JOYCE CORPORATION LTD

ABN 80 009 116 269

Appendix 4D

Half year Report
For the half year ended 31 December 2016

APPENDIX 4D

Results for Announcement to the Market

JOYCE CORPORATION LTD

FOR THE PERIOD ENDED 31 DECEMBER 2016

Name of Entity:	Joyce Corporation Ltd	
1. Details of the current and prior reporting period		
Current Period:	1 July 2016 to 31 December 2016	
Prior Period:	1 July 2015 to 31 December 2015	
2. Results for announcement to the market		
	$A'000	
2.1 Revenues from overall ordinary activities	Up 51% from $25,884 to	$39,147
2.2 Profit from continuing operations after tax Profit after tax including discontinuing operations	Up 95.6% from $1,674 to Up 57.8% from $2,075 to	$3,274 $3,274
2.3 Net profit after tax for the period attributable to members for continuing business	Up 78.5% from $880 to	$1,570
2.4 Profit from continuing operations before tax attributable to members	Up from $1,316 to	$2,310
2.5 Dividend distributions	Amount per security	Franked amount per security
Dividend paid 18 November 2016 (no CFI) Special Dividend paid 18 November 2016 (no CFI)	3.0 cents 3.0 cents	3.0 cents 3.0 cents
Previous Corresponding Period		
Dividend paid 23 October 2015 (no CFI) Special Dividend paid 16 December 2015 (no CFI)	3.0 cents 5.0 cents	3.0 cents 5.0 cents
2.6 Record date for determining entitlements to the dividend	N/a	

2.7 Explanation of any of the figures in 2.1 to 2.6 that may be required.	Revenue has been derived from company owned Bedshed stores, Bedshed Franchising including KWB Group Pty Ltd (51% owned) from kitchen and wardrobe sales and from 1 July 2016 Lloyds Online Auctions Pty Ltd (51% owned).	
3. Assets per share attributable to members	Prior at 30 June 2016	Current
Net tangible asset per share (diluted) Net intangible assets per share (diluted) Total Net Assets per share (diluted)	\$0.59 \$0.30 \$0.89	\$0.35 \$0.54 \$0.89
4. Control gained or lost over entities during the period	Control of Lloyds Online Auctions Pty Ltd commenced on 1st July 2016 with a total of 51% owned	
4.1 Name of entity	Lloyds Online Auctions Pty Ltd	
4.2 The date of gain or loss of control	01 July 2016	
4.3 The contribution of the gained entity	\$631,000 attributable to members after tax	
5. Details of Dividends or Distributions	The dividend policy is for a payout of 60% of net EBITDA excluding revaluations, annually subject to liquidity constraints	
Declared dividend	Interim dividend of 3.5 cents per share and a special dividend of 2 cents per share both fully franked with no conduit foreign income	Fully franked with record date of 16 March 2017 and payment on 3 April 2017
6. Details of dividend reinvestment plan	The Company has a dividend reinvestment plan that is currently suspended. The plan provides that shareholders may elect to receive all or a portion of their dividend entitlements in the form of fully paid shares in the Company, issued at a discount (currently 2.5%) to market price and free of brokerage or any other costs	
7. Details of associates and joint venture entities	N/A	
8.For foreign entities, which set of accounting standards are used in compiling the report	N/A	
Audit/review of accounts upon which this report is based	This report has been based on a review of the accounts	
9. Accounts not yet audited or reviewed	Reviewed	
10. Qualifications of audit / Review	No Qualifications	

DIRECTORS' REPORT

Your directors submit the financial report of the Consolidated entity for the half-year ended 31 December 2016.

Directors

The names of directors who held office during or since the end of the half year:

Mr D A Smetana

Mr M A Gurry

Mr T R Hantke

Mr A Mankarios

Review of operations

The Company made a profit after tax attributable to members of $1.57 million from comparable period in 2015 of $1.28 million.

Continuing operation reported a profit after tax of $3.27 million up from a profit of $1.67 million for the comparative half year period in 2015.

The Company's consolidated revenue to 31 December 2016 grew to $39.1 million, up 51% from the comparative period in 2015 of $25.9 million.

The Cash Flows from Operating Activities in the Consolidated Statement of Cash flows was impacted by normal seasonal reductions in the level of activity towards the end of December and the Christmas shut down. The cash position positively materially reverses in the second half of the year.

The Company's distinct operating units are:

Bedshed Franchising	(100% owned)
Bedshed Company owned stores	(100% owned)
Property	(100% owned)
KWB Group Pty Ltd.	(51% owned)
Lloyds Online Auctions Pty Ltd	(51% owned)

In brief, the operating units performed above expectations. The Bedshed Company owned store sales experienced growth for the period. The Bedshed Franchise business performed to management expectations and management has taken pro-active steps to grow our Franchise network with two new franchises commencing during the 2017 financial year with further new franchises proposed in 2017/18.

The Company's 51% investment in KWB Group (Kitchen and wardrobes retail business) continued to grow with KWB's revenue and profit growth in strong double-digit numbers on a like-for-like basis during this reporting period to 31 Dec 2016.

On 1 July 2016 the Company acquired 51% of Lloyds Online Auctions Pty Ltd a valuation and auction business based in south west Queensland. The business has performed well in the first six months since acquisition.

After Reporting Date Events

After 31 December 2016, KWB executed an unconditional contract to acquire property for its operations in Brisbane. The $8.0 million property will settle in late April 2017.

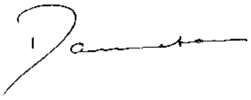
The Company declared an interim dividend of 3.5 cents per share and a special dividend of 2 cents per share, both fully franked. Record date is the 16 March 2017 and payment date is 3 April 2017.

Rounding of Amounts

The Company 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 6 for the half year ended 31 December 2016.



D A Smetana
Chairman and Director
Dated at Perth this Day 23rd of February 2017

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DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF JOYCE CORPORATION LIMITED

As lead auditor for the review of Joyce Corporation Limited for the half-year ended 31 December 2016, 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 Limited and the entities it controlled during the period.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 23 February 2017

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated Group	
		31.12.2016	31.12.2015
Continuing operations		**$'000**	**$'000**
Revenue		39,147	25,884
Cost of sales		(19,381)	(13,682)
Gross Profit		19,766	12,202
Other income		64	61
Expenses from continuing operations			
Administration expenses		(10,750)	(6,868)
Distribution expenses		(487)	(373)
Marketing expenses		(1,559)	(868)
Occupancy expenses		(2,251)	(1,607)
Finance expenses		(3)	(90)
Loss on disposal of assets		(24)	-
Other expenses		(29)	(28)
Profit from continuing operations before income tax		4,727	2,429
Income tax expense		(1,453)	(755)
Profit from continuing operations after income tax		3,274	1,674
Discontinued Operations			
Profit for the half year from discontinuing operations		-	401
Other comprehensive income		-	-
Profit for the period		3,274	2,075
Profit is attributable to :			
Ordinary equity holders of the company		1,570	1,281
Non-controlling interests		1,704	794
Total comprehensive income for the period		3,274	2,075
Earnings per share			
Earnings per share (cents per share) for profit attributable to the ordinary equity holders of the Company:			
Attributable to Members:			
Overall operations Basic earnings per share (cents)	8	5.7	4.6
Overall operations Diluted earnings per share (cents)	8	5.6	4.6
Continuing operations Basic earnings per share (cents)	8	5.7	3.2
Continuing operations Diluted earnings per share (cents)	8	5.6	3.1

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	Consolidated Group	
		31.12.2016	30.06.2016
		$'000	$'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	6,007	15,249
Trade and other receivables		446	560
Inventories		4,213	3,642
Other assets		1,892	339
Other financial assets		599	850
Total Current Assets		13,157	20,640
Non-Current Assets			
Trade and other receivables		511	571
Property, plant and equipment		9,157	6,243
Inventories		490	546
Deferred tax assets		1,297	1,110
Intangible assets	11	16,718	9,500
Total Non-Current Assets		28,173	17,970
TOTAL ASSETS		41,330	38,610
Current Liabilities			
Trade and other payables		9,696	8,864
Provisions		1,270	1,000
Provision for income tax		965	1,477
Total Current Liabilities		11,931	11,341
Non-Current Liabilities			
Interest bearing loans and borrowings	6	1,600	-
Deferred tax liabilities		280	317
Provisions		1,137	962
Total Non-Current Liabilities		3,017	1,279
TOTAL LIABILITIES		14,948	12,620
NET ASSETS		26,382	25,990
EQUITY			
Issued capital	10	17,998	17,975
Reserves		2,699	2,699
Non controlling interest		1,525	1,026
Retained earnings		4,160	4,290
TOTAL EQUITY		26,382	25,990

The above 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 2016

	Note	Contributed Equity	Reserves	Retained Earnings / (Accumulated Losses)	Non-controlling Interest	Total Equity
		$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2015		17,926	2,699	5,314	511	26,450
Total comprehensive income for the period						
Profit attributable to members of the parent entity		-	-	1,281	-	1,281
Profit attributable to non-controlling interests		-	-	-	794	794
Total comprehensive income for the period		-	-	1,281	794	2,075
Payment partly paid shares		30	-	-	-	30
Dividends paid or provided for	2	-	-	(2,237)	(656)	(2,893)
Balance at 31 December 2015		17,956	2,699	4,358	649	25,662
Balance at 1 July 2016		17,975	2,699	4,268	1,210	26,152
Total comprehensive income for the period						
Profit attributable to members of the parent entity		-	-	1,570	-	1,570
Profit attributable to non-controlling interests		-	-	-	1,704	1,704
Total comprehensive income for the period		-	-	1,570	1,704	3,274
Transactions with owners						
Payment partly paid shares		23	-	-	-	23
Dividends paid or provided for	2	-	-	(1,678)	(1,389)	(3,067)
Balance at 31 December 2016		17,998	2,699	4,160	1,525	26,382

The above 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 2016

	Consolidated Group	
	31.12.2016	**31.12.2015**
	$'000	**$'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	42,969	29,447
Payments to suppliers and employees	(39,657)	(29,540)
Interest received	64	333
Finance costs	(3)	(83)
Operating Net Cash flow	3,373	157
Income tax payment	(2,351)	(3,470)
Net cash provided by (used in) operating activities	1,022	(3,313)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,854)	(4,787)
Secured Loan	32	32
Acquisition of business net of cash acquired	(6,000)	-
Proceeds from sale of plant and equipment	2	22,500
Net proceeds of sale of other assets	-	52
Cash acquired from business combination, net of cash consideration	-	-
Net cash (used in) provided by investing activities	(8,820)	17,797
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(3,044)	(1,447)
Proceeds of borrowings	1,600	(5,322)
Net cash used in financing activities	(1,444)	(6,769)
Net increase in cash held	(9,242)	7,715
Cash and cash equivalents at beginning of period	15,249	5,962
Cash and cash equivalents at end of period	6,007	13,677

The above 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 2016

NOTE 1: BASIS OF PREPARATION

These general purpose financial statements for the interim half year reporting period ended 31 December 2016 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 is intended to provide users with an update on the latest annual financial statements of Joyce Corporation Ltd and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, with the further adoption of one policy below.

Business Combinations Accounting Policy

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the

- fair values of the assets transferred
- liabilities incurred
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

AASB3(42) If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

New or revised Standards and Interpretations that are first effective in the current reporting period

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the consolidated entity's accounting policies and has had no effect on the amounts reported for the current or prior periods.

Impact of standards issued but not yet applied by the group

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

NOTE 2: DIVIDENDS

	31.12.2016	31.12.2015
Fully franked dividends were paid on 18 November 2016 for 6.0 cents per share, this included a special dividend of 3.0 cents per share.	$'000	$'000
Paid during the half year for the 2016 financial year	1,678	2,237
	1,678	2,237

NOTE 3: OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings since the diversifications of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

The products sold and/or services provided by the segment;

The retail segments or product type;

The property and administration.

Types of products and services by segment

- *Franchising*
  The operation of Bedshed retail bedding franchise operations
- *Company owned stores*
  The operation of Bedshed stores
- The operation of retail kitchen stores
- The operation of valuation, online auction sales and physical auctions.

NOTE 3: OPERATING SEGMENTS (continued)

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. This price is re-set quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation for the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

*Unallocated item*s

Segment liabilities include trade and other payables and certain direct borrowings.
The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- derivatives;
- net gains on disposal of available-for-sale
- impairment of assets and other non-recurring items;
- income tax expense;
- deferred tax assets and liabilities;
- current tax liabilities;
- other financial liabilities;
- intangible assets;
- discontinuing operations; and
- retirement benefit obligations.

	Continuing Operations					
	Bedshed Franchise	*Retail Bedding Stores*	*Retail Kitchen Stores*	*Invest Prop / Joyce*	*Online Auctions*	*Total*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*'$000*
Period ended 31 Dec 2016						
Revenue						
Sales to external customers	2,033	7,022	23,087	5	7,000	39,147
Inter-segment sales	-	-	-	-	-	-
Total segment revenue	2,033	7,022	23,087	5	7,000	39,147
Unallocated revenue						40
Total consolidated revenue						39,187
Result						
Segment result	464	503	2,941	(1,273)	2,055	4,690
Unallocated expenses net of unallocated income	-	-	-	-	-	40
Profit before tax and finance costs						4,730
Unallocated finance costs						(3)
Profit before income tax						4,727
Income tax expense						(1,453)
Net Profit for the year						3,274
Assets and liabilities						
Segment assets	7,461	6,841	8,365	6,992	10,374	40,033
Unallocated assets						1,297
Total assets						41,330
Segment liabilities	1,366	1,295	6,514	3,127	2,499	14,801
Unallocated liabilities						147
Total liabilities						14,948
Other segment information						
Capital expenditure	6	83	254	2,233	474	3,050
Depreciation and amortisation	4	110	190	-	6	310

	Continuing Operations					*Discontinued Operations*		
	Bedshed Franchise	*Retail Bedding Stores*	*Retail Kitchen Stores*	*Invest Prop / Joyce*	*Total*	*Store Closures*	*Invest Prop*	*Total*
	$'000	*$'000*	*$'000*	*$'000*	*'$000*	*$'000*	*$'000*	*$'000*
Period ended 31 Dec 2015								
Revenue								
Sales to external customers	2,210	4,736	18,925	12	25,883	-	-	25,883
Inter-segment sales	-	-	-	-	-	-	-	-
Total segment revenue	2,210	4,736	18,925	12	25,883	-	-	25,883
Unallocated revenue					61	163	592	816
Total consolidated revenue					25,944	163	592	26,699
Result								
Segment result	708	388	2,271	(909)	2,458	(4)	299	2,753
Unallocated expenses net of unallocated income	-	-	-	-	61	-	286	347
Profit before tax and finance costs					2,519	(4)	585	3,100
Unallocated finance costs					(90)	-	-	(90)
Profit before income tax					2,429	(4)	585	3,010
Income tax expense					(755)	-	(180)	(935)
Net Profit for the year					1,674	(4)	405	2,075
Assets and liabilities								
Segment assets	13,467	1,397	7,998	12,593	35,455	-	41	35,496
Unallocated assets					1,093	-	-	1,093
Total assets					36,548	-	41	36,589
Segment liabilities	2,101	1,287	4,808	900	9,096	-	-	9,096
Unallocated liabilities					1,726	-	-	1,726
Total liabilities					10,822	-	-	10,822
Other segment information								
Capital expenditure	5	81	411	-	497	-		497
Depreciation and amortisation	5	83	88	-	176	-	-	176

NOTE 4: CONTINGENT LIABILITY

Environmental Contamination

As part of the ongoing testing of Joyce Corporation Ltd previously owned sites, it was found that traces of a chemical used in the past by Joyce Foam Products was detected in the groundwater at the Moorebank property in New South Wales and Elizabeth in South Australia. The levels found were not high and to be prudent the Department of Environment and Conversation were notified. Ongoing monitoring has been undertaken to monitor the nature, extent and movement of the chemical found. Results to date indicate reduced levels and little migration of the spill. The expected cost to monitor the groundwater or undertake will be low as bore holes have already been established and a provision has been made to cover all likely costs.

Related Party Guarantees Provided by the Parent Entity

Joyce Corporation Ltd has provided guarantees to third parties in relation to bank guarantees on Bedshed company owned stores.

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The rental guarantees will be required while the stores are company operated and total $689,425. (30 June 2016 - $826,589)

NOTE 5: CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents balance exclude funds allocated for the specific use of operating the Approved Purposes activities on behalf of the Company's franchisees. Approved purposes are included in Other Current Assets At 31 December 2016 the total of this balance was $599,408 (30 June 2016: $849,846).

NOTE 6: FINANCIAL LIABILITIES

Joyce Corporation Ltd has a loan facility with St George Bank that is bank bill facility for $3.0 million which was drawn to $1.6 million at 31 December 2016. Security was extended to St George Bank during the period by way of a charge over constructed property previously acquired in Osborne Park. A new facility has been negotiated and documented increasing the total bank bill facility to $3.0 million plus bank guarantee and overdraft facilities of $0.9 million which includes a $150,000 overdraft limit.

There are no breaches of the facility as of the date of this report.

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

KWB has entered into an unconditional contract to purchase a property in Brisbane for its kitchen and wardrobe business for $8.0 million. The property will settle in April 2017 and impact positively on operating results from the next financial year.

The Company declared an interim dividend of 3.5 cents per share and a special dividend of 2 cents per share, both fully franked. Record date is the 16 March 2017 and payment date is 3 April 2017.

There are no other matters or circumstances that have arisen since the end of the period which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of the economic entity in subsequent financial years.

NOTE 8: EARNINGS PER SHARE

The shares are issued during the period basic and diluted earnings per share are calculated based on a weighted average of any shares issued during the reporting period. There were no shares issued during the half year ended 31 December 2016 (Nil issued shares 31 December 2015).

NOTE 9: FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The Group has a number of financial instruments which are not measured at fair value in the Statement of Financial Position. These had the following fair values as at 31 December 2016:

	Carrying Amount in $'000	Fair Value Amount in $'000
Non-current Receivables		
Loan	77	77
Deposit	50	50
Non-current Borrowings		
Interest bearing loans & borrowings	1,600	1,600

Due to their short term nature, the carrying amounts of the current receivables, current financial assets, current assets and current borrowings are assumed to approximate their fair value.

NOTE 10: EQUITY SECURITIES ISSUED

There are 380,000 partly paid shares that earn dividends which reduce the unpaid portion of the partly paid shares. For the half year ended 31 December 2016 this was paid down by $22,800 (2015 half year $30,400)

NOTE 11: BUSINESS COMBINATIONS

On the 1 July 2016 the group acquired 51% of the equity of Lloyds Online Auctions Pty Ltd ("LOA") by a cash offer for shares held by one of its subsidiaries.

The business contributed revenues of $7.0 million and net profit before tax of $1.767m for the half year ended 31 December 2016 before non-controlling interests.

The acquisition was a profitable business with significant profit and growth potential that has gained an exposure into online retailing. The business has counter cyclical aspects that add balance to the overall Company risk profile and investment strategy. The goodwill is attributable to the consistent demonstrated earnings achieved over a number of years and reflects a multiple of those earnings.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

NOTE 11: BUSINESS COMBINATIONS (continued)

	$'000
Purchase consideration	
Cash paid	6,000
Contingent consideration	900
Payable for assets and bonds	429
Total Consideration for 51% of Lloyds Online Auctions Pty Ltd	7,329
Total purchase consideration for 51% of Lloyds Online Auctions Pty Ltd	**7,329**

The assets and liabilities recognised as a result of the acquisition are:

	Fair Value $'000
Cash & cash equivalents	2
Prepayments	224
Fixed assets	276
Employee entitlements	(280)
Net identifiable assets acquired	**222**
Add: goodwill	7,218
49% Non Controlling Interest on acquisition date	109

Contingent consideration and acquisition costs

There is contingent consideration included, that is associated with the acquisition, of $0.9 million, payable in five incremental steps, to the vendor where EBITDA exceeds $3.1 million EBITDA up to $4.0 million. The earn-out is available only for the first year ended 30 June 2017.

Non-controlling interests to be accounted for

The group recognises non-controlling interests in an acquired entity either at fair value or at non-controlling interest's proportionate share of the acquired entity's net identifiable assets. The decision is made on an acquisition-by-acquisition basis. For the non-controlling interests (49%) in Lloyds Online Auctions Pty Ltd, the group elected to recognise the non-controlling interest at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Information not disclosed as not yet available

The group has reported provisional amounts for goodwill and other assets acquired as part of the purchase of Lloyds Online Auctions Pty Ltd.

Acquisition costs of $23,198 excluding Joyce staff time.

Costs related to the acquisition include $14,256 legal costs and $8,942 for accounting due diligence to date. Further due diligence costs to complete final adjustments are expected to be approximately $10,000.

DIRECTORS' DECLARATION

In the opinion of the directors of Joyce Corporation Ltd ("the Company")

1. The financial statements and notes, as set out on pages 7 to 19 are in accordance with the Corporations Act 2001 including:
    a. Giving a true and fair view of the financial position of the consolidated entity as at 31 December 2016 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
    b. Complying with Australian Accounting Standard AASB *134 Interim Financial Reporting* and the Corporations Regulations 2001 and;

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

D A Smetana
Director

Dated at Perth this 23rd day of February 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Joyce Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Joyce Corporation Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Joyce Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Joyce Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Joyce Corporation Limited is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Glyn O'Brien
Partner

Perth, 23 February 2017