ANNUAL REPORT 2018

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JOYCE CORPORATION LTD
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The year in review

“Prosper in Business together”

Annual Compounded Growth (FY14 – 18)

Revenue : +66% [1]

EBIT : +79% [1]

JYC Dividend Yield

8.3% [2]

ASX Consumer Discretionary Yield

3.8%

The Joyce Way

Lloyds continues to break Classic Car sales records [3]

Joyce partners with organisations to focus on growth

[1] – for continuing operations
[2] – values as at 24/7/2018

[3] – 1971 Ford Falcon GTHO Phase III sold at auction 17 June 2018

Contents

Chairman's Message

DEVELOP. PARTNER. GROW

"We Prosper in Business together"

Dear Shareholder,

We are pleased to announce another successful year for the Joyce Group.

The highlights of the Company's results for the financial year 2018 were a:

- 22% increase in net profit after tax to $3.38m
- 22% increase in revenue growth from continuing operations to $96m
- 21% increase in total network sales including auction turnover and commissions to $255m
- 22% increase in earnings per share to 12.3 cents on an undiluted basis
- net assets per share increased to $0.93 cents fully diluted, and a
- steady dividend payout, with directors declaring a final 6 cent dividend payable in November 2018; bringing the total full year dividend payment fully franked to 11 cents per share.

The results for the year support the Company's growth strategy and partnering philosophy and we are confident that by adopting this approach we can continue to provide strong returns to shareholders.

We are very proud of the outstanding and continued profitable growth of the KWB Group. The team, led by John Bourke and Chris Palin, has worked smart and hard to deliver 26% revenue growth leading to profit gains of over of 40%. Three new showrooms were opened this year, bringing the total showrooms in Queensland, NSW and South Australia to 18. A further three new showrooms are planned over the next 12 months.

KWB also completed the capital works program at the Lytton property in Queensland, which was a strategic purchase in 2017. This allowed KWB to enter into a long-term lease agreement with their cabinetry supplier, KT3 leading to cost savings, synergies and a profitable partnership for both businesses. The Lytton property was revalued this year realising a $459k gain for the Joyce Group.

Our other partnership, with Lloyds Online, run by Andrew Webber is also showing substantial growth potential.

On June 30, 2018 Lloyds Online acquired Burns Auctions Group which gave us access to their 2 sites at Bathurst and Dubbo to further grow the premier "Classic Car" Auction sales side of the business and provide further reach for equipment sales. The car enthusiasts amongst you will be aware of the Lloyds Online auction of a 1971 Ford Falcon GTHO for over $1m and a prototype Torana A9X for $500k during the year.

Over the past 15 months, Lloyds Online has invested $2.4m in proprietary IP Software and a customer data base resulting in a world class online platform that will meet the needs of their diverse and growing business. In the past 6 months online participation on the Lloyds Online website grew astronomically by +280%

With auction turnover increasing by 27% after adjusting for the one-off investment in business systems, the Lloyds Online profit is in line with last year's result and revenue grew by 30%

Bedshed, run by Gavin Culmsee, continues to add value to the Joyce Group with profitability growing by 44% and revenue growing by 5%.

The completion of the majority of the Evolution store fitouts this year provides an enhanced customer retail experience.

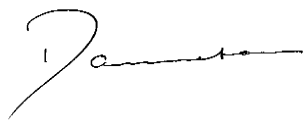
Backed by our knowledgeable staff and with the launch of our exciting and engaging new TV ads campaign we will see a number of new franchises open in NSW, Victoria and Queensland this coming year.

It has been an exciting year and the Board is committed to its growth and partnering strategy. We are also committed to ensuring that we have the appropriate structure to enable us to achieve this. To this end, Mike Gurry who has been Chair of the Audit and Risk Committee of Joyce for an extended period, has been appointed Deputy Chair of the Joyce Board. Mike has significant executive and Board experience and has made an invaluable contribution to the Board to date. Karen Gadsby, who was appointed to the Board in July 2017, will take over the role of Chair of the Audit and Risk Committee. Karen has a strong finance background and has previously chaired several Audit and Risk Committee's.

With a strong board and executive/ leadership team, Joyce is positioned for a positive future. We are committed to the Joyce Way of doing business and the Joyce Values. This ensures we are an inclusive organisation as demonstrated by increases in the proportion of females in our workforce at every level within the organisation in the past 12 months.

I thank the board, management, our business unit partners and staff for their dedication and commitment to the Company, along with our Executive Director Anthony Mankarios for consistently improving performance.

I have no hesitation in commending Joyce Corporation Ltd to you.



Anthony Mankarios

Executive Director's Report

"Another year of double digit growth."

Net cash from Operating Activities rose to $9.1m in FY18, up 70% on prior year.

The Group has delivered total revenue growth of over 650% in the last four years (from FY14 to FY18, excluding discontinued operations) which equates to a compound growth rate of over 66% per annum. In FY18 the Group grew its statutory revenue by +22% to achieve $96.4m for the year.

Management across the divisions set in place solid growth plans for the future and delivered planned revenue growth for the year. Joyce Corporation's total business written network sales including auction turnover and commissions from Franchisees grew to $255m from $211m last year, up 21% YOY.

One of this year's outstanding performances was delivered by our Kitchen Division growing revenue by 26% YOY by taking the total number of showroom sites to 18 which, with cost management, delivered a +40% YOY Earnings Before Interest & Tax (EBIT) lift.

The cost efficiency strategy encompassed the new Lytton property and further partnering arrangements with KT3, one of our suppliers of cabinetry. This 10,000 square metre investment property will be key to our supply chain into the future. The property is fully leased and houses our administration office, as well as our wardrobe facility. The larger majority of this property is leased to KT3 on arms-length commercial terms.

The Group took the strategic decision to invest in our recently acquired Lloyds Online Auctions business. In the past 15 months over $2.4m has been invested in acquiring and further developing our online software IP, to enhance capability and place our Group into an enviable position next year.

This business grew total commissions earned by +30% (YOY) and achieved some key operational highlights listed below:

- Integrated the new Art Division, which is growing in solid double-digit percentage growth;
- Completed the asset acquisition of Burns Auctions/ Macquarie auction group on 30 June 2018. With two key ongoing locations in Bathurst and Dubbo NSW;
- Expanded the Classic Car Division to become the number one classic car online auction business in the Southern Hemisphere;
- Set-up its International Classic Car online business selling to the EU;
- Opened multiple state branches;
- Won the Commonwealth Games contract to sell off all ex Games assets; and
- Grew its onsite businesses and completed key elements of development in its own proprietary software that is world class and exclusive to Lloyds Online.

In addition to the capital investment spend there was significant operational expenditure, which impacted the FY18 EBIT result bringing it down to $0.8m. We expect that this will rebound relatively quickly as we see enhanced net results in FY19. In FY19 we also expect Lloyds Online to deliver solid cashflow earnings and pay its first significant cash dividend prior to the end of the 2018 calendar year.

Total Bedshed operations lifted EBIT performance on a YOY basis by +44% to $2.0m in FY18.

The Bedshed network grew with the opening of two new Franchise stores with the latest new Franchise store being established in Hawthorn, inner city Melbourne. This store has a new, smaller format to allow entry into inner city locations going forward. In addition to increasing store numbers, the Group invested in the evolution fitout program. This aligns the Group's focus on delivering an inspiring retail experience to our valued customers with quality bedding products delivered with reduced lead times.

Bedshed delivered on the following key areas:

- Continued to excel in rolling out our evolution store concepts;
- Partnered with the world's smartest bedding technology, introducing Kingsdown to our stores;
- Introduced the new 60-day Comfort Guarantee to all Bedshed stores, to provide customers increased assurance in their purchase decision; and
- Enhanced choice with the online mattress selector exclusive to Bedshed and the new Bedroom planner tool, which is also available online.

Bedshed has set an aggressive growth plan for the next five years and subject to site availability will grow its network into NSW in FY19.

We are proud to have developed and communicated our set of core values. The "Joyce Way" is set to help guide and align all stakeholders with our values. This will drive continual improvements in our partnering model, set guidelines in our decision making and assist prospective new partners to align with our expectations.

We undertook an executive search this year and announced on the 17 July that Mr Keith S. Smith would join the Group as the new Finance Executive/ COO. This role is critical to us developing and implementing our current and future growth plans within the framework of our "Joyce Way" set of values. We welcome Keith on board. I truly look forward to working with him to further develop our business and enhance our Company to a new level of excellence nationwide.

OPERATIONAL AND FINANCIAL REVIEW

ORGANISATIONAL OVERVIEW & BUSINESS MODEL

OUR BUSINESS MODEL

Is to partner with good businesses and unlock their full potential.
We believe this model works in many industries and for many organisations.

WHO WE ARE

Our Group and solid business portfolio continues to grow, through both organic and inorganic means. We continue to identify potential partners to work with in the future.

KWB GROUP PTY LTD ("KWB")

Continues to roll out its extremely successful model ending the FY18 with 18 stores. A further 3 store openings are planned for FY19.

(See Note 5) **$M's**	**FY18**	**FY17**	**GROWTH**
Continuing Revenue	$59.9	$47.4	26.4%
Segmental EBIT	$8.3	$5.9	40.0%

LLOYDS ONLINE AUCTIONS ("LLOYDS")

The Executive, supported by the Board have focused investment dollars into Lloyds Online during FY18. These investments have been both capital and operational expense in nature. Returns on these investments will be seen from FY19.

(See Note 5) **$M's**	**FY18**	**FY17**	**GROWTH**
Continuing Revenue	$18.3	$14.0	30.3%
Segmental EBIT	$0.8	$2.7	-72.0%

Management have calculated the underlying Adjusted EBIT number of $2.9m (as detailed on page 11) as a more appropriate base to judge FY19 results on.

BEDSHED FRANCHISING & COMPANY STORES ("BEDSHED")

Operate two models – a very successful franchising operation and, where it makes more economic sense a small number of company owned stores.

(See Note 5) **$M's**	**FY18**	**FY17**	**GROWTH**
Continuing Revenue	$18.1	$17.3	4.7%
Segmental EBIT	$2.0	$1.4	43.8%

FY18/19

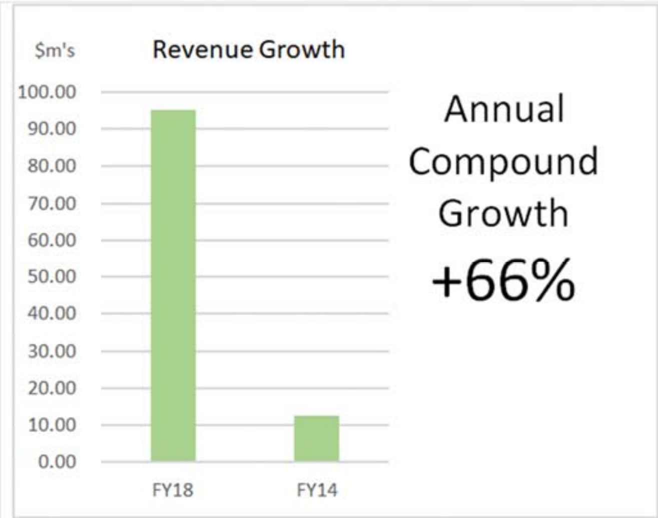
Joyce has made further investment in the talent of the Executive Team to increase the support provided to current partners and identify future growth opportunities.

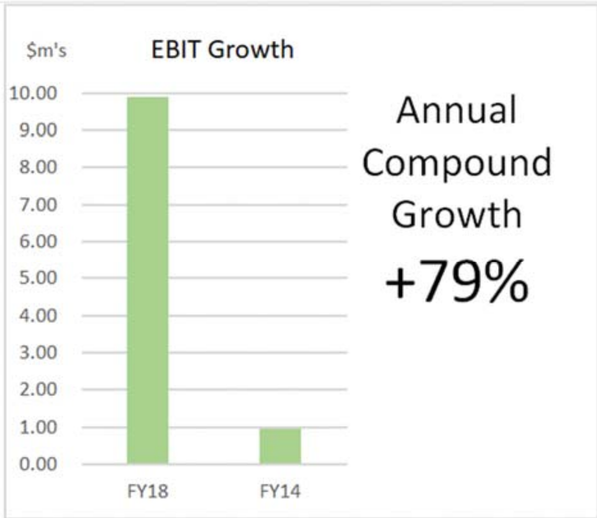
OPERATIONAL AND FINANCIAL REVIEW CONTINUED

JOYCE GROWTH OVER THE FY14 - FY18 TIME FRAME

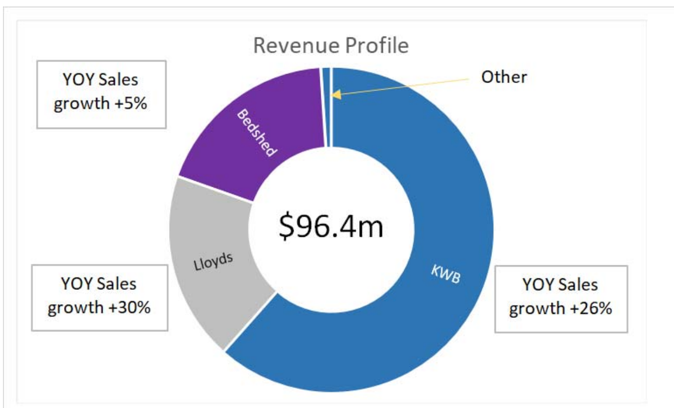
THE COMPOUND GROWTH HAS BEEN EXCEPTIONAL

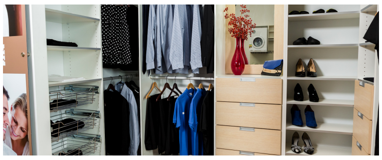
By working with the right partners and making appropriate investments Joyce has delivered significant increases to revenue and earnings.
With our experienced Board and talented Executive future plans look to deliver double digit earnings growth.





The growth enjoyed by Joyce during the past five years has come about because of acquisitions and subsequent development of like for like sales growth and new lines of business. This has been most pronounced in KWB where their business model has been optimised and Lloyds Online where Management have developed an entirely new 'vertical' within the business which did not exist at the time of purchase in July 2016. The Classic Car Auction division in that short period has become Lloyds Online largest division by sales and through investment in supporting technology is set to continue its rapid growth profile. The recent investment in Burns Auctions has strategically established the Bathurst site as the second Classic Car centre for Lloyds Online. This growth has come at a short-term cost, and despite this investment Management have still delivered the above levels of annual compound growth for Joyce in both sales and earnings. The sales chart below demonstrates the divisional growth during FY18, with the majority of investment dollars being allocated to the fastest growing divisions, KWB and Lloyds Online.





KWB GROUP

KWB GROUP

John Bourke
Managing Director

Chris Palin
Finance Director

2017/18 HIGHLIGHTS

The past 12 months have been another outstanding year for the KWB Group with the marquee brands of ‘Kitchen Connection’ and ‘Wallspan’ further cementing their brand leadership in the kitchen and wardrobe renovation market. Both orders and sales grew in excess of 20%, while same store sales were up 12%. This was further supported by the opening of new showrooms in Robina and Kawana Qld. Rutherford NSW and the opening of our Morphett Vale showroom in Noarlunga in SA. Strong growth was also seen in our Wardrobe and flooring categories with orders now exceeding $5M.

EBIT performance was also very strong, outstripping both sales and order increases to achieve 40.0% growth over the previous year *(see Note 5: Segmental reporting FY18 - $8,316k and FY17 - $5,938k)* and improving 1.7 points on the budgeted margin.

OUTLOOK

Having established a robust and sustainable infrastructure through ongoing investments in proprietary software, employee digital services and sales training, KWB Group can continue to roll-out their successful new showroom program over the next 12 months. With 3 new showrooms planned (2 in Qld and 1 in NSW) and the refit and expansion of our existing Capalaba showroom, we are planning for another year of solid growth.

Retail showroom visitor numbers are expected to grow, buoyed by existing low interest rates and driven by brand building through advertising and positive on-line consumer product reviews that create referral from customer experiences second to none.

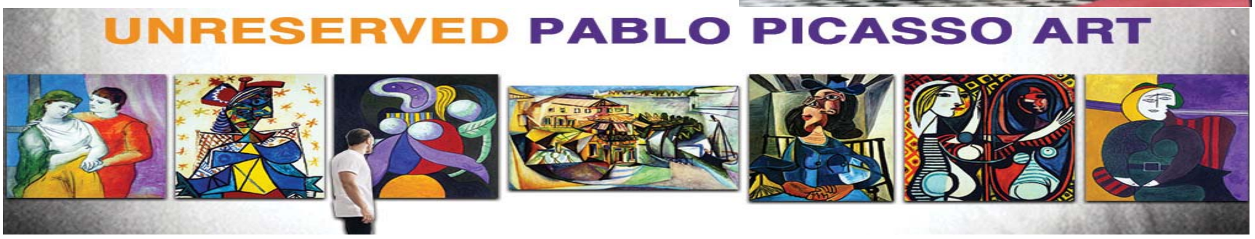
Lloyds
AUCTIONEERS AND VALUERS

OPERATIONAL AND FINANCIAL REVIEW CONTINUED

LLOYDS ONLINE

2017/18 HIGHLIGHTS

Lloyds Online grew overall auction turn over by 26.7% year on year as anticipated, however in FY18 we saw continued trading decline in our traditional asset liquidation arm of our business due to macro-economic events, mainly in the banking and insolvency sectors. This has resulted in less trade for the sector overall. Conscious of the down-turn exposure in the base business Management invested in the new 'vertical' of Classic Cars. In addition to the direct investment in the Classic Cars and Fine Art 'verticals' Lloyds Online completed the purchase of the Burns Auction Group, securing presence in Bathurst and Dubbo NSW. The Bathurst site delivers the second large physical centre for Classic Car auctions and Dubbo delivers further access to 'Yellow' equipment sales. The extended reach provided by Dubbo allows national clients to access Lloyds Online superior sales capabilities in the AG Insolvency and Industrial spaces. These represent significant mile stones in the achievement of the five-year earnings plan that is being enacted.



In FY18 we saw the completion of two significant phases of software IP development with the next two scheduled for completion in FY19. The investment, which has been initially focused on Classic Cars, has been validated as Lloyds Online continues to break records for the value of the vehicles being auctioned (recently achieving $1.03m for a GTHO Phase III auctioned at the new Bathurst site). It has also driven significant increases in the site 'views' increasing by 280% in the second half of FY18 (Jan'18 to Jun'18).

OUTLOOK

To deliver the significant auction sales growth, the IP development and change support has required short term expense which in the future will not be repeated. This includes not recovering direct expenses from sellers and buyers and project support costs. Removing these, the adjusted underlying EBIT number is $2.9m and Management believe this to be a better base from which to measure future growth off (see table below).

We expect to see continued interest growing in Classic Cars as an investment type, with ongoing reports stating Classic Cars have out-performed property and stock markets over the last two, five and ten-year time horizons.

The underlying adjusted EBIT - FY18	$m's
Continuing Operations Base EBIT	0.8
Temporary non-recoverables	1.7
Incremental spend in support of growth	0.4
Underlying Adjusted EBIT	2.9

Underlying EBIT is not a statutory or audited number but represents a number which removes discontinued operations and investment spend which has been made in the short term to build up markets and drive rapid growth. This underlying EBIT number is disclosed to provide readers a broader understanding of the Lloyds Online performance.

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The Bedroom Report
You spend a third of your life in the bedroom. Compare your bedroom habits with the rest of Australia.
Visit Bedshed
23%
of men talk in their sleep...
66% of their partners pay close attention to what they say
22% of us have a drawer full of odd socks
HAVE YOUR SAY
Is it weird to sleep with your socks on?
NO. SO COSY
YEP. REAL WEIRD
Yes or No?
2 in 5 males that proposed in bed have been turned down :(
Bed Hogger?
31% of people say their partner is
22%
of people admit to having a floordrobe

BEDSHED

2017/18 HIGHLIGHTS

2018 was another strong year for the well-established specialty Bedroom retailer. Bedshed opened two new franchise stores and relocated one other store. The Bedshed "Evolution" store fitout continued to be rolled out to drive sales growth and enhance the Bedshed shopping experience for the consumer. EBIT growth was the main focus for the Management team, delivering +43.8% on a YOY basis *(see Note 5: Segmental reporting FY18 - $1,998k and FY17 - $1,389k).*

OUTLOOK

The outlook for Bedshed is strong, with the continuing rollout of the Bedshed "Evolution" fitout into existing stores, this rollout continues to drive sales. Growth in the bedding category has been solid with the performance of the exclusive Kingsdown brand driving transaction values up strongly. Bedshed has recently launched its revamped brand positioning, highlighting Bedshed's value proposition of providing the best shopping environment, the best sales and advice and the best product range and availability in the specialty bedding category. Bedshed launched the Bedroom Report, a survey of Australian behaviors in the bedroom and this allows Bedshed to continue to refine the offer and cater better to the Australian consumer

Enquiry for Bedshed franchising opportunities continues to be strong and Bedshed expects to open new stores in this financial year.

HOW WE DELIVER VALUE TO OUR CUSTOMERS

With a mission to 'Create Referral', KWB Group has developed a unique customer experience unmatched in the retail industry. From sleek and sophisticated contemporary showrooms displaying the latest in Kitchen and Wardrobe design to consumer driven software and VR applications that helps the customer to visualise their new kitchen. Customers are taken on a journey of discovery and learning via highly trained retail specialist using the latest in 3D CAD design software to bring their dream kitchen to life.

The experience continues through the installation phase of their project in which all scheduling, co-ordination and quality management is provided. This ensures that the entire experience is orchestrated in such a way it creates enduring value to the customer, and hence biased referral to our brands.

Kitchen Connection
kitchenconnection.com.au
4.3 from 1212 reviews

Wallspan Kitchens & W
wallspan.com.au
4.7 from 544 reviews

Source: www.productreview.com.au

The 2018 Commonwealth Games were held this year on the Gold Coast. 300 para-athletes were involved as over 4,400 athletes from 71 Commonwealth Games Associations took part in the highly successful Games. Once it is all over what happens to all the assets?

The State Government appointed Lloyds Online to organise the logistics and auction of the assets left over from the Games. In the end over 3,000 pallets were collated, catalogued and put up on Lloyds Online website for sale. The auction attracted a lot of attention and in some cases second hand items were sold for prices higher than the equivalent would cost at retail. Many of the bidders were international and multiple containers have been sent to NZ, Fiji and PNG. The furthest afield was seating equipment which ended up going to an organisation in the UK. Most items though were sold direct to Australian consumers in individual lots - confirming the retail power of online auctions and the ability to draw end users and consumers rather than resellers who are seen at traditional auctions.

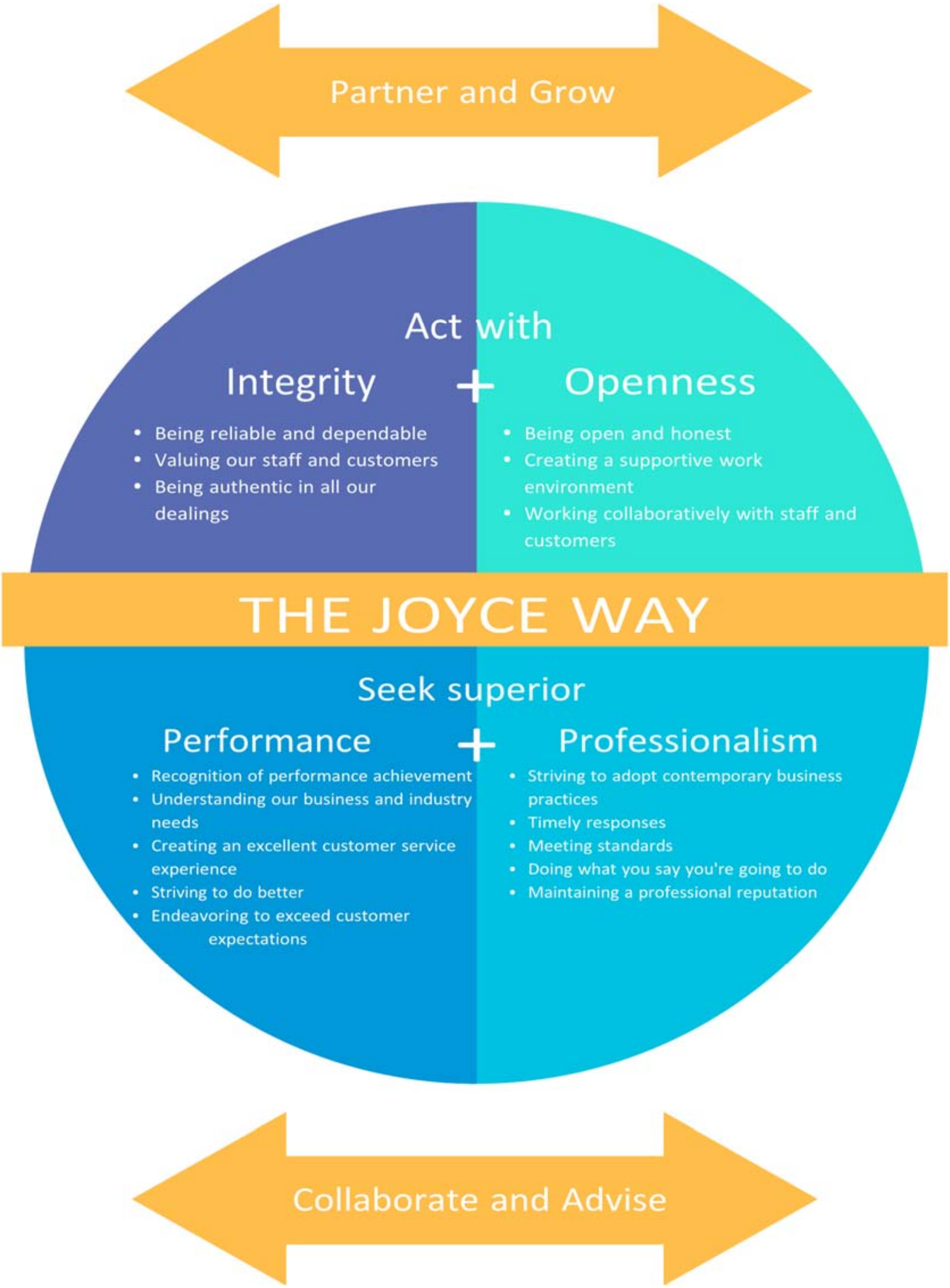
The success of this event clearly demonstrates the extensive capabilities of the Lloyds Online logistics and marketing arms. With the extended national coverage in the year Lloyds Online are well positioned to support large disposal programs.

Bedshed has recently launched the Bedroom report, a survey into Australian bedroom behaviour. This report allows Bedshed to communicate to the consumer in a more relevant, modern and integrated way.

This integrates the instore experience, via our world class Evolution store fitout with online and social channels and is reinforced via television and radio advertising highlighting Bedshed the bedding specialist of choice in Australia.

THE JOYCE WAY

Our values define how Joyce goes to business. It values business parties and staff alike and engages in an open and honest way.



Through our values we aim to develop long term relationships with our partners to drive growth for both parties. By developing our culture to support our longer-term business outcomes we expect to optimise future earnings.

BOARD TEAM

DAN SMETANA

Chairman

Dan is the Chairman of Joyce Corporation Ltd and Bedshed Franchising Pty Ltd. He is a Director of the Industrial Foundation for Accident Prevention, Polymetallic Australia Ltd and Korab Resources Limited. Dan is a visionary leader who has effectively lead the Joyce Corporation Ltd as Chairman since 1984.

MIKE GURRY

Deputy Chairman

Mike has over 25 years experience as a chairman and non-executive Director. He has served on numerous Boards, including listed, Government and not-for-Profit organisations. Currently, he serves on the St John Ambulance Board and is a Councilor of HBF Ltd. Mike's business career included involvement in a broad range of industries in which he enjoyed considerable success. Mike is an exceptional business strategist with outstanding stakeholder and change management skills. In 2018 he was awarded the Order of Australia (AM).

TIM HANTKE

Non-Executive Director and Chair of Remuneration Committee

Tim specialises in mentoring and coaching CEOs, senior executives and business owners, along with being a commercial mediator and professional company director. Having held a broad variety of roles within organisations of all sizes, Tim now focuses on key board positions and mentoring others. His focus is to work with leaders and to get to the source of their thinking and behaviours, and help them find new ways of communicating, collaborating, and negotiating to meet their organisational, professional and personal goals.

KAREN GADSBY

Non-Executive Director and Chair of Audit and Risk Committee

Karen has had 17 years Chair/Non-Executive Director experience and has held directorships across the publicly listed, private, government and not-for-profit sectors in Western Australia and Victoria. Karen has a finance background. She was a Chartered Accountant with Coopers and Lybrand and then worked as a senior executive with North Limited for 13 years, in various executive roles across the areas of finance, commercial, risk, IT and human resources.

ANTHONY MANKARIOS

Executive Director

Anthony is experienced in leading national and international businesses in multiple sectors and sized companies across manufacturing, property, wholesale and retail. He has played a key role in Joyce's underlying business growth performance since 2010. One of his key strengths is his visionary leadership style. Anthony has the ability to identify growth opportunities and work with the business to develop and implement strategies to maximise their potential. He is effective at leading a team toward achieving a common goal; through promoting learning, creativity, and developing strong relationships within the team.

LEADERSHIP TEAM

KEITH SMITH

Finance Executive / COO

Keith has joined the team in 2018 and has previously worked across Europe and the Americas which allows a global perspective to be taken and the ability to present different solutions to local issues. Since coming to Australia, he has led the Finance, Technology and Company Secretarial functions for publicly listed and not-for-profit organisations. Exposure to technology in its broadest form and recent emerging technology has provided Keith with unique experiences and great awareness of the potential 'digitalisation' has for commercial entities and NFP's. These skills will be leveraged as a part of his broad role.

KEITH GRAY

CFO / Company Secretary

Keith Gray has 35 years' experience in finance and accounting positions. Keith has been CFO and company secretary of a number of ASX listed companies and large private companies. Keith's industry experience includes mining services, agribusinesses, bio-fuels, construction, mining logistics and supply, services, FMCG and retail. Keith has been the Company Secretary and Chief Financial Officer of Joyce Corporation Ltd since 2010.

The Board and Leadership team look forward to taking Joyce into a new phase of growth over the next 5 years.

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 2018.

DIRECTORS

The names of the Company's Directors in office during the year ended 30 June 2018 and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Dan Smetana	Chairman (Non-executive)
Tim Hantke	Non-executive Director
Mike Gurry	Non-executive Director
Karen Gadsby	Non-executive Director
Anthony Mankarios	Executive Director

SECRETARY

Keith Gray

PRINCIPAL ACTIVITIES

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

(a) Franchisor of the Bedshed chain of retail bedding stores;

(b) Owner of five Bedshed retail stores;

(c) Majority owner of 51% of KWB Group Pty Ltd, a kitchen and wardrobe supply and installation operator; and

(d) Majority owner of 51% of Lloyds Online Auctions Pty Ltd, online auctions and valuers.

There were no significant changes in the nature of the principal activities of the Consolidated Entity.

REVIEW AND RESULTS OF OPERATIONS

During the year ended 30 June 2018 ("the Financial Year") the Consolidated Entity achieved revenue from continuing operations of $96.39m (2017: $78.7m) and a profit from continuing operations before tax of $9.82m (2017: $8.27m) and an overall net profit after tax of $6.72m (2017: $5.64m).

Financial Position

At 30 June 2018, the Consolidated Entity had the total equity of $28.11m (2017: $26.5m) including non-controlling interest; with dividend payments of $3.08M in 2018 ($3.22M in 2017). Cash and cash equivalents increased from $5.3M in 2017 to $6.2M at 30 June 2018. Un-utilised debt facilities were $150k (2017: $150k).

Bank Facilities

The Consolidated Entity has its long-term debt funding facility with St George Bank approved to 31 January 2021. The bank bill facility was fully drawn at 30 June 2018, with the total reducing $434.8k per year. An annually approved multi option facility of $900k, including $150k overdraft, was approved on 30 January 2018. The overdraft was undrawn at 30 June 2018.

The 51% owned KWB Group completed the purchase of property in Lytton Brisbane for $8m utilising a $5.6m standalone facility fully drawn in April 2017. The facility has been provided by the Commonwealth Bank for a term of three years to KWB Property Holdings Pty Ltd. In addition to property purchase facility there is a bank guarantee facility of $500k of which $251k at year-end was undrawn.

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 consolidating the improved financial performance of Company owned and operated stores. The KWB business will continue to invest in additional stores in Brisbane. Lloyds Online will continue to expand its footprint to other states and has commenced auctions outside of Queensland.

DIVIDENDS

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

	2018 $000	*2017 $000*
Distributions paid or payable		
Final fully franked ordinary dividend of 3.0 (2016: 3.0) cents per share (Paid 18 November 2016)		839
Special fully franked dividend of 3.0 (2016: 5.0) cents per share (Paid 18 November 2016)		839
Interim fully franked dividend of 3.5 (2016:3.0) cents per share (Paid 14 April 2017)		979
Special fully franked dividend of 2.0 (2016: 2.0) cents per share (Paid 14 April 2017)		559
Final fully franked ordinary dividend of 3.0 (2017: 3.0) cents per share (Paid 22 November 2017)	839	
Special fully franked dividend of 3.0 (2017: 3.0) cents per share (Paid 22 November 2017)	839	
Interim fully franked dividend of 5.0 (2017: 3.5) cents per share (Paid 11 April 2018)	1,399	
	3,077	3,216

The Board will continue to review the Company's ability to pay dividends. Future payments will be in line with the dividend policy where there is sufficient liquidity available.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the year the LAAV business operations ceased, refer to Note 7 Discontinued Operations.

SIGNIFICANT AFTER REPORTING DATE EVENTS

A fully franked dividend of 6.0 cents per share was declared on 30 August 2018 and payable 21 November 2018.

A KWB Q4 FY18 fully franked dividend of $1,288,672 was declared and paid on 13 July 2018.

The 380,000 partly paid shares were fully paid on 16 July 2018 by a party related to Dan Smetana.

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.

INFORMATION ON DIRECTORS

Dan Smetana Chairman - Non-executive Director. Age 74.
Dip Comm FCPA FAIM FAICD

Other current Directorships of listed companies
Korab Resources Limited

Former Directorships of listed companies in last 3 years
None

Special responsibilities
Chairman of the Board
Member of the Audit and Risk Committee
Member of the Remuneration Committee
Member of the Nomination Committee

Interests in shares and options
9,874,129 beneficial fully paid ordinary shares in Joyce Corporation Ltd.
380,000 partly paid unlisted ordinary shares held on 30 June 2018 in Joyce Corporation Ltd, were converted to fully paid ordinary shares on 16 July 2018.

Mike Gurry. – Deputy Chairman. Age 71.
Bachelor of Science Dip AICD FAICD FAIM SF Fin

Other current Directorships of listed companies
None

Former Directorships of listed companies in last 3 years
None

Special responsibilities
Chairman of the Audit and Risk Committee to 30 June 2018 and from 1 July 2018 a Member of the Audit and Risk Committee
Member of the Remuneration Committee
Member of the Nomination Committee

Interests in shares and options
56,878 ordinary shares

Tim Hantke. – Non-executive Director. Age 70.
Bachelor of Commerce, FAIM, FAICD

Other current Directorships of listed companies
None

Former Directorships of listed companies in last 3 years
None

Special responsibilities
Chairman of the Remuneration Committee
Chairman of the Nomination Committee
Member of the Audit and Risk Committee

Interests in shares and options
20,000 ordinary shares

Karen Gadsby. – Non-executive Director Age 55.
B.Comm, FCA, MAICD

Other current Directorships of listed entities
Talisman Mining Ltd

Former Directorships of listed companies in the last 3 years
None.

Special responsibilities
Member of the Audit and Risk Committee to 30 June 2018 and Chair of the Audit and Risk Committee from 1 July 2018.
Member of the Remuneration Committee
Member of the Nomination Committee

Interests in shares and options:
20,000 shares ordinary shares

INFORMATION ON DIRECTORS (CONTINUED)

Anthony Mankarios. – Executive Director Age 51.
MBA, FAICD, CFTP

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 and Risk Committee**.**
Member of the Nomination Committee

Interests in shares and options
723,823 ordinary shares

COMPANY SECRETARY

Keith Gray – Company Secretary. Age 62.
Bachelor of Economics

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 2018, and the number of meetings attended by each Director were:

Directors	Full meeting of Directors		Audit		Remuneration	
	A	B	A	B	A	B
Dan Smetana	10	10	4	4	5	4
Mike Gurry	10	10	4	4	5	5
Tim Hantke	10	8	4	2	5	4
Karen Gadsby	10	9	4	4	5	5
Anthony Mankarios	10	10	4	3	5	4

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

The Executive Director attended committee meetings during the year, either in full or part, by invitation of the relevant committee. Anthony did not attend one meeting of the remuneration Committee, as this meeting related to his contract of employment 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. Equity instrument disclosures relating to key management personnel (KMPs')

F. Link between remuneration policy and Company performance

G. Voting at the 2017 Annual General Meeting

H. Independent salary and incentive review

I. Loans and other transactions with Directors and Executives

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.

As well as the Directors previously mentioned in this Directors' Report, other KMPs of the Group include:

Key Management Personnel	Position Held
Keith Smith	Finance Executive / COO Joyce Corporation Ltd
Gavin Culmsee	General Manager Bedshed Franchising Pty Ltd
Keith Gray	Chief Financial Officer Joyce Corporation Ltd
John Bourke	Managing Director KWB Group Pty Ltd
Chris Palin	Finance Director KWB Group Pty Ltd
Andrew Webber	Director Lloyds Online Auctions Pty Ltd and its subsidiaries
Lee Hames	Chief Operating Officer Lloyds Online Auctions Pty 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 include reviewing and making recommendations on remuneration policies for the company including 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 Remuneration Committee is appointed by the Board and must be a non-executive director.

The Remuneration Committee meets as and when required by the Chairman and at least twice annually. The Committee may invite persons deemed appropriate to attend meetings and may take any independent advice as it considers necessary or appropriate. Any Committee member may request the Chairman call a meeting.

During the year the Remuneration Committee reviewed and revised its Charter and Policy and reviewed its effectiveness.

Remuneration Policies

The objective of the Consolidated Entity's executive reward framework is to ensure reward 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 to organizational results;
- 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. One remuneration consultant was used during the financial year to review the executive director's remuneration compared to the market.

The framework aligns to shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing 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
- attracting and retaining high calibre executives.

And aligns to program participants' interests by:

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

Non-executive director's remuneration

Fees and payments to non-executive directors reflect the demands that 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 the determination of his own remuneration.

The current base remuneration was last independently reviewed in December 2016. Executive Directors who are members of a committee do not receive additional fees for membership of the committee. Non-executive directors receive additional fees for the Chairing of a committee. Since that time fees have been adjusted by CPI.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The limit currently stands at $700,000 per annum and was approved by shareholders at the Annual General Meeting on 30 November 2017.

Executive remuneration

Fixed Component

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 both the performance of the Consolidated Entity and the individual.

Variable Component - Short Term Incentives

Goals are set at the start of each financial year and 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 targets for profit, cash balances 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 KPI targets. When the Consolidated Entity, or the relevant segment, and the individual achieve their KPIs, the Board will reward the KMP with a bonus paid after the end of the financial year being assessed. A percentage of a pre-determined maximum amount is awarded depending on the results achieved. No bonus is awarded where performance falls below the minimum.

Variable Component - Long Term Incentives

The Remuneration Committee is currently developing a new Long-Term Incentive Scheme to be taken to the 2018 AGM for ratification.

B. SERVICE AGREEMENTS

This remuneration report outlines the director and executive remuneration arrangements with the organisation in accordance with the requirements of the Corporations Act 2001 and its regulations.

For the purposes of this report, KMP’s 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, Company Secretary and other senior executives of the Consolidated Entity.

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

Name	Position Held
Dan Smetana	Non-Executive Director and Chairman
Mike Gurry	Non-Executive Director - Chairman of Audit Committee to 30 June 2018
Tim Hantke	Non-Executive Director - Chairman of Remuneration Committee
Karen Gadsby	Non-Executive Director – Chairman of Audit Committee from 1 July 2018
Anthony Mankarios	Executive Director
Keith Smith	Finance Executive / COO Joyce Corporation Ltd
Keith Gray	Chief Financial Officer / Company Secretary Joyce Corporation Ltd
Gavin Culmsee	General Manager Bedshed Franchising Pty Ltd
John Bourke	Managing Director KWB Group Pty Ltd
Chris Palin	Finance Director KWB Group Pty Ltd
Andrew Webber	Director Lloyds Online Auctions Pty Ltd and its subsidiaries
Lee Hames	Chief Operating Officer Lloyds Online Auctions Pty Ltd

The employment conditions of all KMP's are formalised in contracts of employment. The directors and CFO are engaged by Joyce Corporation Ltd all other executives, except for Andrew Webber, are permanent employees of subsidiaries within the Group.

The Executive Director has a service contract, which at the date of this report runs to 30 June 2019. This is an at call role, which provides a director's fee and an hourly charge for work undertaken above this and is paid monthly. All out of pocket expenses in connection with carrying out the role are reimbursed.

Other Executives

All executives have rolling contracts, except for Andrew Webber who has a fixed term contract, as per the table below. The Consolidated Entity can terminate each contract by providing three 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.

30 June 2018	*Term of agreement*	*Notice Period In months*	*Termination payment in months*
Gavin Culmsee	rolling	3	3
Keith Smith	rolling	3	3
Keith Gray	rolling	3	3
Chris Palin	rolling	3	3
John Bourke	rolling	3	3
Andrew Webber	3 years	-	-
Lee Hames	rolling	3	3

For base salary and superannuation, see table at C below.

Related party transactions with KMP's

Please refer to Note 27 related party transactions.

C. DETAILS OF REMUNERATION

30 June 18	Short-term employment benefits			Post-employment benefit	Long-term benefits	Total	% relating to performance
	Salary & Fees	Cash Bonus	Non-Cash	Super	LSL & AL		
Dan Smetana	175,494	-	9,789	16,672	-	201,955	-
Tim Hantke[6]	63,750	-	-	6,056	-	69,806	-
Mike Gurry	85,000	-	-	8,075	-	93,075	-
Karen Gadsby	75,000	-	-	7,125	-	82,125	-
Total Non-Executive Directors	399,244	-	9,789	37,928	-	446,961	-
Executive Director							
Anthony Mankarios[1]	249,451	288,750	-	-	-	538,201	53.6%
Total Directors	648,695	288,750	9,789	37,928	-	985,162	29.3%

C. DETAILS OF REMUNERATION (CONTINUED)

30 June 2018	Short-term employment benefits			Post-employment benefit	Long-term benefits	Total	% relating to performance
30 June 18	Salary & Fees	Cash Bonus	Non-Cash	Super	LSL & AL		
Keith Smith	18,500	-	-	1,758	-	20,258	-
Gavin Culmsee[2]	256,054	15,922	-	25,838	-	297,814	5.3%
Keith Gray[2]	216,907	50,801	-	20,606	-	288,314	17.6%
John Bourke[3]	315,890	93,000	-	38,844	-	447,734	20.8%
Chris Palin[3]	234,057	73,500	-	32,704	-	340,261	21.6%
Andrew Webber[4]	50,000	-	-	4,750	-	54,750	-
Lee Hames [5]	145,000	-	-	13,775	-	158,775	-
Total Other Key Management personnel	**1,236,408**	**233,223**	**-**	**138,275**	**-**	**1,607,906**	**14.5%**
Total Remuneration:	**1,885,103**	**521,973**	**9,789**	**176,203**	**-**	**2,593,068**	**20.1%**

30 June 17	Short-term employment benefits			Post-employment benefit	Long-term benefits	Total	% relating to performance
	Salary & Fees	Cash Bonus	Non-Cash	Super	LSL & AL		
Dan Smetana	175,494	-	-	16,672	-	192,166	-
Tim Hantke	77,598	-	-	7,371	-	84,969	-
Mike Gurry	77,598	-	-	7,371	-	84,969	-
Karen Gadsby	-	-	-	-	-	-	-
Total Non-Executive Directors	330,690	-	-	31,414	-	362,104	-
Executive Director							
Anthony Mankarios[1]	223,917	250,000	-	-	-	473,917	52.7%
Total Directors	554,607	250,000	-	31,414	-	836,021	29.9%
Keith Smith	-	-	-	-	-	-	-
Gavin Culmsee[2]	242,355	58,446	-	23,023	-	323,824	18.0%
Keith Gray[2]	211,023	46,885	-	20,047	-	277,955	16.9%
John Bourke[3]	310,000	78,963	-	35,604	-	424,567	18.6%
Chris Palin[3]	231,444	62,113	-	29,162	-	322,719	19.2%
Andrew Webber[4]	66,346	-	-	6,303	-	72,649	-
Lee Hames [5]	124,615	-	-	11,838	-	136,453	-
Total Other Key Management personnel	**1,185,783**	**246,407**	**-**	**125,977**	**-**	**1,558,167**	**15.8%**
Total Remuneration:	**1,740,390**	**496,407**	**-**	**157,391**	**-**	**2,394,188**	**20.7%**

C. DETAILS OF REMUNERATION (CONTINUED)

1. Anthony Mankarios was paid a cash bonus based on the achievement of key performance criteria. These include profit goals and the successful completion of predetermined events set by the non-executive directors. There is an annual short-term bonus and long-term three-year incentive that are performance based and subject to achieving Board approved targets. He is contracted to 30 June 2019, this contract is reviewed and renewed annually.
2. Cash bonuses paid to other KMP's were at the discretion of the directors and were based on key performance criteria, which required performance to meet or exceed the group budget and successfully complete predetermined targets.
3. John Bourke and Chris Palin were directors of KWB Group Pty Ltd prior to KWB Group Pty Ltd becoming a subsidiary of Joyce Corporation Ltd in November 2014, they continue as Directors of KWB Group Pty Ltd at the date of this report. Their remuneration above is for the entire current and comparative financial years.
4. Andrew Webber's consultancy company, was paid $190k for consulting services performed by his staff members for the Lloyds Online group of companies.
5. Lee Hames is the Chief Operating Officer of Lloyds Online Auctions Pty Ltd.
6. Tim Hantke remuneration reduced in 2018 due to extended unpaid leave taken during the year.

D. SHARE-BASED COMPENSATION

There was no share-based compensation to KMP's during the year ended 30 June 2018 (2017: Nil).

E. EQUITY INSTRUMENT DISCLOSURES RELATING TO KMP'S

i. Option and holding rights granted as compensation

During the financial year ended 30 June 2018 no options (2017: 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 KMP's during the year ended 30 June 2018 (2017: Nil).

E. EQUITY INSTRUMENT DISCLOSURES RELATING TO KMP'S (CONTINUED)

iii. Share Holdings

The number of shares in the Company held during the financial year by each director and other KMP's of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation (2017: Nil).

30 June 2018	*Balance 01-Jul-17*	*Granted as Remuneration*	*On Exercise of Options*	*Net Change Other*	*Balance 30-June-18*
Dan Smetana*	9,874,129	-	-	-	9,874,129
Tim Hantke	20,000	-	-	-	20,000
Mike Gurry	56,878	-	-	-	56,878
Karen Gadsby	-	-	-	20,000	20,000
Anthony Mankarios	718,545	-	-	5,278	723,823
Keith Smith	-	-	-	-	-
Gavin Culmsee[2]	-	-	-	-	-
Keith Gray[2]	-	-	-	-	-
John Bourke[3]	65,359	-	-	-	65,359
Chris Palin[3]	6,615	-	-	-	6,615
Andrew Webber[4]	-	-	-	-	-
Lee Hames [5]	-	-	-	-	-
TOTAL	**10,741,526**	**-**	**-**	**25,278**	**10,766,804**

30 June 2017	*Balance 01-Jul-16*	*Granted as Remuneration*	*On Exercise of Options*	*Net Change Other*	*Balance 30-June-17*
Dan Smetana*	9,874,129	-	-	-	9,874,129
Tim Hantke	20,000	-	-	-	20,000
Mike Gurry	-	-	-	56,878	56,878
Karen Gadsby	-	-	-	-	-
Anthony Mankarios	705,045	-	-	13,500	718,545
Keith Smith	-	-	-	-	-
Gavin Culmsee[2]	-	-	-	-	-
Keith Gray[2]	-	-	-	-	-
John Bourke[3]	-	-	-	65,359	65,359
Chris Palin[3]	-	-	-	6,615	6,615
Andrew Webber[4]	-	-	-	-	-
Lee Hames [5]	-	-	-	-	-
TOTAL	**10,599,174**	**-**	**-**	**142,352**	**10,741,526**

E. EQUITY INSTRUMENT DISCLOSURES RELATING TO KMP'S (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 KMP's of the Group, including their personally related parties, is set out below. There were no shares granted during the reporting period as compensation (2017: Nil).

30 June 2018	*Balance 01-Jul-17*	*Granted as Remuneration*	*On Exercise of Options*	*Net Change Other*	*Balance 30-June-18*
Dan Smetana*	380,000	-	-	-	380,000
Tim Hantke	-	-	-	-	-
Mike Gurry	-	-	-	-	-
Karen Gadsby	-	-	-	-	-
Anthony Mankarios	-	-	-	-	-
Keith Smith	-	-	-	-	-
Gavin Culmsee[2]	-	-	-	-	-
Keith Gray[2]	-	-	-	-	-
John Bourke[3]	-	-	-	-	-
Chris Palin[3]	-	-	-	-	-
Andrew Webber[4]	-	-	-	-	-
Lee Hames	-	-	-	-	-
TOTAL	**380,000**	**-**	**-**	**-**	**380,000**

*On 16 July 2018 Dan Smetana settled the final payment for the 380,000 partly-paid ordinary shares held at 30 June 2018, paid to $1.878 (2017: 380,000 issued at $1.955 and paid to $1.768). Please refer to subsequent events note

30 June 2017	*Balance 01-Jul-16*	*Granted as Remuneration*	*On Exercise of Options*	*Net Change Other*	*Balance 30-June-17*
Dan Smetana*	380,000	-	-	-	380,000
Tim Hantke	-	-	-	-	-
Mike Gurry	-	-	-	-	-
Karen Gadsby	-	-	-	-	-
Anthony Mankarios	-	-	-	-	-
Keith Smith	-	-	-	-	-
Gavin Culmsee[2]	-	-	-	-	-
Keith Gray[2]	-	-	-	-	-
John Bourke[3]	-	-	-	-	-
Chris Palin[3]	-	-	-	-	-
Andrew Webber[4]	-	-	-	-	-
Lee Hames	-	-	-	-	-
TOTAL	**380,000**	**-**	**-**	**-**	**380,000**

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

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

F. LINK BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

The Consolidated Entity provided executives with variable remuneration in the form of short-term and long-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 profit, 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. The dividend includes ordinary and special dividends paid or payable in respect of each financial year (FY).

	FY18	FY17	FY16	FY15	FY14
	$000	$000	$000	$000	$000
Revenue from continuing operations	96,392	78,770	56,544	34,737	12,657
Profit from continuing operations after tax	6,723	5,640	3,461	126	374
Share Price at Year-end $	1.42	1.60	1.01	0.96	0.46
Dividends (Cents) paid or payable	11.0	11.5	16.0	5.5	3.6

The FY14 numbers were restated based on operations ceased in the FY15 year. Revenue and net profit exclude discontinued operations in the current business. Revenue and profit increased in 2015 from consolidation of KWB Group from November 2014 and further increased in 2017 from consolidation of Lloyds Online Auctions Pty Ltd.

G. VOTING AT THE 2017 ANNUAL GENERAL MEETING ON THE REMUNERATION REPORT

The Remuneration Report in the 2017 Annual Report to shareholders was approved by 99.7% of shareholders at the 2017 Annual General Meeting. No specific feedback was received at the Annual General Meeting or throughout the year.

H. INDEPENDENT SALARY AND INCENTIVE REVIEW

During FY18 the Company undertook an independent review of executive salary and incentive levels to benchmark against market. The review was undertaken by the independent professional firm of Godfrey Remuneration Group for the sum of $6,000. Recommended changes are the subject of an ongoing project.

I. LOANS OR OTHER TRANSACTIONS TO DIRECTORS AND EXECUTIVES

There is a $29,450 loan outstanding to a Director as at 30 June 2018 (2017: Nil).

There were no other transactions with KMP's not in the ordinary course of business.

The Executive Directors fees are paid to Starball Pty Ltd, a company in which Anthony Mankarios has significant influence - $538,201 (2017: $473,917). As at year end the amount owing to this related party was $26,773 (2017: $23,805).

The Group is also owed a receivable from Pynland Pty Ltd, a company with shares held in trust by Dan Smetana for the suspended employee share scheme, of $26,231 owing to Joyce Corporation Ltd for amounts paid on behalf of Pynland Pty Ltd (2017: $26,131).

During the year ended 30 June 2018, LAAV Management Pty Ltd, a company of which Andrew Webber is a director, was paid $190,000 (2017: $163,900) by Lloyds Online Auctions Pty Ltd for the provision of management services by Andrew Webber and Mark Fitzpatrick. This amount is in addition to the remuneration disclosed in the KMP remuneration disclosures.

End of Audited Remuneration Report.

INSURANCE OF OFFICERS

During FY18, Joyce Corporation Ltd paid a premium to insure the directors, secretaries and KMP's of the Company and its Australian-based controlled entities. 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 of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for 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 is party to licenses issued by the Environmental Protection Authority as per NGER Act 2007 and various other authorities throughout Australia. These licenses 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 new or material known breaches associated with the Consolidated Entity's license conditions.

NON-AUDIT SERVICES

There were no fees paid or payable to the auditors for non-audit services for the year ended 30 June 2018, which did not impede on the auditor's independence. The Company may deploy auditors for non-audit services in the future.

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 32.

ROUNDING OF AMOUNTS

The Consolidated Entity has applied the relief available to it in ASIC Corporate Legislative Instrument 2016/191 and accordingly certain amounts in the financial report and the Directors' 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 August 2018

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Australia

DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF JOYCE CORPORATION LTD

As lead auditor of Joyce Corporation Ltd for the year ended 30 June 2018, 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 Ltd and the entities it controlled during the year.

Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 30 August 2018

CORPORATE GOVERNANCE STATEMENT

Joyce Corporation Ltd ("the Company") and the Board are committed to achieving and demonstrating a high standard of corporate governance. Joyce Corporation Ltd have reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2018 corporate governance policy and statement reflects the corporate governance practices in place throughout the 2018 financial year. A description of the Company's current corporate governance practices is set out in the Company's corporate governance statements, which can be viewed at -
www.joycecorp.com.au

Joyce Corporation Ltd

AND CONTROLLED ENTITIES

ABN: 80 009 116 269

Annual Financial Report

For the Year Ended 30 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

		CONSOLIDATED	
		2018	2017
	Note	*$000*	*$000*
Continuing operations			
Revenue	6	96,392	78,770
Cost of sales	6	(42,562)	(38,617)
Gross Profit		**53,830**	**40,153**
Gain on property investment revaluation	16	933	-
Other income	6	64	94
Expenses from continuing operations			
Administration expenses	6	(35,674)	(22,385)
Distribution expenses		(754)	(944)
Marketing expenses		(3,112)	(3,547)
Occupancy expenses		(5,011)	(4,592)
Profit/(Loss) on disposal of assets		(41)	(37)
Finance costs	6	(351)	(75)
Impairment of assets	6	-	(350)
Other expenses		(60)	(51)
Profit from continuing operations before income tax		**9,824**	**8,266**
Income tax (expense)	8	(3,101)	(2,626)
Profit from continuing operations after tax		**6,723**	**5,640**
Discontinued operations			
(Loss) / Profit for the year from discontinued operations	7	(140)	176
Profit for the year		**6,583**	**5,816**
Profit is attributable:			
Ordinary equity holders of the company		3,380	2,764
Non-controlling interests		3,203	3,052
Total Comprehensive Income for the year		**6,583**	**5,816**
Earnings per share for profit attributable to the members of Joyce Corporation Ltd			
Basic earnings per share (cents per share)	9	12.3	10.0
Diluted earnings per share (cents per share)	9	12.1	9.9

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the consolidated financial statements set out on pages 39 to 78.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	CONSOLIDATED 2018 $000	2017 $000
ASSETS			
Current Assets			
Cash and cash equivalents	10	6,215	5,296
Trade and other receivables	11	1,918	634
Inventories	12	3,703	4,908
Other assets	13	1,202	504
Other financial assets	14	68	380
Total Current Assets		**13,106**	**11,722**
Non-Current Assets			
Trade and other receivables	11	588	568
Deferred tax asset	8	1,445	1,307
Plant and equipment	15	10,778	18,589
Inventories	12	395	528
Investment Property	16	9,623	-
Intangible assets	17	18,163	15,933
Total Non-Current assets		**40,992**	**36,925**
TOTAL ASSETS		**54,098**	**48,647**
LIABILITIES			
Current liabilities			
Trade and other payables	18	11,779	10,073
Provisions	19	1,528	1,361
Interest bearing loans and borrowings	20	435	-
Provision for income tax	8	820	1,153
Total Current Liabilities		**14,562**	**12,587**
Non-Current Liabilities			
Interest bearing loans and borrowings	20	10,056	8,600
Deferred tax liabilities	8	554	262
Provisions	19	818	712
Total Non-Current Liabilities		**11,428**	**9,574**
TOTAL LIABILITIES		**25,990**	**22,161**
NET ASSETS		**28,108**	**26,486**
EQUITY			
Contributed equity	21	18,060	18,019
Reserves	22	-	2,699
Non-controlling interests	27	3,073	1,930
Retained earnings		6,975	3,838
TOTAL EQUITY		**28,108**	**26,486**

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements set out on pages 39 to 78.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	CONSOLIDATED 2018 $000	2017 $000
Cash flows from operating activities			
Receipts from customers		104,116	89,413
Payments to suppliers and employees		(91,647)	(80,779)
Interest received		64	94
Interest paid		(351)	(75)
Income tax paid		(3,157)	(3,318)
Net cash flows from operating activities	31	**9,025**	**5,335**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		111	46
Secured loan		78	77
Purchase of non-current assets		(2,074)	(12,578)
Purchase of intangible assets		(2,230)	-
Payments for business acquisitions net of cash acquired	26	(815)	(6,000)
Net cash (used) in investing activities		**(4,930)**	**(18,455)**
Cash flows from financing activities			
Proceeds from borrowings		2,400	8,600
Repayment of borrowings		(479)	-
Proceeds from partly paid share dividend		41	44
Dividends paid	28	(3,077)	(3,216)
Dividends paid to non-controlling interest		(2,061)	(2,261)
Net cash (used) / from financing activities		**(3,176)**	**3,167**
Net increase / (decrease) in cash and cash equivalents		919	(9,953)
Cash and cash equivalents at beginning of period		5,296	15,249
Cash and cash equivalents at end of period	10	**6,215**	**5,296**
Reconciliation of cash			
Cash at bank and in hand		6,215	5,296
		6,215	**5,296**

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements set out on pages 39 to 78.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	Non-controlling Interest $'000	Total Equity $'000
Balance at 1 July 2016		17,975	2,699	4,290	1,026	25,990
Total comprehensive income for the period:						
Profit attributable to members of the parent entity		-	-	2,764	-	2,764
Profit attributable to non-controlling interests		-	-	-	3,052	3,052
Non-controlling interest on acquisition of subsidiary		-	-	-	113	113
Subtotal		17,975	2,699	7,054	4,191	31,919
Transactions with owners in their capacity as owners:						
Payment partly paid shares		44	-	-	-	44
Dividends paid or provided for		-	-	(3,216)	(2,261)	(5,477)
Balance at 30 June 2017	21	18,019	2,699	3,838	1,930	26,486
Balance at 1 July 2017		18,019	2,699	3,838	1,930	26,486
Total comprehensive income for the period:						
Profit attributable to members of the parent entity		-	-	3,380	-	3,380
Profit attributable to non-controlling interests		-	-	-	3,203	3,203
Transfer of reserve to retained earnings and tax adjustments		-	(2,699)	2,834	-	135
Subtotal		18,019	-	10,052	5,133	33,204
Transactions with owners in their capacity as owners:						
Payment partly paid shares		41	-	-	-	41
Dividends paid or provided for		-	-	(3,077)	(2,060)	(5,137)
Balance at 30 June 2018	21	18,060	-	6,975	3,073	28,108

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements set out on pages 39 to 78.

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 2018 were authorised for issue in accordance with a resolution of the directors of the Company dated 30 August 2018. Joyce Corporation Ltd is a Company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange. The company is a for-profit entity for the purpose of this financial report.

The nature of the operation and principal activities of the Company and its controlled entities are described in Directors' Report.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES NOT PRESENTED IN SUBSEQUENT NOTES

The consolidated financial statements comprise the financial statements of Joyce Corporation Ltd and its controlled subsidiaries ('the Consolidated Entity'). Below is a summary of significant accounting policies. More accounting policies are presented in following notes to the consolidated financial statements.

(a) Basis of preparation

These general-purpose financial statements for the year ended 30 June 2018 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for the investment property which is measured at fair value.

New or revised Standards and Interpretations that are first effective in the current reporting period

The consolidated entity has adopted all 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 reporting period.

There has been no early adoption of the new and revised Standards and Interpretations.

(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 can 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.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES NOT PRESENTED IN SUBSEQUENT NOTES (CONTINUED)

A list of controlled entities is contained in Note 27 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 group, are shown separately within the Equity section of the consolidated Statement of Financial Position and in the consolidated Statement of Profit or Loss and Other Comprehensive Income.

(c) 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.

(d) Investments and other financial assets

(i) 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.

(ii) Subsequent measurement

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

(e) Comparatives

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

(f) Rounding of Amounts

The Company has applied the relief available to it under ASIC Corporate Legislative Instrument 2016/191 and accordingly, amounts in the financial report have been rounded off to the nearest $1,000.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES NOT PRESENTED IN SUBSEQUENT NOTES (CONTINUED)

(g) 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 Statement of Cash Flows includes cash flows on a gross basis. 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.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Consolidated Entity holds the following financial instruments:

	Note	CONSOLIDATED 2018 $000	2017 $000
Financial assets			
Cash and cash equivalents	10	6,215	5,296
Trade and other receivables	11	2,506	1,202
Other financial assets	14	68	380
		8,789	6,878
Financial liabilities			
Trade and other payables	18	11,779	10,073
Interest-bearing loans and borrowings	20	10,491	8,600
		22,270	18,673

(a) Market risk

(i) Foreign exchange risk

The Consolidated Entity’s exposure to foreign currency risk is not material.

(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 to minimise the Consolidated Entity’s interest expense.

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

	Weighted Average Interest rate %	2018 $000	Weighted Average Interest rate %	2017 $000
Financial assets				
Cash and cash equivalents (i)	0.03%	6,215	0.03%	5,296
		6,215		5,296
Financial liabilities				
Commercial bill –secured – variable (ii)	4.84%	4,891	4.93%	3,000
Bank loan – secured (iii)	3.61%	5,600	3.84%	5,600
		10,491		8,600

(i) The overdraft facility pays interest at variable interest rates plus a line fee.

(ii) The Commercial bill facility is approved to 1 January 2020. This debt facility is bank bill based and incurs a line fee and an on-use fee. Facility expire 31 January 2021.

(iii) The bank loan facility is approved to 9 April 2020.

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 and alternative financing. Based on these scenarios, the Consolidated Entity calculates the impact on profit or 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 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 2018 is at a variable interest rate (see above). Variable interest rates apply to the overdraft and cash and cash equivalents. On balances held at 30 June 2018, 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 $97k higher or $97k lower (2017 – $86k). This is a result of a higher or lower interest expense arising from borrowings, offset by higher or lower interest income from cash and cash equivalents. Equity would have been $97k higher or $97k lower (2017 - $86k) 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, considering 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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:

	CONSOLIDATED	
	2018	***2017***
	$000	***$000***
Cash and cash equivalents		
AA	6,215	5,296
Trade and other receivables		
Non-rated	2,506	1,202
Other financial assets		
Non-rated	68	380
	8,789	6,878

(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 analyses 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

Consolidated disclosures

Year ended 30 June 2018	≤ 6 months $000	6-12 months $000	1-5 years $000	>5 years $000	Total $000
Consolidated financial assets					
Cash and cash equivalents	6,215	-	-	-	6,215
Trade and other receivables	1,918	-	588	-	2,506
Other financial assets	68	-	-	-	68
	8,201	-	588	-	8,789
Consolidated financial liabilities					
Trade and other payables	11,779	-	-	-	11,779
Interest bearing loans & borrowings	215	220	11,269		11,704
	11,994	220	11,269	-	23,483
Net maturity	**(3,793)**	**(220)**	**(10,681)**	**-**	**(14,694)**

Year ended 30 June 2017	≤ 6 months $000	6-12 months $000	1-5 years $000	>5 years $000	Total $000
Consolidated financial assets					
Cash and cash equivalents	5,296	-	-	-	5,296
Trade and other receivables	634	-	568	-	1,202
Other financial assets	380	-	-	-	380
	6,310	-	568	-	6,878
Consolidated financial liabilities					
Trade and other payables	10,073	-	-	-	10,073
Interest bearing loans & borrowings	175	175	9,125	-	9,475
	10,248	175	9,125	-	19,548
Net maturity	**(3,938)**	**(175)**	**(8,557)**	**-**	**(12,670)**

Financing arrangements

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

	Facility limit *$000*	Used *$000*	Available *$000*
30 June 2018			
Consolidated	10,641	10,491	150
30 June 2017			
Consolidated	8,750	8,600	150

The Consolidated Entity had a $5,600,000 bank loan facility, a $4,891,300 bank bill facility, a $900,000 multi-option facility of which $150,000 available for overdrafts and a bank guarantee facility of $500,000 (2017: $8,750,000) The consolidated entity had $6,215,000 (2017 $5,296,000) cash at bank as at the reporting date including funds held in trust set out at Note 10. In addition, the Consolidated Entity had a net investment in inventories of $4,098,000 as at 30 June 2018 (2017: $5,436,000).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital risk management

Management controls the capital of the Consolidated Entity 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.

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%.

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

(a) Impairment 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.

(b) 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 leasee, 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. The Department of Environment and Protection has not required any remediation work due to the low level of risk. An ongoing monitoring program has been established to monitor the nature, extent and movement of the chemical found. The trace level of chemical found has generally been decreasing according to independent environmental reports.

(c) Judgement in determining control of subsidiaries (AASB 10)

In determining whether the consolidated group has control over subsidiaries that are not wholly owned, judgement is applied to assess the ability of the consolidated group to control the day-to-day activities of the partly owned subsidiary and its economic outcomes. In exercising judgement, the commercial and legal relationships that the

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUTED)

(c) Judgement in determining control of subsidiaries (AASB 10) (Continued)

consolidated group has with other owners of partly owned subsidiaries are taken into consideration. Whilst the consolidated group is not able to control all activities of a partly owned subsidiary, the partly owned subsidiary is consolidated within the consolidated group where it is determined that the consolidated group controls the day-to-day activities and economic outcomes of a partly owned subsidiary. Changes in agreements with other owners of partly owned subsidiaries could result in a loss of control and subsequently de-consolidation.

Upon acquisition of partly owned subsidiaries by the consolidated group, judgement is exercised concerning the value of net assets acquired on the date of acquisition. The minority owner interest share of net assets acquired, fair value of consideration transferred and subsequent period movements in value thereof, are disclosed as outside equity interest.

(d) Net realisable value of inventory

In determining the number of write-downs required for inventory, management has made judgements based on the expected net realisable value of that inventory. Historic experience and current knowledge of the products has been used in determining any write-downs to net realisable value.

(e) Judgment on capital development investments

Discounted cash flow models are used for business cases, these include assumptions and estimates of business outcomes and are used for capital investments, such as software. The Consolidated Entity has made an assessment to amortise development costs over 5 years, please refer to Note 17 Intangible Assets for the company policy.

5. SEGMENT INFORMATION

(a) AASB 8 Operating segments

Operating Segments are identified based on 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 operating segments:

- Bedshed retail bedding franchise operation
- Company owned retail bedding stores
- Operation of retail kitchen stores
- Operation of valuation, online auction sales and physical auctions
- Corporate operations

Transfer prices between operating segments are set at an arms-length basis in a manner consistent with 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 2018.

	Continuing Operations						*Discont'd Operation*	
	Bedshed Franchise $'000	Retail Bedding Stores $'000	Retail Kitchen Stores $'000	Online Auction $'000	Joyce Corp $'000	Total '$000	Lloyds' Stock $'000	Total $'000
Year ended 30 June 2018								
Revenue								
Sales to external customers	4,462	13,651	59,937	18,300	42	96,392	3,314	99,706
Total consolidated revenue						96,392	3,314	99,706
Result								
Underlying Profit / (loss)	1,562	436	8,672	2,933	(1,801)	11,802	(200)	11,602
One-Off Transactions	-	-	(300)	(2,175)	(15)	(2,490)	-	(2,490)
Segment Result	1,562	436	8,372	758	(1,816)	9,312	(200)	9,112
Unallocated expenses net of unallocated income						863	-	863
Profit before tax and finance costs						10,175	(200)	9.975
Finance costs						(351)	-	(351)
Profit before income tax						9,824	(200)	9,624
Income tax expense						(3,101)	60	(3,041)
Net Profit for the year						6,723	(140)	6,583
Assets and liabilities								
Segment assets	6,884	5,967	20,227	10,970	7,173	51,221	1,432	52,653
Unallocated assets						1,445	-	1,445
Total assets						52,666	1,432	54,098
Segment liabilities	704	4,005	14,695	1,655	2,177	23,236	1,379	24,615
Unallocated liabilities						1,375	-	1,375
Total liabilities						24,611	1,379	25,990
Other segment information								
Tangible capital expenditure	12	131	1,341	504	86	2,074	-	2,074
Depreciation and amortisation	31	188	589	131	104	1,043	-	1,043

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 2017.

	Continuing Operations						*Discont'd Operation*	
	Bedshed Franchise $'000	**Retail Bedding Stores $'000**	**Retail Kitchen Stores $'000**	**Online Auction $'000**	**Joyce Corp $'000**	**Total '$000**	**Lloyds' Stock $'000**	**Total $'000**
Year ended 30 June 2017								
Revenue								
Sales to external customers	4,262	13,045	47,404	14,044	15	78,770	2,329	81,099
Total consolidated revenue						78,770	2,329	81,099
Result								
Segment result	1,301	438	5,938	2,705	(1,748)	8,634	252	8,886
Impairment	-	(350)	-	-	-	(350)	-	(350)
Segment Result	1,301	88	5,938	2,705	(1,748)	8,284	252	8,536
Unallocated expenses net of unallocated income						57	-	57
Profit before tax and finance costs						8,341	252	8,593
Finance costs						(75)	-	(75)
Profit before income tax						8,266	252	8,518
Income tax expense						(2,626)	(76)	(2,702)
Net Profit for the year						5,640	176	5,816
Assets and liabilities								
Segment assets	7,266	6,334	14,742	2,512	14,920	45,774	1,564	47,338
Unallocated assets						1,309	-	1,309
Total assets						47,083	1,564	48,647
Segment liabilities	1,197	1,163	13,114	695	4,571	20,740	1,311	22,051
Unallocated liabilities						110	-	110
Total liabilities						20,850	1,311	22,161
Other segment information								
Tangible capital expenditure	10	30	9,320	840	2,779	12,979	-	12,979
Depreciation and amortisation	9	230	338	34	9	620	-	620

5. SEGMENT INFORMATION (CONTINUED)

(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 2018.

6. REVENUE, INCOME AND EXPENSES

(a) 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).

6. REVENUE, INCOME AND EXPENSES (CONTINUED)

(b) Revenue, Income and Expenses from Continuing Operations

	CONSOLIDATED	
	2018	2017
	$000	*$000*
Revenue		
Sale of goods	69,823	60,448
Provision of services	26,569	18,322
Total revenue	96,392	78,770
Cost of Goods Sold		
Cost of goods	(35,040)	(34,175)
Cost of services	(7,522)	(4,442)
Total revenue	(42,562)	(38,617)
Other income		
Interest received	64	94
Total other income	64	94
Finance costs		
Bank loans and overdrafts	(351)	(75)
Total finance costs	(351)	(75)
Impairment of goodwill		
Impairment of goodwill	-	(350)
Total impairment of goodwill	-	(350)

(c) Administrative Expenses – continuing operations

	CONSOLIDATED	
	2018	2017
	$000	*$000*
Management bonus (admin)	(1,344)	(542)
Wages and salaries (admin costs)	(21,026)	(12,755)
Wages and salaries (included in distribution costs)	(360)	(297)
Defined contribution superannuation expense	(2,158)	(1,584)
Superannuation (included within distribution costs)	(35)	(28)
Other employee benefits expense (admin)	(3,716)	(1,440)
Other (included within distribution costs)	(58)	(50)
Total employee benefit expenses	(28,697)	(16,696)
Depreciation Expense	(1,043)	(620)
Other administration expenses	(5,934)	(5,069)
Total Administration Expenses	(35,674)	(22,385)

6. REVENUE, INCOME AND EXPENSES (CONTINUED)

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

	CONSOLIDATED	
	2018	**2017**
	$000	**$000**
Minimum lease payments - operating lease	4,553	4,095

7. DISCONTINUED OPERATIONS

On 22 June 2018, the consolidated group ceased operations of its LAAV Group Pty Ltd business division, thereby discontinuing its operations in this business segment.

The financial performance of the discontinued operation, which is included in the profit/(loss) from discontinued operations per the statement of comprehensive income, is as follows:

	CONSOLIDATED	
Discontinued Operations	**2018**	**2017**
	$000	**$000**
Revenue	3,314	2,329
Expenses	(3,514)	(2,077)
Profit before income tax	(200)	252
Income tax (expense)/benefit	60	(76)
Profit/(loss) attributable to owners of the parent entity	(140)	176
Profit/(loss) on sale before income tax	-	-
Income tax expense	-	-
Profit/(loss) on sale after income tax	-	-
Total profit/(loss) after tax attributable to the discontinued operation	-	-

The net cash flows of the discontinued division, which have been incorporated into the statement of cash flows, are as follows:

Net cash inflow/(outflow) from operating activities	(231)	243
Net cash inflow from investing activities	-	-
Net cash (outflow)/inflow from financing activities	-	-
Net (decrease)/increase in cash generated by the discontinued division	(231)	243
Gain/(Loss) on disposal of the division included in gain from discontinued operations per the statement of comprehensive income.	-	-

8. 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.

The major components of income tax expense for the year ended 30 June 2018 are:

	CONSOLIDATED	
	2018	**2017**
	$000	**$000**
Consolidated Statement of Profit or Loss and Other Comprehensive Income – continuing operations		
Current Income tax		
Current income tax expense	2,955	2,782
Deferred income tax		
Relating to origination and reversal of temporary differences	130	(166)
Utilisation of unused tax losses	-	-
Expense/(over) provision in respect of prior years	16	10
Income tax expense relating to continuing operations	3,101	2,626

8. INCOME TAX (CONTINUED)

	CONSOLIDATED	
	2018	2017
	$000	$000
Income tax expense relating to continuing operations	3,101	2,626
Income tax expense relating to discontinued operations	(60)	76
Income tax expense relating to overall operations	3,041	2,702

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 2018 and 30 June 2017 is as follows:

	CONSOLIDATED	
	2018	2017
	$000	$000
Profit before income tax – continuing operations	9,824	8,266
Income tax expense calculated at the statutory income tax rate of 30% (2017: 30%)	2,947	2,479
Expenditure not allowable for income tax purposes	123	32
Impairment of goodwill not allowable for income tax purposes	9	105
Under provision in respect of prior years	22	10
Income tax expense recognised in profit or loss – continuing operations	3,101	2,626

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 continues 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.

8. INCOME TAX (CONTINUED)

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 2018 (2017: Nil).

Deferred income tax

Deferred income tax at 30 June 2018 relates to the following:

	CONSOLIDATED			
	Opening balance	**Charged to income**	**Recognised in Business Combination**	**Closing balance 30 June 18**
	$000	***$000***	***$000***	***$000***
Deferred tax liabilities				
Investment Property	-	(291)	-	(291)
Trade & other receivable	(2)	(1)	-	(3)
Fair value gains on other intangible assets	(260)	-	-	(260)
Balance at 30 June 2018	**(262)**	**(292)**	**-**	**(554)**
Deferred tax assets				
Plant and equipment	167	84	-	251
Trade and other payables	219	22	-	241
Pensions and other employer obligations	539	214	-	753
Provisions	189	(99)	-	90
Other	20	(14)	-	6
Unused Tax losses	173	(69)	-	104
Balance at 30 June 2018	**1,307**	**138**	**-**	**1,445**

The Consolidated Entity has accounted for all deferred tax assets and liabilities.

8. INCOME TAX (CONTINUED)

Deferred income tax at 30 June 2017 relates to the following:

	CONSOLIDATED			
	Opening balance	Charged to income	Recognised in Business Combination	Closing balance 30 June 17
	$000	$000	$000	$000
Deferred tax liabilities				
Investment Property	(5)	5	-	-
Trade & other receivable	-	(2)	-	(2)
Fair value gain on other intangible assets	(260)	-	-	(260)
Inventory	(52)	52	-	-
Balance at 30 June 2017	**(317)**	**55**	**-**	**(262)**
Deferred tax assets				
Plant and equipment	145	22	-	167
Trade and other payables	55	164	-	219
Pensions and other employer obligations	388	67	84	539
Provisions	445	(256)	-	189
Other	77	(57)	-	20
Unused Tax losses	-	173	-	173
Balance at 30 June 2017	**1,110**	**113**	**84**	**1,307**

Provision for income tax

Provision for income tax at 30 June 2018 relates to the following:

	CONSOLIDATED	
	2018	2017
	$000	$000
Balance at 30 June 2018	820	1,153

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:

	CONSOLIDATED	
	2018	**2017**
	$000	*$000*
Net profit attributable to equity holders from continuing operations for basic earnings per share	**6,723**	**5,640**
Effect of dilutive equity instruments	**-**	-
Net profit attributable to equity holders from continuing operations for diluted earnings per share	**6,723**	**5,640**
(Loss) / Profit attributable to equity holders from discontinued operations	**(140)**	176
Profit for year	**6,583**	**5,816**
Non-controlling interests	(3,203)	(3,052)
Net profit attributable to ordinary shareholders for basic earnings per share	**3,380**	**2,764**
Effect of dilutive equity instruments	**-**	-
Net profit attributable to ordinary shareholders for diluted earnings per share	**3,380**	**2,764**
	Number of shares	**Number of shares**
Weighted average number of ordinary shares for basic earnings per share including partly paid	27,588,255	27,588,255
Adjusted weighted average number of ordinary shares for diluted earnings per share including partly paid	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 $1.878) (2017: $1.768) 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

Cash and cash equivalents include 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. Refer to Note 3 for management of financial risks on cash and cash equivalents. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

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

	CONSOLIDATED	
	2018 $000	2017 $000
Cash at bank and in hand	6,215	5,296

11. 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. Refer to Note 3 for management of financial risks on receivables.

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.

	CONSOLIDATED	
	2018 $000	2017 $000
Current		
Trade receivables	1,918	659
Allowance for impairment loss (a)	-	(25)
	1,918	634
Non-current		
Trade receivables	-	-
Other receivables	588	568
	588	568
	2,506	1,202

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

(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 Nil (2017: $25k) 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*
		$000	$000	$000	$000	$000	$000	$000
2018	Consolidated	1,918	1,765	41	63	-	49	-
2017	Consolidated	659	427	143	49	-	15	25

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

Receivables past due but not considered impaired are: Consolidated Entity: $112,129 (2017: $63,999). 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.

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

	CONSOLIDATED 2018 $000	2017 $000
Opening balance at 1 July 2017	25	31
Charge for the year	-	-
Amounts written-off	(25)	(6)
Closing balance at 30 June 2018	-	25

12. 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.

	CONSOLIDATED	
	2018	**2017**
	$000	**$000**
Current		
Stock on hand at cost	3,807	5,012
Provision for impairment (a)	(104)	(104)
	3,703	4,908

(a) Provision for impairment

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2018 amounted to $Nil (2017: $Nil).

	CONSOLIDATED	
	2018	**2017**
	$000	**$000**
Non-current		
Stock on hand at cost	582	691
Provision for impairment (b)	(187)	(163)
	395	528

(b) Provision for impairment

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2018 amounted to $Nil (2017: $Nil). The increase in provision has been written back to cost of goods sold as losses were realised.

13. OTHER ASSETS

	CONSOLIDATED	
	2018	**2017**
	$000	**$000**
Current		
Accrued Revenue	775	181
Prepayments	203	243
Other receivables	224	80
	1,202	504

14. OTHER FINANCIAL ASSETS

	CONSOLIDATED 2018 $000	2017 $000
Current		
Funds held in trust	68	380
	68	380

15. 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;
- Leasehold improvements – 3 to 15 years.
- Buildings – 30 to 50 years; and
- Motor Vehicles – 3 to 6 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.

15. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

	CONSOLIDATED			
	Property& Buildings $000	Plant and equipment $000	Leasehold improvements $000	Total $000
Year ended 30 June 2017				
At 1 July 2016,				
Net of accumulated depreciation	4,471	642	1,130	6,243
Additions	10,314	1,675	907	12,896
Disposals	-	-	(13)	(13)
Depreciation charge for the year	(31)	(227)	(362)	(620)
Fixed Assets – work in progress	-	83	-	83
At 30 June 2017				
Net of accumulated depreciation	14,754	2,173	1,662	18,589
At 30 June 2017				
Cost	14,785	3,271	2,464	20,520
Accumulated depreciation and impairment	(31)	(1,098)	(802)	(1,931)
Net carrying amount	14,754	2,173	1,662	18,589

	CONSOLIDATED			
	Property& Buildings $000	Plant and equipment $000	Leasehold improvements $000	Total $000
Year ended 30 June 2018				
At 1 July 2017,				
Net of accumulated depreciation	14,754	2,173	1,662	18,589
Additions	259	1,033	782	2,074
Disposals	-	(176)	(32)	(208)
Depreciation charge for the year	(105)	(491)	(447)	(1,043)
Transfer to investment property	(8,140)	(550)	-	(8,690)
Fixed Assets – work in progress	-	56	-	56
At 30 June 2018				
Net of accumulated depreciation	6,768	2,045	1,965	10,778
At 30 June 2018				
Cost	6,838	3,502	3,183	13,523
Accumulated depreciation and impairment	(70)	(1,457)	(1,218)	(2,745)
Net carrying amount	6,768	2,045	1,965	10,778

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2018 is $Nil (2017: $Nil). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

An asset acquisition of Burns Auctions/Macquarie Auction Group was completed on 30 June 2018. The Group operates from two key ongoing locations in Bathurst and Dubbo NSW. Included in the property, plant and equipment additions of $1,033k was $151k assets acquired relating to the Burns Auction acquisition.

16. INVESTMENT PROPERTY

	CONSOLIDATED	
	2018	2017
	$000	$000
Balance at beginning of year	-	-
Transfer from property, plant & equipment	8,690	-
Fair value adjustments	933	-
Balance at end of year	9,623	-

During the year, in accordance with AASB 140, the KWB property located at Lytton Brisbane was classified as an investment property. An insignificant portion of the Lytton premise is owner-occupied, being 42%, as the significant portion is under an operating lease to an external third-party manufacturer earning rental.

In accordance with AASB 13 Fair value measurement, during the year, a Third-party expert valuation company valued the Lytton property in Brisbane. The valuation resulted in a fair value increase in the value of the investment property and in accordance to AASB 140, a revaluation gain of $933k was included in the Statement of Profit and Loss and Other Comprehensive Income.

17. 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 annually in the case of intangible assets with indefinite lives, 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.

17. INTANGIBLE ASSETS (CONTINUED)

Goodwill is allocated to cash-generating units for impairment testing. Each of those cash-generating units represents the Consolidated Entity's investment in Australia 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
- KWB Group Pty Ltd cash generating unit
- Lloyds Online Auctions Pty Ltd cash generating unit

(ii) Software development

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.

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.

	CONSOLIDATED	
	2018	**2017**
	$000	**$000**
Goodwill	15,933	15,933
Software development	2,230	-
	18,163	15,933

17. INTANGIBLE ASSETS (CONTINUED)

An analysis of intangible assets is presented below:

	Goodwill		Software Development		Consolidated	
	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000
Year ended 30 June 2018						
At 1 July net of accumulated impairment	15,933	9,500	-	-	15,933	9,500
Acquired goodwill from business combination	-	6,783	-	-	-	6,783
Acquired intangible assets	-	-	2,230	-	2,230	-
Impairment	-	(350)	-	-	-	(350)
At 30 June net of accumulated impairment	15,933	15,933	2,230	-	18,163	15,933
At 30 June						
Cost (gross carrying amount)	17,778	17,778	2,230	-	20,008	17,778
Accumulated impairment	(1,845)	(1,845)	-	-	(1,845)	(1,845)
Net carrying amount	15,933	15,933	2,230	-	18,163	15,933

Goodwill

(a) Initial Goodwill

Goodwill as at 30 June 2018 reflects the value of the Bedshed activities for the Bedshed Joondalup store which was purchased in May 2007, the remaining 51% of Bedshed Franchising Pty Ltd purchased in 2006, the 51% interest in KWB Group purchased 31 October 2014 and the 51% interest in Lloyds Online Auctions Pty Ltd purchased 01 July 2016.

(b) Impairment of Goodwill Disclosures

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 several key estimates. Impairment of Nil (2017: $350,000) has been recognised in respect of goodwill for the year ended 30 June 2018.

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

	CONSOLIDATED	
	2018 $000	2017 $000
Bedshed Franchising segment	6,307	6,307
Bedshed Stores segment	1,820	1,820
Kitchen Stores segment	1,023	1,023
Online Auctions segment	6,783	6,783
	15,933	15,933

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 the existing budget for the 2018/19 financial year extrapolated using estimated growth rates. The cash flows are discounted using risk-adjusted pre-tax discount rate.

17. INTANGIBLE ASSETS (CONTINUED)

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

	Pre –tax Discount Rate	Pre –tax Discount Rate	Sales Growth Rate	Sales Growth Rate	Expense Growth Rate	Expense Growth Rate
	2018	2017	2018	2017	2018	2017
Bedshed Franchising segment	10.7%	10.8%	6.0%	4.0%	1.5%	1.5%
Bedshed Stores segment	10.7%	10.8%	8.0%	5.3%	1.5%	1.5%
Kitchen Stores segment	10.7%	10.8%	8.0%	6.0%	1.5%	1.5%
Online Auctions segment	10.7%	10.8%	10.0%	6.0%	1.5%	1.5%

The Consolidated Entity's value-in-use calculations incorporated a terminal value component beyond the 5-year projection period for all the operating segments. The principal assumption used to estimate the terminal value of each operating segment was a multiple of three to six times earnings (Store 3, Franchising 6, Kitchen 6 & Online Auctions 6) before interest, taxation, depreciation and amortisation for the year ended 30 June 2018.

Impairment of Goodwill for the year ended 30 June 2018 was Nil (2017: $350,000), due to changes in the estimates of future results and terminal value for the Bedshed stores segment.

(c) Impact of possible changes in key assumptions

Sensitivity analysis was conducted on all CGU's, from this the Bedshed store segment was identified as having the lowest headroom and is the only one reported. For the Bedshed store segment:

- If the pre-tax discount rate applied was 10% higher than used in management's estimates, then the Consolidated Entity would recognised an impairment of $56,188.
- If the growth rate applied was 10% lower than used in management's estimates, then the Consolidated Entity would recognised an impairment of $166,486.

Software development

Software developments as at 30 June 2018 reflects the value of the Auctionator platform, Lead Generation Platform and the European Union Bidding Platform. Software developments are amortised in line with the company policy mentioned above, being straight-line basis over periods generally ranging from 3 to 5 years. Software developments were capitalized on 30 June 2018, when first in use.

18. 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.

	CONSOLIDATED	
	2018 $000	2017 $000
Unsecured liabilities		
Trade payables	2,709	2,194
Deferred Income	3,352	2,671
Accruals and other payables	5,278	4,766
Amounts held in trust for Bedshed marketing and other funds (a)	440	442
	11,779	10,073

Amounts held in trust for Bedshed funds

Included within the Total Current Assets balance are funds allocated for the specific use of the Bedshed Approved Purposes fund on behalf of the Consolidated Entity's franchisee-owned and Company-owned stores.

19. 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 several 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.

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.

Provisions are comprised of the following:

	CONSOLIDATED	
	2018	**2017**
	$000	**$000**
Current		
Employee benefits (a)	1,518	1,159
Store lease termination	-	167
Environmental testing (b)	10	35
Total Current	1,528	1,361
Non-current		
Employee benefits (a)	818	636
Environmental testing (b)	-	76
Total Non-Current	818	712
	2,346	2,073

19. PROVISIONS (CONTINUED)

(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.

(b) 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. The Department of Environment and Protection has not required any remediation work due to the low level of risk. An ongoing monitoring program has been established to monitor the nature, extent and movement of the chemical found. The trace level of chemical found has generally been decreasing according to independent environmental reports. The costs of ongoing testing have been allowed for in the costs of sale of property. An executive decision was made to release $101,000 of the environmental testing provision based on third party expert advice received from an environmental testing company that the chemical contamination is non-existent. An environmental testing provision of $10,000, has been provided for future expected testing costs.

	Store Lease Termination	Employee Benefits	Environmental Testing	Total
	$000	$000	$000	$000
Consolidated Group				
Opening balance at 1 July 2017	167	1,795	111	2,073
Additional/ (amount released)	(167)	1,547	(101)	1,279
Amounts used	-	(1,006)	-	(1,006)
Closing balance at 30 June 2018	-	2,336	10	2,346

20. LOANS AND BORROWINGS

	CONSOLIDATED					
	2018			2017		
	Current	Non-current	Total	Current	Non-current	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Bank loans	435	10,056	10,491	-	8,600	8,600
Total loans and borrowings	**435**	**10,056**	**10,491**	**-**	**8,600**	**8,600**

The bank loans are secured by first mortgages over the Group's freehold land and buildings, including those classified as investment properties. Refer to Note 3 for management of financial risks on loans and borrowings. Loan repayment of $435k per annum, finance facility reducing by $109k per quarter.

Compliance with loan covenants

The Consolidated entity has complied with the financial covenants of its borrowing facilities during the 2018 financial year. The financier assesses the financial covenants bi-annually based on audited and reviewed financial reports.

21. CONTRIBUTED EQUITY

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

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.

	CONSOLIDATED	
	2018	**2017**
	$000	**$000**
27,588,255 (2017: 27,588,255) Issued and fully paid ordinary shares	17,347	17,347
380,000 (2017: 380,000) Partly paid ordinary shares, issued at $1.955 and paid to $1.878 (2017: $1.768) (a)	713	672
	18,060	18,019
Movement in ordinary shares on issue	*2018 Number*	*2018 $000*
At 1 July 2017	27,588,255	18,019
Issued shares:	-	-
Payment partly paid shares	-	41
At 30 June 2018	27,588,255	18,060

(1) *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.

22. RESERVES

	CONSOLIDATED	
	2018	**2017**
	$000	**$000**
Financial assets reserve	-	2,699
	-	2,699

Financial asset reserve transferred to retained earnings.

23. CAPITAL AND LEASING COMMITMENTS

Property lease payable – Consolidated Entity as lessee

	CONSOLIDATED	
	2018	2017
	$000	$000
Within one year	3,757	3,427
After one year but not more than five years	4,686	6,449
More than five years	47	211
	8,490	10,087

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.

24. CONTINGENT LIABILITIES

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 recognised 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:

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

(a) Rental Guarantees

Joyce Corporation Ltd has provided bank 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 $689,429 (2017: $689,429).

KWB Group have bank guarantees and rent deposits supporting store leases of $351,366 at 30 June 2018 ($380,597 at 30 June 2017). Rent deposits are included in Non-current Trade and Other Receivables, see note 11.

25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

	Carrying Amount $'000	Fair Value Amount in $'000
Current Receivables		
Loans	435	435
Non-current Receivables		
Deposit	588	588
Non-current Borrowings		
Interest bearing loans & borrowings	10,056	10,056

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, except for the Investment Property which is based on a level 2 fair value method, using a third-party expert valuer.

(1) 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.

26. BUSINESS COMBINATION

On 1 July 2016, the group acquired 51% of the equity of Lloyds Online Auctions Pty Ltd ("LOA") by a cash offer for shares held by one of its subsidiaries.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$'000
Purchase consideration	
Cash paid	6,000
Settlement consideration payable	900
Total purchase consideration for 51% of Lloyds Online Auctions Pty Ltd	6,900

The assets and liabilities recognised at fair value, as a result of the acquisition are:

	$'000
Cash & cash equivalents	1
Other current assets	110
Fixed assets	275
Deferred tax asset	84
Employee entitlements	(240)
Net identifiable assets acquired	230
Add: goodwill	6,783
Non-controlling interest on acquisition of subsidiary	(113)
Total purchase consideration for 51% of Lloyds Online Auctions Pty Ltd	6,900

Settlement consideration paid

The directors approved $900k as the final consideration settlement of the acquisition, which was part of the original agreement and contingent on Lloyds group performance during the 2017 financial year. $815k has been paid, remaining $85k payable on demand.

Treatment of non-controlling interests

The group recognised non-controlling interests in an acquired entity either at fair value or at non-controlling interest's proportionate share of the acquired entity's net identifiable assets. The decision is made on an acquisition-by-acquisition basis. For the non-controlling interests (49%) in Lloyds Online Auctions Pty Ltd, the group elected to recognise the non-controlling interest at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

27. RELATED PARTY DISCLOSURES

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

	Country of incorporation	% Equity interest	
		2018	2017
Joyce Industries Pty Ltd	Australia	100	100
Sierra Bedding Pty Ltd	Australia	100	100
Bedshed Franchising Pty Ltd	Australia	100	100
Joyce International Pty Ltd	Australia	100	100
Joyce Consolidated Holdings Pty Ltd	Australia	100	100
KWB Group Pty Ltd	Australia	51	51
KWB Property Pty Ltd	Australia	51	51
Brisbane Investment Holdings Pty Ltd	Australia	51	51
Trade Gold Installations Qld Pty Ltd	Australia	51	51
Trade Gold Installations NSW Pty Ltd	Australia	51	51
Trade Gold Installations SA Pty Ltd	Australia	51	51
Lloyds Online Auctions Pty Ltd	Australia	51	51
Lloyds Auctions & Valuers Pty Ltd	Australia	51	51
LAAV Group Pty Ltd	Australia	51	51

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

a) Related Party Transactions

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 2018.

(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 Anthony Mankarios are paid to Starball Pty Ltd, a company in which Anthony has significant influence - $538,201 (2017: $473,917). As at year end the amount owing to this related party was $26,773 (2017: $23,805).

(iv) A receivable from Pynland Pty Ltd, a company owned by Dan Smetana, for $26,231 owing to Joyce Corporation Ltd for amounts paid on behalf of Pynland Pty Ltd (2017: $26,231).

(v) Key management personnel compensation

	CONSOLIDATED	
	2018	2017
	$000	$000
Short Term Benefits	2,417	2,237
Post-Employment Benefits	176	157
	2,593	2,394

Detailed remuneration disclosures are provided in the remuneration report on pages 22 to 30.

27. RELATED PARTY DISCLOSURES (CONTINUED)

(vi) Loans to key management personnel

During the financial year, there was a $400k (2017: Nil) loan from Dan Smetana, of which $371k was repaid in the year and $29k remained as at 30 June 2018. The remaining $29k loan balance was subsequently used by Dan Smetana as the final payment towards the partly paid shares.

$85k loan from Andrew Webber, outstanding as the final earn out balance of the Lloyds business acquisition settlement, which was contingent on the Lloyds Group 2017 financial performance.

(vii) During the year ended 30th June 2018, LAAV Management Pty Ltd, a company of which Andrew Webber is a director, was paid $190k by Lloyds Online Auctions Pty Ltd for the provision of management services to be provided to the business by Andrew Webber and Mark Fitzpatrick. This amount is in addition to the remuneration disclosed in the key management personnel remuneration disclosures.

b) Non-Controlling Interest

The effect on the equity attributable to the owner of Joyce Corporation Limited during the year as follows:

	2018 $000	2017 $000
Carrying amount of non-controlling interests acquired	1,930	1,026
Acquired non-controlling interest during the year (i)	-	113
Share based payment to non-controlling interest	-	-
Profits attributable to non-controlling interests	3,203	3,052
Dividends paid to non-controlling interest	(2,060)	(2,261)
Closing carrying amount of non-controlling interest	3,073	1,930

(1) On 1 July 2016, the group acquired 51% of the issued capital in Lloyds Online Auctions for $6,900,000. The carrying amount of Lloyds Online on acquisition was $231,000, please refer to Note 26 Business Combinations. The carrying amount of the existing 49% non-controlling interest was $113,000.

Set out below is recognized financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Statement of financial position	**KWB Consolidated Group**		**Lloyds Consolidated Group**	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Current assets	6,395	3,651	2,557	3,166
Current liabilities	(9,478)	(7,363)	(3,407)	(1,842)
Current net assets	(3,083)	(3,712)	(850)	1,324
Non-current assets	13,203	11,352	3,538	1,075
Non-current liabilities	(6,135)	(5,751)	(182)	(165)
Non-current net assets	7,068	5,601	3,356	910
Net assets	3,985	1,889	2,506	2,234
Accumulated NCI	1,860	832	1,213	1,098

27. RELATED PARTY DISCLOSURES (CONTINUED)

Statement of financial performance *(including discontinued operations)*	**KWB Consolidated Group 2018 $'000**	**KWB Consolidated Group 2017 $'000**	**Lloyds Consolidated Group 2018 $'000**	**Lloyds Consolidated Group 2017 $'000**
Revenue	60,919	47,482	21,614	16,373
Profit for the period	6,146	4,218	235	2,011
Total comprehensive income	6,146	4,218	235	2,011
Profit allocated to NCI	3,088	2,067	115	985
Dividends paid to NCI	(2,060)	(2,261)	-	-

Statement of cash flow	**KWB Consolidated Group 2018 $'000**	**KWB Consolidated Group 2017 $'000**	**Lloyds Consolidated Group 2018 $'000**	**Lloyds Consolidated Group 2017 $'000**
Cash flow from operating activities	7,951	4,032	1,019	2,268
Cash flow from investing activities	(1,326)	(9,375)	(2,647)	(565)
Cash flow from financing activities	(4,205)	1,043	-	-
Net increase/(decrease) in cash and cash equivalents	2,420	(4,300)	(1,628)	1,703

28. DIVIDENDS

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

	2018 $000	**2017 $000**
Distributions paid or payable		
Final fully franked ordinary dividend of 3.0 (2016: 3.0) cents per share (Paid 18 November 2016)		839
Special fully franked dividend of 3.0 (2016: 5.0) cents per share (Paid 18 November 2016)		839
Interim fully franked dividend of 3.5 (2016:3.0) cents per share (Paid 14 April 2017)		979
Special fully franked dividend of 2.0 (2016: 2.0) cents per share (Paid 14 April 2017)		559
Final fully franked ordinary dividend of 3.0 (2017: 3.0) cents per share (Paid 22 November 2017)	839	
Special fully franked dividend of 3.0 (2017: 5.0) cents per share (Paid 22 November 2017)	839	
Interim fully franked dividend of 5.0 (2017:3.0) cents per share (Paid 11 April 2018)	1,399	
	3,077	3,216

At 30 June 2018, the directors have not declared the payment of a final dividend out of retained profits and will continue to monitor performance and review resources and liquidity to determine when a dividend will be paid.

Dividends Paid	**2018 $000**	**2017 $000**
Cash payments in relation to dividends paid in the financial year	3,077	3,216

29. EVENTS SUBSEQUENT TO REPORTING DATE

A fully franked dividend of 6.0 cents per share was declared on 30 August 2018 and payable 21 November 2018.

A KWB Q4 FY18 fully franked dividend of $1,288,672 was declared and paid on 13 July 2018.

On 16 July 2018 Dan Smetana settled the final payment for the 380,000 partly-paid ordinary shares held at 30 June 2018, paid to $1.878 (2017: 380,000 issued at $1.955 and paid to $1.768).

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

© the Consolidated Entity's state of affairs.

30. AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2018 $000	2017 $000
Amounts received or due and receivable by the auditor's for:		
Audit or review of the financial report of the Consolidated Entity	110	96
Non-audit services	-	23
	110	119

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

Reconciliation of net profit (loss) after tax to the net cash flows from operations	**CONSOLIDATED**	
	2018 $000	**2017 $000**
Net profit after taxation	6,583	5,816
Adjustments for:		
Depreciation and amortisation	1,043	746
Impairment of goodwill	-	350
Net loss / (profit) on disposal of plant and equipment	41	37
Property investment revaluation	(933)	-
Changes in assets and liabilities		
(increase)/decrease in inventories	(1,171)	(1,236)
(increase)/decrease in trade and other receivables	1,284	(83)
(increase)/decrease in other assets	484	73
(increase)/decrease in net deferred tax assets and liabilities	3,013	(575)
(decrease)/increase in trade and other payables	(879)	1,126
(decrease)/increase in provisions	(440)	(919)
Net cash flows used in operating activities	**9,025**	**5,335**

32. PARENT ENTITY DISCLOSURES

a. Financial position

	As at 30 June	
	2018	2017
	$000	$000
Assets		
Current assets	379	124
Non-current assets	24,414	23,620
Total assets	**24,793**	**23,744**
Liabilities		
Current liabilities	480	281
Non-current liabilities	4,945	3,123
Total liabilities	**5,425**	**3,404**
Net Assets	**19,368**	**20,340**
Equity		
Issued capital	18,060	18,019
(Accumulated losses) / Retained earnings	1,308	2,321
Net Equity	**19,368**	**20,340**

b. Financial performance

	Year ended 30 June	
	2018	2017
	$000	$000
Profit / (Loss) for the year	2,057	(550)
Total comprehensive profit / (loss)	**2,057**	**(550)**

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

No such guarantees existed at 30 June 2018 (30 June 2017: Nil).

d. Contingent liabilities of the parent entity.

No contingent liabilities existed within the parent entity as at 30 June 2018 (30 June 2017: Nil).

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

Commitments for the acquisition of property plant and equipment by the parent entity existed as at 30 June 2018 for the value of $Nil (30 June 2017: Nil).

33. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following applicable accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the year ended 30 June 2018, and no change to the Group's accounting policy is required:

The Group has not elected to early adopt any new Standards or Interpretations.

Reference	Title	Summary	Impact on Group's financial report	Application date for the Group
AASB 15	Revenue from Contracts with Customers	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.	The Group has assessed that there will be no material impact on financial reports.	1 July 2018
AASB 9	Financial Instruments and associated Amending Standards	The key changes include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income	The Group has not yet determined the impact on the Group's financial statements.	1 July 2018
AASB 2017-1	Transfers of Investment Property	**Amendments to AASB 140 *Investment Property*** The amendments clarify the principle that an entity can only transfer a property to, or from, investment property when there is a change in use of the property, supported by evidence that a change in use has occurred. They also clarify that the situations specified in AASB 140, paragraph 57 are examples of evidence of change in use, and not an exhaustive list.	The Group has made an assessment and identified the Lytton property as an investment property.	1 July 2018
AASB 16	Leases	AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases.	The Group has not yet determined the impact on the Group's financial statements.	1 July 2019

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 2018 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 August 2018

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INDEPENDENT AUDITOR'S REPORT

To the members of Joyce Corporation Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Joyce Corporation Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Capitalised Development Costs

Key audit matter	How the matter was addressed in our audit
During the year, the Group capitalised software development project costs related to the auction platform, Lloyds Online Auctions. As set out in notes 4(e) and 17, the capitalisation of software development project costs was a key audit matter due to the amount of the costs capitalised and the judgement involved in assessing whether the criteria set out in the Australian Accounting Standard AASB 138 required for capitalisation of such costs had been met, particularly: • The technical feasibility of the project; and • The likelihood of the project delivering sufficient future economic benefits. The Group's judgements also included whether capitalised costs were developmental rather than research in nature and whether costs, including payroll costs, were directly attributable to the relevant projects.	Our procedures included, but were not limited to the following: • Discussing business plans with management to develop an understanding of the nature and feasibility of the development projects at 30 June 2018; • Agreeing a sample of capitalised costs to supporting documentation including payroll records and assessed the determination of these as development in nature; • Assessing the key inputs that support future income, including post year end revenues attributable to the expansion of the auction platform; and • Assessing the adequacy of the Group's related disclosures in the financial report.

Carrying Value of Goodwill

Key audit matter	*How the matter was addressed in our audit*
The Group is required under Australian Accounting Standard AASB 136 *Impairment of Assets* to perform an annual impairment test of the carrying value of goodwill. As set out in notes 4(a) and 17, the director's assessment of the recoverability of goodwill requires the exercise of significant judgement, in particular in estimating future growth rates, discount rates and the expected cash flows of cash generating units ("CGUs") to which the goodwill has been allocated.	Our procedures included, but were not limited to the following: • Evaluating the Group's categorisation of CGUs and the allocation of goodwill to the carrying value of the CGUs based on our understanding of the Group's businesses; • Evaluating management's ability to accurately forecast cash flows by assessing the precision of the prior year forecasts against actual outcomes;

	• Comparing the Group’s forecast cash flows to the board approved budget; • Assessing the reasonableness of discount rates used by management; • Performing sensitivity analysis on the growth and discount rates; • Testing the mathematical accuracy of the impairment models; and • Assessing the adequacy of the Group’s related disclosures in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group’s annual report for the year ended 30 June 2018, but does not include the financial report and the auditor’s report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material

If, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 30 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Joyce Corporation Ltd, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

BDO Audit (WA) Pty Ltd

BDO

Neil Smith

Neil Smith

Director

Perth, 30 August 2018

ASX ADDITIONAL INFORMATION

AS AT 28 AUGUST 2018

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 28 August 2018	Holders	Fully Paid Ordinary Shares	%
1 - 1,000	229	84,691	0.30
1,001 – 5,000	197	516,280	1.85
5,001 - 10,000	85	692,836	2.48
10,001 – 100,000	187	6,122,020	21.89
100,001 – and over	29	20,552,428	73.48
Total	**727**	**27,968,255**	**100.00**

(b) Shareholdings - Substantial Shareholdings

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

Ordinary Shareholder	Fully Paid Ordinary Shares	%
1. Mr. Dan Smetana *	11,234,829	40.2
2. John Roy Westwood	2,328,000	8.3
Total	**13,562,829**	**48.5**

* As at 28 August 2018 Mr Smetana has beneficial interest in 10,254,129 fully-paid ordinary shares (2017: 9,874,129). On the 16 July 2018, 380,000 partly paid shares were converted to fully paid ordinary 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 28 AUGUST 2018

(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	7,711,568	27.57
2	UFBA PTY LTD	2,328,000	8.32
3	PEDUNCLE PTY LTD	1,948,312	6.97
4	ONE MANAGED INVT FUNDS LTD <1 A/C>	1,000,000	3.58
5	TRAFALGAR PLACE NOMINEES PTY LTD	990,233	3.54
6	MR DONALD TEO	990,000	3.54
7	MR DAN SMETANA	734,022	2.62
8	MR DANIEL ALEXANDER SMETANA	563,726	2.02
9	STARBALL PTY LTD	534,031	1.91
10	TREASURE ISLAND HIRE BOAT COMPANY PTY LTD <STAFF SUPER FUND ACCOUNT>	504,291	1.80
11	CONARD HOLDINGS PTY LTD	347,940	1.24
12	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	281,879	1.01
13	MR ROSS SYDNEY ANDERSON + MS MAW MAW WYNN <WYNN SUPER FUND A/C>	240,000	0.86
14	MARTEHOF PTY LTD <TEMA SUPER FUND A/C>	210,000	0.75
15	EPIC TRUSTEES LIMITED	201,695	0.72
16	MAN INVESTMENTS (NSW) PTY LTD <AMC SUPER FUND A/C>	189,792	0.68
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	180,710	0.65
18	MRS JANINE ALEXANDRA SIAN HOFFMAN	170,000	0.61
19	LOG-IT PTY LTD <FALCON FIRE SUPER FUND A/C>	166,666	0.60
20	MR FELIX SMETANA	160,050	0.56
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES		**19,452,915**	**69.55**
Total Remaining Holders Balance		**8,515,340**	**30.45**

ASX ADDITIONAL INFORMATION (CONTINUED)

AS AT 30 AUGUST 2018

(e) Company Secretary

Mr. Keith Gray

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(h) Auditors

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