

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES

ACN 116 491 635

**Annual Financial Report For The Year Ended
31 March 2020**

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
ACN 116 491 635

31 March 2020

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JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES

Directors' Report
Year ended 31 March 2020

ACN 116 491 635

Your directors present their report on the company and its controlled entity ('Consolidated Group') for the financial year ended 31 March 2020

The names of the directors in office at any time during, or since the end of, the financial year are:

Mr. Rahul Gautam
Mr. Frank van Gogh
Mr. Tushaar Gautam
Mr. Rajiv Dhar

Directors have been in office since the start of the financial year to the date of this report.

The profit of the Consolidated Group for the financial year after providing for income tax amounted to \$4,008,588 (2019: Profit of \$2,187,023).

A review of the operations of the Consolidated Group during the financial year and the results of those operations found that the changes in market demand and competition have seen a decrease in sales of 0.8 % to \$66,165,731.

No significant changes in the Consolidated Group's state of affairs occurred during the year.

The principal activities of the Consolidated Group during the financial year were the manufacture and wholesaling of polystyrene and polyurethane foams.

No significant change in the nature of these activities occurred during the financial year.

Likely developments in the operations of the Consolidated Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Consolidated Group.

The Consolidated Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

No Dividends were paid or proposed during the financial year.

No options over issued shares or interests in the Consolidated Group were granted during the reporting period or since the end of the financial year and there were no options outstanding at the date of this report.

No indemnities have been given or insurance premiums paid, during the reporting financial year or since the end of the financial year, for any person who is or has been an officer or auditor of the Consolidated Group.

No person has applied for leave of Court to bring proceedings on behalf of the Consolidated Group or intervene in any proceedings to which the Consolidated Group is a party for the purpose of taking responsibility on behalf of the Consolidated entity for all or any part of those proceedings.

The Consolidated Group was not a party to any such proceedings during the financial year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Director:


Mr Frank van Gogh

Dated this 29th day of April 2020



NEC Accountants Pty Limited
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**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF JOYCE FOAM PTY LTD**

I declare that, to the best of my knowledge and belief, during the year ended 31 March 2020 there have been:

a/ no contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

b/ no contraventions of any applicable code of professional conduct in relation to the audit.

NEC Accountants Pty Limited

A handwritten signature in black ink, appearing to be 'NE', followed by a horizontal line and a small flourish.

Neil Esho
Director
29 April 2020
Sydney, Australia

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
ACN 116 491 635
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

Continuing Operations	Note	Consolidated	
		2020	2019
		\$	\$
Sales revenue	2	66,165,731	66,702,728
Cost of sales	3	(44,192,158)	(47,341,601)
Gross profit		21,973,573	19,361,127
Other revenues	2	88,520	(21,122)
Distribution expenses		(3,779,836)	(3,929,942)
Marketing expenses		(4,746,204)	(5,363,142)
Occupancy Expense		(3,755,324)	(3,502,473)
Administration expenses		(3,375,655)	(3,234,328)
Finance costs	3	(558,734)	(378,326)
Other expenses	3	-	-
Profit/(loss) before income tax		5,846,340	2,931,794
Income tax (expense)/benefit	4	(1,837,752)	(744,771)
Profit/(loss) for the year		4,008,588	2,187,023
Other comprehensive income		-	-
Total comprehensive income for the year		4,008,588	2,187,023
 Profit/(loss) and total comprehensive income attributable to the members of Joyce Foam Pty Ltd		 4,008,588	 2,187,023

The accompanying notes form part of these financial statements.

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
ACN 116 491 635
STATEMENTS OF FINANCIAL POSITION
31 MARCH 2020

		Consolidated	
	Note	2020	2019
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	1,092,983	1,071,173
Trade and other receivables	7	9,247,505	11,119,624
Inventories	8	7,606,695	6,952,537
Other current assets	9	146,107	43,303
TOTAL CURRENT ASSETS		18,093,290	19,186,637
NON-CURRENT ASSETS			
Trade and other receivables	7	391,760	204,377
Property, plant and equipment	11	33,308,912	14,092,813
Deferred tax assets	15	855,379	1,017,421
Intangible assets	12	61,158	61,158
TOTAL NON-CURRENT ASSETS		34,617,209	15,375,769
TOTAL ASSETS		52,710,499	34,562,406
CURRENT LIABILITIES			
Trade and other payables	13	(9,360,512)	(8,956,536)
Borrowings	14	(1,744,387)	(5,080,203)
Current tax liabilities	15	(940,275)	(388,061)
Provisions	16	(1,600,955)	(1,619,267)
TOTAL CURRENT LIABILITIES		(13,646,129)	(16,044,067)
NON-CURRENT LIABILITIES			
Trade and other payables	13	(17,251,973)	-
Borrowings	14	(719,550)	(1,069,550)
Provisions	16	(275,375)	(245,683)
TOTAL NON-CURRENT LIABILITIES		(18,246,898)	(1,315,233)
TOTAL LIABILITIES		(31,893,027)	(17,359,300)
NET ASSETS		20,817,472	17,203,106
EQUITY			
Issued capital	17	6,585,000	6,585,000
Retained earnings		14,232,472	10,618,106
TOTAL EQUITY		20,817,472	17,203,106

The accompanying notes form part of these financial statements.

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES

ACN 116 491 635

STATEMENT OF CHANGES IN EQUITY

31 MARCH 2020

Consolidated	Ordinary Share Capital	(Accumulated Losses)/Retained Earnings	Total \$
Balance as at 1 April 2018	6,585,000	8,431,083	15,016,083
Profit and total comprehensive income for the year		2,187,023	2,187,023
Total comprehensive income for the year	6,585,000	10,618,106	17,203,106
Total transactions with owners in their capacity as owners	-	-	-
Balance at 31 March 2019	6,585,000	10,618,106	17,203,106
Balance as at 1 April 2019	6,585,000	10,618,106	17,203,106
Adjustment to retained earnings for Right of Use Asset		(394,222)	(394,222)
Profit and total comprehensive income for the year		4,008,588	4,008,588
Total comprehensive income for the year	6,585,000	14,232,472	20,817,472
Total transactions with owners in their capacity as owners	-	-	-
Balance at 31 March 2020	6,585,000	14,232,472	20,817,472

The accompanying notes form part of these financial statements.

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
ACN 116 491 635
CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED
31 MARCH 2020

	Note	Consolidated 2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		74,246,250	72,608,824
Interest received		8,110	14,345
Rental income		72,393	-
Payments to suppliers and employees		(65,066,619)	(67,251,047)
Finance costs		(558,734)	(378,326)
Income tax paid		(1,123,496)	(751,258)
Net cash provided by (used in) operating activities	19	<u>7,577,904</u>	<u>4,242,538</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	-
Purchase of property, plant and equipment		(679,841)	(587,538)
Net cash provided by (used in) investing activities		<u>(679,841)</u>	<u>(587,538)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		208,243	60,000
Repayment of Finance Lease		(44,966)	-
Repayment of borrowings		(3,849,093)	(3,419,269)
Repayment of Operating Lease		(3,190,437)	-
Net cash provided by (used in) financing activities		<u>(6,876,253)</u>	<u>(3,359,269)</u>
Net increase/(decrease) in cash held		21,810	295,731
Cash at beginning of financial period		1,071,173	775,442
Cash at end of financial period	6	<u>1,092,983</u>	<u>1,071,173</u>

The accompanying notes form part of these financial statements.

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
ACN 116 491 635
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2020

Note 1 Statement of Significant Accounting Policies

The financial statements were authorised for issue on 29th April 2020 by the Directors of the company.

Basis of Preparation

The financial report is a special purpose financial report prepared in order to satisfy the financial report preparation requirements of the Corporations Act 2001. The directors have determined that the company is not a reporting entity because there are no users dependent on general purpose financial statements.

The financial report has been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the Corporations Act 2001 and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless otherwise stated.

The financial report covers the consolidated group of Joyce Foam Pty Ltd as an individual parent entity and Joyce Foam Pty Ltd and the controlled entity as a consolidated group. Joyce Foam Pty Ltd is a company limited by shares incorporated and domiciled in Australia.

Going Concern

COVID-19

Since the emergence of COVID-19 in late December 2019, the global economy has experienced a dramatic downturn as governments have worked to slow the spread of the virus by mandating that people stay at home and practice social distancing. As at the date of this report, large parts of the Australian economy have either closed down or experienced dramatic reductions in their business, which in turn has resulted in significant job losses Australia-wide.

Information provided by the Prime Minister is expecting that stay at home restrictions will be lifted within 6 months. As a result, the directors expect that during this period the company will experience difficult trading conditions as demand for goods and services, including mattresses, reduces.

The company will take the necessary steps to reduce running costs to ensure that the company stays viable during this period including but not limited to the following:

- Reduced working hours and if required stand down of employees.
- Negotiate reduction of rents during downtimes
- Place on hold any ongoing arrangements i.e. cleaners, maintenance contracts.
- Deferment of leasing costs.

If required the company has access to additional funds via our existing banking arrangements or our parent company Sheela Foam Ltd.

The company is also aware of the support that government is giving businesses to minimise the chances of business closing. Support has been provided in the form of grants, employee wages subsidies, payroll tax relief and deferment of taxes.

Notwithstanding the expected financial impacts of COVID-19 on the company and the Australian economy generally, the directors have prepared this financial report on a going concern basis which contemplates continuity of business activities and realisation of assets and settlement of liabilities in the ordinary course of business

Reporting Basis and Conventions

The following is the summary of the material accounting policies adopted by the company in preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2020

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity that Joyce Foam Pty Ltd has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities. A list of controlled entities is contained in Note 10 to the financial statements. All controlled entities have a June financial year end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity. The change in accounting policy has no impact on the profit and balance sheet line items of the current and prior periods.

Where the controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

(b) Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in the income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity.

(d) Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
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31 MARCH 2020

(e) Depreciation

The depreciable amount of all fixed assets including capitalised lease assets, is depreciated on a straight line basis over their estimated useful lives to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The estimated useful lives for various categories of assets varies as follows:

Machinery - 10 to 15 years
Vehicles - 4-6 years
Furniture, fittings and equipment - 3-5 years

Impairment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(f) Leases

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses the incremental borrowing rate.

(g) Impairment of Assets

At each reporting date, the director's review the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of business combination over the company's interest in the net fair value of identifiable assets acquired.

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES

ACN 116 491 635

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED**

31 MARCH 2020

(i) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

(j) Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(k) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(l) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the estimate of the amounts required to settle the obligation at the end of the reporting period.

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(m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(n) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

All revenue is stated net of the amount of goods and services tax (GST).

(o) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) Comparative Figures

Comparative figures have been adjusted to confirm to changes in presentation for the current financial year where required by Accounting Standards or as a result of changes in accounting policy. An exception to this clause is the adoption of AASB 16.

(r) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates — Impairment - General

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists such as Covid-19, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of any asset for the financial year ended 31 March 2020.

The Directors have reviewed the debtors ledger and have provided for debts that are doubtful as at 31 March 2020. Any effect from COVID-19 on the realisation of trade debtors is too early to assess and as such no additional provisions have been made.

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2020

		Consolidated	
		2020	2019
		\$	\$
Note 2	Revenue		
	Operating activities		
	— sale of goods	66,165,731	66,702,728
	— interest received (a)	8,110	14,345
	— construction revenue	-	-
	— Rental Income	72,393	-
	— Profit/(Loss) on sale of non current assets	8,017	(35,467)
	Total Revenue	66,254,251	66,681,606
(a)	Interest revenue from:		
	— other persons	8,110	14,345
		<u>8,110</u>	<u>14,345</u>
Note 3	Profit and Loss items		
(a)	Expenses		
	Cost of sales	(44,192,158)	(47,341,601)
	Finance costs :		
	— Bank & other institutions	(130,147)	(378,326)
	— Financing Right of use assets	(428,587)	-
	Bad and doubtful debts:		
	— trade receivables	2,065	9,778
	Depreciation	(4,733,733)	(1,492,351)
	Rental expense on operating leases:		
	— minimum lease payments	-	(8,316,394)
Note 4	Income Tax Expense		
The major components of tax expense and the reconciliation of the expected tax expense based on the effective tax rate of 30% (2019: 30%) and the reported tax expense in profit or loss are as follows:			
		Consolidated	
		2020	2019
(a)	Profit before tax	5,846,340	2,931,794
	Tax rate	30%	30%
	Expected tax expense	1,753,902	879,538
	Other non deductible expenses	175,961	4,107
	Adjustment for timing differences	(40,727)	1,529
	R & D Claim	(83,047)	(104,242)
	Prior year tax adjustments	31,663	(36,161)
	Actual tax expense	1,837,752	744,771
(b)	Tax expense comprises:		
	Current tax expense	1,727,094	998,914
	Deferred tax expense/income	110,658	(254,143)
	Tax expense	1,837,752	744,771

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
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31 MARCH 2020

	Note	Consolidated	
		2020	2019
		\$	\$
Note 5	Auditors' Remuneration		
	Remuneration of the auditor of the company for auditing or reviewing the financial reports:		
	- NEC Accountants	59,800	55,250
		<u>59,800</u>	<u>55,250</u>
Note 6	Cash and Cash Equivalents		
	Cash at bank and in hand	1,092,983	1,071,173
		<u>1,092,983</u>	<u>1,071,173</u>
Note 7	Trade and Other Receivables		
	CURRENT		
	Trade receivables	8,116,767	9,580,713
	Provision for impairment of receivables	(17,854)	(20,049)
		<u>8,098,913</u>	<u>9,560,664</u>
	Other receivables	1,148,592	1,558,960
		<u>1,148,592</u>	<u>1,558,960</u>
		<u>9,247,505</u>	<u>11,119,624</u>
	NON-CURRENT		
	Other receivables - Security deposits	391,760	204,377
		<u>391,760</u>	<u>204,377</u>
Note 8	Inventories		
	CURRENT		
	At cost		
	Raw materials and stores	3,547,727	2,427,515
	Finished goods	4,058,968	4,525,022
		<u>7,606,695</u>	<u>6,952,537</u>
Note 9	Other Assets		
	CURRENT		
	Income Tax Receivable	-	-
	Other	146,107	43,303
		<u>146,107</u>	<u>43,303</u>

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
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31 MARCH 2020

	Note	Consolidated	
		2020	2019
		\$	\$
Note 10	Subsidiary		
The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in Note 1(a).			
Unlisted investments at cost			
Joyce W C NSW Pty Limited	Australia	100	100
		<u>100</u>	<u>100</u>
* The parent entity and subsidiary are incorporated and domiciled in Australia. The shares held in the subsidiary are ordinary shares.			
Note 11	Property, Plant and Equipment		
Right of Use Asset - property lease			
Fair value on initial recognition		32,317,489	-
Accumulated depreciation		(12,492,765)	-
		<u>19,824,724</u>	<u>-</u>
Freehold Land and Building at:			
At cost		4,808,669	4,808,669
Accumulated depreciation		(966,566)	(856,175)
Total buildings		<u>3,842,103</u>	<u>3,952,494</u>
Total land and buildings		<u>3,842,103</u>	<u>3,952,494</u>
PLANT AND EQUIPMENT			
Right of Use Asset - equipment			
Accumulated depreciation		(112,133)	-
		<u>256,244</u>	<u>-</u>
Plant and equipment:			
At cost		26,215,881	25,825,958
Accumulated depreciation		(17,032,721)	(15,685,639)
		<u>9,183,160</u>	<u>10,140,319</u>
Leased plant and equipment			
Capitalised leased assets		208,244	-
Accumulated depreciation		(5,563)	-
		<u>202,681</u>	<u>-</u>
Total plant and equipment		<u>9,642,085</u>	<u>10,140,319</u>
Total property, plant and equipment		<u>33,308,912</u>	<u>14,092,813</u>
Note 12	Intangible Assets		
GOODWILL			
At Cost		61,158	61,158
		<u>61,158</u>	<u>61,158</u>

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2020

		Consolidated	
		2020	2019
		\$	\$
Note 13	Trade and Other Payables		
	CURRENT		
	Unsecured liabilities		
	Trade payables	(3,381,922)	(5,801,121)
	Sundry payables and accrued expenses	(2,756,781)	(3,155,415)
	Property & equipment leases	(3,221,809)	-
		<u>(9,360,512)</u>	<u>(8,956,536)</u>
	NON CURRENT		
	Property & equipment leases	(17,251,973)	-
		<u>(17,251,973)</u>	<u>-</u>
		<u>(26,612,485)</u>	<u>(8,956,536)</u>
Note 14	Borrowings		
	CURRENT		
	Leases	(163,277)	-
	Working Capital Loan - Bank of Baroda (a)	(1,031,110)	(4,250,203)
	Commercial Bill facility - Bank of Baroda (a)	(230,000)	(230,000)
	Bank of Baroda Term Loan 2	(120,000)	(120,000)
	Equipment Loan - Bank of Baroda (a)	-	(120,000)
	Other Unsecured Loans	(200,000)	(360,000)
		<u>(1,744,387)</u>	<u>(5,080,203)</u>
	NON-CURRENT		
	Bank of Baroda Term Loan 2 (a)	(19,550)	(139,550)
	Equipment Loan - Bank of Baroda (a)	-	-
	Term Loan - Bank of Baroda (a)	(700,000)	(930,000)
		<u>(719,550)</u>	<u>(1,069,550)</u>
(a)	The Bank of Baroda facilities are secured by a first registered mortgage over the freehold property and by a fixed and floating charge over all the assets and undertakings of the Consolidated Group including plant and machinery.		
Note 15	Tax Assets and Liabilities		
(a)	Liabilities - Current		
	Income tax	(940,275)	(388,061)
		<u>(940,275)</u>	<u>(388,061)</u>
(b)	Assets - Non Current		
	Deferred tax assets	855,379	1,017,421
		<u>855,379</u>	<u>1,017,421</u>
Note 16	Provisions		
	CURRENT		
	Long Service Leave provision	(463,884)	(529,336)
	Annual Leave provision	(1,137,071)	(1,089,931)
		<u>(1,600,955)</u>	<u>(1,619,267)</u>
	NON-CURRENT		
	Long Service Leave provision	(275,375)	(245,683)
		<u>(275,375)</u>	<u>(245,683)</u>

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2020

		Consolidated	
		2020	2019
		\$	\$
Note 17	Issued Capital		
	658,500 - \$10.00 fully paid shares	6,585,000	6,585,000

The company has authorised share capital amounting to \$6,585,000 ordinary shares.

		2020	2020	2019	2019
		No.	\$	No.	\$
(a)	Ordinary Shares				
	At the beginning of reporting period	658,500	6,585,000	658,500	6,585,000
	Shares issued during year	-	-	-	-
	At reporting date	<u>658,500</u>	<u>6,585,000</u>	<u>658,500</u>	<u>6,585,000</u>

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

		Consolidated	
		2020	2019
Note 18	Capital and Leasing Commitments		
(a)	Operating Lease Commitments		
	Non-cancellable operating leases contracted for but not capitalised in the financial statements		
	Payable — minimum lease payments		
	— not later than 12 months	-	3,224,860
	— between 12 months and five years	-	4,940,381
	— greater than five years	-	<u>323,158</u>
		-	<u><u>8,488,399</u></u>

The company leases various warehouses and equipment under non-cancellable operating leases. From 1 April 2019, the company has recognised right-of-use assets for these leases, see Note 11.

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2020

		Consolidated	
		2020	2019
		\$	\$
Note 19	Cash Flow Information		
(a)	Reconciliation of Cash Flow from Operations with Profit after Income Tax		
	Profit/(Loss) after Income tax	4,008,588	2,187,023
	Non-cash flows Items		
	Depreciation	4,733,733	1,492,351
	(Profit)/Loss on sale of assets	(8,017)	30,825
(b)	Changes in assets and liabilities	-	-
	(Increase)/decrease in trade and term debtors	1,684,736	(1,064,831)
	(Increase)/decrease in other assets	(102,804)	285,034
	(Increase)/decrease in inventories	(654,158)	1,743,172
	(Increase)/decrease in deferred tax assets	162,042	(254,143)
	Increase/(decrease) in payables	(2,809,810)	(637,148)
	Increase/(decrease) in income taxes payable	552,214	388,061
	Increase/(decrease) in provisions	11,380	72,194
		<u>7,577,904</u>	<u>4,242,538</u>

(c) Undrawn facilities available to Parent entity at 31 March 2020 are as follows:

	Total Facility Amount	Undrawn Amounts
	\$	\$
Bank Guarantee Line - Bank of Baroda.	2,050,684	-
Overdraft facility - Bank of Baroda	3,500,000	2,539,935
Term Loan - Bank of Baroda	930,000	-
Term Loan 2 - Bank of Baroda	139,550	-
Other Loans	200,000	-
	<u>6,820,234</u>	<u>2,539,935</u>

Note 20 Events After the Balance Sheet Date

As COVID-19 was discovered prior to year end, developments relating to the virus after year end are potentially adjusting events because they provide more information about circumstances that existed at year end. In the Directors' view, there are no developments relating to COVID-19 since year end which significantly affected the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the financial year subsequent to 31 March 2020. Any effect from COVID-19 on the realisation of assets is too early to assess and as such no additional provisions or impairment adjustments have been made.

Similarly, no other matters or circumstances have arisen since the end of the period which significantly affected the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the financial year subsequent to 31 March 2020.

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
ACN 116 491 635
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2020

Note 21 Capital Management

The Director's control the capital of the Group in order to maintain a good debt to equity ratio, externally imposed debt covenants and ensure that the Group can fund its operations and continue as a Going concern.

The facility agreement with Bank of Baroda facility requires the Group to maintain the following covenants to be maintained:

- (i) The amount drawn down from the overdraft facility should not be more than 75% of the aggregate value of inventory plus receivables

The Director's effectively manage the Group's capital by assessing the group's financial risk and adjusting the capital structure in response to changes in these risks and the debt covenants. This would include issuing new shares, managing debt levels or adjusting distributions to shareholders as and when the need arises. There have been no changes in the strategy adopted by management to control the capital of the company since the prior year.

Note 22 Related Party Transactions

Loans owing to related parties are as follows:

	2020		2019	
	Loan outstanding	Interest paid/payable	Loan outstanding	Interest paid/payable
	\$	\$	\$	\$
- Mr Frank Van Gogh (CEO and Director)	200,000	636	300,000	15,501
- Mrs Leanne Dodds (spouse of Finance Manager)	-	-	60,000	618
	<u>200,000</u>	<u>636</u>	<u>360,000</u>	<u>16,119</u>

The loans are at-call and unsecured. The interest charged to the company equates to the lenders' cost of borrowing plus a margin that does not exceed the cost charged by the Bank of Baroda.

Trading amounts payable to the parent company are as follows:

	Consolidated	
	2020	2019
	\$	\$
Sheela Foam Pvt Limited	<u>393,600</u>	<u>393,600</u>

Note 23 Company Details

The registered office of the company is:
5-9 Bridges Road
Moorebank
NSW 2170

The principal place of business is:
5-9 Bridges Road
Moorebank
NSW 2170

JOYCE FOAM PTY LTD
ACN 116 491 635

DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declares that:

1. The financial statements and notes, as set out on pages 4 to 19 in accordance with the *Corporation Act 2001* and;
 - a) comply with Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
 - b) give a true and fair view of the company's financial position as at 31 March 2020 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. 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.

This declaration is made in accordance with a resolution of the director:

Director



Mr Frank van Gogh

Date

24th April 2020

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES

We have audited the financial report of Joyce Foam Pty Ltd, which comprises the statement of financial position as at 31 March 2020, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration of Joyce Foam Pty Ltd (the company) and Joyce Foam Pty Ltd and controlled entities (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the period's end or from time to time during the period.

In our opinion, the accompanying financial report of Joyce Foam Pty Ltd and the consolidated entity is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 March 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

NEC Accountants Pty Limited

A handwritten signature in black ink, appearing to be 'NE' followed by a stylized flourish.

Neil Esho
Director
29 April 2020
Sydney, Australia