

JOYCE CORPORATION LTD

ABN 80 009 116 269

And controlled entities

DIRECTOR'S REPORT

The directors of Joyce Corporation Ltd present their report and the consolidated financial statements of the Company for the half-year ended 31 December 2003.

DIRECTORS

The names of directors of Joyce Corporation Ltd during the half-year period and up to the date of this report are D.A. Smetana, J.F. Ries, F.J. van Gogh.

REVIEW OF GROUP OPERATIONS

Joyce Corporation Ltd announced a net profit after tax of \$1.050 million for the six months ended 31 December 2003. This is down from the corresponding period last year of \$1.172. The result was achieved on sales of \$34.2 million (\$35m previous year).

The profit result was foreshadowed in the last Annual Report and at the company's Annual General Meeting in October 2003. This reflects the slower than anticipated achievement of production and logistics opportunities related to the over \$3.5m consolidation project in NSW and Victoria implemented in 2003, the impact of the Australian dollar on the business and pressure on margins due to an increasingly competitive market. The results included the write-back of a restructuring provision of \$362k as well as non-recurring costs of \$365k, which related to the project and the write-off of plant and equipment.

Directors are of the view that further productivity gains will be achieved. Additional capital equipment has been installed in NSW, which will also improve production efficiencies and quality with increased automation.

Although the foam industry is faced with increased challenges, the Directors still expect full year profit to exceed last year's profit and should equate to approximately 11 cents per share, subject to the prevailing commercial and economic environment being sustained. Net asset backing at 31 December was of the order of 70 cents per share, excluding future tax benefits, and approximately 84 cents per share if future tax benefits were included.

The dividend payment of 2.5 cents per share announced at the Annual General Meeting will be paid on 27 February 2004.

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CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE**For the half year ended 31 December 2003**

	Notes	2003 \$,000	2002 \$,000
Sales Revenue		34,241	35,015
Cost of Sales		(27,423)	(27,598)
Gross Profit		6,818	7,417
Other revenues from ordinary activities		909	687
Share of net profits of associates and joint venture entities		100	51
Distribution expenses		(2,126)	(1,835)
Administrative expenses		(2,188)	(2,854)
Borrowing costs expense		(537)	(515)
Other expenses from ordinary activities		(1,926)	(1,779)
Profit from ordinary activities before income tax expense		1,050	1,172
Income tax expense relating to ordinary activities		-	-
Net profit from ordinary activities after income tax expense		1,050	1,172
Net profit attributable to outside equity interest		-	-
Net profit attributable to members of the parent company		1,050	1,172
Total changes in equity other than those resulting from transactions with owners as owners		1,050	1,172
Basic earnings per share (cents per share)		5.07	6.24

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2003

	31 December 2003 \$,000	30 June 2003 \$,000	31 December 2002 \$,000
CURRENT ASSETS			
Cash assets	1,910	1,800	2,615
Receivables	8,142	9,226	7,723
Inventories	5,659	5,339	7,417
TOTAL CURRENT ASSETS	15,711	16,365	17,755
NON CURRENT ASSETS			
Other Financial Assets	1,557	1,549	1,553
Property, Plant & Equipment	22,934	22,934	21,077
Deferred Tax Assets **	1,467	1,467	1,467
TOTAL NON CURRENT ASSETS	25,958	25,950	24,097
TOTAL ASSETS	41,669	42,315	41,852
CURRENT LIABILITIES			
Payables	9,540	10,197	11,548
Interest Bearing Liabilities	933	759	700
Provisions	2,450	2,086	2,222
TOTAL CURRENT LIABILITIES	12,923	13,042	14,470
NON CURRENT LIABILITIES			
Interest Bearing Liabilities	12,029	12,724	10,622
Provisions	2,171	2,535	3,670
TOTAL NON CURRENT LIABILITIES	14,200	15,259	14,292
TOTAL LIABILITIES	27,123	28,301	28,762
NET ASSETS	14,546	14,014	13,090
EQUITY			
Contributed Equity	16,027	16,027	15,474
Reserves	1,309	1,309	1,309
Retained Profits/(accumulated Losses)	(2,790)	(3,322)	(3,693)
Equity Attributable to Members of the Parent Company	14,546	14,014	13,090
TOTAL EQUITY	14,546	14,014	13,090

** The Company has a future income tax benefit of approximately \$2.7 million relating to tax losses at 31 December 2003. If the future income tax benefit were brought to account Total equity would be increased to approximately \$17.2 million.

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2003

	2003	2002
	\$,000	\$,000
Cash flow from Operating activities		
Receipts from customers	38,160	39,937
Payments to suppliers and employees	(37,524)	(40,071)
Interest Received	5	10
Distribution from unit trust & dividend income	100	51
Interest and other cost of finance paid	(537)	(572)
Other income / (payments)	1,405	2,793
Income tax refunded (paid)	-	-
Net Cash Provided by (Used in) operating activities	<u>1,609</u>	<u>2,148</u>
Cash flow from Investing activities		
Payment for purchases of property, plant and equipment	(937)	(1,089)
Proceeds from sale of property, plant and equipment	21	46
Proceeds from sale of investments	-	218
Loans from / (to) related entities	-	140
Net Cash Provided by (Used in) Investing activities	<u>(916)</u>	<u>(685)</u>
Cash flow from Financing activities		
Proceeds from issue of shares or options	-	-
Proceeds from borrowings	-	-
Repayment of Borrowings	(350)	(292)
Dividends paid in cash	-	-
Other	-	-
Net Cash used in Financing activities	<u>(350)</u>	<u>(292)</u>
Net Increase (decrease) in cash	343	1,171
Cash at beginning of the year	(3,861)	(1,778)
Cash at end of year	<u>(3,518)</u>	<u>(607)</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2003 and any public announcements made by Joyce Corporation Ltd during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those applied in the 30 June 2003 annual report.

The half-year report does not include full disclosures of the type normally included in the annual financial report.

2. INCOME TAX

The Group adopts the liability method of tax-effect accounting. The Group has not provided for any income tax at 31 December 2003 as there are substantial tax losses to offset any taxable income assessed on the activities of the respective taxable entities.

The company has FITB of approximately \$2.7 million relating to tax losses of approximately \$9 million carried forward at balance date.

The tax benefits of approximately \$742,036 relating to the capital losses of \$2,473,453 have also not been recognised. These benefits are likely to be available for set off only against future capital gains.

3. SIGNIFICANT REVENUES AND EXPENSES

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

Non Recurrent Revenue

- Write back of reorganisation provision (refer to note 8)	<u>\$362,000</u>
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Non Recurrent Expenses

- Additional costs incurred during the consolidation of Sydney & Melbourne	\$320,000
- Plant & Equipment written off	<u>\$45,000</u>
	<u>\$365,000</u>

4. EVENTS SUBSEQUENT TO REPORTING DATE

There have been no significant events subsequent to the reporting date.

5. CONTINGENT LIABILITIES

There have been no changes in contingent liabilities since the last annual reporting date other than outlined in note 8.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**6. SEGMENT INFORMATION**

Business Segment Summary

	Foam		Polystyrene Industries		Total	
	Dec 2003	Dec 2002	Dec 2003	Dec 2002	Dec 2003	Dec 2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total Segment Revenue	32,588	33,523	1,653	1,492	34,241	35,015
Segment Result	770	968	280	204	1,050	1,172
Assets	40,175	40,183	1,524	1,669	41,699	41,852
Liabilities	26,924	28,506	199	256	27,123	28,762
Others						
Investments accounted for using the equity method	1,595	1,595	-	-	1,595	1,595
Depreciation and amortization of segment assets	817	856	117	110	934	966

7. ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 in accordance with that Class Order, amounts in the Financial Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

8. CONTINGENT LIABILITIES**Service Agreement Entitlement**

An entitlement of \$1,243,000, under a service agreement entered into in 1987 exists between the company and Mr. D A Smetana, who terminated as an employee of the company in July 2001. This entitlement had been fully accounted as a provision for reorganisation as at 30 June 2003. An amount of \$386,000 has now been written back to profit as at 31 December 2003. The provision of \$857,000 is made up as follows:

1. Mr. Smetana has entered into an agreement with the company to defer payment of \$519,150 of his entitlement, being 5% of shareholders funds at 30 June 2001, the maximum allowed under ASX listing rules;
2. A further amount has been provided in the accounts of \$337,850 representing estimated growth in shareholder funds to 30 June 2005.

The remaining balance of \$386,000 is now a contingent liability and will be realised as growth in shareholders funds occurs

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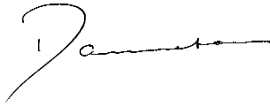
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DIRECTORS DECLARATION

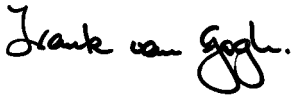
The directors of the company declare that

1. The Financial Statements and notes, as set out on pages 2 to 6:
 - (a) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2003 and its performance for the half year ended on that date.
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 Board of Directors:



D A SMETANA
Director



F J van GOGH
Director

Dated this 17th day of February 2004.