Annual Report 2017

Financial Statements for the Year Ended 30 June 2017

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

AUSTRALIAN Gift & Homewares ASSOCIATION

TABLE OF CONTENTS

PRESIDENT'S REPORT

What an exciting time to be involved with the AGHA. I believe 2016-2017 will be looked upon in the future as a turning point for the AGHA. It was a year in which we faced some difficult challenges. Selling space in Melbourne for the August 2016 show was a tough sell in a difficult market but the outcome for the show was positive. The February 2017 Sydney gift fair was held with a level of uncertainty due to the opening of the International Convention Centre at Darling Harbour. It was unknown what impact this may have had at the time, but the management team had in place excellent initiatives to counteract any impacts, and our Sydney gift fair held up well, with little impact on numbers through our show, and feedback from exhibitors being positive. Despite these obstacles I can say with some level of satisfaction, that our financial results have finally turned the corner.

Be assured, we are not resting on our laurels. Your board is preparing to implement a strategy for our next five-year plan. Whilst we are in a difficult retail period pretty much across Australia, I believe the AGHA is in a very strong position to grow members, grow our shows, and grow our business partnerships to the benefit of our members. We are a not for profit association which puts us in a very strong position with an excellent value proposition for the gift industry. I don't believe we have done enough in the past to promote ourselves in this way.

But being a not for profit does not mean we should be comfortable making losses or breaking even. For our association to grow and prosper we need to be making profits to ensure we can maintain our future growth. I look forward to the 2017-2018 year as one in which we return the AGHA to a level of profitability that will lead to a time when we can comfortably say our future is secure.

I must acknowledge the enormous efforts from two of our outgoing board members. Nigel Kirby and Dean Osmond are retiring from our board after many years of dedicated service. Nigel lead our association during some difficult times, and it is in no small part his efforts that have put our association in the position of strength that we now hold. Dean has been a great contributor on our board and his business acumen will be sorely missed. To Dean and Nigel, I say thank you for your time and effort and I wish you both many prosperous years ahead as members of the AGHA

I shall conclude in thanking all of the team at the AGHA for their hard work and dedication towards making the AGHA the success that it is today. I also commend our members for your support these last twelve months, particularly those of you that exhibit in our shows in Sydney and Melbourne. Without you, the AGHA would not exist in its current form. I wish you all, the best for the next twelve months

Richard Hogan
President

TREASURER'S REPORT

This year has seen the culmination of all the hard work of the AGHA team, led by our CEO Wayne Castle, to re-calibrate our finances and restore the AGHA to a sound footing. It is pleasing to see us report results for the 2016-17 financial year that put us on a clear path for a return to profit next year.

The decline in our membership numbers over recent years has now halted and you can be confident that your industry association is now back on the growth path. The stronger the AGHA's finances the better placed it is to offer services for its members, respond to opportunities as they arise and continue to deliver world class trade fairs.

One particular initiative taken by the management team has been the development of the Launch Pad at our trade fairs. This allows new entrants into our industry, sometimes with just the one product, to exhibit for a low entry cost. We all started off in a small way and the genesis of this idea was the recognition that if we can nurture the start-ups, then into larger participating businesses they will grow. An industry association for the industry is best placed to make that happen and its success is self-evident in the growing numbers in the Launch Pad section of our fairs.

The decision to invest in real estate last year has proven to be very judicious as the stock market gyrations have continued whilst demand for commercial real estate continues to grow. All part of building stronger foundations to ensure a great future for your association.

Nigel Kirby
Treasurer

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors present their report together with the financial report of Australian Gift & Homewares Association Limited (the Company), for the financial year ended 30 June 2017 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
Claudine Zuker	Director	Appointed 22 September 2016
Dean Osmond	Director	
Gloria Gattuso	Director	Resigned 22 September 2016
Mike Warner	Vice President	Appointed Vice President 1 December 2016
Nigel Kirby	Treasurer	Reappointed Treasurer 1 December 2016
Patricia Guest	Director	
Renske Carbone	Director	Resigned 22 September 2016
Richard Hogan	President	Reappointed President 1 December 2016
Rowen Bavinton	Director	
Timothy Gillespie	Director	Appointed 22 September 2016
Tracey Swensen	Director	Resigned 22 June 2017

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

TThe loss of the Company for the financial year after providing for income tax amounted to $ 89,606 (2016: loss $670,922).

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 names of each person who was a director at the date of this report are:

Name	Position	Experience as Board Member	Company
Claudine Zuker	Director	1 year (Appointed 22/09/16)	Safe N Sure
Dean Osmond	Director	8 years	Baden P Morris Pty Ltd
Mike Warner	Vice President	2 years	Keldan International
Nigel Kirby	Treasurer	8 years	Science & Nature Pty Ltd
Patricia Guest	Director	8 years	Madras Link Pty Ltd
Richard Hogan	President	3 years	Duomo Fine Florentine Stationery
Rowen Bavinton	Director	5 years	Boyle Industries Pty Ltd
Timothy Gillespie	Director	1 year (Appointed 22/09/16)	Ashdene Manufacturing 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 2017 was 1,079 (2016: 891).

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

DIRECTORS	DIRECTORS' MEETINGS	
	Number eligible to attend	Number attended
Claudine Zuker	5	5
Dean Osmond	6	5
Gloria Gattuso	2	2
Mike Warner	6	6
Nigel Kirby	6	6
Patricia Guest	6	6
Renske Carbone	2	2
Richard Hogan	6	6
Rowen Bavinton	6	6
Timothy Gillespie	5	4
Tracey Swensen	5	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 2017 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

Nigel Kirby
Treasurer

Dated at Sydney this 28th day of August 2017

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, during the year ended 30 June 2017, 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

28 August 2017
Sydney, NSW

FINANCIAL REPORT

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Notes	2017 $	2016 $
Revenue	4	**6,999,920**	7,724,717
Other income	4	**162,199**	48,588
Direct costs		**(4,637,626)**	(5,422,670)
Employee benefits expense		**(1,688,127)**	(1,769,141)
Depreciation and amortisation expenses		**(170,201)**	(380,871)
Travelling expenses		**(42,841)**	(46,890)
Communication expenses		**(62,148)**	(65,136)
Impairment expense		**-**	(130,654)
Other expenses from ordinary activities		**(618,634)**	(709,146)
Loss before income tax		**(57,458)**	(751,203)
Income tax benefit/(expense)	5	**(32,148)**	80,281
Loss for the year		**(89,606)**	(670,922)
Other comprehensive income			
Revaluation of property, plant and equipment	9	**-**	398,167
Total comprehensive loss for the year		**(89,606)**	(272,755)

The accompanying notes form part of these statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	2017 $	2016 $
CURRENT ASSETS			
Cash and cash equivalents	6	**1,734,592**	1,721,240
Trade and other receivables	7	**726,194**	659,454
Other investments	8	**783,486**	769,800
Other assets	12	**1,561,560**	1,149,112
TOTAL CURRENT ASSETS		**4,805,832**	4,299,606
NON-CURRENT ASSETS			
Other investments	8	**203,710**	168,160
Property, plant and equipment	9	**2,281,757**	2,318,845
Investment property	10	**2,109,678**	2,109,678
Intangible assets	11	**107,583**	163,686
Deferred tax assets	14	**-**	26,144
TOTAL NON-CURRENT ASSETS		**4,702,728**	4,786,513
TOTAL ASSETS		**9,508,560**	9,086,119
CURRENT LIABILITIES			
Trade and other payables	13	**545,993**	397,009
Employee benefits	15	**140,398**	112,910
Other liabilities	16	**3,727,398**	3,386,427
TOTAL CURRENT LIABILITIES		**4,413,789**	3,896,346
NON-CURRENT LIABILITIES			
Deferred tax liability	14	**6,006**	-
Employee benefits	15	**10,011**	21,413
TOTAL NON-CURRENT LIABILITIES		**16,017**	21,413
TOTAL LIABILITIES		**4,429,806**	3,917,759
NET ASSETS		**5,078,754**	5,168,360
MEMBERS FUNDS			
Retained earnings		**4,421,934**	4,511,540
Asset Revaluation Reserve		656,820	656,820
TOTAL MEMBERS FUNDS		**5,078,754**	5,168,360

The accompanying notes form part of these statements.

STATEMENT OF CHANGES IN EQUITY

As at 30 June 2017

	Revaluation Reserve $	Retained Earnings $	Total Funds $
Balance at 1 July 2016	**4,511,540**	**656,820**	**5,168,360**
Loss for the year	**(89,606)**	-	(89,606)
Balance at 30 June 2017	**4,421,934**	**656,820**	**5,078,754**
Balance at 1 July 2015	**5,182,462**	**258,653**	**5,441,115**
Loss for the year	(670,922)	-	(670,922)
Other comprehensive income	-	398,167	398,167
Balance at 30 June 2016	**4,511,540**	**656,820**	**5,168,360**

The accompanying notes form part of these statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Notes	2017 $	2016 $
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		**7,294,909**	8,255,430
Payments to suppliers and employees		**(7,313,791)**	(8,525,620)
Grant received		**64,697**	65,530
Interest received		**9,684**	15,783
Net cash provided by / (used in) operating activities		**55,499**	(188,877)
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		**(21,325)**	(39,095)
Payment for investment property		**-**	(2,109,678)
Payment for intangible assets		**(55,684)**	(20,400)
Proceeds from sale of investments		**-**	1,877,107
Dividends received from investments		**34,862**	13,635
Net cash used in investing activities		**(42,147)**	(278,431)
Net increase / (decrease) in cash and cash equivalents held		**13,352**	(467,308)
Cash and cash equivalents at beginning of year		**1,721,240**	2,188,548
Cash and cash equivalents at end of financial year	6	**1,734,592**	1,721,240

The accompanying notes form part of these statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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.

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.

Rental income 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.

(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 theprice 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 2016 financial 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 2017 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	2017 $	2016 $
Revenue from continuing operations		
– Gift fair income	**6,497,272**	7,121,784
– membership fees	**344,712**	413,729
– commission	**76,915**	119,106
– export market development grant	**64,697**	65,530
– other revenue	**16,324**	4,568
Total Revenue	**6,999,920**	7,724,717
Other Income		
– Interest income	**9,864**	15,783
– Rental income	**78,763**	-
– Investment income	**38,022**	13,635
– Net change in fair value of financial assets at fair value through profit or loss - APN Portfolio	**35,550**	29,160
– Gain/(loss) on disposal of investments	**-**	(9,990)
	162,199	48,588

NOTE 5: INCOME TAX EXPENSE

(a) The components of tax expense / (income) comprise:

Deferred tax	32,148	(80,281)

(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 beforeincome tax at 30% (2016: 30%)	**(17,237)**	(225,361)
Add/(Less): Tax effect of:		
– Income and expenses subject to mutuality	**20,202**	115,952
– Other assessable and non-deductible items	**13,144**	112,880
– Tax losses not recognised	**16,759**	52,928
– Capital losses utilised not previously recognised	**(5,911)**	(28,987)
– Benefit from previously unrecognised temporary differences	**5,191**	(107,693)
Income tax expense	**32,148**	(80,281)

NOTE 6: CASH AND CASH EQUIVALENTS		
Cash on hand	**1,200**	1,200
Cash at bank	**1,733,392**	1,720,040
	1,734,592	1,721,240

NOTE 7: TRADE AND OTHER RECEIVABLES			
CURRENT			
Trade receivables	(a)	**750,924**	701,853
Less provision for doubtful debts		**(63,169)**	(66,498)
Other debtors		**38,439**	24,099
		726,194	659,454

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

NOTE 8: OTHER INVESTMENTS		
CURRENT		
Investments at fair value through profit and loss		
– Australian equities	**398,703**	343,952
– Fixed interest	**356,313**	395,233
– Property	**28,470**	30,615
	783,486	769,800
NON-CURRENT		
APN Property Plus Portfolio	**203,710**	168,160

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

LAND & BUILDINGS	2017 $	2016 $
At fair value	**2,251,139**	2,251,139
Less accumulated depreciation	**(227,831)**	(215,402)
	2,023,308	2,035,737
IMPROVEMENTS		
At cost	**308,878**	302,060
Less accumulated depreciation	**(125,222)**	(123,766)
	183,656	178,294
PLANT AND EQUIPMENT		
At cost	**1,051,077**	1,036,570
Less accumulated depreciation	**(980,760)**	(940,708)
	70,317	95,862
MOTOR VEHICLES		
At cost	**27,038**	27,038
Less accumulated depreciation	**(22,562)**	(18,086)
	4,476	8,952
Total property, plant and equipment	**2,281,757**	2,318,845

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 2016 financial year.

(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 $	Motor Vehicles $	Plant & Equipment $	Improvements $	Total $
2017					
Balance at the beginning of the year	2,035,737	8,952	95,862	178,294	2,318,845
Additions	-	-	14,507	6,818	21,325
Depreciation expense	(12,429)	(4,476)	(40,052)	(1,456)	(58,413)
Carrying amount at end of the year	2,023,308	4,476	70,317	183,656	2,281,757

NOTE 10: INVESTMENT PROPERTY		
Acquisitions	**2,109,678**	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. The Directors have assessed the fair value of investment properties at 30 June 2017 and believe the carrying value correctly reflects the fair value.

NOTE 11: INTANGIBLE ASSETS

Fashion Exposed trade show - Intellectual property rights		
Cost	**812,086**	812,086
Accumulated amortisation	**(587,334)**	(490,081)
Accumulated impairment	**(174,752)**	(174,752)
	50,000	147,253
Computer software		
Cost	**20,400**	20,400
Accumulated amortisation	**(10,767)**	(3,967)
	9,633	16,433
Website development		
Cost	**55,684**	-
Accumulated amortisation	**(7,734)**	-
Net carrying value	**47,950**	-
Total Intangibles	**107,583**	163,686

Carrying value of Fashion Exposed

The intellectual property rights for the Fashion Exposed Trade Show were transferred to an independent third party on a licence fee arrangement subsequent to year end for $50,000, supporting the carrying value of the intangible asset as at 30 June 2017.

(a) Movements in carrying amounts of intangible assets

	Fashion Exposed Trade Show - Intellectual property rights $	Computer software $	Website development $	Total $
Year ended 30 June 2017				
Balance at the beginning of the year	147,253	16,433	-	163,686
Additions	-	-	55,684	55,684
Amortisation	(97,253)	(6,800)	(7,734)	(111,787)
Closing value at 30 June 2017	**50,000**	**9,633**	**47,950**	**107,583**

NOTE 12: OTHER ASSETS

	2017 $	2016 $
CURRENT		
Prepayments	**1,561,560**	1,149,112

Prepayments respresent expenditure incurred on events held subsequent to year end and include venue hire, registration costs, salaries and contractor costs attributable to the event.

NOTE 13: TRADE AND OTHER PAYABLES

CURRENT		
Trade creditors	**76,718**	17,409
Other creditors	**363,269**	279,654
Sundry creditors and accruals	**106,006**	99,946
	545,993	397,009

NOTE 14: TAX

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

Other Investments	**(60,937)**	(44,133)
Investment property	**(20,369)**	(7,160)
Provisions and accruals	**75,481**	78,046
Prepayments	**(181)**	(609)
Deferred tax asset / (liability)	**(6,006)**	26,144
Unused tax losses for which no deferred tax asset has been recognised @ 30%	**295,026**	267,635

NOTE 15: EMPLOYEE BENEFITS

CURRENT		
Long service leave liability	**49,940**	37,280
Annual leave liability	**90,458**	75,630
	140,398	112,910
NON-CURRENT		
Long service leave liability	**10,011**	21,413
(a) Aggregate employee entitlements liability	**150,409**	134,323
(b) Number of employees at year end	**26**	20

NOTE 16: OTHER LIABILITIES

CURRENT		
Unearned income	**3,727,398**	3,386,427

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	**2017 $**	**2016 $**
Cash on cash equivalents	**1,734,592**	1,721,240
Trade and other receivables	**726,194**	659,454
Financial assets at fair value through profit or loss	**783,486**	769,801
Total financial assets	**3,244,272**	3,150,495
Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**545,993**	397,009
Total financial liabilities	**545,993**	397,009

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	**192,027**	184,590
Post-employee benefits	**18,599**	11,287
	210,626	195,877

No director has received or became entitled to receive, during or since the end of the 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 2017 (30 June 2016: None).

NOTE 20: LEASING COMMITMENTS

Operating leases
Minimum lease payments under non-cancellable operating leases:

- not later than one year	**2,796**	2,796
- between one year and five years	**8,388**	11,184
	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 2017 the number of members was 1,079 (2016: 891).

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 5-9, 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 2017 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	**Nigel Kirby**
Director	Treasurer

Dated this 28th day of August 2017

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

REPORT ON THE FINANCIAL REPORT

Opinion

We have audited the financial report of Australian Gift & Homewares Association Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended; and

(ii) complying with Australian Accounting Standards - Reduced Disclosure requirements and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 theCompany's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the und erlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PKF	
PKF	**Scott Tobutt**
Chartered Accountants	*Partner*

28 August 2017
Sydney, NSW

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 2017. 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.

Scott Tobutt
Partner

28 August 2017
Sydney, NSW

ADDITIONAL FINANCIAL INFORMATION

TRADING AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2017

	2017 $	2016 $
INCOME		
Gift fair income	**6,497,272**	7,121,784
LESS DIRECT COSTS		
Venue costs	**2,024,851**	2,556,855
Other direct costs	**2,563,663**	2,862,204
Total direct costs	**4,588,514**	5,419,059
GROSS PROFIT	**1,908,758**	1,702,725
LESS EXPENSES		
Auditor's remuneration	**29,500**	37,721
Bank charges and fees	**49,111**	46,661
Contractors	**74,940**	121,834
Depreciation	**170,201**	380,871
Impairment expense	**-**	130,654
Insurance	**46,840**	28,153
IT & Systems	**193,600**	139,250
Postage	**7,180**	14,397
Printing and stationery	**10,437**	15,839
Rates and taxes	**17,668**	26,115
Salaries and wages	**1,688,127**	1,769,141
Subscriptions	**53,217**	48,214
Sundry expenses	**185,199**	217,538
Telephone	**62,148**	67,499
Travelling expenses	**42,893**	61,562
TOTAL EXPENSES	**(2,631,061)**	(3,105,449)
	4,539,819	4,808,174
NET LOSS	**(722,303)**	(1,402,724)
OTHER OPERATING INCOME		
Members' subscriptions	**344,712**	413,729
Finance income	**162,199**	48,588
Commission	**76,915**	119,106
EMD Grant	**64,697**	65,530
Other income	**16,322**	4,568
TOTAL OTHER OPERATING INCOME	**664,845**	651,521
OPERATING (LOSS) BEFORE INCOME TAX	**(57,458)**	(751,203)
Income tax expense	**(32,148)**	80,281
OPERATING (LOSS) AFTER INCOME TAX	**(89,606)**	(670,922)

AUSTRALIAN
Gift & Homewares
ASSOCIATION

Australian Gift & Homewares Association Limited
ABN 49 061 196 290

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