



Joyce Corporation Ltd

2010 ANNUAL REPORT

Corporate Directory

Directors	D A Smetana <i>Chairman</i>
	M A Gurry
	T R Hantke
	A Mankarios
Secretary	K Gray
Notice of annual general meeting	The Annual General Meeting of Joyce Corporation Ltd will be held at Mosman Bay Room Hyatt Regency Perth 99 Adelaide Terrace PERTH, WA 6000 time: 10am date: 30 November 2010
Principal registered office	14 Collingwood Street, OSBORNE PARK, WA, AUSTRALIA, 6017 Tel: +61 8 9445 1055
Share register	Computershare Investor Services Pty Limited Level 2, Reserve Bank Building, 45 St Georges Terrace PERTH, WA 6000
Auditors	Grant Thornton Audit Pty Ltd Level 1 10 Kings Park Road West Perth WA 6005 Australia
Solicitors	Norton Rose BankWest Tower, 108 St Georges Terrace Perth WA 6000 Australia
Bankers	St George Bank Level 11, Central Park 152-158 St Georges Terrace Perth, WA 6000 Australia
Stock exchange listings	Joyce Corporation Ltd shares are listed on the Australian Securities Exchange (ASX ticker: JYC).
Website address	www.joycecorp.com.au
ABN:	80 009 116 269

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CHAIRMAN'S REPORT

On behalf of the Board, it gives me great pleasure to provide my report to the shareholders of Joyce Corporation Ltd for the year ended 30 June 2010 ("FY10").

FY10 has proved to be a year of continuing restructure and transformation for Joyce Corporation Ltd and its controlled entities ("Consolidated Entity") as well as a year of recovery from the effects of the Global Financial Crisis.

The Consolidated Entity achieved an underlying operating profit before tax from continuing operations in FY10 of \$1.55 million, (2009: \$2.74 million). Net assets per share at 30 Jun 2010 were \$0.76 (2009 \$1.32). The overall result for the financial year has been adversely impacted by a number of non-recurring factors including implementation of the Company's new policy of reducing involvement in Company owned stores as well as the settlement of all disputes with franchisees including associated legal costs and other provisions.

In consequence, in FY10, the Consolidated Entity incurred a loss of \$8.15 million (2009: \$1.33 million). Nevertheless the difficult decisions made by the Board in FY10 will hold the Consolidated Entity in good stead in the future and enable it to return to sustainable profitability in the shortest possible timeframe.

Joyce Corporation is now at an important juncture in its over 120-year history, having already transitioned from being a manufacturer, to having a retail-import emphasis mainly in recent years. This transition has resulted in a number of challenges for the Consolidated Entity. Having settled with franchisees after a three year impasse and reached contractual agreement to sell our Queensland property, we are now in a position of looking forward to future growth by expanding both our franchising network and our importing activities.

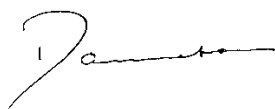
The settlement with franchisees includes a one-off repayment of \$2.5 million. This will be offset by an increase in various income streams of approximately \$1 million per annum, rising in line with sales growth from existing and new franchises. Since executing the settlement deed the first additional franchise store in recent times has been signed up in Victoria. This new store is expected to open in late 2010.

The Queensland property has been sold for \$7.5 million with settlement having occurred on 28 September 2010. This leaves the Consolidated Entity with its very valuable 4.2 hectare site in Moorebank, Sydney which may be re-zoned from industrial to commercial/ residential in due course. After the property settlement is completed, net debt will be reduced by \$7.1 million leaving the Consolidated Entity with a substantially reduced gearing ratio. To assist in funding the new policy direction and settlement requirements, the Directors have announced a rights issue by way of convertible notes. These funds will also assist with working capital requirements.

Furthermore, to underpin the Consolidated Entity's growth opportunities, as well as to maintain a conservative balance sheet, a capital review will be undertaken shortly. Directors are committed to re commencing the payment of dividends as soon as possible.

I express my thanks to Anthony Mankarios, my other fellow Board members and all of our dedicated employees without whose efforts none of our achievements in this year of transformation would have been possible. Their enthusiasm and commitment has driven Joyce Corporation Ltd forward and has contributed to the successful resolution of all outstanding issues, as well to the smooth implementation of recent changes to our strategic focus.

Finally, I would like to express my sincere appreciation to all shareholders for their support as Joyce Corporation Ltd executes its strategic objectives and focuses on achieving a return to sustainable profitability.



Dan Smetana
Chairman

EXECUTIVE DIRECTOR'S REPORT

Joyce Corporation Ltd and its controlled entities ("Consolidated Entity") made a net loss after tax of \$8.15 million during the year ended 30 June 2010.

The Consolidated Entity's underlying profit before tax from continuing operations for the year ended 30 June 2010 was \$1.55 million after allowing for significant non-recurring costs and provisions including the following:

	CONSOLIDATED	
	2010	2009
	\$000	\$000
Loss before tax per statement of comprehensive income –continuing operations.	(3,012)	(911)
<i>Adjustments to arrive at underlying profit</i>		
Restructuring costs (including legal costs associated with franchisee actions)	3,728	829
Expenses relating to sale of Queensland property	364	-
Revaluation of investment property	(76)	2,820
Inventory obsolescence costs	290	-
Impairment of plant and equipment	117	-
Other	139	-
Underlying profit before tax – continuing operations	<u>1,550</u>	<u>2,738</u>

The Consolidated Entity's revenue from continuing operations for the period to 30 June 2010 was \$22.0 million (2009: \$20.7 million) representing an encouraging year-on-year increase of 6.4%.

Strategic Actions

The Consolidated Entity has completed the following strategic actions during this financial year:

- Review and alignment of its future strategic direction;
- Group "Culture" re-alignment and change management implementation;
- Store closure direction and implementation of the closure of its SA Elizabeth branch loss making store;
- Arranging the sale of its QLD property to pay down debt and ensure a solid basis for future growth;
- Reviewing its future capital requirements;
- Negotiating and executing or settling all remaining legal disputes with franchisees including the Main Action dispute; and
- Negotiating with new and existing Franchisees for new stores.

Company-owned Stores Operating Segment

During this financial year the Consolidated Entity maintained 15 Company-owned stores and 31 franchise stores, a total of 46 stores nationwide.

The Consolidated Entity had, under previous administrations, entered into property leases in some poor locations with some of the Company-owned stores. Some of these leases are now onerous, however, current management has been able to negotiate exits from certain company stores and has received written agreements for exits from a number of company stores. These efforts should help to improve the financial performance of the Company-owned stores operating segment. Loss after tax from discontinued stores during the year ended 30 June 2010 amounted to \$5.3 million.

Franchise Stores Operating Segment

On 20 September 2010, the Consolidated Entity executed a Deed of Settlement in relation to the previous legal action with franchisees. The terms of this Deed are consistent with provisions made by the Consolidated Entity at 30 June 2010. They amount to a total settlement of \$2.5 million plus legal costs with payments staged over an 18 month period. In return the Consolidated Entity expects to receive replacement future income from Franchisees of approximately \$0.9 million next year and \$1.0 million in future years based on forward forecasts.

EXECUTIVE DIRECTOR'S REPORT (CONTINUED)

Franchise Stores Operating Segment (continued)

The Consolidated Entity has received additional applications for new franchise stores and will market and grow its franchise network nationally in the coming twelve months. The relevant agreements in respect of the first of these new franchise stores have been executed subsequent to year-end. The new store is expected to open in December 2010 in Melbourne. The Board anticipates this trend will lead to a strong base in the future which will underpin the growth in years to come.

Capital Management

The completed settlement of our Queensland property on 30 September 2010 will enable the Consolidated Entity's to reduce its debt by \$7.1 million, and thus reduce the gearing ratio to a more conservative level of approximately less than 40%. The Consolidated Entity will continue to own a significant future redevelopment site in Moorebank, south west of Sydney. It currently receives subsidised rents from these properties which will see a lift in valuation as the remaining subsidised rent period comes to an end.

The Consolidated Entity has announced plans to raise additional working capital by way of an entitlement issue for convertible notes to raise \$2.18 million in order to assist with the implementation of the Board's strategy, as well as to finalise payments of the legal settlements reached this year.

The Consolidated Entity dividend policy of paying up to 50% of net earnings in dividends is expected to be maintained in the future. There will be no final dividend declared in respect of the year ended 30 June 2010. The Board expects to renew dividend payments as soon as possible, in line with its policy, in the future.

Future Developments

The Consolidated Entity will pursue growth opportunities through the opening of additional franchise stores, whilst growing its remaining Company-owned stores organically. During the next twelve months the Consolidated Entity will focus on implementing its committed decision to exit loss making Company-owned stores and on returning the Company-owned operating segment to profitability. Costs associated with these decisions have been fully provided for at 30 June 2010. In consequence of these actions, as well as anticipated growth in our franchise stores operating segments, we anticipate a return to significant profitability in the forthcoming financial year subject to improved economic conditions prevailing.

The year ahead is anticipated to be a year of continuing transition and adjustment as we focus on our core activities and explore our future expansion strategies.



Anthony Mankarios
Executive Director

DIRECTORS' REPORT

Your Directors present their report on the Consolidated Entity, consisting of Joyce Corporation Ltd ("the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2010.

DIRECTORS

The names of the Company's Directors in office during the year ended 30 June 2010 and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr D A Smetana	Chairman (non-executive)
Mr T R Hantke	Non-executive Director
Mr M A Gurry	Non-executive Director
Mr A Mankarios	Executive Director
Mr R Mahoney	Managing Director - resigned 12 March 2010

SECRETARY

K Gray	Appointed 19 January 2010
T Hantke	Appointed 6 November 2009, resigned 19 January 2010
J Armes	Appointed 10 August 2009, resigned 6 November 2009
M McLean	Resigned 10 August 2009

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the Consolidated Entity consisted of being:

- (a) The franchisor of the Bedshed chain of retail bedding stores; and
- (b) An owner of a number of Bedshed retail stores.

No significant changes in the nature of the activities of the Consolidated Entity occurred during the year.

REVIEW AND RESULTS OF OPERATIONS

During the year ended 30 June 2010 ("the Financial Year") the Consolidated Entity, achieved revenue from continuing operations of \$21,990,000 (2009: \$20,663,000) representing a like-for-like growth of 6.4% and a loss from continuing operations after taxation of \$2,838,000 (2009: loss \$535,000).

Underlying operating profit before tax – continuing operations

The underlying operations of the Consolidated Entity remain strong with an underlying profit recorded in the Financial Year as demonstrated in the table below:

	<i>CONSOLIDATED</i>	
	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
Loss before tax per statement of comprehensive income –continuing operations.	(3,012)	(911)
<i>Adjustments to arrive at underlying profit</i>		
Restructuring costs (including legal costs associated with franchisee actions)	3,728	829
Expenses relating to sale of Queensland property	364	-
Revaluation of investment property	(76)	2,820
Inventory obsolescence costs	290	-
Impairment of plant and equipment	117	-
Other	139	-
Underlying profit before tax – continuing operations	1,550	2,738

DIRECTORS' REPORT (CONTINUED)

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

During the Financial Year operating profitability was impacted by a number of non-recurring factors including:

1. The closure of some unprofitable Company-owned stores; and
2. The settlement of the legal actions between the Consolidated Entity and its franchisee

The Consolidated Entity has brought to account a number of provisions for the cost of the above factors and these provisions are the primary cause for the loss after taxation (continuing operations and overall) reported by the Consolidated Entity for the Financial Year.

Closure of Company-owned stores

During the year ended 30 June 2010, the Consolidated Entity became committed to the closure of some unprofitable company owned stores. In consequence the Directors have brought to account a number of provisions to cover the associated costs of closing these stores. Some Company store closures are being negotiated with landlords and surrender costs are anticipated to equate to inventory liquidation value.

Settlement of legal actions with franchisees

During the year ended 30 June 2010, the Consolidated Entity reached a settlement with franchisees of all outstanding legal cases. The terms of the settlement deed have been finalised and the settlement deed was signed on 20 September 2010. The Consolidated Entity has brought to account a provision for the related costs of this settlement at 30 June 2010.

The Consolidated Entity is pleased to have reached this settlement which allows the Consolidated Entity to move forward with expansion plans in accordance with its strategic vision.

Financial Position

At 30 June 2010 the Consolidated Entity had equity of \$15,691,000 (2009: \$24,243,000); cash and cash equivalents of \$4,180,000 (2009: \$3,519,000) and unutilised debt facilities of \$317,000 (2009: \$53,000) (refer to note 4 for further details).

On 28 September 2010 the sale of the Queensland property classified as 'held for sale' at 30 June 2010 was completed. Proceeds from this sale are expected to allow the Consolidated Entity to reduce its interest bearing loans and borrowings by approximately \$7.1 million.

Bank Facility

The Board is pleased to advise that the Consolidated Entity has successfully renegotiated its debt funding facility with the St George Bank. This outcome is indicative of St George Bank's understanding and support of the Consolidated Entity's strategy.

DIRECTORS' REPORT (CONTINUED)

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Consolidated Entity will look to further develop the Bedshed business through the expansion of its network of franchised stores whilst seeking to improve the financial performance of Company-owned and operated stores.

DIVIDENDS

Dividends paid or declared during the financial year are as follows:

	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
Final unfranked ordinary dividend of 2.0 (2009: 3.0 cents) cents per share	405	621
Interim unfranked ordinary dividend of Nil (2009: 1.5 cents) cents per share	-	311
	<u>405</u>	<u>932</u>

To date the directors will not be recommend the payment of a final dividend out of retained profits at 30 June 2010 (30 June 2009: Nil). The Board will continue to review the Company's ability to pay dividends and expects to proceed with the payments of regular dividends as soon as certain financial milestones are achieved.

SIGNIFICANT AFTER REPORTING DATE EVENTS

On 20 September 2010, the Consolidated Entity executed a Deed of Settlement in relation to the previous legal action with franchisees. The terms of this Deed are consistent with provisions made by the Consolidated Entity at 30 June 2010.

On 28 September 2010 the sale of the Queensland property classified as 'held for sale' at 30 June 2010 was completed.

On 30 September 2010, the Consolidated Entity announced a rights issue for convertible notes to raise approximately \$2.18 million to enable the Consolidated Entity to settle on the agreed legal settlements with franchisees as well as for general working capital purposes.

Other than disclosed above no event has occurred since the reporting date to the date of this report that has significantly affected, or may significantly affect:

- (a) the Consolidated Entity's operations, or
- (b) the results of those operations, or
- (c) the Consolidated Entity's state of affairs.

DIRECTORS' REPORT (CONTINUED)

INFORMATION ON DIRECTORS

Mr D A Smetana *Chairman - Non-executive. Age 66.*
Dip Comm FCPA FAIM FAICD

Experience and expertise

Mr Smetana has been Chairman of Joyce Corporation Ltd since 1984. He is also the Chairman of Bedshed Franchising Pty Ltd. He is a Director and President of the Industrial Foundation for Accident Prevention, Director of Edge Employment Solutions Inc, Vice President and Councillor of the WA Federation of Police and Community Youth Centres (Inc.), Director of Uranium Australia Ltd, a Director of St John of God Foundation and Chairman of the St John of God Comprehensive Cancer Centre Fundraising Committee.

His past board memberships include: Deputy Chairman of Youth Focus Inc (1998 - 2007), Deputy Chairman Western Power Corporation and Chairman of its Finance Committee until 2003, Chairman and National Councillor of the Defence Reserves Support Council - WA (1997 - 2006), Director of WA Symphony Orchestra until 2003.

His awards include the 2003 Centenary Medal for Service to Commerce and the Community, the 2007 Ian Chisholm Award for Distinguished Service to Occupational Health & Safety and the 1998 WA Business Executive of the Year award.

Other current Directorships of listed companies

None

Former Directorships of listed companies in last 3 years

None

Special responsibilities

Chairman of the Board

Interests in shares and options

- 7,079,732 fully paid ordinary shares in Joyce Corporation Ltd.
- 380,000 partly paid (issued at \$1.955 and paid to \$1.215) ordinary shares in Joyce Corporation Ltd.

Mr M A Gurry. – *Independent, Non-executive Director. Age 63.*
Bachelor of Science Dip AICD FAICD FAIM SF Fin

Experience and expertise

Mr Gurry was Managing Director of HBF from 1995 to 2007 and prior to that he was President Asia Pacific of the DMR Group Ltd, an international consulting firm. From 1996 to 1999 he was Vice President of the Asian Association of Management Organisations, from 1997 to 1999 National President of the Australian Institute of Management and from 1999 to 2008 Chairman of United Way WA Inc. Mr Gurry is Chairman of Foundation Housing Limited, Deputy Chairman of the Forest Products Commission, and Chairman of Reignite Pty Ltd and has served on numerous Boards including the Australian Health Insurance Association, The Australian Information Industry Association, The West Australian Ballet and Integrated Group Ltd.

Other current Directorships of listed companies

None

Former Directorships of listed companies in last 3 years

None

Special responsibilities

Chairman of the Audit Committee

Interests in shares and options

None

DIRECTORS' REPORT (CONTINUED)

INFORMATION ON DIRECTORS (CONTINUED)

Mr T R Hantke. – *Independent, Non-executive Director.* Age 62.
Bachelor of Commerce, FAIM, FAICD

Experience and expertise

Mr Hantke is Managing Director of his own consulting practice, Franchising Solutions Pty Ltd. Prior to this he was the CEO of Snap Franchising from 1988 - 2001. He has been a Director of Bedshed Franchising Pty Ltd since February 2002 and was appointed to the Joyce Board in June 2006. He was a board member of the Franchise Council of Australia 1989 - 1996; Member of Franchise Policy Council 1997 - 2002; is currently a Member of the ACCC's Franchise Consultative Committee; Board Member of Lifeline WA and a National Board Member of Lifeline Australia since 2002, and the Chairman of Co-operative Purchasing Services Pty Ltd. Mr Hantke has extensive managerial experience in both small and large organisations and in various industries.

Other current Directorships of listed companies

None

Former Directorships of listed companies in last 3 years

None

Special responsibilities

Chairman of the Remuneration Committee

Interests in shares and options

None

Mr A Mankarios. – *Executive Director.* Age 43.
B.Bus Chem Eng, FAICD, MBA (SGSM), CFTP

Experience and expertise

Anthony Mankarios has managed a number of companies of various sizes in a 24 year career. He was recently the CEO of Oldfields Holdings Limited for an eight year period to 2010, and was also the CEO of Robertsons Paints and Amazing Paints prior to this position. Mr Mankarios has also managed a number of smaller investment and property companies. He was instrumental in the change management required at Joyce Corporation Limited during the 2010 year. He was a non-executive Director of Joyce Corporation Ltd since February 2008, before taking up an executive role at Bedshed in 2010. He is a business man with strong familiarity in local and overseas manufacturing, retail and wholesale business of various sizes.

Other current Directorships of listed companies

None

Former Directorships of listed companies in last 3 years

Oldfields Holdings Ltd

Special responsibilities

Executive Director since the resignation of Mr R Mahoney.

Interests in shares and options

- 505,289 fully paid ordinary shares in Joyce Corporation Ltd.

Mr R Mahoney. – *Managing Director – resigned 12 March 2010.* Age 44.
FAIM, MAICD

Experience and expertise

Mr Mahoney was the Managing Director of Bedshed Franchising Pty Ltd and Joyce Corporation Ltd from January 2007 until March 2010. Prior to joining Joyce and Bedshed Mr Mahoney worked for Shell Oil in various executive positions in Europe, New Zealand and Australia. Latterly Mr Mahoney was the Strategic Projects Manager for the Retail Division in Australia.

DIRECTORS' REPORT (CONTINUED)

INFORMATION ON DIRECTORS (CONTINUED)

Experience and expertise (continued)

His previous role was as the General Manager of the Shell retail business in New Zealand. Mr Mahoney has over twenty years' experience in retail management in various countries and has also served on several Boards in New Zealand.

Other current Directorships of listed companies

None

Former Directorships of listed companies in last 3 years

None

Special responsibilities

Managing Director until his resignation on 12 March 2010.

Interests in shares and options

None.

COMPANY SECRETARY

The Company Secretary is Mr K Gray, CPA.

Mr Gray was appointed to the position of Chief Financial Officer and Company Secretary on 19 January 2010. Mr Gray is a CPA and a very experienced Chief Financial Officer and Company Secretary having acted in these roles with a number of listed companies in the past.

Previous Company Secretaries' details are as follows:

Name	From	To	Qualifications
T R Hantke [^]	6/10/09	19/1/10	B.Com, FAIM, FAICD
J Armes	10/8/09	6/11/10	CA
M Mclean	1/7/09	10/8/09	CPA

[^] Temporary position held until the appointment of Mr Gray.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2010, and the numbers of meetings attended by each Director were:

	Meetings of committees					
	Full meeting of Directors		Audit		Remuneration	
	A	B	A	B	A	B
D A Smetana	11	11	4	4	-	-
M A Gurry	11	11	4	4	1	1
T R Hantke	11	11	4	4	7	7
A Mankarios	11	11	4	4	7	7
R Mahoney	7	7	-	-	1	1

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT -AUDITED

The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration.
- B. Service agreements
- C. Details of remuneration
- D. Share-based compensation
- E. Link between remuneration policy and Company performance

The information provided in this remuneration report is also included in the financial report which has been audited as required by section 308(3C) of the Corporations Act 2001.

A. Principles used to determine the nature and amount of remuneration

Remuneration Committee

The Remuneration Committee Charter establishes the role of the Remuneration Committee which is to review and make recommendations on Board and executive Director remuneration: senior management remuneration; executive share plan participation; human resource and remuneration policies; and senior management succession planning, appointments and terminations.

The main responsibilities of the Remuneration Committee includes reviewing and making recommendations on remuneration policies for the company including, in particular, those governing the directors, Managing Director and senior management.

The Remuneration Committee comprises a majority of non-executive directors and at least three members. The Chairman of the committee is appointed by the Board and must be a non-executive director.

The Remuneration Committee is required to meet as and when required by the Chairman. The committee may invite persons deemed appropriate to attend meetings and may take such independent advice as it considers appropriate. Any committee member may request the Chairman call a meeting.

The Remuneration Committee is required to assess its effectiveness periodically. In addition the Charter is required to be revised annually and updated as required.

Remuneration Policies

The objective of the Consolidated Entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency; and
- capital management.

In consultation with external remuneration consultants, where appropriate, the Consolidated Entity has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT - AUDITED (CONTINUED)

A. Principles used to determine the nature and amount of remuneration (continued)

Alignment to shareholders' interests:

- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

Non-executive Directors

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Board considers, where appropriate, the advice of independent remuneration consultants to ensure non-executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

The current base remuneration was last reviewed with effect from 30 June 2010. The Chairman's remuneration is inclusive of committee fees and other non-executive Directors who are members of a committee do not receive additional yearly fees.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$400,000 per annum and was approved by shareholders at the Annual General Meeting on 20 November 2006.

Executive pay

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Remuneration Committee and the process involves the review of Consolidated Entity and individual performance, and relevant comparative remuneration in the market.

Variable Remuneration - Short Term Incentives

The goals consist of a number of key performance indicators (KPI's) covering both financial and non-financial, corporate and individual measures of performance. Included in the measures are contributions to net profit before tax, cash targets and departmental functional KPI's. At the end of the financial year the Board assesses the actual performance of the Consolidated Entity, the relevant segment and individual against the KPIs set at the beginning of the financial year. Should the Consolidated Entity achieve the set KPIs, the Board will reward the key management personnel with a bonus during the salary review. A percentage of a pre-determined maximum amount is awarded depending on results. No bonus is awarded where performance falls below the minimum.

B. Service Agreements

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT – AUDITED (CONTINUED)

B. Service Agreements (continued)

For the purposes of this report, Key Management Personnel (“KMP”) of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing, and controlling the major activities of the Company and the Consolidated Entity, directly or indirectly, including any Director (whether executive or otherwise) of the Company and includes the executives in the Consolidated Entity receiving the highest remuneration.

For the purposes of this report, the term "executive" encompasses the Chief Executive, Executives and Company Secretary of the Consolidated Entity.

Details of key management personnel (including the executives of the Consolidated Entity):

Mr D A Smetana	Director and Chairman
Mr M A Gurry	Director
Mr T R Hantke	Director
Mr A Mankarios	Director
Mr R Mahoney	Managing Director – resigned 12 March 2010
Mr G Culmsee	Chief Operating Officer
Mr K Gray	Chief Financial Officer & Company Secretary – appointed 19 January 2010
Mr J Armes	Chief Financial Officer & Company Secretary - appointed 10 August 2009, resigned 6 November 2009
Mr M McLean	Chief Financial Officer & Company Secretary - resigned 28 August 2009
Ms S Freedman	National Marketing Manager
Mr S Jones	National Merchandise Manager – resigned 28 February 2010

The employment conditions of all specified executives are formalised in contracts of employment. Other than the Managing Director, who was employed by Joyce Corporation Ltd all other executives are permanent employees of Bedshed Franchising Pty Ltd.

Managing Director

The former Managing Director, Mr Mahoney, was employed under a rolling contract until his resignation on 12 March 2010. The terms of that employment contract can be found in the Consolidated Entity's annual report for the year ended 30 June 2009.

A replacement Managing Director had not been appointed at the date of this Annual Report.

Other Executives

All executives have rolling contracts. The Consolidated Entity can terminate each contract by providing two months written notice or providing payment in lieu of the notice period (based on the fixed component of the executives' remuneration). The Consolidated Entity may terminate an executive for serious misconduct without notice. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed up to the date of termination.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT - AUDITED (CONTINUED)

C. Details of remuneration

	Short-term			Post-Employment		Share based payment	Total
	Salary & Fees \$000	Cash Bonus \$000	Non-Monetary benefits \$000	Superannuation \$000	Retirement benefits \$000	Options \$000	
30 June 2010							
Mr D A Smetana	281	-	-	11	-	-	292
Mr T R Hantke	32	-	-	35	-	-	67
Mr M A Gurry	62	-	-	5	-	-	67
Mr A Mankarios	66	-	-	-	-	-	66
Mr R Mahoney	282	-	-	33	157	-	472
Mr G Culmsee	173	-	26	15	-	-	214
Mr K Gray	69	-	6	7	-	-	82
Mr J Armes	48	-	-	4	-	-	52
Mr M McLean	37	-	2	4	25	-	68
Ms S Freedman	126	-	-	11	-	-	137
Mr S Jones	177	-	17	19	-	-	213
Total Remuneration:	1,353	-	51	144	182		1,730
30 June 2009							
Mr D A Smetana	23	-	-	119	-	-	142
Mr T R Hantke	-	-	-	73	-	-	73
Mr M A Gurry	67	-	-	6	-	-	73
Mr A Mankarios	55	-	-	-	-	-	55
Mr R Mahoney	273	122	-	50	-	-	445
Mr G Culmsee	125	-	23	13	-	-	161
Mr M McLean	117	5	14	40	-	-	176
Ms S Freedman	126	23	-	13	-	-	162
Mr S Jones	143	24	25	22	-	-	214
Total Remuneration:	929	174	62	336	-	-	1,501

D. Share-based compensation

There was no share-based compensation of Key Management Personnel during the year ended 30 June 2010 (2009: Nil).

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT – AUDITED (CONTINUED)

E. Link between remuneration policy and Company performance

The Consolidated Entity provided executives with variable remuneration in the form of short-term incentives as described in Part A of the Remuneration Report. These incentives are payable upon the achievement of certain goals covering both financial and non-financial, corporate and individual measures of performance. Included in the measures are contributions to net profit before tax, cash targets and departmental functional KPI's.

The following table shows the gross revenue, profits and dividends for the last five years for the Consolidated Entity, as well as the share price at the end of the respective financial years.

	2010	2009	2008	2007	2006
	\$000	\$000	\$000	\$000	\$000
Revenue (a)	28,089	27,906	18,068	15,092	7,157
Net Profit (a)	(8,147)	(1,329)	2,066	3,197	4,451
Share Price at Year-end \$	0.40	0.41	1.08	1.26	1.03
Dividends (Cents) Paid	2.0	4.50	9.00	9.50	11.50

(a) Revenue and net profit in respect of the 2010 and 2009 financial years include discontinued operations. The 2010 financial performance has been impacted by a number of non-recurring provisions associated with closure of some unprofitable Company-owned stores and the settlement of legal actions with franchisees. Both matters position the Consolidated Entity well for achieving a return to profitability and its growth strategy in the future.

The sale of the Joyce Foam business in November 2005 resulted in the 2006 financials being restated to exclude the foam businesses. Joyce Corporation Ltd acquired 100% of Bedshed Franchising Pty Ltd in April 2006, having previously held a 49% shareholding.

End of Remuneration Report.

LOANS TO DIRECTORS AND EXECUTIVES

There were no loans outstanding to Directors and executives as at 30 June 2010.

INSURANCE OF OFFICERS

During the financial year, Joyce Corporation Ltd paid a premium to insure the Directors and secretaries of the Company and its Australian-based controlled entities, and senior executives of the Consolidated Entity. A clause in the relevant insurance policy prevents the disclosure of the amount of the premium.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Consolidated Entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

DIRECTORS' REPORT (CONTINUED)

PERFORMANCE IN RELATION TO ENVIRONMENTAL REGULATION

Joyce Corporation holds licences issued by the Environmental Protection Authority and various other authorities throughout Australia. These licences regulate the management of air and water quality, the storage and carriage of hazardous materials and disposal of wastes associated with the Consolidated Entity's properties. There have been no material known breaches associated with the Consolidated Entity's licence conditions.

NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional Ethical Standards Board.

The following fees for non-audit services were paid / payable to the external auditors during the year ended 30 June 2010:

	\$
Taxation services	37,000
	<u>37,000</u>

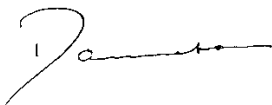
AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 19.

AUDITORS

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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



D A Smetana
Chairman

Perth, 30 September 2010

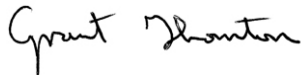
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**Auditor's Independence Declaration
To the Directors of Joyce Corporation Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Joyce Corporation Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of 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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P W Warr
Director – Audit and Assurance Services

Perth, 30 September 2010

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CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Joyce Corporation Ltd ("the Company") is responsible for the corporate governance of the Company. The Board monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Company has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the August 2007 ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Principles & Recommendations"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice.

Further information about the Company's charters, policies and procedures may be found at the Company's website at www.joycecorp.com.au, under the section marked Governance.

The Company has not established (and therefore has not made publicly available) a formal Nomination Committee Charter, Policy and Procedure for Selection and (Re) Appointment of Directors, or Procedure for Selection, Appointment and Rotation of External Auditor. Where applicable, the Company's "If Not, Why Not" disclosure for each of the Recommendations to which this charter and the policies and procedures relate, is provided below.

Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the year ended 30 June 2010 ("Reporting Period").

Principle 1: Lay Solid Foundation for Management and Oversight

Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:

The Board and senior management of the Company are committed to acting responsibly, ethically and with high standards of integrity as the Company strives to create shareholder value. The Board accepts responsibility for the overall corporate governance of the Company and has consequently developed and adopted corporate governance practices and policies that have been implemented throughout management and governance.

The Company has established the functions reserved to the Board and is in the process of formalising these functions in a Board Charter. The Board's primary role is the optimisation of Company performance and protection and enhancement of shareholder value. Its functions and responsibilities includes setting strategic and policy direction, monitoring performance against strategy, identifying principal risks and opportunities and ensuring risk management systems are established and reviewed, approving and monitoring financial reports, capital management, compliance, significant business transactions and investments, appointing senior management and monitoring performance, remuneration, development and succession, adopting procedures to ensure the business of the Company is consistent with Company values, continuous disclosure compliance, ensuring effective shareholder communication, ensuring the Board remains appropriately skilled, reviewing and approving corporate governance systems and enhancing and protecting the Company's reputation.

The Board is also governed by the Company's constitution, and on appointment each Director is provided with a formal letter of appointment setting out key terms and conditions of the appointment their duties and responsibilities, the role of the Board and committees, the Company's constitution and the Company's policies.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 1: Lay Solid Foundation for Management and Oversight (continued)

The Company has established the functions delegated to senior executives and will set out these functions in its Board Charter. Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:

Evaluation of the Managing Director is carried out by the Remuneration Committee each year together with the ongoing monitoring of management and Company performance, with informal discussions undertaken as required. The Managing Director conducts a formal review each year assessing the performance of Senior Executives and reports back to the Board.

Recommendation 1.3:

Companies should provide the information indicated in the "Guide to reporting on Principle 1."

Disclosure:

The Remuneration Committee conducted an evaluation of the Managing Director in March 2010. The Chairman conducted an evaluation of Senior Executives in June 2010. The performance evaluation was undertaken in accordance with the process disclosed above.

Principle 2: Structure the Board to add value

Recommendation 2.1:

A majority of the Board should be independent Directors.

Disclosure:

The Board is currently comprised of four Directors with three being non-executive Directors, including the Chairman and one executive Director. The Company does not comply with this recommendation, as two of the four Directors are considered independent.

The independent Directors of the Company are:

- Mr M Gurry (Non-Executive Director and Chairman of the Audit Committee)
- Mr T Hantke (Non-Executive Director and Chairman of the Remuneration Committee)

The Board regularly assesses the independence of each Director with the intention to have a majority of Directors being independent. Each Director is required to provide to the Board all relevant information to assist the Board in this regard.

The Board will continue to monitor developments and consider any guidelines that may be issued with respect to the maximum tenure of Directors in order to meet 'independence' guidelines.

Explanation for Departure:

Following the resignation of Mr R Mahoney, the Company's former Managing Director in March 2010, Mr A Mankarios has become an Executive Director thus precluding him from being considered an independent Director for the purposes of this recommendation.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 2: Structure the Board to add value (continued)

Recommendation 2.2:

The Chair should be an independent Director.

Disclosure:

The Chairman is not considered independent due to the size of the shareholding in his control.

Explanation for Departure:

The Board has decided to continue with Mr D Smetana as Chairman in recognition of his considerable experience with the Company and expertise that complements the skills and experience of the other Board members. The Company deals with the lack of independence of the Chairman by ensuring that conflicts of interest are adequately disclosed and the Chairman abstains from voting on matters where they have, or it is perceived they have a beneficial interest in the outcome of the matters.

Recommendation 2.3:

The roles of the Chair and Managing Director should not be exercised by the same individual.

Disclosure:

The Managing Director was Mr R Mahoney until 12 March 2010 who was not Chair of the Board. A replacement for Mr R Mahoney has not yet been found.

Recommendation 2.4:

The Board should establish a Nomination Committee.

Disclosure:

The Company has not established a separate Nomination Committee.

Explanation for Departure:

The Board considers the present Directors are able to discharge the responsibilities of a Director, having regards to the law and the highest standards of governance. Should a vacancy exist, for whatever reason, or where considered that the Board would benefit from the services of a new Director, the Board will select appropriate candidates with relevant qualifications, skills and experience. The Board has not established a separate Nomination Committee as, due to the Company's size, the simplicity of its operations, the Board's size and the cost effectiveness of the Board's current operations, the Board considers such a separate Nomination Committee is not warranted or commercially viable and its functions and responsibilities can be adequately and efficiently discharged by the Board as a whole. The Board assesses the experience, knowledge and expertise of potential Directors before any appointment is made.

Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. The Board deals with any conflicts of interest that may occur when convening in the capacity of Nomination Committee by ensuring the Director with conflicting interests is not party to the relevant discussions.

Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.

Disclosure:

The Company has adopted self-evaluation processes to measure Board performance. The performance of all Directors is assessed through analysis and review by, and discussion with, the Chair on issues relating to individual Directors' attendance at and involvement in Board meetings, interaction with management, performance of allocated tasks and any other matters identified by the Chair or other Directors. Evaluation of any Board committees is conducted on a similar basis. Due to the Board's assessment of the effectiveness of these processes, the Board has not formalised qualitative performance indicators to measure individual Director's performance.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 2: Structure the Board to add value (continued)

Recommendation 2.6:

Companies should provide the information indicated in the "Guide to reporting on Principle 2."

Disclosure:

Skills, Experience, Expertise and Term of Office of each Director

The composition of the Board has been determined on the basis of providing the Company with the benefit of a broad range of commercial, administrative and financial skills, combined with an appropriate level of experience at a senior corporate level. The names and further information regarding the skills, experience, qualifications, relevant expertise and term of office of the Directors are set out in the most recent Directors' Report.

Board Access to Information and Independent Advice

All Directors have access to employees and, subject to the law, access to all Company records and information held by employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Consistent with ASX Principle 2, the Company allows each Director to seek individual external advice at the expense of the Company.

Committees of the Board

The Board has established an Audit Committee and a Remuneration Committee to assist the Board in the discharge of its responsibly.

Further information about the Audit Committee is provided in the statement under *Principal 4: Safeguard Integrity in Financial Reporting*.

Further information about the Remuneration Committee is provided in the statement under *Principal 8: Remunerate Fairly and Responsibility*.

Identification of Independent Directors

The policy on Director Independence defines an independent Director as a non-executive Director (not a member of management) and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with the independent exercise of their judgment.

In determining the independent status of a Director the Board considers whether the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly or indirectly with, a substantial shareholder the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or a material consultant to the Company, or another group member, or an employee materially associated with the service provider;
- is a material supplier or customer of the Company, or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company or another group member, other than as a Director of the Company.

Materiality for these purposes is determined on both a quantitative and qualitative bases. An amount of over 5% of annual turnover or 5% of the individual Director's net assets is considered material for these purposes.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 2: Structure the Board to add value (continued)

Nomination Matters

The full Board carries out the role of the Nomination Committee. The full Board did not officially convene as a Nomination Committee during the Reporting Period, however the Board discusses nominated-related matters from time to time during the year as required. The explanation for departure set out under Recommendation 2.4 above explains how the functions of the Nomination Committee are performed.

Performance Evaluation

During the Reporting Period no review or evaluation of the performance of the Board, individual Directors and applicable Committees was undertaken in accordance with the process disclosed at Recommendation 2.5.

Selection and (Re)/Appointment of Directors

The Company has not established (and therefore has not made publicly available) a formal Policy and Procedure for Selection and (Re)/Appointment of Directors.

In determining candidates for the Board, the Nomination Committee (or equivalent) considers the balance of independent Directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Under the Company's constitution, at every annual general meeting one third of the Directors (except the Managing Director) must retire from office and is eligible for re-election at that meeting. The Directors to retire must be those who have been longest in office since their last election and, in any event, Directors cannot hold office for more than three years without submitting themselves for re-election. Re-appointment of Directors is not automatic.

Principle 3: Promote Ethical and Responsible Decision Making

Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision making by Directors. The Code is based on a code of conduct for Directors prepared by the Australian Institute of Company Directors and embraces the values of honesty, integrity, enterprise, excellence, accountability, justice, independence and equality of shareholder opportunity.

The principles of the Code are:

- A Director must act honestly, in good faith and in the best interests of the Company as a whole.
- A Director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- A Director must use the powers of office for a proper purpose, in the best interests of the Company as a whole.
- A Director must not take improper advantage of the position of Director.
- A Director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company.
- A Director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board.
- Confidential information received by a Director in the course of the exercise of directional duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law.
- A Director should not engage in conduct likely to bring discredit upon the Company.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 3: Promote Ethical and Responsible Decision Making (continued)

- A Director has an obligation at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code.

The Managing Director or in his absence the Executive Director is responsible to the Board for the day-to-day management of the Company.

The Company has adopted a Code of Ethics and Conduct for all employees and Directors of the Company which details policies, procedures and guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability. The Directors of the Company are also obliged to comply with the Code of Conduct for Directors.

Objective

The code of Ethics and Conduct confirms that the Company's primary objective is to provide a satisfactory return to shareholders. The Company aims to achieve this by:

- Satisfying the needs of the customers and Franchisees through the provision of goods and services on a competitive and professional basis;
- Providing a safe and fulfilling working environment for employees, rewarding good performance and providing opportunities for advancement;
- Conducting existing operations in an efficient manner and by seeking out opportunities for expansion;
- Responding to the attitudes and expectations of the communities in which the Company operates;
- Acting with integrity and honesty in dealings both inside and outside the group.

Values

All employees are expected to:

- Respect the law and act in accordance with it;
- Respect confidentiality and not misuse information, assets or facilities;
- Value and maintain professionalism;
- Avoid real or perceived conflicts of interest;
- Act in the best interests of shareholders;
- By their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the communities and environments in which it operates;
- Perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- Exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with Franchisees, customers, suppliers, and the public generally; and
- Act with honesty, integrity, decency and responsibility at all times.

Under the Code of Ethics and Conduct, all employees are required to comply with the letter and spirit of all applicable laws and regulations in performance of their duties and their dealings with fellow employees, customers, Franchisees, suppliers and all third parties with whom they have contact in the performance of their duties. In addition, all employees have a responsibility to adhere to the Code and ensure that no breaches occur. An employee who breaches the Code may face disciplinary action.

If an employee suspects that a breach of the Code has occurred or will occur, he or she must report that breach to the appropriate Company manager.

No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential. In addition, the whistleblower provisions of the Corporations Act 2001 provide specific protection to employees who report breaches or suspected breaches of Corporations Legislation under certain circumstances.

Responsibility for the administration, implementation and periodic review of the Code of Ethics and Conduct lies with the Company Secretary, in consultation with the Managing Director/Executive Director.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 3: Promote Ethical and Responsible Decision Making (continued)

Recommendation 3.2:

Companies should establish a policy concerning trading in Company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.

Disclosure:

Apart from observing all legal requirements, it is the policy of the Board that all Directors and Senior Executives advise the Board before dealing in Joyce Corporation Ltd shares. In order to encourage as active a market as possible in Company shares Directors and Senior Executives are encouraged to trade in Company shares except during periods when they are aware of material matters or activities which are not yet known by the market in general. For example during the period from the finalisation of the annual and half yearly results and their release, The Board will not authorise trading in Joyce Corporation Ltd shares by Directors or Senior Executives if, in its opinion, that Director or Executive has knowledge of any fact that may affect the share price. The Board also accepts responsibility for reviewing any transactions between the Company and Directors or any interest associated with Directors, to ensure the structure and the terms of the transaction is in compliance with the Corporations Act 2001 and is properly disclosed.

Recommendation 3.3:

Companies should provide the information indicated in the "Guide to reporting on Principle 3."

Disclosure:

Please refer to the disclosure in Recommendation 3.1 and Recommendation 3.2 above for a summary of the Code of Conduct and Trading Policy.

Principle 4: Safeguard Integrity in Financial Reporting

Recommendation 4.1:

The Board should establish an Audit Committee.

Disclosure:

The Company has established an Audit Committee.

Recommendation 4.2:

The Audit Committee should be structured so that it:

- *consists only of non-executive Directors*
- *consists of a majority of independent Directors*
- *is chaired by an independent Chair, who is not Chair of the Board*
- *has at least three members.*

Disclosure:

The Company considers that it complies with this requirement.

The Audit Committee comprises of:

- Mr M A Gurry (Chairman of the Audit Committee)
- Mr T R Hantke
- Mr D Smetana

Recommendation 4.3:

The Audit Committee should have a formal charter.

Disclosure:

The Company has adopted an Audit Committee Charter.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 4: Safeguard Integrity in Financial Reporting (continued)

Recommendation 4.4:

Companies should provide the information indicated in the "Guide to reporting on Principle 4."

Disclosure:

Details of each of Director's qualifications and attendance at the Audit Committee meetings are set out in the Directors' Report. All Directors are financially literate and have an understanding of the industry in which the Company operates.

Appointment of Auditor

The effectiveness, performance and independence of the external auditor are reviewed by the Audit Committee. If it becomes necessary to replace the external auditors for performance or independence reasons, the Audit Committee will formalise the procedure and policy for selecting a new external auditor.

Audit Committee

The Audit Committee monitors internal control policies and procedures designed to safeguard Company assets and to maintain the integrity of financial reporting, which is consistent with ASX Principle 4. A copy of the Audit Committee Charter is available on the Company's website under Governance.

The Audit Committee has the following responsibilities as set out in its Charter:

- the main responsibilities include oversight and making recommendations on internal and external reporting, the oversight of risk management activities, and external audit; as well as communication between the external auditors and the Board
- the Audit Committee will comprise only non-executive Directors and at least three members. The Chairman of the Committee is appointed by the Board and cannot be the Chairman of the Board
- the Audit Committee may invite any person deemed appropriate to attend meetings and may take such independent advice as it considers appropriate.
- The Audit Committee is required to meet as and when required by the Chairman of the Committee. Any member of the Committee may request the Chairman to call a meeting.
- The Audit Committee is required to assess its effectiveness periodically. In addition the Charter is required to be revised annually and updated as required.

Principle 5: Make Timely and Balanced Disclosure

Recommendation 5.1:

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:

The Company has established procedures to ensure there is timely disclosure to the ASX of price sensitive information which may have a material effect on the price or value of the entity's securities.

The Company also posts announcements on its web site to complement the official release of information to the market.

Recommendation 5.2:

Companies should provide the information indicated in the "Guide to reporting on Principle 5."

Disclosure:

A copy of the Continuous Disclosure Policy is available on the Company's website in the Governance section.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 6: Respect the Right of Shareholders

Recommendation 6.1:

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:

The Company has an effective shareholder communication procedure. Communication of information to shareholders is through the distribution of an annual report and half yearly report, announcements through the ASX and the media regarding changes in its business.

The Company's annual general meeting is a major forum for shareholders to ask questions about the Company performance and the external auditors also are invited to attend the annual general meeting and answer shareholder questions.

The Company maintains a web site which includes copies of all Corporate Governance policies and procedures as well as all shareholder communications both current and historical.

Recommendation 6.2:

Companies should provide the information indicated in the "Guide to reporting on Principle 6."

Disclosure:

A copy of the Shareholders Communications Policy is available on the Company's website in the Governance section.

Principle 7: Recognise and Manage Risk

Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:

The Company has developed a Risk Management and Oversight Policy, which sets out systems for risk oversight, management and internal control. A copy of this policy is available on the Company website.

Recommendation 7.2:

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure:

The Company is yet to complete the formalisation of its risk management system and reporting on identified material business risks, accordingly the Board has not received a report as to the effectiveness of the management of its material business risks.

Following the recent development of the Risk Management and Oversight Policy the Board has determined to review, formalise and document the management of its material business risks and expects to implement this system by the end of this year. This system will include the preparation of a risk register by management to identify the Company's material business risks and risk management strategies for these risks. In addition, the process of management of material business risks will be allocated to members of senior management. The risk register will be formally reviewed at least annually and updated as required.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 7: Recognise and Manage Risk (continued)

Recommendation 7.2 (continued):

During this process the Board will continue to monitor the Company's risk management through ongoing monitoring of management and operational performance, a comprehensive system of budgeting, forecasting and reporting to the Board, regular presentations to the Board by management on the management of risks associated with pending and existing legal issues, approval procedures for significant expenditures, the functioning of the Audit Committee, comprehensive written policies on specific activities and corporate governance, and regular communication between Directors on compliance and risk.

Recommendation 7.3:

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:

The Board requires assurance from the Managing Director and Chief Financial Officer that the declaration in relation to section 295A of the Corporations Act is founded in a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.

Recommendation 7.4:

Companies should provide the information indicated in the "Guide to reporting on Principle 7."

Disclosure:

The Board has not received the report from management under Recommendation 7.2. Additional information regarding this departure and the departure from Recommendation 7.2 is detailed above.

The Board has received the assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) under Recommendation 7.3.

A copy of the Risk Management and Oversight Policy is available on the Company's website in the Governance section.

Principle 8: Remunerate Fairly and Responsibly

Recommendation 8.1:

The Board should establish a Remuneration Committee.

Disclosure:

The Company has established a Remuneration Committee.

Recommendation 8.2:

Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.

Disclosure:

Non-executive Directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive Directors is not linked to the performance of the Company.

Pay and rewards for executive Directors and senior executives consists of a base salary and performance incentives. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 8: Remunerate Fairly and Responsibly (continued)

Recommendation 8.3:

Companies should provide the information indicated in the "Guide to reporting on Principle 8."

Disclosure:

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms a part of the Directors' Report. The Company's remuneration policies are reflected in the Company's Remuneration Committee Charter.

These policies are to establish competitive remuneration, including performance incentives, consistent with long term development and success, to ensure remuneration is fair and reasonable, taking into account all relevant factors, and within appropriate controls or limits, ensure performance and remuneration are appropriately linked, that all remuneration packages are reviewed annually or on an ongoing basis in accordance with management's remuneration packages and that retirement benefits or termination payments (other than notice periods) will not be provided or agreed other than in exceptional circumstances.

A copy of the Remuneration Committee Charter is available on the Company's website under Governance.

The Remuneration Committee held seven meetings during the Reporting Period. The Remuneration Committee comprises of the following Directors:

Mr T R Hantke (Chairman of the Remuneration Committee)

Mr A Mankarios

Mr M A Gurry (from 23 March 2010)

Mr R Mahoney (until his resignation on 12 March 2010)

Details of each of the Director's attendance at the Remuneration Committee meeting are set out in the Directors' Report. There are no termination or retirement benefits for non-executive Directors (other than superannuation).

During the Reporting Period the Company did not publicly disclose its policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes. However, the Company's position is that such transactions are prohibited.

The Remuneration Committee is responsible for the performance review process for both the Board and the Managing Director.

The Board undertakes an ongoing review in relation to its composition and skills mix of the Directors of the Company.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Disclosure of Corporate Governance Practices Summary Statement

No.	Recommendation	Disclosure
1.1:	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Comply
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Comply
1.3	Companies should provide the information indicated in the "Guide to reporting on Principle 1."	Comply
2.1	A majority of the Board should be independent Directors.	Departure from the recommendation. Refer to Corporate Governance Statement
2.2	The Chair should be an independent Director.	Departure from the recommendation. Refer to Corporate Governance Statement
2.3	The roles of the Chair and Managing Director should not be exercised by the same individual.	Comply
2.4	The Board should establish a Nomination Committee.	Departure from the recommendation. Refer to Corporate Governance Statement
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Comply
2.6	Companies should provide the information indicated in the "Guide to reporting on Principle 2."	Comply
3.1	Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Comply
3.2	Companies should establish a policy concerning trading in Company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.	Comply
3.3	Companies should provide the information indicated in the "Guide to reporting on Principle 3."	Comply
4.1	The Board should establish an Audit Committee.	Comply

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Disclosure of Corporate Governance Practices Summary Statement

No.	Recommendation	Disclosure
4.2	The Audit Committee should be structured so that it: <ul style="list-style-type: none">- consists only of non-executive Directors- consists of a majority of independent Directors- is chaired by an independent Chair, who is not Chair of the Board- has at least three members.	Comply
4.3	The Audit Committee should have a formal charter.	Comply
4.4	Companies should provide the information indicated in the "Guide to reporting on Principle 4."	Comply
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Comply
5.2	Companies should provide the information indicated in the "Guide to reporting on Principle 5."	Comply
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Comply
6.2	Companies should provide the information indicated in the "Guide to reporting on Principle 6."	Comply
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Comply
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Departure from the recommendation. Refer to Corporate Governance Statement
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Comply

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Disclosure of Corporate Governance Practices Summary Statement

No.	Recommendation	Disclosure
7.4	Companies should provide the information indicated in the “Guide to reporting on Principle 7.”	Comply
8.1	The Board should establish a Remuneration Committee.	Comply
8.2	Companies should clearly distinguish the structure of non-executive Directors’ remuneration from that of executive Directors and senior executives.	Comply
8.3	Companies should provide the information indicated in the “Guide to reporting on Principle 8.”	Comply

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Consolidated	
		30 June 2010	30 June 2009
		\$000	\$000
Continuing operations			
Revenue	7	21,990	20,663
Cost of sales	7	(9,427)	(7,756)
Gross Profit		12,563	12,907
Other income	7	1,116	1,174
Expenses from continuing operations			
Distribution expenses		(868)	(801)
Marketing expenses		(968)	(676)
Occupancy expenses		(1,817)	(1,338)
Administration expenses		(8,528)	(8,395)
Loss on revaluation of investment property	18	-	(2,820)
Finance costs	7	(740)	(932)
Restructuring provisions	7	(3,728)	-
Other expenses		(42)	(30)
Loss from continuing operations before income tax	7	(3,012)	(911)
Income tax benefit	8	174	376
Loss from continuing operations after tax		(2,838)	(535)
Discontinued operations	9		
Loss for the year from discontinued operations		(5,309)	(794)
Net loss attributable to the members of Joyce Corporation Ltd		(8,147)	(1,329)
Other comprehensive income		-	-
Total Comprehensive Income attributable to the members of Joyce Corporation Ltd		(8,147)	(1,329)
Overall Operations			
Basic earnings per share (cents per share)	10	(39.4)	(6.4)
Diluted earnings per share (cents per share)	10	(39.4)	(6.4)
Continuing Operations			
Basic earnings per share (cents per share)	10	(13.7)	(2.6)
Diluted earnings per share (cents per share)	10	(13.7)	(2.6)

Underlying Operating Profit Before Tax – Continuing Operations

The underlying profit before tax for the Consolidated Entity for the year ended 30 June 2010 (continuing operations) was \$1,550,000 (2009: \$2,738,000). Refer to note 7(d) for a reconciliation of underlying profit to net loss before tax.

The statement of comprehensive income is to be read in conjunction with the notes to the consolidated financial statements set out on pages 39 to 86.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Notes	Consolidated	
		30 June 2010 \$000	30 June 2009 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	11	4,180	3,519
Trade and other receivables	12	2,593	3,021
Inventories	13	5,886	6,090
Other assets	14	607	1,218
Total Current Assets		13,266	13,848
Non-current assets classified as held for sale	15	7,350	7,550
Total Current Assets		20,616	21,398
Non-Current Assets			
Trade and other receivables	12	420	377
Other financial assets	16	6	6
Deferred tax asset	8	387	250
Plant and equipment	17	2,289	2,721
Investment property	18	10,506	10,430
Intangible assets	19	10,225	10,225
Total Non-Current assets		23,833	24,009
TOTAL ASSETS		44,449	45,407
LIABILITIES			
Current liabilities			
Trade and other payables	20	6,888	4,859
Current tax liabilities		83	83
Interest-bearing loans and borrowings	21	12,602	4,578
Provisions	22	5,180	590
Total Current Liabilities		24,753	10,110
Non-Current Liabilities			
Interest bearing loans and borrowings	21	286	8,475
Deferred tax liabilities	8	2,321	2,358
Provisions	22	1,398	221
Total Non-Current Liabilities		4,005	11,054
TOTAL LIABILITIES		28,758	21,164
NET ASSETS		15,691	24,243
EQUITY			
Contributed equity	23	15,634	15,634
Reserves		4,694	4,694
(Accumulated losses) / retained earnings		(4,637)	3,915
TOTAL EQUITY		15,691	24,243

The statement of financial position is to be read in conjunction with the notes to the consolidated financial statements set out on pages 39 to 86.

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Consolidated	
		30 June 2010	30 June 2009
		\$000	\$000
Cash flows from operating activities			
Receipts from customers		29,292	34,231
Payments to suppliers and employees		(27,210)	(35,564)
Interest received		155	16
Interest paid		(922)	(1,172)
Income taxes paid		-	-
Net cash flows from (used in) operating activities	31	1,315	(2,489)
Cash flows from investing activities			
Proceeds from sale of investment property		-	4,200
Proceeds from sale of property, plant and equipment		26	-
Purchase of property, plant and equipment		(110)	(436)
Purchase of intangible assets		-	(1,109)
Net cash flows from (used in) investing activities		(84)	2,655
Cash flows from financing activities			
Proceeds from partly paid shares		-	17
Repayment of borrowings		(165)	(419)
Dividends paid	29	(405)	(932)
Net cash flows from (used in) financing activities		(570)	(1,334)
Net increase / (decrease) in cash and cash equivalents		661	(1,168)
Cash and cash equivalents at beginning of period		3,519	4,687
Cash and cash equivalents at end of period	11	4,180	3,519
Reconciliation of cash			
Cash at bank and in hand		4,180	3,519
		4,180	3,519

The statement of cashflows is to be read in conjunction with the notes to the consolidated financial statements set out on pages 39 to 86.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

CONSOLIDATED	Note	Contributed Equity \$000	Retained Earnings / (Accumulated Losses) \$000	Asset Revaluation Reserve \$000	Financial Assets Reserve \$000	Total Equity \$000
At 1 July 2008		15,617	6,176	1,735	2,959	26,487
Loss for the year		-	(1,329)	-	-	(1,329)
Other comprehensive income		-	-	-	-	-
Payment received on partly paid shares	23	17	-	-	-	17
Dividends paid or provided for	29	-	(932)	-	-	(932)
At 30 June 2009		15,634	3,915	1,735	2,959	24,243
At 1 July 2009		15,634	3,915	1,735	2,959	24,243
Loss for the year		-	(8,147)	-	-	(8,147)
Other comprehensive income		-	-	-	-	-
Dividends paid or provided for	29	-	(405)	-	-	(405)
At 30 June 2010		15,634	(4,637)	1,735	2,959	15,691

The statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements set out on pages 39 to 86.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The consolidated financial statements of Joyce Corporation Ltd ("the Company") for the year ended 30 June 2010 were authorised for issue in accordance with a resolution of the directors of the Company dated 30 September 2010. Joyce Corporation Ltd is a Company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

The nature of the operation and principal activities of the Company and its controlled entities are described in note 6.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements comprise the financial statements of Joyce Corporation Ltd and its controlled subsidiaries ('the Consolidated Entity').

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (including Australian Accounting Interpretations) and the Corporations Act 2001.

The Consolidated Entity has implemented the Corporations Amendment Regulations 2010 (No 6) regarding the requirement to disclose parent entity information as a note to the consolidated financial statements. Parent entity information is presented in note 32.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report of the Consolidated Entity complies with International Financial Reporting Standards ("IFRS").

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires Management to exercise judgement in the process of applying the Consolidated Entity's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

(b) Principles of consolidation

Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another entity.

A list of controlled entities is contained in Note 26 to the financial statements."

The consolidation accounting method used for the consolidated financial statements that include the financial statements made up to the reporting date each year of the Company and its subsidiaries is disclosed under the note on 'Business Combinations' below. Consolidated financial statements are the financial statements of the Consolidated Entity presented as those of a single economic entity. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation (continued)

All significant intra-Consolidated Entity balances and transactions, including income, expenses and dividends, are eliminated in full on consolidation. The results of the investees acquired or disposed of during the financial year are accounted for from the respective dates of acquisition or up to the dates of disposal. On disposal, the attributable amount of goodwill, if any, is included in the determination of the gain or loss on disposal.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the group, are shown separately within the Equity section of the consolidated Statement of Financial Position and in the consolidated Statement of Comprehensive Income.

(c) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Consolidated Entity in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant accounting standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Consolidated Entity's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Consolidated Entity attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such a treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 (2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Consolidated Entity of an acquiree's share-based payment awards are measured in accordance with AASB 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Consolidated Entity reports provisional amounts for the terms for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Segment reporting

Operating segments are identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision makers in order to allocate resources to the segments and to assess their performance.

(e) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Consolidated Entity's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian Dollars, which is the Consolidated Entity's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, at year end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale financial assets are included in the fair value reserve in equity.

All companies of the Consolidated Entity have Australian Dollars as a functional currency.

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Rendering of services

Revenue from the rendering of a service is recognised upon completion of the service to customers.

Interest income

Interest income is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument.

Dividend income

Dividend income is recognised when the right to receive a dividend has been established.

Franchise revenue

Revenue from franchising activities is recognised based on business written sales from franchised stores.

Rental revenue

Rental revenue is recognised monthly as defined in the relevant lease agreements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax Consolidation

Joyce Corporation Ltd and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.

The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2003. The tax consolidated group has entered a tax funding arrangement whereby each company in the group contributes to the income tax payable by the group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Hire purchases and leases

Hire purchases and leases of property, plant and equipment where the Consolidated Entity, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Consolidated Entity as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Lease income from operating leases where the Consolidated Entity is a lessor is recognised as income on a straight line basis over the lease term.

(i) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less a provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Trade receivables (Continued)

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the statement of comprehensive income in other expenses.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises expenditure incurred in acquiring the inventories and in bringing them to their existing condition and location.

Costs are assigned to individual items of inventory on a basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

(n) Investments and other financial assets

Classification

The Consolidated Entity classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Consolidated Entity's management has the positive intention and ability to hold to maturity. If the Consolidated Entity were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Investments and other financial assets (Continued)

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Consolidated Entity commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when the Consolidated Entity's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

The Consolidated Entity assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Investments and other financial assets (Continued)

Financial Guarantees

Where material, financial guarantees issued, which requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: *Revenue*. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

(o) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Consolidated Entity designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges),
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

The Consolidated Entity documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Consolidated Entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(p) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 Consolidated Entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation is calculated over the estimated useful life of the asset as follows:

- Plant and equipment - 1 to 20 years;
- Leased plant and equipment - over 5 to 6 years; and
- Leasehold improvements – 3 to 20 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. 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 are included in the statement of comprehensive income. When revalued assets are sold, it is the Consolidated Entity's policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(q) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

(r) Intangible assets

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost. Following initial recognition, the cost model is applied to the class of intangible assets. Where amortisation is charged on assets with finite lives, this expense is taken to the statement of comprehensive income through the 'amortisation expenses' line item.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred. Intangible assets are tested for impairment where an indicator of impairment exists and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Consolidated Entity's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Consolidated Entity's investment in each country of operation by each operating segment. Cash-generating units to which goodwill is allocated is as follows:

- Bedshed Franchising cash generating unit
- Bedshed Claremont cash generating unit
- Bedshed Joondalup cash generating unit

(ii) IT development and software

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the reporting date which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

(t) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Consolidated Entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of Management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(u) Employee benefits

(i) Wages and salaries and annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Profit-sharing and bonus plans

The Consolidated Entity recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Consolidated Entity recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Consolidated Entity recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility. Bank loans are carried at amortised cost. Transaction costs are deducted against the outstanding principal amount at amortised cost using the effective interest rate method.

(w) Convertible notes

Convertible notes are compound financial instruments with separate liability and equity components identified on initial recognition. Transaction costs are deducted against the liability component of the compound financial instrument at amortised cost using the effective interest rate method.

(x) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(y) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at reporting date.

(z) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(aa) Comparatives

When required by applicable accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(bb) Rounding of Amounts

The Company has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$1,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

(dd) Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Pronouncement	Summary
AASB 101 Presentation of Financial Statements (as revised in September 2007), AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101	AASB 101(September 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard has required the presentation of a third statement of financial position at 1 July 2008, because the entity has applied new accounting policies retrospectively (see below).
AASB 8 Operating Segments	AASB 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see note 6).
AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting A-IFRS for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements.
AASB 2008-1 Amendments to Australian Accounting Standard -Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of vesting conditions for the purposes of AASB 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
AASB 123 Borrowing Costs (as revised in 2007) and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123	The principal change to AASB 123 was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.
AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation	The revisions to AASB 132 Financial Instruments: Presentation amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.
AASB 2008-8 Amendments to Australian Accounting Standards–Eligible Hedged Items	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(dd) Standards and Interpretations adopted with no effect on the financial statements (continued)

Pronouncement	Summary
Interpretation 15 Agreements for the Construction of Real Estate	The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of AASB 111 Construction Contracts or AASB 118 Revenue and when revenue from the construction of real estate should be recognised. The requirements have not affected the accounting for the Group's construction activities.
AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments	The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.
Amendments to AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations (adopted in advance of effective date of 1 January 2010)	Disclosures in these financial statements have been modified to reflect the clarification in AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project that the disclosure requirements in Standards other than AASB 5 do not generally apply to noncurrent assets classified as held for sale and discontinued operations.
Interpretation 16 Hedges of a Net Investment in a Foreign Operation	The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.
Interpretation 17 Distributions of Non-cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 Distributions of Non-cash Assets to Owners	The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.
Interpretation 18 Transfers of Assets from Customers	The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with AASB 118 Revenue.
AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	In addition to the changes affecting amounts reported in the financial statements described at 2.1 above, the amendments have led to a number of changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported.
AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	In addition to the amendments to AASB 5 and AASB 107 described earlier in this section, and the amendments to AASB 117 discussed in section 2.3 below, the amendments have led to a number of changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. Except as noted in 2.3 below, the changes in AASB 2009-5 have been adopted in advance of their effective dates of 1 January 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(dd) Standards and Interpretations adopted with no effect on the financial statements (continued)

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Summary	Application date of standard	Application date for Consolidated Entity
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2010	1 July 2010
AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions	1 January 2010	1 July 2010
AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues	1 February 2010	1 July 2010
AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	1 July 2011
AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	1 July 2014
AASB 2009-14 Amendments to Australian Interpretation –Prepayments of a Minimum Funding Requirement	1 January 2011	1 July 2011
Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2010	1 July 2010

The following IASB Standards and IFRIC Interpretations are also in issue but not yet effective, although Australian equivalent Standards/Interpretations have not yet been issued.

Summary	Application date of standard	Application date for Consolidated Entity
None at time of publication.		

3. GOING CONCERN

At 30 June 2010, the Consolidated Entity has recorded an underlying profit of \$1,550,000 (refer Note 7a) and reported an overall loss of \$8,147,000 with positive operating cash flows totalling \$1,315,000.

A deficiency in current assets of \$4,137,000 at 30 June 2010 was impacted by the reclassification of interest bearing loans from non-current to current liabilities, resultant from technical breaches of bank lending covenants (refer Note 21) which required \$11,839,000 to be included in current liabilities. Since year end a property sale contract in Queensland has settled which allow the Consolidated Entity to reduce its interest bearing debt by approximately \$7.1 million. The Consolidated Entity's financiers (St George Bank) have advised there will be no action in relation to the above technical breaches. The financiers require the Consolidated Entity to meet its lending covenants by 30 June 2011.

3. GOING CONCERN (CONTINUED)

The loss incurred for the period ended 30 June 2010 includes the effects of significant restructuring and settlement provisions. As of the date of this report, the Board has announced a rights issue of \$2.18 million by way of convertible notes.

Subsequent to the year end the Consolidated Entity has continued to service the loan facility in accordance with the terms of that facility. Existing working capital resources and the capital raising are expected to be sufficient to cover the Consolidated Entity's funding requirements for a period of not less than twelve months from the date of these financial statements to the date of signature of the next financial statements.

The Directors have prepared a budget for the Consolidated Entity that indicates that it will be profitable for the year ending 30 June 2011.

Based on the Directors' cash flow forecasts, an expected capital raising and the understanding that St George Bank will continue to provide the current loan facility to the Consolidated Entity and the Parent Entity, the Directors are satisfied that, the going concern basis of preparation is appropriate. These financial statements have therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

4. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity.

The Consolidated Entity makes occasional use of derivative financial instruments such as foreign exchange contracts to manage foreign currency risk. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

Risk management is carried out by the CFO under the supervision of the Board of Directors. The Board provides principles for overall risk management, as well as policies and supervision covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Consolidated Entity holds the following financial instruments:

	Notes	Consolidated	
		30 June 2010	30 June 2009
		\$000	\$000
Financial assets			
Cash and cash equivalents	11	4,180	3,519
Trade and other receivables	12	3,013	3,398
Other financial assets	16	6	6
		<u>7,199</u>	<u>6,923</u>
Financial liabilities			
Trade and other payables	20	6,888	4,859
Interest-bearing loans and borrowings	21	12,888	13,053
		<u>19,776</u>	<u>17,912</u>

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

(i) Foreign exchange risk

The Consolidated Entity makes purchases some of which are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, in the ordinary course of business. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Consolidated Entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management has a standard policy for dealing with foreign currency risk in the purchasing function of the Consolidated Entity in order to manage foreign exchange risk against the Consolidated Entity's functional currency. Material purchase contracts which are denominated in foreign currency are regularly reviewed by management and when it is considered necessary the currency risk exposure may be managed either via use of existing US dollar cash deposits or via the use of foreign currency contracts.

(i) Foreign exchange risk (continued)

The Consolidated Entity's exposure to foreign currency risk with respect to the US Dollar at the reporting date was as follows:

	CONSOLIDATED	
	2010	2009
	USD\$000	USD\$000
Financial Assets		
Cash and cash equivalents	-	-
Trade and other receivables	93	-
	<u>93</u>	<u>-</u>
Financial Liabilities		
Trade and other payables	-	-
	<u>-</u>	<u>-</u>
Net exposure	<u>93</u>	<u>-</u>

(ii) Consolidated Entity - sensitivity

The US Dollar/Australian Dollar exchange rate used to translate balances denominated in USD as at 30 June 2010 was 0.8523.

Based on the financial instruments held at 30 June 2010, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Consolidated Entity's post-tax profit for the year and equity would have been \$8,487 higher/ \$6,944 lower (2009: Nil), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table.

(iii) Cash flow and fair value interest rate risks

The Consolidated Entity's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Consolidated Entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the Consolidated Entity to fair value interest rate risk. The Consolidated Entity policy is to manage both risks as appropriate in conjunction with considerations about minimising the Consolidated Entity's liquidity risk (see below), the current state of the yield curve and expectations about interest rates in the medium term and the need for flexibility so as to minimise the Consolidated Entity's interest expense.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

As at the reporting date, all of the Consolidated Entity had the following variable and fixed rate borrowings:

	Weighted Average Interest rate %	30 June 2010 \$000	Weighted Average Interest rate %	30 June 2009 \$000
Financial liabilities				
Overdraft – secured (i)	9.80%	295	8.30%	4,462
Commercial bill –secured – variable (ii)	6.43%	3,900	-	-
Commercial bill –secured – fixed (iii)	9.01%	7,939	9.01%	7,939
Dan Smetana Loan – unsecured - variable (iv)	9.80%	300	-	-
		<u>12,434</u>		<u>12,401</u>
Bank guarantees (contingent liabilities) (v)	1.65%	1,178	1.65%	1,046
		<u>13,612</u>		<u>13,447</u>

- (i) The overdraft facility pays interest at variable interest rates plus a line fee is renewed annually.
- (ii) The Commercial bill facility (variable) debt attracts interest at variable BBSY interest rates plus a line fee and has a term which expires on 4 May 2013.
- (iii) The Commercial bill facility (fixed) debt attracts interest at a fixed annual interest rate and has a term which expires on 11 March 2013.
- (iv) The unsecured loan is from D Smetana, a Director of the Consolidated Entity and attracts interest at equivalent rates to the overdraft facility and is repayable at the earlier of (a) a future capital raising of the Consolidated Entity and (b) 4 May 2012.
- (v) Bank guarantees attract a variable interest rate plus a line fee and have a term of 1 year from the first draw down date.

An analysis by maturities is provided in (c) below.

The Consolidated Entity analyses its interest rate exposure on a dynamic basis. Various scenarios are modelled taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Consolidated Entity calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the various scenarios, the Consolidated Entity manages its cash flow interest rate risk adopting an appropriate mix of fixed versus variable rate debt and also an appropriate mix of debt maturities to provide it with flexibility to repay debt as quickly as possible whilst having liquidity available to take advantage of business opportunities as they arise.

Consolidated Entity sensitivity

At 30 June 2010, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$39,711 higher/lower (2009 - \$38,577 higher/lower), mainly as a result of a higher/lower interest expense arising from borrowings offset partially by lower/higher interest income from cash and cash equivalents. Equity would have been \$39,711 higher/lower (2009 - \$38,577 higher/lower) for the same reasons as above.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk is limited to high credit quality financial institutions with which deposits are held and high credit quality wholesale customers with which the Consolidated Entity trades.

Credit risk is managed on a Consolidated Entity basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set internally. The compliance with credit limits by wholesale customers is regularly monitored by line management.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in each applicable note. For wholesale customers without credit rating the Consolidated Entity generally retains title over the goods sold until full payment is received. For some trade receivables the Consolidated Entity may also obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement. The Consolidated Entity does not hold any credit derivatives to offset its credit exposure. The Consolidated Entity trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Consolidated Entity's policy to securitise its trade and other receivables.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	<i>CONSOLIDATED</i>	
	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
Cash and cash equivalents		
AA	4,180	3,519
Trade and other receivables		
Non-rated	3,013	3,398
Other financial assets		
Non-rated	6	6
	<hr/>	<hr/>
	7,199	6,923

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Consolidated Entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, the Consolidated Entity aims at maintaining flexibility in funding by keeping committed credit lines available and, where possible, with a variety of counterparties. Surplus funds are generally only invested in overnight deposits or used to repay debt.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

Maturities of financial assets and financial liabilities

The tables below analyse the Consolidated Entity's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Consolidated disclosures

Year ended 30 June 2010	≤6 months \$000	6-12 months \$000	1-5 years \$000	>5 years \$000	Total \$000
Consolidated financial assets					
Cash and cash equivalents	4,180	-	-	-	4,180
Trade and other receivables	2,593	-	420	-	3,013
Other financial assets	-	-	6	-	6
	<u>6,773</u>	<u>-</u>	<u>426</u>	<u>-</u>	<u>7,199</u>
Consolidated financial liabilities					
Trade and other payables	6,888	-	-	-	6,888
Interest bearing loans & borrowings	12,518	84	286	-	12,888
	<u>19,406</u>	<u>84</u>	<u>286</u>	<u>-</u>	<u>19,776</u>
Net maturity	<u>(12,633)</u>	<u>(84)</u>	<u>140</u>	<u>-</u>	<u>(12,577)</u>

Year ended 30 June 2009	≤6 months \$000	6-12 months \$000	1-5 years \$000	>5 years \$000	Total \$000
Consolidated financial assets					
Cash and cash equivalents	3,519	-	-	-	3,519
Trade and other receivables	3,021	-	377	-	3,398
Other assets	1,218	-	-	-	1,218
Other financial assets	-	-	6	-	6
	<u>7,758</u>	<u>-</u>	<u>383</u>	<u>-</u>	<u>8,141</u>
Consolidated financial liabilities					
Trade and other payables	4,859	-	-	-	4,859
Interest bearing loans & borrowings	4,520	58	8,475	-	13,053
	<u>9,379</u>	<u>58</u>	<u>8,475</u>	<u>-</u>	<u>17,912</u>
Net maturity	<u>(1,621)</u>	<u>(58)</u>	<u>(8,092)</u>	<u>-</u>	<u>(9,771)</u>

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

Financing arrangements

The Consolidated Entity had access to the following undrawn borrowing facilities at the reporting date:

	Facility limit	Used	Available
	\$000	\$000	\$000
30 June 2010			
Consolidated	13,935	13,612	323
30 June 2009			
Consolidated	13,500	13,447	53

The Consolidated Entity had \$323,000 of available facilities to manage its liquidity as at 30 June 2010 (2009: \$53,000). In addition the Consolidated Entity had a net investment in inventories of \$5,886,000 as at 30 June 2010 (2009: \$6,090,000).

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

(e) Capital risk management

Management controls the capital of the Consolidated Entity in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Consolidated Entity can fund its operations and continue as a going concern. The Consolidated Entity's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. The Consolidated Entity is not subject to any externally imposed capital requirements other than as disclosed in note 21 (f).

Management effectively manages the Consolidated Entity's capital by assessing the Consolidated Entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital of the Consolidated Entity since the prior year. This strategy is to ensure that the Consolidated Entity's gearing ratio remains between 30% and 50%. The gearing ratio for the year ended 30 June 2010 and 30 June 2009 is as follows:

	Note	CONSOLIDATED	
		2010	2009
		\$000	\$000
Total borrowings	20,21	18,903	17,912
Less cash and cash equivalents	11	(4,180)	(3,519)
Net debt		14,723	14,393
Total equity		15,554	24,243
		<u>30,277</u>	<u>38,636</u>
Gearing ratio		95%	59%

The increase in the gearing ratio is attributable to restructuring provisions brought to account at 30 June 2010. Management is actively exploring ways of reducing the gearing ratio in-line with strategy.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Consolidated Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment testing of goodwill

The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity 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 year ended 30 June 2010.

Valuation of investment property

The Consolidated Entity assesses investment property values at each reporting date by obtaining certificates of valuations from licensed valuers in accordance with applicable accounting standards. During the year ended 30 June 2010 the investment property values increased by \$76,000 (2009: decrease of \$2,820,000) and this value was brought to account to reflect the current market value of the properties in the financial statements.

Recognition of deferred taxation assets

The Consolidated Entity has deferred tax assets at 30 June 2010 of \$546,000 (2009: Nil) which were not brought to account, associated with tax losses arising in Australia the benefits of which will only be realised if the conditions for deductibility set out in note 1(b) occur.

Restructuring costs

The Consolidated Entity brought to account a number of provisions associated with a restructuring of its operations and an expected settlement of all franchisee legal actions. Refer to note 22 for further information

6. SEGMENT INFORMATION

(a) Adoption of AASB 8 Operating Segments

The Consolidated Entity has adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision makers in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments.

The Consolidated Entity has considered the requirements of AASB 8 and has concluded that the segments presented in prior years continue to satisfy the requirements of AASB 8.

(b) Products and services from which reportable segments derive their revenues

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

6. SEGMENT INFORMATION (CONTINUED)

(b) Products and services from which reportable segments derive their revenues (continued)

The Consolidated Entity has the following three operating segments:

- The Bedshed retail bedding franchise operation;
- The operation of Consolidated Entity owned Bedshed stores in Western Australia, South Australia, Victoria, New South Wales and Queensland; and
- The properties in New South Wales and Queensland which are leased under the sale agreement of the Foam Business.

Refer to note 9 for a description of discontinued operations. Transfer prices between operating segments are set at an arms-length basis in a manner similar to transactions with third parties.

(c) Operating segments

The following table presents revenue and profit information and certain asset and liability information regarding operating segments for the year ended 30 June 2010.

	<u>Continuing Operations</u>			<u>Discontinued Operations</u>		
	<i>Bedshed Franchising</i> \$000	<i>Bedshed Stores</i> \$000	<i>Investment Properties / Joyce</i> \$000	<i>Total</i> \$000	<i>Store Closures</i> \$000	<i>Total</i> \$000
Year ended 30 June 2010						
Revenue						
Sales to external customers	5,323	16,658	835	22,816	5,273	28,089
Inter-segment sales	-	-	-	-	-	-
Total segment revenue	5,323	16,658	835	22,816	5,273	28,089
Inter-segment elimination	-	-	-	-	-	-
Unallocated revenue	-	-	-	290	-	290
Total consolidated revenue				<u>23,106</u>	<u>5,273</u>	<u>28,379</u>
Result						
Segment result	(1,654)	(50)	(847)	(2,551)	(4,963)	(7,514)
Unallocated expenses net of unallocated income				115	-	115
Loss before tax and finance costs				(2,272)	(5,127)	(7,399)
Finance costs				(740)	(182)	(922)
Loss before income tax				(3,012)	(5,309)	(8,321)
Income tax benefit				174	-	174
Net loss for the year				<u>(2,838)</u>	<u>(5,309)</u>	<u>(8,147)</u>
Assets and liabilities						
Segment assets	12,786	9,014	18,969	40,769	3,292	44,061
Unallocated assets				388	-	388
Total assets				<u>41,157</u>	<u>3,292</u>	<u>44,449</u>
Segment liabilities	6,393	1,520	514	8,427	584	9,011
Unallocated liabilities				16,271	3,476	19,747
Total liabilities				<u>24,698</u>	<u>4,060</u>	<u>28,758</u>
Other segment information						
Capital expenditure	124	-	-	124	-	124
Depreciation and amortisation	59	148	-	207	156	363
Other non-cash segment expenses	3,276	-	576	3,852	3,476	7,328

6. SEGMENT INFORMATION (CONTINUED)

(c) Operating segments (continued)

The following table presents revenue and profit information and certain asset and liability information regarding operating segments for the year ended 30 June 2009.

	<i>Continuing Operations</i>			<i>Discontinued Operations</i>		<i>Total \$000</i>
	<i>Bedshed Franchising \$000</i>	<i>Bedshed Stores \$000</i>	<i>Investment Properties / Joyce \$000</i>	<i>Sub-total \$000</i>	<i>Store Closures \$000</i>	
Year ended 30 June 2009						
Revenue						
Sales to external customers	6,801	14,140	878	21,819	6,069	27,888
Inter-segment sales	-	-	-	-	-	-
Total segment revenue	6,801	14,140	878	21,819	6,069	27,888
Inter-segment elimination	-	-	-	-	-	-
Unallocated revenue	-	-	-	18	-	18
Total consolidated revenue				<u>21,837</u>	<u>6,069</u>	<u>27,906</u>
Result						
Segment result	2,240	1,133	(3,372)	1	(895)	(894)
Unallocated expenses net of unallocated income				20	-	20
Loss before tax and finance costs				21	(895)	(874)
Finance costs				(932)	(240)	(1,172)
Loss before income tax				(911)	(1,135)	(2,046)
Income tax benefit				376	341	717
Net loss for the year				<u>(535)</u>	<u>(794)</u>	<u>(1,329)</u>
Assets and liabilities						
Segment assets	12,429	9,777	18,966	41,172	3,985	45,157
Unallocated assets				250	-	250
Total assets				<u>41,422</u>	<u>3,985</u>	<u>45,407</u>
Segment liabilities	3,592	1,596	695	5,883	440	6,323
Unallocated liabilities				14,841	-	14,841
Total liabilities				<u>20,724</u>	<u>440</u>	<u>21,164</u>
Other segment information						
Capital expenditure	29	1,597	-	1,626	-	1,626
Depreciation and amortisation	81	157	-	238	187	425
Other non-cash segment expenses	-	-	2,820	2,820	-	2,820

(d) Geographic segments

The Consolidated Entity operates in one principal geographical area namely that of Australia (country of domicile).

(e) Information about major customers

No single customer of the Consolidated Entity generated more than 10% of the Consolidated Entity's revenue during the year ended 30 June 2010 (2009: None).

7. REVENUE, INCOME AND EXPENSES

(a) Revenue, Income and Expenses from Continuing Operations

	<i>CONSOLIDATED</i>	
	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
<i>Revenue</i>		
Sale of goods	16,690	13,920
Provision of services	5,300	6,743
Total revenue	21,990	20,663
<i>Other income -</i>		
Interest received	154	14
Rental income	826	878
Gain on revaluation of investment property	76	-
Subsidies received	-	223
Profit on disposal of assets	-	4
Other	60	55
Total other income	1,116	1,174
<i>Finance costs</i>		
Bank loans and overdrafts	711	908
Finance charges payable under finance leases and hire purchase contracts	29	24
Total finance costs	740	932
<i>Depreciation, costs of sales and other significant items of expenditure included in statement of comprehensive income</i>		
Included in expenses:		
Depreciation and amortisation	207	238
Impairment of property, plant and equipment	117	-
Loss on revaluation of investment property	-	2,820
Cost of sales	9,427	7,756
<i>Restructuring provisions</i>		
Franchisee settlements related legal costs	3,117	-
Inventory obsolescence costs	290	-
Termination costs	240	-
Other costs	81	-
Total	3,728	-

7. REVENUE, INCOME AND EXPENSES (CONTINUED)

	<i>CONSOLIDATED</i>	
	<i>2010</i>	<i>2009</i>
	\$000	\$000
(b) Lease payments and other expenses included in the statement of comprehensive income – overall operations		
Included in administrative expenses:		
Minimum lease payments - operating lease	4,988	3,112
(c) Employee benefits expense – overall operations		
Wages and salaries	5,771	5,590
Defined contribution superannuation expense	587	729
Other employee benefits expense	357	12
	<u>6,715</u>	<u>6,331</u>
(d) Underlying operating profit before tax – continuing operations		
Loss before tax per statement of comprehensive income –continuing operations.	(3,012)	(911)
<i>Adjustments to arrive at underlying profit</i>		
Restructuring costs (including legal costs associated with franchisee actions)	3,728	829
Expenses relating to sale of Queensland property	364	-
Revaluation of investment property	(76)	2,820
Inventory obsolescence costs	290	-
Impairment of plant and equipment	117	-
Other	139	-
Underlying profit before tax – continuing operations	<u>1,550</u>	<u>2,738</u>

8. INCOME TAX

The major components of income tax expense for the year ended 30 June 2010 are:

	<i>CONSOLIDATED</i>	
	<i>2010</i>	<i>2009</i>
	\$000	\$000
Consolidated Statement of comprehensive income – continuing operations		
<i>Current Income tax</i>		
Current income tax expense	-	83
Adjustments in respect of current income tax of previous years	-	24
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(174)	(483)
Income tax benefit relating to continuing operations	<u>(174)</u>	<u>(376)</u>
Consolidated Statement of comprehensive income – discontinued operations		
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	(341)
Income tax benefit relating to discontinued operations	<u>-</u>	<u>(341)</u>
Income tax benefit relating to overall operations	<u>(174)</u>	<u>(717)</u>

8. INCOME TAX (CONTINUED)

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Consolidated Entity's effective income tax rate for the years ended 30 June 2010 and 30 June 2009 is as follows:

	<i>CONSOLIDATED</i>	
	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
Loss from continuing operations before income tax	(3,012)	(911)
Income tax benefit calculated at the statutory income tax rate of 30% (2009: 30%)	(904)	(273)
Expenditure not allowable for income tax purposes	86	4
Recoupment of prior-year tax losses not previously brought to account	-	(131)
Deferred tax asset not brought to account	644	-
At effective income tax rate of 4.1% (2009: 43.9%)	(174)	(400)
Adjustments recognised in the current year in relation to the current tax of prior years	-	24
Income tax benefit recognised in profit or loss – continuing operations	(174)	(376)

The reduction in the rate of effective income tax in the year ended 30 June 2010 is attributable to the decision not to bring to account a deferred tax asset relating accumulated losses.

Tax consolidation

Joyce Corporation Ltd and its 100% owned subsidiaries are a tax Consolidated Entity. Members of the Consolidated Entity have not entered into any tax sharing or tax funding arrangements. At the reporting date, the possibility that the head entity will default on its tax payment obligations is remote. The head entity of the tax Consolidated Entity is Joyce Corporation Ltd.

Measurement method adopted under UIG 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax Consolidated Entity continue to account for their own current and deferred tax amounts. The Consolidated Entity has applied the Consolidated Entity allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax Consolidated Entity. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax Consolidated Entity.

Tax consolidation contributions/(distributions)

The Consolidated Entity has recognised the following amounts as tax consolidation contribution adjustments:

	<i>PARENT</i>	
	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
Total Increase/(reduction) to tax payable of Joyce Corporation Ltd:	-	-
Total increase/(reduction) to intercompany assets of Joyce Corporation Ltd:	-	-

8. INCOME TAX (CONTINUED)

Taxation of financial arrangements (TOFA)

Legislation is in place which changes the tax treatment of financial arrangements including the tax treatment of hedging transactions. The Consolidated Entity has assessed the potential impact of these changes on the Consolidated Entity's tax position. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 30 June 2010 (2009: Nil).

Deferred income tax

Deferred income tax at 30 June relates to the following:

	Opening balance, 1 July 09	Charged to profit or loss	Charged to Equity	Changes in tax rate	Exchange differences	Closing balance, 30 June 10
	\$000	\$000	\$000	\$000	\$000	\$000
Deferred income tax liabilities						
Investment property	(2,323)	37	-	-	-	(2,286)
Plant and equipment	(35)	-	-	-	-	(35)
	(2,358)	37	-	-	-	(2,321)
Deferred income tax assets						
Other	250	137	-	-	-	387
	250	137	-	-	-	387

The Consolidated Entity has deferred tax assets of \$546,000 (2009: Nil) which were not brought to account, associated with tax losses arising in Australia the benefits of which will only be realised if the conditions for deductibility set out in note 1(b) occur.

At 30 June 2010, there is no recognised or unrecognised deferred income tax liability (2009: Nil) for taxes that would be payable on the unremitted earnings of certain of the Consolidated Entity's subsidiaries, as the Consolidated Entity has no liability for additional taxation should such amounts be remitted.

9. DISCONTINUED OPERATIONS

(a) Plan to close some unprofitable Company owned stores

During the year ended 30 June 2010, the Consolidated Entity became committed to the closure of some unprofitable company owned stores. In consequence the Directors have brought to account a number of provisions to cover the associated costs of closing these stores. Some Company store closures are being negotiated with landlords and surrender costs are anticipated to equate to inventory liquidation value.

(b) Analysis of loss for the year from discontinued operations

The combined results of the discontinued operations (i.e. all the stores committed to the closure) included in the statement of comprehensive income are set out below. The comparative profit or loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period

Loss for the year from discontinued operations

	<i>2010</i> \$000	<i>2009</i> \$000
Revenue	5,272	5,995
Cost of sales	(3,013)	(3,158)
Gross profit	2,259	2,837
Other income	1	74
Expenses	(7,569)	(4,046)
Loss from discontinued operations before tax	(5,309)	(1,135)
Attributable income tax benefit	-	341
	(5,309)	(794)
Other comprehensive income	-	-
Loss for the year from discontinued operations (attributable to owners of Joyce Corporation Ltd).	(5,309)	(794)

Cash flows from discontinued operations

Net cash flows from operating activities	(1,677)	(607)
Net cash flows from investing activities	-	-
Net cash flows from financing activities	-	-
Net cash flows	(1,677)	(607)

10. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders (after deducting interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and dilutive convertible non-cumulative redeemable preference shares).

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	<i>CONSOLIDATED</i>	
	<u>2010</u>	<u>2009</u>
	\$000	\$000
Net loss attributable to equity holders from continuing operations for basic earnings per share	(2,838)	(535)
Effect of dilutive equity instruments	-	-
Net loss attributable to equity holders from continuing operations for diluted earnings per share	(2,838)	(535)
Loss attributable to equity holders from discontinued operations	(5,309)	(794)
Net loss attributable to ordinary shareholders for basic earnings per share	(8,147)	(1,329)
Effect of dilutive equity instruments	-	-
Net loss attributable to ordinary shareholders for diluted earnings per share	(8,147)	(1,329)
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for basic earnings per share	20,701,623	20,701,623
Effect of dilution	-	-
Adjusted weighted average number of ordinary shares for diluted earnings per share	20,701,623	20,701,623
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share	-	-
Weighted average number of partly paid ordinary shares (issued at \$1.955 and paid to \$1.215) included in basic and diluted earnings per share	380,000	380,000

11. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cashflows, cash and cash equivalents are comprised of the following:

	<i>CONSOLIDATED</i>	
	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
Cash at bank and in hand (a)	4,180	3,519
	<u>4,180</u>	<u>3,519</u>

(a) Amounts held in trust for Bedshed marketing and other funds

Included within the cash and cash equivalents balance are funds allocated for the specific use of the Bedshed marketing and other funds on behalf of the Consolidated Entity's franchisee-owned and Company-owned stores. At 30 June 2010 the total of this balance was \$2,453,594 (30 June 2009: \$2,296,145). Refer to note 20 for further information.

12. TRADE AND OTHER RECEIVABLES

Current

Trade receivables	2,658	3,036
Allowance for impairment loss (a)	(65)	(15)
	<u>2,593</u>	<u>3,021</u>

Non-current

Trade receivables	420	377
	<u>420</u>	<u>377</u>

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment provision of \$65,000 (2009: \$15,000) has been recognised by the Consolidated Entity.

At 30 June, the ageing analysis of trade receivables is as follows:

		Total	0-30 Days	31-60 Days	61-90 Days PDNI*	61-90 Days CI*	+91 Days PDNI*	+91 Days CI*
		<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
2010	Consolidated	2,658	1,281	727	195	-	390	65
2009	Consolidated	3,036	2,843	45	57	-	76	15

* Past due not impaired ('PDNI')
Considered impaired ('CI')

Receivables past due but not considered impaired are: Consolidated Entity: \$585,000 (2009: \$133,000). Payment terms on these amounts have not been re-negotiated however credit has been stopped until full payment is made. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the provision for impairment of receivables is as follows:

	CONSOLIDATED	
	2010	2009
	\$000	\$000
Opening balance at 1 July	15	27
Charge for the year	50	-
Amounts written-off	-	(12)
Closing balance at 30 June	65	15

(b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Consolidated Entity's policy to transfer (on-sell) receivables to special purpose entities.

(c) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 4.

13. INVENTORIES

	CONSOLIDATED	
	2010	2009
	\$000	\$000
Stock on hand at cost	6,176	6,090
Provision for impairment (a)	(290)	-
	5,886	6,090

(a) Provision for impairment

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2010 amounted to \$290,000 (2009: \$Nil). The expense has been included in 'restructuring provisions' in the statement of comprehensive income.

14. OTHER ASSETS

	CONSOLIDATED	
	2010	2009
	\$000	\$000
Current		
Prepayments	607	1,218
	607	1,218

15. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	<i>CONSOLIDATED</i>	
	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
Current		
Property	7,350	7,550
	<u>7,350</u>	<u>7,550</u>

Company has accepted a conditional offer on the Brendale property in Queensland for \$7.5m. The agreement was subject to the purchaser undertaking due diligence on the property which has now occurred though the settlement had not yet occurred at 30 June 2010. On 28 September 2010 the sale of this property was completed.

16. OTHER FINANCIAL ASSETS

	<i>CONSOLIDATED</i>	
	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
Current		
Investments in shares	6	6
	<u>6</u>	<u>6</u>

17. PLANT AND EQUIPMENT

	<i>CONSOLIDATED</i>			
	<i>Leasehold</i>	<i>Plant and</i>	<i>Leased</i>	<i>Total</i>
	<i>improvements</i>	<i>equipment</i>	<i>Plant and</i>	<i>Equipment</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Year ended 30 June 2010				
At 1 July 2009,				
Net of accumulated depreciation	-	2,145	576	2,721
Additions	-	110	-	110
Disposals	-	(30)	(32)	(62)
Depreciation charge for the year	-	(243)	(120)	(363)
Impairment	-	(117)	-	(117)
At 30 June 2010,				
Net of accumulated depreciation	-	1,865	424	2,289
At 1 July 2009				
Cost	16	3,533	776	4,325
Accumulated depreciation and impairment	(16)	(1,388)	(200)	(1,604)
Net carrying amount	-	2,145	576	2,721
At 30 June 2010				
Cost	16	3,539	721	4,276
Accumulated depreciation and impairment	(16)	(1,674)	(297)	(1,987)
Net carrying amount	-	1,865	424	2,289

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2010 is \$424,000 (2009: \$576,000). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

For assets pledged as collateral for the Consolidated Entity's banking facilities refer to note 21.

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<i>CONSOLIDATED</i>			<i>Total</i> \$000
	<i>Leasehold improvements</i> \$000	<i>Plant and equipment</i> \$000	<i>Leased Plant and Equipment</i> \$000	
Year ended 30 June 2009				
At 1 July 2008,				
Net of accumulated depreciation	4	1,922	779	2,705
Additions	-	361	80	441
Disposals	-	-	-	-
Depreciation charge for the year	(4)	(285)	(136)	(425)
Assets transferred from leased plant & equipment		147	(147)	-
<hr/>				
At 30 June 2009,				
Net of accumulated depreciation	-	2,145	576	2,721
<hr/>				
At 1 July 2008				
Cost	16	3,166	831	4,013
Accumulated depreciation and impairment	(12)	(1,244)	(52)	(1,308)
Net carrying amount	4	1,922	779	2,705
<hr/>				
At 30 June 2009				
Cost	16	3,533	776	4,325
Accumulated depreciation and impairment	(16)	(1,388)	(200)	(1,604)
Net carrying amount	-	2,145	576	2,721

18. INVESTMENT PROPERTY

	<i>CONSOLIDATED</i>	
	<i>2010</i> \$000	<i>2009</i> \$000
Year ended 30 June		
Balance at 1 July	10,430	20,800
Additions	-	-
Disposals	-	-
Transfer to non-current assets held for sale	-	(7,550)
Fair value adjustments	76	(2,820)
<hr/>		
Balance at 30 June	10,506	10,430

The fair value model is applied to all investment properties. The investment property was valued by registered independent valuers as at 30 June 2010 and at 30 June 2009. Joyce Corporation Ltd leases its properties to Joyce Foam Pty Ltd (the Company which acquired the foam businesses in November 2005) at a rental less than the current market value.

In the 30 June 2010 the valuer arrived at the above property valuation after deducting an amount of \$2,614,000 because the existing lease attracts rent at approximately 50% of current market rental yields and the lease has another 4.5 years to run. But for the existence of this lease, the valuation of the above property would have been stated at \$13,120,000.

19. INTANGIBLE ASSETS

	<i>CONSOLIDATED</i>	
	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
Goodwill (a)	10,225	10,225
	<u>10,225</u>	<u>10,225</u>

An analysis of intangible assets is presented below:

	<i>CONSOLIDATED</i>	
	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
Year ended 30 June		
At 1 July, net of accumulated amortisation	10,225	9,116
Additions	-	1,109
Amortisation	-	-
At 30 June, net of accumulated amortisation	<u>10,225</u>	<u>10,225</u>
At 1 July		
Cost (gross carrying amount)	10,569	9,460
Accumulated amortisation and impairment	(344)	(344)
Net carrying amount	<u>10,225</u>	<u>9,116</u>
At 30 June		
Cost (gross carrying amount)	10,569	10,569
Accumulated amortisation and impairment	(344)	(344)
Net carrying amount	<u>10,225</u>	<u>10,225</u>

(a) Goodwill

Intangible assets as at 30 June 2010 reflects the value of the Bedshed activities for the Bedshed Joondalup store which was purchased in May 2007, the Bedshed Claremont store that was purchased in October 2008 and the remaining 51% of Bedshed Franchising Pty Ltd purchased in 2006.

(b) Impairment Disclosures

Goodwill is allocated to cash-generating units which are based on the Consolidated Entity's operating segments

	<i>CONSOLIDATED</i>	
	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
Bedshed Franchising segment	6,306	6,306
Bedshed Stores segment	3,919	3,919
Total	<u>10,225</u>	<u>10,225</u>

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period with the period extending beyond existing budgets for the 2010/11 and 2011/12 financial years extrapolated using estimated growth rates. The cash flows are discounted using risk-adjusted pre-tax discount rates.

19. INTANGIBLE ASSETS (CONTINUED)

(b) Impairment Disclosures (continued)

The following assumptions were used in the value-in-use calculations:

	Discount Rate	Sales Growth Rate	Expense Growth Rate
Bedshed Franchising segment	12%	5%	3-10%
Bedshed Stores segment	12%	3%	3-5%

The Consolidated Entity's value-in-use calculations incorporated a terminal value component beyond the 5 year projection period for both the Bedshed Franchising and Bedshed Stores operating segments. The principal assumption used to estimate the terminal value of each operating segment was a multiple of 3 times earnings before interest, taxation, depreciation and amortisation for the year ended 30 June 2010.

There has been no impairment of Goodwill for the year ended 30 June 2010 (2009: Nil).

(c) Impact of possible changes in key assumptions

The recoverable amount of goodwill is estimated to be in excess to the carrying amount of the relevant CGUs goodwill at 30 June 2010 as follows:

	Excess of recoverable amount over carrying amount
Bedshed Franchising segment	\$8,923,853
Bedshed Stores segment	\$2,753,370

An unfavourable change in the pre-tax discount rate would cause the recoverable amount of goodwill to reduce as follows:

- A 1% increase in the pre-tax discount rate from 12% to 13% causes a \$208,514 reduction in the recoverable amount of goodwill.

20. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2010 \$000	2009 \$000
Current		
<i>Unsecured liabilities</i>		
Trade payables	3,297	2,440
Accruals and other payables	1,137	123
Amounts held in trust for Bedshed marketing and other funds (a)	2,454	2,296
	<u>6,888</u>	<u>4,859</u>

(a) Amounts held in trust for Bedshed marketing and other funds

Included within the cash and cash equivalents balance are funds allocated for the specific use of the Bedshed marketing and other funds on behalf of the Consolidated Entity's franchisee-owned and Company-owned stores. Refer to note 11 for further information.

(b) Risk exposure

Information about the Consolidated Entity's exposure to foreign exchange risk is provided in note 4.

21. INTEREST BEARING LOANS AND BORROWINGS

Interest bearing loans and borrowings are comprised of the following:

	<i>CONSOLIDATED</i>	
	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
Current		
Finance leases	168	116
Commercial bill - secured (a)	3,900	-
Bank overdrafts – secured (b)	295	4,462
Bank loans – secured (c)	7,939	-
Loan from related party – unsecured (d)	300	-
	<u>12,602</u>	<u>4,578</u>
Non-current		
<i>Secured liabilities</i>		
Finance leases	286	536
Bank loans (c)	-	7,939
	<u>286</u>	<u>8,475</u>
	<u>12,888</u>	<u>13,053</u>

The commercial bills have been accounted for under AASB 139 'Financial Instruments – Recognition & Measurement' using the effective interest method.

(a) Commercial bill - secured

The Commercial bill facility debt attracts variable interest at variable BBSY interest rates plus a line fee and has a term which expires on 4 May 2013.

(b) Bank overdraft - secured

The overdraft facility attracts interest at variable interest rates plus a line fee is renewed annually.

(c) Bank loans - secured

The Commercial bill facility (fixed) debt attracts interest at a fixed annual interest rate and has a term which expires on 11 March 2013.

(d) Loan from related party - unsecured

The unsecured loan is from Mr Smetana, a Director of the Consolidated Entity and attracts interest at equivalent rates to the overdraft facility and is repayable at the earlier of (a) a future capital raising of the Consolidated Entity and (b) 4 May 2012.

(e) Collateral provided

The available St George bank facility is \$13,635,000 (2009: \$13,500,000). The unused facility at 30 June 2010 is \$323,000 (2009: \$53,000). Further details on the facility are provided in note 4. There is first registered real property mortgage over the investment properties owned by the Consolidated Entity, together with a fixed and floating charge over the Consolidated Entity assets as security over the facility.

	<i>CONSOLIDATED</i>	
	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
The carrying amounts of non-current assets pledged as security are:		
Freehold land and buildings (Notes 15 & 18)	17,856	17,980
Plant and equipment	2,289	2,721
	<u>20,145</u>	<u>20,701</u>

21. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

(f) Debt covenants

The covenants with St George bank includes:

- an interest rate cover ratio of 2.00 times where the cover is earnings before interest, tax, depreciation, amortisation and abnormals divided by interest charged,
- a gearing ratio of a maximum of 1.00 times where gearing is Total Liabilities divided by Total Equity; and
- a limit on dividend payments where these cannot be greater than 60% of net profit before interest, tax, depreciation, amortisation and abnormals.

Lease liabilities are secured by the underlying leased assets.

Financial assets that have been pledged as part of the total collateral for the benefit of the bank debt are as follows:

	CONSOLIDATED	
	2010	2009
	\$000	\$000
Cash and cash equivalents	4,180	3,519
Trade receivables	2,593	3,021
	<u>6,773</u>	<u>6,540</u>

(g) Debt classification

There was a technical breach of the Company's interest cover and gearing ratio debt covenants at 30 June 2010. As a result of the covenant breach, the Consolidated Entity's debt has been classified as current at 30 June 2010, in accordance with applicable accounting standards. Subsequently, the Consolidated Entity successfully obtained a 'no-action' agreement from St George Bank in relation to the above covenant breach, confirming the continuation of the debt banking facility.

(h) Risk exposure

Details of the Consolidated Entity's exposure to risks arising from current and non-current borrowings are set out in note 4.

(i) Fair values

The carrying amount of the Consolidated Entity's current and non-current borrowings approximate their fair value

22. PROVISIONS

Provisions are comprised of the following:

	CONSOLIDATED	
	2010	2009
	\$000	\$000
Current		
Employee benefits (a)	274	303
South Australia rental shortfall (b)	102	287
Franchise settlement (c)	1,875	-
Store closure provision (d)	2,860	-
Other	69	-
Total Current	5,180	590
Non-current		
Employee benefits (a)	5	37
South Australia rental shortfall (b)	-	111
Franchisee settlement (c)	625	-
Restructuring provisions (d)	718	-
Environmental testing (e)	9	73
Other	41	-
Total Non-Current	1,398	221
	6,578	811

(a) Provision for employee benefits

A provision has been recognised for employee benefits relating to long service leave and annual leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in note 2 to this report.

(b) Provision for rental shortfall

A provision has been recognised for the payment of rental shortfall following the sale of the South Australian investment property. Under the lease arrangement rent was charged at lower than market value until November 2010. The rent shortfall will be paid in monthly instalments until November 2010.

(c) Provision for franchisee settlement

During the year ended 30 June 2010, the Consolidated Entity reached a settlement with franchisees of all outstanding legal cases. The terms of the settlement deed have been finalised and the settlement deed was signed on 20 September 2010. The terms of this settlement are a payment of \$2,500,000 plus legal fees with 50% payable in 60 days 20 September 2010 and remaining 50% payable quarterly in arrears over 18 months from 20 September 2010. The Consolidated Entity has brought to account a provision for the related costs of this settlement at 30 June 2010.

(d) Restructuring provisions

During the year ended 30 June 2010, the Consolidated Entity became committed to the closure of some unprofitable company owned stores. In consequence the Directors have brought to account a number of provisions to cover the associated costs of closing these stores as well as other restructuring provisions associated with lease closure costs that are currently being negotiated with landlords. Cash outflows associated with elements of this provision were discounted using discount rates of between 5.36% and 12% per annum.

22. PROVISIONS (CONTINUED)

(e) Provision for environmental testing

As part of the ongoing testing of Joyce Corporation owned sites it was found that traces of a chemical used by Joyce Foam Products was detected in the groundwater at the South Australian and New South Wales properties. The levels found were not high and to be prudent the Department of Environment and Conservation were notified. Confirmation has been received from the Department of Environment and Protection that no remediation work is required due to the low risk of harm to the environment, however an ongoing monitoring program has been established to monitor the nature, extent and movement of the chemical found.

23. CONTRIBUTED EQUITY

Ordinary shares carry one vote per share and carry the right to dividends.

	<i>CONSOLIDATED</i>	
	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
20,321,623 (2009: 20,321,623) Issued and fully paid ordinary shares (a)	15,167	15,167
380,000 (2009: 380,000) Partly paid ordinary shares, issued at \$1.955 and paid to \$1.215 (2009: \$1.215) (b)	467	467
	<u>15,634</u>	<u>15,634</u>
<i>Movement in ordinary shares on issue</i>	<i>Number</i>	<i>\$000</i>
At 1 July 2008	20,321,623	15,167
At 30 June 2009	<u>20,321,623</u>	<u>15,167</u>
At 30 June 2009	<u>20,321,623</u>	<u>15,167</u>
<i>Movement in partly-paid shares on issue (Issued at \$1.955)</i>	<i>Number</i>	<i>\$000</i>
At 1 July 2008	380,000	450
Payment received on partly paid shares	-	17
At 30 June 2009	<u>380,000</u>	<u>467</u>
At 30 June 2009	<u>380,000</u>	<u>467</u>

(a) Par value

The ordinary shares have no par value.

(b) Partly-paid ordinary shares

Partly paid ordinary shares are unquoted until they become fully paid. Partly paid ordinary shares carry voting rights and rights to participate in entitlement issues although any ordinary shares acquired under a rights issue cannot be quoted until the partly paid ordinary shares become fully paid.

24. CAPITAL AND LEASING COMMITMENTS

(a) Finance lease and hire purchase commitments

The Consolidated Entity has finance leases and hire purchase contracts for various items of plant and machinery, these leases have no terms of renewal or purchase options and escalation clauses.

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	2010		2009	
	Minimum payments \$000	Present value of payments \$000	Minimum payments \$000	Present value of payments \$000
<i>CONSOLIDATED</i>				
Within one year	208		224	
After one year but not more than five years	314		560	
Total minimum lease payments	522		784	
Less amounts representing finance charges	(68)		(132)	
Present value of minimum lease payments	454	454	652	652

(b) Property lease receivable – Consolidated Entity as lessor

	<i>CONSOLIDATED</i>	
	2010 \$000	2009 \$000
Within one year	747	506
After one year but not more than five years	2,669	2,712
More than five years	278	926
	3,694	4,144

The property leases are non-cancellable leases expiring in 2010 for a property in Queensland, 2014 for a property in South Australia and 2015 for a property New South Wales respectively, with rent receivable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by CPI per annum and or in accordance with a formula linked to turnover of the lessee.

(c) Property lease payable – Consolidated Entity as lessee

	<i>CONSOLIDATED</i>	
	2010 \$000	2009 \$000
Within one year	4,062	4,228
After one year but not more than five years	11,481	15,301
More than five years	677	3,008
	16,220	22,537

24. CAPITAL AND LEASING COMMITMENTS (CONTINUED)

(c) Property lease receivable – Consolidated Entity as lessee (continued)

Property leases are non-cancellable leases and have remaining terms of up to six years, with rent payable monthly in advance. Provisions within the lease agreements require that the minimum lease payments shall be increased by the CPI per annum. An option exists for most of the leases to renew the lease at the end of the lease term for an additional term equal to the period of the original lease. If the lease is renewed the rental rate is adjusted to market value.

(d) Motor vehicle lease payable – Consolidated Entity as lessee

	CONSOLIDATED	
	2010	2009
	\$000	\$000
Within one year	30	28
After one year but not more than five years	39	7
More than five years	-	-
	<u>69</u>	<u>35</u>

Motor vehicle leases are non-cancellable leases for Consolidated Entity motor vehicles.

(e) Capital expenditure commitments

	CONSOLIDATED	
	2010	2009
	\$000	\$000
Capital expenditure commitment for store development - plant and equipment		
Payable:		
- within one year	-	238
	<u>-</u>	<u>238</u>

25. CONTINGENT LIABILITIES

(a) Rental Guarantees

Joyce Corporation Ltd has provided guarantees to third parties in relation to property leases for Bedshed Company owned stores. These guarantees will be required while the stores remain company operated and currently total \$1,178,006 (2009: \$1,046,177).

26. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Joyce Corporation Ltd and the subsidiaries listed in the following table.

	<i>Country of incorporation</i>	<i>% Equity interest</i>	
		<i>2010</i>	<i>2009</i>
Joyce Rural Pty Ltd	Australia	100	100
Bedding Investments Pty Ltd	Australia	100	100
Joyce Industries Pty Ltd	Australia	100	100
Marfoam Pty Ltd	Australia	100	100
Sierra Bedding Pty Ltd	Australia	100	100
Joyce Indpac Limited	Australia	100	100
Votrait No. 611 Pty Ltd	Australia	100	100
Joyce Asia Pty Ltd	Singapore	100	100
Bedshed Franchising Pty Ltd	Australia	100	100

Joyce Corporation Ltd is the ultimate parent of the Consolidated Entity.

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

Transactions with related parties:

(a) *Key Management Personnel*

(i) Disclosures relating to directors:-

Those Directors or their Director-related entities received dividend payments, which were made on the same basis as those made to other shareholders, during the year ended 30 June 2010.

- (ii) Transactions entered into during the year between the Company and its controlled entities and Directors of the Company and their Director-related entities were within normal customer or employee relationships on terms and conditions no more favourable than those available to other customers or employees.
- (iii) Consulting fees paid to Anatems Pty Ltd ATF The Forrest Trust in which Mr D Smetana has a beneficial interest \$157,050 (2009: \$188,024). As at year end there was no amount owing to this related party (2009: Nil).
- (iv) The Non-Executive directors fees for Mr A Mankarios are paid to Starball Pty Ltd, a company in which Mr Mankarios has significant influence - \$65,924 (2009 - \$55,000). As at year end there was no amount owing to this related party (2009: Nil).
- (v) During the year ended 30 June 2010 the Consolidated Entity paid interest of \$4,123 (2009: Nil) to Anatems Pty Ltd ATF The Forrest Trust in which Mr D Smetana has a beneficial interest, in respect of a \$300,000 unsecured loan. The unsecured loan attracts interest at equivalent rates to the overdraft facility of the Consolidated Entity with St George bank and is repayable at the earlier of (a) a future capital raising of the Consolidated Entity and (b) 4 May 2012. Refer to note 4 for further details.
- (vi) Consulting fees paid to Franchising Solutions Pty Ltd for Mr T Hantke - \$10,750 (2009: Nil). As at year end there was no amount owing to this related party (2009: Nil).

27. EVENTS AFTER REPORTING DATE

On 20 September 2010, the Consolidated Entity executed a Deed of Settlement in relation to the previous legal action with franchisees. The terms of this Deed are consistent with provisions made by the Consolidated Entity at 30 June 2010.

On 28 September 2010 the sale of the Queensland property classified as 'held for sale' at 30 June 2010 was completed.

On 30 September 2010, the Consolidated Entity announced a rights issue for convertible notes to raise approximately \$2.18 million to enable the Consolidated Entity to settle on the agreed legal settlements with franchisees as well as for general working capital purposes.

Other than disclosed above no event has occurred since the reporting date to the date of this report that has significantly affected, or may significantly affect:

- (a) the Consolidated Entity's operations, or
- (b) the results of those operations, or
- (c) the Consolidated Entity's state of affairs.

28. AUDITORS' REMUNERATION

	<i>CONSOLIDATED</i>	
	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
Amounts received or due and receivable by the auditor, Grant Thornton Audit Pty Ltd for:		
• an audit or review of the financial report of the Consolidated Entity	135	121
• other services in relation to the Parent Entity and any other entity in the Consolidated Entity		
(a) tax compliance	35	37
(b) assurance related	-	-
(c) special audits required by regulators	-	-
	<u>170</u>	<u>158</u>

29. DIVIDENDS

	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
<i>Distributions paid</i>		
Final unfranked ordinary dividend of 2.0 (2009: 3.0 cents) cents per share	405	621
Interim unfranked ordinary dividend of Nil (2009: 1.5 cents) cents per share	-	311
	<u>405</u>	<u>932</u>

To date the directors are yet to recommend the payment of a final dividend out of retained profits at 30 June 2010.

30. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of key management personnel

(i) Specified directors

Mr D A Smetana	Chairman (non-executive)
Mr T R Hantke	Non-executive Director
Mr M A Gurry	Non-executive Director
Mr A Mankarios	Executive Director
Mr R Mahoney	Managing Director - resigned 12 March 2010

(ii) Specified executives

Mr G Culmsee	Chief Operating Officer
Mr K Gray	Chief Financial Officer & Company Secretary – appointed 19 January 2010
Mr J Armes	Chief Financial Officer & Company Secretary - appointed 10 August 2009, resigned 6 November 2009
Mr M McLean	Chief Financial Officer & Company Secretary - resigned 28 August 2009
Ms S Freedman	National Marketing Manager
Mr S Jones	National Merchandise Manager – resigned 28 February 2010

(b) Remuneration of key management personnel

(i) Remuneration Policy

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

It is the Remuneration Committee's policy that employment agreements shall be entered into with the Managing Director and all other executives.

30. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(ii) Remuneration of key management personnel

	Short-term			Post-Employment		Share based payment	Total
	Salary & Fees \$000	Cash Bonus \$000	Non-Monetary benefits \$000	Superannuation \$000	Retirement benefits \$000	Options \$000	
30 June 2010							
Mr D A Smetana	281	-	-	11	-	-	292
Mr T R Hantke	32	-	-	35	-	-	67
Mr M A Gurry	62	-	-	5	-	-	67
Mr A Mankarios	66	-	-	-	-	-	66
Mr R Mahoney	282	-	-	33	157	-	472
Mr G Culmsee	173	-	26	15	-	-	214
Mr K Gray	69	-	6	7	-	-	82
Mr J Armes	48	-	-	4	-	-	52
Mr M McLean	37	-	2	4	25	-	68
Ms S Freedman	126	-	-	11	-	-	137
Mr S Jones	177	-	17	19	-	-	213
Total Remuneration:	1,353	-	51	144	182		1,730
30 June 2009							
Mr D A Smetana	23	-	-	119	-	-	142
Mr T R Hantke	-	-	-	73	-	-	73
Mr M A Gurry	67	-	-	6	-	-	73
Mr A Mankarios	55	-	-	-	-	-	55
Mr R Mahoney	273	122	-	50	-	-	445
Mr G Culmsee	125	-	23	13	-	-	161
Mr M McLean	117	5	14	40	-	-	176
Ms S Freedman	126	23	-	13	-	-	162
Mr S Jones	143	24	25	22	-	-	214
Total Remuneration:	929	174	62	336	-	-	1,501

(c) Remuneration options: Granted and vested during the year

During the financial year ended 30 June 2010 no options (2009: Nil) were granted or vested as equity compensation benefits to any director or executive of the Consolidated Entity.

(d) Shares issued on exercise of remuneration options

During the financial year ended 30 June 2010 no shares (2009: Nil) were issued on exercise of remuneration options to any director or executive of the Consolidated Entity.

30. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(e) Shareholdings of key management personnel

Ordinary Shares held in Joyce Corporation Ltd

2010	Balance	Granted as	On Exercise of	Net Change	Balance
	01-Jul-09	Remuneration	Options	Other	30-June-10
	Ord	Ord	Ord	Ord	Ord
Mr D A Smetana*	7,079,932	-	-	-	7,079,932
Mr T R Hantke	-	-	-	-	-
Mr M A Gurry	-	-	-	-	-
Mr A Mankarios	505,289	-	-	-	505,289
Mr R Mahoney	18,000	-	-	(18,000)	-
Mr G Culmsee	-	-	-	-	-
Mr K Gray	-	-	-	-	-
Mr J Armes	-	-	-	-	-
Mr M McLean	-	-	-	-	-
Ms S Freedman	-	-	-	-	-
Mr S Jones	-	-	-	-	-
Total	7,603,221	-	-	(18,000)	7,585,221
2009	Balance	Granted as	On Exercise of	Net Change	Balance
	01-Jul-08	Remuneration	Options	Other	30-June-09
	Ord	Ord	Ord	Ord	Ord
Mr D A Smetana*	6,890,310	-	-	189,622	7,079,932
Mr T R Hantke	-	-	-	-	-
Mr M A Gurry	-	-	-	-	-
Mr A Mankarios	505,289	-	-	-	505,289
Mr R Mahoney	-	-	-	18,000	18,000
Mr G Culmsee	-	-	-	-	-
Mr M McLean	-	-	-	-	-
Ms S Freedman	-	-	-	-	-
Mr S Jones	5,000	-	-	(5,000)	-
Total	7,400,599	-	-	202,622	7,603,221

* Beneficial holding only. Mr Smetana controls 7,957,359 fully-paid ordinary shares (2009: 7,957,359).

All equity transactions with specified directors and specified executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

Mr D A Smetana also holds 380,000 partly paid (issued at \$1.955 and paid to \$1.215) ordinary shares of the Company.

Partly paid shares are unquoted until they become fully paid. Partly paid shares carry voting rights and rights to participate in entitlement issues although any shares acquired under a rights issue cannot be quoted until the partly paid shares become fully paid.

(f) Loans to key management personnel

At 30 June 2010 or at any time during the financial year there were no loans (2009: Nil) outstanding to specified directors and specified executives.

31. RECONCILIATION OF NET LOSS AFTER TAX TO NET CASH FLOWS FROM OPERATIONS

Reconciliation of net loss after tax to the net cash flows from operations

	<i>CONSOLIDATED</i>	
	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
Net loss after taxation	(8,147)	(1,329)
<i>Adjustments for:</i>		
Depreciation and amortisation	363	425
Impairment of plant & equipment	117	-
Revaluations of investment properties including those classified as held for sale	124	2,820
Net loss / (profit) on disposal of property, plant and equipment	36	(4)
<i>Changes in assets and liabilities</i>		
(increase)/decrease in inventories	204	(1,942)
(increase)/decrease in trade and other receivables	385	1,186
(increase)/decrease in other assets	611	151
(increase)/decrease in net deferred income tax assets and liabilities	(174)	(799)
(decrease)/increase in income taxes payable	-	83
(decrease)/increase in trade and other payables	2,029	(2,721)
(decrease)/increase in provisions	5,767	(359)
Net cash flows used in operating activities	1,315	(2,489)

32. PARENT ENTITY DISCLOSURES

(a) Financial position

	<i>As at 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
Assets		
Current assets	166	7,630
Non-current assets	27,365	21,069
Total assets	<u>27,531</u>	<u>28,699</u>
Liabilities		
Current liabilities	12,972	4,912
Non-current liabilities	143	8,128
Total liabilities	<u>13,115</u>	<u>13,040</u>
Net Assets	<u>14,416</u>	<u>15,659</u>
Equity		
Issued capital	15,634	15,634
Retained earnings	(1,218)	25
Net Equity	<u>14,416</u>	<u>15,659</u>

(b) Financial performance

	<i>Year ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
Loss for the year	(838)	(1,569)
Other comprehensive income	-	-
Total comprehensive loss	<u>(838)</u>	<u>(1,569)</u>

(c) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

No such guarantees existed at 30 June 2010, other than security arrangement with St George Bank in respect of interest bearing liabilities discussed in note 21.

(d) Contingent liabilities of the parent entity.

No contingent liabilities existed within the parent entity as at 30 June 2010 (30 June 2009: Nil).

(e) Commitments for the acquisition of property plant and equipment by the parent entity

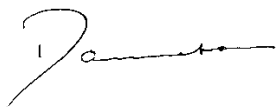
No commitments for the acquisition of property plant and equipment by the parent entity existed as at 30 June 2010 (30 June 2009: Nil).

DIRECTORS' DECLARATION

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

- (a) in the Directors' opinion the financial statements and notes the Consolidated Entity has been prepared in accordance with the Corporations Act 2001, including that they:
 - (i) comply with Australian Accounting Standards and Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position of the Consolidated Entity as at 30 June 2010 and of its performance as represented by the results of its operations and its cash flows for the year ended on that date; and
- (b) the Directors have been given the declarations by the Managing Director and Chief Financial Officer required by Section 295A;
- (c) 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; and
- (d) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

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



D A Smetana
Chairman

Perth, 30 September 2010

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Independent Auditor's Report To the Members of Joyce Corporation Limited

Report on the financial report

We have audited the accompanying financial report of Joyce Corporation Limited (the "Company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

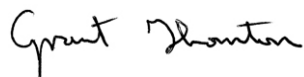
- a the financial report of Joyce Corporation Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the Remuneration Report included in pages 13 to 17 of the Directors' Report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the Remuneration Report of Joyce Corporation Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P W Warr
Director – Audit and Assurance Services

Perth, 30 September 2010

ASX ADDITIONAL INFORMATION

AS AT 20 SEPTEMBER 2010

Additional information required by the Australian Securities Exchange Limited's Listing Rules and not disclosed elsewhere in this report. The information is provided below:

(a) Distribution of Shareholders

Category	Holders	Fully Paid Ordinary Shares	%
1 - 1,000	228	75,423	0.37
1,001 - 5,000	188	470,628	2.32
5,001 - 10,000	66	480,329	2.36
10,001 - 100,000	113	3,267,471	16.08
100,001 - and over	26	16,027,772	78.87
Total	621	20,321,623	100.00
Holding less than a marketable parcel	255	106,076	0.52

(b) Shareholdings - Substantial Shareholdings

The number of shares held at the report date by substantial shareholders was as follows:

Ordinary Shareholder	Fully Paid Ordinary Shares	%
1. Mr D A Smetana*	7,957,359	39.16
2. John Roy Westwood	2,034,000	10.01
Total	9,113,932	49.17

* Mr Smetana has beneficial interest in only 7,079,932 fully-paid ordinary shares (2009: 7,079,932).

(c) Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

ASX ADDITIONAL INFORMATION (CONTINUED)

AS AT 20 SEPTEMBER 2010

(d) Shareholdings - Twenty Largest Holders of Quoted Equity Securities

The number of shares held at the report date by the twenty largest holders of quoted equity securities:

Ordinary Shareholder	Fully Paid Ordinary Shares	%
1. Adamic Pty Ltd - Adamic Super Fund	3,781,905	18.61
2. Peduncle Pty Ltd	2,967,728	14.60
3. UFBA Pty Ltd	1,516,500	7.46
4. Wallbay Pty Ltd	996,086	4.90
5. Mr D Teo	990,000	4.87
6. Trafalgar Place Nominees Pty Ltd	723,567	3.56
7. Parks Australia Pty Ltd	538,204	2.65
8. Divpass Pty Limited	517,500	2.55
9. Mr D A Smetana & Mrs J G Smetana –Smetana Family Trust	390,167	1.92
10. Mr A Mankarios and Mrs C Mankarios	360,289	1.77
11. Mr R H Bartlett	355,400	1.75
12. Pynland Pty Limited	314,886	1.55
13. Mr D A Smetana	280,000	1.38
14. Mr K Knowles	269,380	1.33
15. Conard Holdings Pty Ltd	257,540	1.27
16. ASB Nominees Limited	256,293	1.26
17. Mr J M Wright	229,463	1.13
18. Mr R G Yannis	201,014	0.99
19. PBL Investments Pty Ltd	200,000	0.98
20. Argus Clothing Pty Ltd	196,050	0.96
Total	15,341,972	75.49

(e) Unquoted Partly Paid Shares holdings greater than 20%

Ordinary Shareholder	Partly Paid Ordinary Shares	%
Mr D A Smetana	380,000	100
Total	380,000	100

Partly paid shares are unquoted until they become fully paid. Partly paid shares carry voting rights and rights to participate in entitlement issues although any shares acquired under a rights issue cannot be quoted until the partly paid shares become fully paid.

ASX ADDITIONAL INFORMATION (CONTINUED)

AS AT 20 SEPTEMBER 2010

(f) Company Secretary

Mr Keith Gray

(g) Registered Office

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(h) Share Registry

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