implementation of an order fulfilment system, Loyalty system, People systems and digital technology assets.

ii. Other transformation project expenses ($1.426 million) include external consultant costs associated with project management to deliver the transformation projects. The non-capital cost of external consultants associated with running the selection and planning for the integration of the new systems are not related to the day-to-day operations or financial performance of the business. These projects costs cease at project completion.

	2022 $'000	2021 $'000
Other expenses		
Other expenses[i]	–	1,091

i. During 1H FY21, the Company responded to an interception of insects founds in packaging of goods in an imported shipping container. Working closely with the Federal Department of Agriculture, Water and the Environment, the Company implemented a number of actions in accordance with Department requirements, including the treatment of all store rooms where the affected stock was held and the Distribution Centre and fumigation of some inventory. This resulted in some short term increases to supply chain costs and one-off costs of treatment and fumigation costs and customer remediation costs. These issues have now been resolved. Around 50% of costs associated with this incident were recovered through its insurance policies in 2HFY21 and $1.091 million is total costs incurred net of insurance recovery. Other expenses are included in Administrative expenses.

Note 6: Income tax

	2022 $'000	2021 $'000 Restated[1]
Current tax in respect of the current year	9,499	5,281
Current tax in respect of the prior year	–	410
Deferred tax	(718)	(178)
Total tax expense	8,781	5,513

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

	2022 $'000	2021 $'000 Restated[1]
Profit before tax from continuing operations	28,302	22,552
Income tax expense calculated at 30% (2021: 30%)	(8,491)	(6,766)
Non-deductible expenditure	(36)	(24)
Over/under from prior year	–	410
Share-based payments	(254)	867
Income tax expense recognised in profit or loss	(8,781)	(5,513)

The tax rate used for financial year 2022 and 2021 in the above reconciliation is the corporate tax rate of 30% payable by large Australian corporate entities on taxable profits under Australian tax law.

Note 7: Other receivables

	2022 $'000	2021 $'000
Current		
Trade receivables	177	219
Other receivables	5,126	5,697
	5,303	5,916

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

Note 8: Inventory

	2022 $'000	2021 $'000
Finished goods	97,461	80,961
Less: Provision for shrinkage, obsolescence and mark-down	(794)	(974)
	96,667	79,987

The cost of inventories recognised as an expense during the current reporting period in respect of continuing operations was $311.512 million (2021: $294.711 million). During the financial year, there was a reduction of provision for shrinkage, obsolescence and mark-downs of $0.108 million (2021: an increase of $0.302 million in provision) due to improved stock management.

Note 9: Other assets

	2022 $'000	2021 $'000 Restated
Prepayments	3,686	2,979
Right of return[i]	1,452	634
	5,138	3,613

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

Note 10: Plant and equipment

Cost	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balance at 27 June 2021	6,386	50,916	57,302
Transfer[ii]	364	(364)	–
Additions	2,754	5,992	8,746
Disposals	(10)	(255)	(265)
Balance at 26 June 2022	**9,494**	**56,289**	**65,783**
Accumulated depreciation			
Balance at 27 June 2021	(4,202)	(25,871)	(30,073)
Transfer[ii]	(7)	7	–
Depreciation	(650)	(5,009)	(5,659)
Disposals	10	255	265
Balance at 26 June 2022	**(4,849)**	**(30,618)**	**(35,467)**
Carrying amount as at 26 June 2022	**4,645**	**25,671**	**30,316**

ii. Transfer of assets from Plant and equipment to Leasehold improvements.

Cost	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balance at 28 June 2020	**7,182**	**43,270**	**50,452**
Additions	4	10,812	10,816
Disposals	(800)	(3,166)	(3,966)
Balance at 27 June 2021	**6,386**	**50,916**	**57,302**
Accumulated depreciation			
Balance at 28 June 2020	**(4,186)**	**(23,784)**	**(27,970)**
Depreciation	(816)	(5,227)	(6,043)
Disposals	800	3,140	3,940
Balance at 27 June 2021	**(4,202)**	**(25,871)**	**(30,073)**
Carrying amount as at 27 June 2021	**2,184**	**25,045**	**27,229**

Note 11: Intangible assets and goodwill

Cost	Goodwill $'000	Intangibles $'000
Balance at 27 June 2021	**45,321**	**3,805**
Additions	–	3,873
Disposals	–	–
Balance at 26 June 2022	**45,321**	**7,678**
Amortisation and impairment losses		
Balance at 27 June 2021	–	(1,865)
Amortisation	–	(509)
Disposals	–	–
Balance at 26 June 2022	**–**	**(2,374)**
Carrying amount as at 26 June 2022	**45,321**	**5,304**

Cost	Goodwill $'000	Intangibles $'000
Balance at 28 June 2020	**45,321**	**5,816**
Adjustment for change in accounting policy (Note 2)	–	(2,048)
Balance as at 28 June 2020 (restated)	**–**	**3,768**
Additions	–	44
Disposals	–	(7)
Balance at 27 June 2021	**45,321**	**3,805**
Amortisation and impairment losses		
Balance at 28 June 2020	–	(2,126)
Adjustment for change in accounting policy (Note 2)	–	630
Balance as at 28 June 2020 (restated)	–	**(1,496)**
Amortisation	–	(376)
Disposals	–	7
Balance at 27 June 2021	**–**	**(1,865)**
Carrying amount as at 27 June 2021	**45,321**	**1,940**

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

Note 12: Leases

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

There are several lease contracts that include extension options and variable lease payments. Relevant factors the Company considers in determining the likelihood to exercise a lease renewal, to the point of reasonable certainty, include the Company's overall property strategy, the importance of the leased asset to the Company, the existence of renewal options and their pricing, whether the market is a new market or an existing market, the costs of returning the leased asset in a contractually specified condition, the existence of alternate sites within the relevant catchment and the associated costs of a relocation, and any broader trends generally shaping the retail industry. The Company's lease portfolio contains option periods averaging around 5 years that are not considered reasonably certain options to be exercised. However, these options provide the Company flexibility in managing the leased asset portfolio. The present value of the lease payments to be made under options considered reasonably certain to be exercised has been included in the lease liability balance as at 26 June 2022.

The Company has several lease contracts that include extension options. These options are negotiated to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. The undiscounted potential future payments at current rental rates under options that are not considered reasonably certain to be exercised is $273.356 million (2021: $264.325 million), which includes potential lease payments within the next five years of $24.320 million (2021: $30.845 million) should those options be exercised.

The Company has several lease commitments not recognised as a right-of-use asset and lease liability. The undiscounted future payments at current rental rates are $23.757 million (2021: nil).

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

Set out below are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period:

				Right of use Asset
	Property $'000	Motor Vehicles $'000	Material Handling Equipment $'000	Total $'000
As at 28 June 2020	**91,932**	**170**	**1,402**	**93,504**
Additions	37,611	210	1,433	39,254
Remeasurements[1]	1,584	–	24	1,608
Depreciation expense	(21,581)	(149)	(578)	(22,308)
As at 27 June 2021	**109,546**	**231**	**2,281**	**112,058**
Additions	21,298	260	1,410	22,968
Remeasurements[1]	30,407	–	–	30,407
Depreciation expense	(24,682)	(154)	(759)	(25,595)
As at 26 June 2022	**136,569**	**337**	**2,932**	**139,838**

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

Lease Liabilities	2022 $'000	2021 $'000
Opening balance	**125,289**	**105,978**
Additions	22,968	39,254
Accretion of interest	6,102	4,729
Remeasurements[1]	29,851	1,608
Payments	(27,978)	(26,280)
Closing balance	**156,232**	**125,289**
Current	29,550	25,521
Non-current	126,682	99,768
Total lease liabilities	**156,232**	**125,289**

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

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

The following are the amounts recognised in profit and loss:

	2022 $'000	2021 $'000
Depreciation expense of right-of-use asset	25,595	22,308
Interest expense on lease liabilities	6,102	4,729
Rent expenses – short-term leases	104	51
Rent expenses – leases of low-value assets (included in stores, administration and warehouse)	656	584
Rent expenses – variable lease payments	3,002	2,814
Total	**35,459**	**30,486**

The Company had total cash outflows for leases of $31.740 million in 2022 ($29.729 million in 2021). The Company also had non-cash additions to right-of-use assets and lease liabilities of $22.968 million in 2022 ($39.254 million in 2021).

Note 13: Deferred tax assets

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

	2022 $'000	2021 $'000 Restated
Deferred tax assets	10,137	11,692

2022 – Consolidated $'000	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	Closing balance
Employee benefits	**1,950**	232	–	–	**2,182**
Non-deductible accruals	**165**	23	–	–	**188**
Non-refundable layby income	**963**	32	–	–	**995**
Inventories	**222**	201	–	–	**423**
Gift vouchers	**620**	421	–	–	**1,041**
Right of return	**123**	117	–	–	**240**
Right of use asset	**(33,617)**	(6,640)	–	–	**(40,257)**
Lease liability	**37,588**	7,582	–	–	**45,170**
Property, plant and equipment	**(2,766)**	(1,300)	–	–	**(4,066)**
Share-based payments	**6,444**	757	–	(2,908)	**4,293**
Cash flow hedge reserve	**–**	–	(122)	–	**(122)**
Unrealised FX gain/(loss)	**–**	50	–	–	**50**
Total	**11,692**	**1,475**	**(122)**	**(2,908)**	**10,137**

2021 – Consolidated $'000 Restated	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	Closing balance
Employee benefits	**1,711**	239	–	–	**1,950**
Non-deductible accruals	**144**	21	–	–	**165**
Non-refundable layby income	**834**	129	–	–	**963**
Inventories	**353**	(131)	–	–	**222**
Gift vouchers	**314**	306	–	–	**620**
Right of return	**97**	26	–	–	**123**
Right of use asset	**(28,051)**	(5,566)	–	–	**(33,617)**
Lease liability	**31,793**	5,795	–	–	**37,588**
Property, plant and equipment	**–**	(2,766)	–	–	**(2,766)**
Share-based payments	**–**	2,249	–	4,195	**6,444**
Total	**7,195**	**302**	**–**	**4,195**	**11,692**

Note 14: Payables

	2022 $'000	2021 $'000
Current		
Trade payables	35,019	30,195
Sundry payables	17,536	18,617
	52,555	**48,812**

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms.
- Sundry payable includes $6.194 million (2021: $6.113 million) of deposit and instalment payments received by the Company in relation to layby sales taken out by customers.
- Sundry payables are non-interest bearing and have an average term of three months.
- For explanations on the Company's liquidity risk management processes, refer to Note 25(b).

Note 15: Other liabilities

	2022 $'000	2021 $'000
Unredeemed gift cards and vouchers[i]	3,472	2,068
Refund liability[ii]	2,250	1,044
Security deposits – car seat hire	63	51
	5,785	**3,163**

i. The unredeemed gift cards are expected to be redeemed within three years. Loyalty vouchers have a redemption period of 30 days.

ii. The Company extended its change of mind returns policy from 14 days to 30 days on 7 September 2021 which provided a better experience for the Company's customers. This resulted in an increase in refund liability.

Note 16: Loans and borrowings

	2022 $'000	2021 $'000
Non-current – Secured		
Bank loan[1]	12,946	9,950

1. Bank loan is net of the loan establishment costs.

The ongoing funding requirements of the consolidated entity are provided by the National Australia Bank ("NAB"). On 30 March 2022, the Company entered into an amendment deed with NAB and the multi-option facility matures on 31 March 2025. 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 $78,000,000, consisting of $70,000,000 Corporate Market Loan ('CML') facility and $8,000,000 bank guarantee facility. The CML facility can be drawn to the lesser of $70,000,000 or 2.5 times the last 12 months historical rolling EBITDA. Interest on the facility is charged at a variable rate.

The consolidated entity was in compliance with the facility agreement at 26 June 2022. The current facility does not require the consolidated entity to amortise borrowings.

Note 17: Provisions

	2022 $'000	2021 $'000
Current		
Employee benefits	6,537	5,804
Total current	**6,537**	**5,804**
Non-current		
Employee benefits	745	691
Make-good provision	563	–
Total non-current	**1,308**	**691**

Make-good provision	2022 $'000	2021 $'000
Opening balance	–	–
Arising during the year[1]	563	–
Closing balance	**563**	**–**

1. Provision for make-good costs relates to the new 22,000 sqm National Distribution Centre and Store Support Centre in the event the Company was to vacate the premises at the end of the lease.

Note 18: Issued capital

	26 June 2022		27 June 2021	
	No. of shares	$'000	No. of shares	$'000
Fully paid ordinary shares				
Balance at beginning of the year	129,255,075	87,153	127,564,474	86,358
Issue of shares:				
- Employee Gift Offer	135,051	760	165,221	795
- LTI vesting	3,068,000	–	1,525,380	–
Balance at end of the year	132,458,126	87,913	129,255,075	87,153

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

Note 19: Dividends

	2022		2021	
	$ per ordinary share	$'000	$ per ordinary share	$'000
Recognised amounts				
Final 2021 dividend	0.083	10,772	0.064	8,164
Interim 2022 dividend	0.066	8,740	0.058	7,497

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

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

On 12 August 2022, the Directors determined to pay a fully franked final dividend of 9.0 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 26 June 2022, to be paid to shareholders on 9 September 2022. The dividend has not been included as a liability in these consolidated financial statements. The record date for determining entitlements to the dividend is 26 August 2022. The total estimated dividend to be paid is $11.921 million.

	Company	
	2022 $'000	2021 $'000
Adjusted franking account balance	4,282	7,757
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	1,721	–
Franking debits that will arise from the payment of income tax receivable as at the end of the financial year	–	(1,056)
Franking debits that will arise from the payment of final dividend in respect of the financial year	(5,109)	(4,597)

There are no income tax consequence attached to the payment of dividends in either 2022 or 2021 by the Company to its shareholders.

Note 20: Retained earnings

	2022 $'000	2021 $'000 Restated
Retained earnings		
Balance at beginning of year	5,772	1,439
Profit attributable to owners of the Company	19,521	17,039
Payment of dividends	(19,512)	(15,661)
Share-based payments[i]	3,649	2,955
Balance at end of year	**9,430**	**5,772**

i. In FY22, 3,068,000 performance rights vested under the Company's Long Term Incentive Plan (FY21: 1,525,380 performance rights) (market value of $17.362 million (FY21: market value of $7.339 million)). This vesting resulted in an income tax benefit of $1.559 million (FY21: $0.266 million) and an increase to the share-based payment tax reserve of $3.649 million (FY21: $2.955 million). The vested portion of $3.649 million (FY21: $2.955 million) was transferred to retained earnings.

Note 21: Segment information

Management has determined the operating segments based on the reports reviewed by the CEO and Managing Director (the chief operating decision maker as defined under AASB 8) that are used to make strategic and operating decisions. The CEO and Managing Director considers the business primarily from a geographic perspective. During the year, the Company sold products online to New Zealand customers and has embarked on a plan to establish a store network in New Zealand (with the first store expected to be opened in 1H FY23). However, transactions occur in Australian dollars and are undertaken by Baby Bunting Pty Ltd. On this basis, management has identified one reportable segment, Australia.

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

	Australia		Total	
	2022 $'000	2021 $'000 Restated	2022 $'000	2021 $'000 Restated
Revenue	507,274	468,377	507,274	468,377
Operating EBIT	44,619	33,906	44,619	33,906
Total segment assets	350,669	299,783	350,669	299,783
Additions to plant and equipment and intangibles	12,619	10,860	12,619	10,860
Depreciation and amortisation	31,763	28,631	31,763	28,631
Total non-current assets[1]	220,779	186,548	220,779	186,548
Total segment liabilities	235,948	193,709	235,948	193,709

1. Non-current assets exclude deferred tax assets.

Revenue reported above represents revenue generated from external customers. Inter-segment sales is eliminated on consolidation in the current reporting period (2021: 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 measurement basis excludes the effects of interest revenue, other operating income, finance costs, income tax and employee equity expenses.

Operating EBIT

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

	2022 $'000	2021 $'000 Restated
Operating EBIT	**44,619**	**33,906**
Interest revenue	–	–
Other operating income	–	2,466
Finance expenses	(6,987)	(5,650)
Employee equity expenses	(9,330)	(8,170)
Profit before tax	**28,302**	**22,552**

Segment assets and liabilities

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

	2022 $'000	2021 $'000 Restated
Total segment assets	350,669	299,783
Total segment liabilities	235,948	193,709

Note 22: Reserves

a. Share-based payments

	2022 $'000	2021 $'000
Share-based payments reserve		
Balance at beginning of period	8,954	4,380
Performance rights – expense (Note 22(b))	6,828	4,574
Balance at end of period	**15,782**	**8,954**

b. Performance rights

The consolidated entity has previously established a Long Term Incentive Plan (LTI Plan) involving the grant of performance rights. Upon vesting, each right entitles the participant to one fully paid ordinary share in the Company. No dividends or voting rights are attached to performance rights prior to vesting. The number of rights that vest, across various grants, will be determined by reference to certain performance conditions that include some or all of the following:

- Earnings per share (EPS) growth;
- Total shareholder return (TSR) growth; and
- Service condition (Retention rights, EPS, TSR).

Fair value of performance rights granted

The weighted average fair value of the performance rights TSR component granted during the reporting period under the LTI Plan is $1.89 (2021: $2.18). The fair value of the TSR component of performance rights is determined at grant date using a Monte-Carlo simulation. For the non-market component (EPS CAGR), the fair value is determined with reference to the share price of ordinary shares at grant date.

Performance rights series	Grant date	Grant date fair value	Exercise price	Expiry date
2021 (TSR CAGR)	24 December 2020	$2.18	nil	(1)
2021 (EPS CAGR)	24 December 2020	$4.67	nil	(1)
2022 (TSR CAGR)	23 November 2021	$1.89	nil	(1)
2022 (EPS CAGR)	23 November 2021	$5.81	nil	(1)

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

	2022 (TSR CAGR)	2021 (TSR CAGR)
Share Price	$5.49	$4.67
Exercise price	Nil	nil
Expected volatility	40%	52%
Expected life (years)	2.85	2.80
Expected dividend yield	3.00%	3.22%
Risk-free interest rate	1.01%	0.15%

Movements in performance rights during the year

The consolidated entity recorded a share-based payments expense for performance rights of $6.828 million (2021: $4.574 million) disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under “Administrative expenses”.

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

	52 weeks ended 26 June 2022			52 weeks ended 27 June 2021		
	TSR Number of rights	EPS Number of rights	Retention Number of rights	TSR Number of rights	EPS Number of rights	Retention Number of rights
Balance at beginning of the period	**3,737,500**	**3,737,500**	**564,000**	**3,932,880**	**2,407,500**	**564,000**
Granted during the period	825,000	550,000	–	1,330,000	1,330,000	–
Forfeited during the period	–	–	–	–	–	–
Exercised during the period	(1,252,000)	(1,252,000)	(564,000)	(1,525,380)	–	–
Lapsed during the period	–	–	–	–	–	–
Balance at end of period	**3,310,500**	**3,035,500**	**–**	**3,737,500**	**3,737,500**	**564,000**
Exercisable at end of period	**–**	**–**	**–**	**–**	**–**	**–**

c. General Employee Share Plan ("GESP")

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

During the reporting period, the Board issued a total of 135,051 shares (2021: 165,221 shares) in the Employee Gift Offer with no monetary consideration payable by participating eligible employees. Shares issued are subject to a disposal restriction in accordance with current Australian tax legislation. The fair value of $0.760 million (2021: $0.795 million) was fully expensed at the time of granting, as there are no performance or service conditions.

d. Share-based payment tax reserve

	26 Jun 2022 $'000	27 Jun 2021 $'000
Share-based payment tax reserve		
Balance at beginning of period	4,195	–
Tax effect of share-based payments[1]	741	7,150
Transfer to retained earnings[2]	(3,649)	(2,955)
Balance at end of period	**1,287**	**4,195**

1. $0.741 million (2021: $7.150 million) represents an increase in future income tax benefits recognised in share-based payment tax reserve that is in excess of any future benefits relating to the cumulative share-based payment expense recognised in profit or loss. This increase in the reserve reflects the likelihood of greater number of performance rights vesting, relative to what was estimated as at the last reporting date, plus the addition of the 2022 performance rights granted to executives in November 2021 under the Company's Long Term Incentive Plan.
2. In FY22, 3,068,000 (2021: 1,525,380) performance rights vested under the Company's Long Term Incentive Plan (market value: $17.362 million (2021: market value of $7.339 million)). The balance transferred to retained earnings represents the income tax benefit recorded in the reserves associated with share-based payments that vested in the current period.

Note 23: Related party transactions

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

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

a. Loans to and from key management personnel and directors

As at the end of the current reporting period, no loans were outstanding to or from key management personnel or directors of the consolidated entity (2021: nil).

b. Key management personnel compensation

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

	2022 $	2021 $
Short-term employment benefits	1,595,078	1,803,857
Post-employment benefits	105,699	88,068
Other long-term benefits	36,831	26,823
Share-based payments	2,256,794	1,652,687
Cash incentive payment	–	1,445,234
	3,994,402	**5,016,669**

Note 24: Commitments for expenditure

Capital commitments

The consolidated entity has capital commitments totalling nil (2021: nil).

Note 25: Financial instruments – Fair values and risk management

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

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

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

	2022 $'000	2021 $'000
Financial assets		
Cash and cash equivalents	12,238	10,884
Other receivables	5,303	5,916
Derivatives not designated as hedging instruments[1]	–	66
Derivatives designated as hedging instruments[2]	407	–
	17,948	**16,866**
Financial liabilities		
Trade and other payables	52,555	48,812
Other liabilities	2,250	1,044
Borrowings	12,946	9,950
Lease liability	156,232	125,289
	223,983	**185,095**

1. ***Derivatives not designated as hedging instruments*** reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk for expected sales and purchases.
2. ***Derivatives designated as hedging instruments*** reflect the positive change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable inventory purchases in US dollars (USD).

a. Market risk

i. Foreign exchange risk

The majority of the consolidated entity's operations are transacted in the functional currency, AUD of the Company and therefore exposure to foreign exchange risk is limited to around 12% of goods which are purchased in a foreign currency.

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

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

Foreign exchange forward contracts are designated as hedging instruments in cash flow hedges of forecast purchases in US dollars. These forecast transactions are highly probable, and they comprise about 12% of the Company's total expected purchases. The foreign exchange forward contract balances vary with the level of expected foreign currency purchases and changes in foreign exchange forward rates.

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

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments.
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments.

- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items.
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

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

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

At 26 June 2022, the Company adopted a hedging practice to address the currency risk using foreign currency forward contracts. The hedged purchases were highly probable at the reporting date.

						Maturity
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
As at 26 June 2022						
Foreign exchange forward contracts (highly probably forecast purchase)						
Notional amount (in $AUD'000)	1,859	7,824	1,599	–	–	11,282
Average forward rate (AUD/USD)	0.6992	0.7172	0.6881	–	–	
As at 27 June 2021						
Foreign exchange forward contracts (highly probably forecast purchase)						
Notional amount (in $AUD'000)	–	–	–	–	–	–
Average forward rate (AUD/USD)	–	–	–	–	–	

ii. Cash flow and fair value interest rate risk

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

iii. Summarised sensitivity analysis

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

The consolidated entity is using a sensitivity of 150 basis points (2021: 50 basis points) as management considers this to be reasonable having regard to historic movements in interest rates. A positive number represents an increase in profit and a negative number a decrease in profit.

			Foreign exchange risk
	Change in USD rate	–50bps	+50 bps
At 27 June 2021	Carrying amount $'000	Profit $'000	Profit $'000
Financial assets			
Other financial assets	–	–	–
Total increase/(decrease)	**–**	**–**	**–**

		Foreign exchange risk	
	Change in USD rate	-150bps	+150 bps
At 26 June 2022	Carrying amount $'000	Profit $'000	Profit $'000
Financial assets			
Other financial assets	11,282	(169)	169
Total increase/(decrease)	–	**(169)**	**169**

		Interest rate risk	
		-50bps	+50 bps
At 27 June 2021	Carrying amount $'000	Profit $'000	Profit $'000
Financial liabilities			
Borrowings – CML Facility	10,012	50	(50)
Total increase/(decrease)	–	**50**	**(50)**

		Interest rate risk	
		-150bps	+150 bps
At 26 June 2022	Carrying amount $'000	Profit $'000	Profit $'000
Financial liabilities			
Borrowings – CML Facility	13,075	196	(196)
Total increase/(decrease)	–	**196**	**(196)**

b. Liquidity risk

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

Financing arrangements

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

	2022		2021	
	Limit $'000	Utilised $'000	Limit $'000	Utilised $'000
CML Facility	70,000	13,075	70,000	10,012
Bank Guarantee Facility	8,000	3,005	8,000	3,471
Total Facility	**78,000**	**16,080**	**78,000**	**13,483**

Maturities of financial assets and financial liabilities

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

						Maturity	
At 26 June 2022	**Less than 6 months $'000**	**6 – 12 months $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Total $'000**	**Weighted average effective interest rate %**
Financial assets							
Cash and cash equivalents	12,238	–	–	–	–	12,238	–
Other receivables	5,303	–	–	–	–	5,303	–
Other financial assets	407	–	–	–	–	407	–
	17,948	**–**	**–**	**–**	**–**	**17,948**	
Financial liabilities							
Trade and other payables	52,555	–	–	–	–	52,555	
Other liabilities	2,250	–	–	–	–	2,250	–
Lease liability	14,916	15,329	57,542	46,233	42,723	176,743	
Borrowings – CML facility	–	–	–	12,946	–	12,946	1.62%
	69,721	**15,329**	**57,542**	**59,179**	**42,723**	**244,494**	

						Maturity	
At 27 June 2021	**Less than 6 months $'000**	**6 – 12 months $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Total $'000**	**Weighted average effective interest rate %**
Financial assets							
Cash and cash equivalents	10,884	–	–	–	–	10,884	–
Other receivables	5,916	–	–	–	–	5,916	–
Other financial assets	66	–	–	–	–	66	–
	16,866	**–**	**–**	**–**	**–**	**16,866**	
Financial liabilities							
Trade and other payables	48,812	–	–	–	–	48,812	–
Other liabilities	1,044	–	–	–	–	1,044	
Lease liability	14,063	12,238	43,106	36,585	40,758	146,750	–
Borrowings – CML facility	–	–	9,950	–	–	9,950	1.58%
	63,919	**12,238**	**53,056**	**36,585**	**40,758**	**206,556**	

c. Credit risk management

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

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

d. Fair value of financial instruments

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

Note 26: Notes to the statement of cash flows

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

	2022 $'000	2021 $'000 Restated
Profit after income tax	19,521	17,039
Non-cash expenses and other adjustments:		
Depreciation and amortisation	31,763	28,631
Share-based payments	7,588	5,396
Changes in assets and liabilities:		
Decrease/(Increase) in other receivables	679	(743)
Decrease/(Increase) in other assets	(2,184)	(1,197)
Decrease/(Increase) in inventories	(16,679)	(14,893)
Decrease/(Increase) in deferred tax assets	(842)	(54)
Increase/(Decrease) in trade and other payables	4,019	(1,094)
Increase/(Decrease) in provisions	1,346	793
Increase/(Decrease) in income tax assets/liability	4,532	636
Increase/(Decrease) in other financial liabilities	2,622	1,155
Net cash provided by operating activities	**52,365**	**35,669**

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:

	2022 $'000	2021 $'000
Cash on hand	84	79
Cash at bank	12,154	10,805
	12,238	**10,884**

Note 27: Parent entity disclosures

As at, and throughout, the 52 weeks ended 26 June 2022 the parent entity of the consolidated entity was Baby Bunting Group Limited.

	Parent Entity	
	2022 $'000	2021 $'000
Result of parent entity:		
Profit for the year	19,521	14,487
Other comprehensive income	–	–
Total comprehensive income for the year	**19,521**	**14,487**
Financial position of parent entity at year end:		
Current assets	–	–
Non-current assets	102,143	98,485
Total assets	**102,143**	**98,485**
Current liabilities	1,304	1,304
Non-current liabilities	–	–
Total liabilities	**1,304**	**1,304**
Total equity of the parent entity comprising of:		
Issued capital	86,357	86,357
Reserves	–	–
Retained earnings	14,482	10,824
Total equity	**100,839**	**97,181**

The Company does not have any contractual commitments for the acquisition of property, plant and equipment (27 June 2021: nil). The Company does not have any contingent liabilities (27 June 2021: nil)

Note 28: Group entities

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

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

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

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

The Consolidated Statement of Profit and Loss and Other Comprehensive Income and Consolidated Statement of Financial Position of the consolidated entity approximates the forementioned statements comprising the Company and subsidiary which are party to the deed as at the reporting date and therefore additional Company and subsidiary financial statements are not presented.

Subsidiaries listing

			Proportion of ownership interest and voting power held by the Company	
Name of subsidiary	Principal activity	Place of incorporation and operation	June 2022	June 2021
Baby Bunting Pty Ltd[1]	Retailing of baby merchandise	Australia	100%	100%
Baby Bunting EST Pty Ltd[2]	Trustee of the trust established in connection with the Company's employee share plans	Australia	100%	100%
Baby Bunting NZ Limited	Retailing of baby merchandise in New Zealand	New Zealand	100%	–

1. This wholly-owned subsidiary has entered into a deed of cross guarantee with Baby Bunting Group Limited. Baby Bunting Pty Ltd became a party to the deed of cross guarantee on 19 June 2008.
2. Baby Bunting EST Pty Ltd has no material net assets or profit and the financial information disclosed in this report represents the financial information for the group entities that are party to the deed of cross guarantee.

Note 29: Earnings per share

	2022 cents per share	2021 Restated cents per share
Basic earnings per share from continuing operations[1]	14.9	13.2
Diluted earnings per share from continuing operations[1]	14.3	12.6

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

a. Basic earnings per share

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

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

	2022 $'000	2021 $'000 Restated
Earnings used in the calculation of basic earnings per share from continuing operations[1]	19,521	17,039

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

	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	131,387,517	128,708,525

b. Diluted earnings per share

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

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

	2022 $'000	2021 $'000 Restated
Earnings used in the calculation of diluted earnings per share from continuing operations[1]	19,521	17,039

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

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

	Number	Number
Weighted average number of ordinary shares for the purposes of diluted earnings per share[2]	136,151,386	134,896,637

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

Note 30: Remuneration of auditors

	2022 $	2021 $
Assurance Services		
Review of the financial report for the half-year	47,850	38,350
Audit of the year-end financial report	143,550	135,050
	191,400	173,400
Tax and Consulting Services		
Taxation services	18,590	18,950
Remuneration advisory services	11,845	7,674
	30,435	26,624
Total remuneration	211,835	200,024

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

Note 31: Events after balance sheet date

Dividends on the Company's ordinary shares

A final dividend of 9.0 cents per fully paid ordinary shares has been determined for the year ended 26 June 2022 – refer Note 19.

There have been no events subsequent to the date of this report which would have a material effect on the financial report of the consolidated entity at 26 June 2022.

Directors' Declaration

The Directors declare that:

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

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

c. in their opinion, the attached financial statements and notes 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; and

d. the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

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

On behalf of the Directors

Melanie Wilson

Melanie Wilson
Chair
12 August 2022

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Baby Bunting Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 26 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(a) giving a true and fair view of the consolidated financial position of the Group as at 26 June 2022 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

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

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

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Carrying value of inventories

Why significant	How our audit addressed the key audit matter
As at 26 June 2022, the Group held $96.7 million in inventories representing 28%of total assets of the Group. As detailed in Note 2(h) of the financial report, inventories are valued at the lower of cost and net realisable value. The cost of inventory is determined using a weighted average cost approach adjusted for volume rebates and settlements discounts. Judgement was required to be exercised by the Group to determine the net realisable value for items which may be ultimately sold below cost. These judgements include consideration of expectations for future sales based on historical experience. Given the process and judgement involved in determining the cost and carrying value of inventories, this was considered a key audit matter.	► Assessed the appropriateness of the Group's accounting policies in relation to inventory including volume rebates and settlement discounts in accordance with Australian Accounting Standards. ► Assessed the design and operating effectiveness of relevant controls used by the Group to record the cost of inventories and tested the cost price of inventory recorded for a sample of inventory items to supplier invoices. ► Assessed the effectiveness of controls in place relating to the recognition and measurement of rebate and settlement discount amounts and tested a sample of rebates and discounts to individual supplier agreements. ► Assessed the basis for inventory provisions recorded by the Group for slow moving inventories and stock losses. In doing so, we examined the Group's process for identifying slow moving inventories, negative margin, historical stock loss rate trends and expected costs to sell and had discussions with inventory controllers on inventory management. ► Considered the impact of sales subsequent to year end on the value of inventories at balance date by comparing the actual selling prices to the carrying value for a sample of inventories.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 55 to 76 of the directors' report for the year ended 26 June 2022.

In our opinion, the Remuneration Report of Baby Bunting Group Limited for the year ended 26 June 2022, complies with section 300A of the Corporations Act 2001.

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Responsibilities

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

Ernst & Young

Tony Morse
Partner

Melbourne
12 August 2022

Shareholder information

as at 4 July 2022

Baby Bunting Group Limited has one class of shares on issue (being fully paid ordinary shares). There are 132,458,126 shares on issue. All of the Company's shares are listed on the Australian Securities Exchange. There is no current on-market buy-back.

Twenty Largest Shareholders

	Name	Number of shares	% of shares
1	J P Morgan Nominees Australia Pty Limited	33,818,136	25.53
2	Citicorp Nominees Pty Limited	27,397,339	20.68
3	HSBC Custody Nominees (Australia) Limited	19,873,197	15.00
4	National Nominees Limited	8,331,867	6.29
5	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	2,462,355	1.86
6	BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP>	1,942,296	1.47
7	BNP Paribas Noms Pty Ltd <DRP>	1,742,986	1.32
8	Mr Matthew Spencer	1,094,459	0.83
9	Fiddian Teal Nominees Pty Ltd <Fiddian Teal Family A/C>	889,439	0.68
10	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	860,720	0.65
11	Mr Graeme John Haines + Mrs Sharni Gay Haines + Mr Malcom Arnold Haines <G & S Haines S/F A/C>	671,264	0.51
12	Fergus & Co Pty Ltd <Fergus Investment A/C>	488,974	0.37
13	Mr Scott Teal	475,843	0.36
14	Mr Michael Pane	419,110	0.32
15	Mr Darin Hoekman	400,297	0.30
16	Highmont Heights Pty Ltd <Saunders Super Fund A/C>	400,000	0.30
17	Mr Corey Lewis	374,644	0.28
18	Oakleytower Pty Limited	358,781	0.27
19	Coolum Oak Pty Ltd <The Cornell Super Fund A/C>	325,000	0.25
20	Australian Executor Trustees Limited <No 1 Account>	295,564	0.22
	Total	**102,632,271**	**77.48**

Unmarketable parcels

There were 623 holdings of less than a marketable parcel (less than $500 in value or less than 122 shares) based on the closing market price of $4.12 per share at 4 July 2022.

Distribution of Shareholders and Shareholdings

Range	Total holders	% of total holders	Number of shares	% of shares
1 – 1,000	4,089	48.9	1,770,537	1.34
1,001 – 5,000	2,976	35.6	7,511,158	5.67
5,001 – 10,000	771	9.2	5,728,904	4.33
10,001 – 100,000	482	5.8	10,398,765	7.85
100,001 and over	47	0.6	107,048,762	80.82
Total	**8,365**	**100.0**	**132,458,126**	**100.0**

Substantial shareholders

As at 4 July 2022, the substantial holders (as disclosed in substantial holdings notices given to the Company) are:

Name	Date of most recent notice	Number of shares	Relevant interest
AustralianSuper Pty Ltd	10 Sept 202	17,710,679	13.65%
Bennelong Funds Management Group Pty Ltd	13 Aug 2021	13,727,084	10.58%

Voting rights of ordinary shares

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

Performance rights

The Company has unquoted performance rights on issue. As at 4 July 2022, there were 12 holders of performance rights. There are no voting rights attached to performance rights.

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Corporate Directory

Registered Office

Baby Bunting Group Limited

153 National Drive

Dandenong South VIC 3175

(03) 8795 8100

Directors

Melanie Wilson

Gary Levin

Donna Player

Gary Kent

Francine Ereira

Stephen Roche

Matt Spencer

Company Secretary

Corey Lewis

Investor Relations

Darin Hoekman

Chief Financial Officer

(03) 8795 8100

Shareholder Enquiries

Share Registry

Computershare Investor Services Pty Ltd

GRP Box 2975

Melbourne VIC 3001

1800 850 505 (within Australia)

+61 3 9415 4000 (outside Australia)

Auditor

Ernst & Young

8 Exhibition Street

Melbourne VIC 3000

Securities Exchange Listing

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

(ASX code: BBN)

Investor website

babybunting.com.au/investor

Online store

babybunting.com.au

babybunting.co.nz

BabyBunting®