

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES

ACN 116 491 635

**Annual Financial Report For The Year Ended
31 March 2018**

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
ACN 116 491 635

31 March 2018

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JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES

Directors' Report
Year ended 31 March 2018

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 2018

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 \$1,675,445 (2017: Profit of \$3,009,172).

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 an increase in sales of 2.5% to \$63,275,455.

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 20th day of April 2018



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 2018 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 blue ink, appearing to read "NE", followed by a horizontal line and a small flourish.

Neil Esho
Director
20 April 2018
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 2018

Continuing Operations	Note	Consolidated	
		2018	2017
		\$	\$
Sales revenue	2	63,275,455	61,757,580
Cost of sales	3	(44,324,089)	(41,380,045)
Gross profit		18,951,366	20,377,535
Other revenues	2	(76,064)	12,734
Distribution expenses		(3,702,570)	(3,647,613)
Marketing expenses		(5,836,007)	(5,023,177)
Occupancy Expense		(3,566,789)	(3,604,379)
Administration expenses		(3,031,686)	(3,247,307)
Finance costs	3	(455,342)	(594,960)
Other expenses	3	-	-
Profit/(loss) before income tax		2,282,908	4,272,833
Income tax (expense)/benefit	4	(607,463)	(1,263,661)
Profit/(loss) for the year		1,675,445	3,009,172
Other comprehensive income		-	-
Total comprehensive income for the year		1,675,445	3,009,172
 Profit/(loss) and total comprehensive income attributable to the members of Joyce Foam Pty Ltd		 1,675,445	 3,009,172

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 2018

		Consolidated	
	Note	2018	2017
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	775,442	2,396,034
Trade and other receivables	7	10,056,702	9,127,588
Inventories	8	8,695,709	7,475,575
Other current assets	9	328,337	53,516
TOTAL CURRENT ASSETS		19,856,190	19,052,713
NON-CURRENT ASSETS			
Trade and other receivables	7	202,468	199,779
Property, plant and equipment	11	15,028,455	15,223,277
Deferred tax assets	15	763,278	683,579
Intangible assets	12	61,158	61,158
TOTAL NON-CURRENT ASSETS		16,055,359	16,167,793
TOTAL ASSETS		35,911,549	35,220,506
CURRENT LIABILITIES			
Trade and other payables	13	(9,593,684)	(8,642,494)
Borrowings	14	(7,889,472)	(7,607,062)
Current tax liabilities	15	-	(145,911)
Provisions	16	(1,587,019)	(1,494,109)
TOTAL CURRENT LIABILITIES		(19,070,175)	(17,889,576)
NON-CURRENT LIABILITIES			
Borrowings	14	(1,619,550)	(3,799,550)
Provisions	16	(205,737)	(190,742)
TOTAL NON-CURRENT LIABILITIES		(1,825,287)	(3,990,292)
TOTAL LIABILITIES		(20,895,462)	(21,879,868)
NET ASSETS		15,016,087	13,340,638
EQUITY			
Issued capital	17	6,585,000	6,585,000
Retained earnings		8,431,087	6,755,638
TOTAL EQUITY		15,016,087	13,340,638

The accompanying notes form part of these financial statements.

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES

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STATEMENT OF CHANGES IN EQUITY

31 MARCH 2018

Consolidated	Ordinary Share Capital	(Accumulated Losses)/Retained Earnings	Total \$
Balance as at 1 April 2016	6,585,000	3,746,466	10,331,466
Profit and total comprehensive profit for the year		3,009,172	3,009,172
Total comprehensive income for the year	6,585,000	6,755,638	13,340,638
Total transactions with owners in their capacity as owners	-	-	-
Balance at 31 March 2017	6,585,000	6,755,638	13,340,638
Balance as at 1 April 2017	6,585,000	6,755,638	13,340,638
Profit and total comprehensive profit for the year		1,675,445	1,675,445
Total comprehensive income for the year	6,585,000	8,431,083	15,016,083
Total transactions with owners in their capacity as owners	-	-	-
Balance at 31 March 2018	6,585,000	8,431,083	15,016,083

The accompanying notes form part of these financial statements.

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
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CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED
31 MARCH 2018

		Consolidated	
	Note	2018	2017
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		68,671,199	67,613,429
Interest received		5,653	16,371
Payments to suppliers and employees		(65,395,137)	(61,819,247)
Finance costs		(455,342)	(594,960)
Income tax paid		(1,203,797)	(1,499,976)
Net cash provided by (used in) operating activities	19	<u>1,622,576</u>	<u>3,715,617</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		2,501	3,643
Purchase of property, plant and equipment		(1,348,079)	(1,232,132)
Net cash provided by (used in) investing activities		<u>(1,345,578)</u>	<u>(1,228,489)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		1,252,410	540,979
Repayment of Finance Lease		-	-
Repayment of borrowings		(3,150,000)	(2,820,000)
Net cash provided by (used in) financing activities		<u>(1,897,590)</u>	<u>(2,279,021)</u>
Net increase/(decrease) in cash held		<u>(1,620,592)</u>	<u>208,107</u>
Cash at beginning of financial period		<u>2,396,034</u>	<u>2,187,927</u>
Cash at end of financial period	6	<u><u>775,442</u></u>	<u><u>2,396,034</u></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 2018

Note 1 Statement of Significant Accounting Policies

The financial statements were authorised for issue on 20th April 2018 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

The group has received financial support from the parent company Sheela Foam Pvt Limited. The financial support has been in the form of bank guarantees provided by the parent which enabled the group to borrow \$2.2m from the Bank of Baroda.

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 2018

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 consistency 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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(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

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the Financial Instruments.

(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
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
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(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.

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
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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.

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(r) New Accounting Standards for Application in Future Periods

The AASB has issued the following Accounting Standard which is mandatorily applicable for future reporting periods and is relevant to the company. The company has decided not to early adopt this Accounting Standard. The company's assessment of this Accounting Standard is set out below:

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the company, together with an assessment of the potential impact of such pronouncements on the company when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods commencing on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments, and simplified requirements for hedge accounting.

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of this Standard, the application of such accounting would be largely prospective.

The directors anticipate that the adoption of AASB 9 will not have a material effect on the company's financial instruments.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
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The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in

(s) 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, 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 goodwill for the financial year ended 31 March 2018.

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
ACN 116 491 635
NOTES TO THE FINANCIAL STATEMENTS
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31 MARCH 2018

		Consolidated	
		2018	2017
		\$	\$
Note 2	Revenue		
	Operating activities		
	— sale of goods	63,275,455	61,757,580
	— interest received (a)	5,653	16,371
	— Profit/(Loss) on sale of non current assets	(81,717)	(3,637)
	Total Revenue	<u>63,199,391</u>	<u>61,770,314</u>
(a)	Interest revenue from:		
	— other persons	5,653	16,371
		<u>5,653</u>	<u>16,371</u>
Note 3	Profit and Loss items		
(a)	Expenses		
	Cost of sales	(44,324,089)	(41,380,045)
	Finance costs :	(455,342)	(594,960)
	Bad and doubtful debts:		
	— trade receivables	(343)	(43,066)
	Depreciation	(1,458,686)	(1,370,172)
	Rental expense on operating leases:		
	— minimum lease payments	(10,262,614)	(10,135,941)
Note 4	Income Tax Expense		
(a)	The components of tax expense comprise:		
	Current tax	687,162	1,195,428
	Deferred tax	(79,699)	68,233
		<u>607,463</u>	<u>1,263,661</u>
(b)	The prima facie tax on profit from ordinary activities before income tax	<u>684,872</u>	<u>1,281,850</u>
		684,872	1,281,850
	Add:		
	Tax effect of:		
	— Temporary differences	(78,181)	4,013
	— Tax adjustment for permanent differences	8,704	13,152
	— Prior-period tax adjustments	(7,932)	(35,354)
		<u>(77,409)</u>	<u>(18,189)</u>
	Income tax attributable to entity	<u>607,463</u>	<u>1,263,661</u>

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NOTES TO THE FINANCIAL STATEMENTS
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31 MARCH 2018

		(0)	
		Consolidated	
Note		2018	2017
		\$	\$
Note 5	Auditors' Remuneration		
	Remuneration of the auditor of the company for auditing or reviewing the financial report:		
	- NEC Accountants	24,750	24,750
		<u>24,750</u>	<u>24,750</u>
Note 6	Cash and Cash Equivalents		
	Cash at bank and in hand	775,442	2,396,034
		<u>775,442</u>	<u>2,396,034</u>
Note 7	Trade and Other Receivables		
	CURRENT		
	Trade receivables	8,816,536	8,008,017
	Provision for impairment of receivables	(266,250)	(40,194)
		<u>8,550,286</u>	<u>7,967,823</u>
	Other receivables	1,506,416	1,159,765
		<u>1,506,416</u>	<u>1,159,765</u>
		<u>10,056,702</u>	<u>9,127,588</u>
	NON-CURRENT		
	Other receivables - Security deposits	202,468	199,779
		<u>202,468</u>	<u>199,779</u>
Note 8	Inventories		
	CURRENT		
	At cost		
	Raw materials and stores	3,991,945	2,874,635
	Finished goods	4,703,764	4,600,940
		<u>8,695,709</u>	<u>7,475,575</u>
Note 9	Other Assets		
	CURRENT		
	Income Tax Receivable	278,354	-
	Other	49,983	53,516
		<u>328,337</u>	<u>53,516</u>

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
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	Note	Consolidated	
		2018	2017
		\$	\$
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		
Freehold Land and Building at:			
At cost		4,808,669	4,510,659
Accumulated depreciation		(746,084)	(638,445)
Total buildings		<u>4,062,585</u>	<u>3,872,214</u>
Total land and buildings		<u>4,062,585</u>	<u>3,872,214</u>
PLANT AND EQUIPMENT			
Plant and equipment:			
At cost		25,898,950	25,444,727
Accumulated depreciation		(14,933,080)	(14,093,664)
		<u>10,965,870</u>	<u>11,351,063</u>
Leased plant and equipment			
Capitalised leased assets		-	-
Accumulated depreciation		-	-
		<u>-</u>	<u>-</u>
Total plant and equipment		<u>10,965,870</u>	<u>11,351,063</u>
Total property, plant and equipment		<u>15,028,455</u>	<u>15,223,277</u>
Note 12	Intangible Assets		
GOODWILL			
At Cost		61,158	61,158
		<u>61,158</u>	<u>61,158</u>

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		Consolidated	
		2018	2017
		\$	\$
Note 13	Trade and Other Payables		
	CURRENT		
	Unsecured liabilities		
	Trade payables	(7,237,098)	(5,738,992)
	Sundry payables and accrued expenses	(2,356,586)	(2,903,502)
		<u>(9,593,684)</u>	<u>(8,642,494)</u>
Note 14	Borrowings		
	CURRENT		
	Working Capital Loan - Bank of Baroda (a)	(5,239,472)	(4,987,062)
	Commercial Bill facility - Bank of Baroda (a)	(230,000)	(230,000)
	Bank of Baroda Term Loan 2	(120,000)	(90,000)
	Equipment Loan - Bank of Baroda (a)	(2,000,000)	(2,000,000)
	Other Unsecured Loans	(300,000)	(300,000)
		<u>(7,889,472)</u>	<u>(7,607,062)</u>
	NON-CURRENT		
	Bank of Baroda Term Loan 2 (a)	(259,550)	(409,550)
	Equipment Loan - Bank of Baroda (a)	(200,000)	(2,000,000)
	Term Loan - Bank of Baroda (a)	(1,160,000)	(1,390,000)
		<u>(1,619,550)</u>	<u>(3,799,550)</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	-	(145,911)
		<u>-</u>	<u>(145,911)</u>
(b)	Assets - Non Current		
	Deferred tax assets	763,278	683,579
		<u>763,278</u>	<u>683,579</u>
Note 16	Provisions		
	CURRENT		
	Long Service Leave provision	(493,950)	(470,839)
	Annual Leave provision	(1,093,069)	(1,023,270)
		<u>(1,587,019)</u>	<u>(1,494,109)</u>
	NON-CURRENT		
	Long Service Leave provision	(205,737)	(190,742)
		<u>(205,737)</u>	<u>(190,742)</u>

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
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		Consolidated	
		2018	2017
		\$	\$
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.		
		2018	2018
		No.	\$
(a)	Ordinary Shares		
		2017	2017
		No.	\$
	At the beginning of reporting period	658,500	6,585,000
	Shares issued during year	-	-
	At reporting date	658,500	6,585,000
	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.		
Note 18	Capital and Leasing Commitments		
(a)	Finance Lease Commitments		
	Payable — minimum lease payments		
	— not later than 12 months	-	-
	— between 12 months and five years	-	-
	Less future finance charges	-	-
	Present value of minimum lease payments	-	-
(b)	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	3,154,407	3,194,330
	— between 12 months and five years	6,001,920	6,290,779
	— greater than five years	1,106,287	650,832
		10,262,614	10,135,941

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		Consolidated	
		2018	2017
		\$	\$
Note 19	Cash Flow Information		
(a)	Reconciliation of Cash Flow from Operations with Profit after Income Tax		
	Profit/(Loss) after Income tax	1,675,445	3,009,172
	Non-cash flows items		
	Depreciation	1,458,686	1,370,172
	Loss on sale of asstes	81,717	
(b)	Changes in assets and liabilities		
	(Increase)/decrease in trade and term debtors	(931,803)	559,155
	(Increase)/decrease in other assets	(274,821)	132,654
	(Increase)/decrease in inventories	(1,220,134)	(1,285,546)
	(Increase)/decrease in deferred tax assets	(79,699)	68,233
	Increase/(decrease) in payables	951,191	157,475
	Increase/(decrease) in income taxes payable	(145,911)	(304,549)
	Increase/(decrease) in provisions	107,905	8,851
		<u>1,622,576</u>	<u>3,715,617</u>

(c) Undrawn facilities available to Parent entity at 31 March 2018 are as follows:

	Total Facility Amount	Undrawn Amounts
	\$	\$
Bank Guarantee Line - Bank of Baroda.	1,500,000	303,448
Overdraft facility - Bank of Baroda	5,500,000	260,528
Term Loan - Bank of Baroda	1,390,000	-
Demand Loan - Bank of Baroda facilty	2,200,000	-
Term Loan 2 - Bank of Baroda	379,550	-
Other Loans	300,000	-
	<u>11,269,550</u>	<u>563,976</u>

Note 20 **Events After the Balance Sheet Date**

No 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 2018.

JOYCE FOAM PTY LTD AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
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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:

	2018		2017	
	Loan outstanding	Interest paid/payable	Loan outstanding	Interest paid/payable
	\$	\$	\$	\$
- Mr Frank Van Gogh (CEO and Director)	300,000	20,188	300,000	23,083
	<u>300,000</u>	<u>20,188</u>	<u>300,000</u>	<u>23,083</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	
	2018	2017
	\$	\$
Sheela Foam Pvt Limited	<u>393,600</u>	<u>446,905</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 21 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 2018 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

20th April 2018

**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 2018, 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 2018 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 read "NEC", with a large, stylized loop at the end.

Neil Esho

Director

20 April 2018

Sydney, Australia