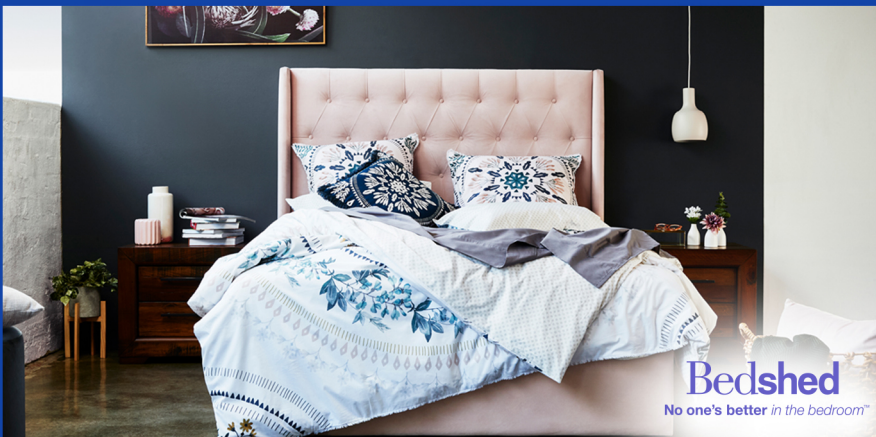


# ANNUAL REPORT

## 2019



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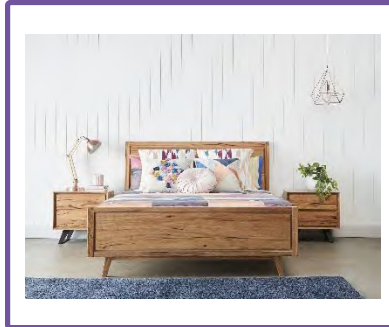




# The year in review

*“Prosper in business together”*

**Growth  
Through  
Partnerships**



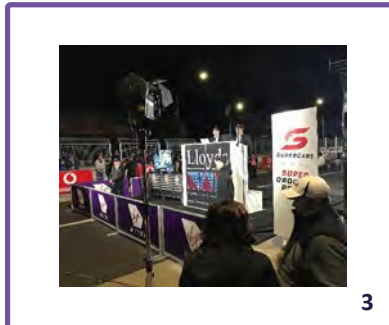
**Annual Compound  
Growth  
(FY14 – FY19)  
Earnings: +59%<sup>1</sup>**



2



**KWB and Bedshed  
opened a combined 7  
new stores in FY19**



3

**Lloyds bring to  
market the Brock  
and Gosford  
Museum**

<sup>1</sup> – for current continuing operations

<sup>2</sup> – New KWB store in Toowoomba

<sup>3</sup> – Lloyds charity auction at Bathurst supporting Farmers in Need

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Mike Gurry AM

## Chairman's Letter

PARTNER, DEVELOP, GROW  
"We prosper in *business* together"

Dear Shareholder,

We are pleased to report that Joyce Corporation has delivered another successful year with a statutory revenue of \$100 million and network sales revenue reaching \$288 million, which is a 12.9% increase on the previous year. Sales revenue includes sales through franchisees and gross auction revenue which is a better indicator of the scale of the Joyce business.

The significance of this achievement is magnified when you consider the recent decrease in consumer spending. On 2 August 2019 CommSec released an *Economics Insights* report for the June 2019 quarter – the title of which read: 'Slowest retail spending in 28 years'<sup>1</sup>. Our ability to grow our revenue base during such a tumultuous period is a testament to the talent and commitment of the entire Joyce Corporation team.

This result has been achieved through our 'partnership' model, encapsulated in *Our Values* of openness, integrity, professionalism and performance accountability. This model has given us the ability to continuously deliver value to our customers resulting in a corresponding uplift in earnings, rising by 7.1 per cent on the prior year to \$9.8 million<sup>2</sup>.

### Our Business Model

At Joyce Corporation, we look to partner with maturing organisations and together reach and maximise their earnings potential.

The Executive Team has been optimising our planned integration process to simplify and focus new partner organisations on accelerating earnings growth. Our operational performance over the past 12 months reflects the success of this model and in what could have been a difficult year, considering the national decrease in consumer spending, Joyce Corporation continued to grow.

We will continue to identify and scope new opportunities to partner and take advantage of our model. High on our selection criteria is alignment to our values and people with whom we can work to maximise our joint growth potential.

With our focus on improvement and working to maximise growth for our brands and partners, I can see that we are even better positioned today to successfully bring new opportunities into the Entity than we were 12 months ago.

The Board and Executive team at Joyce have enjoyed working alongside our divisional leaders to maximise results for all stakeholders, and we look forward to maintaining the same level of engagement in FY20 and beyond.

### Acknowledgements

It would be remiss of me to not acknowledge the tremendous contribution our outgoing Chairman Dan Smetana has made to Joyce Corporation in his 34 years of service.

The Company has undergone many changes in that time and under Dan's careful guidance, we see an organisation that is stronger, in possession of a more robust balance sheet and poised for future growth.

I would also like to acknowledge the dedication and commitment of the senior executives in each of the Joyce Corporation subsidiaries. We are fortunate in having a dedicated group of highly driven managers striving to achieve exceptional results in a challenging economic environment. With plans for continued expansion in mind, the

Board has concluded that the CEO role should transition to being full-time.

To this end, Anthony Mankarios has stepped down in preparation for the change to Joyce Corporation's CEO role. On behalf of the Board, I would like to thank Anthony for stepping into the Executive Director role and for his commitment over the last nine years. Anthony will remain on the Board until November 2019 in a non-executive capacity, before fully transitioning from the Company.

Keith Smith, our Chief Operating Officer and Finance Executive, has assumed the role of Acting CEO. Since joining Joyce Corporation in 2018, Keith has been instrumental in driving productivity and efficiency gains throughout the organisation. He has formed strong and effective working relationships with all our subsidiary executives which is critical to our growth and financial performance. The Board is confident Joyce Corporation will be in reliable hands with Keith at the helm.

Finally, I would like to acknowledge the contributions of my colleagues on the Board. The Joyce Board is very actively involved with our subsidiaries. We are fortunate in having very competent Board members who are highly committed and hardworking. In my view it is the partnership of Board members working with our Executive team which is one of the secrets to Joyce's success. I would also like to welcome Travis McKenzie to the Board. We look forward to his contribution for many years to come.

With best wishes,

Mike Gurry

Chairman

<sup>1</sup> Commonwealth Securities Limited (CommSec), Economic Insights, 'Slowest retail spending in 28 years', 2 August 2019.

<sup>2</sup> When one-time property revaluation is removed.



Keith Smith

## Acting CEO

*"A year of growth, change and achievement"*

The past 12 months has seen significant growth, change and achievement for Joyce.

Our nationally recognised brands – **Kitchen Connection, Lloyds Online Auctions** and **Bedshed** – have benefitted from strategic investments which will allow them to continue to mature and grow.

This investment has helped lift our revenue to more than \$100 million in FY19, something we have been working towards and of which we should all be very proud. It sets a new base from which we plan to continue building on in the coming years

As one of Australia’s oldest ASX-listed companies, we continue to judge our performance over extended periods of time, being responsive and resilient to market changes and continuing to operate in a sustainable and ethical manner.

In the past five financial years (FY14 to FY19) we have seen revenue increase by more than 700 per cent, which is an annual compound growth rate of 50-plus per cent.

### Our Partner Organisations

**KWB** - expanded geographically during the year, following the shared strategy to deliver earnings growth by opening up in key markets located in new regions.

In FY19 the team delivered an EBIT result of \$9.5 million, representing a 14.0 per cent increase on the prior financial year<sup>1</sup>. There remains significant geography to expand into and drive earnings still further.

With 20 showrooms now in the KWB portfolio and strong coverage in the state of Queensland, expansion plans for KWB in the 2020 Financial Year are focused on New South Wales and, more specifically, Northern Sydney.

**Lloyds** - The auction market sector, where our **Lloyds Online Auctions** division operates, has seen larger competitors struggle due to insolvencies reaching a 31-year low.

During this downturn the Lloyds team has focused on the *Classic Car* (vehicle 20 or more years old) vertical, delivering multi-million-dollar auctions like the Brock Racing Car Collection and the vehicles held by the Gosford Motor Museum.

This segment of Lloyds’ business delivered auction sales growth of more than 40 per cent compared to the previous 12 months. This growth was supported by proprietary software deployed over the past 24 months, providing us with a rich dataset that ultimately allows us to better understand our customers and their needs.

This strategic focus is supported by interest in and demand for Classic Cars remaining strong, as investors continue to look for alternatives to putting cash into the stock market or on deposit.

To capitalize on this, Lloyds has recently secured motor vehicle auction licenses in Western Australia and Victoria—two states that are key to the continued expansion of Classic Car sales within Lloyds

**Bedshed** - continues to add value to Joyce with earnings in the past financial year growing by 12.9 per cent to \$2.1 million, which follows the 44 per cent growth in earnings recorded in the previous year.

This impressive result has to be understood in the market context where other ‘Large Format Retailers’ have indicated a significant drop in sales and franchisees have passed agreements back to the franchisor.

Counter to the broader market, demand for Bedshed franchises remains strong with four stores opening in the past 12 months. As franchise demand has grown the team has invested in ‘on boarding’ new franchisees.

The Bedshed team will continue to execute on their franchisee recruitment plan, exceptional marketing plan and utilisation of new reporting technology to deliver further positive earnings growth through FY20. The team are also currently progressing an

e-Commerce offering, which is expected to increase revenue growth from December, when the online store launches.

**Joyce** – We have been refining plans to select and integrate new organisations into the Joyce portfolio. There is now more opportunity and capability to grow the Organisation through acquisition than we have historically had.

The efforts of our leaders and teams across the Organisation over the past financial year, and execution of our strategic plan, have delivered positive earnings growth for our businesses and shareholders.

Like Mike, I see great potential for Joyce and look forward to supporting the wider team and overseeing the delivery of our strategy through FY20.

Sincerely,

Keith Smith Acting CEO



<sup>1</sup>When the one-time property revaluation is removed from the prior year.

## ORGANISATIONAL OVERVIEW

### THE JOYCE BUSINESS MODEL

We identify emerging corporates, partner to unlock potential, ultimately creating wealth for all parties.

#### WHO WE ARE



Our Company, with its solid portfolio of nationally-recognised brands, continues to grow despite a challenging macro-economic environment. To continue our growth, we are working to identify additional partners to work with in the future. Our partnering model works across diverse industries and organisations.

In FY20, we will invest in the talent of our Executive Team to further support our partners and identify future growth opportunities. We are committed to reaching the full potential of our partnerships.



#### KWB GROUP PTY LTD (KWB)

KWB delivers outstanding solutions to customers looking to renovate their homes. They have a rapidly expanding kitchen and wardrobe showroom network closing the year with 20 showrooms.

(See Note 5) \$M's	FY19	FY18	GROWTH
Continuing Revenue	\$65.0	\$56.3	+15.3%
Segmental EBIT	\$9.5	\$8.3	+14.0%

#### LLOYDS ONLINE AUCTIONS (LLOYDS)



Lloyds is one of Australia's premier auctioneering and valuation firms, selling items valued at a few dollars through to multi-millions of dollars. Lloyds online and simulcast auctions are some of the most popular on the internet and they operate throughout Australia, across eleven dedicated auction facilities.

(See Note 5) \$M's	FY19	FY18	GROWTH
Continuing Revenue	\$17.0	\$15.9	+6.8%
Segmental EBIT	\$0.2	\$0.7	-65.4%

The EBITDA earnings improved from \$0.66m in FY18 to \$0.92m in FY19 a 39% increase.

#### BEDSHED FRANCHISING & COMPANY STORES (BEDSHED)



No one's better in the bedroom™

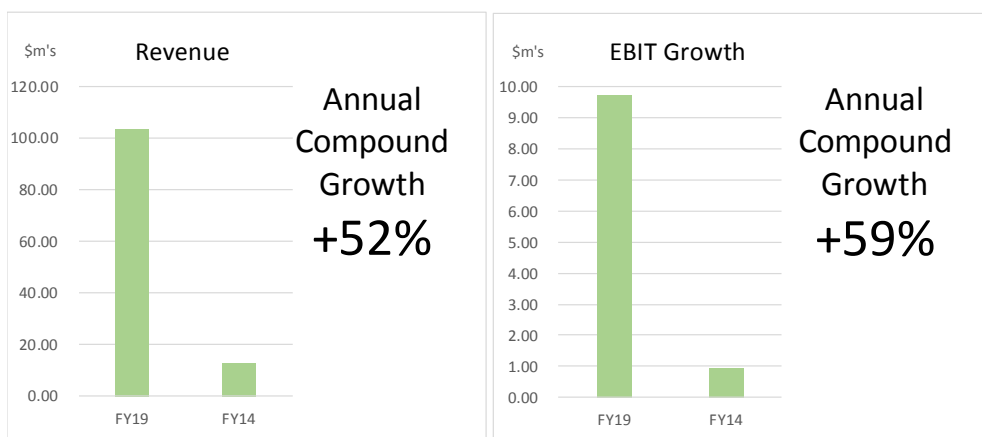
Beshed is a leading Australian household name, renowned for delivering high-quality, made-to-order products. Much of the 37-store network is owned by franchisees, with five company-owned outlets. All stores enjoy the advantages of being part of a major buying and marketing group.

(See Note 5) \$Ms	FY19	FY18	GROWTH
Continuing Revenue	\$19.2	\$21.1	-8.7%
Segmental EBIT	\$2.1	\$1.9	+12.9%

## EXCEPTIONAL AND SUSTAINABLE GROWTH

By identifying and partnering with high-quality corporates and making appropriate investments we have delivered consistent rates of growth over an extended period.

With our experienced Board and talented Executive Team, we plan to continue our growth, and by 2023 deliver earnings that support a \$100 million market capitalization.



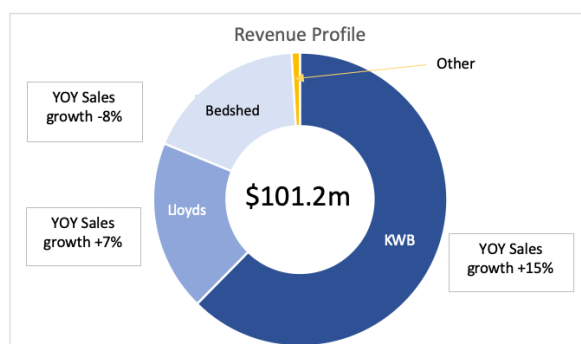
The growth delivered over the past five years has come from deployment of the Joyce Business Model that has seen several successful acquisitions, the development of like-for-like sales and the addition of new lines of business. All the businesses we partner with are delivering growth—KWB and Bedshed through store network expansion plans and Lloyds through the development and growth of new ‘verticals’.

The best example of how Lloyds has successfully launched a new vertical is the Classic Car Auction division which did not exist at the time Joyce Corporation bought into Lloyds in 2016. Today the Classic Car division has a larger auction revenue than the entire entity had at the point Joyce bought in during 2016. This is testament to the growth potential within the organisation. In FY20, Lloyds will be expanding its car operations in Western Australia and Victoria; further realising its potential and building new opportunities for growth.

KWB successfully opened three showrooms in FY19 as planned and are looking to continue this pace of growth going forward. In FY20 this expansion will focus on establishing a presence in the growing region of Northern Sydney. Establishing here demonstrates the KWB team’s ongoing ability to open up sites in new population centres.

Bedshed continues to expand its franchise network with four stores opening in FY19. Owing to our future growth plans, the Bedshed team is expanding, with new team members being employed to accelerate future expansion plans and support new franchisees as they come onboard.

The sales chart below demonstrates the FY19 divisional growth and reflect where most of the investment has been made, namely KWB and Lloyds:





# KWB G R O U P





## DIVISIONAL REVIEW

### KWB – Managing Director’s Report



John Bourke  
Managing Director



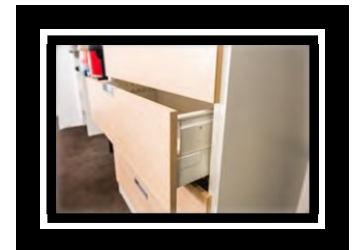
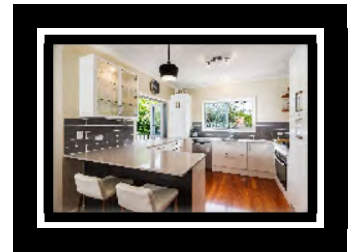
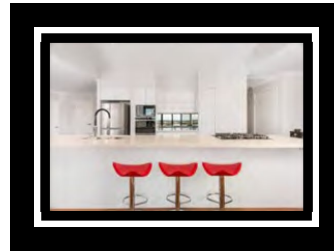
Chris Palin  
Finance Director

KWB had another successful year supported by our team and customers, consolidating our position as a leader in the home renovation retail market.

Our model, which provides great customer experiences, has increased our ratings on sites company providing kitchens across Australia and is supported by more than 1,400 reviews.

In the 2018–19 Financial Year, our geographic reach increased with three new showrooms opening in strategically key locations of Toowoomba, Helensvale and West Gosford. Customer demand in these showrooms has been strong and as planned. Historically, new stores in our Group have returned their initial investment in the first year of trading—we expect this to continue as we continue with our geographic expansion.

EBIT performance was strong, with double digit growth like the sales increase to achieve 14 per cent growth over the previous year and improving 2.2 points on the budgeted contribution margin.



### OUTLOOK

The infrastructure currently in place for the KWB Group provides us with solid foundations to continue the successful roll-out of our new showroom program over the next 12 months.

Three new showrooms are planned for 2019–20, and we have plans to secure a presence in the as yet untapped Sydney market over the coming three years. Our historic success has been based on delivering our consumer-centric model consistently across our network. As we grow, we recognise the need to ensure we are consistent and so we are developing a specialised training centre which we will launch in the next 12 months to support our consistent and well-regarded service.

Retail showroom visitor numbers are expected to grow from our current base, buoyed by ongoing brand building led by advertising and positive online consumer product reviews that create referrals.

In the 2019–20 Financial Year we anticipate the KWB Group will continue to experience strong growth, supported by Joyce.



## DIVISIONAL REVIEW

### LLOYDS ONLINE AUCTIONS—Founder's Report



Andrew Webber, Founder

In FY19 Lloyds grew overall auction turnover by 12.4 per cent (year on-year) to \$125 million, despite operating during a 31-year low in insolvency rates – a key source of inventory for our historic business.

Lloyds' growth has been achieved through strategic planning and management, including the deployment of new 'verticals' in the last three-years targeting the classic car and fine art segments.

Over the past 12 months we have set new records for classic car auction values and been selected to facilitate major events such as the iconic Peter Brock and Gosford Museum collection sales. This has established Lloyds as the 'go to' seller for classic cars and, collectively, represent significant milestones as we reach the mid-point of our five-year strategy.

This year has also been a year of 'giving back', with Lloyds hosting a very successful charity auction in Bathurst supporting Farmers in Need. During the Supercar race event at Bathurst Lloyds partnered with race teams to bring to auctions many items of racing memorabilia. It is an important part of our culture that we volunteer to carry out events like this.

Lee Hames has taken a wider leadership role at Lloyds this year, supporting the businesses' growth as Chief Operating Officer and being elected as a director of Lloyds Online Auctions Pty Ltd.



Lee Hames,  
Chief Operating Officer  
and Director

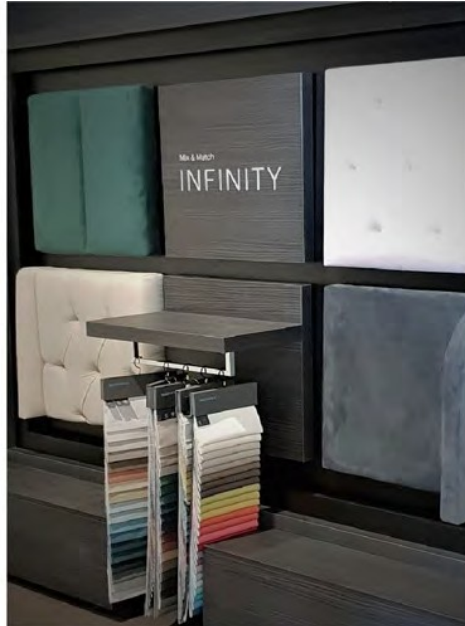


With the downturn across the auction sector, Lloyds 'traditional' business was impacted. In response, the team has undertaken a significant cost reduction program, which will be completed prior to the end of the 2019 calendar year. As a result, since October 2018 we have seen a 20-plus per cent reduction in staff numbers.



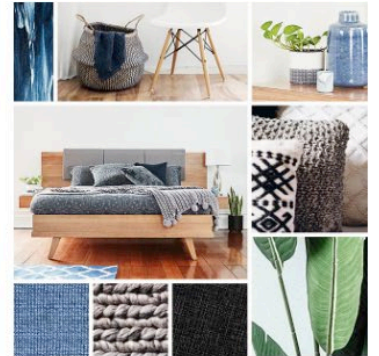
### OUTLOOK

Lloyds is positioned for profitable growth in FY20 with the expected resurgence in yellow and green goods, like the equipment pictured above, coming to market over the next 12 months. The expected earnings growth will be underpinned by the cost base reduction, the leveraging our cutting-edge technology platform and the further simplification of our business processes.



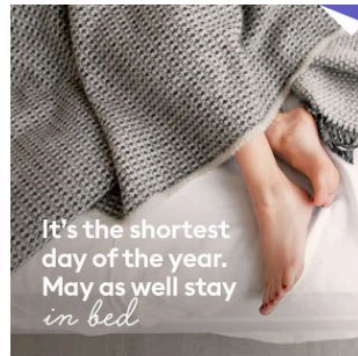

When you know  
it's going to be  
one of those days...  
Namast'ay In Bed

[TheBedroomReport.com.au](http://TheBedroomReport.com.au)




I have more clothes to sleep  
in than I do to go out in.  
That says a lot about me  
as a person.

[TheBedroomReport.com.au](http://TheBedroomReport.com.au)



It's the shortest  
day of the year.  
May as well stay  
*in bed*

Try it. Take it. Unpack it.  
Enjoy it.

**boxed**  
BY DISCOVERY

## DIVISIONAL REVIEW

### BEDSHED – General Manager's Report



Throughout FY19 there was a lot of commentary around the challenges facing retailers, particularly those operating in the high-value discretionary spend sector. Despite this backdrop, Bedshed has improved year-on-year sales and profit, as reported in our FY19 financial results.

In the past year Bedshed opened four franchised stores, highlighting the demand for our franchisee services and support, and we have recently appointed two key staff to drive our continued growth over the coming years. One of our new team members is focused on our range and the other will work to accelerate the pace at which we can onboard new franchisees. These resources are key investments in the future growth of the Bedshed business.



### OUTLOOK

Against the challenging backdrop in the retail sector generally, a significant number of new initiatives have been deployed to complement the strength we have shown in our marketing, staff training and franchise programs. These activities have delivered growth in EBIT of 12.9 per cent compared to the prior year.

With the launch of new bedroom furniture ranges, the deployment of enhanced systems across the remaining franchisee stores and the launch of a new eCommerce platform in this coming year we anticipate further growth. In addition, there are plans to extend our franchise network as we continue to experience demand for new stores from both new and existing franchisees.

## DIVISIONAL REVIEW

### DELIVERING VALUE TO OUR PARTNERS OR STAKEHOLDERS

#### PARTNERSHIP CASE STUDY—KWB earnings growth

As we celebrate KWB's earnings growth, we are reminded that the level of earnings is significantly higher than it was in the financial year that Joyce Corporation went into partnership with the business. In FY15, earnings were reported at \$1.7 million. In the year just gone, earnings were \$9.5 million.

Joyce Corporation partners with businesses to help them see their full potential. Our investment in KWB has supported their growth thus far. With KWB having, and retaining, an exceptional management team, the initial partnership saw financial support as the key objective of the relationship. Our first injection of financial support took place in February 2013 and a second investment took place in November 2013. At that point in time, Joyce Corporation had a 57 per cent stake in the organisation. Through management exceeding growth expectations, their ownership percentage has increased to 49 per cent over time, with Joyce retaining 51 per cent.

Following the initial investment, the Joyce Executive and Board has worked with the KWB team to support and increase their earnings potential—leading to the declared earnings of \$9.5 million reported in this Annual Report.

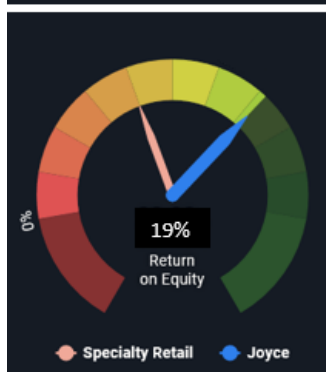
Over the 5-year period in which Joyce and KWB have been partners, the earnings growth of KWB has been exceptional. To continue to grow the business, in 2019–20, Joyce and KWB are furthering their partnership, with Joyce supporting the deployment of structures and systems to carry the organisation's growth plans forward into future years.

Joyce is providing thought leadership and strategic support to explore all organisational opportunities and maximise financial outcomes for all the shareholders in KWB. We are proud of the history we have with KWB and excited by the opportunities to engage with the business into the future to maximise wealth.

### RETURN ON EQUITY



#### Return on Equity



Delivering value to our shareholders is important to us. As noted by Investopedia, return on equity (ROE) is a measure used to assess how effectively management is using a company's assets to create profits. This ratio is often used to compare a company to its competitors or to the overall market.

Across the finance industry, it is acknowledged that a ROE of 15 per cent is good. Joyce Corporation is exceeding this ROE benchmark, returning 19 per cent in FY19.

This performance is also greater than the broader specialty retail sector - which is performing around 12.7 per cent ROE (as reported by *CommSec*).

## OPERATIONAL AND FINANCIAL REVIEW CONTINUED

### THE JOYCE WAY

Our values define how we do business.

We value business partners and staff alike, and we engage in an open and honest way.



True to our values we aim to develop long-term relationships with our partners to drive growth for all parties. By developing our culture to support our longer-term business outcomes we expect to optimise future earnings—through the next financial year and beyond.

## LEADERSHIP TEAM

### BOARD TEAM



#### **MIKE GURRY AM**

##### *Chairman*

Mike was appointed Chair in Dec 2018 and has been a Non- Executive Director since 2008. He has 34 years Chair/Non-Executive Director experience and has held directorships across the publicly listed, private, government and not-for-profit sectors within Australia and internationally including Foundation Housing Ltd, Australian Health Insurance Association (AHIA), the Australian Information Industry Association (AIIA), the West Australian Ballet and Integrated Group Ltd. He is currently a Non- Executive Director of St John Ambulance WA and a Councilor of HBF Ltd. Mike is a pure mathematician and statistician who has worked as a senior executive for IBM and CEO of both an international management consulting company and a large WA based insurance company. He has consulted to Government at both State and Federal level and worked in numerous industries including Banking, Insurance, Health, Manufacturing, Mining, Transport and Energy. Mike was awarded the Order of Australia (AM) in 2018.



#### **KAREN GADSBY**

##### *Deputy Chair*

Karen was appointed Deputy Chair in May 2019 and has been a Non-Executive Director since July 2017. She has 18 years Chair/Non-Executive Director experience and has held directorships across the publicly listed, private, government and not-for-profit sectors within Australia including Strategen Environmental Consulting Pty Ltd, Landgate, Forest Products Commission, Western Health (Vic.), Community First International, GMHBA (Vic). She is currently a Non-Executive Director of Talisman Mining Ltd and Mindful Meditation Australia. Karen is a Chartered Accountant who worked as a senior executive with North Limited for 13 years across finance, commercial, risk, IT and human resources.



#### **DAN SMETANA**

##### *Non-Executive Director*

Dan was Chair of Joyce Corporation Ltd for 34 years, stepping down in Nov 2018, and has been a Non-Executive Director since 1984. He has had 50 years Chair/Non- Executive Director experience and has held directorships across the publicly listed, private, government and not-for-profit sectors within Australia and internationally including Defence Reserves Support Council – WA, Youth Focus. Western Power, West Australian Symphony Orchestra, Edge Employment and WA Federation of PCYC. He is currently a Non- Executive Director of Korab Resources Limited. Dan is a Certified Practising Accountant (CPA) who has worked across many industries including mining, manufacturing and retail. Dan was awarded the Centenary Medal for Service to Commerce and the Community in 2003.



#### **TIM HANTKE**

##### *Non-Executive Director*

Tim has been a Non-Executive Director since 2006. He has 29 years Non-Executive Director experience across the publicly listed, private, government and not-for-profit sectors within Australia including Snap Printing and Lifeline, as well as serving on various advisory boards for the Federal Government. He is currently a Non-Executive Director of Mrs Macs Pty Ltd and Bentech Assistive Technologies Inc. Tim has a B Comm. (UWA) degree, and is a Fellow Member of AICD, AIM and a Member of AMA. He has worked in a wide variety of industries including building materials, food manufacturing, government relations, printing and franchising.



## LEADERSHIP TEAM



### **ANTHONY MANKARIOS**

#### ***Non-Executive Director***

Anthony was appointed a Non-Executive Director in 2008. He was Executive Director from March 2010 until June 2019 and is currently one of the Non-Executive Directors. He has over 30 years' experience as a Company Director and has been Chair of several private companies. These directorships have been across the publicly listed and private sectors within Australia and internationally including Inventis Limited, Oldfields Holdings Limited, Tangshan Hengfen Painting Accessories Co LTD (China) and Foshan Advcorp Scaffold LTD (China). He is currently a Non-Executive director of Inventis Limited and the Chair of their Audit and Risk committee. Anthony is a Certified Finance and Treasury Professional (CFTP) and has worked as a senior executive, leading businesses both nationally and internationally in multiple sectors including retail, manufacturing, property and wholesale.



### **TRAVIS MCKENZIE**

#### ***Non-Executive Director***

Travis was appointed a Non-Executive Director in July 2019. He has had 5 years Executive Director experience on private boards within Australia including Celsius Developments Pty Ltd. He is currently an Executive Director of Alma Road Rise Pty Ltd and 78 Degrees Pty Ltd. Travis is a Qualified Lawyer who has worked in derivatives and foreign exchange trading in Europe and the Americas as well as in Australia. He has worked in multiple industries and more recently has focused on property and property development.

## LEADERSHIP TEAM



### **KEITH SMITH**

#### ***Acting CEO / Company Secretary***

Keith joined the team in May 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 Finance, Technology, Operations and Company Secretarial functions for publicly listed and not-for-profit (NFP) organisations. Exposure to technology in its broadest form and recent emerging technology has provided Keith with unique experiences and awareness of the potential 'digitalisation' has for commercial and NFP entities.

Keith has led divisions of a large international Corporate during his time in the United States. From this he has extensive experience in successfully leading businesses in diverse industries achieve their commercial and cultural goals.



### **ANITA HOLLENBERG**

#### ***Group Financial Controller***

Anita joined the team in February 2019 and has 13 years of experience as a Chartered Accountant, working across listed and private companies in Australia and the United Kingdom. She has held senior roles in property, funds management and infrastructure sectors, and to date at Joyce she has led project and organisational change.

Anita has been able to add value to Joyce through her ability to deliver 'back office' change and Group synergies. She leads the Joyce Corporation Finance team which supports the Group and its wider initiatives.

**The Board and Leadership team look forward to taking Joyce Corporation into a new phase of growth.**

## 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 2019.

### DIRECTORS

The names of the Company's Directors in office during the year ended 30 June 2019 and until the date of this report are as stated below. Directors were in office for this entire period unless otherwise stated.

Mike Gurry	Non-executive Director (Chair from 27 November 2018)
Karen Gadsby	Non-executive Director (Deputy Chair from 1 May 2019)
Dan Smetana	Non-executive Director (Chair to 27 November 2018)
Tim Hantke	Non-executive Director
Travis McKenzie	Non-executive Director (from 1 July 2019)
Anthony Mankarios	Executive Director (to 30 June 2019), Non-executive Director (1 July 2019 to 24 November 2019)

### SECRETARY

Keith Smith

### PRINCIPAL ACTIVITIES

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

- (a) Majority owner of 51% of KWB Group Pty Ltd, a kitchen and wardrobe supply and installation operator;
- (b) Majority owner of 56% (increased from 51% holding on 22 January 2019) of Lloyds Online Auctions Pty Ltd, online auctioneers and valuers;
- (c) Franchisor of the Bedshed chain of retail bedding stores; and
- (d) Owner of five Bedshed retail stores;

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 2019 ("the Financial Year") the Consolidated Entity achieved revenue from continuing operations of \$101.16m (2018: \$91.42m) and a profit from continuing operations before tax of \$9.53m (2018: \$9.82m) and an overall net profit after tax of \$6.73m (2018: \$6.72m).

#### Financial Position

At 30 June 2019, the Consolidated Entity had total equity of \$27.42m (2018: \$28.11m) including non-controlling interest, with dividend payments of \$3.55m in 2019 (2018: \$3.08m). Cash and cash equivalents increased from \$6.21m at 30 June 2018 to \$6.97m at 30 June 2019. Un-utilised debt facilities were \$250k (2018: \$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 2019, with the total reducing by \$434.8k per year. An annually approved multi option facility of \$900k, including \$210k overdraft, was approved on 30 January 2018. The overdraft was undrawn at 30 June 2019. The Consolidated Entity has contracted to transition banking facilities from St George to Commonwealth Bank on a date subsequent to the signing of these accounts. The Commonwealth Bank facilities are approved for a two-year rolling term. Prior to 30 June 2019 a \$300k overdraft facility was established with the Commonwealth Bank of which \$40k was undrawn at reporting date.

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 \$27k was undrawn at the end of the Financial Year. KWB Property Holdings Pty Ltd have contracted with the National Australia Bank to transition banking facilities over from the Commonwealth Bank. The full transition of banking arrangements is to occur subsequent to the signing of these financial statements.

## FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Consolidated Entity will look to further develop the KWB business and continue to invest in additional stores down the East Coast of Australia. Lloyds will continue to expand its online presence and focus on the rapidly expanding Classic Car and Fine Art verticals. The Bedshed business will develop through the expansion of its network of franchised stores and improving the financial performance of the five Company owned and operated stores.

## DIVIDENDS

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

	2019	2018
	\$000	\$000
<b><i>Distributions paid or payable</i></b>		
Final fully franked ordinary dividend of 3.0 cents per share (Paid 22 November 2017)		839
Special fully franked dividend of 3.0 cents per share (Paid 22 November 2017)		839
Interim fully franked dividend of 5.0 cents per share (Paid 11 April 2018)		1,399
Final fully franked ordinary dividend of 6.0 cents per share (Paid 21 November 2018)	1,678	
Interim fully franked dividend of 5.0 cents per share (Paid 10 April 2019)	1,399	
Second interim fully franked dividend of 1.7 cents per share (Paid 28 June 2019)	475	
	<u>3,552</u>	<u>3,077</u>

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

On 22 January 2019, Lloyds Online Auctions Pty Limited issued an additional 699,000 ordinary shares. These were purchased by Joyce International Pty Ltd (a 100% owned subsidiary of Joyce Corporation Ltd). The investment was paid for by the capitalisation of existing loans. This brings Joyce's holding in Lloyds to 56%.

Other than the disclosed above, there were no other significant changes in the state of affairs of the Consolidated Entity during the year ended 30 June 2019.

## SIGNIFICANT AFTER REPORTING DATE EVENTS

A fully franked dividend of 5.0 cents per share was declared on 27 August 2019 payable on 18 November 2019.

The Consolidated Entity has contracted to transitioned loan facilities from St George to Commonwealth Bank on a date subsequent to the signing of these accounts.

KWB Property Holdings Pty Ltd entered into contractual arrangements with the National Australia Bank to transition loan facilities over from the Commonwealth Bank on a date subsequent to the signing of these accounts.

In the ASX announcement dated 24 July 2019 the Company communicated the following payments and arrangements with the former Executive Director, Anthony Mankarios:

- \$245,966 (plus GST) will be paid to Starball Pty Ltd (Mr Mankarios' private company) in addition to payments for services up to when the contract with Starball ended on 30th June 2019.
- All of Starball Pty Ltd's and Mr Mankarios' Short Term Incentive Plan participation and performance rights have been cancelled (including as approved at the 2018 Joyce AGM);
- The Board will propose a resolution for the shareholders to consider at the upcoming 2019 AGM to consider whether to issue 131,579 fully paid ordinary Joyce shares to Starball Pty Ltd in recognition of Mr Mankarios' contribution.

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:

- (i) the Consolidated Entity's operations, or
- (ii) the results of those operations, or
- (iii) the Consolidated Entity's state of affairs.

## INFORMATION ON DIRECTORS

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**Mike Gurry - Chair. Age 72.**

Bachelor of Science (UWA), Dip AICD, FAIM, SF Fin, FAICD

**Other current Directorships of listed companies**

None

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

None

**Special responsibilities**

Chair Lloyds Board

Director Bedshed

Member of the Audit and Risk Committee

Member of the Remuneration Committee

Member of the Nomination Committee

Chair KWB Board until 13 August 2019

Member KWB Board

**Interests in shares and options**

56,878 ordinary shares

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**Karen Gadsby – Deputy Chair. Age 56.**

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**

Deputy Chair from 1 May 2019

Chair KWB Board from 13 August 2019

Alternate Director Lloyds Board

Director Bedshed

Chair of the Audit and Risk Committee

Member of the Remuneration Committee

Member of the Nomination Committee

**Interests in shares and options:**

20,000 shares ordinary shares

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**Dan Smetana Non-Executive Director, Former Chair (January 1985 to November 2018). Age 75.**

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**

Director Bedshed

Member of the Audit and Risk Committee

Member of the Remuneration Committee

Member of the Nomination Committee

**Interests in shares and options**

10,254,129 beneficial fully paid ordinary shares.

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## INFORMATION ON DIRECTORS (CONTINUED)

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**Tim Hantke – Non-Executive Director. Age 71.**

Bachelor of Commerce, FAIM, FAICD

**Other current Directorships of listed companies**

None

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

None

**Special responsibilities**

Director Lloyds Board

Director KWB Board

Chair Bedshed

Member of the Audit and Risk Committee

Chair of the Remuneration Committee

Chair of the Nomination Committee

**Interests in shares and options**

20,000 ordinary shares

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**Travis McKenzie – Non-Executive Director. Age 41.**

Bachelor of Law, Bachelor of Commerce

**Other current Directorships of listed companies**

None

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

None

**Special responsibilities**

Member of the Audit and Risk Committee

Member of the Remuneration Committee

Member of the Nomination Committee

**Interests in shares and options**

None

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**Anthony Mankarios – Executive Director (to 30 June 2019), Non-Executive Director (from 1 July 2019 to 24 November 2019) Age 52.**

MBA, FAICD, CFTP

**Other current Directorships of listed companies**

Inventis Limited

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

None

**Special responsibilities**

Director Lloyds Board (to 26 August 2019)

Director KWB Board (to 13 August 2019)

Director Bedshed (to 26 August 2019)

Member of the Audit and Risk Committee

Member of the Remuneration Committee

Member of the Nomination Committee

**Interests in shares and options**

741,323 ordinary shares

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## COMPANY SECRETARY

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**Keith Smith – Acting CEO (from 1 July 2019), Company Secretary. Age 53.**

Accounting BSc (Hons), ACA, CA ANZ, AICD, GIA (Cert)

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## INFORMATION ON DIRECTORS (CONTINUED)

### MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each Director were:

Directors	Full meeting of Directors		Audit		Remuneration	
	A	B	A	B	A	B
Mike Gurry	11	11	5	5	7	7
Karen Gadsby	11	11	5	5	7	7
Dan Smetana	11	10	5	2	7	6
Tim Hantke	11	11	5	5	7	7
Anthony Mankarios	11	8	5	5	7	7

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

Two of the Board Meetings the Executive Director did not attend were related to his contract of employment and remuneration, and a third meeting due to annual leave taken.

# 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 Consolidated Entity performance
- G. Voting at the 2018 Annual General Meeting
- H. Independent salary and incentive review
- I. Loans or 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	Acting CEO / COO / Finance Executive and Group Company Secretary
Keith Gray	Chief Financial Officer and Company Secretary Joyce Corporation Ltd to 10 October 2018
John Bourke	Managing Director KWB Group Pty Ltd
Chris Palin	Finance Director KWB Group Pty Ltd
Andrew Webber	Founder of Lloyds Online Auctions Pty Ltd
Lee Hames	Director and COO Lloyds Online Auctions Pty Ltd
Gavin Culmsee	General Manager Bedshed Franchising 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 Chair of the Remuneration Committee is appointed by the Board and is a non-executive director.

The Remuneration Committee meets as and when required by the Chair 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 Chair to call a meeting.

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



## A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION (CONTINUED)

### 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. A remuneration consultant was used during the Financial Year to review the executive 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.

It 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 Chair's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chair is not present at any discussions relating to the determination of their 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 increased by the rate of 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.

## **A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION (CONTINUED)**

### **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 one or more 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 offers Performance Rights in the Long-Term Incentive Scheme.

## **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.

## B. SERVICE AGREEMENTS (CONTINUED)

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

<b>Name</b>	<b>Position Held</b>
<b>Mike Gurry</b>	Chair of Audit Committee to 30 June 2018, Non-Executive Director, Chair from 27 November 2018
<b>Karen Gadsby</b>	Non-Executive Director, Chair of Audit Committee from 1 July 2018
<b>Dan Smetana</b>	Non-Executive Director and Chair to 27 November 2018
<b>Tim Hantke</b>	Non-Executive Director, Chair of Remuneration Committee
<b>Travis McKenzie</b>	Non-Executive Director from 1 July 2019
<b>Anthony Mankarios</b>	Executive Director to 30 June 2019, Non-Executive Director from 1 July 2019 to 24 November 2019
<b>Keith Smith</b>	Acting CEO / COO / Finance Executive and Group Company Secretary
<b>Keith Gray</b>	Chief Financial Officer and Company Secretary Joyce Corporation Ltd to 10 October 2018
<b>John Bourke</b>	Managing Director KWB Group Pty Ltd
<b>Chris Palin</b>	Finance Director KWB Group Pty Ltd
<b>Andrew Webber</b>	Founder of Lloyds Online Auctions Pty Ltd
<b>Lee Hames</b>	Director and COO of Lloyds Online Auctions Pty Ltd
<b>Gavin Culmsee</b>	General Manager Bedshed Franchising Pty Ltd

The employment conditions of all KMP's are formalised in contracts. The directors and Acting CEO are engaged by Joyce Corporation Ltd. All other executives, except for Andrew Webber (who has a fixed term contract), are permanent employees of subsidiaries within the Consolidated Entity.

The Executive Director, Anthony Mankarios, had a service contract, which expired at 30 June 2019 and was not renewed by the Board. This was an at call role, which provided a director's fee and an hourly charge for work undertaken above this and was paid monthly. All out of pocket expenses in connection with carrying out the role have been reimbursed.

As disclosed in the ASX announcement on 24 July 2019 Starball Pty Ltd, a company under significant control by Anthony Mankarios, received certain cash payments. The Performance Rights approved at the 2018 AGM to Anthony Mankarios were cancelled.

## B. SERVICE AGREEMENTS (CONTINUED)

### 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 2019	Term of agreement	Notice Period In months	Termination payment in months
Keith Smith	rolling	3	3
Keith Gray (to 10 October 2018)	rolling	3	3
Chris Palin	rolling	3	3
John Bourke	rolling	3	3
Andrew Webber	3 years	-	-
Lee Hames	rolling	3	3
Gavin Culmsee	rolling	3	3

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

### Related party transactions with KMP's

Please refer to Note 26 related party disclosures.

## C. DETAILS OF REMUNERATION

30-Jun-19	Short-term employment benefits			Post employment benefit	Long-term benefits	Share based payment	Total	% relating to performance
	Salary & Fees	Cash Bonus	Non-Cash	Super	LSL & AL			
Mike Gurry	115,982	-	-	11,018	-	-	127,000	-
Karen Gadsby	86,073	-	-	8,177	-	-	94,250	-
Dan Smetana	120,772	-	-	11,473	-	-	132,245	-
Tim Hantke	86,073	-	-	8,177	-	-	94,250	-
<b>Total Non-Executive Directors</b>	<b>408,900</b>	<b>-</b>	<b>-</b>	<b>38,845</b>	<b>-</b>	<b>-</b>	<b>447,745</b>	<b>0.0%</b>
<b>Executive Director</b>								
Anthony Mankarios <sup>1</sup>	321,572	120,000	-	6,637	-	-	448,209	26.8%
<b>Total Directors</b>	<b>730,472</b>	<b>120,000</b>	<b>-</b>	<b>45,482</b>	<b>-</b>	<b>-</b>	<b>895,954</b>	<b>-</b>
Keith Smith	242,149	-	-	23,004	-	-	265,153	-
Keith Gray <sup>2</sup>	114,003	19,752	-	11,073	48,383	-	193,211	10.2%
John Bourke <sup>3</sup>	326,946	94,767	-	40,063	-	-	461,776	20.5%
Chris Palin <sup>3</sup>	258,393	74,897	-	31,663	-	-	364,953	20.5%
Andrew Webber <sup>4</sup>	50,000	-	-	4,750	-	-	54,750	-
Lee Hames <sup>5</sup>	185,433	-	4,099	15,894	4,183	-	209,609	-
Gavin Culmsee <sup>2</sup>	236,210	61,683	-	23,421	-	-	321,314	19.2%
<b>Total Other Key Management Personnel</b>	<b>1,413,134</b>	<b>251,099</b>	<b>4,099</b>	<b>149,868</b>	<b>52,566</b>	<b>-</b>	<b>1,870,766</b>	<b>13.4%</b>
<b>Total Remuneration</b>	<b>2,143,606</b>	<b>371,099</b>	<b>4,099</b>	<b>195,350</b>	<b>52,566</b>	<b>-</b>	<b>2,766,720</b>	<b>13.4%</b>

## C. DETAILS OF REMUNERATION (CONTINUED)

30-Jun-18	Short-term employment benefits			Post employment benefit	Long-term benefits	Total	% relating to performance
	Salary & Fees	Cash Bonus	Non-Cash	Super	LSL & AL		
Mike Gurry	85,000	-	-	8,075	-	93,075	-
Karen Gadsby	75,000	-	-	7,125	-	82,125	-
Dan Smetana	175,494	-	9,789	16,672	-	201,955	-
Tim Hantke <sup>6</sup>	63,750	-	-	6,056	-	69,806	-
<b>Total Non-Executive Directors</b>	<b>399,244</b>	<b>-</b>	<b>9,789</b>	<b>37,928</b>	<b>-</b>	<b>446,961</b>	<b>-</b>
<b>Executive Director</b>							
Anthony Mankarios <sup>1</sup>	249,451	288,750	-	-	-	538,201	53.6%
<b>Total Directors</b>	<b>648,695</b>	<b>288,750</b>	<b>9,789</b>	<b>37,928</b>	<b>-</b>	<b>985,162</b>	<b>29.3%</b>
Keith Smith	18,500	-	-	1,758	-	20,258	-
Keith Gray <sup>2</sup>	216,907	50,801	-	20,606	-	288,314	17.6%
John Bourke <sup>3</sup>	315,890	93,000	-	38,844	-	447,734	20.8%
Chris Palin <sup>3</sup>	234,057	73,500	-	32,704	-	340,261	21.6%
Andrew Webber <sup>4</sup>	50,000	-	-	4,750	-	54,750	-
Lee Hames <sup>5</sup>	145,000	-	-	13,775	-	158,775	-
Gavin Culmsee <sup>2</sup>	256,054	15,922	-	25,838	-	297,814	5.3%
<b>Total Other Key Management personnel</b>	<b>1,236,408</b>	<b>233,223</b>	<b>-</b>	<b>138,275</b>	<b>-</b>	<b>1,607,906</b>	<b>14.5%</b>
<b>Total Remuneration</b>	<b>1,885,103</b>	<b>521,973</b>	<b>9,789</b>	<b>176,203</b>	<b>0</b>	<b>2,593,068</b>	<b>20.1%</b>

1. Anthony Mankarios was paid a cash bonus at the start of the financial year based on the achievement of key performance criteria related to the year ended 30 June 2018. These include profit goals and the successful completion of predetermined events set by the non-executive directors. For the year ended 30 June 2019 the short-term incentive bonus performance targets were not met and no payment will be made related to this incentive. Anthony Mankarios was contracted to 30 June 2019; the Board have not renewed this contract. In the announcement made to the ASX on 24 July 2019 the Board indicated that the Performance Rights voted at the 2018 AGM had been cancelled.

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 are both directors of KWB Group Pty Ltd, their cash bonuses are related to meeting key performance criteria related to KWB Group Pty Ltd at the date of this report.

4. Andrew Webber's consultancy company was paid \$240k for consulting services performed by his staff members for the Lloyds Online group of companies.

5. Lee Hames is a Director and COO of Lloyds Online Auctions Pty Ltd.

6. Tim Hantke's remuneration reduced in 2018 due to extended unpaid leave taken during the year.

## D. SHARE-BASED COMPENSATION

### Recognition and Measurement

The schemes in place can only be equity-settled and are accounted for accordingly. The cost of equity-settled transactions with employees is measured using their fair value at the date which they were granted. In determining the fair value, no account is taken of any performance conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which any performance conditions are met, ending on the date on which the employee becomes fully entitled to the award (vesting date). The cumulative expense recognised for these transactions at each reporting date reflects the extent to which the vesting period has expired and the proportion of the awards that are expected to ultimately vest.

No expense is recognised for awards that do not ultimately vest due to a performance condition not being met.

In the ASX announcement dated 24 July 2019 the Company communicated the Performance Rights allocated at the 2018 AGM had been cancelled.

## E. EQUITY INSTRUMENT DISCLOSURES RELATING TO KMP'S

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

During the financial year ended 30 June 2019 no options (2018: 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 2019 (2018: Nil).

### iii. Performance rights granted as compensation

During the financial year ended 30 June 2019, 263,158 FY18 performance rights and 272,109 FY19 performance rights were granted to Anthony Mankarios (2018: Nil), as equity compensation benefits.

### iv. Performance right holdings

During the financial year ended 30 June 2019, 263,158 FY18 performance rights and 272,109 FY19 performance rights were granted to Anthony Mankarios which are subject to continued employment with Joyce Corporation Ltd and to the Group meeting predetermined performance criteria. On 24 July 2019 his contract was not renewed and did not continue beyond 30 June 2019. The performance rights have been cancelled as announced to the ASX on 24 July 2019. Therefore, no amount is recorded as a share-based payment expense for the year ended 30 June 2019.

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

### v. Share Holdings

The number of shares in the Company held during the financial year by each director and other KMP's of the Consolidated Entity, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation (2018: Nil).

<b>30 June 2019</b>	<b>Balance 01-Jul-18</b>	<b>Granted as Remuneration</b>	<b>On Exercise of Options</b>	<b>Net Change Other</b>	<b>Balance 30-June-19</b>
Mike Gurry	56,878	-	-	-	56,878
Karen Gadsby	20,000	-	-	-	20,000
Dan Smetana	9,874,129	-	-	380,000	10,254,129
Tim Hantke	20,000	-	-	-	20,000
Travis McKenzie	-	-	-	-	-
Anthony Mankarios	723,823	-	-	17,500	741,323
Keith Smith	-	-	-	40,000	40,000
Keith Gray	-	-	-	-	-
John Bourke	65,359	-	-	-	65,359
Chris Palin	6,615	-	-	(6,615)	-
Andrew Webber	-	-	-	-	-
Lee Hames	-	-	-	-	-
Gavin Culmsee	-	-	-	10,000	10,000
<b>TOTAL</b>	<b>10,766,804</b>	<b>-</b>	<b>-</b>	<b>440,885</b>	<b>11,207,689</b>

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

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

### vi. Partly Paid Ordinary 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 Consolidated Entity, including their personally related parties, is set out below. There were no shares granted during the reporting period as compensation (2018: Nil).

<b>30 June 2019</b>	<b>Balance 01-Jul-18</b>	<b>Granted as Remuneration</b>	<b>On Exercise of Options</b>	<b>Net Change Other</b>	<b>Balance 30-June-19</b>
Mike Gurry	-	-	-	-	-
Karen Gadsby	-	-	-	-	-
Dan Smetana*	380,000	-	-	(380,000)	-
Anthony Mankarios	-	-	-	-	-
Keith Smith	-	-	-	-	-
Keith Gray	-	-	-	-	-
John Bourke	-	-	-	-	-
Chris Palin	-	-	-	-	-
Andrew Webber	-	-	-	-	-
Lee Hames	-	-	-	-	-
Gavin Culmsee	-	-	-	-	-

\*On 16 July 2018 Dan Smetana settled the final payment for the 380,000 partly paid ordinary shares held at 30 June 2018.

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

All equity transactions with specified directors and Other KMP's of the Consolidated Entity 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).

	FY19	FY18 <sup>1</sup>	FY17 <sup>1</sup>	FY16	FY15
	\$000	\$000	\$000	\$000	\$000
<b>Revenue from continuing operations</b>	101,161	91,419	78,770 <sup>2</sup>	56,544	34,737
<b>Profit from continuing operations after tax</b>	6,734	6,723	5,640 <sup>2</sup>	3,461	126
<b>Share price at year-end \$</b>	1.53	1.42	1.60	1.01	0.96
<b>Dividends (Cents) paid or payable</b>	12.7	11.0	11.5	16.0	5.5

<sup>1</sup> Revenue and net profit exclude discontinued operations in the current business.

<sup>2</sup> Revenue and profit increased in 2017 from consolidation of Lloyds Online Auctions Pty Ltd from July 2016.

## G. VOTING AT THE 2018 ANNUAL GENERAL MEETING ON THE REMUNERATION REPORT

The Remuneration Report in the 2018 Annual Report to shareholders was approved by 97.7% of shareholders at the 2018 Annual General Meeting. No specific feedback was received at the Annual General Meeting or throughout the year.

## H. INDEPENDENT SALARY AND INCENTIVE REVIEW

During FY19 the Company undertook an independent review of executive salary and incentive levels to benchmark against market. Additional work was also undertaken to establish the Long-Term Incentive Scheme, approved at the 27 November 2018 Annual General Meeting. The review and work were undertaken by the independent professional firm of Godfrey Remuneration Group for the sum of \$34,000. Recommended changes are the subject of an ongoing project.

## I. LOANS OR OTHER TRANSACTIONS WITH DIRECTORS AND EXECUTIVES

There are no loans outstanding with any Director as at 30 June 2019 (2018: \$29,450).

During FY19 an unsecured loan from Dan Smetana of \$400k was entered into, with an interest rate of 7.22% pa. This was repaid in full in March 2019. In FY18 an unsecured loan for the same amount was received, of which \$371k was repaid in July 2018 and the remaining \$29k loan balance was subsequently used by Dan Smetana as the final payment towards the partly paid shares.

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

The Executive Directors fees were paid to Starball Pty Ltd, a company in which Anthony Mankarios has significant influence FY19 - \$485,350 (2018: \$538,201). As at year end the amount owing to this related party was \$nil (2018: \$26,773).

At 30 June 2018 the receivable from Pynland Pty Ltd was \$26,231, a company with shares held in trust by Dan Smetana for the suspended employee share scheme, was received in full on 16 May 2019.

During the year ended 30 June 2019, LAAV Management Pty Ltd, a company of which Andrew Webber is a director, was paid \$240,000 (2018: \$190,000) 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 FY19, Joyce Corporation Ltd paid a premium to insure the directors, secretaries and KMP's of the Consolidated Entity. A clause in the relevant insurance policy prevents the disclosure of the amount of the premium.

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

## **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 2019. 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 35.

## **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 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.



**M A Gurry**  
Chair

Perth, 27 August 2019



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#### 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 2019, 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 period.

A handwritten signature in black ink, appearing to read 'Neil Smith', with a stylized flourish extending to the right.

Neil Smith  
Director

BDO Audit (WA) Pty Ltd  
Perth, 27 August 2019

## **CORPORATE GOVERNANCE STATEMENT**

Joyce Corporation Ltd (“the Company”) and the Board are committed to achieving and demonstrating a high standard of corporate governance. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3<sup>rd</sup> edition) published by the ASX Corporate Governance Council.

The 2019 corporate governance policy and statement reflects the corporate governance practices in place throughout the 2019 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](http://www.joycecorp.com.au).

# ANNUAL FINANCIAL REPORT

Joyce Corporation Ltd

AND CONTROLLED ENTITIES

ABN: 80 009 116 269

# Annual Financial Report

For the Year Ended 30 June 2019

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Note	CONSOLIDATED	
		2019 \$000	2018 \$000
<b>Continuing operations</b>			
Revenue	6	101,161	91,419
Cost of sales	6	(42,834)	(39,097)
<b>Gross profit</b>		<b>58,327</b>	<b>52,322</b>
Other income	6	3,886	3,901
Variable costs	6	(7,801)	(8,509)
<b>Contribution margin</b>		<b>54,412</b>	<b>47,714</b>
<b>Expenses from continuing operations</b>			
Employment expenses		(28,101)	(23,761)
Occupancy expenses		(5,799)	(5,421)
Marketing expenses		(3,189)	(3,261)
Administration expenses	6	(5,783)	(5,050)
<b>Earnings before depreciation, interest, tax and revaluation</b>		<b>11,540</b>	<b>10,221</b>
Depreciation and amortisation		(1,713)	(1,043)
<b>Earnings before interest, tax and revaluation</b>		<b>9,827</b>	<b>9,178</b>
Investment property revaluation		-	933
<b>Earnings before interest and tax</b>		<b>9,827</b>	<b>10,111</b>
Net interest expense	6	(298)	(287)
<b>Earnings before tax</b>		<b>9,529</b>	<b>9,824</b>
Income tax expense	8	(2,795)	(3,101)
<b>Profit from continuing operations after tax</b>		<b>6,734</b>	<b>6,723</b>
<b>Discontinued operations</b>			
Profit/(Loss) for the year from discontinued operations	7	4	(140)
<b>Profit for the year</b>		<b>6,738</b>	<b>6,583</b>
<b>Profit is attributable to:</b>			
Ordinary equity holders of the company		3,453	3,380
Non-controlling interests		3,285	3,203
		<b>6,738</b>	<b>6,583</b>
<b>Earnings per share (cents per share) for profit attributable to ordinary equity holders of the company:</b>			
Overall operations basic earnings per share	9	12.3	12.3
Overall operations diluted earnings per share	9	12.3	12.1
Overall operations basic earnings per share excluding property revaluation	9	12.3	10.9

*The consolidated statement of profit or loss is to be read in conjunction with the notes to the consolidated financial statements set out on pages 43 to 92.*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	CONSOLIDATED	
	2019 \$000	2018 \$000
<b>Profit for the year</b>	6,738	6,583
<b>Other comprehensive income</b>		
Items that will not be reclassified to profit or loss	-	-
<b>Other comprehensive income for the year, net of tax</b>	-	-
<b>Total comprehensive income for the year</b>	<b>6,738</b>	<b>6,583</b>
<b>Total comprehensive income for the year is attributable to:</b>		
Ordinary equity holders of the company	3,453	3,380
Non-controlling interests	3,285	3,203
<b>Total comprehensive income for the year</b>	<b>6,738</b>	<b>6,583</b>
<b>Total comprehensive income for the year is attributable to ordinary equity holders of the company arises from:</b>		
Continuing operations	3,449	3,520
Discontinued operations	4	(140)
<b>Total comprehensive income for the year</b>	<b>3,453</b>	<b>3,380</b>

*The consolidated statement of comprehensive income is to be read in conjunction with the notes to the consolidated financial statements set out on pages 43 to 92.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

		CONSOLIDATED	
	Note	2019 \$000	2018 \$000
<b>ASSETS</b>			
<i><b>Current Assets</b></i>			
Cash and cash equivalents	10	6,975	6,215
Trade and other receivables	11	2,125	1,918
Inventories	12	3,204	3,645
Other assets	13	1,573	1,260
Other financial assets	14	31	68
<b>Total Current Assets</b>		<b>13,908</b>	<b>13,106</b>
<i><b>Non-Current Assets</b></i>			
Trade and other receivables	11	399	588
Deferred tax asset	8	1,543	1,445
Plant and equipment	15	11,194	10,778
Inventories	12	544	395
Investment property	16	9,623	9,623
Intangible assets	17	18,306	18,163
<b>Total Non-Current assets</b>		<b>41,609</b>	<b>40,992</b>
<b>TOTAL ASSETS</b>		<b>55,517</b>	<b>54,098</b>
<b>LIABILITIES</b>			
<i><b>Current liabilities</b></i>			
Trade and other payables	18	14,141	11,779
Provisions	19	1,613	1,528
Interest bearing loans and borrowings	20	894	435
Provision for income tax	8	155	820
<b>Total Current Liabilities</b>		<b>16,803</b>	<b>14,562</b>
<i><b>Non-Current Liabilities</b></i>			
Interest bearing loans and borrowings	20	9,809	10,056
Deferred tax liabilities	8	570	554
Provisions	19	914	818
<b>Total Non-Current Liabilities</b>		<b>11,293</b>	<b>11,428</b>
<b>TOTAL LIABILITIES</b>		<b>28,096</b>	<b>25,990</b>
<b>NET ASSETS</b>		<b>27,421</b>	<b>28,108</b>
<b>EQUITY</b>			
Contributed equity	21	18,090	18,060
Non-controlling interests	26	3,197	3,073
Retained earnings		6,134	6,975
<b>TOTAL EQUITY</b>		<b>27,421</b>	<b>28,108</b>

*The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements set out on pages 43 to 92.*



**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

		<b>CONSOLIDATED</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>\$000</b>	<b>\$000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		108,465	104,116
Payments to suppliers and employees		(94,678)	(91,647)
Interest received		85	64
Interest paid		(334)	(351)
Income tax paid		(3,542)	(3,157)
<b>Net cash flows (used in) / from operating activities</b>	<b>30</b>	<b>9,996</b>	<b>9,025</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		60	111
Secured loan		-	78
Purchase of non-current assets		(1,800)	(2,074)
Purchase of intangible assets		(528)	(2,230)
Payments for business acquisitions net of cash acquired		-	(815)
<b>Net cash flows (used in) / from investing activities</b>		<b>(2,268)</b>	<b>(4,930)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		738	2,400
Repayment of borrowings		(575)	(479)
Proceeds from related party loan		400	-
Repayment of related party loan		(400)	-
Proceeds from partly paid share dividend		30	41
Dividends paid	27	(3,552)	(3,077)
Dividends paid to non-controlling interest		(3,609)	(2,061)
<b>Net cash flows (used in) / from financing activities</b>		<b>(6,968)</b>	<b>(3,176)</b>
Net increase / (decrease) in cash and cash equivalents		760	919
Cash and cash equivalents at beginning of year		6,215	5,296
<b>Cash and cash equivalents at end of year</b>	<b>10</b>	<b>6,975</b>	<b>6,215</b>
<b>Reconciliation of cash</b>			
Cash at bank and in hand		6,975	6,215
		<b>6,975</b>	<b>6,215</b>

*The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements set out on pages 43 to 92.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Note	Contributed Equity \$000	Reserves \$000	Retained Earnings \$000	Non- Controlling Interest \$000	Total Equity \$000
<b>Balance at 1 July 2017</b>		18,019	2,699	3,838	1,930	26,486
<b>Total comprehensive income for the year:</b>						
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
<b>Total comprehensive income for the year</b>		18,019	-	10,052	5,133	33,204
<b>Transactions with owners in their capacity as owners:</b>						
Payment partly paid shares		41	-	-	-	41
Dividends paid or provided for		-	-	(3,077)	(2,060)	(5,137)
<b>Balance at 30 June 2018</b>	21	18,060	-	6,975	3,073	28,108
<b>Balance at 1 July 2018</b>		18,060	-	6,975	3,073	28,108
Change in accounting policy	2	-	-	(95)	-	(95)
Restated total equity at the beginning of the financial year		18,060	-	6,880	3,073	28,013
<b>Total comprehensive income for the year:</b>						
Profit attributable to members of the parent entity		-	-	3,453	-	3,453
Profit attributable to non-controlling interests		-	-	-	3,285	3,285
<b>Total comprehensive income for the year</b>		-	-	3,453	3,285	6,738
<b>Transactions with owners in their capacity as owners:</b>						
Transactions with non-controlling interests	26(b)	-	-	(647)	448	(199)
Payment partly paid shares		30	-	-	-	30
Dividends paid or provided for		-	-	(3,552)	(3,609)	(7,161)
<b>Balance at 30 June 2019</b>	21	18,090	-	6,134	3,197	27,421

*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 43 to 92.*

# 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 2019 were authorised for issue in accordance with a resolution of the directors of the Company dated 27 August 2019. 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

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 2019 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 and certain other financial instruments which are measured at fair value.

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

A number of new or amended standards became applicable for the current reporting period and the Consolidated Entity had to change its accounting policies as a result of the adoption of the following standards:

- AASB 9 Financial Instruments; and
- AASB 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies is disclosed below. The impact of these standards, and the other new and amended standards adopted by the Consolidated Entity, has not had a material impact on the amounts presented in the Consolidated Entity’s financial statements.

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

### Changes in accounting policies

This note explains the impact of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on the Consolidated Entity's financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

#### *(i) AASB 9 Financial Instruments*

##### Classification

From 1 July 2018, the Consolidated Entity classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on how the Consolidated Entity manages the financial assets and the contractual terms of the cash flows.

##### Measurement

At initial recognition, the Consolidated Entity measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

##### Impairment

From 1 July 2018, the Consolidated Entity assesses expected credit losses associated on a forward-looking basis. For trade receivables, the Consolidated Entity applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

##### Impact of Adoption

The Consolidated Entity's financial assets subject to AASB 9's new expected credit loss model. The assets assessed are trade receivables, which arise from the provision of services and sale of goods.

The impact of the impairment requirements of AASB 9 on trade receivables has not resulted in a material impact to the financial statements.

Under AASB 9, the Consolidated Entity was required to revise the impairment methodology used in the calculation of its provision for doubtful debts to the expected credit loss model. This change in methodology has not had a material impact on the financial statements.

The Consolidated Entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure or a debtor to engage in a repayment plan with the Consolidated Entity, and a failure to make contractual payments for a period of greater than 120 days past due.

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

### (ii) AASB 15 Revenue from Contracts with Customers

The Consolidated Entity revenues consist of the following elements:

#### Sale of goods – Bedshed owned and operated retail stores

The Group operates five retail stores selling mattresses, bedroom furniture and goods. Revenue from the sale of goods is recognised when the product is sold to the customer.

It is the Group's policy to sell its mattresses with a right of substitution within 60 days, the 60-day Comfort Guarantee to all mattresses sold at Bedshed stores. Therefore, a return liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned.

Accumulated experience is used to estimate such returns at the time of sale at a Group level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

#### Franchise revenues – Bedshed franchisees

Joyce provides franchisor services to franchisees, as performance obligations are satisfied revenue is recognised. Revenue is based on a percentage of franchisees sales.

#### Sale of goods – Kitchen Division

Revenues from the Kitchen Group (KWB) are recognised when control of the goods passes to the customer, which is when the product is delivered to the client's premises. KWB does not provide installation services.

#### Auction services

The Group acts as an agent in providing auction services and commission revenue is earned at the point the online auction closes, provided funds are subsequently received from the successful buyer.

The Group has no material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

#### Impact of Adoption

The Consolidated Entity has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018, which resulted in changes to accounting policies but no material adjustments to the amounts recognised in the financial statements. See Notes 5 Segment Information and 6 (a) Revenue from Continuing Operations for additional disclosure and disaggregation of revenue.

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

### Impact of AASB 9 and AASB 15 on the financial statements

The Consolidated Entity took the modified transitional approach to implementation of AASB 9 and AASB 15 where transitional adjustments have been recognised in retained earnings at 1 July 2018 without adjustment of comparatives and the new standard has been applied to contracts that remain in force at that date.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	30.06.2018 As originally stated	AASB 9	AASB 15	1.07.2018 Restated
	\$000	\$000	\$000	\$000
<b>ASSETS</b>				
<b>Current Assets</b>				
Trade receivables	1,918	(95)	-	1,823
Total Current Assets	13,106	(95)	-	13,011
<b>TOTAL ASSETS</b>	54,098	(95)	-	54,003
<b>NET ASSETS</b>	28,108	(95)	-	28,013
<b>EQUITY</b>				
Retained earnings	6,975	(95)	-	6,880
<b>TOTAL EQUITY</b>	28,108	(95)	-	28,013

The total impact on the Consolidated Entity's retained earnings as at 1 July 2018 is as follows:

	1.07.2018 Restated \$000
Retained earnings as reported previously as at 30 June 2018	6,975
Adjustment to retained earnings from adoption of AASB 9 on 1 July 2018	(95)
Opening retained earnings 1 July 2018	6,880

The Consolidated Entity's comparative financial information has not been restated.

There is nil impact on the profit for the year ended 30 June 2019 and a \$95k impact on Retained Earnings as at 1 July 2018 on adoption of AASB 9.

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

The following table summarises the impacts of adopting AASB 9 and 15 on the Consolidated Entity's statement of financial position as at 30 June 2018 for each of the line items affected. There was no impact on the Consolidated Entity's statement of profit or loss and other comprehensive income and statement of cash flows for the year ended 30 June 2019.

	<b>Restated to AASB 118 and AASB 139 \$000</b>	<b>AASB 9 and AASB 15 Impacts \$000</b>	<b>As Reported with Adoption of AASB 9 and AASB 15 \$000</b>
Accounts receivable	1,808	(95)	1,713
Net asset impact	28,161	(95)	28,066
Retained profits	6,736	(95)	6,641

### **(b) Principles of consolidation**

The Company controls an entity when the Company 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.

A list of controlled entities is provided in Note 26 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.

Non-controlling interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Consolidated Entity, are shown separately within the Equity section of the consolidated Statement of Financial Position and in the consolidated Statement of Profit or Loss and Other Comprehensive Income.

Amounts held on trust for the 'Marketing Fund', 'Approved Purposes Fund' and the Lloyds 'Auction Trust' account are not the funds of the Consolidated Entity and have not been consolidated.

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

### **(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.

### **(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 Finance Executive under the supervision of the Board of Directors. The Board provides principles for overall risk management, as well as policies and supervision covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Consolidated Entity holds the following financial instruments:

		CONSOLIDATED	
	Note	2019 \$000	2018 \$000
<b>Financial assets</b>			
Cash and cash equivalents	10	6,975	6,215
Trade and other receivables	11	2,524	2,506
Other financial assets	14	31	68
		<u>9,530</u>	<u>8,789</u>
<b>Financial liabilities</b>			
Trade and other payables	18	14,141	11,779
Interest-bearing loans and borrowings	20	10,703	10,491
		<u>24,844</u>	<u>22,270</u>

#### (a) Market risk

##### (i) Foreign exchange risk

The Consolidated Entity's exposure to foreign currency risk is not material. It is principally limited to goods sold in the five Company owned Bedshed stores.

##### (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 polices seek to manage both risks, interest rate and liquidity (see below), by assessment of the current state of the yield curve and expectations about interest rates in the medium term and the Entity's need for flexibility to minimise the Consolidated Entity's interest expense.

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Weighted Average Interest rate %	2019 \$000	Weighted Average Interest rate %	2018 \$000
<b>Financial assets</b>				
Cash and cash equivalents (i)	0.03%	6,975	0.03%	6,215
		<u>6,975</u>		<u>6,215</u>
<b>Financial liabilities</b>				
Commercial bill –secured – variable (ii)	4.73%	5,103	4.84%	4,891
Bank loan – secured (iii)	3.77%	5,600	3.61%	5,600
		<u>10,703</u>		<u>10,491</u>

(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 expires 31 January 2021.

(iii) The bank loan facility is approved to 9 April 2020. Contractual arrangements have been entered into to roll this facility over to the National Australian Bank.

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

The Consolidated Entity analyses its interest rate exposure on a dynamic basis. Various scenarios are modelled taking into consideration refinancing, renewal of existing positions 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 2019 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 2019, 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 \$75k higher or \$75k lower (2018 – \$97k). 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 \$75k higher or \$75k lower (2018 - \$97k) for the same reasons as above.

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Credit risk

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

Credit risk is managed on a Consolidated Entity basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, 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.

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:

	<b>CONSOLIDATED</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
<b>Cash and cash equivalents</b>		
AA	6,975	6,215
<b>Trade and other receivables</b>		
Non-rated	2,524	2,506
<b>Other financial assets</b>		
Non-rated	31	68
	<b>9,530</b>	<b>8,789</b>

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Liquidity risk

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

#### Consolidated disclosures

Year ended 30 June 2019	≤ 6 months \$000	6-12 months \$000	1-5 years \$000	>5 years \$000	Total \$000
<b>Consolidated financial assets</b>					
Cash and cash equivalents	6,975	-	-	-	6,975
Trade and other receivables	2,125	-	399	-	2,524
Other financial assets	31	-	-	-	31
	9,131	-	399	-	9,530
<b>Consolidated financial liabilities</b>					
Trade and other payables	14,141	-	-	-	14,141
Interest bearing loans & borrowings	895	-	9,808	-	10,703
	15,036	-	9,808	-	24,844
<b>Net maturity</b>	<b>(5,905)</b>	<b>-</b>	<b>(9,409)</b>	<b>-</b>	<b>(15,314)</b>

Year ended 30 June 2018	≤ 6 months \$000	6-12 months \$000	1-5 years \$000	>5 years \$000	Total \$000
<b>Consolidated financial assets</b>					
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
<b>Consolidated financial liabilities</b>					
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
<b>Net maturity</b>	<b>(3,793)</b>	<b>(220)</b>	<b>(10,681)</b>	<b>-</b>	<b>(14,694)</b>

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

##### *Financing arrangements*

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

	<b>Facility limit</b>	<b>Used</b>	<b>Available</b>
<b>30 June 2019</b>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Consolidated	10,131	9,881	250
<b>30 June 2018</b>			
Consolidated	10,641	10,491	150

As at 30 June 2019 the Consolidated Entity had facilities in place of \$10,131,700 (2018: \$10,641,300). The Consolidated Entity had utilised \$9,881,493 consisting of the \$5,600,000 bank loan, \$4,021,700 bank bill facility and \$259,793 in temporary facility (2018: \$10,491,300). The consolidated entity had \$6,975,000 (2018: \$6,215,000) 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 \$3,748,000 as at 30 June 2019 (2018: \$4,040,000).

#### (d) Capital risk management

Management controls the capital of the Consolidated Entity to maintain a good debt to equity ratio, to provide 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 remains 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) Judgement in determining control of subsidiaries (AASB 10)**

In determining whether the Company has control over subsidiaries that are not wholly owned, judgement is applied to assess the ability of the Company 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 Company has with other owners of partly owned subsidiaries are taken into consideration. Whilst the Company is not able to control all activities of a partly owned subsidiary, the partly owned subsidiary is consolidated within the Consolidated Entity where it is determined that the Company 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 Company, 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.

### **(c) 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.

### **(d) 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 software development costs over 5 years, refer to Note 17 Intangible Assets for the company policy.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (e) Treatment of investment property in QLD

The KWB property located at 97 Trade Street, Lytton has the majority of the site rented to third parties at market rates. KWB occupy a minority of the site (42%). Management have determined the occupation of the majority of the site by third parties is the key factor in determining its treatment as an investment property.

### (f) Treatment of Franchise Fee Income

The Bedshed franchising operations undertake a number of support functions for franchisees and in the main these are related to the ongoing ability of franchisees to operate. There is a further, separate service obligation which occurs prior to a franchisee commencing trading. Management have determined that these are two different service obligations and are accounted for separately.

### (g) Share based payments

At the 2018 AGM 263,158 FY18 performance rights and 272,109 FY19 performance rights were granted to the Executive Director. The vesting criteria mean that these are 'off market' options and they have been accounted for in accordance with AASB-2 (Accounting for share based payments).

The likelihood of achieving the vesting criteria was assessed during the year and an expense booked for the proportion of the time that had elapsed compared to the total vesting period.

The Executive Director's contract was not renewed and ended on 30 June 2019. In the announcement to the ASX on 24 July 2019 it was noted all the performance rights were cancelled, \$Nil was expensed in the year ending 30 June 2019.

### (h) AASB 9 – Expected credit loss

Debtors in each part of the organisation have been reviewed for the potential of non-recovery. Management have reviewed the various circumstances of each entity and determined that full recovery has a high potential likelihood. These circumstances are as follows:

- In Bedshed and KWB Group the customer has to pay for the goods being purchased prior to delivery;
- In Lloyds auction business revenue is only recognised when purchaser of the item has paid; and
- In Lloyds the discontinued owned inventory debtor is a well backed entity and a material sum has already been paid.
- Included in the financial position of Lloyds is a receivable of \$795,000 (ex-GST) held in respect of the sales recorded under the discontinued operations line disclosed in Note 7. Management have assessed that the expected credit loss on this item to be immaterial, due to the counter-party being well funded, and that payments, including the initial \$200k deposit, being made in line with the agreed terms.

## 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 and the Acting CEO) 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; and
- Operation of valuation, online and physical auction sales.

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 2019.

	Continuing Operations				Discontinued Operations		Total
	Bedshed Franchise	Retail Bedding Stores	Retail Kitchen Stores	Online Auction	Total	Lloyds' Stock	
	\$000	\$000	\$000	\$000	\$000	\$000	
<b>Year ended 30 June 2019</b>							
<b>Revenue</b>							
Revenue	5,465	13,776	64,964	16,956	101,161	183	101,344
Inter-segment sales	-	-	-	-	-	-	-
Total consolidated revenue					101,161	183	101,344
<b>Timing of revenue recognition</b>							
At a point in time	146	13,776	64,964	16,956	95,842	183	96,025
Over time	5,319	-	-	-	5,319	-	5,319
	5,465	13,776	64,964	16,956	101,161	183	101,344
Unallocated revenue					-	-	-
Total consolidated revenue					101,161	183	101,344
<b>Result</b>							
Segment result	1,645	492	9,452	242	11,831	5	11,836
Unallocated expenses net of unallocated income					(2,302)	-	(2,302)
Income tax expense					(2,795)	(1)	(2,796)
Net consolidated profit for the year					6,734	4	6,738
<b>Assets and liabilities</b>							
Segment assets	7,099	5,965	20,130	13,234	46,428	-	46,428
Unallocated assets					9,089	-	9,089
Total assets					55,517	-	55,517
Segment liabilities	1,052	4,646	15,964	2,998	24,660	-	24,660
Unallocated liabilities					3,436	-	3,436
Total liabilities					28,096	-	28,096
<b>Other segment information</b>							
Capital expenditure	23	90	1,074	1,127	2,314	-	2,314
Depreciation and amortisation	21	171	753	660	1,605	-	1,605

## 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 2018.

	Continuing Operations				Discontinued Operations		Total
	Bedshed Franchise	Retail Bedding Stores	Retail Kitchen Stores	Online Auction	Total	Lloyds' Stock	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Year ended 30 June 2018</b>							
<b>Revenue</b>							
Revenue	5,286	15,800	56,324	15,880	93,290	3,314	96,604
Inter-segment sales	-	-	-	-	-	-	-
Total consolidated revenue					93,290	3,314	96,604
<b>Timing of revenue recognition</b>							
At a point in time	75	15,800	56,324	15,880	88,079	3,314	91,393
Over time	5,211	-	-	-	5,211	-	5,211
	5,286	15,800	56,324	15,880	93,290	3,314	96,604
Unallocated revenue					(1,871)	-	(1,871)
Total consolidated revenue					91,419	3,314	94,733
<b>Result</b>							
Segment result	1,435	457	8,290	700	10,882	(200)	10,682
Gain on property investment revaluation					933	-	933
Unallocated expenses net of unallocated income					(1,991)	-	(1,991)
Income tax expense					(3,101)	60	(3,041)
Net consolidated profit for the year					6,723	(140)	6,583
<b>Assets and liabilities</b>							
Segment assets	6,884	5,967	20,227	10,970	44,048	1,432	45,480
Unallocated assets					8,618	-	8,618
Total assets					52,666	1,432	54,098
Segment liabilities	704	4,005	14,695	1,655	21,059	1,379	22,438
Unallocated liabilities					3,552	-	3,552
Total liabilities					24,611	1,379	25,990
<b>Other segment information</b>							
Capital expenditure	12	131	1,341	504	1,988	-	1,988
Depreciation and amortisation	31	188	589	131	939	-	939

## 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 2019.

## 6. REVENUE, INCOME AND EXPENSES

### (a) Revenue from Continuing Operations

	CONSOLIDATED	
	2019 \$000	2018 \$000
<b>Revenue from contracts with customers</b>		
Sale of goods	90,675	80,574
Franchise revenue	3,457	3,403
Provision of services	7,029	7,442
	<u>101,161</u>	<u>91,419</u>
<b>Other income</b>		
Rental income	420	513
Other income	3,466	3,388
	<u>3,886</u>	<u>3,901</u>
<b>Total revenue</b>	<u>105,047</u>	<u>95,320</u>

### Disaggregation of revenue

The Executive review the business at the level of disaggregation shown in our segmental reporting (see Note 5). At this level it has grouped together similar activities and arrangements as follows:

- Similar contractual arrangements with our customer cohorts. At Lloyds Online Auctions all auction customers are required to complete a 'Form 9' which is a legislative defined document laying out the contractual arrangements.
- Similar types of revenue. At Bedshed Franchising the vast majority is earned through payments made by the Franchisees for the services Bedshed provide in connection with the Franchise.

In understanding the segments, the organisation rarely considers the geographic location of the customer as being the driver to an increased understanding.

In the Bedshed company owned stores entity we have three trading locations in Queensland. Their geography is not the driver of the business understanding demand, a greater understanding comes from consideration of the broader macro-economic factors in play that would influence demand, and in the case of the three stores this would be the mining and resource cycle.

We see in KWB, our retail kitchen provider, exposed to fluctuations in overall consumer renovation spend.

## 6. REVENUE, INCOME AND EXPENSES (CONTINUED)

### (a) Revenue from Continuing Operations (continued)

The following table lays out the facts and circumstances that pertain to the Company's contracts with customers and depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Operating segment / Factor	Bedshed Franchise	Retail Bedding Stores	Retail Kitchen Stores	Online Auction	Joyce Corp
<b>Nature of the revenue</b>	Franchise revenue	Sale of goods	Sale of goods	Provision of services	Rental revenue
<b>Market</b>	Franchising in specialty retail	Specialty retail	Renovations	Online products	Commercial real estate
<b>Economic drivers of revenue</b>	Consumer confidence; and Growth in disposable income.	Consumer confidence; Growth in disposable income; and Mining cycle.	Consumer confidence; Growth in disposable income; and Consumer spend on renovations.	Growth in disposable income; and Online vs terrestrial retailing transition.	Property cycle.
<b>Contractual arrangements</b>	Standard form contract	Standard form contract	Standard form contract	Standard form contract	Lease agreement
<b>Specific revenue recognition criteria</b>	Recognition based on business written sales from franchised stores	Recognition at the point of product delivery	Recognition at the point of product delivery	Recognition at the point auction services are provided (and cash is subsequently received from the buyer)	Recognition is monthly as defined in the relevant lease agreement
<b>Contractual assets or liabilities</b>	Nil	Nil	Nil	Nil	Nil

The recognition of revenue for lease income from the KWB Investment property is made in line with the contractual terms laid out in the leasing arrangements, principally paid on the first of the month in advance.

### (b) Expenses from Continuing Operations

	CONSOLIDATED	
	2019	2018
	\$000	\$000
<b>Cost of sales</b>		
Cost of goods	(40,528)	(38,559)
Cost of services	(2,306)	(538)
Total cost of sales	(42,834)	(39,097)
<b>Net interest expense</b>		
Interest income	85	64
Interest expense	(383)	(351)
Net interest expense	(298)	(287)

## 6. REVENUE, INCOME AND EXPENSES (CONTINUED)

### (b) Expenses from Continuing Operations (continued)

	CONSOLIDATED	
	2019	2018
	\$000	\$000
<b>Variable costs</b>		
Freight	(239)	(220)
Wages – casual staff	(3,240)	(2,831)
Auction costs	(3,557)	(4,640)
Warranty costs	(765)	(818)
Total variable costs	<u>(7,801)</u>	<u>(8,509)</u>
<b>Administrative Expenses – continuing operations</b>		
IT, communications and network costs	(1,386)	(1,096)
Bank charges	(679)	(727)
Consultancy fees	(644)	(112)
Travel expenses	(574)	(535)
Postage & stationery	(534)	(530)
Insurance	(464)	(381)
Accounting & audit fees	(310)	(375)
Motor vehicle expenses	(281)	(285)
Legal fees	(144)	(109)
Other administration expenses	(767)	(900)
Total administration expenses	<u>(5,783)</u>	<u>(5,050)</u>
<b>Lease payments and other expenses included in the statement of profit or loss and other comprehensive income – continuing operations</b>		
Minimum lease payments - operating lease	<u>(4,849)</u>	<u>(4,560)</u>

## 7. DISCONTINUED OPERATIONS

On 22 June 2018, the Consolidated Entity 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:

<b>Discontinued Operations</b>	<b>CONSOLIDATED</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
Revenue	183	3,314
Expenses	(178)	(3,514)
Profit/(loss) before income tax	5	(200)
Income tax (expense)/benefit	(1)	60
Profit/(loss) attributable to owners of the parent entity	4	(140)

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	5	(231)
Net cash inflow from investing activities	-	-
Net cash (outflow)/inflow from financing activities	-	-
Net (decrease)/increase in cash generated by the discontinued division	5	(231)

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 2019 are:

	CONSOLIDATED	
	2019	2018
	\$000	\$000
<b>Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>		
<b>– continuing operations</b>		
<i>Current Income tax</i>		
Current income tax expense	2,878	2,955
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(130)	130
Utilisation of unused tax losses	37	-
Under/(over) provision in respect of prior years	10	16
Income tax expense relating to continuing operations	2,795	3,101

## 8. INCOME TAX (CONTINUED)

	CONSOLIDATED	
	2019	2018
	\$000	\$000
Income tax expense relating to continuing operations	2,795	3,101
Income tax expense relating to discontinued operations	1	(60)
Income tax expense relating to overall operations	2,796	3,041

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 2019 and 30 June 2018 is as follows:

	CONSOLIDATED	
	2019	2018
	\$000	\$000
Profit before income tax – continuing operations	9,525	9,824
Income tax expense calculated at the statutory income tax rate of 30% (2018: 30%)	2,857	2,947
Expenditure not allowable for income tax purposes	(72)	123
Impairment of goodwill not allowable for income tax purposes	-	9
Under provision in respect of prior years	10	22
Income tax expense recognised in profit or loss – continuing operations	2,795	3,101

### *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*.



## 8. INCOME TAX (CONTINUED)

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

### *Tax consolidation contributions/(distributions)*

The Consolidated Entity has recognised no consolidation contribution adjustments.

### *Taxation of financial arrangements (TOFA)*

Legislation is in place which changes the tax treatment of financial arrangements including the tax treatment of hedging transactions. The Consolidated Entity has assessed the potential impact of these changes on the Consolidated Entity's tax position. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 30 June 2019 (2018: Nil).

### *Deferred income tax*

Deferred income tax at 30 June 2019 relates to the following:

	CONSOLIDATED			
	Opening balance	Charged to income	Recognised in Business Combination	Closing balance 30 June 19
	\$000	\$000	\$000	\$000
<b>Deferred tax liabilities</b>				
Investment Property	(291)	(13)	-	(304)
Trade & other receivables	(3)	(3)	-	(6)
Fair value gains on other intangible assets	(260)	-	-	(260)
<b>Balance at 30 June 2019</b>	<b>(554)</b>	<b>(16)</b>	<b>-</b>	<b>(570)</b>
<b>Deferred tax assets</b>				
Plant and equipment	251	74	-	325
Trade and other payables	241	(86)	-	155
Pensions and other employer obligations	753	89	-	842
Provisions	90	72	-	162
Other	6	(3)	-	3
Unused Tax losses	104	(48)	-	56
<b>Balance at 30 June 2019</b>	<b>1,445</b>	<b>98</b>	<b>-</b>	<b>1,543</b>

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

## 8. INCOME TAX (CONTINUED)

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
<b>Deferred tax liabilities</b>				
Investment Property	-	(291)	-	(291)
Trade & other receivables	(2)	(1)	-	(3)
Fair value gain on other intangible assets	(260)	-	-	(260)
<b>Balance at 30 June 2018</b>	<b>(262)</b>	<b>(292)</b>	-	<b>(554)</b>
<b>Deferred tax assets</b>				
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
<b>Balance at 30 June 2018</b>	<b>1,307</b>	<b>138</b>	-	<b>1,445</b>

### *Provision for income tax*

Provision for income tax relates to the following:

	CONSOLIDATED	
	2019	2018
	\$000	\$000
Balance at 30 June	155	820

## 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 by the weighted average number of ordinary shares outstanding during the year. As the performance rights have been cancelled, there are no potential ordinary shares, and therefore there is no dilution.

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

	<b>CONSOLIDATED</b>	
	<b>2019</b>	<b>2018</b>
	<i>\$000</i>	<i>\$000</i>
<b>Net profit attributable to ordinary Joyce shareholders from Continuing Operations</b>	<b>3,453</b>	<b>3,380</b>
	<b>Number of shares</b>	<b>Number of shares</b>
Weighted average number of ordinary shares for basic earnings per share including partly paid	27,968,255	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) included in basic and diluted earnings per share <sup>1</sup> .	-	380,000

Earnings per share are included at the foot of the Consolidated Statement of Profit or Loss.

In the Financial Year ended 30 June 2018 results, there was \$933k shown as a revaluation of the KWB investment property. After removal of the NCI and tax, the amount attributable to the ordinary shareholders of Joyce Corporation Ltd was \$327k. The current Financial Year ended on 30 June 2019 had no revaluation, so to provide a better comparison an EPS figure has been calculated after removing the \$327k from the comparative calculation. Once removed the EPS for the prior Financial Year is 10.9 cents per ordinary share.

<sup>1</sup> The Performance Rights have not been included in the denominator of the diluted shares.

## 9. EARNINGS PER SHARE (CONTINUED)

On 16 July 2018, Dan Smetana settled the final payment of \$30k for the 380,000 partly paid ordinary shares held at 30 June 2018. The 380,000 shares were converted from partly paid to fully paid ordinary shares. No other share movements during the period. Basic and diluted earnings per share are calculated based on a weighted average of any shares issued during the reporting period.

## 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.

Consolidated cash and cash equivalents balance exclude funds allocated for the specific use of operating the Approved Purposes activities on behalf of the Company's franchisees. Approved Purposes cash is included in Other Current Assets. At 30 June 2019, the total of this balance was \$31k (30 June 2018: \$68k).

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

	CONSOLIDATED	
	2019	2018
	\$000	\$000
Cash at bank and in hand	6,975	6,215

## 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.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure or a debtor to engage in a repayment plan with the Consolidated Entity, and a failure to make contractual payments for a period of greater than 120 days past due.

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.

## 11. TRADE AND OTHER RECEIVABLES (CONTINUED)

	CONSOLIDATED	
	2019	2018
	\$000	\$000
<b>Current</b>		
Trade receivables	2,145	1,918
Allowance for impairment loss (a)	(20)	-
	<u>2,125</u>	<u>1,918</u>
<b>Non-current</b>		
Trade receivables	-	-
Other receivables	399	588
	<u>399</u>	<u>588</u>
	<u>2,524</u>	<u>2,506</u>

### (a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment provision of \$20k (2018: \$Nil) has been recognised by the Consolidated Entity.

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

		Total	0-30	31-60	61-90	61-90	+91	+91
			Days	Days	Days	Days	Days	Days
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
					PDNI*	CI*	PDNI*	CI*
2019	Consolidated	2,145	1,822	229	29	-	65	-
2018	Consolidated	1,918	1,765	41	63	-	49	-

\* Past due not impaired ('PDNI')

\* Considered impaired ('CI')

Receivables past due but not considered impaired are: Consolidated Entity: \$94,000 (2018: \$112,000).

Payment terms on these amounts have not been re-negotiated however credit has been stopped until full payment is made. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

## 11. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Note	CONSOLIDATED	
		2019 \$000	2018 \$000
Opening balance at 1 July	2	95	25
(Credit)/Charge for the year		(75)	-
Amounts written-off		-	(25)
Closing balance at 30 June		20	-

## 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 to make the sale.

	CONSOLIDATED	
	2019 \$000	2018 \$000
<b>Current</b>		
Stock on hand at cost	3,301	3,749
Provision for impairment (a)	(97)	(104)
	3,204	3,645

*(a) Provision for impairment*

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2019 amounted to \$Nil (2018: \$Nil).

	CONSOLIDATED	
	2019 \$000	2018 \$000
<b>Non-current</b>		
Stock on hand at cost	758	582
Provision for impairment (b)	(214)	(187)
	544	395

This inventory are the assets used in KWB showrooms and is reduced in value over five years and at that point sold.

*(b) Provision for impairment*

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2019 amounted to \$Nil (2018: \$Nil).

### 13. OTHER ASSETS

	CONSOLIDATED	
	2019	2018
	\$000	\$000
<b>Current</b>		
Accrued revenue	807	775
Prepayments	452	203
Other receivables	314	282
	<u>1,573</u>	<u>1,260</u>

### 14. OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	2019	2018
	\$000	\$000
<b>Current</b>		
Funds held in trust	31	68
	<u>31</u>	<u>68</u>

### 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 Consolidated Statement of Profit or Loss. On the sale of revalued assets, the profit element of the revalued amount is taken through the Consolidated Statement of Profit or Loss.

## 15. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

	CONSOLIDATED			Total \$000
	Property & Buildings \$000	Plant and equipment \$000	Leasehold improvements \$000	
<b>Year ended 30 June 2018</b>				
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
<b>At 30 June 2018</b>				
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
<b>Year ended 30 June 2019</b>				
At 1 July 2018,				
Net of accumulated depreciation	6,768	2,045	1,965	10,778
Additions	6	914	880	1,800
Disposals	-	(56)	-	(56)
Depreciation charge for the year	(65)	(653)	(610)	(1,328)
At 30 June 2019				
Net of accumulated depreciation	6,709	2,250	2,235	11,194
<b>At 30 June 2019</b>				
Cost	6,844	4,005	4,063	14,912
Accumulated depreciation and impairment	(135)	(1,755)	(1,828)	(3,718)
Net carrying amount	6,709	2,250	2,235	11,194

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2019 is \$377k (2018: \$Nil). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.



## 16. INVESTMENT PROPERTY

	CONSOLIDATED	
	2019	2018
	\$000	\$000
Balance at beginning of year	9,623	-
Transfer from property, plant & equipment	-	8,690
Fair value adjustments	-	933
Balance at end of year	9,623	9,623

During the prior 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 income.

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 an immaterial fair value change in the carrying value of the investment property. In accordance to AASB 140, a revaluation gain/(loss) of \$nil (2018: gain of \$933k) was included in the Consolidated Statement of Profit and Loss.

## 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 Consolidated Statement of Profit or Loss through the 'depreciation and amortisation' expense 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, it 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 (CGU's) for impairment testing. Each of those CGU's represents the Consolidated Entity's investment in Australia by each operating segment. CGU's to which goodwill is allocated to are 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	
	2019	2018
	\$000	\$000
Goodwill	15,933	15,933
Software development	2,373	2,230
	<u>18,306</u>	<u>18,163</u>

## 17. INTANGIBLE ASSETS (CONTINUED)

An analysis of intangible assets is presented below:

Year ended 30 June	Goodwill		Software Development		Consolidated	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
At 1 July						
net of accumulated impairment and amortisation	15,933	15,933	2,230	-	18,163	15,933
Acquired intangible assets	-	-	528	2,230	528	2,230
Impairment	-	-	-	-	-	-
Amortisation	-	-	(385)	-	(385)	-
At 30 June						
net of accumulated impairment and amortisation	15,933	15,933	2,373	2,230	18,306	18,163
<b>At 30 June</b>						
Cost (gross carrying amount)	17,778	17,778	2,758	2,230	20,536	20,008
Accumulated impairment	(1,845)	(1,845)	-	-	(1,845)	(1,845)
Accumulated amortization	-	-	(385)	-	(385)	-
Net carrying amount	15,933	15,933	2,373	2,230	18,306	18,163

### Goodwill

#### (a) Initial Goodwill

Goodwill as at 30 June 2019 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 in October 2014 and the 51% interest in Lloyds Online Auctions Pty Ltd purchased July 2016 and additional 5% in January 2019.

#### (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 (2018: \$Nil) has been recognised in respect of goodwill for the year ended 30 June 2019.

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

	CONSOLIDATED	
	2019 \$000	2018 \$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
	<u>15,933</u>	<u>15,933</u>

## 17. INTANGIBLE ASSETS (CONTINUED)

### (b) Impairment of Goodwill Disclosures (continued)

The recoverable amount of each CGU 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 FY20 extrapolated using estimated growth rates. The cash flows are discounted using risk-adjusted pre-tax discount rate.

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
	2019	2018	2019	2018	2019	2018
Bedshed Franchising segment	10.7%	10.7%	5.0%	6.0%	1.5%	1.5%
Bedshed Stores segment	10.7%	10.7%	5.0%	8.0%	1.5%	1.5%
Kitchen Stores segment	10.7%	10.7%	5.0%	8.0%	1.5%	1.5%
Online Auctions segment	10.7%	10.7%	5.0%	10.0%	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 and Online Auctions 6) before interest, taxation, depreciation and amortisation for the year ended 30 June 2019.

Impairment of Goodwill for the year ended 30 June 2019 was \$Nil (2018: \$Nil), 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 \$Nil.
- If the growth rate applied was 10% lower than used in management's estimates, then the Consolidated Entity would recognised an impairment of \$Nil.
- The discount rate above which an impairment could occur is 13.5%, which is above the rate used in both FY18 and FY19.

### Software development

Software developments as at 30 June 2019 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 capitalised 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	
	2019	2018
	\$000	\$000
<i>Unsecured liabilities</i>		
Trade payables	3,565	2,709
Customer deposits	6,288	4,867
Accruals and other payables	4,139	3,763
Amounts held in trust for Bedshed marketing and other funds (a)	149	440
	<u>14,141</u>	<u>11,779</u>

### (a) 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.

## 19. PROVISIONS (CONTINUED)

### Employee benefits (continued)

#### *(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	
	2019	2018
	\$000	\$000
<b>Current</b>		
Employee benefits (a)	1,613	1,518
Environmental testing (b)	-	10
Total Current	1,613	1,528
<b>Non-current</b>		
Employee benefits (a)	914	818
Total Non-Current	914	818
	2,527	2,346

#### *(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*

The Consolidated Entity no longer considers it necessary to carry out environmental testing on historic sites owned by the Entity and as at 30 June 2019 no provision was considered necessary (2018: \$10k).

## 19. PROVISIONS (CONTINUED)

	Employee Benefits	Environmental Testing	Total
	\$000	\$000	\$000
<b>Consolidated Group</b>			
Opening balance at 1 July 2018	2,336	10	2,346
Additional/ (amount released)	529	(10)	519
Amounts used	(338)	-	(338)
Closing balance at 30 June 2019	2,527	-	2,527

## 20. LOANS AND BORROWINGS

	CONSOLIDATED					
	2019			2018		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Bank loans	694	9,622	10,316	435	10,056	10,491
Finance lease liabilities	200	187	387	-	-	-
<b>Total loans and borrowings</b>	<b>894</b>	<b>9,809</b>	<b>10,703</b>	<b>435</b>	<b>10,056</b>	<b>10,491</b>

The bank loans are secured by first mortgages over the Consolidation Entity's freehold land and buildings, including those classified as investment properties. Refer to Note 3 for management of financial risks on loans and borrowings.

During the year ended 30 June 2019 the Consolidated Entity entered into Hire Purchase agreements to fund the acquisition of plant and equipment. The net value of the Hire Purchase agreements at the reporting date was \$360k (2018: nil).

During FY19 an unsecured loan from Dan Smetana of \$400k was entered into, with an interest rate of 7.22% pa. This was repaid in full in March 2019.

The Joyce Corporation Ltd has entered into contractual arrangements to transition its banking facilities from St George to the Commonwealth Bank. Pertinent terms of the bank new loans are annual repayments of \$333k and a rolling 2-year term.

KWB Property Holdings Pty Ltd has entered into contractual arrangements to transition its banking facilities from the Commonwealth Bank to the National Australia Bank. This new loan allows for offset against relevant cash balances which will reduce interest expense.

### *Compliance with loan covenants*

The Consolidated Entity has complied with the financial covenants of its borrowing facilities during the 2019 Financial Year. The financier assesses the financial covenants bi-annually based on the audited annual report and reviewed half-yearly report.

## 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	
	2019 \$000	2018 \$000
Opening share capital:		
Issued and fully paid ordinary shares 27,588,255 (2018: 27,588,255)	17,347	17,347
Unissued partly paid ordinary shares 380,000 (2018: Nil)	713	-
Receipts for partly paid ordinary shares - \$0.077 on 380,000 shares (2018: \$1.878 on 380,000 shares)	30	713
Closing share capital	18,090	18,060
<i>Movement in ordinary shares on issue</i>	<i>Number</i>	<i>\$000</i>
At 1 July 2018		
Issued and fully paid ordinary shares	27,588,255	18,060
Final payment on partly paid ordinary shares <sup>(a)</sup>	380,000	30
At 30 June 2019		
Issued and fully paid ordinary shares	27,968,255	18,090
Issued and partly paid ordinary shares <sup>(a)</sup>	-	-
	27,968,255	18,090

*(a) Partly paid ordinary shares*

At 30 June 2018 there were 380,000 partly paid shares on issue. 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.

On 16 July 2018, Dan Smetana settled the final payment of \$30k for the 380,000 partly paid ordinary shares held at 30 June 2018. The 380,000 shares were converted from partly paid to fully paid ordinary shares. No other share movements occurred during the period. Basic and diluted earnings per share are calculated based on a weighted average of any shares issued during the reporting period.



## 22. CAPITAL AND LEASING COMMITMENTS

There have been significant changes to commitments during the financial year ended 30 June 2019.

These are driven by the following changes:

- Three new showroom leases in our Retail Kitchen showroom segment;
- The renewal of a further 5 leases for existing stores in the Retail Kitchen Showroom segment;
- The renewal of the main Carrara site lease for the Online Auction segment; and
- New hire purchase lease arrangements to fund capital investment in the Online Auction segment.

### *Property lease payable – Consolidated Entity as lessee*

	CONSOLIDATED	
	2019	2018
	\$000	\$000
Within one year	5,298	3,757
After one year but not more than five years	11,392	4,686
More than five years	464	47
	<u>17,154</u>	<u>8,490</u>

Property leases are non-cancellable leases and have remaining terms of up to seven 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.

## 23. CONTINGENT LIABILITIES

### **Financial Guarantees**

Where material, financial guarantees are 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 amount determined in accordance with the expected credit loss model under AASB 9 Financial Instruments and the amount initially recognised less, where appropriate, cumulative amounts recognised in accordance with AASB 15 Revenue from Contracts with Customers. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 15.

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.

## 23. CONTINGENT LIABILITIES (CONTINUED)

### Financial Guarantees (continued)

#### (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 (2018: \$689,429).

KWB Group have bank guarantees and rent deposits supporting store leases of \$550,716 at 30 June 2019 (\$351,366 at 30 June 2018). Rent deposits are included in Non-current Trade and Other Receivables, see Note 11.

## 24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

	Carrying Amount \$000	Fair Value Amount in \$000
<b>Current Receivables</b>		
Loans	314	314
<b>Non-current Receivables</b>		
Deposit	399	399
<b>Non-current Borrowings</b>		
Interest bearing loans & borrowings	9,622	9,622

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 Consolidated Entity 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.

## 25. SHARE BASED PAYMENTS

### Key Management Personnel Performance Rights

During the reporting period, 263,158 FY18 performance rights and 272,109 FY19 performance rights were granted to the Executive Director which are subject to continued employment with Joyce Corporation Ltd and to the Consolidation Entity meeting predetermined performance criteria. The details of the Long-Term Incentive (LTI) Plan which these performance rights are a component were approved by shareholders at the 2018 AGM Notice of Meeting on 27 November 2018. Details of the fair value of the performance rights issued are summarised below:

Scheme	Number	Grant Date	Fair Value of right	Weighted Average Probability <sup>(3)</sup>	Total Fair Value	Expense to 30 June 2019
FY18 <sup>(1)</sup>	263,158	27/11/2018	1.55	0% - 100%	\$200,000	\$0
FY19 <sup>(2)</sup>	272,109	27/11/2018	1.55	0% - 100%	\$200,000	\$0

- Vesting in three tranches based on each milestone being met for each 30 June 2018, 30 June 2019 and 30 June 2020 reporting year;
- Vesting in three tranches based on each milestone being met for each 30 June 2019, 30 June 2020 and 30 June 2021 reporting year.
- Refer to below for board's assessment of probabilities applied against milestone vesting conditions.

The LTI cost of performance rights will be expensed based on board's assessment that 'Target' earnings (as disclosed in the AGM Notice of Meetings) will be achieved. This is at a rate of 50% of the 'Stretch and above' number. The FY18 Performance rights vest based on the cumulative Net profit after tax ('NPAT') for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020 and continued employment proportional at each reporting date. The FY19 Performance rights vest based on the cumulative Net profit after tax ('NPAT') for the financial years ended 30 June 2019, 30 June 2020 and 30 June 2021 and continued employment proportional at each reporting date.

Details of the vesting conditions of the performance rights issued are summarised below:

#### FY18 Performance Rights

	Milestone <sup>1</sup> \$000's	Vesting %	Probability %	Fair Value \$
Threshold	\$10,274	25%	0%	0
Target	\$11,415	25%	0%	0
Stretch and above	\$13,698	50%	0%	0
Total Expense				0

#### FY19 Performance Rights

	Milestone <sup>2</sup>	% Vesting	Probability	Fair Value
Threshold	\$11,610	25%	0%	0
Target	\$12,900	25%	0%	0
Stretch and above	\$15,480	50%	0%	0
Total Expense				0

- Consolidated Entity achieving a cumulative NPAT for years ended 30 June 2018, 30 June 2019 and 30 June 2020; and
- Consolidated Entity achieving a cumulative NPAT for years ended 30 June 2019, 30 June 2020 and 30 June 2021.

## 25. SHARE BASED PAYMENTS (CONTINUED)

### *Key Management Personnel Performance Rights (Continued)*

#### Recognition and Measurement

The schemes in place can only be equity-settled and are accounted for accordingly. The cost of equity-settled transactions with employees is measured using their fair value at the date which they were granted. In determining the fair value, no account is taken of any performance conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which any performance conditions are met, ending on the date on which the employee becomes fully entitled to the award (vesting date). The cumulative expense recognised for these transactions at each reporting date reflects the extent to which the vesting period has expired and the proportion of the awards that are expected to ultimately vest.

No expense is recognised for awards that do not ultimately vest due to a performance condition not being met. The Executive Director's contract ended on 30 June 2019 and the Board did not renew the contract. Therefore, no amount is recorded as a share-based payment expense for the year ended 30 June 2019 because they were cancelled subsequent to reporting date.

## 26. 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	
		2019	2018
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 Holdings 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 EU Online Pty Ltd	Australia	45	-
Lloyds Online Auctions Pty Ltd	Australia	56	51
Lloyds Auctions & Valuers Pty Ltd	Australia	56	51
LAHV Group Pty Ltd	Australia	56	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 2019.

(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 were paid to Starball Pty Ltd, a company in which Anthony has significant influence - \$448,209 (2018: \$538,201). As at year end the amount owing to this related party was \$nil (2018: \$26,773).

(iv) Key management personnel compensation

	CONSOLIDATED	
	2019	2018
	\$000	\$000
Short Term Benefits	2,349	2,417
Post-Employment Benefits	191	176
	<u>2,540</u>	<u>2,593</u>

Detailed remuneration disclosures are provided in the remuneration report on pages 24 to 33.

## 26. RELATED PARTY DISCLOSURES (CONTINUED)

(v) Loans to key management personnel

There were no loans to key management personnel during the financial year (2018: Nil).

(vi) Loans from key management personnel

During FY19 an unsecured loan from Dan Smetana of \$400k was entered into, with an interest rate of 7.22% pa. This was repaid in full in March 2019. In FY18 an unsecured loan for the same amount was received, of which \$371k was repaid in July 2018 and the remaining \$29k loan balance was subsequently used by Dan Smetana as the final payment towards the partly paid shares.

The loan of \$85k 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 30 June 2019, LAAV Management Pty Ltd, a company of which Andrew Webber is a director, was paid \$240k by Lloyds Online Auctions Pty Ltd for the provision of management services by Andrew Webber and other designated employees of LAAV Management Pty Ltd. 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:

	2019 \$000	2018 \$000
Carrying amount of non-controlling interests acquired	3,073	1,930
Transactions with non-controlling interests	448	-
Profits attributable to non-controlling interests	3,285	3,203
Dividends paid to non-controlling interest	(3,609)	(2,060)
Closing carrying amount of non-controlling interest	3,197	3,073

On 22 January 2019, Joyce Corporation Limited acquired an additional 5% of the issued capital in Lloyds Online Auctions for \$1,155k. The consideration for the acquisition was offset against the loan owed by Lloyds Online Auctions to the Company. Immediately prior to the purchase, the carrying amount of the existing 49% non-controlling interest was \$1,064k.

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

Statement of financial position	KWB Consolidated Group		Lloyds Consolidated Group	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Current assets	6,129	6,395	2,626	2,557
Current liabilities	(10,062)	(9,478)	(2,560)	(3,407)
Current net assets	(3,933)	(3,083)	66	(850)
Non-current assets	13,475	13,203	4,063	3,538
Non-current liabilities	(6,283)	(6,135)	(493)	(182)
Non-current net assets	7,192	7,068	3,570	3,356
Net assets	3,259	3,985	3,636	2,506
Accumulated NCI	1,597	1,860	1,600	1,213

## 26. RELATED PARTY DISCLOSURES (CONTINUED)

### (b) Non-Controlling Interest (continued)

Statement of financial performance (including discontinued operations)	KWB Consolidated Group		Lloyds Consolidated Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Revenue	64,964	56,324	17,139	19,194
Profit for the period	6,642	6,146	69	235
Total comprehensive income	6,642	6,146	69	235
Profit allocated to NCI	3,255	3,088	30	115
Dividends paid to NCI	(3,609)	(2,060)	-	-

Statement of cash flow	KWB Consolidated Group		Lloyds Consolidated Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Cash flow from operating activities	8,549	7,951	(261)	1,019
Cash flow from investing activities	(1,216)	(1,326)	(1,082)	(2,647)
Cash flow from financing activities	(7,366)	(4,205)	1,384	-
Net increase/(decrease) in cash and cash equivalents	(33)	2,420	41	(1,628)

## 27. DIVIDENDS

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

	2019	2018
	\$000	\$000
<b>Distributions paid or payable</b>		
Final fully franked ordinary dividend of 3.0 cents per share (Paid 22 November 2017)		839
Special fully franked dividend of 3.0 cents per share (Paid 22 November 2017)		839
Interim fully franked dividend of 5.0 cents per share (Paid 11 April 2018)		1,399
Final fully franked ordinary dividend of 6.0 cents per share (Paid 21 November 2018)	1,678	
Interim fully franked dividend of 5.0 cents per share (Paid 10 April 2019)	1,399	
Second interim fully franked dividend of 1.7 cents per share (Paid 28 June 2019)	475	
	<u>3,552</u>	<u>3,077</u>

On 27 August 2019, the directors declared the payment of a final dividend of 5.0 cents out of retained profits and will continue to monitor performance and review resources and liquidity to determine future dividend payments.

## 28. EVENTS SUBSEQUENT TO REPORTING DATE

A fully franked dividend of 5.0 cents per share was declared on 27 August 2019 and payable 18 November 2019.

The Consolidated Entity has contracted to transition loan facilities from St George to Commonwealth Bank on a date subsequent to the signing of these accounts.

KWB Property Holdings Pty Ltd entered into contractual arrangements with the National Australia Bank to transition loan facilities over from the Commonwealth Bank, however the transition date was not set by the date the accounts were signed.

In the ASX announcement dated 24 July 2019 the Company communicated the following payments and arrangements with the former Executive Director, Anthony Mankarios:

- \$245,966 (plus GST) will be paid to Starball Pty Ltd (a private company Mr Mankarios has substantial influence over) in addition to payments for services up to when the contract with Starball ceased.
- All of Starball Pty Ltd's and Mr Mankarios' Short Term Incentive Plan participation and performance rights have been cancelled (including those approved at the 2018 Joyce AGM);
- The Board will propose a resolution for the shareholders to consider at the upcoming 2019 AGM to issue 131,579 fully paid ordinary Joyce shares to Starball Pty Ltd in recognition of Mr Mankarios' contribution.

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:

- (i) the Consolidated Entity's operations, or
- (ii) the results of those operations, or
- (iii) the Consolidated Entity's state of affairs.

## 29. AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2019 \$000	2018 \$000
Amounts received or due and receivable by the auditor's for:		
Audit or review of the financial report of the Consolidated Entity	115	110
	<u>115</u>	<u>110</u>



### 30. 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	
	2019 \$000	2018 \$000
Net profit after taxation	6,738	6,583
<i>Adjustments for:</i>		
Depreciation and amortisation	1,713	1,043
Net loss / (profit) on disposal of plant and equipment	(4)	41
Property investment revaluation	-	(933)
<i>Changes in assets and liabilities</i>		
(increase)/decrease in inventories	292	(1,171)
(increase)/decrease in trade and other receivables	(330)	1,284
(increase)/decrease in other assets	37	484
(increase)/decrease in net deferred tax assets and liabilities	(82)	3,013
(decrease)/increase in trade and other payables	2,116	(879)
(decrease)/increase in provisions	(484)	(440)
<b>Net cash flows from operating activities</b>	<b>9,996</b>	<b>9,025</b>

### 31. PARENT ENTITY DISCLOSURES

#### a. Financial position

	As at 30 June	
	2019 \$000	2018 \$000
<b>Assets</b>		
Current assets	1,001	379
Non-current assets	23,619	24,414
<b>Total assets</b>	<b>24,620</b>	<b>24,793</b>
<b>Liabilities</b>		
Current liabilities	1,083	480
Non-current liabilities	4,097	4,945
<b>Total liabilities</b>	<b>5,180</b>	<b>5,425</b>
<b>Net Assets</b>	<b>19,440</b>	<b>19,368</b>
<b>Equity</b>		
Issued capital	18,090	18,060
Retained earnings	1,350	1,308
<b>Net Equity</b>	<b>19,440</b>	<b>19,368</b>

#### b. Financial performance

	Year ended 30 June	
	2019 \$000	2018 \$000
Profit for the year	2,586	2,057
<b>Total comprehensive profit</b>	<b>2,586</b>	<b>2,057</b>

### **31. PARENT ENTITY DISCLOSURES (CONTINUED)**

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

No such guarantees existed at 30 June 2019 (30 June 2018: Nil).

**d. Contingent liabilities of the parent entity.**

No contingent liabilities existed within the parent entity as at 30 June 2019 (30 June 2018: Nil).

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

No commitments existed for the acquisition of property plant and equipment by the parent entity as at 30 June 2019 (30 June 2018: Nil).

## 32. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new/amended accounting standards and interpretations have been issued but are not mandatory for financial years ended 30 June 2019. They have not been adopted in preparing the financial statements for the year ended 30 June 2019.

Of those standards that are not yet effective, AASB 16 is expected to have a material impact on the Consolidated Entity's financial statements in the period of initial application.

### a) AASB 16 Leases

The Consolidated Entity is required to adopt AASB 16 Leases from 1 July 2019 and has assessed the estimated impact that initial application of AASB 16 will have on its consolidated financial statements as described below. The actual impacts of adopting the standard on 1 July 2019 may change because:

- The Consolidated Entity has not finalised the testing and assessment of controls over its lease accounting system;
- The new accounting policies are subject to change until the Consolidated Entity presents its first financial statements that include the date of initial application.

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 into 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. Lessor accounting remains largely unchanged from AASB 117.

To the extent that the Consolidated Entity, as lessee, has significant operating leases outstanding at the date of initial application, 1 July 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments.

Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years.

There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis.

The Consolidated Entity has not yet determined the impact on its financial statements.

## **32. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)**

### **b) Other standards**

The following amended standards and interpretations are not expected to have a significant impact on the Consolidated Entity's consolidated financial statements.

- AASB 17 Insurance Contracts.
- AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments (AASB 1 impact only).
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation.
- AASB 2017-7 Amendments to Australian Accounting Standards - Long-term Interests in Associates and Joint Ventures.
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle.
- AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement.
- AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business.
- AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material.

## 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 have 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 2019 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 Acting CEO and Group Financial Controller 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.



**M A Gurry**

Chair

Perth, 27 August 2019



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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 2019, the consolidated statement of profit or loss, the consolidated statement of 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 2019 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.

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## Revenue Recognition

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>On 1 July 2018, the group adopted AASB 15 <i>Revenue from Contracts with Customers</i> ("AASB 15"), which replaces the previous accounting standard for revenue, AASB 118 <i>Revenue</i> ("AASB 118").</p> <p>As disclosed in notes 2(ii), 5 and 6(a), the group derives revenue from a number of sources. Revenue is a key driver of the group's financial results, and a focus of management's performance measurement activities. Senior management remuneration is in part contingent on reported revenues.</p> <p>We considered revenue recognition a Key Audit Matter due to the quantum of the balance, its significance to the group, and the complexities inherent in the new accounting standard.</p>	<p>Our procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> <li>• documenting the processes and assessing the adequacy of internal controls relating to revenue processing and recognition;</li> <li>• testing the operating effectiveness of internal controls surrounding the existence and occurrence of key sources of revenue;</li> <li>• performing analytical procedures on recorded revenue data disaggregated by segment and comparing actual performance against internal budgets;</li> <li>• evaluating whether revenue had been recorded in the correct period based on contractual terms for a sample of sales around the reporting date; and</li> <li>• agreeing, for a sample of sales transactions, the amounts recorded by the Group to invoices and delivery documentation to check whether the revenue and related costs were recorded accurately and within the correct accounting period.</li> </ul> <p>In respect of the adoption of AASB 15, and transition adjustments, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• examining the customer contracts and general sales terms and conditions under which the group trades to determine those matters most likely to result in transitional adjustments and adjustment for recognition for the current reporting period; and</li> <li>• engaging a technical specialist to review key customer contracts and evaluate management's assessment of the impact upon transition and recognition for current reporting period.</li> </ul> <p>We also evaluated the disclosures for revenue and revenue recognition accounting policies, including application of the enhanced requirements pertaining to the revenue disaggregation disclosures.</p>

## Carrying Value of Goodwill

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group is required under Australian Accounting Standard AASB 136 <i>Impairment of Assets</i> ("AASB 136"), to perform an annual impairment test of the carrying value of goodwill.</p> <p>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.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• evaluating management's ability to accurately forecast cash flows by assessing the precision of the prior year forecasts against actual outcomes;</li> <li>• comparing the Group's forecast cash flows to the board approved budget;</li> <li>• assessing the reasonableness of discount rates used by management;</li> <li>• performing sensitivity analysis on the growth and discount rates;</li> <li>• testing the mathematical accuracy of the impairment models; and</li> <li>• assessing the adequacy of the Group's related disclosures in the financial report.</li> </ul>

### 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 2019, 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\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.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 24 to 33 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Joyce Corporation Ltd, for the year ended 30 June 2019, 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

Neil Smith

Director

Perth, 27 August 2019

## ASX ADDITIONAL INFORMATION

AS AT 25 AUGUST 2019

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

### (a) Distribution of Shareholders

Category As at 23 August 2019	Holders	Fully Paid Ordinary Shares	%
1 - 1,000	252	95,805	0.34
1,001 – 5,000	201	530,006	1.90
5,001 - 10,000	97	760,788	2.72
10,001 – 100,000	185	5,687,568	20.34
100,001 – and over	30	20,894,088	74.41
<b>Total</b>	<b>765</b>	<b>27,968,255</b>	<b>100.00</b>

### (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	2,650,000	9.5
<b>Total</b>	<b>13,884,829</b>	<b>49.7</b>

\*As at 25 August 2019 Mr. Smetana has beneficial interest in 10,254,129 fully paid ordinary shares (2018: 9,874,129). On 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 25 AUGUST 2019

### (a) 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:

	<b>Ordinary Shareholder</b>	<b>Fully paid Ordinary Shares</b>	<b>%</b>
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	VANWARD INVESTMENTS LIMITED <EQUITIES A/C>	488,056	1.60
12	CONARD HOLDING PTY LTD	347,940	1.24
13	FARROW RD PTY LTD	300,000	1.07
14	MARTEHOF PTY LTD <TEMA SUPER FUND A/C>	223,300	0.80
15	MAN INVESTMENTS (NSW) PTY LTD <AMC SUPER FUND A/C>	207,292	0.74
16	EPIC TRUSTEES LIMITED	201,695	0.72
17	MR FELIX SMETANA	190,050	0.68
18	DMX CAPITAL PARTNERS LIMITED	174,362	0.62
19	FLINGMO PTY LTD <HOFFMAN SUPERFUND A/C>	167,106	0.60
20	LOG-IT PTY LTD <FALCON FIRE SUPER FUND A/C>	166,666	0.60
	<b>Totals: Top 20 holders of ORDINARY FULLY PAID SHARES</b>	<b>19,730,650</b>	<b>70.55</b>
	<b>Total Remaining Holders Balance</b>	<b>8,237,605</b>	<b>29.45</b>

## **ASX ADDITIONAL INFORMATION (CONTINUED)**

AS AT 27 AUGUST 2019

### **(b) Company Secretary**

Mr. Keith Smith

### **(c) Registered Office**

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Tel: +61 8 9445 1055

### **(d) Share Registry**

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### **(e) Auditors**

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