

JOYCE CORPORATION LTD
ABN 80 009 116 269

Appendix 4D

Half year Report
For the half year ended 31 December 2018

Joyce Corporation Ltd ABN 80 009 116 269
and Controlled Entities

Half Year Report

APPENDIX 4D

Results for Announcement to the Market

JOYCE CORPORATION LTD

FOR THE PERIOD ENDED 31 DECEMBER 2018

Name of Entity:	Joyce Corporation Ltd	
1. Details of the current and prior reporting period		
Current Period:	1 July 2018 to 31 December 2018	
Prior Period:	1 July 2017 to 31 December 2017	
2. Results for announcement to the market		
	\$A'000	
2.1 Revenues from overall ordinary activities	Up 12.0% from \$43,918 to	\$49,180
2.2 Profit from continuing operations after tax	Down 8.3% from \$3,462 to	\$3,174
2.3 Net profit after tax for the period attributable to members for continuing business	Down 12.5% from \$1,752 to	\$1,533
2.4 Profit from continuing operations before tax attributable to members	Down 10.0% from \$2,547 to	\$2,293
2.5 Dividend distributions	Amount per security	Franked amount per security
Dividend paid 21 November 2018	6.0 cents	6.0 cents
Dividend paid 22 November 2017 Special Dividend paid 22 November 2017	3.0 cents 3.0 cents	3.0 cents 3.0 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, KWB Group Pty Ltd (51% owned) (kitchen and wardrobe sales) and Lloyds Online Auctions Pty Ltd (51% owned).	
3. Assets per share attributable to members	30 June 2018	Current
Net tangible asset per share (diluted)	\$0.32	\$0.31
Net intangible assets per share (diluted)	\$0.58	\$0.58
Total Net Assets per share (diluted)	\$0.90	\$0.89

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4. Control gained or lost over entities during the period	N/A	
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 5 cents per share fully franked with no conduit foreign income	Fully franked with record date of 3 April 2019 and payment date 10 April 2019
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	
9. Audit/review of accounts upon which this report is based	This report has been based on a review of the accounts	
10. Accounts not yet audited or reviewed	Reviewed	
11. Qualifications of audit / Review	No Qualifications	

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DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity, Joyce Corporation, and its controlled entities for the half-year ended 31 December 2018.

Directors

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

Mike Gurry	Non-executive Director (Chairman from 27 November 2018)
Dan Smetana	Non-executive Director (Chairman to 27 November 2018)
Tim Hantke	Non-executive Director
Karen Gadsby	Non-executive Director
Anthony Mankarios	Executive Director

Review of operations

The FY19 half-year results reflect the sound operation of entities in the Joyce Group and the investment in process improvements designed to support future growth.

Joyce Corporation's consolidated revenue to 31 December 2018 grew to \$49.18 million, up 12% from the comparative period in 2017 (\$43.92 million).

The Company made a \$1.53 million profit after tax attributable to members in the period to 31 December 2018. Profit after tax attributable to members has decreased from the \$1.75 million reported for the same period in 2017. This prior period profit was inclusive of an investment property revaluation. The underlying profit of \$1.53 million for the current period represents an increase of 8% over the comparative period, which was \$1.42 million.

Continuing Operations reported a profit of \$4.79 million before interest, tax and investment property revaluations. This represents an increase of 16.3% from a profit of \$4.12 million for the comparative half-year period in 2017.

This 16.3% increase in comparative growth gives a sound view of the underlying performance of the Group in the first half of FY19. The Group marginally exceeded the budget set for the first half of the financial year. In the second half we expect to see the positive impact from new store openings that occurred in the first half of FY19 and from the restructures that were implemented in the period.

Full-year growth plans for the Group are on track. The Director's acknowledge; however, that a nation-wide softening of the retail market and a lowering of consumer confidence that can present in times of a federal election, could lead to unexpected earnings variability. We also acknowledge that entities in the Group traditionally weather the storms of a weakening market. In such times, consumers often bring a focus to their homes, seeking affordable renovations and selling off items of value – such as classic cars.

Earnings Per Share (EPS) of 5.5 cents was achieved in the 6-month period ending 31 December 2018. EPS for the comparative 2017 period was 5.1 cents excluding the investment property revaluation and 6.3 cents including the revaluation.

Closing cash balances as at 31 December 2018 were \$4.0 million which are 24.9% higher than the \$3.2 million seen 12 months earlier at 31 December 2017. The Cash Flows from Operating Activities in the Consolidated Statement of Cash flows were impacted by normal seasonal reductions at KWB during the Christmas shut down. The cash position forecast is expected to positively increase in the second half of the year.

The Company's distinct operating units at 31 December 2018 are:

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

The Bedshed Franchise business performed above management expectations in the first half of FY19, with one new franchisee commencing trade. Further franchisees are expected to commence trade in the second half of FY19.

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DIRECTORS' REPORT

KWB's revenue and profit grew in strong double-digit percentages on a like-for-like basis during the reporting period to 31 December 2018. In this period three planned store openings took place and a further store was refurbished.

Lloyds reported a decrease in profit from the previous comparable period owing to a predicted downturn in the insolvency market, continued investment in the Classic Car vertical and further software IP investment. Lloyds and Joyce Corporation Management are focused on delivering the planned savings forecast for FY19.

With anticipated earnings growth from projects underway in the Lloyds Group, Joyce Corporation is investing further in the business. Details are provided below in the following section (After Reporting Date Events).

After Reporting Date Events

The Company declared a fully franked interim dividend of 5 cents per share. Record date is the 3 April 2019 and payment date 10 April 2019.

A KWB Q2 FY19 fully franked dividend of \$808,479 was declared and paid on 16 January 2019.

On 22 January 2019, Lloyds Online Auctions Pty Limited issued an additional 699,000 ordinary shares. These were purchased by Joyce International Pty Ltd (a 100% owned subsidiary of Joyce Corporation Ltd). The investment was paid for by the capitalisation of existing loans. This brings Joyce's holding in Lloyds to 56%.

The repayment date on the unsecured \$400k loan from Adamic Pty Ltd has been extended from 31 January 2019 to 7 March 2019 by mutual agreement.

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.

Rounding of Amounts

The Consolidated entity 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 2018.



M. A. Gurry
Chairman

Dated at Perth this Day 19 of February 2019

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 2018, 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, 19 February 2019

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE
HALF YEAR ENDED 31 DECEMBER 2018**

	Note	Consolidated Group	
		31.12.2018	31.12.2017
Continuing operations		\$'000	\$'000
Sales revenue		49,180	43,918
Cost of sales		(21,144)	(18,261)
Gross Profit		28,036	25,657
Other income		2,671	3,840
Variable costs		(3,850)	(3,653)
Contribution Margin		26,857	25,844
Expenses from continuing operations			
Employment expenses		(14,218)	(12,613)
Occupancy expenses		(2,672)	(2,975)
Marketing expenses		(1,595)	(2,721)
Administration expenses		(2,734)	(2,878)
Earnings before depreciation, interest, tax and revaluation		5,638	4,657
Depreciation and Amortisation		(844)	(540)
Earnings before interest, tax and revaluation		4,794	4,117
Investment property revaluation	10	-	933
Earnings before interest and tax		4,794	5,050
Net interest		(125)	(101)
Earnings before tax		4,669	4,949
Income tax expense		(1,495)	(1,487)
Profit from continuing operations after tax		3,174	3,462
Discontinued operations			
(Loss) / Profit for the period from discontinued operations		-	(18)
Profit for the period		3,174	3,444
Profit is attributable to:			
Ordinary equity holders of the company		1,533	1,752
Non-controlling interests		1,641	1,692
Total comprehensive income for the period		3,174	3,444

Earnings per share

Earnings per share (cents per share) for profit attributable to the ordinary equity holders of the Company:

Overall operations Basic earnings per share (cents)	8	5.5	6.4
Overall operations Diluted earnings per share (cents)	8	5.5	6.3
<i>Overall operations Basic earnings per share (cents) excluding property revaluation</i>		5.5	5.1

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

Joyce Corporation Ltd ABN 80 009 116 269
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	Consolidated Group	
		31.12.2018	30.06.2018
		\$'000	\$'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	4,010	6,215
Trade receivables		1,713	1,918
Inventories		4,379	3,645
Other receivables and prepayments		1,498	1,260
Other financial assets	5	63	68
Total Current Assets		11,663	13,106
Non-Current Assets			
Other receivables and prepayments		503	588
Property, plant and equipment		11,289	10,778
Inventories		477	395
Deferred tax assets		1,684	1,445
Investment property	10	9,623	9,623
Intangible assets	11	18,289	18,163
Total Non-Current Assets		41,865	40,992
TOTAL ASSETS		53,528	54,098
Current Liabilities			
Trade and other payables		11,029	11,779
Interest bearing loans and borrowings	6,9	953	435
Provisions		1,569	1,528
Provision for income tax		350	820
Total Current Liabilities		13,901	14,562
Non-Current Liabilities			
Interest bearing loans and borrowings	6	10,163	10,056
Deferred tax liabilities		553	554
Provisions		845	818
Total Non-Current Liabilities		11,561	11,428
TOTAL LIABILITIES		25,462	25,990
NET ASSETS		28,066	28,108
EQUITY			
Issued capital	8	18,090	18,060
Reserve	12	97	-
Non-controlling interest		3,238	3,073
Retained earnings		6,641	6,975
TOTAL EQUITY		28,066	28,108

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

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED
31 DECEMBER 2018**

		Contributed Equity	Reserves	Retained Earnings	Non- controlling Interest	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	Note	18,019	2,699	3,838	1,930	26,486
Total comprehensive income for the period						
Profit attributable to members of the parent entity		-	-	3,380	-	3,380
Profit attributable to non-controlling interests		-	-	-	3,203	3,203
Transfer of reserve to retained earnings and tax adjustments		-	(2,699)	2,834	-	135
Total comprehensive income for the period		-	(2,699)	6,214	3,203	6,718
Transaction with owners						
Payment partly paid shares		41	-	-	-	41
Dividends paid or provided for		-	-	(3,077)	(2,060)	(5,137)
Balance at 30 June 2018		18,060	-	6,975	3,073	28,108
Balance at 1 July 2018		18,060	-	6,975	3,073	28,108
Change in accounting policy		-	-	(95)	-	(95)
Restated total equity at the beginning of the financial year		18,060	-	6,880	3,073	28,013
Total comprehensive income for the period						
Profit attributable to members of the parent entity		-	-	1,533	-	1,533
Profit attributable to non-controlling interests		-	-	(108)	1,749	1,641
Tax adjustments		-	-	14	-	14
Total comprehensive income for the period		-	-	1,439	1,749	3,188
Transactions with owners						
Payment partly paid shares		30	-	-	-	30
Dividends paid or provided for	2	-	-	(1,678)	(1,584)	(3,262)
Share based payment		-	97	-	-	97
Balance at 31 December 2018		18,090	97	6,641	3,238	28,066

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

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**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED
31 DECEMBER 2018**

	Notes	Consolidated Group	
		31.12.2018	31.12.2017
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		51,546	51,899
Payments to suppliers and employees		(47,402)	(48,011)
Interest received		43	34
Finance costs		(168)	(135)
Income tax payment		(2,205)	(1,598)
Net cash provided by operating activities		1,814	2,189
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Purchase of property, plant, equipment and intangible assets		(1,375)	(3,127)
Secured Loan		32	39
Proceeds from sale of plant and equipment		17	19
Net cash (used in) provided by investing activities		(1,326)	(3,069)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Dividends paid		(1,678)	(1,678)
Dividends paid to non-controlling interests		(1,584)	(949)
Dividends received by parent entity		-	22
Proceeds of borrowings		801	1,400
Repayments of borrowings		(232)	-
Net cash (used in) financing activities		(2,693)	(1,205)
Net decrease in cash held		(2,205)	(2,085)
Cash and cash equivalents at beginning of period (1 July)		6,215	5,296
Cash and cash equivalents at end of period	5	4,010	3,211

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2018**

NOTE 1: BASIS OF PREPARATION

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2018 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 2018, together with any public announcements made during the half-year.

The accompanying report has been prepared assuming that Joyce Corporation Ltd will continue as a going concern. Joyce Corporation Ltd have continued to grow its revenue on a year on year basis and improved cash flow from operations. There was significant cash investment into capital items and promotional activity into new markets in Lloyds, resulting in a short-term working capital deficiency. Management expects to consolidate and capitalise on its investments in future upcoming period.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2018 annual financial report for the financial year ended 30 June 2018, except for the impact of the new and amended Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International financial Reporting standards.

Comparatives

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

Changes to critical accounting judgments and estimates during the reporting period

The preparation of financial statements requires the use of certain critical accounting judgements and estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. There are no areas involving a high-degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements except for the following:

Key estimate: Share-based payments

The Group initially measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determination of the most appropriate inputs to the valuation model as well as an assessment of the probability of achieving non-market based vesting conditions. The probability of achieving non-market based vesting conditions of performance options is assessed at each reporting period.

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 12.

Adoption of new and amended accounting standards

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of the adoption of the following standards:

- AASB 9 Financial Instruments;
- AASB 15 Revenue from Contracts with Customers; and
- AASB 2 Share Based Payments.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
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NOTE 1: BASIS OF PREPARATION (CONTINUED)

The impact of the adoption of these standards and the new accounting policies is disclosed below. The impact of these standards, and the other new and amended standards adopted by the Group, has not had a material impact on the amounts presented in the Group's financial statement.

Changes in accounting policies

This note explains the impact of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on the group's financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

AASB 9 Financial Instruments – Accounting Policies Applied from 1 July 2018

i. Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on how the Group manages the financial assets and the contractual terms of the cash flows. At half-year end, all of the Group's financial assets have been classified as those to be measured at amortised cost.

ii. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

iii. Impairment

From 1 July 2018, the Group assesses expected credit losses associated on a forward-looking basis. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

AASB 9 Financial Instruments – Impact of Adoption

Impairment of financial assets

The Group's financial assets subject to AASB 9's new expected credit loss model are cash and trade receivables, which arise from the provision of services and sale of goods.

The impact of the impairment requirements of AASB 9 on cash and cash equivalents has not resulted in a material impact to the financial statements.

Under AASB 9, the Group was required to revise the impairment methodology used in the calculation of its provision for doubtful debts to the expected credit loss model. This change in methodology has not had a material impact on the financial statements. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure or a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
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NOTE 1: BASIS OF PREPARATION (CONTINUED)

AASB 15 Revenue from Contracts with Customers – Accounting policies

Group revenues consist of the following elements:

- (i) Sale of goods – Bedshed retail stores
The Group operates a chain of retail stores selling mattresses, bedroom furniture and goods. Revenue from the sale of goods is recognised when the product is sold to the customer. It is the Group's policy to sell its mattresses with a right of substitution within 60 days, the 60-day Comfort Guarantee to all mattresses sold at Bedshed stores. Therefore, a return liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale and a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.
- (ii) Franchise revenues – Bedshed franchisees
Joyce provides franchisor services to franchisees, as performance obligations are satisfied revenue is recognised. Revenue is based on a percentage of franchisees sales.
- (iii) Sale of goods – Kitchen Division
Revenues from the Kitchen Division (KWB) are recognised when control of the goods passes to the customer, which is when the product is delivered to the client's premises. KWB does not provide installation services.
- (iv) Auction services
The Group acts as an Agent in providing Auction Services and commission revenue is earned at the point in time that the successful sale has occurred and receipt of funds from the buyer of the auctioned goods.
The Group has no material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The Group has no material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

AASB 15 Revenue from Contracts with Customers – Impact of Adoption

The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018, which resulted in changes to accounting policies but no adjustments to the amounts recognised in the financial statements.

Impact on the financial statements

The Group took the modified transitional approach to implementation of AASB 9 and AASB 15 where transitional adjustments have been recognised in retained earnings at 1 July 2018 without adjustment of comparatives and the new standard has been applied to contracts that remain in force at that date.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
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NOTE 1: BASIS OF PREPARATION (CONTINUED)

	30.06.2018 As originally stated \$'000	AASB 9 \$'000	AASB 15 \$'000	1.07.2018 Restated \$'000
ASSETS				
Current Assets				
Trade receivables	1,918	(95)	-	1,823
Total Current Assets	13,106	(95)	-	13,011
TOTAL ASSETS	54,098	(95)	-	54,003
NET ASSETS	28,108	(95)	-	28,013
EQUITY				
Retained earnings	6,975	(95)	-	6,880
TOTAL EQUITY	28,108	(95)	-	28,013

The total impact on the Group's retained earnings as at 1 July 2018 is as follows:

	1.07.2018 Restated \$'000	1.07.2017 \$'000
Closing retained earnings 30 June 2018	6,975	6,975
Adoption to retained earnings from adoption of AASB 9 on 1 July 2018	(95)	-
Opening retained earnings 1 July 2018	6,880	6,975

The Group's comparative financial information has not been restated. The impact on the current half-year financial report of adoption of AASB 9 and AASB 15 is as follows:

	31 Dec 18 \$000
Impact on the profit for the half year	
Revenue from sale of goods	-
Rental revenue	-
Cost of sales	-
Depreciation	-
Income tax expense	-
Profit for the half-year	-
Earnings per share from continuing operations	-
Basic earnings per share	-
Diluted earnings per share	-

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
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NOTE 1: BASIS OF PREPARATION (CONTINUED)

The impact on assets and liabilities and equity as at 31 December 2018 if AASB 9 and AASB 15 had not been adopted is:

	Restated to AASB 118 and AASB 139 \$000	AASB 9 and AASB 15 Impacts \$000	As Reported with Adoption of AASB 9 and AASB 15 \$000
Accounts receivable	1,808	(95)	1,713
Contract assets	-	-	-
Contract liabilities	-	-	-
Deferred tax	-	-	-
Net asset impact	28,161	(95)	28,066
Retained profits	6,736	(95)	6,641

The above financial results and position reflect the impact of the following adjustments made to restate the financial statements at 31 December 2018 to the policies applied in the comparative financial period:

- Applying the 'incurred credit loss' model of AASB 139 has resulted in a nil impact on current year profit, decreased accounts receivable balance by \$95k and decreased net assets and retained profits by \$95k.

NOTE 2: DIVIDENDS PAID TO JOYCE MEMBERS

	31.12.2018	31.12.2017
Fully franked dividends were paid on 21 November 2018 for 6.0 cents per share.	\$'000	\$'000
Paid during the half year for the prior financial year	1,678	1,678
	<hr/> 1,678	<hr/> 1,678

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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2018**

NOTE 3: OPERATING SEGMENTS (CONTINUED)

Types of products and services by segment

- Bedshed retail bedding franchise operations.
- Company owned retail bedding stores.
- Operations of retail kitchen showrooms.
- Operation of valuation, online auction sales and physical auctions.
- Corporate operations.

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.

Basis of accounting for purposes of reporting by operating segments

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.

Half Year Report

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2018**

NOTE 3: OPERATING SEGMENTS (CONTINUED)

Unallocated items

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.

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	<i>Bedshed Franchise</i>	<i>Retail Bedding Stores</i>	<i>Retail Kitchen Showrooms</i>	<i>Online Auctions</i>	<i>Joyce Corp</i>	<i>Investment Property Revaluation</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Period ended 31 December 2018							
Revenue							
Revenue	2,994	6,002	31,737	8,446	-	-	49,180
Inter-segment sales	-	-	-	-	-	-	-
Total segment revenue	2,994	6,002	31,737	8,446	-	-	49,180
Timing of revenue recognition:							
At a point in time	90	6,002	31,737	8,446	-	-	46,276
Over time	2,904	-	-	-	-	-	2,904
	2,994	6,002	31,737	8,446	-	-	49,180
Unallocated revenue							-
Total consolidated revenue							49,180
Result							
Segment Result	751	55	5,167	(317)	(987)	-	4,669
Income tax expense							(1,495)
Net consolidated profit for the year							3,174
As at 31 December 2018							
Assets and liabilities							
Segment assets	596	6,269	18,080	5,707	21,192	-	51,844
Unallocated assets							1,684
Total assets							53,528
Segment liabilities	344	1,584	13,323	3,985	5,323	-	24,559
Unallocated liabilities							903
Total liabilities							25,462
Other-segment information							
Capital expenditure on PPE & intangible assets	11	68	815	470	11	-	1,375
Depreciation and Amortisation	11	83	360	336	54	-	844

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2018**

	<i>Bedshed Franchise</i>	<i>Retail Bedding Stores</i>	<i>Retail Kitchen Stores</i>	<i>Online Auctions</i>	<i>Joyce Corp</i>	<i>Investment Property Revaluation</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Period ended 31 December 2017							
Revenue							
Revenue	2,437	6,853	26,859	7,769	-	-	43,918
Inter-segment sales	-	-	-	-	-	-	-
Total segment revenue	2,437	6,853	26,859	7,769	-	-	43,918
Discontinued operation ¹							1,176
Unallocated revenue							-
Total consolidated revenue							45,094
Result							
Segment Result	610	228	3,779	191	(792)	933	4,949
Discontinued operation ¹							(18)
Income tax expense							(1,487)
Net consolidated profit for the year							3,444
As at 31 December 2017							
Assets and liabilities							
Segment assets	654	6,081	17,248	4,375	18,554	-	46,912
Unallocated assets							1,518
Discontinued operation ¹							1,862
Total assets							50,292
Segment liabilities	505	795	12,436	1,464	4,612	-	19,812
Unallocated liabilities							1,527
Discontinued operation ¹							1,628
Total liabilities							22,967
Other-segment information							
Capital expenditure on PPE & intangible assets	3	117	1,581	1,407	19	-	3,127
Depreciation and Amortisation	15	102	309	63	51	-	540

Note ¹ – Discontinued operations of Lloyds LAAV Group Pty Ltd business division, prior to 30 June 2018.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2018**

NOTE 4: CONTINGENT LIABILITIES AND COMMITMENTS

There have been no material changes to contingent liabilities since 30 June 2018.

There have been significant changes to commitments during the period. These are driven by the following changes:

- Three new showroom leases in our Retail Kitchen showroom segment;
- The renewal of a further 5 leases for existing stores in our Retail Kitchen Showroom segment;
- The renewal of the main Carrara site lease for our Online Auction segment; and
- New hire purchase lease arrangements to fund capital investment in our Online Auction segment.

Lease payable – Consolidated Entity as lessee

	CONSOLIDATED	
	31 Dec 2018	30 June 2018
	\$000	\$000
Within one year	4,995	3,757
After one year but not more than five years	11,530	4,686
More than five years	825	47
	17,350	8,490

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 cash is included in Other Current Assets. At 31 December 2018, the total of this balance was \$63,360 (30 June 2018: \$240,257).

NOTE 6: FINANCIAL LIABILITIES

Joyce Corporation Ltd has a St George loan facility of \$4.67 million (drawn to \$4.67 million), including a \$150,000 overdraft limit. The group has also entered into a short-term loan with a related party, amounting to \$400,000. See note 9 for further details.

A subsidiary of the 51% owned KWB Group, KWB Property Holdings Pty Ltd, completed the purchase of a property in Brisbane for \$8.6 million on 11 April 2017, utilising a \$5.6 million standalone facility fully drawn in April 2017 from Commonwealth Bank for a three-year term. The facility additionally provides a bank guarantee facility of \$500k which at half-year was undrawn.

The Group has entered into Hire Purchase agreements to fund the acquisition of plant and equipment. The net value of the Hire Purchase agreements at the reporting date was \$444k. (31 December 2017: nil)

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2018**

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

The Company declared a fully franked interim dividend of 5 cents per share. Record date is the 3 April 2019 and payment date 10 April 2019.

A KWB Q2 FY19 fully franked dividend of \$808,479 was declared and paid on 16 January 2019.

On 22 January 2019 Lloyds Online Auctions Pty Limited issued an additional 699,000 ordinary shares. These were purchased by Joyce International Pty Ltd (a 100% owned subsidiary of Joyce Corporation Ltd). The investment was paid for by the capitalisation of existing loans. This brings Joyce's holding in Lloyds to 56%.

The repayment date on the unsecured \$400k loan from Adamic Pty Ltd has been extended from 31 January 2019 to 7 March 2019 by mutual agreement.

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

On 16 July 2018, Dan Smetana settled the final payment of \$30k for the 380,000 partly-paid ordinary shares held at 30 June 2018. The 380,000 shares were converted from partly paid to fully paid ordinary shares. No other share movements during the period. Basic and diluted earnings per share are calculated based on a weighted average of any shares issued during the reporting period.

NOTE 9: RELATED PARTY DISCLOSURE

An unsecured loan from Adamic Pty Ltd, a company owned by an associated Director Mr Dan Smetana, for \$400,000 was entered on 16 November 2018, and the loan is repayable by 7 March 2019 (31 December 2017: \$400,000) and at an interest rate of 7.22% pa.

Refer to Note 12 in relation to the Company's share-based payments to Executive Director.

Other than the items disclosed above there are no other material related party transactions since 30 June 2018.

NOTE 10: INVESTMENT PROPERTY

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arose. A property valuation gain of \$0.93 million was recognised in August 2017, no revaluation was made in the current reporting period and the underlying earnings should be compared excluding the prior period revaluation.

NOTE 11: INTANGIBLE ASSETS

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Consolidated Entity has an intention and ability to use the asset.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2018**

NOTE 12: SHARE BASED PAYMENTS

Key Management Personnel Performance Rights

During the reporting period, 263,158 FY18 performance rights and 272,109 FY19 performance rights were granted to the Executive Director which are subject to continued employment with Joyce Corporation Ltd and to the Group meeting predetermined performance criteria. The details of the Long-Term Incentive (LTI) Plan which these performance rights are a component were approved by shareholders at the 2018 AGM Notice of Meeting on 27 November 2018. Details of the fair value of the performance rights issued are summarised below:

Scheme	Number of Rights	Grant Date	Fair Value of Rights	Weighted Av. Probability ³	Total Fair Value	Expense to 31 December 2018
FY18 ¹	263,158	27/11/2018	1.55	0% - 100%	\$200,000	\$80,740
FY19 ²	272,109	27/11/2018	1.55	0% - 100%	\$200,000	\$16,400

1. Vesting in three tranches based on each milestone being met for each 30 June 2018, 30 June 2019 and 30 June 2020 reporting year;
2. Vesting in three tranches based on each milestone being met for each 30 June 2019, 30 June 2020 and 30 June 2021 reporting year.
3. Refer to below for board's assessment of probabilities applied against milestone vesting conditions.

The LTI cost of performance rights will be expensed based on board's assessment that 'Target' earnings (as disclosed in the AGM Notice of Meetings) will be achieved. This is at a rate of 50% of the 'Stretch and above' number.

The FY18 Performance rights vest based on the cumulative Net profit after tax ('NPAT') for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020 and continued employment proportional at each reporting date. The FY19 Performance rights vest based on the cumulative Net profit after tax ('NPAT') for the financial years ended 30 June 2019, 30 June 2020 and 30 June 2021 and continued employment proportional at each reporting date.

Details of the vesting conditions of the performance rights issued are summarised below:

FY18 Performance Rights

	Milestone ¹ \$000's	Vesting %	Probability %	Fair Value \$
Threshold	\$10,274	25%	100%	101,974
Target	\$11,415	25%	96%	98,026
Stretch and above	\$13,698	50%	0%	0
Total Expense				200,000

FY19 Performance Rights

	Milestone ² \$000's	Vesting %	Probability %	Fair Value \$
Threshold	\$11,610	25%	100%	105,442
Target	\$12,900	25%	90%	94,558
Stretch and above	\$15,480	50%	0%	0
Total Expense				200,000

1. Group achieving a cumulative NPAT for years ended 30 June 2018, 30 June 2019 and 30 June 2020; and
2. Group achieving a cumulative NPAT for years ended 30 June 2019, 30 June 2020 and 30 June 2021.

Half Year Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2018

NOTE 12: SHARE BASED PAYMENTS (CONTINUED)

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.

**Joyce Corporation Ltd ABN 80 009 116 269
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Half Year Report

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 23 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 2018 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.



M. A. Gurry
Chairman

Dated at Perth this Day 19 of February 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Joyce Corporation Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Joyce Corporation Ltd, which comprises the consolidated statement of financial position as at 31 December 2018, 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 2018 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 Ltd, 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 Ltd, 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 Ltd 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 2018 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

A handwritten signature in black ink, appearing to read 'Neil Smith', is written over a faint, stylized 'BDO' logo.

Neil Smith

Director

Perth, 19 February 2019