

JOYCE 2022

HALF-YEAR REPORT

RESULTS FOR ANNOUNCEMENT TO THE MARKET

APPENDIX 4D

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 2021 to 31 December 2021
Previous corresponding period: 1 July 2020 to 31 December 2020

2. Results for announcement to the market

	\$'000
2.1 Revenue from continuing operations	Up 16.4% from \$52,855 to \$61,546
2.2 Profit from ordinary activities after tax	Down 11.7% from \$7,620 to \$6,729
2.3 Profit after tax attributable to the owners of Joyce Corporation Limited	Down 22.3% from \$4,806 to \$3,734

2.4 and 2.5 Dividends	Amount per security	Franked amount per security	Record date	Total dividend
<i>Final</i>				
– current period (paid 1 October 2021)	10.0 cents	10.0 cents	14 Sep 2021	\$2.8m
– previous corresponding period (paid 16 November 2020)	5.0 cents	5.0 cents	10 Nov 2020	\$1.4m
<i>Interim</i>				
– current period (payable 25 March 2022)	7.5 cents	7.5 cents	10 Mar 2022	\$2.1m
– previous corresponding period (paid 9 April 2021)	7.0 cents	7.0 cents	12 Mar 2021	\$2.0m

Dividend reinvestment plan (DRP)

Date of interim dividend declaration	24 February 2022
Ex date	9 March 2022
Record date for determining entitlements to the interim dividend	10 March 2022
Closing date for election to participate in the DRP	11 March 2022
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	21 March 2022
DRP discount to be applied	2.5%
DRP to be underwritten	No
Payment date for interim dividend/issue of shares under the DRP	25 March 2022
DRP share ranking with existing Joyce Corporation shares	Equally in all aspects
Date by which DRP participants' holdings will be updated with additional shares issues under the DRP	25 March 2022

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 2021	31 December 2020
Net tangible assets per share (diluted)	\$0.61	\$0.50
Net intangible assets per share (diluted)	\$0.26	\$0.27
Total net assets per share (diluted)	\$0.87	\$0.77

4. Control gained or lost over entities during the period

N/A

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 2021.

DIRECTORS

The names of the Company's Directors in office during the period ended 31 December 2021 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)
Karen Gadsby	Non-executive Director (Deputy Chair)
Daniel Smetana	Non-executive Director
Timothy Hantke	Non-executive Director
Travis McKenzie	Non-executive Director
Mike Gurry	Non-executive Director (retired 23 November 2021)

REVIEW OF OPERATIONS

	31 Dec 2021 \$'000	31 Dec 2020 \$'000	Change %
Group Revenue from continuing operations	61,546	52,855	16.4%
Group Net Profit After Tax (NPAT)	6,729	7,620	(11.7%)
NPAT attributable to JYC Shareholders	3,734	4,806	(22.3%)
Earnings Per Share (cents)	13.24	17.10	(22.6%)
Dividend Per Share (cents)	7.5	7.0	7.1%

Group Revenue from continuing operations for the first half of FY22 was \$61.5 million, a growth of 16% on the comparative period.

Group Net Profit After Tax of \$6.7 million for the first half of FY22 was down 11.7% on the prior comparative period. The decline in profitability was primarily due to the receipt of the JobKeeper wage subsidy included in the prior comparative period. After adjusting for the one-off JobKeeper wage subsidy, Group Net Profit After Tax was \$6.7 million in the current period vs \$6.3 million in the comparative period.

Operating expenses within the business remained closely controlled across all areas, with no material increase in underlying operating costs.

Both the KWB and Bedshed divisions performed well despite the challenges of operating under the impacts of COVID-19 outbreaks across the Eastern States and associated government restrictions and widespread supply-chain constraints across many industries.

KWB

The KWB Group opened two new showrooms in New South Wales during the half-year period and now has 26 showrooms across Queensland, South Australia and New South Wales.

KWB's Revenue and Earnings Before Interest and Tax (EBIT) grew during the current reporting period to \$51.1 million and \$9.1 million respectively compared to \$40.7 million and \$8.3 million in the prior comparative period. After adjusting for the one-off JobKeeper wage subsidy, EBIT was \$9.1 million in the current period vs \$6.9 million in the comparative period.

It is planned to open further showrooms in the 2022 calendar year with a continued focus on expansion in the metro and greater Sydney area.

DIRECTORS' REPORT

BEDSHED

The Bedshed Group opened 2 new Franchise Operations in New South Wales during the half-year period and now consists of 34 franchise operations and 5 Company-Owned operations across Western Australia, Queensland, Victoria, ACT and New South Wales.

The Bedshed businesses performed strongly in the current reporting period with Bedshed Franchising generating Revenue of \$2.5 million compared to \$2.4 million in the prior comparative period and Bedshed Company-Owned Stores generating \$7.9 million of Revenue compared to \$9.8 million in the prior comparative period. (NB: the prior comparative period Company-Owned Store revenue included \$2.0 million from the Helensvale Store which was sold to a franchisee in December 2020).

The combined Bedshed businesses generated EBIT for the first half of FY22 of \$2.5 million compared to \$4.2 million in the prior comparative period. After adjusting for the one-off JobKeeper wage subsidy received in the first half of FY21, EBIT was \$2.5 million in the current period vs \$3.8 million (which includes EBIT generated from the Helensvale Company-Owned Store and profit generated on the sale of Helensvale) in the comparative period.

It is planned to open further franchise operations in the 2022 calendar year with a continued focus on expansion in the metro and greater Sydney area.

CORPORATE

The Group's consolidated closing net cash balance stood at \$17.2 million as at 31 December 2021, compared to \$19.9 million at 30 June 2021 and \$18.2 million as at 31 December 2020.

During the first half of FY22, Joyce entered into a sale and leaseback agreement for its corporate office and warehouse facility in Osborne Park, Western Australia. The transaction raised \$5.5 million in cash (before costs) and settled on 16 February 2022.

EVENTS AFTER REPORTING DATE

The Directors have resolved to distribute a fully franked interim dividend of 7.5 cents per share. The record date is 10 March 2022 and the payment date is 25 March 2022.

The transaction relating to the Company's corporate office and warehouse facility in Osborne Park, Western Australia settled on 16 February 2022.

Other than 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

A copy of the lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5 of this report.

Signed in accordance with a resolution of the Directors, made pursuant to section 306(3)(a) of the *Corporations Act 2001*.



Jeremy Kirkwood
Chair

Perth, 24 February 2022

AUDITOR'S INDEPENDENCE DECLARATION



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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 2021, 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.

A handwritten signature in black ink, appearing to read 'Neil Smith', with a stylized flourish at the end.

Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 24 February 2022

¹
BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

<i>Six months ended 31 December</i>	Note	2021 \$'000	2020 \$'000
Continuing operations			
Revenue	12	61,546	52,855
Cost of sales		(29,019)	(24,777)
Gross profit		32,527	28,078
Other revenue	12	1,205	3,466
Variable costs		(4,675)	(3,759)
Contribution margin		29,057	27,785
Expenses from continuing operations			
Employment expenses		(11,980)	(10,381)
Occupancy expenses		(660)	(594)
Marketing expenses		(1,345)	(1,269)
Administration expenses		(2,341)	(1,810)
Profit before depreciation, interest and tax		12,731	13,731
Depreciation and amortisation		(2,635)	(2,357)
Profit before interest and tax		10,096	11,374
Net interest expense		(239)	(289)
Profit before tax		9,857	11,085
Income tax expense		(3,128)	(3,465)
Profit for the period		6,729	7,620
Profit is attributable to:			
Ordinary equity holders of the company		3,734	4,806
Non-controlling interests		2,995	2,814
Total comprehensive income for the period		6,729	7,620
Earnings per share for profit attributable to ordinary equity holders of the company:			
Basic earnings per share (cents per share)	10	13.24	17.10
Diluted earnings per share (cents per share)	10	13.24	17.10

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>Six months ended 31 December</i>	<i>Note</i>	2021 \$'000	2020 \$'000
Profit for the period		6,729	7,620
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		6,729	7,620
Total comprehensive income for the period attributable to:			
Ordinary equity holders of the company		3,734	4,806
Non-controlling interests		2,995	2,814
		6,729	7,620

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 31 Dec 2021 \$'000	At 30 Jun 2021 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		17,188	19,881
Trade receivables		614	591
Inventories		3,096	3,225
Other receivables and prepayments		1,005	464
Other financial assets		893	582
Assets held for sale	5	5,431	-
Total current assets		28,227	24,743
Non-current assets			
Other receivables and prepayments		116	114
Deferred tax assets		5,996	6,005
Right-of-use assets		12,278	12,454
Property, plant and equipment	5	3,664	8,892
Investment property		9,623	9,623
Intangible assets	6	7,420	7,450
Total non-current assets		39,097	44,538
TOTAL ASSETS		67,324	69,281
Current liabilities			
Trade and other payables		16,666	19,747
Provisions		2,689	2,410
Lease liabilities		4,475	3,974
Provision for income tax		697	1,710
Total current liabilities		24,527	27,841
Non-current liabilities			
Lease liabilities		9,261	9,788
Deferred tax liabilities		4,337	4,364
Provisions		663	649
Total non-current liabilities		14,261	14,801
TOTAL LIABILITIES		38,788	42,642
NET ASSETS		28,536	26,639
EQUITY			
Issued capital	9	18,569	18,397
Reserve		1,119	742
Retained earnings		4,810	3,893
Parent entity interest		24,498	23,032
Non-controlling interest		4,038	3,607
TOTAL EQUITY		28,536	26,639

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Contributed Equity \$'000	Reserves \$'000	Retained Earnings / (Losses) \$'000	Non- Controlling Interest \$'000	Total Equity \$'000
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		-	-	(1,405)	(3,005)	(4,410)
Shares issued		95	-	-	-	95
Share-based payments		-	52	-	-	52
Balance at 31 December 2020		18,375	72	3,096	3,467	25,010
Balance at 1 July 2021		18,397	742	3,893	3,607	26,639
Total comprehensive income for the period						
Profit attributable to members of the parent entity		-	-	3,734	-	3,734
Profit attributable to non-controlling interests		-	-	-	2,995	2,995
Total comprehensive income for the period		-	-	3,734	2,995	6,729
Transactions with owners in their capacity as owners:						
Dividends paid or provided for	3	-	-	(2,817)	(2,564)	(5,381)
Shares issued	9	172	-	-	-	172
Share-based payments	11	-	377	-	-	377
Balance at 31 December 2021		18,569	1,119	4,810	4,038	28,536

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

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>Six months ended 31 December</i>	<i>Note</i>	2021 \$'000	2020 \$'000
Cash flows from / (used in) operating activities			
Receipts from customers		63,158	56,996
Payments to suppliers and employees		(53,560)	(41,732)
Income tax paid		(4,160)	(2,321)
Interest received		13	5
Net cash flows from operating activities		5,451	12,948
Cash flows from / (used in) investing activities			
Purchase of property, plant and equipment		(878)	(737)
Proceeds from sale of discontinued operations		-	3,300
Proceeds from sale of property, plant and equipment		31	68
Net cash flows (used in) / from investing activities		(847)	2,631
Cash flows from / (used in) financing activities			
Dividends paid	3	(2,645)	(2,810)
Dividends paid to non-controlling interests		(2,564)	(3,005)
Payment of lease liabilities		(2,088)	(1,975)
Repayment of borrowings		-	(229)
Net cash flows used in financing activities		(7,297)	(8,019)
Net (decrease) / increase in cash and cash equivalents		(2,693)	7,560
Cash and cash equivalents at the beginning of period (1 July)		19,881	10,643
Cash and cash equivalents at the end of period		17,188	18,203
Reconciliation of cash			
Cash at bank and in hand		17,188	18,203
		17,188	18,203

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2021 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 2021, together with any public announcements made during the half-year ended 31 December 2021.

Comparatives

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

2. SIGNIFICANT ACCOUNTING POLICIES

Unless where specifically disclosed, 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 2021.

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 Australian Accounting Standards Board that are effective for periods beginning subsequent to 30 June 2022 (the date on which the Company's next annual financial statements will be prepared up to). The Group does not believe that 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 2020-4: Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions [AASB 16].

This applies to periods beginning on or after 1 January 2021.

AASB 2020-7: Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021 [AASB 16]. This applies to periods beginning on or after 1 January 2021.

AASB 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments [AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 & AASB 141]. This applies to periods beginning on or after 1 January 2022.

AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current [AASB 101]. This applies to periods beginning on or after 1 January 2023.

AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date [AASB 101]. This applies to periods beginning on or after 1 January 2023.

AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates [AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2]. This applies to periods beginning on or after 1 January 2023.

AASB 2021-5: Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction [AASB 112]. This applies to periods beginning on or after 1 January 2023.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. DIVIDENDS PAID TO MEMBERS OF THE PARENT ENTITY

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Fully franked final dividend of 10.0 cents (2020: 5.0 cents ¹) per ordinary share proposed and paid during the period relating to the previous financial year's results.	2,817	2,810

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

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 considers 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 2021 (2020: none).

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

The following table presents revenue and profit information and certain asset and liability information regarding operating segments for the period ended 31 December 2021.

	Retail Kitchen Showrooms \$'000	Bedshed Franchise \$'000	Retail Bedding Stores \$'000	Total \$'000
Six months ended 31 Dec 2021				
Revenue				
Revenue	51,121	2,487	7,938	61,546
Inter-segment sales	-	-	-	-
Total segment revenue	51,121	2,487	7,938	61,546
Timing of revenue recognition:				
At a point in time	51,121	-	7,938	59,059
Over time	-	2,487	-	2,487
	51,121	2,487	7,938	61,546
Unallocated revenue				-
Total consolidated revenue				61,546
Result				
Segment result	9,104	1,481	994	11,579
Unallocated expenses net of unallocated income				(1,722)
Income tax expense				(3,128)
Net consolidated profit for the period				6,729
Assets and liabilities as at 31 Dec 2021				
Segment assets	40,018	9,180	11,709	60,907
Unallocated assets				6,417
Total assets				67,324
Segment liabilities	29,893	2,118	5,901	37,912
Unallocated liabilities				876
Total liabilities				38,788
Other segment information for the six months ended 31 Dec 2021				
Capital expenditure on PPE and intangibles	846	9	17	872
Depreciation and amortisation	2,057	42	493	2,592

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the operating segments' revenue and profit information for the corresponding comparative period (period ended 31 December 2020) and asset and liability information as at 30 June 2021.

	Retail Kitchen Showrooms \$'000	Bedshed Franchise \$'000	Retail Bedding Stores \$'000	Total \$'000
Six months 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 for the period				7,620
Assets and liabilities as at 30 Jun 2021				
Segment assets	41,549	8,540	12,308	62,397
Unallocated assets				6,884
Total assets				69,281
Segment liabilities	32,550	2,205	6,556	41,311
Unallocated liabilities				1,331
Total liabilities				42,642
Other segment information for the six months 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

5. ASSETS HELD FOR SALE

In December 2021, the Group entered into a sale and leaseback agreement for its corporate office and warehouse facility in Osborne Park, Western Australia. The sale of the property realised approximately \$5.5 million in cash (before costs) and will lead to a more efficient allocation of the Company's capital in accordance with the strategic direction of the business.

The sale agreement, with Pollutri Nominees Pty Ltd ACN 651 818 058 as trustee for The Stanja Trust (Purchaser), was conditional on the Purchaser obtaining finance within 60 days of the date of sale agreement (Finance Condition) and was otherwise on customary terms.

The transaction relating to the Company's corporate office and warehouse facility in Osborne Park, Western Australia settled on 16 February 2022.

In connection with the sale, the Group has also entered into arrangements with the Purchaser for a 5 year lease (with two further five-year options) to retain tenancy of the office space and 1 of 3 warehouses, both areas the Group currently occupies. The lease commenced on completion of the property sale.

The carrying value of the underlying asset (\$5.4 million) was reclassified from property, plant and equipment to assets held for sale as at 31 December 2021.

Significant Accounting Policy: Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Where non-current assets are sold above the lower of their previous carrying amounts and fair value less costs to sell, this gain is recognised in profit or loss when the sale is recognised.

6. INTANGIBLE ASSETS

Goodwill

Goodwill is allocated to cash-generating units (CGUs) for impairment testing. Each of those CGUs represents the Group's investment by each operating segment. CGUs 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 2021 there were no indicators of impairment relating to any of the Group's CGUs and no impairment was recognised at 31 December 2021 (2020: \$nil).

7. LOANS AND BORROWINGS

Compliance with loan covenants

During the period, the Group refinanced its existing facilities with its existing financiers. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financing facilities available

The available facilities at 31 December 2021 are as follows:

	Current \$'000	Non-current \$'000	Total \$'000	Limit \$'000	Available \$'000	Loan term	Expiry date
CBA market rate loan (revolving facility)	-	-	-	4,000	4,000	3 years	30/09/2024
CBA multi-option facility	-	-	-	1,100	1,100	N/A	Subject to annual review
NAB business loan	-	-	-	4,000	4,000	4 years	31/07/2024
Total	-	-	-	9,100	9,100		

Secured liabilities and assets pledged as security

The bank loans are secured by first mortgages over a combination of the Group's assets, including those classified as investment properties. Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

8. CONTINGENT LIABILITIES AND COMMITMENTS

There have been no material changes to contingent liabilities since 30 June 2021 and as at 31 December 2021 there are no material commitments outstanding.

9. ISSUED CAPITAL

	31 Dec 2021 \$'000	30 June 2021 \$'000
Issued and fully paid ordinary shares	18,569	18,397

Movement in ordinary shares on issue:

	Number	\$'000
At 1 July 2021	28,172,284	18,397
Dividend reinvestment plan issues	53,470	172
At 31 December 2021	28,225,754	18,569

10. EARNINGS PER SHARE

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

11. SHARE-BASED PAYMENTS

(i) Key Management Personnel performance rights

The offer of performance rights is designed to provide long-term incentives for Key Management Personnel to deliver long-term shareholder returns. The performance rights are issued under the Joyce Corporation Ltd Rights Plan, with eligible participants being granted performance rights which only vest if certain performance standards are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For all Long-Term Incentive schemes in effect, \$377,000 was charged in the six month period to 31 December 2021. Since the schemes were inception \$1,119,000 has been charged.

Details of the performance rights issued during the period are summarised below.

FY2022 market based rights

KMP details

Beneficiary	Daniel Madden	Tim Allison	John Bourke	Chris Palin	Gavin Culmsee
Maximum number of rights granted	39,613	12,413	20,664	14,089	14,521
Vesting conditions	TSR metric ^(a)	TSR metric ^(a)	TSR metric ^(a)	TSR metric ^(a)	TSR metric ^(a)

Fair value model inputs

Grant date	30 December 2021
Expected life	3 years
Share price on grant date	\$3.33
Expected volatility (%)	50%
Risk-free interest rate (%)	0.925%
Model used	Monte Carlo

(a) The expense recognised in respect of the performance rights is based on the Board's assessment of the probability that certain milestone Total Shareholder Return (TSR) metrics will be achieved, measured cumulatively over the three-year period commencing 1 July 2021 and ending 30 June 2024. 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.

FY2022 non-market based rights

KMP details

Beneficiary	Daniel Madden	Tim Allison	John Bourke	Chris Palin	Gavin Culmsee
Maximum number of rights granted	92,430	49,652	82,655	56,356	58,086
Vesting conditions	JYC ROE metric ^(a)	JYC ROE metric ^(a)	KWB EBIT metric ^(a)	KWB EBIT metric ^(a)	Bedshed EBIT metric ^(a)

Fair value model inputs

Grant date	30 December 2021
Expected life	3 years
Share price on grant date	\$3.33
Expected volatility (%)	50%
Risk-free interest rate (%)	0.925%
Model used	Black-Scholes

(a) The expense recognised in respect of the performance rights is based on the Board's assessment of the probability that certain milestone Return on Equity (ROE) or Divisional Earnings Before Interest and Tax (EBIT) metrics will be achieved, measured cumulatively over the three-year period commencing 1 July 2021 and ending 30 June 2024. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. REVENUE

REVENUE FROM CONTINUING OPERATIONS

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Revenue from contracts with customers		
Sale of goods	59,059	50,471
Franchise revenue	2,487	2,384
	<u>61,546</u>	<u>52,855</u>
Other revenue		
Rental revenue	366	319
Freight recovered	160	170
Other revenue	679	670
Gain on lease modification	-	480
Government grants	-	1,827
	<u>1,205</u>	<u>3,466</u>

Disaggregation of revenue

Management reviews 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:

- Retail Kitchen Showrooms and Retail Bedding Stores, revenue is earned at the point of product delivery; and
- 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.

There were no new revenue streams during the half-year ended 31 December 2021 (2020: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. 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 2021, the Group's entities entered into the following new 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	<p>132,043 performance rights issued to CEO, Daniel Madden under a Long-Term Incentive scheme. Refer to the Share-Based Payments Note in relation to the Company's share-based payments.</p> <p>62,065 performance rights issued to CFO, Tim Allison under a Long-Term Incentive scheme. Refer to the Share-Based Payments Note in relation to the Company's share-based payments.</p> <p>103,319 performance rights issued to KWB Group Managing Director, John Bourke under a Long-Term Incentive scheme. Refer to the Share-Based Payments Note in relation to the Company's share-based payments.</p> <p>70,445 performance rights issued to KWB Group Finance Director, Chris Palin under a Long-Term Incentive scheme. Refer to the Share-Based Payments Note in relation to the Company's share-based payments.</p> <p>72,607 performance rights issued to Bedshed General Manager, Gavin Culmsee under a Long-Term Incentive scheme. Refer to the Share-Based Payments Note in relation to the Company's share-based payments.</p>

Other than the items disclosed above there are no other material related party transactions during the half-year ended 31 December 2021.

14. EVENTS AFTER REPORTING DATE

The Directors have resolved to distribute a fully franked interim dividend of 7.5 cents per share. The record date is 10 March 2022 and the payment date is 25 March 2022.

The transaction relating to the Company's corporate office and warehouse facility in Osborne Park, Western Australia settled on 16 February 2022.

Other than 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 the Directors' opinion:

- (a) the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- (b) the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- (c) 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 section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Jeremy Kirkwood
Chair

Perth, 24 February 2022

AUDITOR'S REPORT



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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 2021, 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 significant 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 2021 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.

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AUDITOR'S REPORT



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 2021 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 read 'Neil Smith', is written over a faint, larger 'BDO' logo.

Neil Smith

Director

Perth, 24 February 2022

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