



**Joyce Corporation Ltd**  
AND CONTROLLED ENTITIES

# Annual Report 2013

**Celebrating 127 Years in Business**

Joyce Corporation Ltd  
AND CONTROLLED ENTITIES

ABN: 80 009 116 269

# Annual Report 2013

# 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> Bedshed Central Office
	14 Collingwood Street Osborne Park 6017
	Western Australia
	<b>time:</b> 10:00am
	<b>date:</b> 21 November 2013
<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>	BDO (WA) Pty Ltd 38 Station Street Subiaco WA 6008 Australia
<b>Solicitors</b>	MDS Legal Level 2, 16 Irwin Street, 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

I am pleased to announce the net consolidated result for Joyce Corporation Ltd to 30<sup>th</sup> June 2013 of \$0.668 Million. This compares with a profit of \$3Million for last year to 30<sup>th</sup> June 2012.

The underlying profit for this period for continuing operations was \$2.2M after tax, whilst the operating cash flow remained above expectations. The comparative year ended 30 June 2012 included a one-off property revaluation increase \$3.5M before tax against a current year revaluation \$1.26 M.

Operating cash flow has continued to improve with continuing operations increasing to \$1.4 Million for year compared to \$1.2 Million for the prior year ended 30 June 2012.

An interim dividend was paid on 24<sup>th</sup> July 2013 for 1 cent unfranked per ordinary share.

A decision on the quantum of the final dividend will be reviewed and announced at the appropriate time.

The Company's franchise business Bedshed performed well and above expectations. Total network sales grew modestly in 2013 on a year on year, like for like basis.

As previously announced the year's result was a transition from underperforming Bedshed Company owned stores in Regional Australia and stand-alone locations and investing in the future growth of the group's activities within our highly successful Bedshed Franchise model.

We are pleased to announce that a surrender of lease was negotiated with Centre Management at Mittagong in NSW and we have exited this company owned store in early August 2013.

We have taken up store closure provisions in the year end results which, together with discontinuing operations losses, totals \$1.57M. The lease surrender negotiations have seen a net savings effect on over all potential liability to the full term of the leases in all cases.

The group has a very valuable asset with its 41,840 sq m industrial property site at Bridges Road Moorebank. This is in South West Sydney and adjoins the Georges River and is attainable from the on/off ramp of the busy M5 Motorway. This property is currently rented to a leading Australian Foam manufacturer at sub-economic market rents. The past registered independent valuation was \$17.9M, with sub-economic rent contributing to the lower carrying value in the accounts.

It is the company's intention that it seek to divest this property asset in the fullness of time.

I am pleased to announce the company has received a notification from the tenant advising it will seek to take-up the option for a further 10 years at a commercial rent and confirmed their interest in potentially purchasing the property.

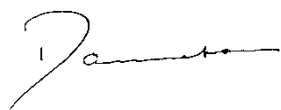
This additional rent in the near future will see a positive net performance lift and the company is budgeting strong ongoing profitability as a result of difficult decisions the board undertook this year with respect to company owned stores.

The group is in a financially conservative gearing position and may seek to leverage its strong balance sheet in the near future to improve the returns to shareholders.

It is important to note the company has \$2.0M of inventory tied up in company stores.

I would like to recognise the efforts and achievements of the Board and the Executive Director, Mr Anthony Mankarios and the entire Management team in addressing and resolving outstanding issues and placing our Group in a far stronger position to undertake sustained renewed growth.

I commend the Group's prospects to you.



Dan Smetana  
Chairman

# EXECUTIVE DIRECTOR'S REPORT

## Operational Review

Bedshed, one of our core Business Units (BU's), managed to expand its network sales during the year. It grew modestly year on year and like for like with total network written sales.

This growth was aided by the introduction of the new generation store fit-out, design and point of sale program called the Bedshed Evolution Program. We anticipated continuing growth as additional stores embrace the new fit-out.

A new franchisee was approved to take over from the Nunawading Victorian Franchise store which ceased operations in January 2013. This store opened in August 2013 with the new evolution fit-out program.

During the year management was heavily involved with setting and implementing targeted exit strategies for existing company owned stores in regional areas and stand-alone locations, which had been determined as being in less than optimum positions.

The leases were terminated with 4 stores during the period and a non-recurring provision was taken up in our books as a result. There is another location that was exited in August 2013. In each case, these exits will save the company significant expense over the remaining term of the leases.

Non-recurring losses and provisions in aggregate totalled \$1.57M before tax in the final accounts.

Additional provisions taken up at 30 June 2013 for closed and closing stores was \$0.35M.

The following Company owned stores were exited:

- Warners Bay NSW
- Shepparton Vic
- Bendigo Vic
- Wodonga Vic

The company will seek to franchise in better locations where our demographics suit the quality product mix.

The Company's Moorebank Property underwent a series of improvements during the year. The 41,840 square meter site is located near the Georges River and in proximity to the proposed \$400M Inter-modal development in 2014, aimed at relieving container freight away from busy Port Botany and improving congestion on the busy M5 Motorway that accesses the site.

The existing tenant has indicated their desire to progress with the 10 - year lease option in 2015 should they not be successful in purchasing the property.

The property has been carried in our books at sub-economic rent valuations. This will cease in late November 2015, when rents move to market rents. With each year approaching 2015 the valuation approaches the commercialisation rents and as such an appropriate lift in the property value is taken up toward the value based on an independent registered valuer's report.

The Directors have also further valued the property based on market information from external valuers, recent sales values and recent rents achieved that are published by independent third parties. The decision was based on increased rental rates and reducing yields. To determine the value the rent was left unchanged even though there was evidence increases and a yield of 9% on market rent was used which results in total valuation increase of \$416K before tax.

The Company not only took part in cost reduction programs set to guide the group into maintainable future profits; it also enhanced the Company's prospects considerably. A Joyce Corporation subsidiary took up a convertible notes investment in KWB Group Pty Ltd (KWB) during the latter half of this financial year. KWB's current management team also elected to invest alongside Joyce.

## EXECUTIVE DIRECTOR'S REPORT (CONTINUED)

KWB group is the largest specialty independent retailer of kitchens and wardrobes in Australia, with 12 stores in Qld, SA and NSW at 30 June 2013. Joyce aims to enhance the group by assisting with the introduction of a suitable structure for their franchise business expansion across Australia.

Joyce will consider whether it will convert its secured notes in the group into majority stake equity at some stage in the near future. At this point, should the Company elect to convert, the KWB group's estimated \$25M revenue will be consolidated into Joyce Corporation's accounts creating significant growth in our retail footprint across Australia.

The board undertook an auditor review in late 2012, BDO Perth was appointed as the new auditors after the AGM resolution was carried for this financial year. This pro-actively resulted in a thorough constructive review of past treatments to the accounting standards. BDO have outlined accounting adjustments required to meet the standards in the accounts pertaining to periods prior to 2007. This has resulted in a re-instatement of the prior year accounts in this period. As a result \$389K affected the prior year Consolidated Statement of Financial Position as an equity item. There was also a reclassification from retained earnings to revaluation reserves of \$2.62m pertaining to 2006 that has not affected the net equity.

### Future Outlook

The Company has taken significant provisions to ensure future maintainable profits provide adequate returns to shareholders.

The exit of its Company owned store at Mittagong took place in August and this one-off expense provision was taken up in this reporting period.

The Company's prospects are positive given the recent lift in activity in its core Bedshed Franchising business. Currently operations are currently meeting profit expectations in a challenging retail environment. The Company's significant property asset at Moorebank will underpin the group's activities and growth plans.

The retail market continues to remain subdued as consumer confidence, a federal election and a sluggish housing market impact on the market. Further reductions in interest rates should be positive and underpin consumer confidence. There remains risk from the decline in employment from the run off from the mining industry. A decline in the Australian dollar against the US dollar also has the potential to reduce margins and this is being addressed through newer lower cost products, product ranging decisions and a continued focus on cost management. The Company remains in a positive cash position with adequate undrawn bank facilities and a low net debt position that provides flexibility to undertake future acquisitions and grow the Bedshed franchise network.

### Rounding of Amounts

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

This report is signed in accordance with a resolution of the Board of Directors



**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 2013.

### DIRECTORS

The names of the Company's Directors in office during the year ended 30 June 2013 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 2013 ("the Financial Year") the Consolidated Entity, achieved revenue from continuing operations of \$14,608,000 (2012: \$15,003,000) and a profit from continuing operations after taxation of \$2,366,000 (2012: \$5,009,000) and an overall net profit after tax of \$668,000 (2012: \$3,035,000). The reduction in revenue primarily resulted from the reduced number of stores and the new Evolution store refit at one store. Like for like sales growth has been achieved across the Bedshed stores network although there has been some minor margin pressure from a lower Australian dollar and increased discounting in the market.

Profit was supported with revaluation of the investment property at Moorebank in NSW. Further valuation increases are expected from the expiration of subsidised rental period out to November 2015.

#### Closure of Company-owned stores

During the year ended 30 June 2013, the Consolidated Entity provided for the closure of one underperforming company owned store and closed four previously announced company owned stores. These stores were in sub-optimal regional locations with net present value of closure costs falling below expected operating losses for the remaining lease term.

#### Financial Position

At 30 June 2013 the Consolidated Entity had equity of \$22,133,000 (2012: \$21,918,000); cash and cash equivalents of \$3,439,000 (2012: \$3,774,000) and unutilised debt facilities of \$622,000 (2012: \$640,000) (refer to note 4 for further details).

#### Bank Facility

The Board is pleased to advise that the Consolidated Entity has successfully extended its longer term debt funding facility with St George Bank from March 2014 to 30 July 2015. This outcome is indicative of St George Bank's understanding and support of the Consolidated Entity's strategy. A \$1.6m facility which is subject to annual review was also extended.



## DIRECTORS' REPORT (CONTINUED)

### REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

#### FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Consolidated Entity will look to further develop the Bedshed business through the expansion of its network of franchised stores whilst seeking to improve the financial performance of Company-owned and operated stores. The Board is completing a strategic review of all businesses to ensure maximum return on shareholders' funds and during the year invested in convertible notes that can be converted to a majority equity stake in KWB Pty Ltd a kitchen and wardrobe sales and installation company based in Queensland and South Australia and New South Wales.

#### DIVIDENDS

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

	<i>2013</i>	<i>2012</i>
	<i>\$000</i>	<i>\$000</i>
<i>Distributions paid or payable</i>		
Final unfranked ordinary dividend of Nil (2011 : 2.0 cents) cents per share (Paid – 18 November 2011)	-	406
Interim unfranked ordinary dividend of 1.5 (2011: Nil) cents per share (Paid – 02 July 2012)	414	414
Final unfranked ordinary dividend of 0.65 (2011 : Nil) cents per share (Paid – 28 February 2013)	179	-
Prior year dividends paid on partly paid shares (Paid – 30 June 2013)	31	-
Interim unfranked ordinary dividend of 1.0 (2011: Nil) cents per share (Paid – 23 July 2013)	280	-
	<u>904</u>	<u>820</u>

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 CHANGES IN STATE OF AFFAIRS

The Company invested \$900,000 by way of convertible notes in KWB Pty Ltd. The notes can be converted into equity to own 57% of the Kitchen and Wardrobe sales and installation company which operates as Kitchen Connection and Wallspan in Queensland and South Australia and New South Wales. The Convertible Notes can be converted within 12 months of issue up to February 2014. The Company has assisted with business strategy and management and is developing a sustainable profit model to allow the Convertible Notes to be exercised. Should the Convertible notes not be exercised then the investment is redeemable and is secured by a registered charge over the assets of KWB Pty Ltd.

#### SIGNIFICANT AFTER REPORTING DATE EVENTS

After the reporting date, agreement on closing one regional company owned store has been executed. This was fully provisioned at the reporting date.

An unfranked dividend of 1.0 cents per share was paid on 23 July 2013.

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 69.*  
**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 past President of the Industrial Foundation for Accident Prevention and remains a Director. Director of Edge Employment Solutions Inc, Director of Poly Metallica Minerals 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. Vice President and Councillor of the WA Federation of Police and Community Youth Centres (Inc.),

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**

- **9,850,696** beneficial fully paid ordinary shares in Joyce Corporation Ltd.
- 380,000 partly paid (issued at \$1.955 and paid to \$1.315) ordinary shares in Joyce Corporation Ltd.

**Mr M A Gurry.** – *Independent, Non-executive Director. Age 66.*  
**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 Organizations, 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 former Chairman of Foundation Housing Limited, Chairman of the Forest Products Commission, and former Chairman of Reignite Pty Ltd, a councilor 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 65.  
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 the Franchise Policy Council 1997 - 2002; is currently a Member of the ACCC's Franchise Consultative Committee; and Chairman of Co-operative Purchasing Services Pty Ltd. and an Alternate Non Executive Director of Mrs. Macs Pty Ltd. Mr Hantke has extensive managerial experience in both small and large organizations 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 46.*

**MBA, FAICD, CFTP**

An Executive Director of Joyce Corporation Limited (JYC), Anthony is an experienced director and manager who has played a key role in Joyce's underlying business growth performance since 2010. He is also a non-executive director of KWB Group Pty Ltd, which is a fast growing Kitchen Connection and Wallspace business; and Chairman of Man Investments and Consultants as well as being involved in a number of other private companies.

Anthony is currently a Non- Executive Director of Inventis Limited (IVT) and was the CEO of Oldfields Holdings Ltd

His experience over the last 26 years spans a number of different sectors ranging from retail, wholesale and distribution, manufacturing as well as furniture retail / Importing and Franchise businesses in Australia and in Asia.

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

Inventis Limited

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

None

#### **Special responsibilities**

Member of the Audit Committee and Remuneration Committee.

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

697,286

### 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 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.

## DIRECTORS' REPORT (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 2013, and the numbers of meetings attended by each Director were:

	Full meeting of Directors		Meetings of committees			
	A	B	Audit	Remuneration	A	B
D A Smetana	11	10	4	4	-	-
M A Gurry	11	11	4	4	6	5
T R Hantke	11	9	4	4	6	6
A Mankarios	11	11	4	4	6	5

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 meetings of the remuneration Committee as these meetings related to his contract and remuneration.

### REMUNERATION AND DIVERSITY 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.

## DIRECTORS' REPORT (CONTINUED)

### REMUNERATION AND DIVERSITY REPORT – AUDITED (CONTINUED)

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

#### Remuneration Policies

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

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

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

#### ***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 \$500,000 per annum and was approved by shareholders at the Annual General Meeting on 22 November 2012.

# DIRECTORS' REPORT (CONTINUED)

## REMUNERATION AND DIVERSITY 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 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 Consolidated Entity, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

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

Details of key management personnel (including the Senior 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

The employment conditions of all Key Management Personnel are formalised in contracts of employment. Other than the Non-Executive Directors, the Executive Director and the CFO, who were engaged by Joyce Corporation Ltd all other executives are permanent employees of Bedshed Franchising Pty Ltd.

The Executive Director has a service contract which at the date of this report completes at 31 December 2013. This is a part time role which allows an hourly charge for work undertaken and paid monthly. All out of pocket expenses in connection with carrying out the role are reimbursable.

## DIRECTORS' REPORT (CONTINUED)

### REMUNERATION AND DIVERSITY 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		Post-Employment		Share based payment	Total	% relating to performance	
	Salary & Fees \$000	Cash Bonus \$000	Non-Monetary benefits \$000	Superannuation \$000	Retirement benefits \$000			Options \$000
<b>30 June 2013</b>								
Mr D A Smetana	153,125	-	-	25,000	-	-	178,125	-
Mr T R Hantke	56,167	-	-	15,083	-	-	71,250	-
Mr M A Gurry	43,715	-	-	27,535	-	-	71,250	-
Mr A Mankarios <sup>1</sup>	136,143	45,000	-	-	-	-	181,143	24.86%
Mr G Culmsee	214,339	-	-	19,290	-	-	233,629	-
Mr K Gray	152,224	-	22,550	15,729	-	-	190,503	-
<b>Total Remuneration:</b>	<b>755,713</b>	<b>45,000</b>	<b>22,550</b>	<b>102,637</b>	<b>-</b>	<b>-</b>	<b>925,900</b>	<b>24.86%</b>
<b>30 June 2012</b>								
Mr D A Smetana	121,875	-	-	50,000	-	-	171,875	-
Mr T R Hantke	44,222	-	-	24,528	-	-	68,750	-
Mr M A Gurry	-	-	-	68,750	-	-	68,750	-
Mr A Mankarios	155,106	65,000	-	-	-	-	220,106	29.54%
Mr G Culmsee	211,290	40,000	-	22,230	-	-	273,520	14.65%
Mr K Gray	137,600	32,000	28,000	17,784	-	-	215,384	14.88%
Ms S Freedman <sup>2</sup>	142,744	13,479	-	14,060	-	-	170,283	7.65%
<b>Total Remuneration:</b>	<b>812,837</b>	<b>150,479</b>	<b>28,000</b>	<b>197,352</b>	<b>-</b>	<b>-</b>	<b>1,188,668</b>	<b>12.63%</b>

<sup>1</sup> Mr A Mankarios was paid a cash bonus based on key performance criteria which requires performance meets or exceeds the group budget and also achieves successful completion of predetermined events. He is contracted to 31 December 2013.

<sup>2</sup> Ms S Freedman was no longer considered a KMP in the 2013 in the Financial Year.

Less bonuses were paid in the current year due to changes in bonus criteria requiring achievement of full budget to achieve bonuses based on key performance indicators.

#### D. Share-based compensation

There was no share-based compensation of Key Management Personnel during the year ended 30 June 2013 (2012: Nil).

## DIRECTORS' REPORT (CONTINUED)

### REMUNERATION AND DIVERSITY 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.

	2013	2012	2011	2010	2009
	\$000	\$000	\$000	\$000	\$000
Revenue (a)	18,921	19,956	24,441	28,089	27,906
Net Profit (a)	668	3,035	2,914	(8,147)	(1,329)
Share Price at Year-end \$	0.40	0.42	0.45	0.40	0.41
Dividends (Cents) Paid	2.15	2.00	2.00	2.00	4.50

(a) Revenue and net profit in respect of the 2013 and 2012 financial years include discontinued operations. The 2012 financial performance has been impacted by a non-recurring provision for stores that are to be closed during the financial year ending 30 June 2013.

#### *F. Voting at the 2012 Annual General Meeting on the Remuneration report*

The Remuneration report in the 2012 Annual Report to shareholders was approved by 99.9% of shareholders at the 2012 Annual General Meeting. No specific feedback was received at the Annual General Meeting or throughout the year.

#### *G. Independent Salary and Incentive Review*

During the year the company undertook an independent salary and incentive review so as to benchmark existing salary and incentive policies and levels. The Review was undertaken by the independent professional firm of Gerard Daniels Australia. In general the company policies and remuneration levels were found to be consistent with the markets in which we operate, although some changes have been made to ensure greater consistency in some aspects of our remuneration practices. Total fees charged for this service was \$16,000 + GST. During the financial year ended 30 June 2012 the Company did not engage any remuneration consultants.

- Gerard Daniels was engaged by, and reported directly to, the chair of the remuneration committee. The agreement for the provision of remuneration consulting services was executed by the chair of the remuneration committee under delegated authority on behalf of the board.
- The report containing the remuneration recommendations was provided by Gerard Daniels directly to the chair of the remuneration committee; and
- Gerard Daniels was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives. However, Gerard Daniels was not permitted to provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, the board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

End of Audited Remuneration Report.

### LOANS TO DIRECTORS AND EXECUTIVES

There were no loans outstanding to Directors and executives as at 30 June 2013.



## DIRECTORS' REPORT (CONTINUED)

### 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.

### DIVERSITY

The Board recognises its talented and diverse workforce as a key competitive advantage and is responsible for the Diversity Policy and maintains oversight to ensure its objectives are met, with assistance from management.

The Company understands and recognises the value in having a diverse workforce from which to draw on. The Company is committed to treating all of its staff equally irrespective of their gender, race, age, ethnicity, sexual orientation, disability or any other irrelevant difference; having in place a corporate culture where all staff feel equally welcome and are not discriminating in the employment of staff (including the appointment of Directors) based on a potential candidate's gender, race, age, ethnicity, sexual orientation, disability or any other irrelevant difference.

The Company's objectives in relation to diversity are:

- 1) To recruit from a diverse range of people based on merit.
- 2) To ensure all employees have equal access to opportunities in the workplace.
- 3) To ensure there is equal pay for equal work.
- 4) To continue to build an environment that is accepting of a diverse range of backgrounds and views.

Joyce Corporation Ltd is committed to ensuring that any Board appointments are made without discriminating against a potential candidate based on gender, race, age, ethnicity, sexual orientation, disability or any other irrelevant difference.

As at 30 June 2013 the company employs 40 women representing 51% of the workforce. There are no female Board members and there is one female in a senior position representing 20% of senior managers.

To promote diversity the following policies have been developed:

- Carers leave available for all employees
- Part time opportunities
- Monitoring remuneration for gender differences
- Enhanced flexible work practices

Further policies have been targeted:

- Inclusion of diversity in induction and management development programmes
- Implementation of parental and maternity leave opportunities

A copy of the Diversity policy is available on the Joyce Corporation Ltd website at [www.joycecorp.com.au](http://www.joycecorp.com.au) under corporate governance.

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

### **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.

### **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.

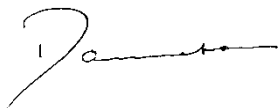
The following fees for non-audit services were paid / payable to the external auditors during the year ended 30 June 2013:

	\$
Taxation services	-
Other assurance-related services	-
	<hr/>
	-

**DIRECTORS' REPORT (CONTINUED)**  
**AUDITOR'S INDEPENDENCE DECLARATION**

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

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

A handwritten signature in black ink, appearing to read 'D A Smetana', with a long horizontal stroke extending to the right.

**D A Smetana**  
Chairman

Perth, 27 September 2013

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF JOYCE CORPORATION LIMITED

As lead auditor of Joyce Corporation Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Joyce Corporation Limited and the entities it controlled during the period.



Glyn O'Brien  
Director

BDO Audit (WA) Pty Ltd  
Perth, 27 September 2013

# 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 2013 ("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 2013. The remuneration committee conducted an evaluation of Senior Executives in June 2013. 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.

## 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 compliments 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 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 responsibilities.

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 recognizes 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 are 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 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 eight 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

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

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ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2013

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2013**

	Notes	Consolidated	
		30 June 2013	30 June 2012
		\$000	\$000
<b>Continuing operations</b>			
Revenue	7	14,608	15,003
Cost of sales		(5,431)	(5,367)
<b>Gross Profit</b>		<b>9,177</b>	<b>9,636</b>
Other income	7	826	934
Revaluation of investment property	7	1,261	3,553
<b>Expenses from continuing operations</b>			
Distribution expenses		(885)	(976)
Marketing expenses		(684)	(657)
Occupancy expenses		(1,500)	(1,638)
Administration expenses		(5,386)	(5,161)
Loss on disposal of assets	7	-	(1)
Finance costs	7	(519)	(711)
Other expenses		(39)	(75)
<b>Profit from continuing operations before income tax</b>	7	<b>2,251</b>	<b>4,904</b>
Income tax benefit	8	115	105
<b>Profit from continuing operations after tax</b>		<b>2,366</b>	<b>5,009</b>
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	9	(1,698)	(1,974)
<b>Net profit attributable to the members of Joyce Corporation Ltd</b>		<b>668</b>	<b>3,035</b>
Other comprehensive income for the year net of tax		-	-
<b>Total Comprehensive Income attributable to the members of Joyce Corporation Ltd</b>		<b>668</b>	<b>3,035</b>
<b>Earnings per share for profit attributable to the members of Joyce Corporation Ltd</b>			
Basic earnings per share (cents per share)	10	2.4	11.0
Diluted earnings per share (cents per share)	10	2.4	10.9
<b>Earnings per share for profit from continuing operations attributable to members of Joyce Corporation Ltd</b>			
Basic earnings per share (cents per share)	10	8.6	18.2
Diluted earnings per share (cents per share)	10	8.5	17.9

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS AT 30 JUNE 2013

	Notes	Consolidated		
		30 June 2013 \$000	30 June 2012 \$000	1 July 2011* \$000
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	11	3,439	3,774	3,780
Trade and other receivables	12	1,003	572	1,166
Inventories	13	1,960	4,223	4,275
Other assets	14	311	410	560
Other financial assets	16	954	-	-
<b>Total Current Assets</b>		<b>7,667</b>	<b>8,979</b>	<b>9,781</b>
Non-current assets classified as held for sale	15	41	204	-
<b>Total Current Assets</b>		<b>7,708</b>	<b>9,183</b>	<b>9,781</b>
<b>Non-Current Assets</b>				
Trade and other receivables	12	72	25	85
Other financial assets	16	-	57	39
Deferred tax asset	8	2,629	2,112	1,120
Plant and equipment	17	612	463	922
Investment property	18	16,283	15,000	11,100
Intangible assets	19	10,122	10,222	10,225
<b>Total Non-Current assets</b>		<b>29,718</b>	<b>27,879</b>	<b>23,491</b>
<b>TOTAL ASSETS</b>		<b>37,426</b>	<b>37,062</b>	<b>33,272</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	20	5,302	5,912	5,260
Interest-bearing loans and borrowings	21	70	61	635
Provisions	22	890	1,465	1,194
<b>Total Current Liabilities</b>		<b>6,262</b>	<b>7,438</b>	<b>7,089</b>
<b>Non-Current Liabilities</b>				
Interest bearing loans and borrowings	21	6,374	5,402	4,869
Convertible Notes		-	-	2,180
Deferred tax liabilities	8	2,399	2,007	1,120
Provisions	22	258	291	485
<b>Total Non-Current Liabilities</b>		<b>9,031</b>	<b>7,700</b>	<b>8,654</b>
<b>TOTAL LIABILITIES</b>		<b>15,293</b>	<b>15,138</b>	<b>15,743</b>
<b>NET ASSETS</b>		<b>22,133</b>	<b>21,924</b>	<b>17,529</b>
<b>EQUITY</b>				
Contributed equity	23	17,845	17,814	15,634
Reserves	24	5,321	5,321	5,321
Retained earnings / (Accumulated losses)		(1,033)	(1,211)	(3,246)
<b>TOTAL EQUITY</b>		<b>22,133</b>	<b>21,924</b>	<b>17,529</b>

\* The 1 July 2011 and the 30 June 2012 Consolidated Financial Statement of Financial Position have been restated to reflect prior year errors referred to in the Consolidated Statement of Changes in Equity.

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

**CONSOLIDATED STATEMENT OF CASHFLOWS**  
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Consolidated	
		30 June 2013	30 June 2012
		\$000	\$000
<b>Cash flows from operating activities</b>			
Receipts from customers		22,182	21,591
Payments to suppliers and employees		(20,568)	(19,800)
Interest received		167	202
Interest paid		(520)	(716)
Operating cash flow		1,261	1,277
Franchisee settlement paid		-	(601)
Store closure costs		(750)	-
<b>Net cash flows from/ (used in) operating activities</b>	32	<b>511</b>	<b>676</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		110	48
Proceeds from security deposit		900	-
Purchase of convertible notes		(900)	-
Loan to franchisee		(100)	-
Purchase of property, plant and equipment		(344)	(283)
<b>Net cash (used in)/provided by investing activities</b>		<b>(334)</b>	<b>(235)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		141	600
Repayment of borrowings		(60)	(641)
Dividends paid	30	(593)	(406)
<b>Net cash (used in) financing activities</b>		<b>(512)</b>	<b>(447)</b>
Net (decrease) in cash and cash equivalents		(335)	(6)
Cash and cash equivalents at beginning of period		3,774	3,780
<b>Cash and cash equivalents at end of period</b>	11	<b>3,439</b>	<b>3,774</b>
<b>Reconciliation of cash</b>			
Cash at bank and in hand		3,439	3,774
		<b>3,439</b>	<b>3,774</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2013**

<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 2011</b>		<b>15,634</b>	<b>(394)</b>	-	<b>2,678</b>	<b>17,918</b>
Opening balance adjustment		-	(389)			(389)
Transfers to and from retained earnings		-	(2,643)	2,623	20	-
<b>Adjusted balance at 1 July 2011</b>		<b>15,634</b>	<b>(3,426)</b>	<b>2,623</b>	<b>2,698</b>	<b>17,529</b>
Issued Shares		2,180	-	-	-	2,180
Total comprehensive income		-	3,035	-	-	3,035
Transfer to & from reserves						
- Asset revaluation		-	-	-	-	-
- Financial assets		-	-	-	-	-
Dividends paid or provided for	30	-	(820)	-	-	(820)
<b>At 30 June 2012</b>		<b>17,814</b>	<b>(1,211)</b>	<b>2,623</b>	<b>2,698</b>	<b>21,924</b>
<b>At 1 July 2012</b>		<b>17,814</b>	<b>(1,211)</b>	<b>2,623</b>	<b>2,698</b>	<b>21,924</b>
Issued Shares		31	-	-	-	31
Total comprehensive income		-	668	-	-	668
Dividends paid or provided for	30	-	(490)	-	-	(490)
<b>At 30 June 2013</b>		<b>17,845</b>	<b>(1,033)</b>	<b>2,623</b>	<b>2,698</b>	<b>22,133</b>

The opening reserves at 1 July 2011 have been adjusted for an allocation error in 2006 by increasing revaluation reserve by \$2.62 M and reducing retained earnings by the same amount. There is no change to the total shareholder funds.

A prior year error adjustment has been made to equity of \$0.39 M resulting from prior period errors. This is consistent with a prior period error adjustment in the December 2012 half year.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

The consolidated financial statements of Joyce Corporation Ltd ("the Company") for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of the directors of the Company dated 24 September 2013. 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.

Joyce Corporation Ltd is a for-profit entity for the purpose of preparing the Financial Statements.

#### *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").

#### *New and amended standards adopted by the group*

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

#### *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 27 to the financial statements.



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

### (b) Principles of consolidation (continued)

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.

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 Profit or Loss and Other 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.

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

### (c) Business combinations (continued)

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.

### (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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other comprehensive income. Impairment losses recognised in the statement of profit or loss and other comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of profit or loss and other 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) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Statement of Financial Position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Statement of Profit or Loss and Other Comprehensive Income.

### (p) 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).

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

### **(p) Derivatives and hedging activities (continued)**

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.

### **(q) 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 profit or loss and other 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.

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 profit or loss and other 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.

### **(r) 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.



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

### (s) 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 profit or loss and other 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 Stores 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)

### **(t) 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.

### **(u) 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.

### **(v) 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)

### (w) 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 profit or loss and other 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.

### (x) 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 these financial instruments at amortised cost using the effective interest rate method.

### (y) 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.

### (z) 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.

### (aa) 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.

### (bb) Comparatives

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

### (cc) 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)

### (dd) 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.

### (ee) New accounting standards and interpretations

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

#### **AASB 9 *Financial Instruments* (effective from 1 January 2015)**

The AASB aims to replace AASB 139 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Company. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

#### **Consolidation Standards**

A package of consolidation standards encompassing AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Venture Arrangements*, AASB 12 *Disclosure of Interest in Other Entities* and consequential amendments to AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*, are effective for annual periods beginning, or after, 1 January 2013. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

#### **AASB 13 *Fair Value Measurement***

AASB 13 is applicable to annual periods beginning on or after 1 January 2013. The standard clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The Group's management have yet to assess the impact of this new standard.

#### **AASB 119 (reissued September 2011) *Employee Benefits***

AASB 119 is applicable to annual periods beginning on or after 1 January 2013. Main changes include elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans, actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in OCI rather than in profit or loss, and cannot be reclassified in subsequent periods, subtle amendments to timing for recognition of liabilities for termination benefits, and employee benefits expected to be settled (as opposed to due to be settled under current standard) within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used within 12 months of end of reporting period will in future be discounted when calculating leave liability. This standard has no impact as there are no annual leave provision amounts that are non-current. The group will apply this from 1 July 2013.

### 3. GOING CONCERN

At 30 June 2013, the Consolidated Entity has recorded a profit before tax of \$2,251k for continuing operations and \$2,366k after tax before including discontinued operations and reported an overall profit after tax of \$668k with positive operating cash flows totalling \$1,410k before 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.

### 4. FINANCIAL RISK MANAGEMENT

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

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

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

The Consolidated Entity holds the following financial instruments:

	<b>Notes</b>	<b>Consolidated</b>	
		<b>30 June 2013</b>	<b>30 June 2012</b>
		<i>\$000</i>	<i>\$000</i>
<b>Financial assets</b>			
Cash and cash equivalents	11	3,439	3,774
Trade and other receivables	12	1,024	597
Other financial assets	16	954	57
		<u>5,417</u>	<u>4,428</u>
<b>Financial liabilities</b>			
Trade and other payables	20	5,302	5,918
Interest-bearing loans and borrowings	21	6,444	5,463
		<u>11,746</u>	<u>11,381</u>

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

##### (a) Market risk

###### (i) Foreign exchange risk

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

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

The Consolidated Entity's had exposure to foreign currency risk with respect to the US Dollar at the at 30 June 2013 of US\$614k.

###### (ii) Cash flow 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. 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.

###### (ii) Cash flow interest rate risk (continued)

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

	Weighted Average Interest rate %	30 June 2013 \$000	Weighted Average Interest rate %	30 June 2012 \$000
<b>Financial assets</b>				
Cash and cash equivalents	2.18%	3,439	2.15%	3,774
		<u>3,439</u>		<u>3,774</u>
<b>Financial liabilities</b>				
Overdraft – secured (i)	8.05%	20	8.65%	1
Commercial bill –secured – variable	n/a	-	n/a	-
Commercial bill –secured – fixed (ii)	3.75%	6,300	7.88%	5,400
		<u>6,320</u>		<u>5,401</u>

- (i) The overdraft facility pays interest at variable interest rates plus a line fee and is renewed annually.
- (ii) The Commercial bill facility debt attracts interest at a fixed annual interest rate to 31 March 2013 and the facility has a term which is approved to 30 July 2015. The facility has a secured deposit of \$1.7 million netted off which accrues and interest income at 3.25% fixed until 17 July 2013. This facility is bank bill based and incurs a line fee on use.

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

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

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

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

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

##### *Consolidated Entity sensitivity*

The major debt facility drawn at 30 June 2013 is a fixed interest rate (see above). Variable interest rates apply to the overdraft and cash and cash equivalents. On balances at 30 June 2013, 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 \$15k/\$15k higher/lower (2012 - Nil 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 \$15k/\$15k higher/lower (2012 - Nil 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>2013</i>	<i>2012</i>
	<i>\$000</i>	<i>\$000</i>
<b>Cash and cash equivalents</b>		
AA	3,439	3,774
<b>Trade and other receivables</b>		
Non-rated	1,024	597
<b>Other financial assets</b>		
Non-rated	954	57
	<u>5,417</u>	<u>4,428</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
	\$000	\$000	\$000	\$000	\$000
Year ended 30 June 2013					
<b>Consolidated financial assets</b>					
Cash and cash equivalents	3,439	-	-	-	3,439
Trade and other receivables	1,003	-	21	-	1,024
Other financial assets	954	-	-	-	954
	<u>5,396</u>	<u>-</u>	<u>21</u>	<u>-</u>	<u>5,417</u>
<b>Consolidated financial liabilities</b>					
Trade and other payables	5,302	-	-	-	5,302
Interest bearing loans & borrowings	46	24	6,374	-	6,444
	<u>5,348</u>	<u>24</u>	<u>6,374</u>	<u>-</u>	<u>11,746</u>
<b>Net maturity</b>	<u>48</u>	<u>(24)</u>	<u>(6,353)</u>	<u>-</u>	<u>(6,329)</u>
Year ended 30 June 2012					
<b>Consolidated financial assets</b>					
Cash and cash equivalents	3,774	-	-	-	3,774
Trade and other receivables	572	-	25	-	597
Other financial assets	-	-	57	-	57
	<u>4,346</u>	<u>-</u>	<u>82</u>	<u>-</u>	<u>4,428</u>
<b>Consolidated financial liabilities</b>					
Trade and other payables	5,918	-	-	-	5,918
Interest bearing loans & borrowings	44	17	5,402	-	5,463
	<u>5,962</u>	<u>17</u>	<u>5,402</u>	<u>-</u>	<u>11,381</u>
<b>Net maturity</b>	<u>(1,616)</u>	<u>(17)</u>	<u>(5,320)</u>	<u>-</u>	<u>(6,953)</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
<b>30 June 2012</b>	\$000	\$000	\$000
Consolidated	6,042	5,402	640
<b>30 June 2013</b>			
Consolidated	6,042	5,420	622

The Consolidated Entity had \$622,000 of available overdraft facilities to manage its liquidity as at 30 June 2013 (2012: \$640,000) represented by an \$8,000,000 fixed facility and an overdraft facility of \$642,000 offset by a secured deposit of \$1,700,000. The consolidated entity had \$766,077 cash at bank as at the reporting date excluding funds held in trust set out at note 11. In addition the Consolidated Entity had a net investment in inventories of \$1,960,000 as at 30 June 2013 (2012: \$4,223,000). The Consolidated Entity has additional non cash facilities for bank guarantees.

##### (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 remain below 40%. The gearing ratio for the year ended 30 June 2013 and 30 June 2012 is as follows:

		CONSOLIDATED	
	Note	2013 \$000	2012 \$000
Total borrowings	21	6,444	5,463
Less cash and cash equivalents	11	(3,439)	(3,774)
Net debt		3,005	1,689
Total equity		22,133	21,918
Gearing ratio		14%	8%

## 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. Impairment of \$100,000 (2012: nil) has been recognised in respect of goodwill for the year ended 30 June 2013. See note 19 for further details.

### *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 2013 the investment property values were determined by Directors to have increased by \$1,251,785 (2012: \$3,450,000) and this value was brought to account to reflect the current market value of the properties in the financial statements. Refer to note 18 for further details.

### *Recognition of deferred taxation assets*

The Consolidated Entity has deferred tax assets at 30 June 2013 of Nil (2012: \$347,000) 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 are met.

### *Restructuring costs*

The Consolidated Entity brought to account a provision associated with closure of some underperforming company owned stores. The remaining lease terms have reduced to allow commercial negotiations to be available for surrender of leases. A total closure provision of \$351k (2012: \$950k) has been made in the reporting period.

## 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, Victoria, New South Wales and Queensland; and
- The property in New South Wales which is 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 2013.

	<i>Continuing Operations</i>			<i>Discontinued Operations</i>		
	<i>Bedshed Franchising</i>	<i>Bedshed Stores</i>	<i>Investment Properties / Joyce</i>	<i>Total</i>	<i>Store Closures</i>	
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<b>Year ended 30 June 2013</b>						
<b>Revenue</b>						
Total segment revenue	4,628	9,972	698	15,299	4,597	19,896
Inter-segment sales	-	-	-	-	-	-
Total segment revenue	4,628	9,972	698	15,299	4,597	19,896
Inter-segment elimination	-	-	-	-	-	-
Unallocated revenue – Interest received	-	-	-	134	-	134
Total consolidated revenue				15,433	4,597	20,030
<b>Result</b>						
Segment result	1,337	556	744	2,637	(1,668)	969
Unallocated expenses net of unallocated income				134	(30)	104
Profit (loss) before tax and finance costs				2,771	(1,698)	1,073
Finance costs				(520)	-	(520)
Profit (loss) before income tax				2,251	(1,698)	553
Income tax benefit				115	-	115
Net profit (loss) for the year				2,366	(1,698)	668
<b>Assets and liabilities</b>						
Segment assets	15,980	1,109	17,395	34,484	314	34,798
Unallocated assets				2,628	-	2,628
Total assets				37,112	314	37,426
Segment liabilities	4,046	1,110	6,789	11,945	949	12,894
Unallocated liabilities				2,399	-	2,399
Total liabilities				14,344	949	15,293
<b>Other segment information</b>						
Capital expenditure	4	340	31	375	-	375
Depreciation and amortisation	13	234	-	247	11	258
Other non-cash segment expenses/revaluations	-	-	1,261	-	-	1,261

## 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 2012.

	<i>Continuing Operations</i>			<i>Discontinued Operations</i>		<i>Total \$000</i>
	<i>Bedshed Franchising \$000</i>	<i>Bedshed Stores \$000</i>	<i>Investment Properties / Joyce \$000</i>	<i>Sub-total \$000</i>	<i>Store Closures \$000</i>	
<b>Year ended 30 June 2012</b>						
<b>Revenue</b>						
Total segment revenue	4,797	10,028	794	15,619	5,131	20,750
Inter-segment sales	-	-	-	-	-	-
Total segment revenue	4,797	10,028	794	15,619	5,131	20,750
Inter-segment elimination	-	-	-	-	-	-
Unallocated revenue	-	-	-	244	-	244
Total consolidated revenue				15,863	5,131	20,994
<b>Result</b>						
Segment result	1,868	236	3,266	5,370	(1,968)	3,402
Unallocated expenses net of unallocated income				244	-	244
Profit (loss) before tax and finance costs				5,614	(1,968)	3,646
Finance costs				(710)	(6)	(716)
Profit (loss) before income tax				4,904	(1,974)	2,930
Income tax benefit				105	-	105
Net profit (loss) for the year				5,009	(1,974)	3,035
<b>Assets and liabilities</b>						
Segment assets	10,220	7,410	15,616	33,246	2,099	35,345
Unallocated assets				2,112	-	2,112
Total assets				35,358	2,099	37,457
Segment liabilities	3,639	1,272	6,062	10,973	1,907	12,880
Unallocated liabilities				2,264	-	2,264
Total liabilities				13,237	1,907	15,144
<b>Other segment information</b>						
Capital expenditure	6	18	297	321	24	345
Depreciation and amortisation	15	111	-	126	67	193
Other non-cash segment expenses	-	-	3,553	-	-	3,553

### (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 2013 (2012: None).

## 7. REVENUE, INCOME AND EXPENSES

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

	<i>CONSOLIDATED</i>	
	<i>2013</i>	<i>2012</i>
	<i>\$000</i>	<i>\$000</i>
<i>Revenue</i>		
Sale of goods	10,582	10,435
Provision of services	4,026	4,568
Total revenue	<u>14,608</u>	<u>15,003</u>
<i>Other income</i>		
Interest received	134	244
Rental income	690	689
Profit on disposal of assets	-	-
Other	2	1
Total other income	<u>826</u>	<u>934</u>
Gain on revaluation of investment property	<u>1,261</u>	<u>3,553</u>
<i>Finance costs</i>		
Bank loans and overdrafts	513	703
Finance charges payable under finance leases and hire purchase contracts	7	8
Total finance costs	<u>520</u>	<u>711</u>

### *Depreciation and other significant items of expenditure included in statement of profit or loss and other comprehensive income*

<i>Included in expenses:</i>		
Depreciation and amortisation	147	126
Impairment of goodwill	100	-
Loss on disposal of assets	-	1
Other Costs	-	-

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

	<i>CONSOLIDATED</i>	
	<i>2013</i>	<i>2012</i>
	<i>\$000</i>	<i>\$000</i>
Minimum lease payments - operating lease	<u>3,131</u>	<u>3,021</u>

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

Wages and salaries	3,792	4,002
Defined contribution superannuation expense	348	388
Other employee benefits expense	277	401
	<u>4,416</u>	<u>4,791</u>

## 8. INCOME TAX

The major components of income tax expense for the year ended 30 June 2013 are:

	<i>CONSOLIDATED</i>	
	<i>2013</i>	<i>2012</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	-	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	210	(105)
Recognition of previously unrecognised deferred tax assets	(335)	-
Under provision in respect of prior years	10	-
	<u>(115)</u>	<u>(105)</u>
Income tax benefit relating to continuing operations	<u>(115)</u>	<u>(105)</u>
<b>Consolidated Statement of comprehensive income – discontinued operations</b>		
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	-
	<u>-</u>	<u>-</u>
Income tax benefit relating to discontinued operations	<u>-</u>	<u>-</u>
Income tax benefit relating to overall operations	<u>(115)</u>	<u>(105)</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 2013 and 30 June 2012 is as follows:

	<i>CONSOLIDATED</i>	
	<i>2013</i>	<i>2012</i>
	<i>\$000</i>	<i>\$000</i>
Profit before income tax	<u>553</u>	<u>2,930</u>
Income tax expense /(benefit) calculated at the statutory income tax rate of 30% (2010: 30%)	166	879
Expenditure not allowable for income tax purposes	44	2
Deferred tax asset temporary differences not previously brought to account	-	(6)
Deferred tax asset losses not previously brought to account, now brought to account	(335)	(980)
Under provision in respect of prior years	10	-
	<u>(115)</u>	<u>(105)</u>
Income tax benefit recognised in profit or loss – continuing operations	<u>(115)</u>	<u>(105)</u>

## 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 no consolidation contribution adjustments.

### *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 2013 (2012: Nil).

## 8. INCOME TAX (CONTINUED)

### Deferred income tax

Deferred income tax at 30 June relates to the following:

	Opening balance	Charged to income	Closing balance, 30 June 13
	\$000	\$000	\$000
<b>Deferred tax liabilities</b>			
Investment property	(1,730)	(400)	(2,130)
Plant and equipment	-	-	-
Fair value gain	(260)	-	(260)
Other	(17)	8	(9)
<b>Balance at 30 June 2013</b>	<b>(2,007)</b>	<b>(392)</b>	<b>(2,399)</b>
<b>Deferred tax assets</b>			
Plant and equipment	52	3	55
Trade and other receivables	6	(1)	5
Pensions and other employer obligations	91	-	91
Provisions	477	(130)	347
Other	273	72	345
Unused tax losses	1,213	573	1,786
<b>Balance at 30 June 2013</b>	<b>2,112</b>	<b>517</b>	<b>2,629</b>

The Consolidated Entity has deferred tax assets of \$Nil (2012: \$347,000) 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 2013, there is no recognised or unrecognised deferred income tax liability (2012: 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.



## 8. INCOME TAX (CONTINUED)

Deferred income tax at 30 June 2012 relates to the following:

	Opening balance	Charged to income	Closing balance, 30 June 12
	\$000	\$000	\$000
<b>Deferred tax liabilities</b>			
Investment property	(768)	(962)	(1,730)
Plant and equipment	(47)	47	-
Fair value gain	(260)	-	(260)
Other	(45)	28	(17)
<b>Balance at 30 June 2012</b>	<b>(1,120)</b>	<b>(887)</b>	<b>(2,007)</b>
<b>Deferred tax assets</b>			
Plant and equipment	-	52	52
Trade and other receivables	6	-	6
Pensions and other employer obligations	94	(3)	91
Provisions	332	145	477
Other	455	(182)	273
Unused tax losses	223	980	1,213
<b>Balance at 30 June 2012</b>	<b>1,120</b>	<b>992</b>	<b>2,112</b>

## 9. DISCONTINUED OPERATIONS

### *(a) Plan to close some unprofitable Company owned stores*

During the year ended 30 June 2013, the Consolidated Entity became committed to the closure of one unprofitable company owned store. In consequence, the Directors have provisioned \$351k for closure of the underperforming company owned store.

### *(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 profit or loss and other 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**

	2013 \$000	2012 \$000
Revenue	4,314	5,131
Cost of sales	(3,114)	(2,936)
Gross profit	1,200	2,195
Other income	283	105
Expenses	(2,830)	(3,324)
Store Closure Provision	(351)	(950)
Loss from discontinued operations before tax	(3,181)	(1,974)
Attributable income tax benefit	-	-
	(1,698)	(1,974)
Other comprehensive income	-	-
Loss for the year from discontinued operations (attributable to owners of Joyce Corporation Ltd).	(1,698)	(1,974)

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

Net cash flows from operating activities	(1,046)	(729)
Net cash flows from investing activities	-	-
Net cash flows from financing activities	-	-
Net cash flows	(1,046)	(729)

## 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>2013</i>	<i>2012</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>2,366</b>	<b>5,009</b>
Effect of dilutive equity instruments	-	-
<b>Net profit attributable to equity holders from continuing operations for diluted earnings per share</b>	<b>2,366</b>	<b>5,009</b>
Profit/(loss) attributable to equity holders from discontinued operations	(1,698)	(1,974)
<b>Net profit attributable to ordinary shareholders for basic earnings per share</b>	<b>668</b>	<b>3,035</b>
Effect of dilutive equity instruments	-	-
<b>Net profit attributable to ordinary shareholders for diluted earnings per share</b>	<b>668</b>	<b>3,035</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	27,968,255	24,801,496
Adjusted weighted average number of ordinary shares for diluted earnings per share	27,968,255	24,801,496
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 \$1.312) included in basic and diluted earnings per share.	380,000	380,000

Earnings per share are included at the foot of the Statement of Profit or Loss and Other Comprehensive Income

## 11. CASH AND CASH EQUIVALENTS

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

	<i>CONSOLIDATED</i>	
	2013	2012
	\$000	\$000
Cash at bank and in hand (a)	3,439	3,774
	<u>3,439</u>	<u>3,774</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 2013 the total of this balance was \$2,673,232 (30 June 2012: \$2,899,251). 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*	1,044	592
Allowance for impairment loss (a)	(41)	(20)
	<u>1,003</u>	<u>572</u>

### Non-current

Trade receivables	21	25
Other receivables	51	-
	<u>72</u>	<u>25</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 \$41,248 (2012: \$20,248) has been recognised by the Consolidated Entity.

At 30 June, the ageing analysis of current 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>
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
					PDNI*	CI*	PDNI*	CI*
2013	Consolidated	1,044	701	157	4	-	141	41
2012	Consolidated	592	351	162	9	-	50	20

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

Receivables past due but not considered impaired are: Consolidated Entity: \$145,019 (2012: \$58,940). 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	
	2013	2012
	\$000	\$000
Opening balance at 1 July	20	20
Charge for the year	21	-
Amounts written-off	-	-
Closing balance at 30 June	41	20

### (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	
	2013	2012
	\$000	\$000
Stock on hand at cost	2,077	4,256
Provision for impairment (a)	(117)	(33)
	1,960	4,223

### (a) Provision for impairment

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2013 amounted to \$116,893 (2012: \$33,255). The reduction in provision has been written back to cost of goods sold as losses were realised.

## 14. OTHER ASSETS

	CONSOLIDATED	
	2013	2012
	\$000	\$000
<b>Current</b>		
Accrued revenue	20	42
Prepayments	96	77
Other receivables	195	291
	311	410

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

	CONSOLIDATED	
	2013	2012
	\$000	\$000
<b>Current</b>		
At 1 July 2012	204	-
Plant and equipment	37	204
Disposals	(200)	-
At 30 June 2013	41	204

The Plant and equipment at 30 June 2013 related to stores provisioned for closure at the reporting date.

## 16. OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	2013	2012
	\$000	\$000
<b>Current</b>		
Investment in convertible notes at cost (a)	900	-
Investments in listed shares at fair value through profit or loss	54	-
	954	-
<b>Non-current</b>		
Investments in listed shares at fair value through profit or loss	-	57
	954	57

### (a) Convertible notes

During the reporting period Joyce invested in Convertible Notes for a total value of \$900,000. The convertible notes may be converted into shares in whole or in part at the sole discretion of the Noteholder at any time on or before the Redemption date in respect of the applicable drawdown. The redemption date in respect to a drawdown is a date no later than 12 months from the applicable drawdown. The number of shares to be issued upon conversion of all or the part of the convertible notes shall be the number calculated by dividing the monies payable which the Noteholder has elected to be converted into shares by the issue price of \$1.00 per note. The Convertible Notes attract an interest rate of 8.75% per annum receivable monthly in advance as from the applicable Draw down Date until the Redemption Date in respect of that Drawdown and includes the Redemption Date. Each convertible note has a face value of \$1 and is secured by a first ranking security granted by KWB Group Pty Ltd over all of its assets and undertaking in favour of the Noteholder.

## 17. PLANT AND EQUIPMENT

	<i>CONSOLIDATED</i>			
	<i>Leasehold improvements \$000</i>	<i>Plant and equipment \$000</i>	<i>Leased Plant and Equipment \$000</i>	<i>Total \$000</i>
<b>Year ended 30 June 2013</b>				
At 1 July 2012				
Net of accumulated depreciation	-	425	38	463
Additions	280	64	-	344
Disposals	-	-	-	-
Transfer to assets held for sale	-	(37)	-	(37)
Transfers	-	24	(24)	-
Depreciation charge for the year	(35)	(119)	(4)	(158)
At 30 June 2013				
Net of accumulated depreciation	245	357	10	612
<b>At 1 July 2012</b>				
Cost	-	949	182	1,131
Accumulated depreciation and impairment	-	(524)	(144)	(668)
Net carrying amount	-	425	38	463
<b>At 30 June 2013</b>				
Cost	280	1,121	28	1,429
Accumulated depreciation and impairment	(35)	(764)	(18)	(817)
Net carrying amount	245	357	10	612

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2013 is \$236,001 (2012: \$78,474). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

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

## 17. PLANT AND EQUIPMENT (CONTINUED)

	CONSOLIDATED			Total \$000
	Leasehold improvements \$000	Plant and equipment \$000	Leased Plant and Equipment \$000	
<b>Year ended 30 June 2012</b>				
At 1 July 2011,				
Net of accumulated depreciation	17	707	198	922
Additions	-	48	-	48
Disposals	-	(11)	(37)	(48)
Transfer to assets held for sale	(13)	(150)	(41)	(204)
Transfers	-	18	(18)	-
Transfer to investment property	-	(62)	-	(62)
Depreciation charge for the year	(4)	(125)	(64)	(193)
At 30 June 2012,				
Net of accumulated depreciation	-	425	38	463
<b>At 1 July 2011</b>				
Cost	21	1,211	482	1,714
Accumulated depreciation and impairment	(4)	(504)	(284)	(792)
Net carrying amount	17	707	198	922
<b>At 30 June 2012</b>				
Cost	-	949	182	1,131
Accumulated depreciation and impairment	-	(524)	(144)	(668)
Net carrying amount	-	425	38	463

## 18. INVESTMENT PROPERTY

	CONSOLIDATED	
	2013 \$000	2012 \$000
<b>Year ended 30 June 2013</b>		
Balance at 1 July 2012	15,000	11,100
Additions	31	298
Transfer from plant and equipment	-	62
Fair value adjustments	1,252	3,540
Balance at 30 June 2012	16,283	15,000

The fair value model is applied to investment properties. The investment property, located at Moorebank in Sydney southwest industrial precinct, was valued by registered independent valuers as at 30 June 2012 and at 30 June 2011. The gross valuation at 30 June 2012 was \$15,000,000. 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 until 30 November 2015. The tenant has options to extend the lease by 5 years and a first right of refusal to buy the property if an offer for purchase is made by a third party. An independent valuer arrived at the above property valuation after deducting an amount of \$2,963,000 because the existing lease attracts rent at 50% or less than current market rental yields and the lease has another 2.4 years to run. At the end of the reporting period the directors have updated their assessment of the fair value of the property after taking into account the most recent independent valuation. The directors have determined the property's value within a range of fair value estimates. This included assessment of recent comparable sales in an active market in proximity to the investment property based on current rental yield rate trends as advised by valuers and real estate advisors. The current yield rate was determined to fall between 8.75% and 9.0% which are improved yields over that determined at 30 June 2012 by an independent valuer. The directors have determined to adopt the conservative end of the range at 9% yield to determine fair value.



## 19. INTANGIBLE ASSETS

	<i>CONSOLIDATED</i>	
	<i>2013</i>	<i>2012</i>
	<i>\$000</i>	<i>\$000</i>
Goodwill (a)	10,122	10,222
	<u>10,122</u>	<u>10,222</u>

An analysis of intangible assets is presented below:

	<i>CONSOLIDATED</i>	
	<i>2013</i>	<i>2012</i>
	<i>\$000</i>	<i>\$000</i>
<b>Year ended 30 June 2013</b>		
At 1 July 2012		
net of accumulated amortisation	10,222	10,225
Additions	-	-
Impairment	(100)	-
Amortisation	-	(3)
At 30 June 2013, net of accumulated amortisation	<u>10,122</u>	<u>10,222</u>
<b>At 1 July 2012</b>		
Cost (gross carrying amount)	10,569	10,569
Accumulated amortisation and impairment	(347)	(344)
Net carrying amount	<u>10,222</u>	<u>10,225</u>
<b>At 30 June</b>		
Cost (gross carrying amount)	10,569	10,569
Accumulated amortisation and impairment	(447)	(347)
Net carrying amount	<u>10,122</u>	<u>10,222</u>

### *(a) Goodwill*

Intangible assets as at 30 June 2013 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>2013</i>	<i>2012</i>
	<i>\$000</i>	<i>\$000</i>
Bedshed Franchising segment	6,306	6,306
Bedshed Stores segment	3,816	3,916
Total	<u>10,122</u>	<u>10,222</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 2012/13 and 2013/14 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	11%	5%	3-10%
Bedshed Stores segment	11%	3-5%	3-8%

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 2013.

Impairment of Goodwill for the year ended 30 June 2013 was \$100,000 (2012: 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	
	2013 \$000	2012 \$000
<b>Current</b>		
<i>Unsecured liabilities</i>		
Trade payables	604	1,780
Accruals and other payables	1,429	1,538
Amounts held in trust for Bedshed marketing and other funds (a)	3,269	2,600
	<u>5,302</u>	<u>5,918</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:

	CONSOLIDATED	
	2013	2012
	\$000	\$000
<b>Current</b>		
Finance leases	50	60
Bank overdrafts – secured (a)	20	1
	70	61
<b>Non-current</b>		
<i>Secured liabilities</i>		
Finance leases	74	2
Bank loans – secured (b)	6,300	5,400
Convertible Notes	-	-
	6,374	5,402
	6,444	5,463

(a) *Bank overdraft - secured*

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

(b) *Bank loans - secured*

The Commercial bill facility (fixed) debt attracts interest at a fixed annual interest rate and has a term which expires on 30 July 2015. The outstanding is \$8,000,000 less a \$1,700,000 secured deposit.

(c) *Collateral provided*

The available St George bank cash and guarantee facility is \$1,600,000 (2012: \$1,600,000). The unused cash facility at 30 June 2013 is \$640,000 (2012: \$640,000) with as cash and cash equivalents held of \$875,022. 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.

	CONSOLIDATED	
	2013	2012
	\$000	\$000
The carrying amounts of non-current assets pledged as security are:		
Freehold land and buildings	16,283	15,000
Assets held for sale	41	204
Plant and equipment	612	463
	16,936	15,667

## 21. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

### (e) Debt covenants

The covenants with St George bank includes:

- an interest rate cover ratio of a minimum of 2.00 times where the cover is earnings before interest, tax, depreciation, amortisation 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 made 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	
	2013	2012
	\$000	\$000
Cash and cash equivalents	3,439	3,774
Trade receivables	1,003	572
	<u>4,442</u>	<u>4,346</u>

### (f) Debt classification

There was no breach of the Company's interest cover and gearing ratio debt covenants at 30 June 2013. As a result, the Consolidated Entity's bank debt which is due on 30 July 2015 has been classified as non-current at 30 June 2013, in accordance with applicable accounting standards. A \$1,600,000 facility is available for issue of bank guarantees and overdraft. At the reporting date the overdraft component was \$642,000 with \$622,000 undrawn.

### (g) Risk exposure

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

### (h) Fair values

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

## 22. PROVISIONS

Provisions are comprised of the following:

	CONSOLIDATED	
	2013	2012
	\$000	\$000
<b>Current</b>		
Employee benefits (a)	252	260
Sub-lease rental shortfall (b)	287	195
Store closure provision (c)	351	950
Other	-	60
Total Current	890	1,465
<b>Non-current</b>		
Employee benefits (a)	53	45
Sub-lease rental shortfall (b)	202	243
Environmental testing (d)	3	3
Total Non-Current	258	291
	1,148	1,756

### *(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 continues for the payment of rental shortfalls following the closure of two company owned stores, one as at 30 June 2010 which continues to October 2014, and one as at 30 June 2013 which continues to August 2016.

### *(c) Store Closure Provision*

At the 30 June 2013, the Consolidated Entity provisioned for the closure of an unprofitable company owned store. The provision is for the estimated cost of lease surrender and any loss on realisation of assets.

### *(d) Environmental Testing*

A provision has been made for ground water testing at the Moorebank property in Sydney as required by the NSW state authority.

## 22. PROVISIONS (CONTINUED)

	Sub-let provision	Store Closure	Stock Provision	Employee Benefits	Franchisee Settlement	Other	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Consolidated Group</b>							
Opening balance at 1 July 2012	638	750	-	305	-	63	1,756
Additional provisions	-	351	-	245	-	-	596
Amounts used	(149)	(750)	-	(245)	-	(60)	(1,204)
Balance at 30 June 2013	489	351	-	305	-	3	1,148

### (d) 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	
	2013	2012
	\$000	\$000
27,588,255 (2012: 27,588,255) Issued and fully paid ordinary shares	17,347	17,347
380,000 (2012: 380,000) Partly paid ordinary shares, issued at \$1.955 and paid to \$1.312 (2011: \$1.215) (a)	498	467
	<u>17,845</u>	<u>17,814</u>
<i>Movement in ordinary shares on issue</i>	<i>Number</i>	<i>\$000</i>
At 1 July 2012	27,588,255	17,814
Issued shares:	-	-
Payment partly paid shares	-	31
At 30 June 2013	<u>27,588,255</u>	<u>17,845</u>

### (a) 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

	<i>CONSOLIDATED</i>	
	<i>2013</i>	<i>2012</i>
	<i>\$000</i>	<i>\$000</i>
Financial assets reserve	2,698	2,698
Asset revaluation reserve	2,623	2,623
	<u>5,321</u>	<u>5,321</u>

## 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:

	<i>2013</i>		<i>2012</i>	
	<i>Minimum payments</i>	<i>Present value of payments</i>	<i>Minimum payments</i>	<i>Present value of payments</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<i>CONSOLIDATED</i>				
Within one year	57	-	63	-
After one year but not more than five years	78	-	2	-
Total minimum lease payments	<u>135</u>	<u>-</u>	<u>65</u>	<u>-</u>
Less amounts representing finance charges	(11)	-	(3)	-
Present value of minimum lease payments	<u>124</u>	<u>124</u>	<u>62</u>	<u>62</u>

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

	<i>CONSOLIDATED</i>	
	<i>2013</i>	<i>2012</i>
	<i>\$000</i>	<i>\$000</i>
Within one year	1,107	790
After one year but not more than five years	1,709	1,799
More than five years	-	-
	<u>2,816</u>	<u>2,589</u>

## 25. CAPITAL AND LEASING COMMITMENTS (CONTINUED)

The property leases are non-cancellable leases expiring 2015 for a property New South Wales, 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

	CONSOLIDATED	
	2013	2011
	\$000	\$000
Within one year	2,715	2,891
After one year but not more than five years	3,746	4,913
More than five years	1,374	-
	<u>7,835</u>	<u>7,804</u>

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

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

	CONSOLIDATED	
	2013	2012
	\$000	\$000
Within one year	7	54
After one year but not more than five years	12	19
More than five years	-	-
	<u>19</u>	<u>73</u>

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

### (e) Capital expenditure commitments

	CONSOLIDATED	
	2013	2012
	\$000	\$000
Capital expenditure commitment for investment property - plant and equipment	-	68
Payable:		
- within one year	-	68
	<u>-</u>	<u>68</u>



## 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 \$956,130 (2012: \$956,130).

## 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>2013</i>	<i>2012</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	100	100
Sierra Bedding Pty Ltd	Australia	100	100
Joyce Indpac Limited	Australia	100	100
Votrait No. 611 Pty Ltd	Australia	100	100
Bedshed Franchising Pty Ltd	Australia	100	100
Furniture World (HK) Pty Ltd	Hong Kong	50	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 2013.

(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) The Executive directors fees for Mr A Mankarios are paid to Starball Pty Ltd, a company in which Mr Mankarios has significant influence - \$199,257 (2012: \$220,106). As at year end the amount owing to this related party was \$9,410.50 (2012: Nil).

(vi) A receivable from Pynland Pty Ltd, a company owned by Dan Smetana, for \$26,131.50 owing to Joyce Corporation Ltd for amounts paid on behalf of Pynland Pty Ltd (2012: \$19,700.26).

## 28. EVENTS AFTER REPORTING DATE

An unfranked dividend of 1.0 cent per share was declared during the reporting period for shares held at record date of 3 July 2013 and paid 24 July 2013.

After the reporting date, agreement on closing a regional company owned store has been executed. These were fully provisioned at the reporting date.

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>2013</i>	<i>2012</i>
	<i>\$000</i>	<i>\$000</i>
Amounts received or due and receivable by the auditor's for:		
• an audit or review of the financial report of the Consolidated Entity	82	79
• other services in relation to the Parent Entity and any other entity in the Consolidated Entity		
(a) tax compliance	31	45
(b) assurance related	3	26
	<u>116</u>	<u>150</u>

## 30. DIVIDENDS

	<i>2013</i>	<i>2012</i>
	<i>\$000</i>	<i>\$000</i>
<i>Distributions paid or payable</i>		
Final unfranked ordinary dividend of Nil (2011 : 2.0 cents) cents per share (Paid – 18 November 2011)	-	406
Interim unfranked ordinary dividend of 1.5 (2011: Nil) cents per share (Paid – 02 July 2012)	414	414
Final unfranked ordinary dividend of 0.65 (2011 : Nil) cents per share (Paid – 28 February 2013)	179	-
Prior year dividends paid on partly paid shares (Paid – 30 June 2013)	31	-
Interim unfranked ordinary dividend of 1.0 (2012: 1.5 cents) cents per share (Paid – 24 July 2013)	280	-
	<u>904</u>	<u>820</u>

To date the directors have not declared the payment of a final dividend out of retained profits at 30 June 2013 and will continue to monitor performance and review resources to determine when a dividend will be paid.

## 31. KEY MANAGEMENT PERSONNEL DISCLOSURE

### (a) Key management personnel compensation

	2013 \$000	2012 \$000
Short Term Benefits	824	990
Post Employment Benefits	102	198
Share Based Payment	-	-
	926	1,188

Detailed remuneration disclosures are provided in the remuneration report on pages 11 to 16.

### (b) Equity instrument disclosures relating to key management personnel

#### i. Option and rights holdings granted as compensation

During the financial year ended 30 June 2013 no options (2012: Nil) were granted or vested as equity compensation benefits to any director or executive of the Consolidated Entity.

#### ii. Option holdings

There were no options on issue to key management personnel during the year ended 30 June 2013 (2012: Nil).

#### iii. Share Holdings

The number of shares in the company held during the financial year by each director of the company and the other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation (2012: Nil).

	<i>Balance 01-Jul-12 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-13 Ord</i>
<b>2013</b>					
Mr D A Smetana*	9,798,705	-	-	81,991	9,850,696
Mr T R Hantke	-	-	-	-	-
Mr M A Gurry	-	-	-	-	-
Mr A Mankarios	694,884	-	-	2,402	697,286
Mr G Culmsee	-	-	-	-	-
Mr K Gray	66,666	-	-	-	66,666
<b>Total</b>	<b>10,560,255</b>	-	-	<b>2,402</b>	<b>10,562,657</b>
	<i>Balance 01-Jul-11 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-12 Ord</i>
<b>2012</b>					
Mr D A Smetana*	7,082,932	-	-	2,715,733	9,798,705
Mr T R Hantke	-	-	-	-	-
Mr M A Gurry	-	-	-	-	-
Mr A Mankarios	516,119	-	-	178,765	694,884
Mr G Culmsee	-	-	-	-	-
Mr K Gray	-	-	-	66,666	66,666
Ms S Freedman	-	-	-	-	-
<b>Total</b>	<b>7,599,051</b>	-	-	<b>2,961,204</b>	<b>10,560,255</b>

### 31. KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)

#### iv. Partly Paid Ordinary Shares Share Holding

The number of partly paid ordinary shares in the company held during the financial year by each director of the company and the other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation (2012: Nil).

	<i>Balance 01-Jul-12</i>	<i>Granted as Remuneration</i>	<i>On Exercise of Options</i>	<i>Net Change Other</i>	<i>Balance 30-June-13</i>
<b>2013</b>	<i>Ord</i>	<i>Ord</i>	<i>Ord</i>	<i>Ord</i>	<i>Ord</i>
Mr D A Smetana*	380,000	-	-	-	380,000
Mr T R Hantke	-	-	-	-	-
Mr M A Gurry	-	-	-	-	-
Mr A Mankarios	-	-	-	-	-
Mr G Culmsee	-	-	-	-	-
Mr K Gray	-	-	-	-	-
<b>Total</b>	<b>380,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>380,000</b>
	<i>Balance 01-Jul-11</i>	<i>Granted as Remuneration</i>	<i>On Exercise of Options</i>	<i>Net Change Other</i>	<i>Balance 30-June-12</i>
<b>2012</b>	<i>Ord</i>	<i>Ord</i>	<i>Ord</i>	<i>Ord</i>	<i>Ord</i>
Mr D A Smetana	380,000	-	-	-	380,000
Mr T R Hantke	-	-	-	-	-
Mr M A Gurry	-	-	-	-	-
Mr A Mankarios	-	-	-	-	-
Mr G Culmsee	-	-	-	-	-
Mr K Gray	-	-	-	-	-
Ms S Freedman	-	-	-	-	-
<b>Total</b>	<b>380,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>380,000</b>

\* Beneficial holding only. Mr Smetana controls 10,893,438 fully-paid ordinary shares (2012: 10,893,438).

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 \$1.315) 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 2013 or at any time during the financial year there were no loans (2012: Nil) outstanding to specified directors and specified executives.

### 32. RECONCILIATION OF NET PROFIT 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>2013</i>	<i>2012</i>
	<i>\$000</i>	<i>\$000</i>
Net profit/(loss) after taxation	668	3,035
<i>Adjustments for:</i>		
Depreciation and amortisation	158	193
Interest receivable	33	(42)
Other receivable	75	-
Impairment of goodwill	100	-
Revaluations of investment properties	(1,261)	(3,553)
Net loss / (profit) on disposal of property, plant and equipment	90	1
Franchisee settlement paid	-	(601)
<i>Changes in assets and liabilities</i>		
(increase)/decrease in inventories	2,179	114
(increase)/decrease in trade and other receivables	(442)	654
(increase)/decrease in other assets	129	132
(increase)/decrease in net deferred income tax assets and liabilities	(125)	(105)
(decrease)/increase in income taxes payable	-	-
(decrease)/increase in trade and other payables	(484)	170
(decrease)/increase in provisions	(609)	678
<b>Net cash flows used in operating activities</b>	<b>511</b>	<b>676</b>

### 33. NON-CASH INVESTING AND FINANCING ACTIVITIES

	<i>CONSOLIDATED</i>	
	<i>2013</i>	<i>2012</i>
	<i>\$000</i>	<i>\$000</i>
Acquisition of leasehold improvements by means of finance lease	150	-
Contributed equity – partly paid shares	34	-
	<b>184</b>	<b>-</b>

## 34. PARENT ENTITY DISCLOSURES

### a. Financial position

	<i>As at 30 June</i>	
	<i>2013</i>	<i>2012</i>
	<i>\$000</i>	<i>\$000</i>
<b>Assets</b>		
Current assets	150	187
Non-current assets	23,789	21,700
Total assets	<b>23,939</b>	<b>21,887</b>
<b>Liabilities</b>		
Current liabilities	483	654
Non-current liabilities	6,315	5,672
Total liabilities	<b>6,798</b>	<b>6,326</b>
<b>Net Assets</b>	<b>17,141</b>	<b>15,561</b>
<b>Equity</b>		
Issued capital	17,845	17,814
Retained earnings	(704)	(2,253)
<b>Net Equity</b>	<b>17,141</b>	<b>15,561</b>

### b. Financial performance

	<i>Year ended 30 June</i>	
	<i>2013</i>	<i>2012</i>
	<i>\$000</i>	<i>\$000</i>
Profit/(Loss) for the year	(348)	849
Other comprehensive income	-	-
Total comprehensive profit/(loss)	<b>(348)</b>	<b>849</b>

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

No such guarantees existed at 30 June 2013, 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 2013 (30 June 2012: Nil).

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

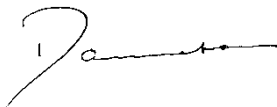
Commitments for the acquisition of property plant and equipment by the parent entity existed as at 30 June 2013 for the value of \$Nil (30 June 2012: \$68,000).

## 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 2012 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
- (d) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

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



**D A Smetana**  
Chairman

Perth, 27 September 2013

## INDEPENDENT AUDITOR'S REPORT

To the members of Joyce Corporation Limited

### Report on the Financial Report

We have audited the accompanying financial report of Joyce Corporation Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Joyce Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.





## Opinion

In our opinion:

- (a) the financial report of Joyce Corporation Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 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 Note 2(a).

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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.

## Opinion

In our opinion, the Remuneration Report of Joyce Corporation Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', written over the printed name.

Glyn O'Brien

Director

Perth, 27 September 2013

## ASX ADDITIONAL INFORMATION

AS AT 25 SEPTEMBER 2013

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 As at 25 September 2013	Holders	Fully Paid Ordinary Shares	%
1 - 1,000	217	70,943	0.26
1,001 - 5,000	172	439,858	1.59
5,001 - 10,000	63	480,482	1.74
10,001 - 100,000	119	4,071,200	14.76
100,001 - and over	31	22,525,772	81.65
<b>Total</b>	<b>602</b>	<b>27,588,255</b>	<b>100.0</b>
Holding less than a marketable parcel	239	95,789	0.35

### (b) Shareholdings - Substantial Shareholdings

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

Ordinary Shareholder	Fully Paid Ordinary Shares	%
1. Mr D A Smetana*	10,812,314	38.7
2. John Roy Westwood	2,700,000	9.8
3. Keith Knowles	2,175,302	7.9
<b>Total</b>	<b>15,687,616</b>	<b>56.4</b>

\* Mr Smetana has beneficial interest in 9,850,696 fully-paid ordinary shares (2012: 9,798,705) and 380,000 partly paid shares.

### (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 25 September 2013

### (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>	7,711,568	27.95
2. UFBA Pty Ltd	2,700,000	9.79
3. Peduncle Pty Ltd	1,948,312	7.06
4. Wallbay Pty Ltd <Abell Unit Account>	998,356	3.62
5. Sandhurst Trustees Ltd <JMFS Consol A/C>	990,233	3.59
6. Mr Donald Teo	990,000	3.59
7. Mr Keith Knowles	906,368	3.29
8. Mr Daniel Alexander Smetana	563,726	2.04
9. Parks Australia Pty Ltd	544,021	1.97
10. McNeil Nominees Pty Limited	499,974	1.81
11. Starball Pty Ltd	430,029	1.56
12. Mrs Edna Knowles	342,376	1.34
13. Mr Dan Smetana	354,022	1.28
14. Conard Holdings Pty Ltd	347,940	1.26
15. ASB Nominees Limited <130368 – ML A/C>	336,256	1.22
16. P B L Investments Pty Ltd	270,203	0.98
17. Mr Richard Hamilton Bartlett	245,400	0.89
18. Mr Keith Knowles	238,523	0.86
19. Mr John Martin Wright	229,463	0.83
20. Bellpam Pty Limited <P Meinhardt Pension Fund A/C>	207,500	0.75
<b>Total</b>	<b>20,880,598</b>	<b>75.69%</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 25 SEPTEMBER 2013

**(f) Company Secretary**

Mr Keith Gray

**(g) Registered Office**

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Osborne Park, WA,  
AUSTRALIA, 6017

Tel: +61 8 9445 1055

**(h) Share Registry**

Computershare Investor Services Pty Limited  
Level 2, Reserve Bank Building,  
45 St Georges Terrace  
Perth, WA 6000

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