



Joyce Corporation Ltd
AND CONTROLLED ENTITIES

Annual Report 2014

Celebrating 128 Years in Business

Joyce Corporation Ltd
AND CONTROLLED ENTITIES

ABN: 80 009 116 269

Annual Report 2014

Corporate Directory

Directors	D A Smetana <i>Chairman</i> M A Gurry T R Hantke A Mankarios
Secretary	K Gray
Notice of annual general meeting	The Annual General Meeting of Joyce Corporation Ltd will be held at: Bedshed Central Office 14 Collingwood Street Osborne Park 6017 Western Australia time: 10:00am date: 25 November 2014
Principal registered office	14 Collingwood Street, Osborne Park, WA, Australia, 6017 Tel: +61 8 9445 1055
Share register	Computershare Investor Services Pty Limited Level 2, Reserve Bank Building, 45 St Georges Terrace Perth, WA 6000
Auditors	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008 Australia
Solicitors	MDS Legal Level 2, 16 Irwin Street, Perth WA 6000 Australia
Bankers	St George Bank Level 2 Westralia Plaza 167 St Georges Terrace Perth WA 6000 Australia
Stock exchange listings	Joyce Corporation Ltd shares are listed on the Australian Securities Exchange (ASX : JYC).
Website address	www.joycecorp.com.au
ABN:	80 009 116 269

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CHAIRMAN'S REPORT

I am pleased to announce the return to sustainable profitability with an overall profit after tax of \$1.57 Million compared to \$668K in the comparative year ending 30th June 2013. This is an increase of 135%.

Revenues in 2014 were up 1.5% on the previous year for the continuing business in the consolidated entity.

Net earnings are 5.6 cents per ordinary share. Our Asset backing has climbed to 82 cents undiluted net assets per ordinary share.

In keeping with our Policy of paying Dividends we will seek to review the overall position in the coming months with an aim to declare around 2.0 cents per share final unfranked Dividend. We anticipate, subject to cash flow, this may be paid nearer to November 14.

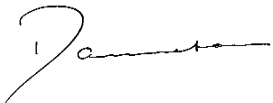
Our valuable 41,840 sq mtr property in Moorebank, South West Sydney near the M5 motorway on/off ramp, has future potential and as we have previously outlined the Company is not a long- term holder of industrial property. Of late we have elected to invest in higher cash flow generating business units aligned with our retail and business unit strategy.

The property has strong growth prospects as outlined by recent independent evaluations of nearer to \$21 Million. This may see solid capital growth and anticipated up to \$1M increase in rents as a result of the sub-economic rent wind down for the lease option period in November 2015. The current market rent expectations will see additional net cash available to the group each year should we elect to hold the property.

Our board is pleased with the recent investment in KWB Group Pty Ltd, the owner of Kitchen Connection and Wallspan retail brands in the eastern states. The management team worked very well to achieve results within our initial expectations. We anticipate additional earnings will be generated for this group in the coming 12 months as a direct result of this strategy. This associate company, in which we own 32%, has grown sales like for like in solid double-digit figures.

I would like to take this opportunity to thank the Executive Director Anthony Mankarios and the executive team along with our Board for a solid performance and would like to commend the Company to you.

We look forward to a positive future ahead.



Dan Smetana
Chairman

EXECUTIVE DIRECTOR'S REPORT

Operational Review

Bedshed, one of our core Business Units (BU's), managed to expand its network sales in Mattresses during the year, furniture sales declined due to the impact of import devaluation and overall softer consumer demand. The Bedshed Company stores traded profitably and improved overall performance significantly due to the strategy undertaken by the Board in the previous period.

Our Evolution fit-out program is progressing, with additional stores scheduled to take part in the next 12 months.

A new franchisee was approved to take over from the Nunawading Victorian Franchise store which ceased operations in January 2013. This store is fully operational and is performing very well.

The Company completed works on our Moorebank Property, a 41,840 square meter site located near the Georges River and in proximity to the publicised proposed \$400M Inter-modal development in 2015/16, aimed at relieving container freight away from busy Port Botany and improving congestion on the busy M5 Motorway that leads to the site. The existing tenant, Australia's leading foam manufacturer, has indicated their desire to progress with the 5 plus 5 - year lease option in 2015, should they not be successful in purchasing the property. The market rent at the end of the lease in November 2015 is anticipated to lift current sub-economic net rents by up to approximately \$1M per annum.

The property has been carried in our books on the basis of the 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 obtained an independent Valuation on 31 December 2013, and have adopted this value of \$18.4M less the wind-back of sub-economic rent adjustment in our carrying value in 2014. We also further reviewed the value based on published market information from external valuer's recent sales values and recent rents achieved that are published by independent third parties.

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 decided to convert part of our Convertible Notes (CN's) investment in KWB Group Pty Ltd (KWB). We now hold 32% equity in this associate company after electing to convert our CN's in late January 2014. We have a further potential 25% investment via the CN's, that the board has not yet made any determination on and still earns interest and management fees for Joyce from this investment. The Associate contributed \$255K pre-tax in profits to our group results in 2014 in the five months since the first tranche of notes were converted. This overall contribution is expected to increase significantly in the 2015 financial year.

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 2014. It owns the brands Kitchen Connection and Wallspan. KWB is totally cash funded and has plans to expand with additional stores in the next 12 months.

Joyce aims to eventually enhance the group by assisting with the introduction of a suitable structure for their franchise business expansion across Australia. We anticipate that this group's footprint into the premium "do it for me" market of Kitchen and Wardrobe renovation will grow significantly in the coming two years.

EXECUTIVE DIRECTOR'S REPORT (CONTINUED)

Future Outlook

The Company has concluded its recent restructure program of closing underperforming Bedshed Company owned stores. The discontinuing store recorded a loss of \$59K in the year. The remaining Company owned stores are all generating operating profits. Cash flow is anticipated to improve as the remaining store-exit payments conclude this coming year. These exit payments impacted 2014 cash, this will not have the same effect next year, and while these costs are all provided for in the company books in prior years, it leaves additional potential for the Company to consider options of either additional dividends or partial share buy backs or both.

The Company's prospects are positive given the recent lift in activity in its core Bedshed business. Currently operations are 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 in the near future.

The Company has a strong robust plan to enhance its earnings in its Associate company KWB group. We anticipate a cash dividend will be payable back to Joyce from this Associate in the year ahead.

The outlook remains positive whilst continuing to be subject to overall economic activity.



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 2014.

DIRECTORS

The names of the Company's Directors in office during the year ended 30 June 2014 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;
- (b) An owner of a number of Bedshed retail stores;
- (c) Property Investment; and
- (d) Minority owner of KWB Group Pty Ltd with 32% from February 2014 with convertible notes, that when converted, will increase ownership to 57% of Kitchen Connection and Wallspan kitchen and wardrobe supply and installation company.

Other than the closure of the last uneconomic store in NSW in August 2013 and the conversion in (d) above, no other 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 2014 ("the Financial Year") the Consolidated Entity, achieved revenue from continuing operations of \$14.8m (2013: \$14.6m) and a profit from continuing operations before tax of \$2.3m (2013: \$2.2m) and an overall net profit after tax of \$1.57m (2013: \$0.67m). The revenue increased marginally year on year with some signs of demand stability late in the year. Like for like sale bedding sales growth has been maintained across the Bedshed stores network despite some product cost increases from lower exchange rates on imported product.

Profit was supported with revaluation of the investment property at Moorebank in NSW from firming market conditions and further increases from the expiration of subsidised rental period out to November 2015.

Closure of Company-owned stores

During the year ended 30 June 2014, the Consolidated Entity concluded the last closure for the remaining underperforming company owned store in August 2013. This store was in a sub-optimal regional location with net present value of closure costs falling below expected operating losses for the remaining lease term.

Financial Position

At 30 June 2014 the Consolidated Entity had equity of \$22.7m (2013: \$22.1m); with dividend payments increasing from \$593k in 2013 to \$835k in 2014. Cash and cash equivalents reduced to \$0.8m (2013: \$1.48m) after transfer of previously consolidated marketing fund cash of \$716k to the Bedshed Marketing Trust. Unutilised debt facilities were \$869k (2013: \$622k) with further expansion facilities of \$1.0m (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 June 2016. This outcome is indicative of St George Bank's understanding and support of the Consolidated Entity's strategy. A \$1.3m facility which is subject to annual review was also extended.

DIRECTORS' REPORT (CONTINUED)

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

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

DIVIDENDS

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

	<u>2014</u>	<u>2013</u>
	<u>\$000</u>	<u>\$000</u>
<i>Distributions paid or payable</i>		
Interim unfranked ordinary dividend of 1.5 (2011: Nil) cents per share (Paid – 02 July 2012)	-	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	280
Final unfranked ordinary dividend of 2.0 (2013: 0.65) cents per share (Paid 21 November 2013)	559	-
Interim unfranked dividend of 1.5 (2013: 1.0) cents per share (Paid 31 July 2014)	420	-
	<u>1,259</u>	<u>904</u>

The Board will continue to review the Company's ability to pay dividends and will continue with the payments of regular dividends as in line with the dividend policy and available liquidity.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Company converted \$500,000 of \$900,000 convertible notes in KWB Pty Ltd at 1 February 2014 to achieve 32% ownership. The remaining notes can be converted into equity to increase ownership to 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 Company has assisted with business strategy and management and has developed 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 subleasing excess space in a company store was signed. An unfranked dividend declared on 27 February 2014 of 1.5 cents per share was paid on 31 July 2014. The secured deposit of \$1.1 million with St George Bank was repaid against bank bill facilities from St George bank with no net change to undrawn facilities.

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 70.*
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 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. Director of Korab Resources Limited.

His past board memberships include: Director of Edge Employment Solutions Inc, 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
Member of the Audit Committee

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 \$1.432) ordinary shares in Joyce Corporation Ltd.

Mr M A Gurry. – *Independent, Non-executive Director. Age 67.*
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 currently Chairman of Foundation Housing Limited, former 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 66.*
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 47.*
MBA, FAICD, CFTP

An Executive Director of Joyce Corporation Limited (JYC), Mr. Mankarios 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 Wallspan business; and Chairman of Man Investments and Consultants as well as being involved in a number of other private companies.

Mr Mankarios is currently a Non- Executive Director of Inventis Limited (IVT) and was the CEO of Oldfields Holdings Ltd (prior to 2010).

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 Remuneration Committee. Member of the Audit 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 2014, 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	9	4	4	5	4
T R Hantke	11	9	4	4	5	5
A Mankarios	11	11	4	4	5	3

A = Number of meetings held

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

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

REMUNERATION REPORT - AUDITED

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

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

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

Key Management personnel:

G Culmsee Chief Operating Officer Bedshed Franchising Pty Ltd

K Gray Chief Financial Officer Joyce Corporation Ltd

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 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 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 REPORT – AUDITED (CONTINUED)

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

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 independently reviewed with effect from 30 June 2011. The remuneration of Directors was reduced in 2009 and has subsequently been reinstated without escalation during the 2013 and 2014 financial years. 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 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 the 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. There are no long term incentives.

B. Service Agreements

This remuneration report outlines the director and executive remuneration arrangements of the Consolidated Entity 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	Non-Executive Director and Chairman
Mr M A Gurry	Non-Executive Director - Chairman of Audit Committee
Mr T R Hantke	Non-Executive Director - Chairman of Remuneration Committee
Mr A Mankarios	Executive Director
Mr G Culmsee	Chief Operating Officer
Mr K Gray	Chief Financial Officer and Company Secretary

The employment conditions of all Key Management Personnel are formalised in contracts of employment. Other than 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 runs to 30 June 2015. This is a part time role which allows a Directors fee and hourly charge for work undertaken above this and paid monthly. All out of pocket expenses in connection with carrying out the role are reimbursable.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT – AUDITED (CONTINUED)

Other Executives

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

C. Details of remuneration

	Short-term Employment benefits			Post-Employment benefits	Long-term benefits	Share based payment	Total	% relating to performance
	Salary & Fees	Cash Bonus	Non-Monetary benefits	Superannuation	Term Benefits AL & LSL	Options		
Non-Executive Directors								
30 June 2014								
Mr D A Smetana	159,602	-	-	26,007	-	-	185,609	-
Mr T R Hantke	58,957	-	-	15,286	-	-	74,243	-
Mr M A Gurry	60,877	-	-	13,366	-	-	74,243	-
Total Non-Executive Directors	279,436	-	-	54,659	-	-	334,095	-
Executive Director								
Mr A Mankarios ¹	133,569	67,925	-	-	-	-	201,494	33.71%
Total Directors	413,005	67,925	-	54,659	-	-	535,589	
Mr G Culmsee ²	219,697	54,520	-	20,322	-	-	294,539	18.51%
Mr K Gray ²	178,046	43,937	1,098	16,570	-	-	239,651	18.33%
Total Other Key Management personnel	397,743	98,457	1,098	36,892	-	-	534,190	
Total Remuneration:	810,748	166,382	1,098	91,551	-	-	1,069,779	15.55%
30 June 2013								
Non-Executive Directors								
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	-
Total Non-Executive Directors	253,007	-	-	67,618	-	-	320,625	
Executive Director								
Mr A Mankarios	136,143	45,000	-	-	-	-	181,143	24.86%
Total Directors	389,150	45,000	-	67,618	-	-	501,768	
Mr G Culmsee	214,339	-	-	19,290	-	-	233,629	-
Mr K Gray	152,224	-	22,550	15,729	-	-	190,503	-
Total Other Key Management personnel	366,563	-	22,550	35,019	-	-	424,132	-
Total Remuneration:	755,713	45,000	22,550	102,637	-	-	925,900	24.86%

1. 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 at the discretion of the Directors. He is contracted to 30 June 2015.

2. Bonuses paid to other key management personnel were at the discretion of the Directors.

DIRECTORS' REPORT (CONTINUED)

C. Details of remuneration (continued)

Other Key Management Personnel were 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.

D. Share-based compensation

There was no share-based compensation of Key Management Personnel during the year ended 30 June 2014 (2013: Nil).

E. Equity instrument disclosures relating to key management personnel

i. Option and rights holdings granted as compensation

During the financial year ended 30 June 2014 no options (2013: 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 2014 (2013: 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 (2013: Nil).

	Balance 01-Jul-13 Ord	Granted as Remuneration Ord	On Exercise of Options Ord	Net Change	Other Ord	Balance 30-June-14 Ord
2014						
Mr D A Smetana*	9,850,696	-	-	-	-	9,850,696
Mr T R Hantke	-	-	-	-	-	-
Mr M A Gurry	-	-	-	-	-	-
Mr A Mankarios	697,286	-	-	-	-	697,286
Mr G Culmsee	-	-	-	-	-	-
Mr K Gray	66,666	-	-	-	-	66,666
Total	10,614,648	-	-	-	-	10,614,648
	Balance 01-Jul-12 Ord	Granted as Remuneration Ord	On Exercise of Options Ord	Net Change	Other Ord	Balance 30-June-13 Ord
2013						
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
Total	10,560,255	-	-	84,393	-	10,614,648

* Beneficial holding only. Mr Smetana controls 10,893,438 fully-paid ordinary shares (2013: 10,893,438).

DIRECTORS' REPORT (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 (2013: Nil).

	<i>Balance 01-Jul-13 Ord</i>	<i>Granted as Remunerati on Ord</i>	<i>On Exercise of Options Ord</i>	<i>Net Change Other Ord</i>	<i>Balance 30-June-14 Ord</i>
2014					
Mr D A Smetana ¹	380,000	-	-	-	380,000
Mr T R Hantke	-	-	-	-	-
Mr M A Gurry	-	-	-	-	-
Mr A Mankarios	-	-	-	-	-
Mr G Culmsee	-	-	-	-	-
Mr K Gray	-	-	-	-	-
Total	380,000	-	-	-	380,000
	<i>Balance 01-Jul-12 Ord</i>	<i>Granted as Remunerati on Ord</i>	<i>On Exercise of Options Ord</i>	<i>Net Change Other Ord</i>	<i>Balance 30-June-13 Ord</i>
2013					
Mr D A Smetana ¹	(1) 380,000	-	-	-	380,000
Mr T R Hantke	-	-	-	-	-
Mr M A Gurry	-	-	-	-	-
Mr A Mankarios	-	-	-	-	-
Mr G Culmsee	-	-	-	-	-
Mr K Gray	-	-	-	-	-
Ms S Freedman	-	-	-	-	-
Total	380,000	-	-	-	380,000

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.

(1) Mr D A Smetana holds 380,000 partly paid (issued at \$1.955 and paid to \$1.432) (2013 paid to: \$1.312) 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.

DIRECTORS' REPORT (CONTINUED)

F. 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.

	2014	2013	2012	2011	2010
	\$000	\$000	\$000	\$000	\$000
Revenue (a)	15,056	18,921	19,956	24,441	28,089
Net Profit after tax	1,570	668	3,035	2,914	(8,147)
Share Price at Year-end \$	0.52	0.40	0.42	0.45	0.40
Dividends (Cents) Paid	3.00	2.15	2.00	2.00	2.00
Dividend payout ratio %	52.6	90.0	18.2	14.0	0.0

(a) Revenue and net profit in respect of the 2014 and 2013 financial years include discontinued operations. The 2013 financial performance was impacted by a non-recurring provision for stores that are to be closed during the financial year ending the 30 June 2013 and 2014 financial years.

G. Voting at the 2013 Annual General Meeting on the Remuneration report

The Remuneration report in the 2013 Annual Report to shareholders was approved by 99.9% of shareholders at the 2013 Annual General Meeting. No specific feedback was received at the Annual General Meeting or throughout the year.

H. Independent Salary and Incentive Review

During the 2012 financial year the company undertook an independent management 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. During the financial year ended 30 June 2014 the Company did not engage any remuneration consultants.

LOANS OR OTHER TRANSACTIONS TO DIRECTORS AND EXECUTIVES

There were no loans outstanding to Directors and executives as at 30 June 2014 (2013: nil). At 30 June 2014 or at any time during the financial year there were no loans (2013: Nil) outstanding to specified directors and specified executives.

The Executive directors fees for Mr A Mankarios are paid to Starball Pty Ltd, a company in which Mr Mankarios has significant influence - \$201,495 (2013: \$181,143). As at year end the amount owing to this related party was \$9,825 (2013: \$9,410).

A receivable from Pynland Pty Ltd, a company owned by Dan Smetana, for \$26,131 owing to Joyce Corporation Ltd for amounts paid on behalf of Pynland Pty Ltd (2013: \$26,131).

A loan arrangement to all shareholders was made during the reporting year. Interest was paid of \$3,106 (2013: nil), on a loan from Adamic Pty Ltd, a company associated with Dan Smetana. There was no loan balance at 30 June 2014.

End of Audited Remuneration Report.

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 discriminated against 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 2014 the company employs 24 women representing 47% 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 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

There were no fees paid or payable to the auditors for non-audit services for the year ended 30th June 2014.

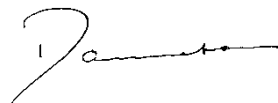
AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 20.

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 have been rounded off to the nearest \$1,000.

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



D A Smetana
Chairman

Perth, 30 September 2014

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 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of 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, 30 September 2014

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the year ended 30 June 2014 ("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. There is no Managing Director
2.4	The Board should establish a Nomination Committee.	Departure from the recommendation. Refer to Corporate Governance Statement
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Comply
2.6	Companies should provide the information indicated in the "Guide to reporting on Principle 2."	Comply
3.1	Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Comply
3.2	Companies should establish a policy concerning trading in Company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.	Comply
3.3	Companies should provide the information indicated in the "Guide to reporting on Principle 3."	Comply
4.1	The Board should establish an Audit Committee.	Comply

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Disclosure of Corporate Governance Practices Summary Statement

No.	Recommendation	Disclosure
4.2	The Audit Committee should be structured so that it: <ul style="list-style-type: none">- consists only of non-executive Directors- consists of a majority of independent Directors- is chaired by an independent Chair, who is not Chair of the Board- has at least three members.	Comply
4.3	The Audit Committee should have a formal charter.	Comply
4.4	Companies should provide the information indicated in the "Guide to reporting on Principle 4."	Comply
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Comply
5.2	Companies should provide the information indicated in the "Guide to reporting on Principle 5."	Comply
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Comply
6.2	Companies should provide the information indicated in the "Guide to reporting on Principle 6."	Comply
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Comply
7.2	The Board 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

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

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	Consolidated	
		30 June 2014	30 June 2013
		\$000	\$000
Continuing operations			
Revenue	6	14,832	14,608
Cost of sales		(5,371)	(5,431)
Gross Profit		9,461	9,177
Other income	6	928	826
Share of net profit of associate	29	255	-
Revaluation of investment property	6	949	1,261
Expenses from continuing operations			
Distribution expenses		(948)	(885)
Marketing expenses		(590)	(684)
Occupancy expenses		(1,768)	(1,500)
Administration expenses		(5,564)	(5,386)
Finance costs	6	(341)	(519)
Other expenses		(36)	(39)
Profit from continuing operations before income tax		2,346	2,251
Income tax (expense) / benefit	7	(717)	115
Profit from continuing operations after tax		1,629	2,366
Discontinued operations			
Loss for the year from discontinued operations	8	(59)	(1,698)
Net profit attributable to the members of Joyce Corporation Ltd		1,570	668
Other comprehensive income for the year net of tax		-	-
Total Comprehensive Income attributable to the members of Joyce Corporation Ltd		1,570	668
Earnings per share for profit attributable to the members of Joyce Corporation Ltd			
Basic earnings per share (cents per share)	9	5.6	2.4
Diluted earnings per share (cents per share)	9	5.6	2.4
Earnings per share for profit from continuing operations attributable to members of Joyce Corporation Ltd			
Basic earnings per share (cents per share)	9	5.8	8.5
Diluted earnings per share (cents per share)	9	5.8	8.5

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 40 to 88.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	Consolidated	
		30 June 2014 \$000	30 June 2013 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	10	816	1,482
Trade and other receivables	11	416	1,003
Inventories	12	2,108	1,960
Other assets	13	232	311
Other financial assets	15	1,892	2,911
		5,464	7,667
Non-current assets classified as held for sale	14	-	41
Total Current Assets		5,464	7,708
Non-Current Assets			
Trade and other receivables	11	335	72
Investments accounted for using the equity method	29	755	-
Deferred tax asset	7	2,280	2,629
Plant and equipment	16	497	612
Investment property	17	17,315	16,283
Intangible assets	18	9,972	10,122
Total Non-Current assets		31,154	29,718
TOTAL ASSETS		36,618	37,426
LIABILITIES			
Current liabilities			
Trade and other payables	19	3,464	5,302
Interest-bearing loans and borrowings	20	102	70
Provisions	21	401	890
Total Current Liabilities		3,967	6,262
Non-Current Liabilities			
Interest bearing loans and borrowings	20	6,923	6,374
Deferred tax liabilities	7	2,765	2,399
Provisions	21	233	258
Total Non-Current Liabilities		9,921	9,031
TOTAL LIABILITIES		13,888	15,293
NET ASSETS		22,730	22,133
EQUITY			
Contributed equity	22	17,891	17,845
Reserves	23	5,321	5,321
Accumulated losses		(482)	(1,033)
TOTAL EQUITY		22,730	22,133

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements set out on pages 40 to 88.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Consolidated	
		30 June 2014	30 June 2013
		\$000	\$000
Cash flows from operating activities			
Receipts from customers		19,025	22,813
Payments to suppliers and employees		(17,631)	(20,824)
Interest received		129	167
Interest paid		(341)	(520)
Operating cash flow		<u>1,182</u>	<u>1,636</u>
Store closure costs		(665)	(899)
Net cash flows from operating activities	33	517	737
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		19	110
Proceeds from sale of other assets		59	-
Proceeds from security deposit		600	900
Purchase of convertible notes		-	(900)
Loan to franchisee		(240)	(100)
Payment to trust account		(716)	-
Purchase of property, plant and equipment		(51)	(344)
Net cash (used in) investing activities		(329)	(334)
Cash flows from financing activities			
Proceeds from borrowings		50	141
Repayment of borrowings		(69)	(60)
Dividends paid	32	(835)	(593)
Net cash (used in) financing activities		(854)	(512)
Net (decrease) in cash and cash equivalents		(666)	(109)
Cash and cash equivalents at beginning of period		<u>1,482</u>	<u>1,591</u>
Cash and cash equivalents at end of period	10	816	1,482
Reconciliation of cash			
Cash at bank and in hand		<u>816</u>	<u>1,482</u>
		816	1,482

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements set out on pages 40 to 88.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

CONSOLIDATED		Contributed Equity	(Accumulated Losses)	Asset Revaluation Reserve	Financial Assets Reserve	Total Equity
	Note	\$000	\$000	\$000	\$000	\$000
At 1 July 2012		17,814	(1,211)	2,623	2,698	21,924
Issued Shares		31	-	-	-	31
Total comprehensive income		-	668	-	-	668
Transfer to & from reserves						
- Asset revaluation		-	-	-	-	-
- Financial assets		-	-	-	-	-
Dividends paid or provided for	32	-	(490)	-	-	(490)
At 30 June 2013		17,845	(1,033)	2,623	2,698	22,133
At 1 July 2013		17,845	(1,033)	2,623	2,698	22,133
Issued Shares		-	-	-	-	-
Payment partly paid shares		46	(34)	-	-	12
Total comprehensive income		-	1,570	-	-	1,570
Transfers to and from retained earnings		-	(6)	-	-	(6)
Dividends paid or provided for	32	-	(979)	-	-	(979)
At 30 June 2014		17,891	(482)	2,623	2,698	22,730

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 40 to 88.

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 2014 were authorised for issue in accordance with a resolution of the directors of the Company dated 30 September 2014. 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

These general purpose financial statements for the year ended 30 June 2014 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards. 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 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 expect to have a material impact on the Company’s financial statements.

Adoption of new and revised accounting standards

In the current year, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. There has been no material impact on the financial statements upon the adoption of the new and revised standards, other than additional disclosure requirements, including:

- amendments made to AASB 2011-4 Amendments to Australian Accounting Standards to remove Individual Key Management Personnel Disclosure Requirements effective from 1 July 2013, now require the individual requirements of AASB 124 to be removed from the notes to the financial statements and these requirements will be disclosed in the Remuneration Report only;
- additional note disclosures are required under AASB 12 Disclosure of Interests in Other Entities effective from 1 July 2013; and
- additional note disclosures are required under AASB 13 Fair Value Measurement effective from 1 July 2013;

The impact of standards and interpretations that have been published but are not mandatory for 30 June 2014 reporting periods and have not been early adopted are disclosed within note 2 (ee). There were no standards that were early adopted as of 30 June 2014.

Historical cost convention

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Consolidated Entity's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

- (i) AASB 9 *Financial Instruments* (issued December 2009 and amended December 2010 and June 2014) (effective from 1 January 2018)

Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income. Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The consolidated entity has not yet made an assessment of the impact of these amendments.

- (ii) IFRS 15 *Revenue from Contracts with Customers* (issued June 2014) (effective from 1 January 2017)

An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.

Due to the recent release of this standard, the Consolidated Entity has not yet made a detailed assessment of the impact of this standard.

- (iii) IFRS 9 *Equity Accounting in Separate Financial Statements* (issued August 2014) (effective from 1 January 2016)

Currently, investments in subsidiaries, associates and joint ventures are accounted for in separate financial statements at cost or at fair value under IAS 39/IFRS 9. These amendments provide an additional option to account for these investments using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The entity currently accounts for investments in associates in the parent financial information at cost. When these amendments are first adopted, the entity will decide whether to account for these investments in the parent financial information using the equity method. This may result in an increase in investments and retained earnings on 1 July 2015 so that investments are recorded at the equity accounted amount under IAS 28.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (iv) AASB 2013-3 Amendments to AASB 136 *Recoverable Amount Disclosures for Non-Financial Assets* (issued June 2013) (effective from 1 January 2014)

Clarifies the disclosure requirements for cash-generating units (CGUs) with significant amounts of goodwill and intangibles with indefinite useful lives and also adds additional disclosures when recoverable amount is determined based on fair value less costs to sell.

As this standard amends disclosure requirements only, there will be no impact on amounts recognised in the financial statements. The recoverable amount for CGUs with significant amounts of goodwill and intangibles with indefinite lives will only be required to be disclosed where an impairment loss has been recognised. However, there will be additional

disclosures about the level of the fair value hierarchy where recoverable amount for a CGU is determined based on fair value less costs to sell.

- (v) AASB 3 *Business Combinations* (issued June 2014) (effective from 1 July 2014)

The amendment clarifies that contingent consideration is assessed as either a liability or an equity instrument on the basis of AASB 132 Financial Instruments: Presentation. The amendment also requires contingent consideration that is not classified as equity to be re-measured to fair value at each reporting date, with changes in fair value being reported in profit or loss.

There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to business combinations for which the acquisition date is on or after 1 July 2014.

- (vi) AASB 8 *Operating Segments* (issued June 2014) (effective from 1 July 2014)

When operating segments have been aggregated in determining reportable segments, additional disclosures are required regarding judgments made by management in applying the aggregation criteria used to assess that the aggregated segments have similar economic characteristics, including:

- A description of the operating segments that have been aggregated
- The economic indicators considered in determining that the aggregated operating segments share similar economic characteristics.

There will be no impact on the financial statements when these amendments are first adopted because this is a disclosure standard only. However, as the consolidated entity currently aggregates operating segments in determining reportable segments, additional disclosures regarding judgments made by management in applying the aggregation criteria will be required when this amendment is adopted for the first time in the financial statements for the year ended 30 June 2015.

- (vi) AASB 124 *Related Party Disclosures* (issued June 2014) (effective from 1 July 2014)

The amendment clarifies that an entity that provides key management personnel services ('management entity') to a reporting entity (or to the parent of the reporting entity), is a related party of the reporting entity. The amendment also requires separate disclosure of amounts recognised as an expense for key management personnel services provided by a

separate management entity (but not in the categories set out in AASB 124.17).

There will be no impact on the financial statements when these amendments are first adopted because this is a disclosure standard only. As the consolidated entity does not currently engage the services of a management entity, it is also unlikely that any additional disclosures will be required when this amendment is adopted for the first time for the year ended 30 June 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the activities of the entity. All controlled entities have a 30 June financial year end. 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 28 to the financial statements.

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 Consolidated Entity, 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) 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.

(d) Foreign currency translation

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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)

(f) 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)

(g) 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.

(h) 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.

(i) 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.

(j) Trade and other 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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.

(l) 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.

(m) 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)

(m) 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)

(m) 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.

(n) 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.

(o) Derivatives and hedging activities

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

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

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) Contributed equity

Ordinary shares are classified as equity.

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

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

(y) Dividends

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

(z) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(aa) Comparatives

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

(bb) Rounding of Amounts

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) Goods and Services Tax (GST)

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

(dd) Investments in associates

Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of the associate. After application of the equity method, the Consolidated Entity determines whether it is necessary to recognise any additional impairment loss with respect to the Consolidated Entity's net investment in the associate.

The Consolidated Entity's share of the associate post-acquisition profits or losses is recognised in the statement of profit or loss and other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Consolidated Entity's share of losses in the associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Consolidated Entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associate and the Consolidated Entity are identical and the associate's accounting policies conform to those used by the Consolidated Entity for like transactions and events in similar circumstances.

3. FINANCIAL RISK MANAGEMENT

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

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

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

The Consolidated Entity holds the following financial instruments:

	Notes	Consolidated	
		30 June 2014	30 June 2013
		\$000	\$000
Financial assets			
Cash and cash equivalents	10	816	1,482
Trade and other receivables	11	751	1,024
Other financial assets	15	2,647	2,911
		<u>4,214</u>	<u>5,417</u>
Financial liabilities			
Trade and other payables	19	3,464	5,302
Interest-bearing loans and borrowings	20	7,024	6,444
		<u>10,488</u>	<u>11,746</u>

3. 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 2014 of US\$321k .

(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.

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 2014 \$000	Weighted Average Interest rate %	30 June 2013 \$000
Financial assets				
Cash and cash equivalents	4.14%	816	1.39%	1,482
		<u>816</u>		<u>1,482</u>
Financial liabilities				
Overdraft – secured (i)	n/a	-	8.05%	20
Commercial bill –secured – variable	n/a	-	n/a	-
Commercial bill –secured – variable (ii)	3.84%	6,900	3.75%	6,300
		<u>6,900</u>		<u>6,320</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 30 June 2016. The facility has a deposit of \$1.1 million securing facilities which is netted off and which accrues interest income at 3.4% fixed on 30 day deposit rates. This debt facility is bank bill based and incurs a line fee on use.

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

3. 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 2014 is at a variable interest rate (see above). Variable interest rates apply to the overdraft and cash and cash equivalents. On balances at 30 June 2014, 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 \$69k/\$69k higher/lower (2013 - \$15k/\$15k 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 \$69k/\$69k higher/lower (2013 - \$15k/\$15k 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>2014</i>	<i>2013</i>
	<i>\$000</i>	<i>\$000</i>
Cash and cash equivalents		
AA	816	1,482
Trade and other receivables		
Non-rated	751	1,024
Other financial assets		
Non-rated	1,892	2,911
	<u>3,459</u>	<u>5,417</u>

3. 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 2014					
Consolidated financial assets					
Cash and cash equivalents	816	-	-	-	816
Trade and other receivables	730	-	21	-	751
Other financial assets	1,892	-	-	-	1,892
	<u>3,438</u>	<u>-</u>	<u>21</u>	<u>-</u>	<u>3,459</u>
Consolidated financial liabilities					
Trade and other payables	3,464	-	-	-	3,464
Interest bearing loans & borrowings	76	26	6,923	-	7,025
	<u>3,540</u>	<u>26</u>	<u>6,923</u>	<u>-</u>	<u>10,489</u>
Net maturity	<u>(102)</u>	<u>(26)</u>	<u>(6,902)</u>	<u>-</u>	<u>(7,030)</u>
Year ended 30 June 2013					
Consolidated financial assets					
Cash and cash equivalents	1,482	-	-	-	1,482
Trade and other receivables	1,003	-	21	-	1,024
Other financial assets	2,911	-	-	-	2,911
	<u>5,396</u>	<u>-</u>	<u>21</u>	<u>-</u>	<u>5,417</u>
Consolidated financial liabilities					
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>
Net maturity	<u>48</u>	<u>(24)</u>	<u>(6,353)</u>	<u>-</u>	<u>(6,329)</u>

3. 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
30 June 2013	\$000	\$000	\$000
Consolidated	6,042	5,420	622
30 June 2014			
Consolidated	7,768	6,900	868

The Consolidated Entity had \$868,000 of available overdraft and bank bill facilities to manage its liquidity as at 30 June 2014 (2013: \$622,000) represented by an \$7,768,000 bank bill facility and overdraft facility. The consolidated entity had \$816,000 cash at bank as at the reporting date excluding funds held in trust set out at note 10. In addition the Consolidated Entity had a net investment in inventories of \$2,108,000 as at 30 June 2014 (2013: \$1,960,000). The Consolidated Entity has the ability to draw additional bank guarantees against the available undrawn facility. A new facility of \$1.0m was approved by St George bank to assist in supporting new franchisee expansion.

(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 20 (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 2014 and 30 June 2013 is as follows:

		CONSOLIDATED	
	Note	2014 \$000	2013 \$000
Total borrowings	20	7,025	6,444
Less cash and cash equivalents	10	(816)	(1,482)
Net debt		6,209	4,962
Total equity		22,730	21,918
Gearing ratio		27%	23%

4. 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 \$150,000 (2013: \$100,000) has been recognised in respect of goodwill for the year ended 30 June 2014. See note 18 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 2014 the investment property values were determined by Directors to have increased by \$949 k (2013: \$1,25 m) and this value was brought to account to reflect the current market value of the properties in the financial statements. Refer to note 17 for further details.

Recognition of deferred taxation assets

The Consolidated Entity has deferred tax assets at 30 June 2014 of Nil (2013: Nil) which were not brought to account, associated with tax losses arising in Australia the benefits of which will only be realised if the conditions for deductibility 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 Nil (2013: \$351k) has been made in the reporting period.

5. 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 8 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.

5. 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 2014.

	Continuing Operations			Discontinued Operations		Total \$000
	Bedshed Franchising \$000	Bedshed Stores \$000	Investment Properties / Joyce \$000	Sub Total \$000	Store Closures \$000	
Year ended 30 June 2014						
Revenue						
Total segment revenue	4,551	10,268	802	15,621	643	16,264
Inter-segment sales	-	-	-	-	-	-
Total segment revenue	4,551	10,268	802	15,621	643	16,264
Inter-segment elimination	-	-	-	-	-	-
Unallocated revenue – Interest received	-	-	-	129	-	129
Total consolidated revenue				15,750	643	16,393
Result						
Segment result	1,542	407	343	2,292	(59)	2,233
Unallocated expenses net of unallocated income				140	-	140
Share of net profit of associate				255	-	255
Profit before tax and finance costs				2,687	(59)	2,628
Finance costs				(341)	-	(341)
Profit before income tax				2,346	(59)	2,287
Income tax benefit				(717)	-	(717)
Net profit for the year				1,629	(59)	1,570
Assets and liabilities						
Segment assets	11,633	2,569	20,136	34,338	-	34,338
Unallocated assets				2,280	-	2,280
Total assets				36,618	-	36,618
Segment liabilities	2,477	995	7,651	11,123	-	11,123
Unallocated liabilities				2,765	-	2,765
Total liabilities				13,888	-	13,888
Other segment information						
Capital expenditure	17	34	-	51	-	51
Depreciation and amortisation	10	144	-	154	-	154
Impairment	-	150	-	150	-	150
Other non-cash segment expenses/revaluations	-	-	949	949	-	949

5. 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 2013.

	<i>Continuing Operations</i>			<i>Discontinued Operations</i>		<i>Total \$000</i>
	<i>Bedshed Franchising \$000</i>	<i>Bedshed Stores \$000</i>	<i>Investment Properties / Joyce \$000</i>	<i>Sub-total \$000</i>	<i>Store Closures \$000</i>	
Year ended 30 June 2013						
Revenue						
Total segment revenue	4,629	9,972	698	15,299	4,597	19,896
Inter-segment sales	-	-	-	-	-	-
Total segment revenue	4,629	9,972	698	15,299	4,597	19,896
Inter-segment elimination	-	-	-	-	-	-
Unallocated revenue	-	-	-	134	-	134
Total consolidated revenue				15,433	4,597	20,030
Result						
Segment result	1,620	273	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
Assets and liabilities						
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
Other segment information						
Capital expenditure	4	271	100	375	-	375
Depreciation and amortisation	13	134	-	147	11	158
Impairment	-	100	-	100	-	100
Other non-cash segment expenses	-	-	1,261	1,261	-	1,261

(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 2014 (2013: None).

6. REVENUE, INCOME AND EXPENSES

(a) Revenue, Income and Expenses from Continuing Operations

	CONSOLIDATED	
	2014	2013
	\$000	\$000
<i>Revenue</i>		
Sale of goods	10,829	10,582
Provision of services	4,003	4,026
Total revenue	<u>14,832</u>	<u>14,608</u>
<i>Other income</i>		
Interest received	129	134
Rental income	788	690
Profit on disposal of assets	10	-
Other	1	2
Total other income	<u>928</u>	<u>826</u>
Gain on revaluation of investment property	<u>949</u>	<u>1,261</u>
<i>Finance costs</i>		
Bank loans and overdrafts	(334)	(512)
Finance charges payable under finance leases and hire purchase contracts	(7)	(7)
Total finance costs	<u>(341)</u>	<u>(519)</u>

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

Included in expenses:		
Depreciation and amortisation	(154) ¹	(147)
Impairment of goodwill	(150)	(100)

¹ Includes depreciation for continued and discontinued operations.

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

	CONSOLIDATED	
	2014	2013
	\$000	\$000
Minimum lease payments - operating lease	<u>2,770</u>	<u>3,131</u>

(c) Employee benefits expense – continuing operations

Management bonus (administration cost)	289	163
Wages and salaries (administration cost)	2,577	3,241
Wages and salaries (distribution cost)	465	307
Superannuation expense (administration cost)	296	316
Superannuation (distribution cost)	36	32
Other employee benefits (distribution cost)	49	53
Other employee benefits (administration cost)	229	304
	<u>3,941</u>	<u>4,416</u>

7. INCOME TAX

The major components of income tax expense for the year ended 30 June 2014 are:

	<i>CONSOLIDATED</i>	
	<i>2014</i>	<i>2013</i>
	<i>\$000</i>	<i>\$000</i>
Consolidated Statement of Profit or loss and other comprehensive income – continuing operations		
<i>Current Income tax</i>		
Current income tax expense	-	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(721)	(210)
Recognition of previously unrecognised deferred tax assets	-	335
Expense/(over) provision in respect of prior years	4	(10)
Income tax (expense)/benefit relating to continuing operations	<u>(717)</u>	<u>115</u>
Consolidated Statement of Profit or loss and other comprehensive income – discontinued operations		
Income tax (expense)/benefit relating to discontinued operations	<u>-</u>	<u>-</u>
Income tax (expense)/benefit relating to overall operations	<u>(717)</u>	<u>115</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 2014 and 30 June 2013 is as follows:

	<i>CONSOLIDATED</i>	
	<i>2014</i>	<i>2013</i>
	<i>\$000</i>	<i>\$000</i>
Profit before income tax	<u>2,286</u>	<u>553</u>
Income tax (expense)/benefit calculated at the statutory income tax rate of 30% (2013: 30%)	(686)	(166)
Expenditure not allowable for income tax purposes	(35)	(44)
Deferred tax asset losses not previously brought to account, now brought to account	-	335
Under provision in respect of prior years	4	(10)
	<u>(717)</u>	<u>115</u>
Income tax (expense)/benefit recognised in profit or loss – continuing operations	<u>(717)</u>	<u>115</u>

7. INCOME TAX (CONTINUED)

Tax consolidation

Joyce Corporation Ltd and its 100% Australian 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 2014 (2013: Nil).

7. INCOME TAX (CONTINUED)

Deferred income tax

Deferred income tax at 30 June 2014 relates to the following:

	Opening balance	Charged to income	Closing balance, 30 June 14
	\$000	\$000	\$000
Deferred tax liabilities			
Investment property	(2,130)	(295)	(2,425)
Fair value gain	(260)	-	(260)
Other	(9)	(71)	(80)
Balance at 30 June 2014	(2,399)	(366)	(2,765)
Deferred tax assets			
Plant and equipment	55	19	74
Trade and other receivables	5	(4)	1
Pensions and other employer obligations	91	37	128
Provisions	347	(164)	183
Other	345	(66)	279
Unused tax losses	1,786	(171)	1,615
Balance at 30 June 2014	2,629	(349)	2,280

The Consolidated Entity has deferred tax assets of \$Nil (2013: \$Nil) which were not brought to account.

At 30 June 2014, there is no recognised or unrecognised deferred income tax liability (2013: 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.

7. INCOME TAX (CONTINUED)

Deferred income tax at 30 June 2013 relates to the following:

	Opening balance	Charged to income	Closing balance, 30 June 13
	\$000	\$000	\$000
Deferred tax liabilities			
Investment property	(1,730)	(400)	(2,130)
Fair value gain	(260)	-	(260)
Other	(17)	8	(9)
Balance at 30 June 2013	(2,007)	(392)	(2,399)
Deferred tax assets			
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
Balance at 30 June 2013	2,112	517	2,629

8. DISCONTINUED OPERATIONS

(a) Plan to close some unprofitable Company owned stores

During the year ended prior to 30 June 2014, the Consolidated Entity became committed to the closure of one unprofitable company owned store. In consequence, the Directors had provisioned \$351k for closure of the underperforming company owned store which was closed in August 2013.

(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.

Loss for the year from discontinued operations

	<u>2014</u> <u>\$000</u>	<u>2013</u> <u>\$000</u>
Revenue	224	4,314
Cost of sales	(183)	(3,114)
Gross profit	41	1,200
Other income	419	283
Expenses	(519)	(2,830)
Store Closure Provision	-	(351)
Loss from discontinued operations before tax	(59)	(1,698)
Attributable income tax benefit	-	-
	<u>(59)</u>	<u>(1,698)</u>
Other comprehensive income	-	-
Loss for the year from discontinued operations (attributable to owners of Joyce Corporation Ltd).	<u>(59)</u>	<u>(1,698)</u>

Cash flows from discontinued operations

Net cash flows from operating activities	(665)	(899)
Net cash flows from investing activities	-	-
Net cash flows from financing activities	-	-
Net cash flows	<u>(665)</u>	<u>(899)</u>

9. 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>2014</i>	<i>2013</i>
	<i>\$000</i>	<i>\$000</i>
Net profit attributable to equity holders from continuing operations for basic earnings per share	1,629	2,366
Effect of dilutive equity instruments	-	-
Net profit attributable to equity holders from continuing operations for diluted earnings per share	1,629	2,366
Profit/(loss) attributable to equity holders from discontinued operations	(59)	(1,698)
Net profit attributable to ordinary shareholders for basic earnings per share	1,570	668
Effect of dilutive equity instruments	-	-
Net profit attributable to ordinary shareholders for diluted earnings per share	1,570	668
	<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	27,968,255
Adjusted weighted average number of ordinary shares for diluted earnings per share	27,968,255	27,968,255
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 \$1.432) (2013:\$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.

10. 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>	
	<i>2014</i>	<i>2013</i>
	<i>\$000</i>	<i>\$000</i>
Cash at bank and in hand (a)	816	1,482
	<u>816</u>	<u>1,482</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 operating the Approved Purposes Fund activities on behalf of the Company's franchisees.

Previously the Marketing Fund was also consolidated into these figures and since the previous reporting period the Marketing Fund has transferred to a Marketing Trust of which Bedshed Franchising Pty Ltd is the corporate trustee.

At 30 June 2014 the total of this balance of the approved Purposes was \$1,483,138 (30 June 2013: \$1,957,239) and the bank account holding these funds are excluded from and released from the registered charges and claims of Joyce Corporation Ltd bankers, St. George Bank.

The fund has a net balance that is taken up as commitment in the current liabilities of \$1.52 M.

11. TRADE AND OTHER RECEIVABLES

Current

Trade receivables*	419	1,044
Allowance for impairment loss (a)	(3)	(41)
	<u>416</u>	<u>1,003</u>

Non-current

Trade receivables	21	21
Other receivables	314	51
	<u>335</u>	<u>72</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 \$3k (2013: \$41k) has been recognised by the Consolidated Entity.

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

		Total	0-30 Days	31-60 Days	61-90 Days PDNI*	61-90 Days CI*	+91 Days PDNI*	+91 Days CI*
		<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
2014	Consolidated	419	270	90	13	-	43	3
2013	Consolidated	1,044	701	157	4	-	141	41

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

Receivables past due but not considered impaired are: Consolidated Entity: \$56,066 (2013: \$145,019). 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.

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	CONSOLIDATED	
	2014	2013
	\$000	\$000
Opening balance at 1 July	41	20
Charge for the year	-	21
Amounts written-off	(38)	-
Closing balance at 30 June	3	41

(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 3.

12. INVENTORIES

	CONSOLIDATED	
	2014	2013
	\$000	\$000
Stock on hand at cost	2,208	2,077
Provision for impairment (a)	(100)	(117)
	2,108	1,960

(a) Provision for impairment

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2014 amounted to \$99,647 (2013: \$116,893). The reduction in provision has been written back to cost of goods sold as losses were realised.

13. OTHER ASSETS

	CONSOLIDATED	
	2014	2013
	\$000	\$000
Current		
Accrued revenue	35	20
Prepayments	87	96
Other receivables	110	195
	232	311

14. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	CONSOLIDATED	
	2014	2013
	\$000	\$000
Current		
At 1 July	41	204
Plant and equipment additions	-	37
Disposals	(41)	(200)
At 30 June	-	41

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

15. OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	2014	2013
	\$000	\$000
Current		
Investment in convertible notes (a)	400	900
Funds held in trust	1,483	-
Investments in listed shares at fair value through profit or loss	9	54
	1,892	954

(a) Convertible notes

As of 1 February 2014 Joyce converted \$500,000 of \$900,000 of Convertible Notes invested in KWB Group Pty Ltd to achieve a 32% holding. The Convertible Note Deed was amended at the time of the first tranche conversion to remove a fixed redemption date and to extend the conversion and to give KWB discretion over the issue date of shares from when the second tranche is notified to be converted. 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 \$1.00 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. The directors have applied a conversion feature value of nil, given the option to convert is now subject to KWB Group Pty Ltd director approval.

16. PLANT AND EQUIPMENT

	CONSOLIDATED			Total \$000
	<i>Leasehold improvements</i> \$000	<i>Plant and equipment</i> \$000	<i>Leased Plant and Equipment</i> \$000	
Year ended 30 June 2013				
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 2012, Net of accumulated depreciation	245	357	10	612
At 30 June 2013				
Cost	280	1,121	28	1,429
Accumulated depreciation and impairment	(35)	(764)	(18)	(817)
Net carrying amount	245	357	10	612
Year ended 30 June 2014				
At 1 July 2013				
Net of accumulated depreciation	245	357	10	612
Additions	4	48	-	52
Disposals	-	(5)	(8)	(13)
Transfers	-	-	-	-
Depreciation charge for the year	(57)	(95)	(2)	(154)
At 30 June 2014 Net of accumulated depreciation	192	305	-	497
At 30 June 2014				
Cost	284	1,164	-	1,448
Accumulated depreciation and impairment	(92)	(859)	-	(951)
Net carrying amount	192	305	-	497

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2014 is \$177,152 (2013: \$236,001). 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 20.

17. INVESTMENT PROPERTY

	CONSOLIDATED	
	2014	2013
	\$000	\$000
Year ended 30 June		
Balance at 1 July	16,283	15,000
Additions	83	31
Fair value adjustments	949	1,252
Balance at 30 June	<u>17,315</u>	<u>16,283</u>

In accordance with the requirements of the accounting standards an independent valuation was undertaken by the Company to determine the fair value of the New South Wales investment property. The Company has revalued the investment property in New South Wales based on the valuation received as at 31 December 2013 of \$18.4M less a reduction for discounted rent to November 2015. The Directors have adopted a value based on the 31 December 2013 valuation discount by taking up pro-rata increments of the discounted rent as the discounted rent period expires. The Directors have also further valued the property based on market information from valuers, recent sales values and recent rental rates received from independent third parties. A total value of the investment property of \$17.3M has been recorded at 30 June 2014.

The deduction for the remaining discounted rent period to 29 November 2015 as at 30 June 2014 from the valuation of \$18.4M is \$1.12M. The valuer has not provided a calculation or advised of the discount rate used to determine the discount calculation.

Refer to 26 for disclosure of fair value measurement.

18. INTANGIBLE ASSETS

	<i>CONSOLIDATED</i>	
	<i>2014</i>	<i>2013</i>
	<i>\$000</i>	<i>\$000</i>
Goodwill (a)	9,972	10,122
	<u>9,972</u>	<u>10,122</u>

An analysis of intangible assets is presented below:

	<i>CONSOLIDATED</i>	
	<i>2014</i>	<i>2013</i>
	<i>\$000</i>	<i>\$000</i>
Year ended 30 June 2014		
At 1 July 2013		
net of accumulated impairment	10,122	10,222
Impairment	(150)	(100)
	<u>9,972</u>	<u>10,122</u>
At 30 June 2014,		
net of accumulated impairment	<u>9,972</u>	<u>10,122</u>
At 1 July 2013		
Cost (gross carrying amount)	10,569	10,569
Accumulated impairment	(447)	(347)
Net carrying amount	<u>10,122</u>	<u>10,222</u>
At 30 June 2014		
Cost (gross carrying amount)	10,569	10,569
Accumulated impairment	(597)	(347)
Net carrying amount	<u>9,972</u>	<u>10,222</u>

(a) Goodwill

Intangible assets as at 30 June 2014 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>2014</i>	<i>2013</i>
	<i>\$000</i>	<i>\$000</i>
Bedshed Franchising segment	6,306	6,306
Bedshed Stores segment	3,666	3,816
Total	<u>9,972</u>	<u>10,122</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 2013/14 and 2014/15 financial years extrapolated using estimated growth rates. The cash flows are discounted using risk-adjusted pre-tax discount rates.

18. INTANGIBLE ASSETS (CONTINUED)

(b) Impairment Disclosures (continued)

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

	Pre –tax Discount Rate	Sales Growth Rate	Expense Growth Rate
Bedshed Franchising segment	11%	3%	3-5%
Bedshed Stores segment	11%	3-5%	3-5%

The Consolidated Entity's value-in-use calculations incorporated a terminal value component beyond the 5 year projection period for both the Bedshed Franchising and Bedshed Stores operating segments. The principal assumption used to estimate the terminal value of each operating segment was a multiple of 3 times earnings before interest, taxation, depreciation and amortisation for the year ended 30 June 2014 and a discount rate of 11% per annum.

Impairment of Goodwill for the year ended 30 June 2014 was \$150,000 (2013: \$100,000), due to changes in the estimates of future results for the Bedshed stores segment.

(c) Impact of possible changes in key assumptions

Sensitivity analysis was conducted on the Bedshed stores segment:

- If budgeted sales growth rate used in the value in use calculation has been 10% lower than managements estimates, the Consolidated Entity would have recognised further impairment of \$64,959.
- If pre-tax discount rate applied was 10% higher than used in managements calculations, then the Consolidated Entity would have recognised further impairment of \$55,742.

19. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2014 \$000	2013 \$000
Current		
<i>Unsecured liabilities</i>		
Trade payables	534	604
Accruals and other payables	1,408	1,429
Amounts held in trust for Bedshed marketing and other funds (a)	1,522	3,269
	<u>3,464</u>	<u>5,302</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 10 for further information.

(b) Risk exposure

Information about the Consolidated Entity's exposure to foreign exchange risk is provided in note 3.

20. INTEREST BEARING LOANS AND BORROWINGS

Interest bearing loans and borrowings are comprised of the following:

	<i>CONSOLIDATED</i>	
	<i>2014</i>	<i>2013</i>
	<i>\$000</i>	<i>\$000</i>
Current		
Finance leases	52	50
Shareholders Loan	50	-
Bank overdrafts – secured (a)	-	20
	<u>102</u>	<u>70</u>
Non-current		
<i>Secured liabilities</i>		
Finance leases	23	74
Bank loans – secured (b)	6,900	6,300
Convertible Notes	-	-
	<u>6,923</u>	<u>6,374</u>
	<u>7,025</u>	<u>6,444</u>

(a) *Bank overdraft - secured*

The overdraft facility attracts interest at variable interest rates plus a line fee is renewed annually. The loan is drawn to nil at 30 June 2014 with \$486,669 undrawn (2013: \$640,000). The overdraft facility was reduced late in the financial year and transferred to the longer term Commercial bill facility.

(b) *Bank loans - secured*

The Commercial bill facility (fixed) debt attracts interest at a variable interest rate and has a term which expires on 30 June 2016. The outstanding is \$6,900,000 (2013: \$6,300,000) with \$400,000 undrawn at 30 June 2014 (2013: nil).

(c) *Collateral provided*

The available St George bank cash and guarantee facility is \$1,340,000 (2013: \$1,600,000). The unused cash facility at 30 June 2014 is \$468,000 (2013: \$640,000) with as cash and cash equivalents held of \$816,000. Further details on the facility are provided in note 3. There is first registered real property mortgage over the investment property owned by the Consolidated Entity, together with a fixed and floating charge over the Consolidated Entity assets and cross guarantees from operating subsidiaries as security over the facility.

	<i>CONSOLIDATED</i>	
	<i>2014</i>	<i>2013</i>
	<i>\$000</i>	<i>\$000</i>
The carrying amounts of non-current assets pledged as security are:		
Freehold land and buildings	17,315	16,283
Assets held for sale	-	41
Plant and equipment	497	612
	<u>17,812</u>	<u>16,936</u>

20. 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	
	2014	2013
	\$000	\$000
Cash and cash equivalents	816	1,482
Trade receivables	416	1,003
	<u>1,232</u>	<u>2,485</u>

(f) Debt classification

There was no breach of the Company's interest cover and gearing ratio debt covenants at 30 June 2014. As a result, the Consolidated Entity's bank debt which is due on 30 June 2016 has been classified as non-current at 30 June 2014, in accordance with applicable accounting standards. A \$1,340,000 facility is available for issue of bank guarantees and overdraft. At the reporting date the overdraft component was \$468,000 with nil drawn.

(g) Risk exposure

Details of the Consolidated Entity's exposure to risks arising from current and non-current borrowings are set out in note 3.

(h) Fair values

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

21. PROVISIONS

Provisions are comprised of the following:

	<i>CONSOLIDATED</i>	
	<i>2014</i>	<i>2013</i>
	<i>\$000</i>	<i>\$000</i>
<i>Current</i>		
Employee benefits (a)	265	252
Sub-lease rental shortfall (b)	136	287
Store closure provision (c)	-	351
Total Current	401	890
<i>Non-current</i>		
Employee benefits (a)	161	53
Sub-lease rental shortfall (b)	69	202
Environmental testing (d)	3	3
Total Non-Current	233	258
	634	1,148

(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. Store closure provision cleared as at 30 June 2014.

(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.

21. PROVISIONS (CONTINUED)

	Sub-let provision	Store Closure	Stock Provision	Employee Benefits	Franchisee Settlement	Other	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Consolidated Group							
Opening balance at 1 July 2013	489	351	-	305	-	3	1,148
Additional provisions	-	-	-	333	-	-	333
Amounts used	(284)	(351)	-	(212)	-	-	(847)
Balance at 30 June 2014	205	-	-	426	-	3	634

(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 the lease, 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. The trace level of chemical found have generally been decreasing according to independent environmental reports.

22. CONTRIBUTED EQUITY

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

	<i>CONSOLIDATED</i>	
	<i>2014</i>	<i>2013</i>
	<i>\$000</i>	<i>\$000</i>
27,588,255 (2013: 27,588,255) Issued and fully paid ordinary shares	17,347	17,347
380,000 (2013: 380,000) Partly paid ordinary shares, issued at \$1.955 and paid to \$1.432 (2013: \$1.312) (a)	544	498
	<u>17,891</u>	<u>17,845</u>
<i>Movement in ordinary shares on issue</i>	<i>Number</i>	<i>\$000</i>
At 1 July 2013	27,588,255	17,845
Issued shares:	-	-
Payment partly paid shares	-	46
At 30 June 2014	<u>27,588,255</u>	<u>17,891</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.

23. RESERVES

	<i>CONSOLIDATED</i>	
	<i>2014</i>	<i>2013</i>
	<i>\$000</i>	<i>\$000</i>
Financial assets reserve	2,698	2,698
Asset revaluation reserve	2,623	2,623
	5,321	5,321

24. CAPITAL AND LEASING COMMITMENTS

(a) Finance lease and hire purchase commitments

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

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

	<i>2014</i>		<i>2013</i>	
	<i>Minimum</i>	<i>Present</i>	<i>Minimum</i>	<i>Present</i>
	<i>payments</i>	<i>value of</i>	<i>payments</i>	<i>value of</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<i>CONSOLIDATED</i>				
Within one year	56	-	57	-
After one year but not more than five years	23	-	78	-
Total minimum lease payments	79	-	135	-
Less amounts representing finance charges	(4)	-	(11)	-
Present value of minimum lease payments	75	75	124	124

(b) Property lease receivable – Consolidated Entity as lessor

	<i>CONSOLIDATED</i>	
	<i>2014</i>	<i>2013</i>
	<i>\$000</i>	<i>\$000</i>
Within one year	1,095	1,107
After one year but not more than five years	688	1,709
More than five years	-	-
	1,783	2,816

24. 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	
	2014	2013
	\$000	\$000
Within one year	2,206	2,715
After one year but not more than five years	4,302	3,746
More than five years	2,672	1,374
	<u>9,180</u>	<u>7,835</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	
	2014	2013
	\$000	\$000
Within one year	11	7
After one year but not more than five years	-	12
More than five years	-	-
	<u>11</u>	<u>19</u>

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

25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The Consolidated Entity has a number of financial instruments which are not measured at fair value in the Statement of Financial Position.

	Carrying Amount in \$'000	Fair Value Amount in \$'000
Current Receivables		
Convertible note	400	400
Non-current Receivables		
Loan	263	263
Deposit	51	51
Non-current Borrowings		
Interest bearing loans & borrowings	6,923	6,923

Due to their short term nature, the carrying amount of the current receivables, current financial assets, current assets and current borrowings are assumed to approximate their fair value.

26. FAIR VALUE MEASUREMENT OF NON-FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards.

Level 1: The fair value is based on quoted market prices (unadjusted) in active markets for identical assets or liabilities at the end of the reporting period.

Level 2: The fair value is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for investment property.

As at 30 June 2014	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Investment property	17	-	-	17,315	17,315
Total non-financial asset		-	-	17,315	17,315

(ii) Valuation techniques used to determine level 3 fair values

The Consolidated Entity obtains independent valuations for its investment property at least every three years.

At the end of each reporting period, the directors update their assessment of the fair value of the property, taking into account the most recent independent valuations. The directors determine the property's value within a range of reasonable fair value estimates. Refer to note 19 for the valuation technique performed by the directors at 30 June 2014.

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the period ended 30 June 2014 for recurring fair value measurements:

	Investment Property \$'000	Total \$'000
Opening balance 1 July 2013	-	-
Adoption of AASB 13	16,283	16,283
Additions	83	83
Gains recognised in other income	949	949
Closing balance 30 June 2014	17,315	17,315

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurement. See (ii) above for the valuation techniques adopted.

Description	Fair value at 30 June 2014 \$'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Investment property	17,315	Discount rate	10%	The higher the discount rate and terminal yield, the lower the fair value
		Terminal yield	n/a	
		Capitalisation rate	9.25%	The higher the capitalisation rate and expected vacancy rate, the lower the fair value
		Expected vacancy rate	0%	
		Rental growth rate	4.12%	The higher the rental growth rate, the higher the fair value

26. FAIR VALUE MEASUREMENT OF NON-FINANCIAL INSTRUMENTS (CONTINUED)

(v) Valuation processes

The group engages external, independent and qualified valuers to determine the fair value of the group's investment properties at least every two years. As at 30 June 2014, a directors' valuation has been performed for the fair value of the investment property.

(vi) Recognised fair value measurements

The main level 3 inputs used by the group are derived and evaluated as follows:

▫ Investment property – discount rates, terminal yields, expected vacancy rates and rental growth rates are estimated by management based on comparable transactions and industry data.

Changes in level 3 fair values are analysed at each reporting date during the half-yearly valuation discussion between the CFO and directors. As part of this discussion the CFO presents a report that explains the reason for the fair value movements.

27. 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 \$871,330 (2013: \$956,130).

28. 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>2014</i>	<i>2013</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
Joyce International 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 KMP:-

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 2014.

(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 - \$201,495 (2013: \$181,143). As at year end the amount owing to this related party was \$9,825 (2013: \$9,410).

28. RELATED PARTY DISCLOSURES (CONTINUED)

(iv) A receivable from Pynland Pty Ltd, a company owned by Dan Smetana, for \$26,131 owing to Joyce Corporation Ltd for amounts paid on behalf of Pynland Pty Ltd (2013: \$26,131).

(v) Key management personnel compensation

	2014 \$000	2013 \$000
Short Term Benefits	978	824
Post Employment Benefits	92	102
Share Based Payment	-	-
	1,070	926

Detailed remuneration disclosures are provided in the remuneration report on pages 11 to 17.

(vi) Loans to key management personnel

At 30 June 2014 or at any time during the financial year there were no loans (2013: Nil) outstanding to specified directors and specified executives.

(vii) A loan arrangement to all shareholders was made during the reporting year. Interest was paid of \$3,106 (2013: nil), on a loan from Adamic Pty Ltd, a company associated with Dan Smetana. There was no loan balance at 30 June 2014.

29. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Company acquired 32% of KWB Group Pty Ltd as of February 2014 by converting \$500K of \$900K of two tranches of convertible notes. The notes earn 8.75% interest on a daily basis payable monthly in arrears until conversion. The second tranche of the convertible notes have been agreed to not expire as previously and after conversion notice is issued the timing of the issue of shares rests with KWB Group Pty Ltd. If the second tranche of \$400K of convertible notes is converted the total equity in KWB Group Pty Ltd increases to 57%. The total profit reported by KWB Group Pty Ltd for the five months to 30 June 2014, after the first conversion, was \$796K of which 32% share represents \$255K. KWB Group Pty Ltd has surplus carried forward tax losses to absorb the current year income tax expense.

Name of Entity	Place of Business/Country of Incorporation	% of Ownership Interest		Nature of Relationship	Measurement method	Quoted Fair Value		Carrying Amount	
		2014	2013			2014	2013	2014	2013
		%	%			\$'000	\$'000	\$'000	\$'000
KWB Group Pty Ltd	Australia	32	-	Associate	Equity method	*n/a	-	755	-
Total equity accounted investments								755	-

* Private entity – no quoted price available.

(i) Contingent liabilities in respect of associate

	2014 \$'000
Contingent liabilities - associate	
Share of contingent liabilities incurred jointly with other investors of the associate	-
Contingent liabilities relating to liabilities of the associate for which the company is severally liable	-
	-

29. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(ii) Summarised financial information for associate

The tables below provide summarised financial information for the associate which is material to the group. The information disclosed reflects the amounts presented in the financial statements of the associate and not Joyce Corporation Ltd.

	KWB Group Pty Ltd 2014 \$'000
Summarised statement of financial position	
Current assets	2,167
Non-current assets	1,866
Total assets	<u>4,033</u>
Current liabilities	4,211
Non-current liabilities	133
Total liabilities	<u>4,344</u>
Net assets	<u>(311)</u>
Reconciliation to carrying amounts	
Opening net assets 1 July 2013	(1,210)
Issued shares	500
Profit for the period	474
Dividends paid	(75)
Closing net assets	<u>(311)</u>
Group's share in %	32%
Group's share in \$	<u>(100)</u>

	KWB Group Pty Ltd 2014 \$'000
Summarised statement of profit and loss and other comprehensive income	
Revenue	25,086
Profit from continuing operations	474
Profit for the period	474
Total comprehensive income	<u>474</u>

(iii) Movement in Investment in Associate

	2014 \$'000
Opening balance – 1 July 2013	-
32% equity interest on conversion of convertible note (tranche 1)	500
Share of net profit of associate	255
Closing balance – 30 June 2014	<u>755</u>

30. EVENTS SUBSEQUENT TO REPORTING DATE

An unfranked dividend of 1.5 cent per share was declared on 27 February 2014 and paid 31 July 2014.

The secured deposit of \$1.1 million with St George Bank was repaid against bank bill facilities from St George bank with no net change to undrawn facilities.

A sublease of a portion of a company owned store has been agreed to reduce the footprint to standard Bedshed retail floor plan. A fit out associated with the subtenancy has been committed with the sub lease to commence from 1 October 2014.

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.

31. AUDITORS' REMUNERATION

	<i>CONSOLIDATED</i>	
	<i>2014</i>	<i>2013</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	82
• other services in relation to the Parent Entity and any other entity in the Consolidated Entity		
(a) assurance related	-	3
	<u>82</u>	<u>85</u>

32. DIVIDENDS

	<i>2014</i>	<i>2013</i>
	<i>\$000</i>	<i>\$000</i>
<i>Distributions paid or payable</i>		
Interim unfranked ordinary dividend of 1.5 (2011: Nil) cents per share (Paid – 02 July 2012)	-	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	280
Final unfranked ordinary dividend of 2.0 (2013: 0.65) cents per share (Paid 21 November 2013)	559	-
Interim unfranked dividend of 1.5 (2013: 1.0) cents per share (Paid 31 July 2014)	420	-
	<u>1,259</u>	<u>904</u>

To date the directors have not declared the payment of a final dividend out of retained profits at 30 June 2014 and will continue to monitor performance and review resources and liquidity to determine when a dividend will be paid.

Dividends Paid	<u>2014</u>	<u>2013</u>
	<u>\$000</u>	<u>\$000</u>
Cash payments in relation to dividends paid in the financial year	835	593

33. RECONCILIATION OF NET PROFIT AFTER TAX TO NET CASH FLOWS FROM OPERATIONS

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

	CONSOLIDATED	
	2014	2013
	\$000	\$000
Net profit after taxation	1,570	668
<i>Adjustments for:</i>		
Depreciation and amortisation	154	158
Interest receivable	-	33
Other income	-	75
Impairment of goodwill	150	100
Revaluations of investment properties	(949)	(1,261)
Net loss / (profit) on disposal of property, plant and equipment	(10)	90
Share of net profit of associate	(255)	-
<i>Changes in assets and liabilities</i>		
(increase)/decrease in inventories	(148)	2,179
(increase)/decrease in trade and other receivables	62	193
(increase)/decrease in other assets	79	203
(increase)/decrease in net deferred tax assets and liabilities	715	(125)
(decrease)/increase in income taxes payable	-	-
(decrease)/increase in trade and other payables	(192)	(967)
(decrease)/increase in provisions	(659)	(609)
Net cash flows used in operating activities	517	737

34. NON-CASH INVESTING AND FINANCING ACTIVITIES

	CONSOLIDATED	
	2014	2013
	\$000	\$000
Acquisition of leasehold improvements by means of finance lease	-	150
Contributed equity – partly paid shares	12	34
	12	184

35. PARENT ENTITY DISCLOSURES

a. Financial position

	<i>As at 30 June</i>	
	<i>2014</i>	<i>2013</i>
	<i>\$000</i>	<i>\$000</i>
Assets		
Current assets	169	150
Non-current assets	22,676	23,789
Total assets	22,845	23,939
Liabilities		
Current liabilities	692	483
Non-current liabilities	6,960	6,315
Total liabilities	7,652	6,798
Net Assets	15,193	17,141
Equity		
Issued capital	17,891	17,845
Retained earnings	(2,698)	(704)
Net Equity	15,193	17,141

b. Financial performance

	<i>Year ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	<i>\$000</i>	<i>\$000</i>
Profit/(Loss) for the year	(980)	(348)
Other comprehensive income	-	-
Total comprehensive profit/(loss)	(980)	(348)

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

No such guarantees existed at 30 June 2014, other than security arrangement with St George Bank in respect of interest bearing liabilities discussed in note 20.

d. Contingent liabilities of the parent entity.

No contingent liabilities existed within the parent entity as at 30 June 2014 (30 June 2013: Nil).

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

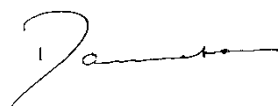
Commitments for the acquisition of property plant and equipment by the parent entity are nil as at 30 June 2014 (30 June 2013: Nil).

DIRECTORS' DECLARATION

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

- (a) in the Directors' opinion the financial statements and notes thereto of the Consolidated Entity has been prepared in accordance with the Corporations Act 2001, including that they:
 - (i) comply with Australian Accounting Standards and Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the financial position of the Consolidated Entity as at 30 June 2014 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, 30 September 2014

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 2014, 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 2014 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 2014. 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 2014 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', with the BDO logo written above it.

Glyn O'Brien
Director

Perth, 30 September 2014

ASX ADDITIONAL INFORMATION

AS AT 25 SEPTEMBER 2014

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 2014	Holders	Fully Paid Ordinary Shares	%
1 - 1,000	205	66,393	0.24
1,001 – 5,000	162	406,069	1.47
5,001 - 10,000	60	473,369	1.72
10,001 – 100,000	140	4,210,376	18.89
100,001 – and over	28	21,432,048	77.69
Total	595	27,588,255	100.00

(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* (including partly paid)	10,812,314	38.7
2. John Roy Westwood	2,350,000	8.4
Total	15,687,616	56.4

* Mr Smetana has beneficial interest in 9,850,696 fully-paid ordinary shares (2013: 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 2014

(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 SUPERFUND A/C>	7,711,568	27.95
2. UFBA PTY LTD	2,350,000	8.52
3. PEDUNCLE PTY LTD	1,948,312	7.06
4. SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	1,326,606	4.81
5. MCNEIL NOMINEES PTY LIMITED	1,000,000	3.62
6. WALLBAY PTY LTD <ABELL UNIT ACCOUNT>	998,356	3.62
7. MR DONALD TEO	990,000	3.59
8. MR DANIEL ALEXANDER SMETANA	563,726	2.04
9. STARBALL PTY LTD	430,029	1.56
10. MR DAN SMETANA	354,022	1.28
11. CONARD HOLDINGS PTY LTD	347,940	1.26
12. TREASURE ISLAND HIRE BOAT COMPANY PTY LTD <STAFF SUPER FUND ACCOUNT>	345,666	1.25
13. ASB NOMINEES LIMITED <130368 - ML A/C>	338,876	1.23
14. ASB NOMINEES LIMITED <208357 - ML A/C>	313,120	1.13
15. P B L INVESTMENTS PTY LTD	270,203	0.98
16. MRS EDNA KNOWLES	228,904	0.83
17. EPIC TRUSTEES LIMITED	208,170	0.75
18. BELLPAM PTY LIMITED <P MEINHARDT PENSION FUND A/C>	207,500	0.75
19. MR RICHARD HAMILTON BARTLETT	201,035	0.73
20. FALCON FIRE PROTECTION PTY LTD <FALCON FIRE PROTECT S/F A/C>	166,666	0.60
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES	20,300,699	73.58
Total Remaining Holders Balance	7,287,556	26.42

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

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

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

ASX ADDITIONAL INFORMATION (CONTINUED)

AS AT 25 SEPTEMBER 2013

(f) Company Secretary

Mr Keith Gray

(g) Registered Office

14 Collingwood Street,
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

Tel: 1300 557 010