Annual Report

2016

Financial Report for the Year Ended 30 June 2016

Australian Gift & Homewares Association Limited | ABN 49 061 196 290
A company limited by guarantee and not having share capital

AUSTRALIAN
Gift & Homewares
ASSOCIATION

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PRESIDENT'S REPORT

Another year rolls around and it is time again for my report of the happenings of the AGHA. It has been a year of rebuilding. I am very happy with the progress we have made on bringing the association back to profit. This has been our main goal this year as our financial security is the basis upon which we can grow our association and provide the best services to our members.

We saw the departure of some longstanding board members and the shrinking of the board from 12 to 9 members. I would like to formally thank David Schwartz, Barry Marks, Joel Farberman and Christophe Rymer for their years of dedicated service. There was the appointment of two new board members, Mike Warner from Keldan in WA and Tracey Swensen from Steady Sticks in NSW, who have slotted into the board well and are now actively working to improve our Association.

Nigel Kirby from Science and Nature, our former President, was appointed to a casual vacancy and was subsequently elected to serve in the role of Treasurer.

A brief recap of what has happened this last year:

- Our CEO, Wayne Castle was appointed in June 2015 and has now been in the position for sixteen months. It has been a real pleasure working with Wayne, his experience in the exhibition industry has been truly welcomed by the board.
- Our sales team has increased markedly and is now ably led by Andrew Jones who has over 15 years experience in the exhibition sales area.
- Sharyn Tamlyn has been recruited by Wayne as our exhibition and events manager and she has brought a highly experienced and professional edge to our events.

I am disappointed to again be showing a loss for the association, albeit a substantial turnaround from last year. The legacy issues of pricing strategies are not changed overnight, but we are now in a position to state pretty confidently that we will be back in profit in 2017.

In conclusion, it has been a year of renewal that sees us end the year in a better position than we started. I look forward to the year ahead comfortable in the knowledge that we are heading in the right direction.

Richard Hogan
President

TREASURER'S REPORT

This year's loss represents the second in a row for the AGHA and it has its roots in the 20% reduction in trade fair fees implemented in 2013. As the President has observed, it was an overshoot that has become entrenched in long term contracts constraining the AGHA from applying the normal remedy that any business would apply in the face of increasing costs and falling revenue.

The recalibration of the AGHA's finances commenced with Wayne Castle's appointment at the beginning of the financial year and the results of his reforms are starting to bear fruit. A new loyalty scheme, replacing expired multi-fair contracts, is being progressively introduced. The scheme rewards those who support our association and at the same time provides the necessary financial levers to ensure your association stays strong.

During the year, the Board appointed new auditors and I am very pleased to report how well the Board, through the Finance and Audit Committee, is working with them. They are experienced in the associations sector and know how to work with and provide advice to a volunteer board. It is too easy to dismiss the role of the auditor as just making sure the numbers add up. That is clearly an important function, but an equally important role is that of guide and advisor to a board that meets just four or five times a year but nevertheless needs to be across the complexities of our business.

Earlier this year the Board approved the purchase of two commercial properties using some of our reserves that had previously been invested in the stock market. For many years we have suffered from the fickle nature of the markets, having to book downward movements in the markets as losses in the accounts. Both units are now on long term leases and we will earn a steady return on the investments in future years. Unlike previous gyrations in the stock market, we will always generate a positive return for as long as they are tenanted. The Board commends the initiative of our management team in re-balancing our portfolio into more stable assets.

Nigel Kirby
Treasurer

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors present their report together with the financial report of Australian Gift and Homewares Association Limited (the Company), for the financial year ended 30 June 2016 and the auditor's report thereon.

DIRECTORS

The names of the directors in office at any time during, or since the end of, the year are:

Names	Position	Appointed/Resigned
Richard Hogan	President	Appointed President 9th July 2015
Patricia Guest	Vice President	
Nigel Kirby	Treasurer	
Barry Marks	Director	Resigned 29 September 2015
Christophe Rymer	Director	Resigned 29 September 2015
David Schwartz	Director	Resigned 29 September 2015
Dean Osmond	Director	
Gloria Gattuso	Director	
Joel Farberman	Director	Resigned 29 September 2015
Mike Warner	Director	Appointed 29 September 2015
Renske Carbone	Director	
Rowen Bavinton	Director	
Timothy McCauley	Director	Resigned 27 July 2015
Tracey Swensen	Director	Appointed 29 September 2015

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activity of Australian Gift & Homewares Association Limited during the financial year was operating as a Trade Association. No significant changes in the nature of the Company's activity occurred during the financial year.
The Company's short term objective is to continue to provide relevant services, including the delivery of trade fairs, to its Members
The Company's long term objective is to grow the membership and influence of the Association for the benefit of its Members and the gift and homewares industry.

OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR

The loss of the Company for the financial year after providing for income tax amounted to $ 670,922 (2015: loss $893,477).

A review of the operations of the Company during the financial year and the results of those operations found that during the year, the Company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements. The Association retained its traditional focus on providing a range of valuable services and benefits to its Members.

Company performance is consistently measured against internally set KPIs with a view to ensuring that targets and objectives are met.

INFORMATION ON DIRECTORS

The information on directors is as follows:

Name	Position	Experience as Board Member	Company
Richard Hogan	President	2 years	Duomo Fine Florentine Stationery
Patricia Guest	Vice President	7 years	Madras Link Pty Ltd
Nigel Kirby	Treasurer	7 years	Science & Nature Pty Ltd
Dean Osmond	Director	7 years	Baden P Morris Pty Ltd
Gloria Gattuso	Director	3 years	Theatre Imports – The trustee for The Gattuso Trust
Mike Warner	Director	1 year	Keldan International
Renske Carbone	Director	4 years	Colours of Australia
Rowen Bavinton	Director	4 years	Boyle Industries Pty Ltd
Tracey Swensen	Director	1 year	SteadySticks Pty Ltd

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

MEMBERS GUARANTEE

Australian Gift & Homewares Association Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each members and any person or association who ceased to be a member in the year prior to the winding up, is limited to $100 per member, subject to the provisions of the company's constitution. The number of members as at 30 June 2016 was 891 (2015: 1,025).

EVENTS AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

MEETINGS OF DIRECTORS

During the financial year, 5 meetings of directors were held. Attendances by each director during the year were as follows

DIRECTORS	DIRECTORS' MEETINGS	
	Number eligible to attend	Number attended
Richard Hogan	5	5
Patricia Guest	5	2
Nigel Kirby	5	5
Barry Marks	1	1
Christophe Rymer	1	1
David Schwartz	1	1
Dean Osmond	5	5
Gloria Gattuso	5	5
Joel Farberman	1	1
Mike Warner	4	4
Renske Carbone	5	3
Rowen Bavinton	5	5
Timothy McCauley	1	-
Tracey Swensen	4	4

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2016 has been received and can be found on page 10 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Richard Hogan
Director

Tracey Swensen
Director

Dated at Sydney this 2nd day of November 2016

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF AUSTRALIAN GIFT & HOMEWARES ASSOCIATION LIMITED

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

(i) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

PKF

PKF
Chartered Accountants

Scott Tobutt
Partner

FINANCIAL REPORT

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Notes	2016	2015
		$	$
Revenue	4	**7,724,717**	8,774,798
Finance income	4	**48,588**	115,738
Direct costs		**(5,209,977)**	(5,844,212)
Employee benefits expense		**(1,769,141)**	(1,850,514)
Depreciation and amortisation expenses		**(380,871)**	(430,951)
Travelling expenses		**(52,781)**	(74,734)
Advertising & marketing expenses		**(114,608)**	(214,985)
Professional fee expenses		**(140,045)**	(495,936)
Communication expenses		**(33,185)**	(38,791)
Impairment expense		**(130,654)**	(44,098)
Other expenses from ordinary activities		**(693,246)**	(750,800)
Loss before income tax		**(751,203)**	(854,485)
Income tax benefit/(expense)	5	**80,281**	(38,991)
Loss for the year		**(670,922)**	(893,476)
Other comprehensive income			
Revaluation of property, plant and equipment	9	**398,167**	258,653
Total comprehensive loss for the year		**(272,755)**	(634,823)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016	Notes	2016	2015
CURRENT ASSETS		$	$
Cash and cash equivalents	6	**1,721,240**	2,188,548
Trade and other receivables	7	**659,454**	1,114,788
Other investments	8	**769,800**	2,671,165
Other assets	12	**1,149,112**	1,386,696
TOTAL CURRENT ASSETS		**4,299,606**	7,346,930
NON-CURRENT ASSETS			
Other investments	8	**168,160**	139,000
Property, plant and equipment	9	**2,318,845**	2,036,394
Investment property	10	**2,109,678**	-
Intangible assets	11	**163,686**	500,000
Deferred tax assets	14	**26,144**	-
TOTAL NON-CURRENT ASSETS		**4,786,513**	2,675,394
TOTAL ASSETS		**9,086,119**	10,022,324
CURRENT LIABILITIES			
Trade and other payables	13	**397,009**	439,119
Deferred tax liability	14	**-**	38,991
Employee benefits	15	**112,910**	104,486
Other liabilities	16	**3,386,427**	3,981,191
TOTAL CURRENT LIABILITIES		**3,896,346**	4,563,787
NON-CURRENT LIABILITIES			
Employee benefits	15	**21,413**	17,422
TOTAL NON-CURRENT LIABILITIES		**21,413**	17,422
TOTAL LIABILITIES		**3,917,759**	4,581,209
NET ASSETS		**5,168,360**	5,441,115
MEMBERS FUNDS			
Retained earnings		**4,511,540**	5,182,462
Asset Revaluation Reserve		656,820	258,653
TOTAL MEMBERS FUNDS		**5,168,360**	5,441,115

STATEMENT OF CHANGES IN EQUITY

As at 30 June 2016

	Revaluation Reserve	Retained Earnings	Total Funds
	$	$	$
Balance at 1 July 2015	**258,653**	**5,182,462**	**5,441,115**
Total comprehensive income			
Loss for the year	-	36,845	36,845
Other comprehensive income	-	-	-
Balance at 30 June 2016	**656,820**	**4,511,540**	**5,168,360**
Balance at 1 July 2014	**-**	**6,075,938**	**6,075,938**
Total comprehensive income			
Loss for the year	-	(893,476)	(893,476)
Other comprehensive income	258,653	-	258,653
Balance at 30 June 2015	**258,653**	**5,182,462**	**5,441,115**

STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Notes	2016	2015
		$	$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		**8,255,430**	10,670,103
Payments to suppliers and employees		**(8,525,620)**	(11,455,315)
Grant received		**65,530**	86,816
Interest received		**15,783**	51,657
Net cash provided by operating activities		**(188,877)**	(646,739)
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		**(39,095)**	(51,657)
Payment for investment property		**(2,109,678)**	-
Payment for intangible assets		**(20,400)**	(812,086)
Payment for investments		**-**	(691,598)
Proceeds from sale of investments		**1,877,107**	644,396
Dividends received from investments		**13,635**	125,550
Net cash used in investing activities		**(278,431)**	(790,395)
Net decrease in cash held		**(467,308)**	(1,437,134)
Cash at beginning of financial year		**2,188,548**	3,625,682
Cash at end of financial year	8	**1,721,240**	2,188,548

The accompanying notes form part of these statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The financial statements of Australian Gift & Homewares Association Limited (the "Company") is a not-for-for profit entity, limited by guarantee, incorporated and domiciled in Australia.

The functional and presentation currency of Australian Gift & Homewares Association Limited is Australian dollars.

Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

NOTE 1: BASIS OF PREPARATION

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements adopted by Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets and financial assets.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

(b) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets
Financial assets are divided into the following categories which are described in detail below:

- loans and receivables; and
- financial assets at fair value through profit or loss;

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

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 arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Company's trade and other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

In some circumstances, the Company renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets:

- acquired principally for the purpose of selling in the near future;
- designated by the entity to be carried at fair value through profit or loss upon initial recognition; or
- which are derivatives not qualifying for hedge accounting.

The Company has some derivatives which are designated as financial assets at fair value through profit or loss.

Assets included within this category are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or expenses in profit or loss.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.

Financial assets reclassified out of the amortised cost measurement category and into the fair value through profit or loss measurement category are measured at their fair value at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss.

Impairment of financial assets
At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at fair value through profit or loss
A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are measured at fair value, and changes therein are recognised in profit or loss.

(c) Cash and Cash Equivalents

Cash and cash equivalents comprises cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short - term commitments.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Land and buildings

Land and buildings are measured using the revaluation model.

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation
Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

Class of fixed asset	Depreciation rates	Depreciation basis
Buildings	5%	Straight Line
Plant and equipment	20 - 40%	Straight Line
Motor vehicles	15%	Straight Line

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(e) Investment Property

Investment property is held to generate long-term rental yields and/or capital growth. All tenant leases are on an arm's length basis. Investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the statement of profit or loss as other income/expenses.

(f) Intangible Assets

Recognition and measurement
Intangible assets, including customer relationships, patents and trademarks that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

The Company undertakes an assessment of impairment of intangible assets each year.

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation
Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful life for current and comparative periods is 5 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Impairment

At the end of each reporting period the Company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss. Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

(h) Employee Benefits

Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Other long-term employee benefits
The Company's net obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value.

Termination benefits
Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(i) Revenue and Other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates

Revenue from membership subscriptions is recognised in the period to which it relates. Revenue from trade fairs and Home and Giving production is recognised in the period in which the fair is held and publication is issued, respectively.

Grant revenue is recognised in the statement of profit or loss and other comprehensive income when the entity obtains control of the grant, it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Investment property revenue is recognised on a straight-line basis over a period of the lease term so as to reflect a constant periodic rate of return on the net investment.

Finance income comprises interest income on funds invested, dividend income and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

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

(j) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(k) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing these financial statements in conformity with Australian Accounting Standards – Reduced Disclosure Requirements, management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key estimates - impairment of property, plant and equipment
The Company assesses impairment at the end of each reporting period by evaluating conditions specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key estimates - impairment of goodwill
In accordance with AASB 136 Impairment of Assets, the Company is required to estimate the recoverable amount of goodwill at each reporting period.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate and using a terminal value to incorporate expectations of growth thereafter.

In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- long-term growth rates; and
- the selection of discount rates to reflect the risks involved.

The Company prepares and approves formal five year management plans for its operations, which are used in the value in use calculations.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Company's impairment evaluation and hence results.

The Company's review includes the key assumptions related to sensitivity in the cash flow projections.

Key estimates - land and building held at fair value
The Company's land and buildings were revalued at 30 June 2016 by the Directors. Valuations were made using the price paid by the Company for similar properties purchased in the same location during the year ended 30 June 2016. This revaluation resulted in $398,167 increase in the asset revaluation reserve during the year.

Key estimates - fair value of Investment properties
Investment properties were purchased in February 2016 and have been recorded at their fair value. The Directors have assessed the fair value of investment properties at 30 June 2016 and believe the carrying value correctly reflects the fair value.

Key estimates - provision for impairment of receivables
The value of the provision for impairment of receivables is estimated by considering the ageing of receivables, communication with the debtors and prior history.

NOTE 4: REVENUE AND FINANCE INCOME	**2016 $**	**2015 $**
Revenue from continuing operations		
– trade fair and Home & Giving income	**7,121,784**	7,903,346
– membership fees	**413,729**	521,482
– commission	**119,106**	232,741
– export market development grant	**65,530**	86,816
– other revenue	**4,568**	30,413
Total Revenue	**7,724,717**	8,774,798
Finance Income		
– Interest income	**15,783**	51,657
– Investment income	**13,635**	125,550
– Net change in fair value of financial assets at fair value through profit or loss	**29,160**	(80,049)
– Gain/(loss) on disposal of investments	**(9,990)**	18,580
	48,588	115,738

NOTE 5: INCOME TAX EXPENSE

(a) The components of tax expense comprise:		
Current tax	**-**	124,605
Deferred tax	**(80,281)**	38,991
Tax losses utilised	**-**	(124,605)
	(80,281)	38,991

(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2015: 30%)	**(225,361)**	(256,346)
Add/(Less): Tax effect of:		
– Income and expenses subject to mutuality	**115,952**	317,367
– Other assessable and non-deductible items	**112,880**	23,705
– Tax losses not recognised	**52,928**	78,530
– Capital losses utilised not previously recognised	**(28,987)**	-
– Tax losses utilised	**-**	(124,265)
– Benefit from previously unrecognised temporary differences	**(107,693)**	-
Income tax expense	**(80,281)**	38,991

NOTE 6: CASH AND CASH EQUIVALENTS		
Cash on hand	**1,200**	1,000
Cash at bank	**1,720,040**	2,187,548
	1,721,240	2,188,548

NOTE 7: TRADE AND OTHER RECEIVABLES	**2016 $**	**2015 $**
CURRENT		
Trade receivables (a)	**701,853**	1,165,707
Less provision for doubtful debts	**(66,498)**	(59,759)
Other debtors	**24,099**	8,840
	659,454	1,114,788

(a) Included in trade debtors are amounts owing by members relating to unearned income for future trade fairs (Note 16).

The Company has recognised an impairment loss of $33,505 with respect to trade and other receivables in the year ended 30 June 2016 (2015: $50,343).

NOTE 8: OTHER INVESTMENTS		
CURRENT		
Investments at fair value through profit and loss		
– Australian equities	**343,952**	1,001,688
– Fixed interest	**395,233**	1,365,310
– Property	**30,615**	289,900
	769,800	2,656,898
NON-CURRENT		
APN Property Plus Portfolio	**168,160**	139,000

Investments in the APN Property Plus Portfolio were previously held at amortised cost. Management has elected to reclassify the portfolio into the fair value through profit or loss measurement category at 30 June 2016 so as to provide more relevant information to users on the value of these investments at each financial reporting period.

The aggregate effect of the reclassification on the annual financial statements for the year ended 30 June 2016 is $29,160. This has been recognised as a profit on investments through the Statement of Profit or Loss.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

LAND & BUILDINGS		
At fair value	**2,251,139**	1,852,972
Less accumulated depreciation	**(215,402)**	(202,972)
	2,035,737	1,650,000
IMPROVEMENTS	**2016 $**	**2015 $**
At cost	**302,060**	290,346
Less accumulated depreciation	**(123,766)**	(122,888)
	178,294	167,458
PLANT AND EQUIPMENT		
At cost	**1,036,570**	1,009,189
Less accumulated depreciation	**(940,708)**	(122,888)
	178,294	167,458
MOTOR VEHICLES		
At cost	**27,038**	27,038
Less accumulated depreciation	**(18,086)**	(13,610)
	8,952	13,428
Total property, plant and equipment	**2,318,845**	2,036,394

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Buildings	**Improvements**	**Plant & Equipment**	**Motor Vehicles**	**Total**
	$	$	$	$	$
2016					
Balance at the beginning of the year	1,650,000	13,428	205,508	167,458	2,036,394
Additions	-	-	27,381	11,714	39,095
Depreciation expense	(12,430)	(4,476)	(137,027)	(878)	(154,811)
Revaluation	398,167	-	-	-	398,167
Carrying amount at end of the year	2,035,737	8,952	95,862	178,294	2,318,845

NOTE 10: INVESTMENT PROPERTY	2016 $	2015 $
Acquisitions	**2,109,678**	-

The Company purchased two units (41 and 42) at 11-21 Underwood Road Homebush in February 2016, which are located adjacent to the Company's office premises at unit 58 within the same industrial estate. The properties were purchased for the purpose of generating long-term rental yields and capital growth.

Investment properties have been recorded at their fair value. Management have assessed the fair value of investment properties at 30 June 2016 and believe the carrying value correctly reflects the fair value.

NOTE 11: INTANGIBLE ASSETS

Fashion Exposed trade show		
Cost	**812,086**	812,086
Accumulated amortisation	**(490,081)**	(267,988)
Accumulated impairment	**(174,752)**	(44,098)
	147,253	500,000
Fashion Exposed trade show		
Cost	**20,400**	-
Accumulated amortisation	**(3,967)**	-
	16,433	-
Total Intangibles	**163,686**	500,000

The recoverable amount of goodwill associated with Fashion Exposed has been determined through an assessment of the net present value of expected future cashflows projected over a 5 year period.

(a) Movements in carrying amounts of intangible assets

	Fashion Exposed trade show	Computer software	Total
	$	$	$
Year ended 30 June 2016			
Balance at the beginning of the year	500,000	-	500,000
Additions	-	20,400	20,400
Amortisation	(222,093)	(3,967)	(226,060)
Impairment loss	(130,654)	-	(130,654)
Closing value at 30 June 2016	**147,253**	**16,433**	**163,686**

NOTE 12: OTHER ASSETS	2016 $	2015 $
CURRENT		
Prepayments	1,149,112	1,386,696

NOTE 13: TRADE AND OTHER PAYABLES

CURRENT		
Trade creditors	**17,409**	81,598
Other creditors	**267,168**	155,583
Sundry creditors and accruals	**112,432**	201,938
	397,009	439,119

NOTE 14: TAX

Recognised deferred tax assets and liabilities
Deferred tax assets/(liabilities) have been recognised in respect of the following items:

Other Investments	**(44,133)**	(72,592)
Investment property	**(7,160)**	-
Property, plant and equipment	**-**	28,745
Provisions and accruals	**78,046**	4,856
Prepayments	**(609)**	-
	26,144	(38,991)
Unused tax losses for which no deferred tax asset has been recognised @ 30%	**267,635**	78,530

NOTE 15: EMPLOYEE BENEFITS	2016 $	2015 $
CURRENT		
Long service leave liability	**37,280**	40,420
Annual leave liability	**75,630**	64,066
	112,910	104,486
NON-CURRENT		
Long service leave liability	**21,413**	17,422
(a) Aggregate employee entitlements liability	**134,323**	121,907
(b) Number of employees at year end	**20**	17

NOTE 16: OTHER LIABILITIES

CURRENT		
Unearned income	**3,386,427**	3,981,191

Unearned income relates to amounts received or receivable from members for future trade fairs.

NOTE 17: FINANCIAL RISK MANAGEMENT

The main risks Australian Gift & Homewares Association Limited is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and equity price risk.

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable and derivatives.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

Financial Assets		
Cash on cash equivalents	**1,721,240**	2,188,548
Trade and other receivables	**659,454**	1,114,788
Financial assets at fair value through profit or loss	**769,801**	2,656,898
Total financial assets	**3,150,495**	5,960,234
Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**397,009**	439,119
Total financial liabilities	**397,009**	439,119

NOTE 18: RELATED PARTIES

Key Management personnel and director transactions:
Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

The only transactions with these entities during the year were fees paid for trade exhibitions by businesses owned or operated by the Directors. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to no-key management personnel related entities on an arm's length basis.

Short-term employee benefits	**184,590**	290,257
Post-employee benefits	**11,287**	24.432
	195,877	314,689

No director has received or became entitled to receive, during or since the end of financial year, any form of income from the company.

NOTE 19: CONTINGENCIES

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2016 (30 June 2015:None).

FINANCIAL REPORT CONTINUED

NOTE 20: LEASING COMMITMENTS

	2016 $	2015 $
Operating leases		
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	**2,796**	-
- between one year and five years	**11,184**	-
	13,980	-

NOTE 21: MEMBERS' GUARANTEE

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of $100 each towards meeting any outstanding's and obligations of the Company. At 30 June 2016 the number of members was 891 (2015: 1,025).

NOTE 22: EVENTS AFTER THE END OF THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

NOTE 23: COMPANY DETAILS

The registered office of the Company is:
Australian Gift & Homewares Association Limited
Unit 58, 11-21 Underwood Road, Homebush NSW 2140

INDEPENDENT AUDIT REPORT

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5-10, are in accordance with the *Corporations Act 2001* and:
    a. comply with Accounting Standards - Reduced Disclosure Requirements and the Corporations Regulations 2001; and
    b. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the Company.

2. 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.

This declaration is made in accordance with a resolution of the Board of Directors.

Richard Hogan
Director

Tracey Swensen
Director

Dated this 2nd day of November 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTRALIAN GIFT & HOMEWARES ASSOCIATION LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Australian Gift & Homewares Association Limited (the Company), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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.

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 - Reduced Disclosure Requirements 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.

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 judgment, 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards – Reduced Disclosure Requirements, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

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*.

AUDITOR'S OPINION

In our opinion the financial report of Australian Gift & Homewares Association Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations Act 2001*.

PKF

PKF
Chartered Accountants

Scott Tobutt
Partner

Dated at Sydney this 2nd day of November 2016

DISCLAIMER - TRADING PROFIT AND LOSS ACCOUNT

The additional financial data presented on page 11, is in accordance with the financial records of the Company which have been subjected to the auditing procedures applied in our statutory audit of the Company for the year ended 30 June 2016. It will be appreciated that our statutory audit did not cover all details of the additional financial data. Accordingly, we do not express an opinion on such financial data and we give no warranty of accuracy or reliability in respect of the data provided. Neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person (other than Australian Gift & Homewares Association Limited) in respect of such data, including any errors of omissions therein however caused

ADDITIONAL FINANCIAL INFORMATION

TRADING AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2016

	2016 $	2015 $
INCOME		
Trade fair and Home & Giving income	**7,122,034**	7,903,346
LESS DIRECT COSTS		
Venue costs	**2,559,680**	3,205,862
Other direct costs	**2,646,781**	2,638,351
Total direct costs	**5,206,461**	5,844,213
GROSS PROFIT	**1,915,573**	2,059,133
LESS EXPENSES		
Accommodation	**8,781**	19,784
Advertising and marketing	**114,608**	214,985
Auditor's remuneration	**22,500**	47,836
Bank charges and fees	**46,661**	35,956
Computer expenses	**135,423**	168,478
Conference and meeting expenses	**19,324**	16,917
Consultancy fees	**105,272**	254,869
Depreciation	**380,871**	430,951
Impairment expense	**130,654**	44,098
Insurance	**30,034**	34,824
Legal costs	**6,273**	186,431
Motor vehicle expenses	**1,636**	2,503
Postage	**14,397**	17,199
Printing and stationery	**15,839**	31,138
Rates and taxes	**26,115**	14,087
Repairs and maintenance	**12,262**	5,964
Salaries and wages	**1,769,141**	1,850,514
Special projects	**13,248**	3,850
Subscriptions	**48,214**	36,795
Sundry expenses	**327,001**	366,933
Telephone	**33,185**	38,792
Travelling expenses	**52,781**	74,738
IT infrastructure & website development	**3,827**	3,166
TOTAL EXPENSES	**(3,318,047)**	(3,900,808)
NET LOSS	**(1,402,474)**	(1,841,675)
OTHER OPERATING INCOME		
Members' subscriptions	**407,969**	521,482
Interest income	**15,783**	51,657
Commission	**86,645**	232,741
Investment income	**13,635**	125,550
EMD Grant	**65,530**	86,816
Net change in fair value of financial assets at fair value through profit or loss	**29,160**	(80,049)
Gain on Disposal of Assets	**(9,990)**	18,580
Other income	**42,539**	30,413
TOTAL OTHER OPERATING INCOME	**651,271**	987,190
OPERATING (LOSS)/PROFIT BEFORE INCOME TAX	**(751,203)**	(854,485)
Income tax expense	**80,281**	(38,991)
OPERATING (LOSS)/PROFIT AFTER INCOME TAX	**(670,922)**	(893,476)

The additional information should be read in conjunction with the Disclaimer on page 10.

AUSTRALIAN
Gift & Homewares
ASSOCIATION

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