

## Chairman's Letter

I am pleased to announce a robust profit for Joyce Corporation Ltd to 30<sup>th</sup> June 2012 of \$3.035 million. This compares with a profit of \$2.91 million for last year to 30<sup>th</sup> June 2011.

This equates to earnings per share of 12.6 cents which is down on the comparative year due to the early conversions of convertible notes during the year.

The company's Net Asset Value per share as at 30<sup>th</sup> June 2012 is 81 cents excluding partly paid shares.

Accordingly Directors will consider an appropriate Dividend policy and communicate with shareholders post our recently announced business review. The review outcome is expected in October 2012.

The company's Franchise business Bedshed performed well and above expectations, whilst the challenging retail environment did not herald the same result in some company stores with less than optimal performance in regional areas. As a result the Directors have decided to take up a one-off provision to deal with the exit of some stores. The closure costs have been accounted for at 30 June 2012.

I am pleased to confirm we received 100% support to convert all the Convertible Notes during the year. This has enhanced our equity and improved our shareholders funds by an additional \$2.18M in this reporting period.

The group has a very valuable asset with its 41,000 sq mtr industrial property site at bridges Road Moorebank. This is in South West Sydney and adjoins the Georges River. This property is currently rented to the leading Australian Foam manufacturer at sub-economic market rents.

The valuation received by the bank registered panel valuers was taken up in our Books at \$15M based on the sub-economic rent and under current accounting standards for investment property. We anticipate, based on advice received, this value will continue to improve over the next few years. We also anticipate the recent announcement by the NSW Government to enhance port distribution potential by creating a freight inter-modal site nearby will likely enhance demand for commercial land in the area in coming years to aid and facilitate distribution hubs for sea freight containers.

The group is now in a financially conservative gearing position of debt to equity of 24.5% at 30 June 2012 and may seek to leverage its strong balance sheet in the near future to improve the returns to shareholders.

It is important to note the company has \$4.2M of inventory tied up in company stores which will reduce as underperforming company stores are closed.

I would like to recognise the efforts and achievements of the Board and Management in addressing and resolving outstanding issues and placing our Group in a far stronger position to undertake sustained renewed growth.

I commend the Group's prospects to you.

DAN SMETANA  
Chairman  
29 August 2012