

**Joyce Corporation Ltd**  
AND CONTROLLED ENTITIES

# Annual Report 2011

Celebrating 125 Years in Business



Joyce Corporation Ltd  
AND CONTROLLED ENTITIES

ABN: 80 009 116 269

# Annual Report 2011



# Corporate Directory

<b>Directors</b>	D A Smetana <i>Chairman</i>  M A Gurry  T R Hantke  A Mankarios
<b>Secretary</b>	K Gray
<b>Notice of annual general meeting</b>	The Annual General Meeting of Joyce Corporation Ltd  <b>will be held at</b> Royal Freshwater Bay Yacht Club  Athol Hobbs Room Keane's Point Hobb's Place PEPPERMINT GROVE 6011 Western Australia PERTH, WA 6000  <b>time:</b> 10:30am  <b>date:</b> 29 November 2011
<b>Principal registered office</b>	14 Collingwood Street, OSBORNE PARK, WA, AUSTRALIA, 6017  Tel: +61 8 9445 1055
<b>Share register</b>	Computershare Investor Services Pty Limited Level 2, Reserve Bank Building, 45 St Georges Terrace PERTH, WA 6000
<b>Auditors</b>	Grant Thornton Audit Pty Ltd Level 1 10 Kings Park Road West Perth WA 6005 Australia
<b>Solicitors</b>	Norton Rose BankWest Tower, 108 St Georges Terrace Perth WA 6000 Australia
<b>Bankers</b>	St George Bank Level 2 Westralia Plaza 167 St Georges Terrace Perth WA 6000 Australia
<b>Stock exchange listings</b>	Joyce Corporation Ltd shares are listed on the Australian Securities Exchange (ASX ticker: JYC).
<b>Website address</b>	<a href="http://www.joycecorp.com.au">www.joycecorp.com.au</a>
<b>ABN:</b>	80 009 116 269

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## CHAIRMAN'S REPORT

It is my pleasure to announce a return to strong profits for the Joyce Corporation Ltd Group with a profit attributable to shareholders of \$2.914 Million (14+ cents a share) compared to a loss of (\$8.15M) in the previous 2010 period.

The loss last year was largely due to heavy provisioning as a consequence of the decision to close a number of company owned stores as well as providing for settlement of franchisee disputes, which have now been settled.

With the cessation of all legal disputes and a focussed executive team, the group now has maximised opportunity for future growth.

I have previously announced our shift in strategy toward sustainable franchise network growth, this is still our main focus. With the cessation of all previous legal disputes and a focused executive team the group has a much enhanced chance to improve the future growth possibilities of the network.

As at the reporting period the company's net assets per share are \$0.87 cents per share including partly paid shares. The company has a relatively low level of bank debt. Excluding convertible notes, the net bank debt to total equity was a conservative 25.5%. Assuming conversion of all convertible notes as at 30 June 2011 the gearing would reduce to 22.7%.

The group now has unfettered opportunity and wherewithal to further undertake its strategic plans.

The company will pay a final unfranked dividend of 2 cents per share in November and has already paid a 2 cent per share interim unfranked dividend. The record date for the final dividend is 2<sup>nd</sup> November and it is due to be paid on the 18 November 2011.

Given the current general weakening economic and trading conditions, the group will look to continue to minimise variable costs and improve its network whilst looking at potential opportunities to deliver shareholders the best results.

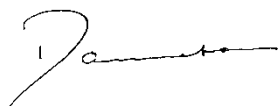
The Company is focused on maximising any opportunities for growth.

I would like to take the opportunity to acknowledge the Executive Team and the Board's efforts in this achievement. The company has a coherent and focused team. I would particularly like to thank Anthony Mankarios (the Executive Director) and his executive team for their proactive commitment and resolve.

I would also like to thank all our stakeholders for their cooperation and support and would urge shareholders who are convertible note holders to convert in November 2011 at the conversion rate of 30 cents per share. Conversion after the first anniversary date will be based on the share price at the time. Directors holding convertible notes have indicated that it is their present intention to convert their convertible notes to shares in November 2011.

It is appropriate to acknowledge that Directors' have continued with their voluntary 10% reduction in Director's fees, which began on 1<sup>st</sup> July 2010, having no increases since and this will continue until at least 31 December 2011.

I commend the Group's prospects to you.



**Dan Smetana**  
Chairman

## EXECUTIVE DIRECTOR'S REPORT

We are pleased to advise that the Company recorded a net profit after tax (NPAT) for the year ending 30<sup>th</sup> June 2011 of \$2.914 Million compared to a net loss of (\$8.15 Million) for the comparative period ending 30<sup>th</sup> June 2010. The operating profit for the continuing business was \$3.48 Million after tax compared to a loss of (\$2.8 Million) previously.

It is important to note that the Company's Asset Value per Share has risen to \$0.87 including partly paid shares and that the group's net bank debt was reduced during the year to a \$5.5 Million, after netting off \$3.2 Million of secured bank deposits. The company also has \$2.18 Million of Convertible Notes (CN) on issue which may be converted after the first anniversary date starting in November 2011. Excluding CN from debt then the company would have a net gearing ratio of 25.5% reducing to 22.7% as at 30 June 2011 assuming conversion of all CN.

The consolidated entity, Joyce Corporation Ltd, reported revenue for continuing operations to \$20.7 Million this period to the 30<sup>th</sup> June 2011 from \$21.9 Million in the previous year. Total revenue reduced from \$27.2 Million to \$24.44 Million over the same period as a result of the re-structure decision for company owned store closures during the reporting year.

The Bedshed network written sales revenues increased by 2% on a year on year, like for like basis despite the current weak trading conditions. These conditions softened during the second half due to the highly publicised weakening in retail trading conditions and general economic factors relating to uncertainty with the proposed Carbon Tax and world economic uncertainty.

### Review of Operations

Management focused on continuing to implement our re-structure plan and achieving improvements to overall efficiency. This resulted in a consolidation and re-structure of the Bedshed organisation to a level which can ensure ongoing future maintainable profits derived from its franchise network and its residual company stores.

The group ceased trading at five of those six locations and sold one company owned store to an existing Franchisee, preferring to focus on Franchisee store growth. The Board reviewed the Company's policy toward multiple franchise store ownership. It now allows franchisees to own more than one franchise store, subject to strict and transparent policy criteria. The cost of all the re-structure was taken up in provisions in 2010.

The improvement in operating profit is directly attributable to the Company's change in strategy and focus.

The Company continues to own a significant industrial property in a prime location at Moorebank in Sydney's south west off the major M5- Tollway. The Land parcel is over 41,000 square metres near the Georges River in the City of Liverpool.

### Future Outlook

The current economic outlook and world conditions prohibit any accurate forecasts of activity to be presented with any certainty. As a result the board has decided to refrain from giving any further outlook toward the group's 2012 results.

The Company plan is to have its Bedshed business continue to grow its franchise business; we will investigate opportunities to reach a stronger market position and work to improve general performance.

Joyce Corporation Limited has the opportunity to leverage its strong balance sheet to grow its size from its present "micro- cap" company status, whilst taking a relatively low risk approach. The Board has undertaken to continue to review opportunities as they present themselves.

## EXECUTIVE DIRECTOR'S REPORT (CONTINUED)

### After date balance events

The Company has now finalised negotiations and executed a new franchise agreement at one of its prime locations in WA and has signed an additional franchise agreement in a new Perth location. It has also received additional applications for further new franchise locations nationally.

The Company's two Directors holding Convertible Notes (CN) have indicated to the board that they will seriously consider converting the Notes into ordinary shares at the first anniversary in November. It is anticipated as a result of this occurring that the company's net debt will be reduced further by a minimum \$872,000. The company is optimistic that the remaining CN's will also be converted. Assuming so, the CN debt will be reduced by \$2.18 Million and move to equity and associated ongoing annual interest payments of \$174,400 will cease.

A handwritten signature in black ink, appearing to read 'A Mankarios', with a long, sweeping stroke above the name.

**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 2011.

### **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

### **SECRETARY**

Mr K Gray

### **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.
- (c) Property Investment

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 2011 ("the Financial Year") the Consolidated Entity, achieved revenue from continuing operations of \$20,730,000,000 (2010: \$21,990,000) and a profit from continuing operations after taxation of \$3,481,000 (2010: loss \$2,838,000) and a net profit after tax of \$2,914,000 (2010; loss \$8,147,000). The reduction in revenue primarily resulted from imported furniture being arranged through an external agent.

#### **Profit before tax – continuing operations**

The operations of the Consolidated Entity remain strong with a continuing operations profit before tax of \$1,203,000 (2010; loss \$3,012,000).

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 provisions for the cost of the above factors at 30 June 2011 and remaining provisions, in 2 above, reflect the outstanding amounts still to be paid.

#### **Closure of Company-owned stores**

During the year ended 30 June 2011, the Consolidated Entity completed the closure of all unprofitable company owned stores that had been planned and provided for.

#### **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 which 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 and a provision for the remaining settlement was maintained at 30 June 2011.



## DIRECTORS' REPORT (CONTINUED)

### REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

#### Financial Position

At 30 June 2011 the Consolidated Entity had equity of \$17,918,000 (2010: \$15,691,000); cash and cash equivalents of \$3,780,000 (2010: \$4,180,000) and unutilised debt facilities of \$58,000 which has been subsequently increased by \$300,000 post balance date (2010: \$323,000) (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 were substantially used to retire bank debt 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 renewed 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. Since the year end St George have also provided additional accommodation and agreed some improved covenants, Refer Events after balance date in this Director's Report and notes 3 and 21.

### 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>2011</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>
Final unfranked ordinary dividend of nil (2010: 2.0 ) cents per share	-	405
Interim unfranked ordinary dividend of 2.0 cents (2010 nil) cents per share	406	-
	<hr/>	<hr/>
	406	405

After the year end the directors have declared the payment of a final dividend out of retained profits at 30 June 2011 of 2.0 cents per share unfranked (30 June 2010: 2.0 cents unfranked). 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

Subsequent to year end the Consolidated Entity successfully obtained further reduction in interest cover covenant to 1.25 times reverting to the previous covenant in (f) above from 31 March 2012. St George Bank has also provided further accommodation of \$300,000 since the year end. Refer notes 3 and 21 in the Financial Report.

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 67.*  
**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***

- 7,082,932 beneficial 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 64.*  
**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, Chairman of the Forest Products Commission, and Chairman of Reignite Pty Ltd, a councillor of HBF 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  
Member of the Remuneration Committee

#### ***Interests in shares and options***

None

## **DIRECTORS' REPORT (CONTINUED)**

### **INFORMATION ON DIRECTORS (CONTINUED)**

**Mr T R Hantke.** – *Independent, Non-executive Director.* Age 63.  
**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 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  
Member of the Audit Committee

#### ***Interests in shares and options***

None

**Mr A Mankarios.** – *Executive Director.* Age 44.  
**MBA, FAICD, CFTP, Cer OH&S**

#### ***Experience and expertise***

Anthony Mankarios was appointed in March 2010, after a board decision was made to restructure the executive. He was a Non- Executive prior, appointed in Feb 2008. He has over 26 years of Business experience in a diverse range of industries specialising in M&A's and financial restructuring. He has been involved in both private and Listed Companies as CEO and as Non -Executive director. He previously worked as CEO of Oldfields Holdings Limited since 2002, and prior for an aggregate 16 years with Companies within the paint and surface coating industry.

#### ***Other current Directorships of listed companies***

None

#### ***Former Directorships of listed companies in last 3 years***

Oldfields Holdings Ltd

#### ***Special responsibilities***

Executive Director since March 2010.  
Member of the Remuneration Committee

#### ***Interests in shares and options***

- 516,119 fully paid ordinary shares in Joyce Corporation Ltd.

### **COMPANY SECRETARY**

The Company Secretary is Mr K Gray.

Mr Gray was appointed to the position of Chief Financial Officer and Company Secretary on 19 January 2010. Mr Gray i holds a Bachelor of Economics and is a qualified CPA. An experienced Chief Financial Officer and Company Secretary having acted in these roles with a number of listed companies in mining services, industrial and retail in the past.

## DIRECTORS' REPORT (CONTINUED)

### INFORMATION ON DIRECTORS (CONTINUED)

#### 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 2011, and the numbers of meetings attended by each Director were:

	Full meeting of Directors		Meetings of committees			
	A	B	Audit		Remuneration	
	A	B	A	B	A	B
D A Smetana	8	8	4	4	-	-
M A Gurry	8	8	4	4	6	3
T R Hantke	8	8	4	4	6	6
A Mankarios	8	8	4	4	6	3

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

A Mankarios did not attend three meeting of the remuneration Committee as these meetings related to his contract and remuneration.

#### 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, Executive 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.

## **DIRECTORS' REPORT (CONTINUED)**

### **REMUNERATION REPORT – AUDITED (CONTINUED)**

#### 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.

#### ***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 2011. 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.

## DIRECTORS' REPORT (CONTINUED)

### REMUNERATION REPORT - AUDITED (CONTINUED)

#### 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 remuneration committee 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, or the relevant segment, 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.

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 - Chairman of Audit Committee
Mr T R Hantke	Director - Chairman of Remuneration Committee
Mr A Mankarios	Executive Director
Mr G Culmsee	Chief Operating Officer
Mr K Gray	Chief Financial Officer & Company Secretary
Ms S Freedman	National Marketing Manager

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



## DIRECTORS' REPORT (CONTINUED)

### REMUNERATION REPORT – AUDITED (CONTINUED)

#### Other Executives

All executives have rolling contracts. The Consolidated Entity can terminate each contract by providing from two months to six 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.

#### **C. Details of remuneration**

	Short-term		Non-Monetary benefits \$000	Post-Employment		Share based payment	Total \$000
	Salary & Fees \$000	Cash Bonus \$000		Superannuation \$000	Retirement benefits \$000	Options \$000	
<b>30 June 2011</b>							
Mr D A Smetana	119	-	-	50	-	-	169
Mr T R Hantke	38	-	-	29	-	-	67
Mr M A Gurry	52	-	-	15	-	-	67
Mr A Mankarios	157	-	-	-	-	-	157
Mr G Culmsee	183	-	17	18	-	-	218
Mr K Gray	124	-	36	14	-	-	174
Ms S Freedman	90	-	-	8	-	-	98
<b>Total Remuneration:</b>	<b>763</b>	<b>-</b>	<b>53</b>	<b>134</b>	<b>-</b>	<b>-</b>	<b>950</b>
<b>30 June 2010</b>							
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
<b>Total Remuneration:</b>	<b>1,353</b>	<b>-</b>	<b>51</b>	<b>144</b>	<b>182</b>	<b>-</b>	<b>1,730</b>

#### **D. Share-based compensation**

There was no share-based compensation of Key Management Personnel during the year ended 30 June 2011 (2010: 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.

	2011	2010	2009	2008	2007
	\$000	\$000	\$000	\$000	\$000
Revenue (a)	24,441	28,089	27,906	18,068	15,092
Net Profit (a)	2,914	(8,147)	(1,329)	2,066	3,197
Share Price at Year-end \$	0.45	0.40	0.41	1.08	1.26
Dividends (Cents) Paid	2.0	2.0	4.50	9.00	9.50

(a) Revenue and net profit in respect of the 2011 and 2010 financial years include discontinued operations. The 2011 financial performance has been impacted by a number of non-recurring losses from stores that were closed during the year associated with closure of some unprofitable Company-owned stores. 2010 was impacted by significant provisions for restructure costs and the settlement of legal actions with franchisees.

End of Remuneration Report.

#### LOANS TO DIRECTORS AND EXECUTIVES

There were no loans outstanding to Directors and executives as at 30 June 2011.

#### 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 2011:

	\$
Taxation services	53,992
	<u>53,992</u>

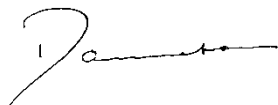
### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 17.

### 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, 29 September 2011

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Joyce Corporation Ltd for the year ended 30 June 2011, 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 & Assurance

Perth, 29 September 2011

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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](http://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 2011 ("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 Executive Director and assisting the Executive 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 Executive 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 Executive 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 Executive Director in June 2011. The remuneration committee conducted an evaluation of Senior Executives in June 2011. 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. The Executive Director (Anthony Mankarios) has taken over all operational and corporate supervision responsibility.

#### **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 behavior 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 requires 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 discloses that management has reported to it as to the effectiveness of the Company's management of its material business risks.*

#### **Disclosure:**

The Company has completed the formalisation of its risk management system and reporting on identified material business risks.

Following the development of the Risk Management and Oversight Policy the Board has determined to review, the management of its material business risks each year. This system includes 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 has been allocated to members of senior management. The risk register is formally reviewed at least annually and updated as required.

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.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### Principle 7: Recognise and Manage Risk (continued)

#### **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 Executive 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.

#### **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.

## **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

### **Principle 8: Remunerate Fairly and Responsibly (continued)**

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 six 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 2011)

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"><li>- consists only of non-executive Directors</li><li>- consists of a majority of independent Directors</li><li>- is chaired by an independent Chair, who is not Chair of the Board</li><li>- has at least three members.</li></ul>	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 requires 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 discloses that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Comply
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

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<b>No.</b>	<b>Recommendation</b>	<b>Disclosure</b>
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

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ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2011

**STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Consolidated	
		30 June 2011 \$000	30 June 2010 \$000
<b>Continuing operations</b>			
<b>Revenue</b>	7	<b>20,730</b>	<b>21,990</b>
Cost of sales	7	(8,427)	(9,427)
<b>Gross Profit</b>		<b>12,303</b>	<b>12,563</b>
Other income	7	1,184	1,116
<b>Expenses from continuing operations</b>			
Distribution expenses		(1,069)	(868)
Marketing expenses		(839)	(968)
Occupancy expenses		(2,839)	(1,817)
Administration expenses		(6,948)	(8,528)
Loss on disposal of assets	7	(109)	-
Finance costs	7	(739)	(740)
Restructuring provisions	7	300	(3,728)
Other expenses		(41)	(42)
<b>Profit/(loss) from continuing operations before income tax</b>	7	<b>1,203</b>	<b>(3,012)</b>
Income tax benefit	8	2,278	174
<b>Profit/(loss) from continuing operations after tax</b>		<b>3,481</b>	<b>(2,838)</b>
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	9	(567)	(5,309)
<b>Net profit/(loss) attributable to the members of Joyce Corporation Ltd</b>		<b>2,914</b>	<b>(8,147)</b>
Other comprehensive income net of tax		-	-
<b>Total Comprehensive Income attributable to the members of Joyce Corporation Ltd</b>		<b>2,914</b>	<b>(8,147)</b>
<b>Overall Operations</b>			
Basic earnings/(loss) per share (cents per share)	10	14.1	(39.4)
Diluted earnings/(loss) per share (cents per share)	10	14.1	(39.4)
Diluted earnings/(loss) per share including convertible notes (cents per share)	10	10.4	(39.4)
<b>Continuing Operations</b>			
Basic earnings/(loss) per share (cents per share)	10	16.8	(13.7)
Diluted earnings/(loss) per share (cents per share)	10	16.8	(13.7)
Diluted earnings/(loss) per share including convertible notes (cents per share)	10	12.5	(13.7)

*The statement of comprehensive income is to be read in conjunction with the notes to the consolidated financial statements set out on pages 37 to 99.*



**STATEMENT OF FINANCIAL POSITION**  
AS AT 30 JUNE 2011

	Notes	Consolidated	
		30 June 2011	30 June 2010
		\$000	\$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	11	3,780	4,180
Trade and other receivables	12	1,166	2,593
Inventories	13	4,275	5,886
Other assets	14	560	607
<b>Total Current Assets</b>		9,781	13,266
Non-current assets classified as held for sale	15	-	7,350
<b>Total Current Assets</b>		9,781	20,616
<b>Non-Current Assets</b>			
Trade and other receivables	12	480	420
Other financial assets	16	39	6
Deferred tax asset	8	1,120	387
Plant and equipment	17	1,606	2,289
Investment property	18	10,416	10,506
Intangible assets	19	10,225	10,225
<b>Total Non-Current assets</b>		23,886	23,833
<b>TOTAL ASSETS</b>		<b>33,667</b>	<b>44,449</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	20	5,266	6,888
Current tax liabilities		-	83
Interest-bearing loans and borrowings	21	635	12,602
Provisions	22	1,194	5,180
<b>Total Current Liabilities</b>		7,095	24,753
<b>Non-Current Liabilities</b>			
Interest bearing loans and borrowings	21	4,869	286
Convertible Notes		2,180	-
Deferred tax liabilities	8	1,120	2,321
Provisions	22	485	1,398
<b>Total Non-Current Liabilities</b>		8,654	4,005
<b>TOTAL LIABILITIES</b>		<b>15,749</b>	<b>28,758</b>
<b>NET ASSETS</b>		<b>17,918</b>	<b>15,691</b>
<b>EQUITY</b>			
Contributed equity	23	15,634	15,634
Reserves	24	2,678	4,694
(Accumulated losses) / retained earnings		(394)	(4,637)
<b>TOTAL EQUITY</b>		<b>17,918</b>	<b>15,691</b>

*The statement of financial position is to be read in conjunction with the notes to the consolidated financial statements set out on pages 37 to 99.*

**STATEMENT OF CASHFLOWS**  
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Consolidated	
		30 June 2011	30 June 2010
		\$000	\$000
<b>Cash flows from operating activities</b>			
Receipts from customers		26,783	29,292
Payments to suppliers and employees		(23,606)	(27,210)
Interest received		79	155
Interest paid		(752)	(922)
Operating cash flow		2,504	1315
Franchisee settlement paid		(1,875)	-
Store closure costs		(2,828)	-
<b>Net cash flows (used in)/from operating activities</b>	32	<b>(2,199)</b>	<b>1,315</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investment property		7,350	-
Proceeds from sale of property, plant and equipment		136	26
Purchase of property, plant and equipment		(77)	(110)
Purchase of intangible assets		-	-
<b>Net cash flows from (used in) investing activities</b>		<b>7,409</b>	<b>(84)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of Convertible Notes		2,180	-
Repayment of borrowings		(7,384)	(165)
Dividends paid	30	(406)	(405)
<b>Net cash flows from (used in) financing activities</b>		<b>(5,610)</b>	<b>(570)</b>
Net increase / (decrease) in cash and cash equivalents		(400)	661
Cash and cash equivalents at beginning of period		4,180	3,519
<b>Cash and cash equivalents at end of period</b>	11	<b>3,780</b>	<b>4,180</b>
<b>Reconciliation of cash</b>			
Cash at bank and in hand		3,780	4,180
		<b>3,780</b>	<b>4,180</b>

*The statement of cashflows is to be read in conjunction with the notes to the consolidated financial statements set out on pages 37 to 99.*

**STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 30 JUNE 2011

<b>CONSOLIDATED</b>	Note	Contributed Equity \$000	Retained Earnings / (Accumulated Losses) \$000	Asset Revaluation Reserve \$000	Financial Assets Reserve \$000	Total Equity \$000
<b>At 1 July 2009</b>		<b>15,634</b>	<b>3,915</b>	<b>1,735</b>	<b>2,959</b>	<b>24,243</b>
Loss for the year		-	(8,147)	-	-	(8,147)
Other comprehensive income		-	-	-	-	-
Payment received on partly paid shares		-	-	-	-	-
Dividends paid or provided for	30	-	(405)	-	-	(405)
<b>At 30 June 2010</b>		<b>15,634</b>	<b>(4,637)</b>	<b>1,735</b>	<b>2,959</b>	<b>15,691</b>
<b>At 1 July 2010</b>		<b>15,634</b>	<b>(4,637)</b>	<b>1,735</b>	<b>2,959</b>	<b>15,691</b>
Profit for the year		-	2,914	-	-	2,914
Other comprehensive income		-	-	-	-	-
Transfer to & from reserves						
- Asset revaluation		-	1,735	(1,735)	-	-
- Financial assets		-	-	-	(281)	(281)
Dividends paid or provided for	30	-	(406)	-	-	(406)
<b>At 30 June 2011</b>		<b>15,634</b>	<b>(394)</b>	<b>-</b>	<b>2,678</b>	<b>17,918</b>

*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 99.*

## 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 2011 were authorised for issue in accordance with a resolution of the directors of the Company dated 27 September 2011. 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 these financial instruments 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.

Reference	Title	Application date of standard*	Application date for the company
AASB 2009-5	<p>Further amendments to Australian Accounting Standards arising from the Annual Improvements Project – The subject of amendments to the standards are set out below:</p> <ul style="list-style-type: none"> <li>• AASB 5 – Disclosures in relation to non-current assets (or disposal groups) classified as held for sale or discontinued operations</li> <li>• AASB 8 – Disclosure of information about segment assets</li> <li>• AASB 101 – Current/non-current classification of convertible instruments</li> <li>• AASB 107 – Classification of expenditures that does not give rise to an asset</li> <li>• AASB 117 – Classification of leases of land</li> <li>• AASB 118 – Determining whether an entity is acting as a principle or an agent</li> <li>• AASB 136 – Clarifying the unit of account for goodwill impairment test is not larger than an operating segment before aggregation</li> <li>• AASB 139 – Treating loan prepayment penalties as closely related embedded derivatives, and revising the scope exemption for forward contract to enter into a business combination contract</li> </ul>	1 January 2010	1 July 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Reference	Title	Application date of standard*	Application date for the company
AASB 2010-3	<p>Amendments To Australian Accounting Standards arising from The Annual Improvements Project.</p> <p>[AASB 3,AASB 7,AASB 121, AASB 128, AASB 131, AASB 132 &amp; AASB 139]</p> <p>Limits the scope of the measurement choices of non-controlling interest to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of NCI are measured at fair value.</p> <p>Required an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), in a consistent manner i.e. allocate between consideration and post combination expenses.</p> <p>Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated.</p> <p>Clarifies that the revised accounting for loss of significant influence or joint control (from the issue of IFRS 3 Revised) is only applicable prospectively.</p>	1 July 2010	1 July 2010



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Reference	Title	Application date of standard*	Application date for the company
Interpretation 19	<p>Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments.</p> <p>This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are “consideration paid” in accordance with paragraph 41 or IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability.</p> <p>The interpretation states that equity instruments issued as payment of a debt should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.</p>	1 July 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (dd) Standards and Interpretations on issue but not yet effective (continued)

New/revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
<p>AASB 9 Financial Instruments</p> <p>AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9</p>	<p>AASB 139 Financial Instruments: Recognition and Measurement (part)</p>	<p>AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. AASB 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in AASB 139 and removes the impairment requirement for financial assets held at fair value.</p> <p>In addition, the majority of requirements from AASB 139 for the classification and measurement of financial liabilities has been carried forward unchanged, except in relation to own credit risk where an entity takes the option to measure financial liabilities at fair value. AASB 9 requires the amount of the change in fair value due to changes in the entity's own credit risk to be presented in other comprehensive income (OCI), unless there is an accounting mismatch in the profit or loss, in which case all gains or losses are to be presented in the profit or loss.</p> <p>The requirements from AASB 139 related to the derecognition of financial assets and liabilities have been incorporated unchanged into AASB 9.</p>	<p>31 December 2013</p>	<p>AASB 9 amends the classification and measurement of financial assets; the effect on the entity will be that more assets are held at fair value and the need for impairment testing has been limited to assets held at amortised cost only.</p> <p>Minimal changes have been made in relation to the classification and measurement of financial liabilities, except 'own credit risk' instruments. The effect on the entity will be that the volatility in the profit or loss will be moved to the OCI, unless there is an accounting mismatch.</p>	<p>AASB 2009-11</p> <p>AASB 2010-7</p>	<p>Depending on assets held, there may be significant movement of assets between fair value and cost categories and ceasing of impairment testing on available for sale assets.</p> <p>If the entity holds any 'own credit risk' financial liabilities, the fair value gain or loss will be incorporated in the OCI, rather than profit or loss, unless accounting mismatch.</p>

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (dd) Standards and Interpretations on issue but not yet effective (continued)

New/revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 124 Related Party Disclosures  AASB 2009-12 Amendments to Australian Accounting Standards arising from AASB 124	AASB 124 Related Party Disclosures	This revision amends the disclosure requirements for government related entities and the definition of a related party.	31 December 2011	Since the entity is not a government related entity; there are not expected to be any changes arising from this standard.	AASB 2009-12	Unlikely to have significant impact in Australia.
AASB 2009-14 Prepayments of a Minimum Funding Requirement (Amendments to Interpretation 14)	Interpretation 14	This amendment to Interpretation 14 addresses the unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan.	31 December 2011	As the entity does not have a defined benefit pension plan this amendment to Interpretation 14 is not expected to have any impact on the entity's financial report.	None	Possibly significant if the entity has a defined benefit

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (dd) Standards and Interpretations on issue but not yet effective (continued)

New/revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 2010-2 Amendments to Australian Accounting Standards arising from reduced disclosure requirements	None	This Standard gives effect to Australian Accounting Standards - Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.	30 June 2014	AASB 2010-2 sets out the relevant disclosures that will not be required to be made if it is a Tier 2 entity that nominates to comply.	AASB 1053	<p>Reduced note disclosures in the following main areas:</p> <p>AASB 7 Financial Instruments; Disclosures</p> <p>AASB 101 Presentation of Financial Statements</p> <p>AASB 108 Accounting Policies</p> <p>AASB 123 Borrowing Costs</p> <p>AASB 124 Related Party Disclosures</p> <p>AASB 128 Accounting for Associates</p>

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (dd) Standards and Interpretations on issue but not yet effective (continued)

New/revised pronouncement	Superseded pronouncement	a) Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
<p><b>AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB1, AASB7, AASB 101, AASB 134 and interpretation 13]</b></p>	<p>None</p>	<p>Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</p> <p>Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.</p> <p>Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.</p> <p>Clarify that when the fair value of award credits is measure based on the value of the award for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken in account.</p>	<p>31 December 2011</p>	<p>Given the number of standards amended by AASB 2010-4, an example disclosure is not included.</p> <p>Entities assess the impact of each of the amendments on their organisation</p>	<p>None</p>	<p>Varies depending on relevance; however impact is unlikely to be significant.</p>

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (dd) Standards and Interpretations on issue but not yet effective (continued)

New/revised pronouncement	Superseded pronouncement	b) Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 1053 Application of Tiers of Australian Accounting Standards	None	<p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <ul style="list-style-type: none"> <li>a) Tier 1: Australian Accounting Standards; and</li> <li>b) Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements.</li> </ul> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <ul style="list-style-type: none"> <li>c) The following entities apply Tier 1 requirements in preparing general purpose financial statements: <ul style="list-style-type: none"> <li>a) for-profit entities in the private sector that have public accountability (as defined in this Standard); and</li> <li>b) the Australian Government and State, Territory and Local Governments</li> </ul> </li> </ul> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <ul style="list-style-type: none"> <li>a) for-profit private sector entities that do not have public accountability;</li> <li>b) all not-for-profit private sector entities; and public sector entities other than the Australian Government and State, Territory &amp; Local Governments</li> </ul>	30 June 2014	<p>This depends on the classification of the entity as a Tier 1 or 2.</p> <p>For Tier 1 entities or Tier 2 that prepare special purpose financial reports, there will be no impact on the financial statements as the reduced disclosure will not be available to apply.</p> <p>Tier 2 entities that prepare general purpose financial reports will be able to apply the reduced disclosures within the financial instruments, related parties, accounting policies, borrowing costs, and financial statement disclosures</p>	AASB 1053	Reduced disclosures. Refer to comments in AASB 2010-2 above.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (dd) Standards and Interpretations on issue but not yet effective (continued)

New/revised pronouncement	Superseded pronouncement	c) Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 1053 Application of Tiers of Australian Accounting Standards (continued)		<p>d) The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <p>e) for-profit private sector entities that do not have public accountability;</p> <p>f) all not-for-profit private sector entities; and</p> <p>g) public sector entities other than the Australian Government and State, Territory &amp; Local Governments</p>				
AASB 1054 Australian Additional Disclosures	None	<p>This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.</p> <p>This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:</p> <p>d) Compliance with Australian Accounting Standards</p> <p>e) The statutory basis or reporting framework for financial statements</p> <p>f) Whether the financial statements are general purpose or special purpose</p> <p>g) Audit fees</p> <p>h) Imputation credits</p> <p>reconciliation of net operating cash flow to profit (loss)</p>	30 June 2012	This Standard sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are additional to IFRSs.	AASB 2011-01	Not expected to have significant impact, as only relocating Australian specific disclosures from existing standards to this new standard.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (dd) Standards and Interpretations on issue but not yet effective (continued)

			Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 2010-05 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	None	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.	31 December 2011	These amendments have no major impact on the requirements of the amended pronouncements	AASB 2010-5	No major impact
AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets (AASB 1 & AASB 7)	None	The Standard amends the disclosures required, to help users of financial statements evaluate the risk exposures relating to more complex transfers of financial assets (e.g. securitisations) and the effect of those risks on an entity's financial position.	30 June 2012	The Amendments will introduce more extensive and onerous quantitative and qualitative disclosure requirements for de-recognition of financial assets.	AASB 7	More extensive and onerous quantitative and qualitative disclosure requirements for de-recognition of financial assets.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (dd) Standards and Interpretations on issue but not yet effective (continued)

			Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	None	<p>The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:</p> <p>a) The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</p> <p>b) The remaining change is presented in profit or loss</p> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p>	31 December 2013	This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.	AASB 9  AASB 2009-11	Unlikely to have significant impact in Australia.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (dd) Standards and Interpretations on issue but not yet effective (continued)

			Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112]	None	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes - Recovery of Revalued Non-Depreciable Assets into AASB 112.	31 December 2012	<p>The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.</p> <p>Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.</p>	None	Unlikely to have significant impact in Australia

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (dd) Standards and Interpretations on issue but not yet effective (continued)

			Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	None	This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	30 June 2012	This Standard makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards.	AASB 1054	Refer to comments above under

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (dd) Standards and Interpretations on issue but not yet effective (continued)

			Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project - Reduced disclosure regime [AASB 101, AASB 1054]	None	This Standard makes amendments to the application of the revised disclosures to Tier 2 entities, that are applying AASB 1053.	30 June 2014	<p>This Standard makes amendments to the following Australian Accounting Standards:</p> <ol style="list-style-type: none"> <li>1. AASB 101 Presentation of Financial Statements</li> <li>2. AASB 1054 Australian Additional Disclosures,</li> </ol> <p>to establish reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards - Reduced Disclosure Requirements in relation to the Australian additional disclosures arising from the Trans-Tasman Convergence Project.</p>	AASB 1053 AASB 1054 AASB 2011-1	Not expected to have significant impact, as only relocating Australian specific disclosures from existing standards to this new standard

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (dd) Standards and Interpretations on issue but not yet effective (continued)

			Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
Consolidated Financial Statements	IAS 27	<p>IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation - Special Purpose Entities.</p> <p>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.</p>	31 December 2013	<p>It introduces a new, principle-based definition of control which will apply to all investees to determine the scope of consolidation.</p> <p>Traditional control assessments based on majority ownership of voting rights will very rarely be affected. However, 'borderline' consolidation decisions will need to be reviewed and some will need to be changed taking into consideration potential voting rights and substantive rights.</p>	<p>IFRS 11</p> <p>IFRS 12</p> <p>IAS 27</p> <p>IAS 28</p> <p>IAS 31</p>	<p>Entities most likely to be impacted are those that:</p> <ul style="list-style-type: none"> <li>- have significant, but not a majority equity interests in other entities;</li> </ul> <p>hold potential voting rights over investments, such as options</p>

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (dd) Standards and Interpretations on issue but not yet effective (continued)

New/revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
Joint Arrangements <sup>1</sup>	IAS 31  SIC 13	IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly- controlled Entities - Non-monetary Contributions by Ventures. IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	31 December 2013	<p>Entities with existing joint arrangements or that plan to enter into new joint arrangements will be affected by the new standard. These entities will need to assess their arrangements to determine whether they have invested in a joint operation or a joint venture upon adoption of the new standard or upon entering into the arrangement.</p> <p>Entities that have been accounting for their interest in a joint venture using proportionate consolidation will no longer be allowed to use this method; instead they will account for the joint venture using the equity method. In addition, there may be some entities that previously equity-accounted for investments that may need to account for their share of assets and liabilities now that there is less focus on the structure of the arrangement.</p>	IFRS 10  IFRS 12  IAS 27  IAS 28  IAS 31	For entities, that have joint ventures that have been previously accounted using proportionate consolidation, they will need to change to equity accounting.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (dd) Standards and Interpretations on issue but not yet effective (continued)

New/revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
Disclosure of Interests in Other Entities <sup>1</sup>	IAS 27 IAS 28 IAS 31	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	31 December 2013	IFRS 12 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard.  It aims to provide more transparency on 'borderline' consolidation decisions and enhance disclosures about unconsolidated structured entities in which an investor or sponsor has involvement.	None	There are some additional enhanced disclosures centred around significant judgements and assumptions made around determining control, joint control and significant

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (dd) Standards and Interpretations on issue but not yet effective (continued)

New/revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
Fair Value Measurement <sup>1</sup>	None	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	31 December 2013	IFRS 13 has been created to: <ul style="list-style-type: none"> <li>- establish a single source of guidance for all fair value measurements;</li> <li>- clarify the definition of fair value and related guidance; and</li> <li>- enhance disclosures about fair value measurements (new disclosures increase transparency about fair value measurements, including the valuation techniques and inputs used to measure fair value)</li> </ul>	None	For financial assets, IFRS 13's guidance is broadly consistent with existing practice. It will however also apply to the measurement of fair value for non-financial assets and will make a significant change to existing guidance in the applicable

<sup>1</sup> The AASB has not issued this standard, which was finalised by the IASB in May 2011.



### **3. GOING CONCERN**

At 30 June 2011, the Consolidated Entity has recorded a profit before tax of \$1,203,000 for continuing operations and \$636,000 after tax before including discontinued operations and reported an overall profit after tax of \$2,914,000 with positive operating cash flows totalling \$2,504,000 before franchisee legal settlement payments and store closure costs.

There were no breaches of bank lending covenants (refer Note 21) at reporting date and no breaches up to the date of this report.

A convertible note rights issue was undertaken during the year to support company restructuring and the convertible notes were fully subscribed for the issue of \$2.18 million.

Subsequent to the year end the Consolidated Entity has continued to service the loan facilities to the date of these financial statements in accordance with the terms of that facility and further accommodation of \$300,000 has been approved by St George Bank to assist with working capital and legal settlement purposes. Existing working capital resources 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 2012.

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.

#### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Consolidated Entity holds the following financial instruments:

	Notes	Consolidated	
		30 June 2011 \$000	30 June 2010 \$000
<b>Financial assets</b>			
Cash and cash equivalents	11	3,780	4,180
Trade and other receivables	12	1,646	3,013
Other financial assets	16	39	6
		<u>5,465</u>	<u>7,199</u>
<b>Financial liabilities</b>			
Trade and other payables	20	5,266	6,888
Interest-bearing loans and borrowings	21	7,683	12,888
		<u>12,949</u>	<u>19,776</u>

##### (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 via the use of foreign currency contracts. The current policy is to forward buy USD contracts equivalent to fifty percent of six months forward US dollar denominated orders.

###### (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	
	2011 USD\$000	2010 USD\$000
<b>Financial Assets</b>		
Cash and cash equivalents	-	-
Trade and other receivables	-	93
	<u>-</u>	<u>93</u>
<b>Financial Liabilities</b>		
Trade and other payables	-	-
	<u>-</u>	<u>-</u>
Net exposure	<u>-</u>	<u>93</u>

###### (ii) Consolidated Entity - sensitivity

The US Dollar/Australian Dollar exchange rate used to translate balances denominated in USD as at 30 June 2011 was 1.0523.

#### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (a) Market risk (continued)

Based on the financial instruments held at 30 June 2011, 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 form would have been \$60,000 higher/\$60,000 lower (2010: \$8,487/ \$6,499), as a result of foreign exchange gains/losses on forward contracts. The US dollar orders are ultimately invoiced in Australian Dollars and the forward hedges used to partially offset the exposure to movement in exchange rates on order commitments. The forward contracts are marked to market.

##### (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.

##### (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 2011 \$000	Weighted Average Interest rate %	30 June 2010 \$000
<b>Financial liabilities</b>				
Overdraft – secured (i)	9.30%	530	9.80%	295
Commercial bill –secured – variable	n/a	-	6.43%	3,900
Commercial bill –secured – fixed (ii)	7.88%	4,800	9.01%	7,939
Convertible Notes – unsecured (1v)	8.00%	2,180	-	-
Dan Smetana Loan – unsecured - variable	n/a	-	9.80%	300
		<u>7,510</u>		<u>12,434</u>
Bank guarantees (contingent liabilities) (v)	1.65%	1,080	1.65%	1,178
		<u>8,590</u>		<u>13,612</u>

- (i) The overdraft facility pays interest at variable interest rates plus a line fee is renewed annually.
- (ii) The Commercial bill facility (fixed) debt attracts interest at a fixed annual interest rate and has a term which expires on 11 March 2013. The facility has a secured deposit of \$3.2 million netted off which accrues and interest income at 6.2% fixed until October 2011.
- (iii) Bank guarantees attract a variable interest rate plus a line fee and have a term of 1 year from the first draw down date.
- (iv) Convertible notes attract a monthly in arrears interest of 8% fixed. The notes have a term of 5 years from date of issue commencing November 2010 and can convert to shares in Joyce Corporation Ltd from the first anniversary of issue at \$0.30 or thereafter at an average of the market price at conversion. The notes are redeemable for cash at the end of five years.

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.

#### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### *(a) Market risk (continued)*

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*

The major debt facility is a fixed interest rate (see above). Variable interest rates apply to the overdraft and cash and cash equivalents. On balances at 30 June 2011, 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 \$480 higher/lower (2010 - \$38,577 higher/lower), mainly as a result of a higher/lower interest expense arising from borrowings offset by lower/higher interest income from cash and cash equivalents. Equity would have been \$480 higher/lower (2010 - \$38,577 higher/lower) for the same reasons as above.

##### *(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>2011</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>
<b>Cash and cash equivalents</b>		
AA	3,780	4,180
<b>Trade and other receivables</b>		
Non-rated	1,646	3,013
<b>Other financial assets</b>		
Non-rated	39	6
	<u>5,465</u>	<u>7,199</u>

#### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (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.

##### *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**

	≤6 months	6-12 months	1-5 years	>5 years	Total
Year ended 30 June 2011	\$000	\$000	\$000	\$000	\$000
<b>Consolidated financial assets</b>					
Cash and cash equivalents	3,780	-	-	-	3,780
Trade and other receivables	1,166	-	480	-	1,646
Other financial assets	-	-	39	-	39
	<u>4,946</u>	<u>-</u>	<u>519</u>	<u>-</u>	<u>5,465</u>
<b>Consolidated financial liabilities</b>					
Trade and other payables	5,266	-	-	-	5,266
Interest bearing loans & borrowings	583	52	7,048	-	7,683
	<u>5,849</u>	<u>52</u>	<u>7,048</u>	<u>-</u>	<u>12,949</u>
<b>Net maturity</b>	<u>(903)</u>	<u>(52)</u>	<u>(6,529)</u>	<u>-</u>	<u>(7,484)</u>
	≤6 months	6-12 months	1-5 years	>5 years	Total
Year ended 30 June 2010	\$000	\$000	\$000	\$000	\$000
<b>Consolidated financial assets</b>					
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>
<b>Consolidated financial liabilities</b>					
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>
<b>Net maturity</b>	<u>(12,633)</u>	<u>(84)</u>	<u>140</u>	<u>-</u>	<u>(12,577)</u>

#### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (c) Liquidity risk (continued)

###### Financing arrangements

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

	Facility limit	Used	Available
	\$000	\$000	\$000
<b>30 June 2010</b>			
Consolidated	13,935	13,612	323
<b>30 June 2011</b>			
Consolidated	6,400	6,342	58

The Consolidated Entity had \$58,000 of available facilities to manage its liquidity as at 30 June 2011 (2010: \$323,000). The consolidated entity had \$942,000 cash at bank as at the reporting date excluding funds held in trust set out at note 7. In addition the Consolidated Entity had a net investment in inventories of \$4,275,000 as at 30 June 2011 (2010: \$5,886,000). Subsequent to year end a further \$300,000 of additional facility had been agreed to be released by St George and \$55,979 in additional overdraft facility had been available from return of a bank guarantee from a closed store. The total facility was reduced on settlement of the Queensland property in September 2010.

##### (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 2011 and 30 June 2010 is as follows:

	Note	CONSOLIDATED	
		2011	2010
		\$000	\$000
Total borrowings	21	7,684	12,888
Less cash and cash equivalents	11	(3,780)	(4,180)
Net debt		3,904	8,708
Total equity		17,918	15,691
Gearing ratio		22%	56%

The decrease in gearing ratio is attributable to the sale of the Queensland property in September 2010.

## **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 2011.

### *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 2011 the investment property values increased by \$102,544 (2010: decrease of \$76,000) 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 2011 of \$1,070,000 (2010: \$546,000) 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) AASB 8 Operating segments***

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 (The Board of Directors) in order to allocate resources to the segments and to assess their performance.

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

The 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

## 6. SEGMENT INFORMATION (CONTINUED)

### 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 2011.

	<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
<b>Year ended 30 June 2011</b>						
<b>Revenue</b>						
Sales to external customers	4,574	16,185	823	21,582	3,710	25,292
Inter-segment sales	-	-	-	-	-	-
Total segment revenue	4,574	16,185	823	21,582	3,710	25,292
Inter-segment elimination	-	-	-	-	-	-
Unallocated revenue – Interest received	-	-	-	230	-	230
Total consolidated revenue				<u>21,812</u>	<u>3,710</u>	<u>25,522</u>
<b>Result</b>						
Segment result	1,956	(39)	(70)	1,847	(567)	1,280
Unallocated expenses net of unallocated income				108		108
Loss before tax and finance costs				1,955	(567)	1,388
Finance costs				(752)	-	(752)
Loss before income tax				1,203	(567)	636
Income tax benefit				2,278	-	2,278
Net loss for the year				<u>3,481</u>	<u>(567)</u>	<u>2,914</u>
<b>Assets and liabilities</b>						
Segment assets	10,455	10,074	11,811	32,340	-	32,340
Unallocated assets				1,327	-	1,327
Total assets				<u>33,667</u>	<u>-</u>	<u>33,667</u>
Segment liabilities	4,644	1,321	7,778	13,743	-	13,743
Unallocated liabilities				2,006	-	2,006
Total liabilities				<u>15,749</u>	<u>-</u>	<u>15,749</u>
<b>Other segment information</b>						
Capital expenditure	8	7	62	77	-	77
Depreciation and amortisation	33	205	-	238	69	307
Other non-cash segment expenses	-	-	-	-	-	-



## 6. SEGMENT INFORMATION (CONTINUED)

### 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 2010.

	<u>Continuing Operations</u>			<u>Discontinued Operations</u>		<u>Total</u> \$000
	<i>Bedshed Franchising</i> \$000	<i>Bedshed Stores</i> \$000	<i>Investment Properties / Joyce</i> \$000	<i>Sub-total</i> \$000	<i>Store Closures</i> \$000	
<b>Year ended 30 June 2010</b>						
<b>Revenue</b>						
Sales to external customers	5,323	15,291	835	21,449	6,641	28,090
Inter-segment sales	-	-	-	-	-	-
Total segment revenue	5,323	15,291	835	21,449	6,641	28,090
Inter-segment elimination	-	-	-	-	-	-
Unallocated revenue	-	-	-	290	-	290
Total consolidated revenue				<u>21,739</u>	<u>6,641</u>	<u>28,380</u>
<b>Result</b>						
Segment result	(1,654)	294	(847)	(2,207)	(5,307)	(7,514)
Unallocated expenses net of unallocated income				115	-	115
Loss before tax and finance costs				(2,092)	(5,307)	(7,399)
Finance costs				(740)	(182)	(922)
Loss before income tax				(2,832)	(5,489)	(8,321)
Income tax benefit				174	-	174
Net loss for the year				<u>(2,658)</u>	<u>(5,489)</u>	<u>(8,147)</u>
<b>Assets and liabilities</b>						
Segment assets	12,786	8,547	18,969	40,302	3,759	44,061
Unallocated assets				388	-	388
Total assets				<u>40,690</u>	<u>3,759</u>	<u>44,449</u>
Segment liabilities	6,393	1,373	514	8,280	731	9,011
Unallocated liabilities				16,271	3,476	19,747
Total liabilities				<u>24,551</u>	<u>4,207</u>	<u>28,758</u>
<b>Other segment information</b>						
Capital expenditure	124	-	-	124	-	124
Depreciation and amortisation	59	148	-	207	156	363
Other non-cash segment expenses	-	-	-	-	-	-

### (b) Geographic segments

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

### (c) 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 2011 (2010: None).

## 7. REVENUE, INCOME AND EXPENSES

### (a) Revenue, Income and Expenses from Continuing Operations

	<i>CONSOLIDATED</i>	
	<i>2011</i>	<i>2010</i>
	\$000	\$000
<i>Revenue</i>		
Sale of goods	16,464	16,690
Provision of services	4,266	5,300
<b>Total revenue</b>	<b>20,730</b>	<b>21,990</b>
<i>Other income</i>		
Interest received	227	154
Rental income	822	826
Gain on revaluation of investment property	103	76
Profit on disposal of assets	-	-
Other	32	60
<b>Total other income</b>	<b>1,184</b>	<b>1,116</b>
<i>Finance costs</i>		
Bank loans and overdrafts	705	711
Finance charges payable under finance leases and hire purchase contracts	34	29
<b>Total finance costs</b>	<b>739</b>	<b>740</b>
<i>Depreciation, costs of sales and other significant items of expenditure included in statement of comprehensive income</i>		
Included in expenses:		
Depreciation and amortisation	307	207
Impairment of property, plant and equipment	-	117
Loss on disposal of assets	109	-
Cost of sales	8,427	9,427
<i>Restructuring provisions</i>		
Franchisee settlements related legal costs	-	3,117
Inventory obsolescence costs	-	290
Termination costs	-	240
Other costs (provision write back)	(300)	81
<b>Total</b>	<b>(300)</b>	<b>3,728</b>

### (b) Lease payments and other expenses included in the statement of comprehensive income – overall operations

	<i>CONSOLIDATED</i>	
	<i>2011</i>	<i>2010</i>
	\$000	\$000
Minimum lease payments - operating lease	4,062	4,988

### (c) Employee benefits expense – overall operations

Wages and salaries	4,882	5,771
Defined contribution superannuation expense	453	587
Other employee benefits expense	212	357
	<b>5,547</b>	<b>6,715</b>

## 8. INCOME TAX

The major components of income tax expense for the year ended 30 June 2011 are:

	<i>CONSOLIDATED</i>	
	<i>2011</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>
<b>Consolidated Statement of comprehensive income – continuing operations</b>		
<i>Current Income tax</i>		
Current income tax expense	-	-
Adjustments in respect of current income tax of previous years	-	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(2,194)	(174)
Under provision in respect of prior years	(84)	
Income tax benefit relating to continuing operations	<u>(2,278)</u>	<u>(174)</u>
<b>Consolidated Statement of comprehensive income – discontinued operations</b>		
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	-
Income tax benefit relating to discontinued operations	<u>-</u>	<u>-</u>
Income tax benefit relating to overall operations	<u>(2,278)</u>	<u>(174)</u>

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 2011 and 30 June 2010 is as follows:

	<i>CONSOLIDATED</i>	
	<i>2011</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>
Profit (loss) before income tax	<u>1,203</u>	<u>(3,012)</u>
Income tax expense /(benefit) calculated at the statutory income tax rate of 30% (2010: 30%)	361	(904)
Expenditure not allowable for income tax purposes	2	86
Recoupment of prior-year tax losses not previously brought to account	(193)	-
Deferred tax asset not brought to account	-	644
Deferred tax asset temporary differences not previously brought to account	(2,322)	-
Deferred tax asset losses not previously brought to account	(233)	
Under provision in respect of prior years	(84)	
Income tax benefit recognised in profit or loss – continuing operations	<u>(2,278)</u>	<u>(174)</u>

The reduction in the rate of effective income tax in the year ended 30 June 2011 is attributable to the decision not to bring to account a deferred tax asset relating accumulated losses.

## 8. INCOME TAX (CONTINUED)

### *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>2011</i>	<i>2010</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:	-	-

### *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*

## 8. INCOME TAX (CONTINUED)

Deferred income tax at 30 June relates to the following:

	Opening balance	Charged to income	Charged directly to Equity	Changes in tax rate	Exchange differences	Closing balance, 30 June 11
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Deferred income tax liabilities</b>						
Investment property	(2,286)	1,518	-	-	-	(768)
Plant and equipment	(35)	(12)	-	-	-	(47)
Fair value gain	-	-	(260)	-	-	(260)
Other	-	(45)	-	-	-	(45)
<b>Balance at 30 June 2011</b>	<b>(2,321)</b>	<b>1,461</b>	<b>(260)</b>	<b>-</b>	<b>-</b>	<b>(1,120)</b>
<b>Deferred tax assets</b>						
Other	387	500	-	-	-	887
Losses	-	233	-	-	-	233
<b>Balance at 30 June 2010</b>	<b>387</b>	<b>733</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,120</b>

The Consolidated Entity has deferred tax assets of \$1,070,000 (2010: \$546,000) 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 2011, there is no recognised or unrecognised deferred income tax liability (2010: 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 completed all planned store closures within the provisions made.

### *(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>2011</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>
Revenue	3,608	5,272
Cost of sales	<u>(2,453)</u>	<u>(3,013)</u>
Gross profit	1,155	2,259
Other income	12	1
Expenses	<u>(1,734)</u>	<u>(7,569)</u>
Loss from discontinued operations before tax	(567)	(5,309)
Attributable income tax benefit	-	-
	<u>(567)</u>	<u>(5,309)</u>
Other comprehensive income	-	-
Loss for the year from discontinued operations (attributable to owners of Joyce Corporation Ltd).	<u>(567)</u>	<u>(5,309)</u>

#### **Cash flows from discontinued operations**

Net cash flows from operating activities	(491)	(1,705)
Net cash flows from investing activities	-	-
Net cash flows from financing activities	-	-
Net cash flows	<u>(491)</u>	<u>(1,705)</u>

## 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>	
	<i>2011</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>
<b>Net profit/(loss) attributable to equity holders from continuing operations for basic earnings per share</b>	<b>3,481</b>	<b>(2,838)</b>
Effect of dilutive equity instruments	-	-
<b>Net loss attributable to equity holders from continuing operations for diluted earnings per share</b>	<b>3,481</b>	<b>(2,838)</b>
Profit/(loss) attributable to equity holders from discontinued operations	(567)	(5,309)
<b>Net loss attributable to ordinary shareholders for basic earnings per share</b>	<b>2,914</b>	<b>(8,147)</b>
Effect of dilutive equity instruments	-	-
<b>Net loss attributable to ordinary shareholders for diluted earnings per share</b>	<b>2,914</b>	<b>(8,147)</b>
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for basic earnings per share including partly paid	20,701,623	20,701,623
Assuming Convertible Notes on issue of \$2,180,000 are converted to ordinary shares on their first anniversary at \$0.30 cents per share. Conversion is not mandatory and after the first anniversary Convertible Notes are converted at the an average market price (VWAP) prior to notice of conversion. Where not converted notes are redeemable at the end of five years from issue	7,266,666	-
Adjusted weighted average number of ordinary shares for diluted earnings per share	27,968,289	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

Earnings per share are included at the foot of the Statement of Comprehensive Income

## 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>2011</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>
Cash at bank and in hand (a)	3,780	4,180
	<u>3,780</u>	<u>4,180</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 franchise owned and Company owned stores. At 30 June 2011 the total of this balance was \$2,838,682 (30 June 2010: \$2,453,594). The funds held in trust are specifically excluded and released from the registered charge over the entity held by St George bank. Refer to note 20 for further information.

## 12. TRADE AND OTHER RECEIVABLES

### Current

Trade receivables	1,186	2,658
Allowance for impairment loss (a)	(20)	(65)
	<u>1,166</u>	<u>2,593</u>

### Non-current

Trade receivables	480	420
	<u>480</u>	<u>420</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 \$20,248 (2010: \$65,000) has been recognised by the Consolidated Entity.

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

		<b>Total</b>	<b>0-30 Days</b>	<b>31-60 Days</b>	<b>61-90 Days</b>	<b>61-90 Days</b>	<b>+91 Days</b>	<b>+91 Days</b>
		<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
				<b>PDNI*</b>	<b>PDNI*</b>	<b>CI*</b>	<b>PDNI*</b>	<b>CI*</b>
2011	Consolidated	1,186	510	380	244	-	32	20
2010	Consolidated	2,658	1,281	727	195	-	390	65

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

Receivables past due but not considered impaired are: Consolidated Entity: \$276,000 (2010: \$585,000). 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	
	2011	2010
	\$000	\$000
Opening balance at 1 July	65	15
Charge for the year	-	50
Amounts written-off	(45)	-
Closing balance at 30 June	20	65

### (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	
	2011	2010
	\$000	\$000
Stock on hand at cost	4,370	6,176
Provision for impairment (a)	(95)	(290)
	4,275	5,886

### (a) Provision for impairment

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2011 amounted to \$94,943(2010: \$290,000). The reduction in provision has been written back to cost of goods sold as losses were realised.

## 14. OTHER ASSETS

	CONSOLIDATED	
	2011	2010
	\$000	\$000
<b>Current</b>		
Prepayments	560	607
	560	607

## 15. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	<i>CONSOLIDATED</i>	
	<i>2011</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>
<b>Current</b>		
At 1 July 2010,	7,350	
Property	-	7,350
Disposals	(7,350)	
At 30 June 2011	<u>-</u>	<u>7,350</u>

On 28 September 2010 the sale of the Brendale property in Queensland was finalised for \$7.5m gross.

## 16. OTHER FINANCIAL ASSETS

	<i>CONSOLIDATED</i>	
	<i>2011</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>
<b>Current</b>		
Investments in listed shares at fair value through profit or loss	39	6
	<u>39</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>Equipment</i>	<i>\$000</i>
<b>Year ended 30 June 2011</b>				
At 1 July 2010,				
Net of accumulated depreciation	-	1,865	424	2,289
Additions	21	77	-	98
Disposals	-	(579)	(118)	(697)
Transfers	-	18	(18)	-
Transfer from investment properties	-	223	-	223
Depreciation charge for the year	(4)	(213)	(90)	(307)
Impairment	-	-	-	-
At 30 June 2011,				
Net of accumulated depreciation	<u>17</u>	<u>1,391</u>	<u>198</u>	<u>1,606</u>
<b>At 1 July 2010</b>				
Cost	16	3,539	721	4,276
Accumulated depreciation and impairment	(16)	(1,674)	(297)	(1,987)
Net carrying amount	<u>-</u>	<u>1,865</u>	<u>424</u>	<u>2,289</u>
<b>At 30 June 2011</b>				
Cost	21	2,401	482	2,904
Accumulated depreciation and impairment	(4)	(1,010)	(284)	(1,298)
Net carrying amount	<u>17</u>	<u>1,391</u>	<u>198</u>	<u>1,606</u>

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2011 is \$197,845 (2010: \$424,000). 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 22.

## 17. PLANT AND EQUIPMENT (CONTINUED)

	<i>CONSOLIDATED</i>			<i>Total</i> \$000
	<i>Leasehold</i> <i>improvements</i> \$000	<i>Plant and</i> <i>equipment</i> \$000	<i>Leased</i> <i>Plant and</i> <i>Equipment</i> \$000	
<b>Year ended 30 June 2010</b>				
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)
<hr/>				
At 30 June 2010,				
Net of accumulated depreciation	-	1,865	424	2,289
<hr/>				
<b>At 1 July 2009</b>				
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
<hr/>				
<b>At 30 June 2010</b>				
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

## 18. INVESTMENT PROPERTY

	<i>CONSOLIDATED</i>	
	<i>2011</i> \$000	<i>2010</i> \$000
<b>Year ended 30 June 2011</b>		
Balance at 1 July 2010	10,506	10,430
Additions	30	-
Disposals	-	-
Transfer to plant and equipment	(223)	-
Fair value adjustments	103	76
<hr/>		
Balance at 30 June 2011	10,416	10,506

The fair value model is applied to all investment properties. The investment property was valued by registered independent valuers as at 30 June 2011 and at 30 June 2010. The gross valuation at 30 June 2011 was \$11,100,000 with the remaining value not included above included in Property Plant and Equipment. Joyce Corporation Ltd leases its property to Joyce Foam Pty Ltd (the Company which acquired the foam businesses in November 2005) at a rental less than the current market value.

For the 30 June 2011, an independent valuer arrived at the above property valuation after deducting an amount of \$2,668,000 because the existing lease attracts rent at approximately 50% of current market rental yields and the lease has another 4.4 years to run. But for the existence of this lease, the valuation of the above property would have been stated at \$13,761,000.

## 19. INTANGIBLE ASSETS

	<i>CONSOLIDATED</i>	
	<i>2011</i>	<i>2010</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>2011</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>
<b>Year ended 30 June 2011</b>		
At 1 July, net of accumulated amortisation	10,225	10,225
Additions	-	-
Amortisation	-	-
At 30 June 2011, net of accumulated amortisation	<u>10,225</u>	<u>10,225</u>
<b>At 1 July</b>		
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>
<b>At 30 June</b>		
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 2011 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>2011</i>	<i>2010</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 2011/12 and 2012/13 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%	5-7%	3-4%

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 2011.

There has been no impairment of Goodwill for the year ended 30 June 2011 (2010: Nil).

### *(c) Impact of possible changes in key assumptions*

Sensitivity analysis is conducted on changes to discount factors and growth, which do not highlight any material impairment.

## 20. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2011 \$000	2010 \$000
<b>Current</b>		
<i>Unsecured liabilities</i>		
Trade payables	1,864	3,297
Accruals and other payables	563	1,137
Amounts held in trust for Bedshed marketing and other funds (a)	2,839	2,454
	<u>5,266</u>	<u>6,888</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>2011</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>
<b>Current</b>		
Finance leases	105	168
Commercial bill - secured (a)	-	3,900
Bank overdrafts – secured (b)	530	295
Bank loans – secured (c)	-	7,939
Loan from related party – unsecured (d)	-	300
	<u>635</u>	<u>12,602</u>
<b>Non-current</b>		
<i>Secured liabilities</i>		
Finance leases	69	286
Bank loans – secured (c)	4,800	-
Convertible Notes	2,180	-
	<u>7,049</u>	<u>286</u>
	<u><u>7,684</u></u>	<u><u>12,888</u></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. The outstanding is \$8,000,000 less a \$3,200,000 secured deposit.

(d) *Loan from related party - unsecured*

The unsecured loan at 2010 is from Mr Smetana, a Director of the Consolidated Entity was fully repaid during the reporting year.

(e) *Collateral provided*

The available St George bank cash and guarantee facility is \$1,600,000 (2010: \$6,400,000). The unused cash facility at 30 June 2011 is \$58,000(2010: \$323,000) with as cash and cash equivalents held of \$941,000. Further details on the facility are provided in note 4. There is first registered real property mortgage over the investment property owned by the Consolidated Entity, together with a fixed and floating charge over the Consolidated Entity assets and cross guarantees from operating subsidiaries as security over the facility.

	<i>CONSOLIDATED</i>	
	<i>2011</i>	<i>2010</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)	10,416	17,856
Plant and equipment	1,606	2,289
	<u>12,022</u>	<u>20,145</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 2.0 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 abnormal or one off transactions.

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	
	2011	2010
	\$000	\$000
Cash and cash equivalents	3,780	4,180
Trade receivables	1,166	2,593
	<u>4,946</u>	<u>6,773</u>

### (g) Debt classification

There was no breach of the Company's interest cover and gearing ratio debt covenants at 30 June 2011. As a result, the Consolidated Entity's bank debt has been classified as non-current at 30 June 2011, in accordance with applicable accounting standards. Subsequent to year end, the Consolidated Entity successfully obtained further reduction in interest cover covenant to 1.25 times reverting to the previous covenant in (f) above from 31 March 2012. St George Bank has also provided further accommodation of \$300,000 since the year end.

### (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:

	<i>CONSOLIDATED</i>	
	<i>2011</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>
<b><i>Current</i></b>		
Employee benefits (a)	309	274
South Australia rental shortfall (b)	200	102
Franchise settlement (c)	601	1,875
Store closure provision (d)	-	2,860
Other	84	69
Total Current	<u>1,194</u>	<u>5,180</u>
<b><i>Non-current</i></b>		
Employee benefits (a)	5	5
South Australia rental shortfall (b)	421	718
Franchisee settlement (c)	-	625
Environmental testing (e)	3	9
Other	56	41
Total Non-Current	<u>485</u>	<u>1,398</u>
	<u>1,679</u>	<u>6,578</u>

### *(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 closure of a company owned store. The property has been sublet and a provision for a rental shortfall was made at 30 June 2010 and this arrangement continues completing in October 2014.

### *(c) Provision for franchisee settlement*

During the year ended 30 June 2011, 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 were 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 maintained a provision for the remaining payable and related costs of this settlement at 30 June 2011.

### *(d) Restructuring provisions*

During the year ended 30 June 2011, the Consolidated Entity substantially completed restructure that were provisioned at the 30 June 2010. Some unprofitable company owned stores were closed in consequence and this has been achieved within the provision made.



## 22. PROVISIONS (CONTINUED)

	Sub-let provison	Store Closure	Stock Provision	Long- term Employee Benefits	Franchisee Settlement	Other	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Consolidated Group</b>							
Opening balance at 1 July 2010	840	2,635	290	279	2,500	34	6,578
Additional provisions	8	-	-	278	-	14	300
Amounts used	(233)	(2,335)	(195)	(243)	(1,899)	-	(5,199)
Unused amounts reversed	-	(300)	-	-	-	-	-
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	6	-	-	-	-	-	-
Balance at 30 June 2011	621	-	95	314	601	48	1,679

### (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.

	CONSOLIDATED	
	2011	2010
	\$000	\$000
20,321,623 (2010: 20,321,623) Issued and fully paid ordinary shares (a)	15,167	15,167
380,000 (2010: 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 2010	20,321,623	15,634
At 30 June 2011	<u>20,321,623</u>	<u>15,634</u>
At 30 June 2011	<u>20,321,623</u>	<u>15,634</u>

## 23. CONTRIBUTED EQUITY (CONTINUED)

### (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. RESERVES

The reserve is a financial asset reserve that resulted from the acquisition of the remaining 51% of the Bedshed Trust in 2006.

## 25. 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:

	2011		2010	
	Minimum payments \$000	Present value of payments \$000	Minimum payments \$000	Present value of payments \$000
<i>CONSOLIDATED</i>				
Within one year	118	-	208	-
After one year but not more than five years	72	-	314	-
Total minimum lease payments	190	-	522	-
Less amounts representing finance charges	(16)	-	(68)	-
Present value of minimum lease payments	174	174	454	454

### (b) Property lease receivable – Consolidated Entity as lessor

	<i>CONSOLIDATED</i>	
	2011 \$000	2010 \$000
Within one year	689	747
After one year but not more than five years	2,356	2,669
More than five years	-	278
	3,045	3,694

## 25. CAPITAL AND LEASING COMMITMENTS (CONTINUED)

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>	
	<i>2011</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>
	<hr/>	<hr/>
Within one year	3,118	4,062
After one year but not more than five years	7,724	11,481
More than five years	49	677
	<hr/>	<hr/>
	10,891	16,220
	<hr/>	<hr/>

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

	<i>CONSOLIDATED</i>	
	<i>2011</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>
	<hr/>	<hr/>
Within one year	42	30
After one year but not more than five years	73	39
More than five years	-	-
	<hr/>	<hr/>
	115	69
	<hr/>	<hr/>

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

### (e) Capital expenditure commitments

	<i>CONSOLIDATED</i>	
	<i>2011</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>
	<hr/>	<hr/>
Capital expenditure commitment for investment property - plant and equipment	290	-
Payable:		
- within one year	290	-
	<hr/>	<hr/>
	290	-
	<hr/>	<hr/>

## 26. 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 \$1,012,109 (2010: \$1,178,006).

## 27. 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>2011</i>	<i>2010</i>
Joyce Rural Pty Ltd	Australia	100	100
Bedding Investments Pty Ltd	Australia	100	100
Joyce Industries Pty Ltd	Australia	100	100
Furniture World Marketing Pty Ltd	Australia	50	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
Furniture World (HK) Pty Ltd	Hong Kong	50	-

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:

(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 2011.

(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 \$Nil (2010: \$157,050). As at year end there was no amount owing to this related party (2010: Nil).

(iv) The Executive directors fees for Mr A Mankarios are paid to Starball Pty Ltd, a company in which Mr Mankarios has significant influence - \$157,920 (2010: \$65,924). As at year end there was no amount owing to this related party (2010: Nil). Interest payment of \$811.59 on Convertible Notes was paid during the year to Starball Pty Ltd (2010: Nil) and \$1,962.47 to Mr Mankarios for Convertible Notes (2010: Nil).

(v) During the year ended 30 June 2011 the Consolidated Entity paid interest of \$9,521 (2010: \$4,123) 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 earned 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. The loan was repaid.

- (vi) Consulting fees paid to Franchising Solutions Pty Ltd for Mr T Hantke - Nil (2010: \$10,750). As at year end there was no amount owing to this related party (2010: Nil).
- (vii) A receivable from Pynland Pty Ltd, a company owned by Dan Smetana, for \$13,402.54 owing to Joyce Corporation Ltd for amounts paid on behalf of Pynland Pty Ltd.
- (viii) Mr Smetana has earned interest from Convertible notes which were from an entitlement issue in 2010 of \$46,417.82. Interest is payable monthly at 8% per annum.

## 28. EVENTS AFTER REPORTING DATE

The Consolidated Entity has renegotiated facilities and covenants with St George Bank with further accommodation of \$300,000 subsequently approved.

A dividend was declared on 17 August 2011 for an unfranked 2.0 cent per share dividend with a record date of 2 November 2011 and payable 18 November 2011.

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.

## 29 AUDITORS' REMUNERATION

	<i>CONSOLIDATED</i>	
	<i>2011</i>	<i>2010</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	103	135
• other services in relation to the Parent Entity and any other entity in the Consolidated Entity		
(a) tax compliance	53	35
(b) assurance related	10	-
	166	170

## 30. DIVIDENDS

	<i>2011</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>
<i>Distributions paid</i>		
Final unfranked ordinary dividend of Nil (2010: 2.0 cents) cents per share	-	405
Interim unfranked ordinary dividend of 2.0 (2010: Nil) cents per share	406	-
	406	405

To date the directors have declared the payment of a final dividend out of retained profits at 30 June 2011 with a record date of 2 November 2011 and a payment date of 18 November 2011.

## 31. 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

#### *(ii) Specified executives*

Mr G Culmsee	Chief Operating Officer
Mr K Gray	Chief Financial Officer & Company Secretary
Ms S Freedman	National Marketing Manager

### ***(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 Executive Director and all other executives.

### 31 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	\$000
<b>30 June 2011</b>							
Mr D A Smetana	119	-	-	50	-	-	169
Mr T R Hantke	38	-	-	29	-	-	67
Mr M A Gurry	52	-	-	15	-	-	67
Mr A Mankarios	157	-	-	-	-	-	157
Mr G Culmsee	183	-	17	18	-	-	218
Mr K Gray	124	-	36	14	-	-	174
Ms S Freedman	90	-	-	8	-	-	98
<b>Total Remuneration:</b>	<b>763</b>	<b>-</b>	<b>53</b>	<b>134</b>	<b>-</b>	<b>-</b>	<b>950</b>
<b>30 June 2010</b>							
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
<b>Total Remuneration:</b>	<b>1,353</b>	<b>-</b>	<b>51</b>	<b>144</b>	<b>182</b>	<b>-</b>	<b>1,730</b>

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

During the financial year ended 30 June 2011 no options (2010: 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 2011 no shares (2010: Nil) were issued on exercise of remuneration options to any director or executive of the Consolidated Entity.

### 31. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

#### (e) Shareholdings of key management personnel

Ordinary Shares held in Joyce Corporation Ltd

<b>2011</b>	<i>Balance 01-Jul-10 Ord</i>	<i>Granted as Remuneration Ord</i>	<i>On Exercise of Options Ord</i>	<i>Net Change Other Ord</i>	<i>Balance 30-June-11 Ord</i>
Mr D A Smetana*	7,079,932	-	-	3,000	7,082,932
Mr T R Hantke	-	-	-	-	-
Mr M A Gurry	-	-	-	-	-
Mr A Mankarios	505,289	-	-	10,830	516,119
Mr G Culmsee	-	-	-	-	-
Mr K Gray	-	-	-	-	-
Ms S Freedman	-	-	-	-	-
<b>Total</b>	<b>7,585,221</b>	<b>-</b>	<b>-</b>	<b>13,830</b>	<b>7,599,051</b>
<b>2010</b>	<i>Balance 01-Jul-09 Ord</i>	<i>Granted as Remuneration Ord</i>	<i>On Exercise of Options Ord</i>	<i>Net Change Other Ord</i>	<i>Balance 30-June-10 Ord</i>
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 G Culmsee	-	-	-	-	-
Mr K Gray	-	-	-	-	-
Ms S Freedman	-	-	-	-	-
<b>Total</b>	<b>7,585,221</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,585,221</b>

\* Beneficial holding only. Mr Smetana controls 7,960,359 fully-paid ordinary shares (2010: 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 2011 or at any time during the financial year there were no loans (2010: Nil) outstanding to specified directors and specified executives.



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

#### Reconciliation of net profit (loss) after tax to the net cash flows from operations

	<i>CONSOLIDATED</i>	
	<i>2011</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>
Net profit/(loss) after taxation	2,914	(8,147)
<i>Adjustments for:</i>		
Depreciation and amortisation	307	363
Interest receivable	(151)	-
Impairment of plant & equipment	359	117
Revaluations of investment properties including those classified as held for sale	(133)	124
Net loss / (profit) on disposal of property, plant and equipment	122	36
Franchisee settlement paid	(1,875)	-
<i>Changes in assets and liabilities</i>		
(increase)/decrease in inventories	1,611	204
(increase)/decrease in trade and other receivables	1,367	385
(increase)/decrease in other assets	14	611
(increase)/decrease in net deferred income tax assets and liabilities	(1,934)	(174)
(decrease)/increase in income taxes payable	(83)	-
(decrease)/increase in trade and other payables	(1,622)	2,029
(decrease)/increase in provisions	(3,095)	5,767
<b>Net cash flows used in operating activities</b>	<b>(2,199)</b>	<b>1,315</b>

### 33. PARENT ENTITY DISCLOSURES

#### (a) Financial position

	<i>As at 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>
<b>Assets</b>		
Current assets	271	166
Non-current assets	20,877	27,365
Total assets	<b>21,148</b>	<b>27,531</b>
<b>Liabilities</b>		
Current liabilities	819	12,972
Non-current liabilities	6,977	143
Total liabilities	<b>7,796</b>	<b>13,115</b>
<b>Net Assets</b>	<b>13,352</b>	<b>14,416</b>
<b>Equity</b>		
Issued capital	15,634	15,634
Retained earnings	(2,282)	(1,218)
<b>Net Equity</b>	<b>13,352</b>	<b>14,416</b>

#### (b) Financial performance

	<i>Year ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>
Loss for the year	(660)	(838)
Other comprehensive income	-	-
Total comprehensive loss	<b>(660)</b>	<b>(838)</b>

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

No such guarantees existed at 30 June 2011, 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 2011 (30 June 2010: Nil).

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

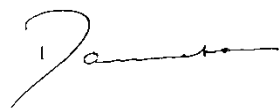
Commitments for the acquisition of property plant and equipment by the parent entity existed as at 30 June 2011 for the value of \$290,000 (30 June 2010: Nil).

## 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 thereto of 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 Executive 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
- (c) 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, 29 September 2011

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## **Independent Auditor's Report To the Members of Joyce Corporation Ltd**

### **Report on the financial report**

We have audited the accompanying financial report of Joyce Corporation Ltd (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information 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 of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. 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.

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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.

In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company'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:

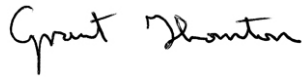
- a the financial report of Joyce Corporation Ltd is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards 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 11 to 15 of the directors' report for the year ended 30 June 2011. 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 Ltd for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



P W Warr  
Director - Audit & Assurance

Perth, 29 September 2011

## 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	222	72,588	0.36
1,001 - 5,000	181	452,425	2.23
5,001 - 10,000	67	493,281	2.43
10,001 - 100,000	114	3,408,611	16.77
100,001 - and over	24	15,894,718	78.21
<b>Total</b>	<b>608</b>	<b>20,321,623</b>	<b>100.00</b>
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*	7,960,359	39.17
2. John Roy Westwood	2,000,000	9.84
<b>Total</b>	<b>9,960,359</b>	<b>49.01</b>

\* Mr Smetana has beneficial interest in 7,082,932 fully-paid ordinary shares (2010: 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 21 SEPTEMBER 2011

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

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	5,697,694	28.04
2. UFBA Pty Ltd	2,000,000	9.84
3. Peduncle Pty Ltd	1,442,106	7.10
4. Wallbay Pty Ltd	998,356	4.91
5. Mr D Teo	990,000	4.87
6. Trafalgar Place Nominees Pty Ltd	723,567	3.56
7. Parks Australia Pty Ltd	600,204	2.95
8. Mr R H Bartlett	355,400	1.75
9. Pynland Pty Limited	314,886	1.55
10. Mr D A Smetana	280,000	1.38
11. Conard Holdings Pty Ltd	257,540	1.27
12. Mr A Mankarios and Mrs C Mankarios	250,000	1.23
13. ASB Nominees Limited	236,293	1.16
14. Mr J M Wright	229,463	1.13
15. Mr K Knowles	209,380	1.03
16. PBL Investments Pty Ltd	200,000	0.98
17. Argus Clothing Pty Ltd	196,050	0.96
18. Mrs E Knowles	178,800	0.88
19. Brazil Farming Pty Ltd	170,000	0.84
20. Ms Julia Roberman	126,500	0.62
<b>Total</b>	<b>15,456,239</b>	<b>76.05%</b>

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

Ordinary Shareholder	Partly Paid Ordinary Shares	%
Mr D A Smetana	380,000	100
<b>Total</b>	<b>380,000</b>	<b>100</b>

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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Tel: +61 8 9445 1055

**(h) Share Registry**

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