

JOYCE CORPORATION LTD
ABN 80 009 116 269

Half-Year Report
For the period ended 31 December 2020

**APPENDIX 4D
RESULTS FOR ANNOUNCEMENT TO THE MARKET**

The information contained in this report should be read in conjunction with the most recent annual financial statements.

Name of entity:	Joyce Corporation Ltd
ABN:	80 009 116 269

1. Details of the current and previous reporting period	
Current period:	1 July 2020 to 31 December 2020
Previous corresponding period:	1 July 2019 to 31 December 2019

2. Results for announcement to the market		
	\$'000	
2.1 Revenue from continuing operations	Up 16.3% from \$45,458 to	\$52,855
2.2 Profit from ordinary activities after tax attributable to the owners of Joyce Corporation Limited	Up 119.4% from \$3,473 to	\$7,620
2.3 Profit for the half-year attributable to the owners of Joyce Corporation limited (continuing operations ONLY)	Up 208.1% from \$1,560 to	\$4,806

2.4 and 2.5 Dividends	Amount per security	Franked amount per security	Record date	Total dividend
<i>Final</i>				
- current period (paid 16 November 2020)	5.0 cents	5.0 cents	10 Nov 2020	\$1.4m
- previous corresponding period (paid 18 November 2019)	5.0 cents	5.0 cents	11 Nov 2019	\$1.4m
<i>Interim</i>				
- current period (payable 9 April 2021)	7.0 cents	7.0 cents	12 Mar 2021	\$2.0m
- previous corresponding period (paid 25 September 2020)	5.0 cents	5.0 cents	29 Apr 2020	\$1.4m

Dividend reinvestment plan	Date of interim dividend declaration	26 February 2021
	Ex date	11 March 2021
	Record date for determining entitlements to the interim dividend	12 March 2021
	Closing date for election to participate in the DRP	15 March 2021
	Closing date for calculation of DRP share issue price based on the Volume Weighted Average Price (VWAP) (rounded to the nearest whole cent) for Joyce Corporation Limited shares sold on the ASX in the five business days commencing three days after the record date	23 March 2021
	DRP discount to be applied	2.5 %
	DRP to be underwritten	No
	Payment date for interim dividend/issue of shares under the DRP	9 April 2021
	DRP share ranking with existing Joyce Corporation shares	Equally in all aspects
	Date by which DRP participant's holdings will be updated with additional shares issues under the DRP	9 April 2021

APPENDIX 4D
RESULTS FOR ANNOUNCEMENT TO THE MARKET

2.6 Explanation of any of the figures in items 2.1 to 2.5 that may be required	A commentary on the results for the period is contained with the Half-Year Report as well as the Shareholder Presentation accompanying this announcement.	
3. Net assets per ordinary share attributable to members of the parent entity	31 December 2020	31 December 2019
Net tangible asset per share (diluted)	\$0.50	\$0.17
Net intangible assets per share (diluted)	\$0.27	\$0.65
Total net assets per share (diluted)	\$0.77	\$0.82
4. Control gained or lost over entities during the period	All monies owing with regards to the Lloyds Online Auctions Pty Ltd divestment were received during the period.	
5. Audit qualification or review	The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.	

DIRECTORS' REPORT

Your Directors present their report on the Group, consisting of Joyce Corporation Ltd (“Joyce” or “the Company” or “the Group”) and the entities it controlled at the end of, or during the period ended 31 December 2020.

Directors

The names of the Company’s Directors in office during the period ended 31 December 2020 and until the date of this report are as stated below. Directors were in office for this entire period unless otherwise stated.

Jeremy Kirkwood	Non-executive Director (Chair from 1 December 2020)
Karen Gadsby	Non-executive Director (Deputy Chair)
Mike Gurry	Non-executive Director (Chair to 30 November 2020)
Dan Smetana	Non-executive Director
Tim Hantke	Non-executive Director
Travis McKenzie	Non-executive Director

Review of operations

The first half results of FY21 shows a significant increase in profitability with profit attributable to ordinary equity holders of the company of \$4.8 million for the six months ending 31 December 2020 compared to \$1.6 million for the prior comparative period of six months ending 31 December 2019.

Both the KWB and Bedshed divisions performed above prior year comparatives and also above forecast levels of earnings for the period. The Group’s continuing revenue to 31 December 2020 grew to \$52.9 million, up 16% from the comparative period (\$45.5 million). This was despite significant macro-economic challenges causing supply chain disruption and lockdowns in parts of the country. In line with the increase in revenue, the Group’s earnings before tax and interest (EBIT) increased from \$5.2 million to \$11.4 million.

An Earnings Per Share (EPS) of 17.1 cents was achieved in the 6-month period ended 31 December 2020 which is an increase of 208% from the comparative 2019 period of 5.6 cents.

The Group’s consolidated closing gross cash balance stood at \$18.2 million as at 31 December 2020, \$7.6 million more than 30 June 2020 and \$16.3 million more than 31 December 2019. As at the end of the period, net cash stood at \$12.7 million.

The Company’s distinct operating units at 31 December 2020 were:

KWB Group Pty Ltd	(51% owned)
Bedshed Franchising	(100% owned)
Bedshed Company Owned Stores	(100% owned)

KWB’s revenue and profit grew during the reporting period to 31 December 2020 by 12% and 48% respectively. Three new showrooms were opened in the half year period and it is planned to open further showrooms in the 2021 calendar year with a focus on expansion in NSW.

Both the Bedshed Franchising and Owned Store businesses performed strongly in the reporting period. The Franchising operation improved earnings to \$1.6 million (from \$0.7 million in the half year ending 31 December 2019) and Bedshed Owned Store operations increased to \$2.7 million (from \$0.6 million in the half year ending 31 December 2019). In December 2020, the Helensvale Bedshed Store was successfully transferred from a Company Owned Store to a franchisee. There are now 4 Company owned stores and 32 Franchised stores across West Australia, Queensland and Victoria.

Events after reporting date

The Company determined to pay a fully franked interim dividend of 7.0 cents per share. The record date is 12 March 2021 and payment date 9 April 2021.

In early February 2021, the Western Australian and Victorian Bedshed networks were closed for a short period due to the restrictions enacted by the Local State Governments associated with the COVID-19 pandemic. It is not envisaged that this will have a material impact on annual earnings.

DIRECTORS' REPORT

The Group has decided to voluntarily return funds to the ATO from the JobKeeper payments it received from the Australian Government during the period.

Other than that disclosed above, no event has occurred since the reporting date to the date of this report that has significantly affected, or may significantly affect the Group's operations, or the results of those operations, or the Group's state of affairs.

Rounding of amounts

The Group has applied the relief available to it in ASIC Corporate Legislative Instrument 2016/191 and accordingly, certain amounts in the financial report and the Directors' Report have been rounded off to the nearest \$1,000.

Auditor's declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 5 for the half year ended 31 December 2020.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001*.



J Kirkwood
Chair

Perth, 26 February 2021

DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF JOYCE CORPORATION LTD

As lead auditor for the review of Joyce Corporation Ltd for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Joyce Corporation Ltd and the entities it controlled during the period.



Neil Smith
Director

BDO Audit (WA) Pty Ltd
Perth, 26 February 2021

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Note	Group	
		31 Dec 2020	31 Dec 2019
		\$'000	\$'000
Continuing operations			
Revenue	5	52,855	45,458
Cost of sales		(24,777)	(21,633)
Gross profit		<u>28,078</u>	<u>23,825</u>
Other revenue	5	3,466	893
Variable costs		(3,759)	(2,519)
Contribution margin		<u>27,785</u>	<u>22,199</u>
Expenses from continuing operations			
Employment expenses		(10,381)	(10,787)
Occupancy expenses		(594)	(695)
Marketing expenses		(1,269)	(1,482)
Administration expenses		(1,810)	(1,741)
Profit before depreciation, interest and tax		<u>13,731</u>	<u>7,494</u>
Depreciation and amortisation		(2,357)	(2,250)
Profit before interest and tax		<u>11,374</u>	<u>5,244</u>
Net interest expense		(289)	(371)
Profit before tax		<u>11,085</u>	<u>4,873</u>
Income tax expense		(3,465)	(1,400)
Profit from continuing operations after tax		<u>7,620</u>	<u>3,473</u>
Loss from discontinued operations		-	(1,028)
Profit for the period		<u>7,620</u>	<u>2,445</u>
Profit / (loss) is attributable to:			
Continuing operations:			
Ordinary equity holders of the company		4,806	1,560
Non-controlling interests		2,814	1,913
		<u>7,620</u>	<u>3,473</u>
Discontinued operations:			
Ordinary equity holders of the company		-	(576)
Non-controlling interests		-	(452)
		<u>-</u>	<u>(1,028)</u>
Earnings / (loss) per share (cents per share) for profit / (loss) attributable to ordinary equity holders of the company:			
Basic earnings / (loss) per share:			
Earnings / (loss) from continuing operations		17.10	5.57
Earnings / (loss) from discontinued operations		-	(2.06)
	6	<u>17.10</u>	<u>3.51</u>
Diluted earnings / (loss) per share:			
Earnings / (loss) from continuing operations		17.10	5.57
Earnings / (loss) from discontinued operations		-	(2.06)
	6	<u>17.10</u>	<u>3.51</u>

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Note	Group	
		31 Dec 2020 \$'000	31 Dec 2019 \$'000
Profit for the period		7,620	2,445
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		7,620	2,445
Total comprehensive income for the period arises from:			
Continuing operations		7,620	3,473
Discontinued operations		-	(1,028)
Total comprehensive income for the period		7,620	2,445
Total comprehensive income for the period attributable to:			
Continuing operations:			
Ordinary equity holders of the company		4,806	1,560
Non-controlling interests		2,814	1,913
		7,620	3,473
Discontinued operations:			
Ordinary equity holders of the company		-	(576)
Non-controlling interests		-	(452)
		-	(1,028)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Note	Group	
		31 Dec 2020 \$'000	30 Jun 2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		18,203	10,643
Trade receivables		697	886
Inventories		2,440	2,974
Other receivables and prepayments		750	4,168
Other financial assets		231	179
Total current assets		22,321	18,850
Non-current assets			
Other receivables and prepayments		114	157
Deferred tax assets		6,229	5,564
Right-of-use assets		12,747	10,195
Property, plant and equipment		8,855	8,807
Investment property		9,623	9,623
Intangible assets	7	7,480	7,510
Total non-current assets		45,048	41,856
TOTAL ASSETS		67,369	60,706
Current liabilities			
Trade and other payables		13,793	12,774
Dividend payable		-	1,405
Provisions		2,187	1,575
Loans and borrowings	8	5,521	521
Lease liabilities		3,901	3,370
Provision for income tax		1,711	484
Total current liabilities		27,113	20,129
Non-current liabilities			
Loans and borrowings	8	-	5,230
Lease liabilities		10,176	8,587
Deferred tax liabilities		4,433	3,851
Provisions		637	1,256
Total non-current liabilities		15,246	18,924
TOTAL LIABILITIES		42,359	39,053
NET ASSETS		25,010	21,653
EQUITY			
Issued capital	9	18,375	18,280
Reserve		72	20
Retained earnings / (losses)		3,096	(305)
Parent entity interest		21,543	17,995
Non-controlling interest		3,467	3,658
TOTAL EQUITY		25,010	21,653

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

Note	Contributed equity \$'000	Reserves \$'000	Retained earnings /(losses) \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2019	18,090	-	5,163	2,939	26,192
Total comprehensive income for the period					
Profit attributable to members of the parent entity	-	-	984	-	984
Profit attributable to non-controlling interests	-	-	-	1,461	1,461
Total comprehensive income for the period	-	-	984	1,461	2,445
Transaction with owners in their capacity as owners:					
Dividends paid or provided for	-	-	(1,398)	(828)	(2,226)
Shares issued	190	-	-	-	190
Share-based payment	-	10	-	-	10
Balance at 31 December 2019	18,280	10	4,749	3,572	26,611
Balance at 1 July 2020	18,280	20	(305)	3,658	21,653
Total comprehensive income for the period					
Profit attributable to members of the parent entity	-	-	4,806	-	4,806
Profit attributable to non-controlling interests	-	-	-	2,814	2,814
Total comprehensive income for the period	-	-	4,806	2,814	7,620
Transactions with owners in their capacity as owners:					
Dividends paid or provided for	3	-	(1,405)	(3,005)	(4,410)
Shares issued	12	95	-	-	95
Share-based payment	12	-	52	-	52
Balance at 31 December 2020	18,375	72	3,096	3,467	25,010

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Note	Group	
		31 Dec 2020 \$'000	31 Dec 2019 \$'000
Cash flows from / (used in) operating activities			
Receipts from customers		56,510	45,903
Payments to suppliers and employees		(41,246)	(41,168)
Income tax paid		(2,321)	(1,669)
Interest received / (paid)		5	(95)
Net cash flows from operating activities		12,948	2,971
Cash flows from / (used in) investing activities			
Purchase of property, plant and equipment		(737)	(391)
Proceeds from sale of discontinued operations		3,300	-
Proceeds from sale of property, plant and equipment		68	-
Net cash flows from / (used in) investing activities		2,631	(391)
Cash flows from / (used in) financing activities			
Dividends paid	3	(2,810)	(1,398)
Dividends paid to non-controlling interests		(3,005)	(828)
Payment of lease liabilities		(1,975)	(2,029)
Repayment of borrowings		(229)	(5,722)
Proceeds from borrowings		-	2,311
Net cash flows used in financing activities		(8,019)	(7,666)
Net increase / (decrease) in cash and cash equivalents		7,560	(5,086)
Cash and cash equivalents at the beginning of period (1 July)		10,643	6,859
Cash and cash equivalents at the end of period		18,203	1,773
Reconciliation of cash			
Cash and cash equivalents relating to continuing operations		18,203	1,773
Cash and cash equivalents relating to discontinued operations		-	108
Total cash at bank and in hand		18,203	1,881

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

1. BASIS OF PREPARATION

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards, including *AASB 134: Interim Financial Reporting*. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this financial report is to be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2020, together with any public announcements made during the half-year ended 31 December 2020.

Comparatives

Where required by accounting standards comparative figures have been adjusted to conform with classification and presentation for the current financial half-year.

The comparatives have been restated to report discontinued operations separately from continuing operations.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the half-year report are consistent with those adopted and disclosed in the Company's annual report for the financial year ended 30 June 2020.

Adoption of new and amended standards and interpretations

No new accounting standards were adopted in the period.

Use of estimates and judgements

There have been no significant estimates and judgements used in the process of applying the Group's accounting policies.

Impact of accounting standards to be applied in future periods

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 30 June 2021 (the date on which the Company's next annual financial statements will be prepared up to). The Group does not believe the standards and interpretations that will be relevant to the Group, will have a material impact on the financial statements once adopted.

These Standards and Interpretations are:

AASB 2020-1: Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current. This applies to periods beginning on or after 1 January 2023; and

AASB 2020-3: Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments. This applies to periods beginning on or after 1 July 2021.

The Group does not intend to take advantage of section 334(5) of the Corporations Act 2001 (Cwlth) and early adopt any of the above standards and interpretations.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

3. DIVIDENDS PAID TO MEMBERS OF THE PARENT ENTITY

	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Fully franked final dividend of 5.0 cents ¹ (2019: 5.0 cents) per ordinary share proposed and paid during the period relating to the previous financial year's results	2,810	1,398

¹ The payment of the FY2020 final dividend of 5.0 cents was delayed to September 2020 resulting in a higher dividend cash outflow for the current period.

4. OPERATING SEGMENTS

Operating segments

Operating Segments are identified based on internal reports about components of the Group that are regularly reviewed by the chief operating decision makers (The Board of Directors and the CEO) in order to allocate resources to the segments and to assess their performance.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has the following operating segments:

- Operation of retail kitchen and wardrobe showrooms;
- Bedshed retail bedding franchise operation; and
- Company-owned retail bedding stores.

Transfer prices between operating segments are set on an arms-length basis and in a manner consistent with transactions with third parties.

Previous operations of valuation, online and physical auction sites were divested on 17 June 2020 and are reported under Discontinued Operations.

Geographic segments

The Group operates in one principal geographical area namely that of Australia (country of domicile). Each Segment is managed on a national basis and Management consider that geographic areas are not a consideration in Segment performance.

Information about major customers

No single customer of the Group generated more than 10% of the Group's revenue during the period ended 31 December 2020.

In the retail operations of the Group, namely KWB and Bedshed company-owned Stores, no single customer represents a material amount of revenue.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

4. OPERATING SEGMENTS (CONTINUED)

The following table presents revenue and profit information and certain asset and liability information regarding operating segments for the period ended 31 December 2020.

	Continuing operations			Continuing operations
	Retail Kitchen Showrooms \$'000	Bedshed Franchise \$'000	Retail Bedding Stores \$'000	Total \$'000
Period ended 31 Dec 2020				
Revenue				
Revenue	40,686	2,384	9,785	52,855
Inter-segment sales	-	-	-	-
Total segment revenue	40,686	2,384	9,785	52,855
Timing of revenue recognition:				
At a point in time	40,686	-	9,785	50,471
Over time	-	2,384	-	2,384
	40,686	2,384	9,785	52,855
Unallocated revenue				-
Total consolidated revenue				52,855
Result				
Segment result	8,299	1,550	2,679	12,528
Unallocated expenses net of unallocated income				(1,443)
Income tax expense				(3,465)
Net consolidated profit/(loss) for the year				7,620
Assets and liabilities as at 31 Dec 2020				
Segment assets	35,043	8,572	13,645	57,260
Unallocated assets				10,109
Total assets				67,369
Segment liabilities	26,945	2,487	7,898	37,330
Unallocated liabilities				5,029
Total liabilities				42,359
Other segment information for the period ended 31 Dec 2020				
Capital expenditure on PPE and intangibles	713	12	1	726
Depreciation and amortisation	1,692	41	580	2,313

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

4. OPERATING SEGMENTS (CONTINUED)

The following table presents the operating segments' revenue and profit information for the corresponding comparative period (period ended 31 December 2019) and asset and liability information as at 30 June 2020.

	Continuing operations			Continuing operations	Discontinued operations
	Retail Kitchen Showrooms \$'000	Bedshed Franchise \$'000	Retail Bedding Stores \$'000	Total \$'000	Total \$'000
Period ended 31 Dec 2019					
Revenue					
Revenue	36,496	1,917	7,045	45,458	6,101
Inter-segment sales	-	-	-	-	-
Total segment revenue	<u>36,496</u>	<u>1,917</u>	<u>7,045</u>	<u>45,458</u>	<u>6,101</u>
Timing of revenue recognition:					
At a point in time	36,496	-	7,045	43,541	6,101
Over time	-	1,917	-	1,917	-
	<u>36,496</u>	<u>1,917</u>	<u>7,045</u>	<u>45,458</u>	<u>6,101</u>
Unallocated revenue				-	-
Total consolidated revenue				<u>45,458</u>	<u>6,101</u>
Result					
Segment result	5,602	710	564	6,876	(1,297)
Unallocated expenses net of unallocated income				(2,003)	(89)
Income tax expense				(1,400)	358
Net consolidated profit/(loss) for the year				<u>3,473</u>	<u>(1,028)</u>
Assets and liabilities as at 30 Jun 2020					
Segment assets	30,613	8,417	10,148	49,178	-
Unallocated assets				11,528	-
Total assets				<u>60,706</u>	<u>-</u>
Segment liabilities	22,123	2,002	7,703	31,828	-
Unallocated liabilities				7,225	-
Total liabilities				<u>39,053</u>	<u>-</u>
Other segment information for the period ended 31 Dec 2019					
Capital expenditure on PPE and intangibles	290	11	1	302	62
Depreciation and amortisation	1,496	10	691	2,197	634

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

5. REVENUE

Revenue from Continuing Operations

	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Revenue from contracts with customers		
Sale of goods	50,471	43,541
Franchise revenue	2,384	1,917
	52,855	45,458
Other revenue		
Rental revenue	319	309
Freight recovered	170	86
Gain / (loss) on lease modification	480	-
Other revenue	670	498
Government grants	1,827	-
	3,466	893

Government Grants

There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

Subsequent to the period end, the Group has decided to voluntarily return funds to the ATO from the JobKeeper payments it received from the Australian Government during the period.

Gain or loss on leasehold modifications

During the period, the Bedshed company-owned store in Helensvale QLD was taken over by a Franchisee and at 31 December 2020 it is operated as a part of the Bedshed Franchising network. As a part of the sale arrangements the lease for the property was assigned to the franchisee. As a result of this assignment both the lease liability and the right of use asset are no longer accounted for in the Bedshed records. The impact to other revenue resulting from the transfer of the Helensvale lease is a gain of \$480k.

Disaggregation of revenue

The Executive review the business at the level of disaggregation shown in the Operating Segments note. The disaggregation of revenue follows the operating segments identified, being revenue from the following activities and arrangements:

- Similar timing of customer payment arrangements. At KWB there are a series of deposit stages prior to the delivery of the kitchen.
- Similar types of revenue. At Bedshed Franchising the majority of revenue is earned through payments made by the Franchisees for the services Bedshed provide in connection with the Franchise.

In understanding the segments, the organisation rarely considers the geographic location of the customer to understand the commercial drivers of the business.

The location of KWB's 23 showrooms is not considered a primary driver of the entity's commercial outcomes. KWB considers fluctuations in overall consumer renovation spend and confidence to have a greater influence on its revenue. In the Bedshed company-owned-stores entity, there are two trading locations in Queensland and two in Western Australia. Their location is also not a primary driver of understanding the business, greater insight comes from consideration of the broader macro-economic factors in play that would influence demand, and in the case of the company-owned stores this would include changes in consumer spend on household goods, housing price movements and consumer confidence.

The Group divested of its valuation, online and physical auction site operations on 17 June 2020 and has reported the operation's revenue as a net earnings number in the comparative period under "(Loss) from discontinued operations". There were no new revenue streams during the half year ended 31 December 2020.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

6. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated based on a weighted average of any shares issued during the reporting period.

7. INTANGIBLE ASSETS

Goodwill

Goodwill is allocated to cash-generating units (CGU's) for impairment testing. Each of those CGU's represents the Group's investment by each operating segment. CGU's to which goodwill is allocated are as follows:

- KWB Retail Kitchen and Wardrobe Showrooms CGU; and
- Bedshed Franchising CGU.

Impairment of Goodwill

The Group is required to assess at each reporting period, whether there is any indication that an asset may be impaired.

At 31 December 2020 there were no indicators of impairment relating to any of the Group's CGU's and no impairment was recognised at 31 December 2020 (2019: \$nil).

8. LOANS AND BORROWINGS

Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the period. The financier assesses the financial covenants bi-annually, based on the audited annual report and reviewed half-year report.

Loan Expiry

The expiry dates of the CBA loans have not been extended in the period ended 31 December 2020.

The available facilities at 31 December 2020 are as follows:

	Current \$'000	Non- current \$'000	Total \$'000	Limit \$'000	Available \$'000	Loan term	Expiry date
CBA market rate loan 1	937	-	937	937	-	2 years	27/9/2021
CBA market rate loan 2	4,584	-	4,584	4,584	-	2 years	27/9/2021
CBA multi-option facility	-	-	-	415	415	2 years	27/9/2021
NAB business loan	-	-	-	4,000	4,000	1 year	31/7/2021
Total	5,521	-	5,521	9,936	4,415		

The bank loans are secured by first mortgages over the Group's freehold land and buildings, including those classified as investment properties.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

9. CONTRIBUTED EQUITY

	Group	
	31 Dec 2020	30 June 2020
	\$'000	\$'000
Issued and fully paid ordinary shares	18,375	18,280

Movement in ordinary shares on issue:

	Group	
	Number	\$'000
At 1 July 2020	28,099,834	18,280
Issued and fully paid ordinary shares (see Note 12)	63,731	95
At 31 December 2020	28,163,565	18,375

10. CONTINGENT LIABILITIES AND COMMITMENTS

There have been no material changes to contingent liabilities since 30 June 2020 and as at 31 December 2020 there are no material commitments outstanding.

11. RELATED PARTY DISCLOSURES

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

During the half-year ended 31 December 2020 the Group's entities entered into the following transactions with related parties who are not members of the Group:

<i>Related party relationship</i>	<i>Type of transaction</i>
(i) Key Management Personnel	Received dividend payments totalling \$575,339.
(ii) Key Management Personnel	Received remuneration of short-term benefits and post-employment benefits of \$1,765,520.
(iii) Key Management Personnel	127,002 performance rights issued to CEO, Dan Madden under a Long-Term Incentive scheme. Refer to Note 12 in relation to the Company's share-based payments.
(iv) Key Management Personnel	140,484 performance rights issued to Bedshed General Manager, Gavin Culmsee under a Long-Term Incentive scheme. Refer to Note 12 in relation to the Company's share-based payments.

Arrangements with Keith Smith (ex-CEO)

On 5 August 2020 Keith Smith notified the organisation of his intent to leave full-time employment. This came into effect at close of business on 30 November 2020 at which point he ceased to be a KMP of the Company. On 9 October 2020, Mr Smith received a payment of \$200,000 (cash component of 50% and 50% in Joyce shares). Details of the shares issued is included in Note 12.

Mr Smith has provided assistance as CFO and Company Secretary on a per diem contractor basis since November 2020.

Arrangements with Dan Madden (incoming-CEO)

On 6 October 2020 Joyce announced the recruitment of Dan Madden as CEO. Mr Madden commenced as CEO on 1 December 2020 and his Total Fixed Remuneration ('TFR') was set at \$373,000 p.a., including superannuation. Additionally, Mr Madden will be eligible for variable remuneration, being a Short-Term Incentive of 30% of the TFR, and a Long-Term Incentive of 45% of the TFR (refer to Note 12 for further details).

Other than the items disclosed above there are no other material related party transactions during the half year ended 31 December 2020.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

12. SHARE-BASED PAYMENTS

(i) Keith Smith share-based payment

In the contractual arrangements finalised and signed on 9 October 2020 it was agreed to issue Joyce Corporation Ordinary Shares to Keith Smith. The market price of Joyce Corporation at the close of business on 9 October 2020 was \$1.50 and 63,731 shares were issued giving an accounting value for the issue of \$95,596.

The shares rank equally with the ordinary shares already on issue by the Company. No funds were received or applied in the issue, as the shares were issued in recognition of Keith Smith's contribution to the Company.

Recognition and measurement

The cost of the share-based payment is recognised, together with a corresponding increase in equity, in the period in which the shares were issued (December 2020). An expense of \$95,596 was recognised in the Consolidated Statement of Profit or Loss.

(ii) Key Management Personnel performance rights

The performance rights offered are designed to provide long-term incentives for Key Management Personnel to deliver long-term shareholder returns. Under the agreement, participants are granted options which only vest if certain performance standards are met.

Details of the performance rights issued are summarised below:

Beneficiary	Gavin Culmsee
Number of Rights Granted	76,387
Fair Value per right (JYC share price on grant date)	\$1.55
Total fair value	\$118,400
Commencement date	1 July 2019
Expected vesting date	30 June 2022 (3 years)
Vesting conditions	Profit metric of Bedshed EBIT cumulative over 3 years*
No. of rights expected to vest	76,387

Beneficiary	Dan Madden	Gavin Culmsee
Number of Rights Granted	127,002	140,484
Fair Value per right (JYC share price on grant date)	\$1.64	\$1.11
Total fair value	\$208,283	\$155,937
Commencement date	1 December 2020**	1 July 2020
Expected vesting date	30 June 2023 (3 years)	30 June 2023 (3 years)
Vesting conditions	Profit metric of Group NPAT cumulative over 3 years*	Profit metric of Bedshed EBIT cumulative over 3 years*
No. of rights expected to vest	63,501 - 127,002	70,242 - 140,484

*The expense recognised in respect of the performance rights is based on the Board's assessment of the probability that certain milestone earnings will be achieved, measured cumulatively over the three-year period commencing 1 July 2020 and ending 30 June 2023. There are three milestones: "threshold"; "target"; and "stretch and above". Meeting these milestones results in, respectively, 25%, an additional 25%, and the final 50% of the rights vesting into ordinary shares.

**Dan Madden's contract of employment commenced on 1 December 2020 and as a result for the year 30 June 2021 only a prorated expense will be recognised.

For the above Long-Term Incentive schemes \$51,800 was charged in the six-month period to 31 December 2020. Since the schemes were inception \$71,533 has been charged (as at 30 June 2020 \$19,733 had been charged in relation to the Long-Term Incentive schemes).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

Recognition and Measurement

The schemes in place can only be equity-settled and are accounted for accordingly. The cost of equity-settled transactions with employees is measured using their fair value at the date which they were granted. In determining the fair value, no account is taken of any performance conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which any performance conditions are met, ending on the date on which the employee becomes fully entitled to the award (vesting date). The cumulative expense recognised for these transactions at each reporting date reflects the extent to which the vesting period has expired and the proportion of the awards that are expected to ultimately vest.

No expense is recognised for awards that do not ultimately vest due to a performance condition not being met.

13. EVENTS AFTER REPORTING DATE

The Company determined to pay a fully franked interim dividend of 7.0 cents per share. Record date is 12 March 2021 and payment date 9 April 2021.

In early February 2021, the Western Australian and Victorian Bedshed networks were closed for a short period due to the restrictions enacted by the Local State Governments associated with the pandemic. It is not envisaged that this will have a material impact on annual earnings.

The Group has decided to voluntarily return funds to the ATO from the JobKeeper payments it received from the Australian Government during the period.

Other than that disclosed above, no event has occurred since the reporting date to the date of this report that has significantly affected, or may significantly affect the Group's operations, or the results of those operations, or the Group's state of affairs.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Joyce Corporation Ltd, I state that:

- (a) In the Directors' opinion, the financial statements and notes thereto of the Company have been prepared in accordance with the *Corporations Act 2001*, including that they:
 - a. Comply with the Australian Accounting Standards and Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. Give a true and fair view of the financial position of the Company as at 31 December 2020 and of its performance as represented by the results of its operations and its cash flows for the period ended on that date; and
- (b) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



J Kirkwood
Chair

Perth, 26 February 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Joyce Corporation Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Joyce Corporation Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.



Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to be 'Neil Smith', written over a small, faint BDO logo.

Neil Smith

Director

Perth, 26 February 2021