



JOYCE
CORPORATION LTD
SINCE 1886



Bedshed

 **Lloyds**
AUCTIONEERS AND VALUERS



 **kitchen**
connection
kitchens & wardrobes



Joyce Corporation Ltd
AND CONTROLLED ENTITIES

ABN: 80 009 116 269

Annual Report 2016

Corporate Directory

Directors	D A Smetana <i>Chairman</i> M A Gurry T R Hantke A Mankarios
Secretary	K Gray
Notice of annual general meeting	The Annual General Meeting of Joyce Corporation Ltd will be held at: Bedshed Central Office 14 Collingwood Street Osborne Park 6017 Western Australia time: 10:00am date: 22 November 2016
Principal registered office	14 Collingwood Street, Osborne Park, WA, Australia, 6017 Tel: +61 8 9445 1055
Share register	Computershare Investor Services Pty Limited Level 11 172 St Georges Terrace Perth WA 6000
Auditors	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008 Australia
Solicitors	MDS Legal Level 2, 16 Irwin Street, Perth WA 6000 Australia
Bankers	St George Bank Level 2 Westralia Plaza 167 St Georges Terrace Perth WA 6000 Australia
Stock exchange listings	Joyce Corporation Ltd shares are listed on the Australian Securities Exchange (ASX : JYC).
Website address	www.joycecorp.com.au
ABN:	80 009 116 269

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CHAIRMAN'S REPORT

I am pleased to provide the annual report of Joyce Corporation Ltd for the year ending 30 June 2016.

Joyce Corporation has delivered a solid performance and made great progress in securing growing opportunities designed to create value for our shareholders. Highlights for the 2016 financial year included the negotiation for the purchase on 1 July 2016 of 51% of Lloyds Online Auctions Pty Ltd and settlement of the Moorebank investment property.

It is pleasing to report that revenues for 2016 were up 62.8% year on year to \$56.5 million, leading the Company to record a statutory profit after tax and non-controlling interest of \$2.3 million. While this profit is lower year-on-year, the 2015 profit included a one-off \$5.09 million gain booked from discontinued operations that year, mainly comprised of gains from the sale of our Moorebank property.

Profit from continuing operations after tax, adjusting for gains from one-off sales, was up to \$3.46 million in 2016 versus \$126,000 in 2015.

The continuing businesses' EBIT was \$3.12 million to 30 June 2016 versus \$291,000 to 30 June 2015.

The Company achieved net assets per share attributable to members of 91 cents as at 30 June 2016. The earnings per share after tax (EPS) were 8.2 cents on a diluted basis and the EPS from continuing operations was 12.4 cents per share.

Joyce made a strategic acquisition of Lloyd's Online Auctions after year-end, which complements our other business units and enables the Company to enter into the rapidly expanding online retail space. With solid plans for expansion, we expect the business to add an estimated \$10 million to our revenues in the coming financial year.

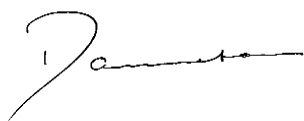
The Company's other business units, Bedshed Franchising and KWB Group, both performed better than forecast. With this in mind, we anticipate the total group network written sales for 2017, including franchisee and auction gross sales, to be between \$170 million and \$200 million.

An important achievement during 2016 was investing in our future and our people by acquiring a property in the tightly held Perth suburb of Osborne Park. We plan to develop this property to house our Corporate Office and our new integrated high clearance warehouse facility. We plan to complete this development by 31 December 2016.

In line with our 2015 plan and our commitment to providing strong returns to shareholders, we are pleased to declare a fully franked dividend of 6 cents per share (to be paid on 18 November 2016) to shareholders and with a record date of 28 October 2016. The dividend comprises a final dividend of 3 cents and special dividend of 3 cents respectively both fully franked.

Looking ahead, we remain focussed on long-term shareholder value creation. The Company is in an enviable financial position with profitable businesses, no debt and substantial growth opportunities, which provides a strong level of security for our shareholders. The recent strategic development and execution of our plans have been extraordinarily progressive and has set the foundation for further organic growth and business partnering opportunities.

I would like to take this opportunity to acknowledge the contribution made by my fellow directors. I would also like to recognise the invaluable contribution made by management and all employees in achieving consistently strong results. We also thank shareholders for their continued support and we look forward to another successful year ahead.



Dan Smetana
Chairman

EXECUTIVE DIRECTOR'S REPORT

Operational Review

Director's Operational Review

The Company announced a statutory profit for the year after tax attributable to members of \$2.3M compared to \$4.47M to 30th June 2015. The comparative year 2015 results included gains on the Moorebank Property sale and provisions with total one-off gain of \$5.09M. The year compared favourably on a continuing business profit after tax basis of \$3.46M in 2016 up from \$126,000 in 2015.

The group EBIT on a continuing basis including non -controlling interest was \$5.49 Million for the period ending 30th June 2016.

The group grew revenues by 62.8 % on the previous year to \$56.5 Million.

Bedshed Franchising & Company Stores ("Bedshed")

This cash flow generating business unit managed to improve the underlying like for like earnings on the previous year. Total network written sales maintained modest growth on a like for like basis in a challenging bulky goods retail environment. During the year two franchise stores in Queensland were converted to company owned stores with an increase in revenue and profit for stores and a corresponding decrease in Bedshed franchising revenue and profit.

The Bedshed company owned stores traded up on last year and earnings growth was also up in strong double-digit growth. The Company stores increased in numbers to 5 stores with 2 in WA and 3 in QLD.

Bedshed has added new Franchise stores in the ACT and in Queensland and new stores are planned in 2017.

We have also fast tracked the new "evolution" fit-out program with 4 more stores completed in this year; additional Franchise stores have committed to completing this program in 2017.

KWB Group Pty Ltd ("KWB")

Kitchen Connection and Wallspan kitchen and wardrobes' retail showrooms were upgraded during the period and additional showrooms opened. The KWB stores have been fully upgraded to produce an inspiring contemporary complete kitchen showroom experience for our customers. KWB currently operates in QLD, NSW and SA with 13 stores. The focus has been on exemplary customer service and delivery of Kitchens at the highest standards in Australia.

The business grew strongly, with sales revenue up by 29% in 2016.

The Company is fully cash funded, with no bank debt and has considerable orders on its books. The cash position is strong and this subsidiary managed to pay its first fully franked dividend during this period.

KWB has signed up two new leases for 2017 and is working on additional opportunities. The focus now is on additional new showrooms and the introduction of new lines and benefits to our customers.

The business is currently trading within expectations and profit growth targets.

EXECUTIVE DIRECTOR'S REPORT (contd)

Future Outlook

The Company has maintained steady fast growth in revenue and profitability for continuing operations for the last three to four years.

The Sale of the Moorebank Property in 2015/16 for \$25M has provided the group with the necessary wherewithal to continue to grow and take on additional opportunities in 2017. The fast growing Lloyds Online Auction business opportunity and the acquisition of our corporate offices and warehouses in Osborne Park WA will see additional lifts in earnings before interest and tax (EBIT) during the next twelve-month period. The Company currently has no bank debt. The opportunity to leverage a strong balance sheet will provide further growth opportunities into the near term.

The Company's prospects are positive given the growth in overall business unit performances. The Company plans to introduce additional Bedshed Franchise stores and will focus on achieving accelerated growth in this area.

The Company has achieved successful earnings and cash flow development with its related subsidiary company KWB Group Pty Ltd and there is potential for this to expand initially within its existing geographical operational areas.

KWB commenced cash dividend payments which are now fully franked. This will aid the Group to lift franked dividends to shareholders in the near future.

The Company's new premises at Osborne Park is expected to add approximately \$380K in EBIT to the group on an annualised basis post January 2017 as a result of saved rents and additional rental incomes into the future.

Joyce's vision is to produce above average market returns to its shareholders through partnering in various business opportunities; it aims to eventually enhance the group by assisting with the expansion across Australia. We anticipate that our footprint into the premium "do it for me" and business to consumer "b2c" markets will grow consistently in the coming years.

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

After Balance Date Events

Joyce has announced that it has purchased 51% of the equity in the business of Lloyds Online Auctions Pty Ltd business on 1 July 2016. The equity was purchased for \$6m, it includes the onsite auction and valuation businesses.

The business is expected to generate auction sales of over \$50M and is expected to exceed earnings before income tax, depreciation and amortisation (EBITDA) of \$3M in 2017. The business is currently very profitable and trading well to August 2016. This business is expected to add over \$10M to Joyce's consolidated 2017 revenue.

The founder and CEO Andrew Webber has built the business on personal relationships and achieving high asset sales on a consistent basis. Mr Webber is now part of the group and will stay to continue to grow this business moving forward.



Mr A. Mankarios
Executive Director

DIRECTORS' REPORT

Your Directors present their report on the Consolidated Entity, consisting of Joyce Corporation Ltd ("the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2016.

DIRECTORS

The names of the Company's Directors in office during the year ended 30 June 2016 and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr D A Smetana	Chairman (non-executive)
Mr T R Hantke	Non-executive Director
Mr M A Gurry	Non-executive Director
Mr A Mankarios	Executive Director

SECRETARY

Mr K Gray

PRINCIPAL ACTIVITIES

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

- (a) The franchisor of the Bedshed chain of retail bedding stores;
- (b) An owner of a number of Bedshed retail stores;
- (c) Property Investment; and
- (d) Majority owner of 51% of KWB Group Pty Ltd

Other than two additional Bedshed company owned stores in North Queensland which were taken over in November 2015, the settlement of the NSW Moorebank property in November 2015 and 51% majority owner of KWB Group, no other significant changes in the nature of the activities of the Consolidated Entity occurred during the year.

REVIEW AND RESULTS OF OPERATIONS

During the year ended 30 June 2016 ("the Financial Year") the Consolidated Entity achieved revenue from continuing operations of \$56.5m (2015: \$34.7m) and a profit from continuing operations before tax of \$5.28m (2015: \$0.91m) and an overall net profit after tax of \$3.98m (2015: \$5.22m). The revenue increased from the consolidation of the KWB Group Pty Ltd from November 2014 and like for like Bedshed sales reduced marginally on the closure of a Queensland company store due to the end of a lease term. A franchise store was subsequently opened near the previous location of the company owned store.

Financial Position

At 30 June 2016, the Consolidated Entity had equity of \$26.0m (2015: \$26.5m); with dividend payments increasing from \$1,297k in 2015 to \$3,636k in 2016. Cash and cash equivalents increased to \$15.25m (2015: \$5.96m). Unutilised debt facilities were \$1.4m (2015: \$3.5m).

Bank Facility

The Board is pleased to advise that the Consolidated Entity has its longer term debt funding facility with St George Bank to 30 June 2019. The bank bill facility was repaid after sale of the NSW property and all debt retired at that point. A new bank bill facility of \$1.26m and an overdraft facility of \$150,000 were approved prior to year end and were both undrawn. A \$1.24m multi option facility, which is subject to annual review, was also extended for another year to June 2016 and with a reduction in bank guarantees post year end, part of this facility will be transferred to the longer term bank bill facility.

DIRECTORS' REPORT (CONTINUED)

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Consolidated Entity will look to further develop the Bedshed business through the expansion of its network of franchised stores whilst consolidating the improved financial performance of Company owned and operated stores. The Board has completed a strategic review of all businesses to ensure maximum return on shareholders' funds. The KWB business is investing in additional stores and the expansion will see improvement in profits and a resulting increase profit from the investment of 51% KWB.

DIVIDENDS

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

	<u>2016</u>	<u>2015</u>
	<u>\$000</u>	<u>\$000</u>
<i>Distributions paid or payable</i>		
Interim unfranked dividend of 1.5 (2013: 1.0) cents per share (Paid 31 July 2014)	-	420
Final unfranked ordinary dividend of 2.1 (2014: 2.0) cents per share (Paid 21 November 2014)	-	587
Prior year dividends paid on partly paid shares (Paid 01 March 2015)	-	11
Interim unfranked dividend of 2.5 (2014: 1.5) cents per share (Paid 31 March 2015)	-	699
Final fully franked ordinary dividend of 3.0 (2015: 2.1) cents per share (Paid 23 October 2015)	839	-
Special fully franked dividend of 5.0 (2015:Nil) cents per share (Paid 16 December 2015)	1,399	-
Interim fully franked dividend of 3.0 (2015:2.5) cents per share (Paid 14 April 2016)	839	-
Special fully franked dividend of 2.0 (2015:Nil) cents per share (Paid 14 April 2016)	559	-
	<u>3,636</u>	<u>1,717</u>

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Company had previously announced that the investment property was not part of the longer term strategy and during the year completed the sale of the Moorebank property with an unconditional sale for \$25 M which was settled in November 2015. Proceeds from the sale were applied to tax payments, repayment of all bank debt and purchase of a property in Osborne Park to house and consolidate corporate offices and warehouse facilities.

SIGNIFICANT AFTER REPORTING DATE EVENTS

A fully franked dividend of 3 cents per share was declared on 24 August 2016 and payable 18 November 2016. A further special dividend of 3 cents per share fully franked will be paid on the same date.

The company acquired 51% of business of Lloyds Online Auctions as of 1 July 2016. The acquisition was for \$6,000,000 plus 50% of stamp duty. The amount is subject to final audited net profit before interest and depreciation of Lloyds achieving \$3,000,000 for the year ended 30 June 2016 and the purchase price adjusted accordingly..

Other than disclosed above no event has occurred since the reporting date to the date of this report that has significantly affected, or may significantly affect:

- (a) the Consolidated Entity's operations, or
- (b) the results of those operations, or
- (c) the Consolidated Entity's state of affairs.

INFORMATION ON DIRECTORS

Mr D A Smetana *Chairman - Non-executive. Age 72.*
Dip Comm FCPA FAIM FAICD

Experience and expertise

Mr Smetana has been Chairman of Joyce Corporation Ltd since 1984. He is also the Chairman of Bedshed Franchising Pty Ltd and has held this position for 30 years. He is a past President of the Industrial Foundation for Accident Prevention and remains a Director of Polymetalica Australia Ltd and a Director of Korab Resources Limited.

His past board memberships include: Director of Edge Employment Solutions Inc, Deputy Chairman of Youth Focus Inc (1998 - 2007), Deputy Chairman Western Power Corporation and Chairman of its Finance Committee until 2003, Chairman and National Councillor of the Defence Reserves Support Council - WA (1997 - 2006), Director of WA Symphony Orchestra until 2003. Vice President and Councillor of the WA Federation of Police and Community Youth Centres (Inc.) and Chairman of the Department of Training and Employment, Science & Technology Advisory Group.

His awards include the 2003 Centenary Medal for Service to Commerce and the Community, the 2007 Ian Chisholm Award for Distinguished Service to Occupational Health & Safety and the 1998 WA Business Executive of the Year award.

Other current Directorships of listed companies

None

Former Directorships of listed companies in last 3 years

None

Special responsibilities

Chairman of the Board
Member of the Audit Committee

Interests in shares and options

9,874,129 beneficial fully paid ordinary shares in Joyce Corporation Ltd.
380,000 partly paid (issued at \$1.955 and paid to \$1.653) unlisted ordinary shares in Joyce Corporation Ltd.

Mr M A Gurry. – *Independent, Non-executive Director. Age 69.*
Bachelor of Science Dip AICD FAICD FAIM SF Fin

Experience and expertise

Mr Gurry was Managing Director of HBF from 1995 to 2007 and prior to that, he was President Asia Pacific of the DMR Group Ltd, an international consulting firm. From 1996 to 1999 he was Vice President of the Asian Association of Management Organizations, from 1997 to 1999 National President of the Australian Institute of Management and from 1999 to 2008 Chairman of United Way WA Inc. Mr Gurry is currently Chairman of Foundation Housing Limited, former Chairman of the Forest Products Commission, and former Chairman of Reignite Pty Ltd, a councilor of HBF Ltd and has served on numerous Boards including the Australian Health Insurance Association, The Australian Information Industry Association, The West Australian Ballet and Integrated Group Ltd.

Other current Directorships of listed companies

None

Former Directorships of listed companies in last 3 years

None

Special responsibilities

Chairman of the Audit Committee
Member of the Remuneration Committee

Interests in shares and options

34,600

DIRECTORS' REPORT (CONTINUED)

INFORMATION ON DIRECTORS (CONTINUED)

Mr T R Hantke. – *Independent, Non-executive Director.* Age 68.
Bachelor of Commerce, FAIM, FAICD

Experience and expertise

Tim Hantke is Managing Director of his own consultancy practice, Franchising Solutions Pty Ltd. Prior to this he was the CEO of Snap Franchising from 1988 – 2001. He has been a Director of Bedshed Franchising Pty Ltd since February 2002 and was appointed to the Joyce Board in June 2006. He was a Board Member of the Franchise Council of Australia 1989 – 1996, a Member of the Franchise Policy Council 1997 – 2002 and a Member of the ACCC's Franchise Consultative Committee. Tim is a Non-Executive Director and Chairman of Central Purchasing Services Ltd and a Non-Executive Director of Mrs Macs Pty Ltd. and Bentech Assistive Technologies Inc. He also mentors and coaches CEO's and Business Owners for The Executive Connection and is an accredited commercial mediator. Tim has extensive managerial experience in both small and large organisations and in various industries.

Other current Directorships of listed companies

None

Former Directorships of listed companies in last 3 years

None

Special responsibilities

Chairman of the Remuneration Committee
Member of the Audit Committee

Interests in shares and options

20,000

Mr A Mankarios. – *Executive Director* Age 49.
MBA, FAICD, CFTP

Experience and expertise

Anthony was appointed Executive Director of Joyce Corporation Ltd (ASX: JYC) and Bedshed Franchising Pty Ltd in March 2010 after an executive restructure. Prior to this, Anthony was a Non-Executive Director of Joyce Corporation and Bedshed Franchising Pty Ltd since September 2008. Anthony is an experienced Director and Manager who has played a key role in Joyce's underlying business growth performance since 2010. He is also a Non-Executive Director of KWB Group Pty Ltd, which is a fast growing Kitchen Connection and Wallspan business; and Chairman of Man Investments and Consultants as well as being involved in a number of other private companies.

Anthony is currently a Non-Executive Director of Inventis Limited (ASX: IVT) and holds Non-Executive positions in a number of private companies. His experience covers multiple sectors and sized companies across manufacturing, property, wholesale, retail, importing and Franchise businesses in Australia and in Asia.

Other current Directorships of listed companies

Inventis Limited

Former Directorships of listed companies in last 3 years

None

Special responsibilities

Member of the Remuneration Committee. Member of the Audit Committee.

Interests in shares and options

710,045

DIRECTORS' REPORT (CONTINUED)

COMPANY SECRETARY

The Company Secretary is Mr K Gray.

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

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 2016, and the numbers of meetings attended by each Director were:

	Meetings of committees					
	Full meeting of Directors		Audit		Remuneration	
	A	B	A	B	A	B
D A Smetana	11	10	4	4	-	-
M A Gurry	11	9	4	4	3	3
T R Hantke	11	9	4	4	3	3
A Mankarios	11	11	4	4	3	2

A = Number of meetings held

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

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

REMUNERATION REPORT - AUDITED

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

- A. Principles used to determine the nature and amount of remuneration.
- B. Service agreements
- C. Details of remuneration
- D. Share-based compensation
- E. Equity instrument disclosures relating to key management personnel
- F. Link between remuneration policy and Company performance
- G. Voting at the 2015 Annual General Meeting

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 Key Management personnel of the Group include:

G Culmsee	General Manager Bedshed Franchising Pty Ltd
K Gray	Chief Financial Officer Joyce Corporation Ltd
J Bourke	Managing Director KWB Group Pty Ltd
C Palin	Finance Director KWB Group Pty Ltd

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT – AUDITED (CONTINUED)

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

Remuneration Committee

The Remuneration Committee Charter establishes the role of the Remuneration Committee, which is to review and make recommendations on Board remuneration: senior management remuneration; executive share plan participation; human resource and remuneration policies; and senior management succession planning, appointments and terminations.

The main responsibilities of the Remuneration Committee includes reviewing and making recommendations on remuneration policies for the company including, in particular, those governing the directors and senior management.

The Remuneration Committee comprises a majority of non-executive directors and at least three members. The Chairman of the committee is appointed by the Board and must be a non-executive director.

The Remuneration Committee is required to meet as and when required by the Chairman. The committee may invite persons deemed appropriate to attend meetings and may take such independent advice as it considers appropriate. Any committee member may request the Chairman call a meeting.

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

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

Remuneration Policies

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

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

In consultation with external remuneration consultants, where appropriate, the Consolidated Entity has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation. There was no remuneration consultant used during the financial year.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

Alignment to program participants' interests:

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

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT – AUDITED (CONTINUED)

Non-executive Directors

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Board considers, where appropriate, the advice of independent remuneration consultants to ensure non-executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

The current base remuneration was last independently reviewed with effect from 30 June 2011. The remuneration of Directors was reduced in 2009 and has subsequently been reinstated without escalation during the 2013 to 2015 financial years. Executive Directors who are members of a committee do not receive additional yearly fees.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$500,000 per annum and was approved by shareholders at the Annual General Meeting on 22 November 2012.

Executive pay

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Remuneration Committee and the process involves the review of the Consolidated Entity and individual performance, and relevant comparative remuneration in the market.

Variable Remuneration - Short Term Incentives

The goals consist of a number of key performance indicators (KPI's) covering both financial and non-financial, corporate and individual measures of performance. Included in the measures are contributions to net profit before tax, cash targets and departmental functional KPI's. At the end of the financial year the remuneration committee assesses the actual performance of the Consolidated Entity, the relevant segment and individual against the KPIs set at the beginning of the financial year. Should the Consolidated Entity, or the relevant segment, achieve the set KPIs, the Board will reward the key management personnel with a bonus during the salary review. A percentage of a pre-determined maximum amount is awarded depending on results. No bonus is awarded where performance falls below the minimum. There are no long term incentives.

B. Service Agreements

This remuneration report outlines the director and executive remuneration arrangements of the Consolidated Entity in accordance with the requirements of the Corporations Act 2001 and its Regulations.

For the purposes of this report, Key Management Personnel ("KMP") of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

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

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT - AUDITED (CONTINUED)

Details of key management personnel (including the Senior Executives of the Consolidated Entity):

Mr D A Smetana	Non-Executive Director and Chairman
Mr M A Gurry	Non-Executive Director - Chairman of Audit Committee
Mr T R Hantke	Non-Executive Director - Chairman of Remuneration Committee
Mr A Mankarios	Executive Director
Mr G Culmsee	General Manager Bedshed Franchising Pty Ltd
Mr K Gray	Chief Financial Officer and Company Secretary
Mr J Bourke	Executive Director KWB Group Pty Ltd
Mr C Palin	Executive Director KWB Group Pty Ltd

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

The Executive Director has a service contract, which at the date of this report runs to 30 June 2017 at the rate adjusted for CPI current at 30 June 2016. This is a part time role, which allows a Directors fee and hourly charge for work undertaken above this and paid monthly. All out of pocket expenses in connection with carrying out the role are reimbursable.

Other Executives

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

	<i>Term of agreement</i>	<i>Notice Period In months</i>	<i>Termination payment in months</i>
2016			
Mr G Culmsee	rolling	2	2
Mr K Gray	rolling	2	2
Mr C Palin	rolling	3	3
Mr J Bourke	rolling	3	3

For base salary and superannuation, see table at C below

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT – AUDITED (CONTINUED)

C. Details of remuneration

	Short-term Employment benefits			Post- Employment benefits	Long- term benefits	Total	% relating to performance
	Salary & Fees	Cash Bonus	Non- Monetary benefits	Superannuation	Term Benefits AL & LSL		
30-Jun-16							
Non-Executive Directors							
Mr D A Smetana	174,634	-	-	16,590	-	191,224	-
Mr T R Hantke	69,853	-	-	6,636	-	76,489	-
Mr M A Gurry	69,853	-	-	6,636	-	76,489	-
Total Non-Executive Directors	314,340	-	-	29,862	-	344,202	-
Executive Director							
Mr A Mankarios ¹	181,041	330,000	-	-	-	511,041	64.57%
Total Directors	495,381	330,000	-	29,862	-	855,243	
Mr G Culmsee ²	230,814	61,946	-	21,927	-	314,687	19.68%
Mr K Gray ²	188,208	60,926	-	17,879	-	267,013	22.82%
Mr J Bourke ³	263,207	-	-	25,005	-	288,212	-
Mr C Palin ³	207,046	-	-	19,669	-	226,715	-
Total Other Key Management personnel	889,275	122,872	-	84,480	-	1,096,627	
Total Remuneration:	1,384,656	452,872	-	114,342	-	1,951,870	23.20%
30-Jun-15							
Non-Executive Directors							
Mr D A Smetana	161,761	-	-	26,637	-	188,398	-
Mr T R Hantke	59,821	-	-	15,538	-	75,359	-
Mr M A Gurry	61,741	-	-	13,618	-	75,359	-
Total Non-Executive Directors	283,323	-	-	55,793	-	339,116	-
Executive Director							
Mr A Mankarios ¹	174,724	30,387	-	-	-	205,111	14.82%
Total Directors	458,047	30,387	-	55,793	-	544,227	-
Mr G Culmsee ²	225,667	30,319	622	21,497	-	278,105	10.90%
Mr K Gray ²	183,843	36,760	675	17,529	-	238,807	15.39%
Mr J Bourke ³	272,366	63,500	-	10,419	-	346,285	18.34%
Mr C Palin ³	191,671	63,500	-	8,195	-	263,366	24.11%
Total Other Key Management personnel	873,547	194,079	1,297	57,640	-	1,126,563	-
Total Remuneration:	1,331,594	224,466	1,297	113,433	-	1,670,790	13.43%

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT – AUDITED (CONTINUED)

C. Details of remuneration (continued)

1. Mr A Mankarios was paid a cash bonus based on key performance criteria, which requires performance meets or exceeds the group budget and also achieves successful completion of predetermined events at the discretion of the Directors. There is an annual short-term bonus and long-term three year incentive which is performance based on meeting board approved budgets. He is contracted to 30 June 2017.
2. Bonuses paid to other key management personnel were at the discretion of the Directors.
3. Mr J Bourke and Mr C Palin were Directors of KWB Group Pty Ltd prior to KWB Group Pty Ltd becoming a subsidiary of Joyce Corporation Ltd in November 2014, they continue as Directors of KWB Group Pty Ltd at the date of this report. Their remuneration above is for the entire current and comparative financial years.

Other Key Management Personnel were paid a cash bonus based on key performance criteria which requires performance meets or exceeds the group budget and also achieves successful completion of predetermined events.

D. Share-based compensation

There was no share-based compensation of Key Management Personnel during the year ended 30 June 2016 (2015: Nil).

E. Equity instrument disclosures relating to key management personnel

i. Option and rights holdings granted as compensation

During the financial year ended 30 June 2016 no options (2015: Nil) were granted or vested as equity compensation benefits to any director or executive of the Consolidated Entity.

ii. Option holdings

There were no options on issue to key management personnel during the year ended 30 June 2016 (2015: Nil).

iii. Share Holdings

The number of shares in the company held during the financial year by each director of the company and the other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation (2015: Nil).

	Balance 01-Jul-15	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30-June-16
2016	Ord	Ord	Ord	Ord	Ord
Mr D A Smetana*	9,850,696	-	-	23,433	9,874,129
Mr T R Hantke	-	-	-	20,000	20,000
Mr M A Gurry	-	-	-	-	-
Mr A Mankarios	700,485	-	-	4,560	705,045
Mr G Culmsee	-	-	-	-	-
Mr K Gray	-	-	-	-	-
Mr C Palin	-	-	-	-	-
Mr J Bourke	-	-	-	-	-
Total	10,551,181	-	-	47,993	10,599,174

* Beneficial holding only. Mr Smetana controls 10,854,829 fully-paid ordinary shares (2015 10,893,438).

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT – AUDITED (CONTINUED)

iv. Partly Paid Ordinary Shares Share Holding

The number of partly paid ordinary shares in the company held during the financial year by each director of the company and the other key management personnel of the Group, including their personally related parties, is set out below. There were no shares granted during the reporting period as compensation (2015: Nil).

2016	<i>Balance 01-Jul-15 Ord</i>	<i>Granted as Remuner ation Ord</i>	<i>On Exercise of Options Ord</i>	<i>Net Change Other Ord</i>	<i>Balance 30-June-16 Ord</i>
Mr D A Smetana ¹	380,000	-	-	-	380,000
Mr T R Hantke	-	-	-	-	-
Mr M A Gurry	-	-	-	-	-
Mr A Mankarios	-	-	-	-	-
Mr G Culmsee	-	-	-	-	-
Mr K Gray	-	-	-	-	-
Mr C Palin	-	-	-	-	-
Mr J Bourke	-	-	-	-	-
Total	380,000	-	-	-	380,000

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

(1) Mr D A Smetana holds 380,000 partly paid (issued at \$1.955 and paid to \$1.653) (2015 paid to: \$1.523) ordinary shares of the Company.

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

DIRECTORS' REPORT (CONTINUED)

F. Link between remuneration policy and Company performance

The Consolidated Entity provided executives with variable remuneration in the form of short-term incentives as described in Part A of the Remuneration Report. These incentives are payable upon the achievement of certain goals covering both financial and non-financial, corporate and individual measures of performance. Included in the measures are contributions to net profit before tax, cash targets and departmental functional KPI's.

The following table shows the gross revenue, profits and dividends for the last five years for the Consolidated Entity, as well as the share price at the end of the respective financial years. The dividends include a special dividend paid during 2016 from the sale of the NSW property.

	2016	2015	2014	2013	2012
	\$000	\$000	\$000	\$000	\$000
Revenue (a)	56,543	36,544	15,056	18,921	19,956
Net Profit after tax	2,301	4,472	1,570	668	3,035
Share Price at Year-end \$	1.06	1.05	0.52	0.40	0.42
Dividends (Cents) Paid	13.00	6.10	3.00	2.15	2.00
Dividend payout ratio %	158.0	38.2	52.6	90.0	18.2

(a) Revenue and net profit in respect of the 2016, 2015, 2014 and 2013 financial years include discontinued operations. The 2013 and 2014 financial performance was impacted by a non-recurring provision for stores that are to be closed during the financial year ending the 30 June 2013 and 2014 financial years. Revenue and profit increased in 2015 from consolidation of KWB Group from November 2014

G. Voting at the 2015 Annual General Meeting on the Remuneration report

The Remuneration report in the 2015 Annual Report to shareholders was approved by 99.9% of shareholders at the 2015 Annual General Meeting. No specific feedback was received at the Annual General Meeting or throughout the year.

H. Independent Salary and Incentive Review

During the 2012 financial year the company undertook an independent management salary and incentive review so as to benchmark existing salary and incentive policies and levels. The Review was undertaken by the independent professional firm of Gerard Daniels Australia. In general the company policies and remuneration levels were found to be consistent with the markets in which we operate, although some changes have been made to ensure greater consistency in some aspects of our remuneration practices. During the financial year ended 30 June 2016, the Company did not engage any remuneration consultants.

LOANS OR OTHER TRANSACTIONS TO DIRECTORS AND EXECUTIVES

There were no loans outstanding to Directors and executives as at 30 June 2016 (2015: nil).
There were no other transactions with key management personnel.

The Executive directors fees for Mr A Mankarios are paid to Starball Pty Ltd, a company in which Mr Mankarios has significant influence - \$511,042 (2015: \$205,111). As at year end the amount owing to this related party was \$26,341 (2015: \$19,437).

The Group is also owed a receivable from Pynland Pty Ltd, a company with shares held in trust by Dan Smetana for the suspended employee share scheme, for \$26,231 owing to Joyce Corporation Ltd for amounts paid on behalf of Pynland Pty Ltd (2015: \$26,131).

End of Audited Remuneration Report.

DIRECTORS' REPORT (CONTINUED)

INSURANCE OF OFFICERS

During the financial year, Joyce Corporation Ltd paid a premium to insure the Directors and secretaries of the Company and its Australian-based controlled entities, and senior executives of the Consolidated Entity. A clause in the relevant insurance policy prevents the disclosure of the amount of the premium.

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

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

PERFORMANCE IN RELATION TO ENVIRONMENTAL REGULATION

Joyce Corporation is party to licences issued by the Environmental Protection Authority and various other authorities throughout Australia. These licences regulate the management of air and water quality, the storage and carriage of hazardous materials and disposal of wastes associated with the Consolidated Entity's properties. There have been no new or material known breaches associated with the Consolidated Entity's licence conditions.

NON-AUDIT SERVICES

There were no fees paid or payable to the auditors for non-audit services for the year ended 30th June 2016.

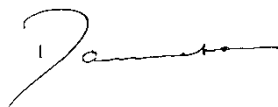
AUDITOR'S INDEPENDENCE DECLARATION

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

ROUNDING OF AMOUNTS

The Consolidated entity has applied the relief available to it in ASIC Corporate Legislative Instrument 2016/191 and accordingly certain amounts in the financial report and the Directors' Report have been rounded off to the nearest \$1,000.

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



D A Smetana
Chairman

Perth, 29 September 2016

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

As lead auditor of Joyce Corporation Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 29 September 2016

CORPORATE GOVERNANCE STATEMENT

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

The 2016 corporate governance policy and statement reflects the corporate governance practices in place throughout the 2016 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

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2016**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	Consolidated	
		30 June 2016	30 June 2015
		\$000	\$000
Continuing operations			
Revenue	6	56,544	34,737
Cost of sales		(30,812)	(17,478)
Gross Profit		25,732	17,259
Other income	6	224	97
Share of net profit of associate		-	215
Expenses from continuing operations			
Administration expenses		(14,169)	(10,492)
Distribution expenses		(755)	(850)
Marketing expenses		(2,046)	(1,273)
Occupancy expenses		(3,448)	(2,366)
Finance costs	6	(90)	(262)
Impairment of intangible assets	6	(120)	(1,375)
Other expenses		(48)	(45)
Profit from continuing operations before income tax		5,280	908
Income tax (expense) / benefit	7	(1,819)	(782)
Profit from continuing operations after tax		3,461	126
Discontinued operations			
Profit for the year from discontinued operations	8	520	5,095
Profit for the year		3,981	5,221
Profit is attributable :			
Ordinary equity holders of the company		2,301	4,472
Non-controlling interests		1,680	749
Total Comprehensive Income for the year		3,981	5,221
Earnings per share for profit attributable to the members of Joyce Corporation Ltd			
Basic earnings per share (cents per share)	9	8.3	16.2
Diluted earnings per share (cents per share)	9	8.2	16.0
Earnings per share for profit from continuing operations attributable to members of Joyce Corporation Ltd			
Basic earnings per share (cents per share)	9	12.5	0.5
Diluted earnings per share (cents per share)	9	12.4	0.5

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the consolidated financial statements set out on pages 27 to 62.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Notes	Consolidated	
		30 June 2016 \$000	30 June 2015 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	10	15,249	5,962
Trade and other receivables	11	560	577
Inventories	12	3,642	2,185
Other assets	13	339	22,890
Other financial assets	14	850	1,252
Total Current Assets		20,640	32,866
Non-Current Assets			
Trade and other receivables	11	571	558
Deferred tax asset	7	1,110	918
Plant and equipment	15	6,243	1,294
Inventories	12	546	558
Intangible assets	16	9,500	9,620
Total Non-Current assets		17,970	12,948
TOTAL ASSETS		38,610	45,814
LIABILITIES			
Current liabilities			
Trade and other payables	17	8,864	8,771
Interest-bearing loans and borrowings		-	22
Provisions	18	1,000	814
Provision for income tax		1,477	3,769
Total Current Liabilities		11,341	13,376
Non-Current Liabilities			
Interest bearing loans and borrowings		-	5,300
Deferred tax liabilities	7	317	317
Provisions	18	962	371
Total Non-Current Liabilities		1,279	5,988
TOTAL LIABILITIES		12,620	19,364
NET ASSETS		25,990	26,450
EQUITY			
Contributed equity	19	17,975	17,926
Reserves	20	2,699	2,699
Non-controlling interests		1,026	511
Retained earnings/(Accumulated losses)		4,290	5,314
TOTAL EQUITY		25,990	26,450

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements set out on pages 27 to 62.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Consolidated	
		30 June 2016	30 June 2015
		\$000	\$000
Cash flows from operating activities			
Receipts from customers		63,403	42,195
Payments to suppliers and employees		(59,086)	(37,714)
Interest received		509	86
Interest paid		(90)	(262)
Operating cash flow		4,736	4,305
Income tax paid		(3,775)	-
Store closure costs		(59)	(137)
Net cash flows from operating activities	29	902	4,168
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		9	1
Proceeds from sale of other assets		22,500	2,508
Proceeds from security deposit		-	1,100
Secured loan		77	76
Purchase of non-current assets		(5,292)	(564)
Cash acquired from business combination, net of cash consideration		-	2,587
Net cash from / (used in) investing activities		17,294	5,708
Cash flows from financing activities			
Repayment of borrowings		(5,322)	(2,803)
Dividends paid	28	(3,587)	(1,927)
Net cash (used in) financing activities		(8,909)	(4,730)
Net increase / (decrease) in cash and cash equivalents		9,287	5,146
Cash and cash equivalents at beginning of period		5,962	816
Cash and cash equivalents at end of period	10	15,249	5,962
Reconciliation of cash			
Cash at bank and in hand		15,249	5,962
		15,249	5,962

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements set out on pages 27 to 62.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

		Contributed Equity	Reserves	Retained Earnings / (Accumulated Losses)	Non- controlling Interest	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	Note	17,891	5,321	(482)	-	22,730
Transfers to and from retained earnings		-	(2,622)	2,622	-	-
Total comprehensive income for the period						
Profit attributable to members of the parent entity		-	-	4,472	-	4,492
Profit attributable to non-controlling interests		-	-	-	729	729
Subtotal		17,891	2,699	6,612	729	27,951
<i>Transactions with owners in their capacity as owners</i>						
Payment partly paid shares		35	-	(11)	-	24
Dividends paid or provided for	28	-	-	(1,287)	(218)	(1,525)
Balance at 30 June 2015		17,926	2,699	5,314	511	26,450
Balance at 1 July 2015		17,926	2,699	5,314	511	26,450
Transfers to and from retained earnings		-	-	-	-	-
Total comprehensive income for the period						
Profit attributable to members of the parent entity		-	-	2,301	-	2,301
Profit attributable to non-controlling interests		-	-	-	1,680	1,680
Subtotal		17,926	2,699	7,615	2,191	30,431
<i>Transactions with owners in their capacity as owners</i>						
Payment partly paid shares		49	-	-	-	49
Share base payment		-	-	-	106	106
Dividends paid or provided for	28	-	-	(3,325)	(1,271)	(4,596)
Balance at 30 June 2016		17,975	2,699	4,290	1,026	25,990

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 27 to 62.

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 2016 were authorised for issue in accordance with a resolution of the directors of the Company dated 29 September 2016. 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 note 7.

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 generic 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 2016 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.

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

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

The adoption all the new and revised Standards and Interpretations has not resulted in any changes to the consolidated entity’s accounting policies and has had no effect on the amounts reported for the current or prior periods.

New accounting standards and interpretations not yet adopted

The following applicable accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the year ended 30 June 2016, and no change to the Group’s accounting policy is required:

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

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ▪ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▪ The remaining change is presented in profit or loss <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>	The Group has considered these standards and determined that there is no impact on the Group's financial statements.	1 July 2017
AASB 15	Revenue from Contracts with Customers	An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.	The Group has not yet determined the impact on the Group's financial statements.	1 July 2018
AASB 16	Leases	<p>IFRS 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases.</p> <p>There are some optional exemptions for leases with a period of 12 months or less and for low value leases.</p>	The Group has not yet determined the impact on the Group's financial statements.	1 July 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the activities of the entity. All controlled entities have a 30 June financial year end. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another entity.

A list of controlled entities is contained in Note 25 to the financial statements.

Consolidated financial statements are the financial statements of the Consolidated Entity presented as those of a single economic entity. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

All significant intra-Consolidated Entity **balances** and transactions, including income, expenses and dividends, are eliminated in full on consolidation. The results of the investees acquired or disposed of during the financial year are accounted for from the respective dates of acquisition or up to the dates of disposal. On disposal, the attributable amount of goodwill, if any, is included in the determination of the gain or loss on disposal.

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

(c) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

(d) Investments and other financial assets

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(e) Subsequent measurement

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

(f) Comparatives

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

(g) Rounding of Amounts

The Company has applied the relief available to it under ASIC Corporate Legislative Instrument 2016/19 and accordingly, amounts in the financial report have been rounded off to the nearest \$1,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

AASB3(42) If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

3. FINANCIAL RISK MANAGEMENT

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

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

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

The Consolidated Entity holds the following financial instruments:

	Notes	Consolidated	
		30 June 2016	30 June 2015
		\$000	\$000
Financial assets			
Cash and cash equivalents	10	15,249	5,962
Trade and other receivables	11	1,176	1,135
Other financial assets	14	850	1,252
		<u>17,275</u>	<u>8,349</u>
Financial liabilities			
Trade and other payables	17	8,864	8,771
Interest-bearing loans and borrowings		-	5,322
		<u>8,864</u>	<u>14,093</u>

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

(i) Foreign exchange risk

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

(ii) Cash flow interest rate risks

The Consolidated Entity's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Consolidated Entity to cash flow interest rate risk. The Consolidated Entity policy is to manage both risks as appropriate in conjunction with considerations about minimising the Consolidated Entity's liquidity risk (see below), the current state of the yield curve and expectations about interest rates in the medium term and the need for flexibility so as to minimise the Consolidated Entity's interest expense.

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

	Weighted Average Interest rate %	30 June 2016 \$000	Weighted Average Interest rate %	30 June 2015 \$000
Financial assets				
Cash and cash equivalents	0.03%	15,249	0.03%	5,962
		<u>15,249</u>		<u>5,962</u>
Financial liabilities				
Overdraft – secured (i)	n/a	-	n/a	-
Commercial bill –secured – variable	n/a	-	n/a	-
Commercial bill –secured – variable (ii)	n/a	-	3.72%	5,300
		<u>-</u>		<u>5,300</u>

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

(ii) The Commercial bill facility is approved to 30 June 2019. This debt facility is bank bill based and incurs a line fee and an on use fee.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

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

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

Consolidated Entity sensitivity

There was no debt facility drawn at 30 June 2016. When drawn the facility is at a variable interest rate plus usage fee and has a line fee when unused. (see above). Variable interest rates apply to the overdraft and cash and cash equivalents. On balances at 30 June 2016, 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 \$0k/\$0k higher/lower (2015 - \$53k/\$53k higher/lower), mainly as a result of a higher/lower interest expense arising from borrowings offset by lower/higher interest income from cash and cash equivalents. Equity would have been \$0k/\$0k higher/lower (2014 - \$53k/\$53k higher/lower) for the same reasons as above.

(b) Credit risk

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

Credit risk is managed on a Consolidated Entity basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set internally. The compliance with credit limits by wholesale customers is regularly monitored by line management.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in each applicable note. For wholesale customers without credit rating the Consolidated Entity generally retains title over the goods sold until full payment is received. For some trade receivables the Consolidated Entity may also obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement. The Consolidated Entity does not hold any credit derivatives to offset its credit exposure. The Consolidated Entity trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Consolidated Entity's policy to securitise its trade and other receivables.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	<i>CONSOLIDATED</i>	
	<i>2016</i>	<i>2015</i>
	<i>\$000</i>	<i>\$000</i>
Cash and cash equivalents		
AA	15,249	5,962
Trade and other receivables		
Non-rated	1,176	1,135
Other financial assets		
Non-rated	850	1,252
	<u>17,275</u>	<u>8,349</u>

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

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

Maturities of financial assets and financial liabilities

The tables below analyse the Consolidated Entity's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Consolidated disclosures

Year ended 30 June 2016	≤ 6 months \$000	6-12 months \$000	1-5 years \$000	>5 years \$000	Total \$000
Consolidated financial assets					
Cash and cash equivalents	15,249	-	-	-	15,249
Trade and other receivables	1,155	-	21	-	1,176
Other financial assets	850	-	-	-	850
	<u>17,254</u>	<u>-</u>	<u>21</u>	<u>-</u>	<u>17,275</u>
Consolidated financial liabilities					
Trade and other payables	8,864	-	-	-	8,864
Interest bearing loans & borrowings	-	-	-	-	-
	<u>8,864</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,864</u>
Net maturity	<u>8,390</u>	<u>-</u>	<u>21</u>	<u>-</u>	<u>8,411</u>
Year ended 30 June 2015	≤ 6 months \$000	6-12 months \$000	1-5 years \$000	>5 years \$000	Total \$000
Consolidated financial assets					
Cash and cash equivalents	5,962	-	-	-	5,962
Trade and other receivables	1,114	-	21	-	1,135
Other financial assets	1,252	-	-	-	1,252
	<u>8,328</u>	<u>-</u>	<u>21</u>	<u>-</u>	<u>8,349</u>
Consolidated financial liabilities					
Trade and other payables	8,771	-	-	-	8,771
Interest bearing loans & borrowings	22	-	5,300	-	5,322
	<u>8,793</u>	<u>-</u>	<u>5,300</u>	<u>-</u>	<u>14,093</u>
Net maturity	<u>(465)</u>	<u>-</u>	<u>(5,279)</u>	<u>-</u>	<u>(5,744)</u>

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) *Liquidity risk (continued)*

Financing arrangements

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

	Facility limit	Used	Available
30 June 2015	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Consolidated	8,900	5,300	3,600
30 June 2016			
Consolidated	1,410	-	1,410

The Consolidated Entity had \$150,000 of available overdraft and \$1,260,000 bank bill facilities to manage its liquidity as at 30 June 2016 (2015: \$3,500,000) The consolidated entity had \$15,249,000 (2015 \$5,962,000) 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 \$3,642,000 as at 30 June 2016 (2015: \$2,185,000). The Consolidated Entity has the ability to draw additional bank guarantees against the available undrawn facility.

(d) *Capital risk management*

Management controls the capital of the Consolidated Entity in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Consolidated Entity can fund its operations and continue as a going concern. The Consolidated Entity's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. The Consolidated Entity is not subject to any externally imposed capital requirements.

Management effectively manages the Consolidated Entity's capital by assessing the Consolidated Entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital of the Consolidated Entity since the prior year. This strategy is to ensure that the Consolidated Entity's gearing ratio remain below 40%.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Consolidated Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Impairment of Goodwill*

The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(b) *Provision for environmental testing*

As part of the ongoing testing of Joyce Corporation owned sites it was found that traces of a chemical used by the leasee, Joyce Foam Products, was detected in the groundwater at the South Australian and New South Wales properties. The levels found were not high and to be prudent the Department of Environment and Conservation were notified. The Department of Environment and Protection has not required any remediation work due to the low level of risk. An ongoing monitoring program has been established to monitor the nature, extent and movement of the chemical found. The trace level of chemical found has generally been decreasing according to independent environmental reports.

5. SEGMENT INFORMATION

(a) AASB 8 Operating segments

Operating Segments are identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision makers (The Board of Directors) in order to allocate resources to the segments and to assess their performance.

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

The Consolidated Entity has the following three operating segments:

- The Bedshed retail bedding franchise operation;
- The operation of Consolidated Entity owned Bedshed stores in Western Australia, Victoria, New South Wales and Queensland; and
- The operation of retail kitchen stores

Refer to note 8 for a description of discontinued operations. Transfer prices between operating segments are set at an arms-length basis in a manner similar to transactions with third parties.

5. SEGMENT INFORMATION (CONTINUED)

Operating segments

The following table presents revenue and profit information and certain asset and liability information regarding operating segments for the year ended 30 June 2016.

	<u>Continuing Operations</u>				<u>Discontinued Operations</u>			
	<i>Bedshed Franchise</i>	<i>Retail Bedding Stores</i>	<i>Retail Kitchen Stores</i>	<i>Joyce Corporate</i>	<i>Total</i>	<i>Store Closures</i>	<i>Invest Prop</i>	<i>Total</i>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2016								
Revenue								
Sales to external customers	4,283	11,484	40,736	41	56,544	329	306	57,179
Inter-segment sales	-	-	-	-	-	-	-	-
Total segment revenue	4,283	11,484	40,736	41	56,544	329	306	57,179
Unallocated revenue					224	-	286	510
Total consolidated revenue					56,768	329	592	57,689
Result								
Segment result	1,183	924	4,800	(1,630)	5,277	-	299	5,576
Unallocated expenses net of unallocated income	-	-	-	-	93	-	286	379
Profit before tax and finance costs					5,370	-	585	5,955
Unallocated finance costs					(90)	-	-	(90)
Profit before income tax					5,280	-	585	5,865
Income tax expense					(1,819)	-	(65)	(1,884)
Net Profit for the year					3,461	-	520	3,981
Assets and liabilities								
Segment assets	12,756	1,986	11,142	11,616	37,500	-	-	37,500
Unallocated assets					1,110	-	-	1,110
Total assets					38,610	-	-	38,610
Segment liabilities	1,855	1,230	6,855	887	10,827	-	-	10,827
Unallocated liabilities					1,793	-	-	1,793
Total liabilities					12,620	-	-	12,620
Other segment information								
Capital expenditure	9	123	847	-	979	-	-	979
Depreciation and amortisation	11	192	230	-	433	-	-	433

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 2015.

	<u>Continuing Operations</u>				<u>Discontinued Operations</u>			
	<i>Bedshed Franchise</i> \$'000	<i>Retail Bedding Stores</i> \$'000	<i>Retail Kitchen Stores</i> \$'000	<i>Invest Prop / Joyce</i> \$'000	<i>Total</i> \$'000	<i>Store Closures</i> \$'000	<i>Invest Prop</i> \$'000	<i>Total</i> \$'000
Year ended 30 June 2015								
Revenue								
Sales to external customers	4,591	8,801	21,306	39	34,737	2,159	754	37,650
Inter-segment sales	-	-	-	-	-	-	-	-
Total segment revenue	4,591	8,801	21,306	39	34,737	2,159	754	37,650
Inter-segment elimination								
Unallocated revenue					97	-	-	97
Total consolidated revenue					34,834	2,159	754	37,747
Result								
Segment result	1,230	696	1,715	(1,352)	2,289	(95)	742	2,936
Unallocated expenses net of unallocated income	-	-	-	-	(1,334)	-	6,640	5,306
Share of net profit of associate					215	-	-	215
Profit before tax and finance costs					1,170	(95)	7,382	8,457
Finance costs					(262)	-	-	(262)
Profit before income tax					908	(95)	7,382	8,195
Income tax expense					(782)	-	(2,192)	(2,974)
Net Profit (loss) for the year					126	(95)	5,190	5,221
Assets and liabilities								
Segment assets	13,492	932	7,598	334	22,356	-	22,540	44,896
Unallocated assets					918	-	-	918
Total assets					23,274	-	22,540	45,814
Segment liabilities	2,329	939	5,385	5,577	14,230	-	1,048	15,278
Unallocated liabilities					4,086	-	-	4,086
Total liabilities					18,316	-	1,048	19,364
Other segment information								
Capital expenditure	10	313	361	-	684	-	-	684
Depreciation and amortisation	23	147	133	-	303	12	-	315

(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 2016 (2015: None).

6. REVENUE, INCOME AND EXPENSES

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Rendering of services

Revenue from the rendering of a service is recognised upon completion of the service to customers.

Interest income

Interest income is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument.

Dividend income

Dividend income is recognised when the right to receive a dividend has been established.

Franchise revenue

Revenue from franchising activities is recognised based on business written sales from franchised stores.

Rental revenue

Rental revenue is recognised monthly as defined in the relevant lease agreements.

All revenue is stated net of the amount of goods and services tax (GST).

6. REVENUE, INCOME AND EXPENSES (CONTINUED)

(b) Revenue, Income and Expenses from Continuing Operations

	CONSOLIDATED	
	2016	2015
	\$000	\$000
<i>Revenue</i>		
Sale of goods	52,826	30,680
Provision of services	3,718	4,057
Total revenue	<u>56,544</u>	<u>34,737</u>
<i>Other income</i>		
Interest received	223	97
Other	1	-
Total other income	<u>224</u>	<u>97</u>
<i>Finance costs</i>		
Bank loans and overdrafts	(90)	(259)
Finance charges payable under finance leases and hire purchase contracts	-	(3)
Total finance costs	<u>(90)</u>	<u>(262)</u>

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

	CONSOLIDATED	
	2016	2015
	\$000	\$000
Included in expenses:		
Depreciation and amortisation	(433)	(315) ¹
Impairment of goodwill	(120)	(1,375)

¹ Includes depreciation for continued and discontinued operations.

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

	CONSOLIDATED	
	2016	2015
	\$000	\$000
Minimum lease payments - operating lease	<u>3,298</u>	<u>2,325</u>

(d) Employee benefits expense – continuing operations

Management bonus (admin)	239	197
Wages and salaries (admin costs)	7,543	5,216
Wages and salaries (included in distribution costs)	285	380
Defined contribution superannuation expense	1,039	673
Superannuation (included within distribution costs)	27	35
Other employee benefits expense (admin)	1,017	634
Other (included within distribution costs)	35	72
	<u>10,185</u>	<u>7,207</u>

7. 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 2016 are:

	<i>CONSOLIDATED</i>	
	<i>2016</i>	<i>2015</i>
	<i>\$000</i>	<i>\$000</i>
Consolidated Statement of Profit or Loss and Other Comprehensive Income – continuing operations		
<i>Current Income tax</i>		
Current income tax expense	1,687	836
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(35)	(1,661)
Utilisation of unused tax losses	-	52
Expense/(over) provision in respect of prior years	167	(9)
Income tax (expense)/benefit relating to continuing operations	<u>1,819</u>	<u>(782)</u>
Consolidated Statement of Profit or loss and Other Comprehensive Income – discontinued operations		
Income tax (expense)/benefit relating to discontinued operations	<u>65</u>	<u>(2,192)</u>
Income tax (expense)/benefit relating to overall operations	<u>1,883</u>	<u>(2,974)</u>

7. INCOME TAX (CONTINUED)

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 2016 and 30 June 2015 is as follows:

	CONSOLIDATED	
	2016	2015
	\$000	\$000
Profit before income tax	5,280	908
Income tax (expense)/benefit calculated at the statutory income tax rate of 30% (2015: 30%)	(1,584)	(272)
Expenditure not allowable for income tax purposes	(32)	(141)
Impairment of stores not allowable for income tax purposes	(36)	(412)
Deferred tax asset losses not previously brought to account, now brought to account	-	52
Under provision in respect of prior years	(167)	(9)
	(1,819)	(782)
Income tax (expense)/benefit recognised in profit or loss – continuing operations	(1,819)	(782)

Tax consolidation

Joyce Corporation Ltd and its 100% Australian owned subsidiaries are a tax Consolidated Entity. Members of the Consolidated Entity have not entered into any tax sharing or tax funding arrangements. At the reporting date, the possibility that the head entity will default on its tax payment obligations is remote. The head entity of the tax Consolidated Entity is Joyce Corporation Ltd.

Measurement method adopted under UIG 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax Consolidated Entity continues to account for their own current and deferred tax amounts. The Consolidated Entity has applied the Consolidated Entity allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax Consolidated Entity. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*.

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

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 2016 (2015: Nil).

7. INCOME TAX (CONTINUED)

Deferred income tax

Deferred income tax at 30 June 2016 relates to the following:

	Opening balance	Charged to income	Recognised in Business Combination	Closing balance, 30 June 16
	\$000	\$000	\$000	\$000
Deferred tax liabilities				
Investment property	-	-	-	-
Trade and other receivables	-	(5)	-	(5)
Fair value gain	(260)	-	-	(260)
Other	(57)	6	-	(51)
Balance at 30 June 2016	(317)	1	-	(316)
Deferred tax assets				
Plant and equipment	136	9	-	145
Trade and other receivables	12	43	-	55
Pensions and other employer obligations	353	35	-	388
Provisions	284	161	-	445
Other	133	(56)	-	77
Unused tax losses	-	-	-	-
Balance at 30 June 2016	918	192	-	1,110

The Consolidated Entity has deferred tax assets and liabilities of \$Nil (2015: \$Nil) which were not brought to account.

7. INCOME TAX (CONTINUED)

Deferred income tax at 30 June 2015 relates to the following:

	Opening balance	Charged to income	Recognised in Business Combination	Closing balance, 30 June 15
	\$000	\$000	\$000	\$000
Deferred tax liabilities				
Investment property	(2,425)	2,425	-	-
Fair value gain	(260)	-	-	(260)
Other	(80)	23	51	(57)
Balance at 30 June 2015	(2,765)	2,397	51	(317)
Deferred tax assets				
Plant and equipment	74	(3)	65	136
Trade and other receivables	1	11	-	12
Pensions and other employer obligations	128	100	125	353
Provisions	183	52	49	284
Other	279	(146)	-	133
Unused tax losses	1,615	(1,615)	-	-
Balance at 30 June 2015	2,280	(1,601)	239	918

8. DISCONTINUED OPERATIONS

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

(a) Investment property sale

The investment property was contracted for unconditional sale in March 2015. As this business ceased from 31 October 2015 the operation has been included as a discontinuing operation.

(b) Analysis of loss for the year from discontinued operations

The combined results of the discontinued operations (i.e. all the stores committed to the closure) included in the statement of profit or loss and other comprehensive income are set out below.

Profit/(loss) for the year from discontinued operations

	2016			2015		
	Stores	Property	Total	Stores	Property	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Revenue	-	-	-	1,807	-	1,807
Cost of sales	-	-	-	(1,091)	-	(1,091)
Gross profit	-	-	-	716	-	716
Other income	329	592	921	352	753	1,105
Sale of Investment Property	-	-	-	-	6,640	6,640
Expenses	(329)	(7)	(336)	(1,163)	(11)	(1,174)
Profit from discontinued operations before tax	-	585	585	(95)	7,382	7,287
Attributable income tax benefit	-	(65)	(65)	-	(2,192)	(2,192)
	-	520	520	(95)	5,190	5,095
Other comprehensive income	-	-	-	-	-	-
Profit/(loss) for the year from discontinued operations (attributable to owners of Joyce Corporation Ltd)	-	520	520	(95)	5,190	5,095

Cash flows from discontinued operations

	2016 \$000	2015 \$000
Net cash flows from operating activities	584	659
Net cash flows from investing activities	-	-
Net cash flows from financing activities	-	-
Net cash flows	584	659

9. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders (after deducting interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and dilutive convertible non-cumulative redeemable preference shares).

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

	<i>CONSOLIDATED</i>	
	<i>2016</i>	<i>2015</i>
	<i>\$000</i>	<i>\$000</i>
Net profit/(loss) attributable to equity holders from continuing operations for basic earnings per share	3,461	126
Effect of dilutive equity instruments	-	-
Net profit attributable to equity holders from continuing operations for diluted earnings per share	3,461	126
Profit/(loss) attributable to equity holders from discontinued operations	520	5,095
Profit for year	3,981	5,221
Non-controlling interests	(1,680)	(749)
Net profit attributable to ordinary shareholders for basic earnings per share	2,301	4,472
Effect of dilutive equity instruments	-	-
Net profit attributable to ordinary shareholders for diluted earnings per share	2,301	4,472
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for basic earnings per share including partly paid	27,588,255	27,588,255
Adjusted weighted average number of ordinary shares for diluted earnings per share including partly paid	27,968,255	27,968,255
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share	-	-
Weighted average number of partly paid ordinary shares (issued at \$1.955 and paid to \$1.653) (2015:\$1.523) included in basic and diluted earnings per share.	380,000	380,000

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

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

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

	CONSOLIDATED	
	2016	2015
	\$000	\$000
Cash at bank and in hand	15,249	5,962
	<u>15,249</u>	<u>5,962</u>

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.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the statement of profit or loss and other comprehensive income in other expenses.

	CONSOLIDATED	
	2016	2015
	\$000	\$000
Current		
Trade receivables	594	616
Allowance for impairment loss (a)	(34)	(39)
	<u>560</u>	<u>577</u>
Non-current		
Trade receivables	21	21
Other receivables	550	537
	<u>571</u>	<u>558</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 \$34k (2015: \$39k) has been recognised by the Consolidated Entity.

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

		Total	0-30 Days	31-60 Days	61-90 Days	61-90 Days	+91 Days	+91 Days
		<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
					PDNI*	CI*	PDNI*	CI*
2016	Consolidated	594	455	73	4	-	28	34
2015	Consolidated	616	419	119	18	-	21	39

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

Receivables past due but not considered impaired are: Consolidated Entity: \$31,820 (2015: \$39,500). Payment terms on these amounts have not been re-negotiated however credit has been stopped until full payment is made. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

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

	<i>CONSOLIDATED</i>	
	<i>2016</i>	<i>2015</i>
	<i>\$000</i>	<i>\$000</i>
Opening balance at 1 July	39	3
Charge for the year	-	36
Amounts written-off	(5)	-
Closing balance at 30 June	<u>34</u>	<u>39</u>

12. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises expenditure incurred in acquiring the inventories and in bringing them to their existing condition and location.

Costs are assigned to individual items of inventory on a basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

	<i>CONSOLIDATED</i>	
	<i>2016</i>	<i>2015</i>
	<i>\$000</i>	<i>\$000</i>
Current		
Stock on hand at cost	3,767	2,325
Provision for impairment (a)	<u>(125)</u>	<u>(140)</u>
	<u>3,642</u>	<u>2,185</u>

(a) Provision for impairment

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2016 amounted to \$Nil (2015: \$140,091). The reduction in provision has been written back to cost of goods sold as losses were realised.

12. INVENTORIES (CONTINUED)

Non-current

Stock on hand at cost	675	647
Provision for impairment (a)	<u>(129)</u>	<u>(89)</u>
	<u>546</u>	<u>558</u>

(a) Provision for impairment

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2016 amounted to \$55,083 (2015: \$89,592). The increase in provision has been written back to cost of goods sold as losses were realised.

13. OTHER ASSETS

	<i>CONSOLIDATED</i>	
	<i>2016</i>	<i>2015</i>
	<i>\$000</i>	<i>\$000</i>
Current		
Accrued revenue	102	52
Prepayments	160	183
Other receivables	77	22,655
	<u>339</u>	<u>22,890</u>

Other receivables 30.06.2015 include \$22,500 being the balance receivable on sale of the Moorebank investment property

14. OTHER FINANCIAL ASSETS

	<i>CONSOLIDATED</i>	
	<i>2016</i>	<i>2015</i>
	<i>\$000</i>	<i>\$000</i>
Current		
Funds held in trust	850	1,252
	<u>850</u>	<u>1,252</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;
- Leased plant and equipment - over 5 to 6 years; and
- Leasehold improvements – 3 to 20 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, it is the Consolidated Entity's policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<i>Property</i> \$000	<i>CONSOLIDATED</i> <i>Plant and equipment</i> <i>Leasehold improvements</i>		<i>Total</i> \$000
	\$000	\$000	\$000	\$000
Year ended 30 June 2015				
At 1 July 2014,				
Net of accumulated depreciation	-	305	192	497
Acquired from business combination net of accumulated depreciation	-	118	460	578
Additions	-	138	422	560
Disposals	-	(26)	-	(26)
Transfer to assets held for sale	-	-	-	-
Transfers	-	-	-	-
Depreciation charge for the year	-	(155)	(160)	(315)
At 30 June 2015,				
Net of accumulated depreciation	-	380	914	1,294
At 30 June 2015				
Cost	-	1,374	1,154	2,528
Accumulated depreciation and impairment	-	(994)	(240)	(1,234)
Net carrying amount	-	380	914	1,294

Year ended 30 June 2016

At 1 July 2015				
Net of accumulated depreciation	-	380	914	1,294
Additions	4,471	431	426	5,328
Disposals	-	(1)	-	(1)
Depreciation charge for the year	-	(168)	(210)	(378)
At 30 June 2016				
Net of accumulated depreciation	4,471	642	1,130	6,243
At 30 June 2016				
Cost	4,471	1,785	1,579	7,836
Accumulated depreciation and impairment	-	(1,143)	(450)	(1,593)
Net carrying amount	4,471	642	1,130	6,243

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2016 is \$Nil (2015: \$124,006). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

16. INTANGIBLE ASSETS

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost. Following initial recognition, the cost model is applied to the class of intangible assets. Where amortisation is charged on assets with finite lives, this expense is taken to the statement of profit or loss and other comprehensive income through the 'amortisation expenses' line item.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred. Intangible assets are tested for impairment where an indicator of impairment exists and annually in the case of intangible assets with indefinite lives, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

16. INTANGIBLE ASSETS (CONTINUED)

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Consolidated Entity's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Consolidated Entity's investment in each country of operation by each operating segment. Cash-generating units to which goodwill is allocated is as follows:

- Bedshed Franchising cash generating unit
- Bedshed Stores cash generating unit
- KWB Group Pty Ltd cash generating unit

(ii) IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Consolidated Entity has an intention and ability to use the asset.

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	
	2016	2015
	\$000	\$000
Goodwill (a)	9,500	9,620
	<u>9,500</u>	<u>9,620</u>

16. INTANGIBLE ASSETS (CONTINUED)

An analysis of intangible assets is presented below:

	<i>CONSOLIDATED</i>	
	2016	2015
	\$000	\$000
Year ended 30 June 2016		
At 1 July 2015		
net of accumulated impairment	9,620	9,972
Acquired goodwill from business combination	-	1,023
Impairment	(120)	(1,375)
	<hr/>	<hr/>
At 30 June 2016, net of accumulated impairment	<u>9,500</u>	<u>9,620</u>
At 1 July 2015		
Cost (gross carrying amount)	10,995	10,569
Accumulated impairment	(1,375)	(597)
Net carrying amount	<u>9,620</u>	<u>9,972</u>
At 30 June 2016		
Cost (gross carrying amount)	10,995	10,995
Accumulated impairment	(1,495)	(1,375)
Net carrying amount	<u>9,500</u>	<u>9,620</u>

(a) Goodwill

Intangible assets as at 30 June 2016 reflects the value of the Bedshed activities for the Bedshed Joondalup store which was purchased in May 2007, the Bedshed Claremont store that was purchased in October 2008, the remaining 51% of Bedshed Franchising Pty Ltd purchased in 2006 and the 51% interest in KWB Group purchased 31 October 2014.

(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 a number of key estimates. Impairment of \$120,000 (2015: \$1,375,000) has been recognised in respect of goodwill for the year ended 30 June 2016.

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

	<i>CONSOLIDATED</i>	
	2016	2015
	\$000	\$000
Bedshed Franchising segment	6,307	6,307
Bedshed Stores segment	2,170	2,290
Kitchen Stores segment	1,023	1,023
Total	<u>9,500</u>	<u>9,620</u>

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period with the period extending beyond existing budgets for the 2015/16 and 2016/17 financial years extrapolated using estimated growth rates. The cash flows are discounted using risk-adjusted pre-tax discount rates.

16. INTANGIBLE ASSETS (CONTINUED)

(b) Impairment Disclosures (continued)

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

	Pre –tax Discount Rate	Sales Growth Rate	Expense Growth Rate
Bedshed Franchising segment	19.5%	4%	2-3%
Bedshed Stores segment	19.5%	3-5%	2-3%

The Consolidated Entity's value-in-use calculations incorporated a terminal value component beyond the 5 year projection period for both the Bedshed Franchising and Bedshed Stores operating segments. The principal assumption used to estimate the terminal value of each operating segment was a multiple of one times earnings before interest, taxation, depreciation and amortisation for the year ended 30 June 2016 budget discounted at a rate of 11% per annum.

Impairment of Goodwill for the year ended 30 June 2016 was \$120,000 (2015: \$1375,000), due to changes in the estimates of future results and terminal value for the Bedshed stores segment.

(c) Impact of possible changes in key assumptions

Sensitivity analysis was conducted on the Bedshed stores segment:

- If budgeted sales growth rate used in the value in use calculation has been 10% lower than management's estimates, the Consolidated Entity would have recognised further impairment of \$120,000.
- If pre-tax discount rate applied was 10% higher than used in management's estimates, then the Consolidated Entity would have recognised further impairment of \$120,000.

17. 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	
	2016 \$000	2015 \$000
Current		
<i>Unsecured liabilities</i>		
Trade payables	2,633	1,748
Accruals and other payables	5,308	5,673
Amounts held in trust for Bedshed marketing and other funds (a)	923	1,350
	<u>8,864</u>	<u>8,771</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.

18. PROVISIONS

Provisions for legal claims, service warranties and make good obligations are recognised when the Consolidated Entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of Management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

(i) Wages and salaries and annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

18. PROVISIONS (CONTINUED)

Provisions are comprised of the following:

	<i>CONSOLIDATED</i>	
	2015	2015
	\$000	\$000
Current		
Employee benefits (a)	796	642
Sub-lease rental shortfall (b)	9	59
Store lease termination (c)	145	113
Environmental testing (d)	50	-
Total Current	1,000	814
Non-current		
Employee benefits (a)	460	358
Sub-lease rental shortfall (b)	-	10
Environmental testing (d)	502	3
Total Non-Current	962	371
	1,962	1,185

(a) Provision for employee benefits

A provision has been recognised for employee benefits relating to long service leave and annual leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

(b) Provision for environmental testing

As part of the ongoing testing of Joyce Corporation owned sites it was found that traces of a chemical used by the lease, Joyce Foam Products, was detected in the groundwater at the South Australian and New South Wales properties. The levels found were not high and to be prudent the Department of Environment and Conservation were notified. The Department of Environment and Protection has not required any remediation work due to the low level of risk. An ongoing monitoring program has been established to monitor the nature, extent and movement of the chemical found. The trace level of chemical found has generally been decreasing according to independent environmental reports. The costs of ongoing testing have been allowed for in the costs of sale of property.

	Sub-let Provision	Store Lease Termination	Employee Benefits	Environmental Testing	Total
	\$000	\$000	\$000	\$000	\$000
Consolidated Group					
Opening balance at 1 July 2015	69	113	1,000	3	1,185
Additional provisions	-	32	838	567	1,437
Amounts used	(60)	-	(582)	(18)	(660)
Balance at 30 June 2016	9	145	1,256	552	1,962

19. 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.

	<i>CONSOLIDATED</i>	
	<i>2016</i>	<i>2015</i>
	<i>\$000</i>	<i>\$000</i>
27,588,255 (2015: 27,588,255) Issued and fully paid ordinary shares	17,347	17,347
380,000 (2015: 380,000) Partly paid ordinary shares, issued at \$1.955 and paid to \$1.653 (2015: \$1.523) (a)	628	579
	<u>17,975</u>	<u>17,926</u>
<i>Movement in ordinary shares on issue</i>	<i>2016</i>	<i>2016</i>
	<i>Number</i>	<i>\$000</i>
At 1 July 2015	27,588,255	17,926
Issued shares:	-	-
Payment partly paid shares	-	49
At 30 June 2016	<u>27,588,255</u>	<u>17,975</u>

(a) Partly-paid ordinary shares

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

20. RESERVES

	<i>CONSOLIDATED</i>	
	<i>2016</i>	<i>2015</i>
	<i>\$000</i>	<i>\$000</i>
Financial assets reserve	2,698	2,698
Asset revaluation reserve	-	-
Balance at 30 June	<u>2,698</u>	<u>2,698</u>
Asset revaluation reserve		
Opening Balance	-	2,623
Transfer to retained earnings upon sale of investment property	-	(2,623)
Balance at 30 June	<u>-</u>	<u>-</u>

21. CAPITAL AND LEASING COMMITMENTS

(a) *Property lease receivable – Consolidated Entity as lessor*

	<i>CONSOLIDATED</i>	
	<i>2016</i>	<i>2015</i>
	<i>\$000</i>	<i>\$000</i>
Within one year	208	662
After one year but not more than five years	567	721
More than five years	-	45
	775	1,428

The property leases are non-cancellable leases expiring 2020 for a portion of a bedding store, with rent receivable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by 3.5% per annum.

(b) *Property lease payable – Consolidated Entity as lessee*

	<i>CONSOLIDATED</i>	
	<i>2016</i>	<i>2015</i>
	<i>\$000</i>	<i>\$000</i>
Within one year	3,682	3,415
After one year but not more than five years	9,805	10,014
More than five years	2,452	2,373
	15,939	15,802

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

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

	<i>Carrying Amount in \$'000</i>	<i>Fair Value Amount in \$'000</i>
Current Receivables		
Loan	77	77
Non-current Receivables		
Loan	154	154
Deposit	50	50
Non-current Borrowings		
Interest bearing loans & borrowings	-	-

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.

23. FAIR VALUE MEASUREMENT OF NON-FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

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

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

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

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

There were no assets measured using level 2 or level 3 fair value valuation techniques. In the prior year the company owned an investment property which was valued at market value.

24. CONTINGENT LIABILITIES

Financial Guarantees

Where material, financial guarantees issued, which requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: *Revenue*. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

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

(a) *Rental Guarantees*

Joyce Corporation Ltd has provided 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 \$826,589 (2015: \$826,589).

25. RELATED PARTY DISCLOSURES

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

	<i>Country of incorporation</i>	<i>% Equity interest</i>	
		<i>2016</i>	<i>2015</i>
Joyce Rural Pty Ltd	Australia	100	100
Bedding Investments Pty Ltd	Australia	100	100
Joyce Industries Pty Ltd	Australia	100	100
Furniture World Marketing Pty Ltd	Australia	100	100
Sierra Bedding Pty Ltd	Australia	100	100
Joyce Indpac Limited	Australia	100	100
Votrait No. 611 Pty Ltd	Australia	100	100
Bedshed Franchising Pty Ltd	Australia	100	100
Joyce International Pty Ltd	Australia	100	100
KWB Group Pty Ltd	Australia	51*	57
Furniture World (HK) Pty Ltd	Hong Kong	50	50

*The equity in KWB Group Pty Ltd was reduced by 6% by the finalisation of a share bonus agreement.

25. RELATED PARTY DISCLOSURES (CONTINUED)

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

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

- (i) Disclosures relating to KMP:-
Those Directors or their Director-related entities received dividend payments, which were made on the same basis as those made to other shareholders, during the year ended 30 June 2016.
- (ii) Transactions entered into during the year between the Company and its controlled entities and Directors of the Company and their Director-related entities were within normal customer or employee relationships on terms and conditions no more favourable than those available to other customers or employees.
- (iii) The Executive directors fees for Mr A Mankarios are paid to Starball Pty Ltd, a company in which Mr Mankarios has significant influence - \$205,112 (2015: \$205,112). As at year end the amount owing to this related party was \$19,437 (2015: \$19,437).
- (iv) A receivable from Pynland Pty Ltd, a company owned by Dan Smetana, for \$26,231 owing to Joyce Corporation Ltd for amounts paid on behalf of Pynland Pty Ltd (2015: \$26,131).

- (v) Key management personnel compensation

	2016	2015
	\$000	\$000
Short Term Benefits	1,838	1,557
Post Employment Benefits	114	113
Share Based Payment	-	-
	<u>1,952</u>	<u>1,670</u>

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

- (vi) Loans to key management personnel

At 30 June 2016 or at any time during the financial year there were no loans (2015: Nil) outstanding to specified directors and specified executives.

26. EVENTS SUBSEQUENT TO REPORTING DATE

A fully franked dividend of 3 cents per share was declared on 24 August 2016 and payable 18 November 2016. A further special dividend of 3 cents per share fully franked will be paid on the same date.

The company acquired 51% of business of Lloyds Online Auctions as of 1 July 2016. The acquisition was for \$6,000,000 plus 50% of stamp duty. The amount is subject to final audited net profit before interest and depreciation of Lloyds achieving \$3,000,000 for the year ended 30 June 2016 and the purchase price adjusted accordingly..

Other than disclosed above no event has occurred since the reporting date to the date of this report that has significantly affected, or may significantly affect:

- (a) the Consolidated Entity's operations, or
- (b) the results of those operations, or
- (c) the Consolidated Entity's state of affairs.

27. AUDITORS' REMUNERATION

	<i>CONSOLIDATED</i>	
	<i>2016</i>	<i>2015</i>
	<i>\$000</i>	<i>\$000</i>
Amounts received or due and receivable by the auditor's for:		
• an audit or review of the financial report of the Consolidated Entity	110	132
	<u>110</u>	<u>132</u>

28. DIVIDENDS

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

	<i>2016</i>	<i>2015</i>
	<i>\$000</i>	<i>\$000</i>
<i>Distributions paid or payable</i>		
Interim unfranked dividend of 1.5 (2013: 1.0) cents per share (Paid 31 July 2014)	-	420
Final unfranked ordinary dividend of 2.1 (2014: 2.0) cents per share (Paid 21 November 2014)	-	587
Prior year dividends paid on partly paid shares (Paid 01 March 2015)	-	11
Interim unfranked dividend of 2.5 (2014: 1.5) cents per share (Paid 31 March 2015)	-	699
Final fully franked ordinary dividend of 3.0 (2015: 2.1) cents per share (Paid 23 October 2015)	839	-
Special fully franked dividend of 5.0 (2015:Nil) cents per share (Paid 16 December 2015)	1,399	-
Interim fully franked dividend of 3.0 (2015:2.5) cents per share (Paid 14 April 2016)	839	-
Special fully franked dividend of 2.0 (2015:Nil) cents per share (Paid 14 April 2016)	559	-
	<u>3,636</u>	<u>1,717</u>

At 30 June 2016 the directors have not declared the payment of a final dividend out of retained profits and will continue to monitor performance and review resources and liquidity to determine when a dividend will be paid.

Dividends Paid	<u>2016</u>	<u>2015</u>
	<u>\$000</u>	<u>\$000</u>
Cash payments in relation to dividends paid in the financial year	<u>3,587</u>	<u>1,927</u>

29. 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	
	2016 \$000	2015 \$000
Net profit after taxation	2,301	4,472
<i>Adjustments for:</i>		
Depreciation and amortisation	433	315
Interest receivable	-	11
Interest paid	7	-
Other income	-	(12)
Goodwill – tax effect	-	231
Non-controlling interest (after dividend paid)	720	511
Impairment of goodwill	120	1,375
Net loss / (profit) on disposal of plant and equipment	10	56
(Profit) on disposal of investment property	-	(6,640)
Share of net profit of associate	-	(215)
<i>Changes in assets and liabilities</i>		
(increase)/decrease in inventories	(1,445)	121
(increase)/decrease in trade and other receivables	22	6
(increase)/decrease in other assets	368	689
(increase)/decrease in net deferred tax assets and liabilities	(2,485)	2,683
(decrease)/increase in trade and other payables	74	697
(decrease)/increase in provisions	777	(132)
Net cash flows used in operating activities	902	4,168

30. PARENT ENTITY DISCLOSURES

a. Financial position

	<i>As at 30 June</i>	
	<u>2016</u>	<u>2015</u>
	<u>\$000</u>	<u>\$000</u>
Assets		
Current assets	7,144	375
Non-current assets	18,168	22,203
Total assets	<u>25,312</u>	<u>22,578</u>
Liabilities		
Current liabilities	600	4,023
Non-current liabilities	592	5,323
Total liabilities	<u>1,192</u>	<u>9,346</u>
Net Assets	<u>24,120</u>	<u>13,232</u>
Equity		
Issued capital	17,975	17,926
Retained earnings/(Accumulated losses)	6,145	(4,694)
Net Equity	<u>24,120</u>	<u>13,232</u>

b. Financial performance

	<i>Year ended 30 June</i>	
	<u>2016</u>	<u>2015</u>
	<u>\$000</u>	<u>\$000</u>
Profit/(Loss) for the year	14,474	(699)
Other comprehensive income	-	-
Total comprehensive profit/(loss)	<u>14,474</u>	<u>(699)</u>

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

No such guarantees existed at 30 June 2016.

d. Contingent liabilities of the parent entity.

No contingent liabilities existed within the parent entity as at 30 June 2016 (30 June 2015: Nil).

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

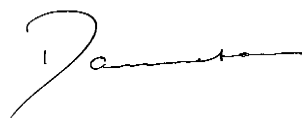
Commitments for the acquisition of property plant and equipment by the parent entity existed as at 30 June 2016 for the value of \$Nil (30 June 2015: Nil).

DIRECTORS' DECLARATION

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

- (a) in the Directors' opinion the financial statements and notes thereto of the Consolidated Entity has been prepared in accordance with the Corporations Act 2001, including that they:
 - (i) comply with Australian Accounting Standards and Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position of the Consolidated Entity as at 30 June 2016 and of its performance as represented by the results of its operations and its cash flows for the year ended on that date; and
- (b) the Directors have been given the declarations by the Executive Director and Chief Financial Officer required by Section 295A;
- (c) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (d) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

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



D A Smetana
Chairman

Perth, 29 September 2016

INDEPENDENT AUDITOR'S REPORT

To the members of Joyce Corporation Limited

Report on the Financial Report

We have audited the accompanying financial report of Joyce Corporation Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Joyce Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Joyce Corporation Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 18 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Joyce Corporation Limited for the year ended 30 June 2016 complies with section 300A of the Corporations Act 2001.

BDO Audit (WA) Pty Ltd



Glyn O'Brien

Director

Perth, 29 September 2016

ASX ADDITIONAL INFORMATION

AS AT 28 SEPTEMBER 2016

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

(a) Distribution of Shareholders

Category As at 28 September 2016	Holders	Fully Paid Ordinary Shares	%
1 - 1,000	205	69,886	0.25
1,001 – 5,000	171	422,684	1.53
5,001 - 10,000	61	502,293	1.82
10,001 – 100,000	151	5,377,401	19.49
100,001 – and over	31	21,215,991	76.90
Rounding			0.01
Total	619	27,588,255	100.00

(b) Shareholdings - Substantial Shareholdings

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

Ordinary Shareholder	Fully Paid Ordinary Shares	%
1. Mr D A Smetana* (excluding partly paid)	10,854,829	39.4
2. John Roy Westwood	2,350,000	8.4
Total	13,204,829	47.8

* Mr Smetana has beneficial interest in 9,874,129 fully-paid ordinary shares (2015: 9,850,696) and 380,000 partly paid shares.

(c) Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

ASX ADDITIONAL INFORMATION (CONTINUED)

AS AT 28 September 2016

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

The number of shares held at the report date by the twenty largest holders of quoted equity securities:

Ordinary Shareholder	Fully paid Ordinary Shares	%
1. ADAMIC PTY LTD <ADAMIC SUPERFUND A/C>	7,711,568	27.95
2. UFBA PTY LTD	2,328,000	8.44
3. PEDUNCLE PTY LTD	1,948,312	7.06
4. ONE MANAGED INVT FUNDS LTD <1 A/C>	1,000,000	3.62
5. TRAFALGAR PLACE NOMINEES PTY LTD	990,233	3.59
6. MR DONALD TEO	990,000	3.59
7. MR DANIEL ALEXANDER SMETANA	563,726	2.04
8. TREASURE ISLAND HIRE BOAT COMPANY PTY LTD <STAFF SUPER FUND ACCOUNT>	504,291	1.83
9. BT PORTFOLIO SERVICES LIMITED <YAZAD SUPER FUND A/C>	450,450	1.63
10. STARBALL PTY LTD	430,029	1.56
11. SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	383,570	1.39
12. MR DAN SMETANA	354,022	1.28
13. MOAT INVESTMENTS PTY LTD <MOAT INVESTMENT A/C>	348,681	1.26
14. CONARD HOLDINGS PTY LTD	347,940	1.26
15. P B L INVESTMENTS PTY LTD	265,203	0.96
16. ASB NOMINEES LIMITED <208357 – ML A/C>	225,388	0.82
17. BELLPAM PTY LIMITED <P MEINHARDT PENSION FUND A/C>	207,500	0.75
18. EPIC TRUSTEES LIMITED	201,695	0.73
19. JET INVEST PTY LTD <R & L INVESTMENT A/C>	188,364	0.68
20. MAN INVESTMENTS (NSW) PTY LTD <AMC SUPER FUND A/C>	172,014	0.62
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES	19,610,986	71.08
Total Remaining Holders Balance	7,977,269	28.92

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

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

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

ASX ADDITIONAL INFORMATION (CONTINUED)

AS AT 28 SEPTEMBER 2016

(f) Company Secretary

Mr Keith Gray

(g) Registered Office

14 Collingwood Street,
Osborne Park, WA,
AUSTRALIA, 6017

Tel: +61 8 9445 1055

(h) Share Registry

Computershare Investor Services Pty Limited
Level 11,
172 St Georges Terrace
Perth, WA 6000

Tel: 1300 557 010