Annual Report

2019

Financial Statements for the Year Ended 30 June 2019

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

Dear Members,

The 2018-19 financial year has been a challenging one for the association. Whilst our fairs have been performing well, Melbourne Gift Fair 2018 was full and our Sydney Gift Fair in 2019 achieved our expectations, the conditions in the retail environment remained weak. We have made a loss this year, which was disappointing, I said in my last report that we were actively searching for new income streams, and to do that there is always an element of risk. A part of this loss can be put down to this search for revenue.

The Melbourne Gift Fair in 2018 was a great success. It was the first event for us under one roof and we were very happy with the outcome. Of course there were some teething problems, but the control we have gained by having our own space will only make this event stronger in the future.

Sydney Gift Fair 2019 was also a success but is always a harder event to sell. We are trying new things to encourage more exhibitors and making the event more appealing to visitors as well. To that end we had our first international exhibitor stand hosting a South African contingent of businesses. I had the time to speak with some of them and they were all highly appreciative of the experience and they have re-booked for our Melbourne Gift Fair as well. We are actively engaged with other trade missions from the USA, UK, Italy, France and the Philippines who are interested in stands in Sydney for 2020.

It was unfortunate that our Australasian Hospitality Industry Exhibition had to be postponed. We took the decision to postpone it as retail conditions were deteriorating and there was strong competition in the market from another player. Had we not postponed when we did we may have taken severe losses so we chose to cut our losses early. We still believe in this show and we are pursuing other avenues in which we can make it work.

The AGHA is pursuing new business partners and have Tyro on board with us now. We are looking at other avenues in which we can further engage our members and exhibitors, and we are also looking at ways that we can expand our membership base and become more relevant to the industry generally outside of our current reliance on the Gift Fairs.

Again I must thank the board for the time and effort they put into the oversight of the AGHA. It is a thankless task but an important one nonetheless. I would like to thank Rowen Bavinton from Boyle Industries who has finished his third term on the board and is not standing for re-election. Rowen, your humour and input to the board has made my job much easier. I also thank Claudine Zuker for her time serving on the board and wish her well for the future.

And finally, thanks to the management and staff of the AGHA for all of the hard work and dedication they show to the association. Ably led by Wayne Castle, my time as president has been made much easier by having a professional team who are capably running our Association.

Richard Hogan
President

TREASURER'S REPORT

We have recorded a $266,887 loss unfortunately for the 2018/19 year. This has occurred primarily due to our investment in attempting to launching a new event to provide the AGHA with an additional stream of revenue, so we are not so dependent on the 2 existing Gift Fairs for over 90% of our current income. Regrettably a substantial competitor outspent us by a considerable sum in both promotion and discounting of stand space which made our position untenable. We took the reluctant decision to cancel the new event and stop any further losses.

Our Melbourne and Sydney Gift Fairs do now operate in a financially sustainable way and generate the funds we need to operate our Association and provide the services our Members have a right to expect. We have had to institute minor price rises unfortunately as the costs of operating the fairs continues to rise each year and we must cover those expense increases. We cannot just absorb these cost increases and hope to remain financially viable. I should add however we are still less expensive by a substantial margin in comparison of square metre rates than our competitors. This saving to members is at the very core of why the AGHA exists and your directors never forget this.

The Balance Sheet is still strong with close to $5.5 million in members equity, strong positive cash flows, tight expense control and good financial management by our CEO Wayne Castle and CFO Chanel Yan.

Budget projections for the 2019/20 year show a modest profit which is necessary as we have some substantial investments to make in IT upgrades so we can better serve our members and our buyers. Whilst we are not primarily driven by profit, unlike our competitor, we do need to make surpluses so we can keep investing in our Gift Fair to keep them No.1 in the marketplace

Tim Gillespie
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 2019 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
Bruce McGrath	Director	Resigned 02 October 2018
Claudine Zuker	Director	Resigned 27 February 2019
Julia Longmuir	Director	
Kevin Porter	Director	
Michael Warner	Vice President	
Michelle Lawson	Director	Appointed 02 October 2018
Nigel Kirby	Director	Resigned 02 October 2018
Patricia Guest	Director	Re-appointed 02 October 2018
Richard Hogan	President	
Rowen Bavinton	Director	
Timothy Gillespie	Treasurer	

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 $311,570 (2018: profit of $668,068).

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
Bruce McGrath	Director	1 year (Resigned 02/10/2018)	Uttermost Australia
Claudine Zuker	Director	2 years (Resigned 27/02/2019)	Safe N Sure
Julia Longmuir	Director	2 years	Alfresco Gardenware
Kevin Porter	Director	2 years	Rayell
Michael Warner	Vice President	4 years	Keldan International
Michelle Lawson	Director	1 year	Darlin (Aust) Pty Ltd
Nigel Kirby	Director	9 years (Resigned 02/10/2018)	Science & Nature Pty Ltd
Patricia Guest	Director	10 years	Madras Link Pty Ltd
Richard Hogan	President	5 years	Duomo Fine Florentine Stationery
Rowen Bavinton	Director	7 years	Boyle Industries Pty Ltd
Timothy Gillespie	Treasurer	3 years	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 2019 was 761 (2018: 907).

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
Bruce McGrath	-	-
Claudine Zuker	2	2
Julia Longmuir	5	4
Kevin Porter	5	4
Michael Warner	5	4
Michelle Lawson	5	5
Nigel Kirby	-	-
Patricia Guest	5	4
Richard Hogan	5	5
Rowen Bavinton	5	4
Timothy Gillespie	5	5

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 2019 has been received and can be found on page 4 of the financial report.

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

Richard Hogan
Director

Timothy Gillespie
Treasurer

Dated at Sydney this 11th day of September 2019

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 2019, 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

11 September 2019
Sydney, NSW

FINANCIAL REPORT

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	2019 $	2018 $
Revenue	4	**6,932,526**	7,272,345
Other income	4	**216,261**	161,334
Direct costs		**(4,789,188)**	(4,634,454)
Employee benefits expense		**(1,982,487)**	(1,941,644)
Depreciation and amortisation expense		**(64,026)**	(83,227)
Travelling expenses		**(112,309)**	(66,363)
Communication expenses		**(44,455)**	(45,437)
Other expenses from ordinary activities		**(423,209)**	(521,408)
Gain on revaluation of Investment Property	12	-	311,322
(Loss)/profit before income tax		**(266,887)**	452,468
Income tax (benefit)/expense	5	**(44,683)**	215,600)
(Loss)/profit for the year		**(311,570)**	668,068
Other comprehensive income			
Revaluation of land and buildings		**-**	256,357
Total comprehensive (loss)/profit for the year		**(311,570)**	924,425

The accompanying notes form part of these statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	2019 $	2018 $
CURRENT ASSETS			
Cash and cash equivalents	6	**1,898,054**	2,123,598
Trade and other receivables	7	**2,481,145**	2,363,500
Other investments	8	**1,033,219**	954,285
Other assets	9	**1,496,747**	1,512,654
TOTAL CURRENT ASSETS		**6,909,165**	6,954,037
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,468,056	2,494,907
Investment property	12	2,421,000	2,421,000
Intangible assets	11	**16,668**	48,074
TOTAL NON-CURRENT ASSETS		**4,905,724**	4,963,981
TOTAL ASSETS		**11,814,889**	11,918,018
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	870,509	834,301
Employee benefits	15	182,470	158,864
Other liabilities	16	**5,199,003**	5,109,737
TOTAL CURRENT LIABILITIES		**6,251,982**	6,102,902
NON-CURRENT LIABILITIES			
Deferred tax liability	14	**86,213**	41,530
Employee benefits	15	**36,209**	21,531
TOTAL NON-CURRENT LIABILITIES		**122,422**	63,061
TOTAL LIABILITIES		**6,374,404**	6,165,963
NET ASSETS		**5,440,485**	5,752,055
MEMBERS FUNDS			
Retained earnings		**4,778,432**	5,090,002
Asset Revaluation Reserve		**662,053**	662,053
TOTAL MEMBERS FUNDS		**5,440,485**	5,752,055

The accompanying notes form part of these statements.

STATEMENT OF CHANGES IN EQUITY

As at 30 June 2019

	Revaluation Reserve $	Retained Earnings $	Total Funds $
Balance at 1 July 2018	**5,090,002**	**662,053**	**5,752,055**
Loss for the year	(311,570)	-	(311,570)
Balance at 30 June 2019	**4,778,432**	**662,053**	**5,440,485**
Balance at 1 July 2017	**4,421,934**	**656,820**	**5,078,754**
Profit for the year	**668,068**	**-**	**668,068**
Other comprehensive income	**-**	**256,357**	**256,357**
Deferred tax on revaluation reserve	**-**	**(251,124)**	**(251,124)**
Balance at 30 June 2018	**5,090,002**	**662,053**	**5,752,055**

The accompanying notes form part of these statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	2019 $	2018 $
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		**6,751,854**	7,829,458
Payments to suppliers and employees		**(6,927,174)**	(7,551,661)
Grant received		**-**	47,786
Interest received		**(44,455)**	11,254
Net cash (used in)/provided by operating activities		**(219,775)**	336,837
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of intangible assets		**-**	50,000
Payment for property, plant and equipment		**(5,769)**	(6,547)
Payment for intangible assets		**-**	(24,196)
Dividends received from investments		**-**	32,912
Net cash (used in)/provided by investing activities		**(5,769)**	52,169
Net (decrease)/increase in cash and cash equivalents held		**(225,544)**	389,006
Cash and cash equivalents at beginning of year		**2,123,598**	1,734,592
Cash and cash equivalents at end of financial year	6	**1,898,054**	2,123,598

The accompanying notes form part of these statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets

Classification

On initial recognition, the Company classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL
- fair value through other comprehensive income - equity instrument (FVOCI - equity)
- fair value through other comprehensive income - debt investments (FVOCI - debt)

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Fair value through other comprehensive income

Equity instruments

The Company has a number of strategic investments in listed and unlisted entities over which are they do not have significant influence nor control. The Company has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to retained earnings and is not reclassified to profit or loss.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost
- debt investments measured at FVOCI

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Company uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Company in full, without recourse to the Company to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised

(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
Buildings	5% - 10%
Plant and equipment	5% - 20%
Motor vehicles	15%

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 - land and building held at fair value

The Company carries its land and buildings at fair value with changes in the fair value recognised in revaluation reserve. Independent valuations are obtained at least triennially, and at the end of each reporting period the directors update their assessment of the fair value, taking into account the most recent valuations and movements in the market.

Key estimates - fair value of Investment properties

Investment properties are held for long-term commercial rental yields. They are carried at fair value. Changes in fair values are presented in the statement of profit or loss.

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	2019 $	2018 $
Revenue from continuing operations		
– Gift fair income	**6,604,280**	6,831,851
– membership fees	**237,536**	310,044
– commission	**90,598**	66,568
– export market development grant	**-**	47,786
– other revenue	**112**	16,096
Total Revenue	**6,932,526**	7,272,345
Other Income		
– Interest income	**12,621**	11,254
– Rental income	**104,710**	114,166
– Investment income	**12,571**	14,467
– Net change in fair value of financial assets at fair value through profit or loss	**86,359**	21,447
	216,261	161,334

NOTE 5: INCOME TAX EXPENSE

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

Deferred tax	**44,683**	(215,600)

(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 27.5% (2018: 27.5%)	**(73,394)**	124,429
Add/(Less): Tax effect of:		
– Income and expenses subject to mutuality	**68,832**	(56,324)
– Other assessable and non-deductible items	**5,764**	**11,989**
– Tax losses not recognised	**24,863**	13,854
– Capital losses utilised not previously recognised	**-**	(4,668)
– Benefit from previously unrecognised temporary differences	**18,618**	(304,880)
Income tax expense / (benefit)	**44,683**	(215,600)

NOTE 6: CASH AND CASH EQUIVALENTS

Cash on hand	**1,200**	1,200
Cash at bank	**1,896,854**	2,122,398
	1,898,054	2,123,598

NOTE 7: TRADE AND OTHER RECEIVABLES

CURRENT			
Trade receivables	(a)	**2,486,242**	2,392,209
Less provision for doubtful debts		**(62,383)**	(62,161)
Other debtors		**57,286**	33,452
		2,481,145	2,363,500

(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	**391,312**	420,816
– Fixed interest	**397,167**	334,221
– Property	**65,643**	43,686
– Convenience Retail REIT	**179,097**	155,562
	1,033,219	954,285

NOTE 9: OTHER ASSETS

CURRENT		
Prepayments	**1,496,747**	1,512,654

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 10: PROPERTY, PLANT AND EQUIPMENT	2019 $	2018 $
LAND & BUILDINGS		
At fair value	**2,483,936**	2,507,496
Less accumulated depreciation	**(228,799)**	(240,214)
	2,255,137	2,267,282
IMPROVEMENTS		
At cost	**310,478**	310,478
Less accumulated depreciation	**(129,195)**	(127,182)
	181,283	183,296
PLANT AND EQUIPMENT		
At cost	**1,051,193**	1,045,425
Less accumulated depreciation	**(1,019,557)**	(1,001,096)
	31,636	44,329
MOTOR VEHICLES		
At cost	**27,038**	27,038
Less accumulated depreciation	**(27,038)**	(27,038)
	-	-
Total property, plant and equipment	**2,468,056**	2,494,907

(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 $
2019					
Balance at the beginning of the year	2,267,282	-	44,329	183,296	2,494,907
Additions	-	-	5,769	-	5,769
Depreciation expense	(12,145)	-	(18,462)	(2,013)	(32,620)
Carrying amount at end of the year	2,255,137	-	31,636	181,283	2,468,056

NOTE 11: INTANGIBLE ASSETS

Computer software		
Cost	**20,400**	20,400
Accumulated amortisation	**(20,400)**	(17,567)
	-	2,833
Website development		
Cost	**79,880**	79,880
Accumulated amortisation	**(63,212)**	(34,639)
	16,668	45,241
Total Intangibles	**16,668**	48,074

(a) Movements in carrying amounts of intangible assets

	Computer software $	Website development $	Total $
Year ended 30 June 2019			
Balance at the beginning of the year	2,833	45,241	48,074
Amortisation	(2,833)	(28,573)	(31,406)
Closing value at 30 June 2019	**-**	**16,668**	**16,668**

NOTE 12: INVESTMENT PROPERTY	2019 $	2018 $
Opening fair value	**2,421,000**	2,109,678
Fair value adjustments	**-**	311,322
Balance at end of the year	**2,421,000**	2,421,000

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.

The fair value model is applied to all investment properties. Values are based on an active liquid market and determined annually by directors or independent valuers.

NOTE 13: TRADE AND OTHER PAYABLES

CURRENT		
Trade creditors	**520,904**	456,769
Other creditors	**224,899**	265,757
Sundry creditors and accruals	**124,706**	111,775
	870,509	834,301

NOTE 14: TAX

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

Other Investments	**(70,712)**	(62,843)
Investment property	**(124,738)**	(114,904)
Land and buildings	**(251,124)**	(251,124)
Provisions and accruals	**3,776**	3,053
Prepayments	**(18,351)**	(16,689)
Unused capital losses	**374,936**	400,977
Deferred tax asset / (liability)	**(86,213)**	(41,530)
Unused tax losses for which no deferred tax asset has been recognised @ 27.5% (2018: 27.5%)	**388,468**	310,031

NOTE 15: EMPLOYEE BENEFITS

CURRENT		
Long service leave liability	**40,948**	35,714
Annual leave liability	**141,522**	123,150
	182,470	158,864
NON-CURRENT		
Long service leave liability	**36,209**	21,531
(a) Aggregate employee entitlements liability	**218,679**	180,395
(b) Number of employees at year end	**19**	20

NOTE 16: OTHER LIABILITIES

CURRENT		
Unearned income	**5,199,003**	5,109,737

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	2019 $	2018 $
Cash on cash equivalents	**1,898,054**	2,123,598
Trade and other receivables	**2,481,145**	2,363,500
Financial assets at fair value through profit or loss	**1,033,219**	954,285
Total financial assets	**5,412,418**	5,441,383
Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**870,509**	834,301
Total financial liabilities	**870,509**	834,301

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	**222,062**	222,062
Post-employee benefits	**94,846**	31,961
	317,052	254,023

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 2019 (30 June 2018: 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	**2,796**	5,592
	5,592	8,388

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 2019 the number of members was 761 (2018: 907).

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 2018 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

Timothy Gillespie
Treasurer

Dated this 11th day of September 2019

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 2019, 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 2019 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 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 the Company'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 underlying 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
Chartered Accountants

Scott Tobutt
Partner

11 September 2019
Sydney, NSW

DISCLAIMER - TRADING PROFIT AND LOSS ACCOUNT

The additional financial data presented on page 11 is in accordance with the books and 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 2019. 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 or omissions therein however caused.

Scott Tobutt
Partner

11 September 2019
Sydney, NSW

ADDITIONAL FINANCIAL INFORMATION

TRADING AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2019

	2019 $	2018 $
INCOME		
Gift fair income	**6,604,280**	6,831,851
LESS DIRECT COSTS		
Venue costs	**2,240,841**	2,190,745
Other direct costs	**2,467,370**	2,381,271
Total direct costs	**4,708,211**	4,572,016
GROSS PROFIT	**1,896,069**	2,259,835
LESS EXPENSES		
Auditor's remuneration	**30,000**	29,700
Bank charges and fees	**57,074**	62,439
Contractors	**33,939**	40,644
Depreciation	**64,026**	83,227
Insurance	**41,406**	30,098
IT & Systems	**164,577**	136,179
Postage	**4,786**	4,833
Printing and stationery	**5,799**	9,615
Rates and taxes	**11,759**	11,889
Salaries and wages	**1,967,687**	1,941,645
Subscriptions	**60,238**	62,100
Sundry expenses	**161,333**	196,348
Telephone	**44,155**	45,437
Travel and accommodation	**60,684**	66,363
TOTAL EXPENSES	**2,707,463**	2,720,517
	(811,394)	(460,682)
OTHER OPERATING INCOME		
Members' subscriptions	**237,536**	310,044
Finance income	**216,261**	161,334
Commission	**90,598**	66,568
EMD Grant	**-**	47,786
Other income	**112**	16,096
Gain on revaluation of investment property	**-**	311,322
TOTAL OTHER OPERATING INCOME	**544,507**	913,150
OPERATING (LOSS) / PROFIT BEFORE INCOME TAX	**(266,887)**	452,468
	(44,683)	215,600)
OPERATING (LOSS) / PROFIT AFTER INCOME TAX	**(311,570)**	668,068

AUSTRALIAN
Gift & Homewares
ASSOCIATION

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