JOYCE CORPORATION LTD

ABN 80 009 116 269

Half Year Report

For the period ended 31 December 2019

APPENDIX 4D

Results for announcement to the market

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

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

1. Details of the current and previous reporting period	
Current period:	1 July 2019 to 31 December 2019
Previous corresponding period:	1 July 2018 to 31 December 2018

2. Results for announcement to the market		
	A$'000	
2.1 Revenue from continuing operations	Up 4.5% from $50,150 to	$52,406
2.2 Profit from continuing operations after tax	Down 32.1% from $3,603 to	$2,445
2.3 Profit attributable to members of the parent entity after tax	Down 49.9% from $1,964 to	$984

2.4 Dividends per security	Amount per security	Franked amount per security	Record date for determining entitlements to the dividend	Total dividend
Final				
- current period (paid 18 November 2019)	5.0 cents	5.0 cents	11 Nov 2019	$1.4m
- previous corresponding period (paid 21 November 2018)	6.0 cents	6.0 cents	6 Nov 2018	$1.7m
Interim				
- current period (payable 6 May 2020)	5.0 cents	5.0 cents	29 Apr 2020	$1.4m
- previous corresponding period (paid 10 April 2019)	5.0 cents	5.0 cents	3 Apr 2019	$1.4m

2.5 Details of dividends	The dividend policy is for a payout of 60% of net EBITDA excluding revaluations, annually subject to liquidity constraints.
2.6 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
2.7 Explanation of any of the figures in items 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 (56% owned).

3. Net assets per ordinary share attributable to members of the parent entity	Restated 31 December 2018	31 December 2019
Net tangible asset per share (diluted)	$0.19	$0.17
Net intangible assets per share (diluted)	$0.66	$0.65
Total net assets per share (diluted)	$0.84	$0.82

4. Control gained or lost over entities during the period	N/A
5. Details of associates and joint venture entities	N/A
6. Accounting standards	AASB 134: Interim Financial Reporting have been used in compiling the information contained in this Appendix 4D.
7. Audit/review of accounts upon which this report is based	This report has been based on a review of the accounts.
8. Audit disputes or qualifications	No disputes or qualifications.

DIRECTORS' REPORT

Your Directors present their report on the Group, consisting of Joyce Corporation Ltd ("the Company") and the entities it controlled at the end of, or during the period ended 31 December 2019.

Directors

The names of the Company's Directors in office during the period ended 31 December 2019 and until the date of this report are as stated below. Directors were in office for this entire period unless otherwise stated.

Mike Gurry	Non-executive Director (Chair)
Karen Gadsby	Non-executive Director (Deputy Chair)
Dan Smetana	Non-executive Director
Tim Hantke	Non-executive Director
Travis McKenzie	Non-executive Director (from 1 July 2019)
Anthony Mankarios	Non-executive Director (to 24 November 2019)
Jeremy Kirkwood	Non-executive Director (from 14 January 2020)

Review of operations

The first half results of FY20 show an improvement on the prior comparative period and demonstrates the benefit a partnering with a portfolio of smaller businesses where the partners retain a substantial investment.

The Group's revenue to 31 December 2019 grew to $52.4 million, up 4.5% from the comparative period in 2018 ($50.2 million). In the face of significant macro-economic challenges the operating entities continued to follow the strategic plan which was the main driver behind this growth. Despite the growth in sales the earnings before tax and interest (EBIT) was $3.9 million which represents a decrease of 20% over the comparative period, which was $4.9 million. The earnings movement eventuated from one-off payments made to the former Executive Director of $0.5m and the competitive pressure on Lloyds resulting in a $1.1m decline in EBIT. The other operating entities had strong improvements in performance.

Both the KWB and Bedshed divisions have exceeded the budget set for the first half of the financial year, Lloyds was set back due to the rapid increase in competitive pressure within the auction sector stemming from competitors making uneconomic decisions, which we see as a short-term disruption to the market. However, Lloyds, following the restructuring, which saw 30% of the cost come out of the organisation, is well positioned to weather this storm. In the second half, we expect to see showroom openings in both KWB and Bedshed as we enact the planned geographic expansion for those organisations. While we anticipate there will be continued growth in earnings in the second half it is difficult to fully predict the impact of external forces on the divisions, particularly in the auctioneering space.

Earnings Per Share (EPS) of 3.5 cents was achieved in the 6-month period ending 31 December 2019. This is a decrease of 50% on EPS for the comparative 2018 period of 7.0 cents.

The Executive and Board have spent the first half of this financial year finalising 'inorganic' growth and business integration plans. In calendar year 2020 these plans will be enacted. With the support of our banking partner, CBA, we plan to increase the number of divisions in the Group, primarily focusing on organisations with potential for strong and even earnings growth.

Closing cash balances as at 31 December 2019 totalled $1.9 million which were $5.1 million less than those seen at 30 June 2019. In the first half of FY20, the Group made a strategic change to the bank funding arrangement in the KWB division, moving to a business loan as needed thereby eliminating debt for the majority of the period and significantly reducing interest and bank charges. The cash position is expected to positively increase in the second half of the year. The changes at KWB had a positive effect in lowering the Group's gearing ratio.

DIRECTORS' REPORT

The Company's distinct operating units at 31 December 2019 were:

KWB Group Pty Ltd	(51% owned)
Lloyds Online Auctions Pty Ltd	(56% owned)
Bedshed franchising	(100% owned)
Bedshed company owned stores	(100% owned)

KWB's revenue and profit grew during the reporting period to 31 December 2019 by 15.0% and 8.8% respectively. It is planned that three further showrooms will be opening in the middle of calendar 2020.

Lloyds reported a decrease in profit from the previous comparable period owing to the on-going, three-decade low in the insolvency market, and unprecedented competitive forces in the auction industry. These are considered unsustainable in the medium and long-term and when the market reverts to a more normal state, Lloyds is well positioned to take advantage of that change. Joyce Corporation continues to invest resource into the business as it partners with local management, to deliver successful outcomes for all stakeholders.

The Bedshed Franchise business performed strongly in the first half of FY20, having executed the advertising campaigns and range launches well. With the added resource placed with the franchisee on-boarding team we have experienced unprecedented levels of enquiries from potential franchisees.

Events after reporting date

The Company declared a fully franked interim dividend of 5 cents per share. Record date is 29 April 2020 and payment date 6 May 2020.

KWB declared a fully franked dividend of $1.3 million for the December 2019 quarter, paid on 14 February 2020.

Non-executive Director Jeremy Kirkwood was appointed to the Board on 14 January 2020.

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

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 5 for the half year ended 31 December 2019.

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

M A Gurry
Chair

Perth, 25 February 2020

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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 2019, 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, 25 February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	Group	
		31 Dec 2019	Restated* 31 Dec 2018
Continuing operations		$'000	$'000
Revenue	5	52,406	50,150
Cost of sales		(22,791)	(21,166)
Gross profit		29,615	28,984
Other income	5	2,017	1,969
Variable costs		(4,041)	(3,850)
Contribution margin		27,591	27,103
Expenses from continuing operations			
Employment expenses		(14,927)	(14,218)
Occupancy expenses		(1,057)	(1,034)
Marketing expenses		(1,665)	(1,595)
Administration expenses		(3,111)	(2,744)
Earnings before depreciation, interest and tax		6,831	7,512
Depreciation and amortisation		(2,884)	(2,597)
Earnings before interest and tax		3,947	4,915
Net interest expense		(460)	(525)
Earnings before tax		3,487	4,390
Income tax expense		(1,042)	(787)
Profit from continuing operations after tax		2,445	3,603
Profit is attributable to:			
Ordinary equity holders of the company		984	1,964
Non-controlling interests		1,461	1,639
		2,445	3,603
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		2,445	3,603
Total comprehensive income for the period is attributable to:			
Ordinary equity holders of the company		984	1,964
Non-controlling interests		1,461	1,639
		2,445	3,603
Earnings per share (cents per share) for profit attributable to ordinary equity holders of the company:			
Overall operations Basic earnings per share	6	3.5	7.0
Overall operations Diluted earnings per share	6	3.5	7.0

* Refer to Note 2 for details of restatement.

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 10 to 25.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Group	
		31 Dec 2019	Restated* 30 Jun 2019
		$'000	$'000
ASSETS			
Current assets			
Cash and cash equivalents		1,881	6,975
Trade receivables		1,829	2,355
Inventories		3,400	3,184
Other receivables and prepayments		1,360	1,457
Other financial assets		107	31
Total current assets		8,577	14,003
Non-current assets			
Other receivables and prepayments		349	399
Right-of-use assets	2	12,038	12,418
Property, plant and equipment		11,259	11,501
Deferred tax assets		6,605	5,878
Investment property		9,623	9,623
Intangible assets	7	18,144	18,369
Total non-current assets		58,018	58,188
TOTAL ASSETS		66,595	72,191
Current liabilities			
Trade and other payables		11,803	14,194
Loans and borrowings	8	1,781	694
Lease liabilities	2	4,401	4,344
Provisions		1,789	1,751
Provision for income tax		42	155
Total current liabilities		19,816	21,138
Non-current liabilities			
Loans and borrowings	8	5,171	9,622
Lease liabilities	2	9,498	10,028
Deferred tax liabilities		4,353	4,195
Provisions		1,146	1,016
Total non-current liabilities		20,168	24,861
TOTAL LIABILITIES		39,984	45,999
NET ASSETS		26,611	26,192
EQUITY			
Contributed equity	9	18,280	18,090
Reserves		10	-
Non-controlling interest		3,572	2,939
Retained earnings		4,749	5,163
TOTAL EQUITY		26,611	26,192

* Refer to Note 2 for details of restatement.

The above consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 10 to 25.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	Contributed equity	Reserves	Retained earnings	Non-controlling interest	Total equity
		$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2018 (as previously reported)		18,060	-	6,975	3,073	28,108
Adjustment on adoption of AASB 9		-	-	(95)	-	(95)
Adjustment on adoption of AASB 16	2	-	-	(1,630)	(238)	(1,868)
Restated total equity at the beginning of the financial year		18,060	-	5,250	2,835	26,145
Total comprehensive income for the period						
Profit attributable to members of the parent entity		-	-	1,964	-	1,964
Profit attributable to non-controlling interests		-	-	(108)	1,747	1,639
Total comprehensive income for the period		-	-	1,856	1,747	3,603
Transaction with owners in their capacity as owners:						
Share-based payment		-	97	-	-	97
Payment partly paid shares		30	-	-	-	30
Dividends paid or provided for		-	-	(1,678)	(1,584)	(3,262)
Balance at 31 December 2018*		18,090	97	5,428	2,998	26,613
Balance at 1 July 2019		18,090	-	5,163	2,939	26,192
Total comprehensive income for the period						
Profit attributable to members of the parent entity		-	-	984	-	984
Profit attributable to non-controlling interests		-	-	-	1,461	1,461
Total comprehensive income for the period		-	-	984	1,461	2,445
Transactions with owners in their capacity as owners:						
Dividends paid or provided for	3	-	-	(1,398)	(828)	(2,226)
Shares issued	12	190	-	-	-	190
Share based payment	12	-	10	-	-	10
Balance at 31 December 2019		18,280	10	4,749	3,572	26,611

* Refer to Note 2 for details of restatement.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 10 to 25.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	Group 31 Dec 2019 $'000	Restated* 31 Dec 2018 $'000
Cash flows from / (used in) operating activities			
Receipts from customers		54,885	51,546
Payments to suppliers and employees		(50,904)	(47,447)
Interest received		18	43
Interest paid		(478)	(568)
Income tax paid		(1,724)	(1,497)
Net cash provided by / (used in) operating activities		1,797	2,077
Cash flows from / (used in) investing activities			
Purchase of property, plant and equipment		(430)	(1,375)
Purchase of intangibles		(43)	17
Net cash used in investing activities		(473)	(1,358)
Cash flows from / (used in) financing activities			
Dividends paid	3	(1,398)	(1,678)
Dividends paid to non-controlling interests		(828)	(1,584)
Proceeds from partly paid shares		-	30
Proceeds from secured loan given		-	32
Proceeds from borrowings		3,907	2,529
Repayment of borrowings		(8,099)	(2,253)
Net cash used in financing activities		(6,418)	(2,924)
Net decrease in cash held		(5,094)	(2,205)
Cash and cash equivalents at the beginning of period (1 July)		6,975	6,216
Cash and cash equivalents at the end of period		1,881	4,010

* Refer to Note 2 for details of restatement.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 10 to 25.

1. BASIS OF PREPARATION

These general-purpose financial statements for the interim half year reporting period ended 31 December 2019 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 2019, together with any public announcements made during the half year ended 31 December 2019.

Comparatives

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

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the half year report are consistent with those adopted and disclosed in the Company's annual report for the financial year ended 30 June 2019, 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.

Adoption of new and amended standards and interpretations

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

- AASB 16 Leases; and
- AASB Interpretation 23 Uncertainty over Income Tax Treatments.

The impact of the adoption of these standards and the new accounting policies are disclosed below.

AASB 16 Leases

AASB 16 Leases replaces AASB 117 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease.

In accordance with the transitional provisions of AASB 16, the Group has elected to adopt AASB 16 using the Full Retrospective approach, with the date of initial application being 1 July 2019. AASB 16 is applied retrospectively to each prior reporting period presented.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have an effect for leases where the Group is the lessor.

Group as lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a term of 12 months or less.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of new and amended standards and interpretations (continued)

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

• amounts expected to be payable under any residual value guarantee;

• the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option; and

• any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

Right-of-use-assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

• lease payments made at or before commencement of the lease;

• initial direct costs incurred; and

• the amount of any provision recognised where the Group is required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset, if rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted using a revised discount rate (being the interest rate implicit in the lease for the remainder of the lease term or, if that cannot be readily determined, the Group's incremental borrowing rate at the re-assessment date). An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

The carrying value of lease liabilities is also revised when the variable element of future lease payments dependent on a rate or index is revised or there is a revision to the estimate of amounts payable under a residual value guarantee. In both cases an unchanged discount rate is used. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

• if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;

• in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;

2. SIGNIFICANT ACCOUNTING POLICIES

Adoption of new and amended standards and interpretations (continued)

• if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are items such as IT-equipment and small items of office furniture.

Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset (or of a right-of-use asset) are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2. SIGNIFICANT ACCOUNTING POLICIES

Adoption of new and amended standards and interpretations (continued)

The effect of adopting AASB 16 is as follows:

Impact on the consolidated statement of profit and loss and other comprehensive income (increase/(decrease)):

	31 Dec 2019 $'000	31 Dec 2018 $'000
Expenses from continuing operations		
Occupancy expenses	(2,231)	(1,874)
Earnings before depreciation, interest, tax and revaluation	2,231	1,874
Depreciation and amortisation	1,909	1,753
Earnings before interest, tax and revaluation	322	121
Earnings before interest and tax	322	121
Net interest expense	351	400
Earnings before tax	(29)	(279)
Income tax expense	-	(708)
Profit from continuing operations after tax	(29)	429
Profit for the period	(29)	429
Total comprehensive income for the period	(29)	429
Profit is attributable to:		
Ordinary equity holders of the company	31	358
Non-controlling interests	(60)	71
	(29)	429
Earnings per share (cents per share) for profit attributable to ordinary equity holders of the company:		
Overall operations basic earnings per share	0.1	1.3
Overall operations diluted earnings per share	0.1	1.3

2. SIGNIFICANT ACCOUNTING POLICIES

Adoption of new and amended standards and interpretations (continued)

Impact on the consolidated statement of financial position (increase/(decrease)):

	31 Dec 2019 $'000	30 Jun 2019 $'000	1 Jul 2018 $'000
Current assets			
Other receivables and prepayments	(125)	(128)	(13)
Total current assets	(125)	(128)	(13)
Non-current assets			
Right-of-use assets	12,038	12,418	13,116
Property, plant & equipment	(347)	(394)	-
Deferred tax assets	4,311	4,312	
Total non-current assets	16,002	16,336	13,116
Total assets	15,877	16,208	13,103
Current liabilities			
Interest bearing loans and borrowings	-	(200)	-
Lease liabilities	4,401	4,344	3,894
Total current liabilities	4,401	4,144	3,894
Non-current liabilities			
Interest bearing loans and borrowings	(238)	(187)	-
Lease liabilities	9,498	10,028	11,078
Deferred tax liabilities	3,626	3,625	-
Provisions	46	26	-
Total non-current liabilities	12,932	13,492	11,078
Total liabilities	17,333	17,636	14,972
Net assets	(1,456)	(1,428)	(1,869)
Equity			
Non-controlling interests	(317)	(258)	(310)
Retained earnings	(1,139)	(1,170)	(1,559)
Total equity	(1,456)	(1,428)	(1,869)

Impact on the consolidated statement of cash flows (increase/(decrease)):

	31 Dec 2019 $'000	31 Dec 2018 $'000
Cash flows from operating activities		
Payments to suppliers and employees	(1,008)	(663)
Interest paid	479	400
Net cash flows (used in) / from operating activities	(529)	(263)
Cash flows from financing activities		
Repayment of borrowings	3,345	3,779
Net cash flows (used in) / from financing activities	3,345	3,779

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of new and amended standards and interpretations (continued)

AASB Interpretation 23 Uncertainty over Income Tax Treatments

AASB Interpretation 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

• The Group to contemplate whether uncertain tax treatments should be considered separately, or together as a Group, based on which approach provides better predictions of the resolution;

• The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and

• If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Group elected to apply AASB Interpretation 23 retrospectively with the cumulative effect recorded in retained earnings as at the date of initial application, 1 July 2019. The adoption of AASB Interpretation 23 has not resulted in a change to the tax liabilities of the Group. $nil effect was recorded in retained earnings at the date of application being 1 July 2019.

Comparatives

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

Use of estimates and judgements

There have been no material revisions to the nature and amount of estimates reported in prior periods except where the implementation of AASB 16 and AASB Interpretation 23 discussed above requires a different approach to the accounting previously applied. Significant estimates and judgements that have been required for the implementation of these new standards are:

Leases

Determining the incremental borrowing rate - where the interest rate implicit in a lease is not known, the Group is required to determine the incremental borrowing rate, being the rate of interest the Group would have to pay to borrow a similar amount, over a similar term, with similar security to obtain an asset of similar value in a similar economic environment. As this information may not be readily available, the Group is required to estimate its incremental borrowing rate, using such information as is available, and making adjustments to reflect the particular circumstances of each lease.

Determining the lease term - the Group has in place, a number of leases of property with terms that can be renewed for an additional term, equal to the period of the original lease. In determining the lease term, management is required to determine:

Whether there is an actual or implied extension or renewal option. An implied extension or renewal option will exist if both the lessee and lessor would incur a more than insignificant penalty if the lease were not extended or renewed; and

Whether the Group is reasonably certain to exercise any actual or implied extension options, taking into account, all facts and circumstances relating to the lease.

Nature of leasing activities

As a lessee – the Group leases a number of properties. The lease contracts provide for payments to increase each year by a fixed percentage, to increase each year by inflation, to be reset periodically to market rental rates, or to remain fixed over the lease term.

Tax treatments

• The identification of uncertain tax treatments and the estimation of the range of possible outcomes that may occur if a taxation authority were to examine the tax treatment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates and judgements (continued)

Significant estimates and judgements that have been required in the process of applying the Group's other accounting policies are:

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.

Impact of accounting standards to be applied in future periods

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 30 June 2020 (the date on which the company's next annual financial statements will be prepared up to) that the Group has decided not to adopt early. The Group does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

3. DIVIDENDS PAID TO MEMBERS OF THE PARENT ENTITY

	31 Dec 2019	Restated 31 Dec 2018
	$'000	$'000
Fully franked final dividend of 5.0 cents (2018: 6.0 cents) per ordinary share proposed and paid during the period relating to the previous financial years results	1,398	1,678

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 Acting 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:

- Bedshed retail bedding franchise operation;
- Company owned retail bedding stores;
- Operation of retail kitchen showrooms; and
- Operation of valuation, online and physical auction sites.

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).

4. OPERATING SEGMENTS (CONTINUED)

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 2019.

The following tables present information regarding operating segments for revenue and profit for the period ended 31 December and assets and liabilities at 30 June with the corresponding comparative period.

4. OPERATING SEGMENTS (CONTINUED)

	Bedshed Franchise	*Retail Bedding Stores*	*Retail Kitchen Showrooms*	*Online Auctions*	*Total*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Period ended 31 Dec 2019					
Revenue					
Revenue	2,764	7,045	36,496	6,101	52,406
Inter-segment sales	-	-	-	-	-
Total consolidated revenue	2,764	7,045	36,496	6,101	52,406
Timing of revenue recognition					
At a point in time	103	7,045	36,496	6,101	49,745
Over time	2,661	-	-	-	2,661
	2,764	7,045	36,496	6,101	52,406
Unallocated revenue					-
Total consolidated revenue					52,406
Result					
Segment result	710	564	5,602	(1,297)	5,579
Unallocated expenses net of unallocated income					(2,092)
Income tax expense					(1,042)
Net consolidated profit for the period					2,445
Period ended 31 Dec 2018					
Revenue					
Revenue	2,994	6,344	31,737	9,075	50,150
Inter-segment sales	-	-	-	-	-
Total consolidated revenue	2,994	6,344	31,737	9,075	50,150
Timing of revenue recognition					
At a point in time	90	6,344	31,737	9,075	47,246
Over time	2,904	-	-	-	2,904
	2,994	6,344	31,737	9,075	50,150
Unallocated revenue					-
Total consolidated revenue					50,150
Result					
Segment result	889	165	5,151	(173)	6,032
Unallocated expenses net of unallocated income					(1,642)
Income tax expense					(787)
Net consolidated profit for the period					3,603

4.OPERATING SEGMENTS (CONTINUED)

	Bedshed Franchise	Retail Bedding Stores	Retail Kitchen Showrooms	Online Auctions	Total
	$'000	$'000	$'000	$'000	$'000
As at 31 Dec 2019					
Assets and liabilities					
Segment assets	7,935	8,130	24,343	12,605	53,013
Unallocated assets					13,582
Total assets					66,595
Segment liabilities	1,145	5,523	18,844	3,882	29,394
Unallocated liabilities					10,590
Total liabilities					39,984
Restated as at 30 Jun 2019					
Assets and liabilities					
Segment assets	7,099	9,217	27,984	14,240	58,540
Unallocated assets					13,651
Total assets					72,191
Segment liabilities	1,295	6,465	24,448	4,269	36,477
Unallocated liabilities					9,522
Total liabilities					45,999
Period ended 31 Dec 2019					
Other segment information					
Capital expenditure	11	1	290	62	364
Depreciation and amortisation	10	691	1,496	634	2,831
Period ended 31 Dec 2018					
Other segment information					
Capital expenditure	11	68	815	470	1,364
Depreciation and amortisation	11	688	1,329	360	2,388

5. REVENUE

Revenue from Continuing Operations

	31 Dec 2019 $'000	Restated 31 Dec 2018 $'000
Revenue from contracts with customers		
Sale of goods	47,835	44,526
Franchise revenue	1,917	1,736
Provision of services	2,654	3,888
	52,406	50,150
Other income		
Rental income	309	304
Other income	1,708	1,665
	2,017	1,969
Total revenue	54,423	52,119

Disaggregation of revenue

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

- Similar contractual arrangements with our customer cohorts. At Lloyds Online Auctions all auction customers are required to complete a 'Form 9' which is a legislative defined document laying out the contractual arrangements.
- Similar types of revenue. At Bedshed Franchising the vast majority is earnt 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 as being the driver to an increased understanding.

In the Bedshed company-owned-stores entity, we have three trading locations in Queensland and two in Western Australia. Their location is not the driver of understanding the business, greater insight comes from consideration of the broader macro-economic factors in play that would influence demand, and in the case of the owned stores this would be the mining and resource cycle, housing market and consumer confidence.

KWB, our retail kitchen provider is exposed to fluctuations in overall consumer renovation spend.

There were no new revenue streams during the half year ended 31 December 2019.

6. EARNINGS PER SHARE

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

7. INTANGIBLE ASSETS

Goodwill

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

- Bedshed Franchising cash generating unit;
- Bedshed Retail Bedding Stores cash generating unit;
- KWB Retail Kitchen Showrooms cash generating unit; and
- Lloyds Online Auctions cash generating unit.

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 2019 there were no indicators of impairment of the following CGU's:

- Bedshed Franchising cash generating unit;
- Bedshed Retail Bedding Stores cash generating unit; and
- KWB Retail Kitchen Showrooms cash generating unit.

The Lloyds Online Auctions CGU had an impairment indicator due to the segment's net loss result for the half year (refer Note 4).

When an impairment trigger exists, the recoverable amount of the asset is determined. As a result of this assessment, no impairment was recognised at 31 December 2019 (2018: $nil).

8. LOANS AND BORROWINGS

Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the period. The financier assesses the financial covenants bi-annually, based on the audited annual report and reviewed half year report. There are no breaches of the facility as of the date of this report.

During the half year ended 31 December 2019 the Joyce Corporation transitioned its St George facilities to the Commonwealth Bank of Australia and KWB Property Holdings Pty Ltd ceased using the Commonwealth Bank of Australia for its borrowing facilities.

8. LOANS AND BORROWINGS (CONTINUED)

The available facilities at 31 December 2019 are as follows:

	Current	Non-current	Total	Limit $'000	Available $'000	Loan term	Expiry date
CBA market rate loan 1	333	317	650	1,000	350	2 years	27/9/2021
CBA market rate loan 2	63	4,854	4,917	4,917	-	2 years	27/9/2021
CBA multi option facility	338	-	338	415	77	2 years	27/9/2021
NAB business loan	1,000	-	1,000	4,000	3,000	1 year	31/7/2020
Hire purchase agreements	47	-	47	47	-	Various	Various
Total	1,781	5,171	6,952	10,379	3,427		

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

9. CONTRIBUTED EQUITY

	Group	
	31 Dec 2019 $'000	Restated 30 Jun 2019 $'000
Issued and fully paid ordinary shares	18,280	18,090

Movement in ordinary shares on issue:

	Group	
	Number	*$'000*
At 1 July 2019	27,968,255	18,090
Issued and fully paid ordinary shares (see Note 12)	131,579	190
At 31 December 2019	28,099,834	18,280

Unmarketable Share Sale Facility

During the half year ended 31 December 2019, the Company offered a share sale facility of ordinary shares for holders of unmarketable parcels, to assist those holders to sell their shares without having to use a broker or pay brokerage. The final number of shares sold under the facility was 17,274 shares from 89 holders, which represents approximately 11.6% of the total number of shareholders who held shares in the company prior to disposal of the unmarketable parcels of shares.

10. CONTINGENT LIABILITIES

There have been no material changes to contingent liabilities since 30 June 2019.

11. RELATED PARTY DISCLOSURES

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

During the half year ended 31 December 2019 the Group's entities entered into the following transactions with related parties who are not members of the Group:

Related party relationship	*Type of transaction*
(i) Key Management Personnel	Received dividend payments totalling $602,697.
(ii) Key Management Personnel	Received remuneration of short-term benefits and post-employment benefits of $245,966.
(iii) Starball Pty Ltd is an entity controlled by former Director Anthony Mankarios	Non-executive director fees for Anthony Mankarios were paid to Starball Pty Ltd totalling $32,625.
(iv) Starball Pty Ltd is an entity controlled by former Director Anthony Mankarios	Fees relating to merger & acquisition work undertaken bv Anthony Mankarios were paid to Starball Pty Ltd totalling $60,000.
(v) Starball Pty Ltd is an entity controlled by former Director Anthony Mankarios	131,579 fully paid ordinary shares were issued to Starball Pty Ltd at $1.44 each totalling $189,474. Refer to Note 12 in relation to the Company's share-based payments.
(vi) Key Management Personnel	137,032 performance rights issued to Acting CEO, Keith Smith under a Long-Term Incentive scheme. Refer to Note 12 in relation to the Company's share-based payments.
(vii) Key Management Personnel	76,387 performance rights issued to Bedshed General Manager, Gavin Culmsee under a Long-Term Incentive scheme. Refer to Note 12 in relation to the Company's share-based payments.

Other than the items disclosed above there are no other material related party transactions during the half year ended 31 December 2019.

12. SHARE-BASED PAYMENTS

(i) Starball Pty Ltd share-based payment

In the 2019 Annual General Meeting on 25 November 2019, the members approved the issue of 131,579 fully paid ordinary shares to Starball Pty Ltd. Starball Pty Ltd is an entity controlled by Anthony Mankarios, the former Joyce Corporation Ltd Executive Director who held that position for nine years. In recognition of the effort that Anthony Mankarios has put into the Group over that period, the members resolved it was appropriate to issue 131,579 ordinary shares in the Company to Starball Pty Ltd.

The shares rank equally with the ordinary shares already on issue by the Company. No funds were received or applied in the issue, as the shares were issued in recognition of Anthony Mankarios' contribution to the Company. The fair value of the shares is determined as per the spot rate on grant date, being $1.44 on 25 November 2019.

Recognition and measurement

The cost of the share-based payment is recognised, together with a corresponding increase in equity, in the period in which the shares were issued (December 2019). An expense of $189,474 was recognised in the Consolidated Statement of Profit or Loss.

12. SHARE-BASED PAYMENTS (CONTINUED)

(ii) Key Management Personnel performance rights

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

Details of the performance rights issued are summarised below:

Beneficiary	**Keith Smith**	**Gavin Culmsee**
Number of Rights Granted	137,032	76,387
Fair Value per right	$1.55	$1.55
Total fair value	$212,400	$118,400
Commencement date	1 Jul 2019	
Expected vesting date	30 June 2022 (3 years)	
Vesting conditions	Profit metric over 3 years as described below.	
No. of rights expected to vest	Nil	38,193
Expense recorded to 31 Dec 2019	$Nil	$9,894

The expense recognised in respect of the performance rights is based on the Board's assessment of the probability that certain milestone earnings will be achieved, measured cumulatively over the three-year period commencing 1 July 2019 and ending 30 June 2022. 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.

Keith Smith - 137,032 performance rights

Group net profit after tax cumulative over 3 years greater than ($000s):		**No. vesting (%)**	**Expected Probability of occurring (%)**	**Total number expected to vest**
Threshold	$32,184	25%	10%	Nil
Target	$35,760	25%	0%	Nil
Stretch and above	$42,912	50%	0%	Nil
Total expense expected to be recorded over the three-year vesting period				$Nil

Gavin Culmsee - 76,387 performance rights

Bedshed EBIT cumulative over 3 years greater than ($000s):		**No. vesting (%)**	**Expected Probability of occurring (%)**	**Total number expected to vest**
Threshold	$6,570	25%	100%	19,097
Target	$7,300	25%	100%	19,097
Stretch and above	$8,760	50%	0%	Nil
Total expense expected to be recorded over the three-year vesting period				$59,200

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.

12. SHARE-BASED PAYMENTS (CONTINUED)

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

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

13. EVENTS AFTER REPORTING DATE

The Company declared a fully franked interim dividend of 5 cents per share. Record date is 29 April 2020 and payment date 6 May 2020.

KWB declared a fully franked dividend of $1.3 million for the December 2019 quarter, paid on 14 February 2020.

Non-executive Director Jeremy Kirkwood was appointed to the Board on 14 January 2020.

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

(a) In the Directors' opinion, the financial statements and notes thereto of the Company have been prepared in accordance with the *Corporations Act 2001*, including that they:

  (i) Comply with the Australian Accounting Standards and Corporations Regulations 2001 and other mandatory professional reporting requirements; and

  (ii) Give a true and fair view of the financial position of the Company as at 31 December 2019 and of its performance as represented by the results of its operations and its cash flows for the period ended on that date; and

(b) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

M A Gurry
Chair

Perth, 25 February 2020

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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 2019, 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 then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 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.*

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 Group's financial position as at 31 December 2019 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*. As the auditor of the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO

BDO Audit (WA) Pty Ltd

Neil Smith

Director

Perth, 25 February 2020