Annual Report 2014

Financial Report for the Year Ended 30 June 2014

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

Since my last Annual Report we have welcomed our new Executive General Manager, Omer Soker, conducted two very successful trade fairs, launched a number of new member initiatives, including the *Online Lead Generator* and set in train a re-vamp of our constitution to place us in good structural stead for the future.

The year saw the AGHA reaching out and forming new industry partnerships, including one with the *Australian Giftguide*, and our acquisition of *Fashion Exposed* and its integration into the *Home & Giving Fairs* in both Sydney and Melbourne. This strategic move strengthens the fairs by creating more reasons for more buyers to attend and place orders with exhibiting members, critical mass in the fashion and accessories sector to round out our product offering and attracts new wholesale members to the Association.

It has also been notable for our vigorous defence of the *Melbourne Home & Giving Fair* against the plans of Reed Exhibitions to take over the whole of the MCEC. In September our previous CEO, David Leek, left his position and the board undertook the search for his replacement culminating in Omer's appointment at the beginning of December. His brief was to enhance member benefits, expand membership and strengthen the trade fairs. We are very fortunate to have someone of Omer's calibre to lead our organisation into this challenging new phase.

Our constitution had been written for another time and it has been in need of a re-vamp for a while. David Leek's departure and the timing of the last Board election interrupted that process but we are now embarking on presenting to our membership, for your review and feedback, a totally new constitution that will be both relevant and contemporary.

Whilst the big issue in front of us all is the challenge posed by our complex relationship with Reed Exhibitions I think it is important that we stay focused on what we do and how well we do it. Obviously trade fairs are a very important part of our organisation. They are the reason we formed over 35 years ago and remain the largest revenue generator for the AGHA but we are also a member organisation and almost 40% of our full members either do not exhibit with us or do not exhibit at all. So it is equally important to ensure that we are relevant to their needs as well as those exhibiting members. We have recently appointed a new Membership Development Manager, Louise Geisker, to ensure that this happens and Louise is very keen to hear about the things that are important to your membership of the AGHA.

I encourage you all to stay engaged with us as we fight for our future at the MCEC as well as ensuring that our organisation continues to prosper for the benefit of us all.

Nigel Kirby
President

TREASURER'S REPORT

The 2013-14 fiscal year commenced with the economic outlook for the gift and homewares sector looking both challenging and facing some sensitivity. The financial indicators were not promising even before the year began, and while the Federal election promised a degree of stability, the tough Federal budget added to the negativity promoted by media and pushed consumer sentiment down making this year extra challenging.

On the positive side, the AGHA hired Omer Soker to replace the departing David Leek. Improvements to the *Sydney Home & Giving Fair* in February 2014 and the closure of the Darling Harbour facility saw an upside in new business and an over-budget performance for the fair, which added to the strong result for the Melbourne fair in August 2013. Membership revenue continued to decline again this year. A new commitment and investment in members services development is planned to try and reverse this trend for 2014-15.

During the past financial year the value of the AGHA investment portfolio has increased by 19.6% ($356,241). This past year was an exceptionally strong investment market but it would be unrealistic to expect similar gains during the upcoming financial year.

The AGHA also faced a new challenge with the future of Home & Giving Fairs under question at the Melbourne Convention & Exhibition Centre. Our legal and communications fight to retain the Home & Giving Fairs at MCEC is progressing well albeit at substantial cost. To date we have incurred $171,338 of legal and communications costs. MCEC have advised that the status quo will prevail for 2015, and that no decision has been made as yet for 2016.

Despite the difficult trading conditions in the wholesale and retail economy, and the MCEC threat, the AGHA's performance for the financial year reflects an actual profit of $36,845 as compared to a budgeted profit of $30,000. Importantly, this result includes the previously unbudgeted legal costs incurred. Our accumulated reserves have not yet been touched for our legal battle; our strong cash reserves have enabled us to take on this fight.

What we have achieved is a great effort, and the AGHA's management team is to be congratulated on steering the AGHA successfully through a challenging trading period whilst working on projects to expand our member offering for the future, strengthen the fairs and enhance the brand and word-of-mouth appeal of the AGHA.

The AGHA is also actively reaching out with new partnerships and looking forward to making new announcements and initiatives in the 2014-15 fiscal year that will see our trade fairs strengthen even further and our membership offering increase in value

Barry Marks

Barry Marks
Treasurer

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors present their report together with the financial report of Australian Gift and Homewares Association Limited (the Company), for the financial year ended 30 June 2014 and the auditor's report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Nigel Kirby	Patricia Guest	Barry Marks
John Kalleske	Joel Farberman	David Schwartz
Christophe Rymer	Dean Osmond	Gloria Gattuso
Rowen Bavinton	Timothy McCauley	Renske Carbone

DIRECTORS' REPORT CONTINUED

PRINCIPAL ACTIVITIES, OBJECTIVES AND STRATEGIES

The principal activity of the Company during the financial year was operating as a Trade Association. No significant change in the nature of these activities occurred during the 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.

In order to ensure long term objectives are met, the company will continue to review, evaluate and action its strategic plan for the future of the organisation.

REVIEW OF PERFORMANCE

The profit of the company for the financial year after providing for income tax amounted to $36,845 (2013: loss of $298,034)

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

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

INFORMATION ON DIRECTORS

The information on directors is as follows:

Name	Position	Experience as Board Member	Company
Nigel Kirby	President	4 years	Science & Nature Pty Ltd
Patricia Guest	Vice President	4 years	Madras Link Pty Ltd
John Kalleske	Vice President	4 years	Somerset Distribution (Asia Pacific)
Barry Marks	Treasurer	11 years	Stylesetter International Co Pty Ltd
David Schwartz	Director	12 years	Shanghaied Pty Ltd
Christophe Rymer	Director	7 years	Francalia Pty Ltd
Joel Farberman	Director	7 years	TLC Importing Pty Ltd
Dean Osmond	Director	4 years	Baden P Morris Pty Ltd
Renske Carbone	Director	1.75 years	Colours of Australia
Gloria Gattuso	Director	1.75 years	Theatre Imports – The trustee for The Gattuso Trust
Timothy McCauley	Director	1.75 years	Artianna Pty Ltd
Rowen Bavinton	Director	1.25 years	Boyle Industries Pty Ltd

MEETINGS OF DIRECTORS

DIRECTORS	DIRECTORS' MEETINGS	
	Number eligible to attend	Number attended
Nigel Kirby	6	6
Patricia Guest	6	6
John Kalleske	6	5
Barry Marks	6	6
David Schwartz	6	6
Christophe Rymer	6	6
Joel Farberman	6	6
Dean Osmond	6	5
Renske Carbone	6	6
Gloria Gattuso	6	6
Timothy McCauley	6	6
Rowen Bavinton	6	6

MEMBERSHIP

Australian Gifts and Homewares Association Limited is incorporated and domiciled in Australia as a public company limited by guarantee. In accordance with the constitution of the Company, every member of the Company undertakes to contribute an amount limited to $100 per member in the event of winding up the Company during the time that he or she is a member or within one year thereafter. The number of members as at 30 June 2014 was 997 (2013: 1,083).

As at 30 June 2014, the total amount that members of the Company are liable to contribute if the Company is wound up is $99,700 (2013: $108,300).

Rights of Members to Resign
The rights of members to resign from the Association are set out in Section 9.2 of the Constitution of the Association.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 4.

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

Nigel Kirby
Director

Barry Marks
Director

Dated at Sydney this 8th day of September 2014

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

TO THE DIRECTORS OF AUSTRALIAN GIFT & HOMEWARES ASSOCIATION LIMITED

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 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.

KPMG

Cameron Roan
Partner
Sydney, New South Wales

Dated at Sydney this 8th day of September 2014

FINANCIAL REPORT

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Notes	2014	2013
		$	$
Revenue	5	**7,903,227**	8,348,925
Direct costs		**(5,012,833)**	(5,224,632)
Employee benefits expense		**(1,765,012)**	(2,062,931)
Depreciation and amortisation expenses		**(200,498)**	(225,286)
Travelling expenses		**(60,220)**	(73,349)
Advertising & marketing expenses		**(191,452)**	(328,568)
Professional fee expenses		**(400,425)**	(342,089)
Communication expenses		**(32,491)**	(40,643)
Other expenses from ordinary activities		**(569,523)**	(670,413)
Results from operating activities		**(329,227)**	(618,986)
Finance income	6	**384,807**	487,572
Finance costs		**(3,587)**	(60,231)
Net finance income		**381,220**	427,341
Profit/(loss) before income tax		**51,993**	(191,645)
Income tax expense	7	**(15,148)**	(106,389)
Profit/(loss) for the year		**36,845**	(298,034)
Other comprehensive income		**-**	-
Total comprehensive income/(loss) for the year		**36,845**	(298,034)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2014	Notes	2014	2013
CURRENT ASSETS		$	$
Cash and cash equivalents	8	**3,625,682**	4,480,516
Trade and other receivables	9	**1,127,170**	1,183,129
Other investments	10	**2,671,165**	1,814,924
Prepayments		**1,182,930**	1,310,050
TOTAL CURRENT ASSETS		**8,606,947**	8,788,619
NON-CURRENT ASSETS			
Other investments	10	**139,000**	139,000
Property, plant and equipment	11	**1,884,047**	2,100,872
TOTAL NON-CURRENT ASSETS		**2,023,047**	2,239,872
TOTAL ASSETS		**10,629,994**	11,028,491
CURRENT LIABILITIES			
Trade and other payables	12	**550,364**	815,026
Employee benefits	14	**124,516**	125,833
Deferred tax liability	13	**15,148**	-
Other liabilities	15	**3,850,261**	4,025,366
TOTAL CURRENT LIABILITIES		**4,540,289**	4,966,225
NON-CURRENT LIABILITIES			
Employee benefits	14	**13,767**	23,173
TOTAL NON-CURRENT LIABILITIES		**13,767**	23,173
TOTAL LIABILITIES		**4,554,056**	4,989,398
NET ASSETS		**6,075,938**	6,039,093
MEMBERS FUNDS			
Retained earnings		**6,075,938**	6,039,093
TOTAL MEMBERS FUNDS		**6,075,938**	6,039,093

STATEMENT OF CHANGES IN EQUITY

As at 30 June 2014

	Retained Earnings
	$
Balance at 1 July 2012	**6,337,127**
Loss for the year, representing total comprehensive income	(298,034)
Balance at 30 June 2013	**6,039,093**
Profit for the year, representing total comprehensive loss	36,845
Balance at 30 June 2014	**6,075,938**

STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	Notes	2014	2013
		$	$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		**8,507,489**	8,813,851
Payments to suppliers and employees		**(8,953,629)**	(9,639,483)
Grant received		**50,000**	112,574
Interest received		**93,941**	131,470
Net cash provided by operating activities		**(302,199)**	(581,588)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**19,663**	-
Payment for property, plant and equipment		**(3,336)**	(114,542)
Payment for investments		**(893,983)**	(1,117,684)
Proceeds from sale of investments		**204,971**	737,347
Dividends received from investments		**120,050**	102,163
Net cash used in investing activities		**(552,635)**	(392,716)
Net decrease in cash held		**(854,834)**	(974,304)
Cash at beginning of financial year		**4,480,516**	5,454,820
Cash at end of financial year	8	**3,625,682**	4,480,516

The notes on pages 6 to 9 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: REPORTING ENTITY

The financial statements of Australian Gifts & Homewares Association Limited (the "Company"), a not -for-profit entity, are as at and for the year ended 30 June 2014.

NOTE 2: BASIS OF PREPARATION

(a) Statement of compliance

The Company early adopted AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Standards arising from Reduced Disclosure Requirements* for the financial year beginning on 1 July 2011 to prepare Tier 2 general purpose financial statements.

The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The financial statements were authorised for issue by the Board of Directors on 8th September 2014.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the financial instruments at fair value through profit or loss are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, 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.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

(a) Financial instruments

(i) Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables.

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 recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see note 3(c)).

Loans and receivables comprise cash and cash equivalents and, trade and other receivables.

Cash and cash equivalents
Cash and cash equivalents comprise 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.

(ii) Non-derivative financial liabilities

The Company initially recognises financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

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.

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gains and losses on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Freehold land and buildings are measured on the cost basis. It is the policy of the Company to have an independent valuation every three years, with annual appraisals being made by the directors.

In accordance with this policy, an independent valuation was carried out as at 30 June 2011 by a qualified valuer. The valuation amounted to $1,800,000, which included normal fixtures and fittings including fixed office fit out, but not including furniture, loose furnishings and any specialised plant and equipment. No adjustment has been made to the value of property in the accounts at 30 June 2014 to reflect this valuation.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance is expensed as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(c) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost
The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity investment securities) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or CGU unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of assets in the CGU (or group of CGUs) on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(d) Employee benefits

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(e) Revenue

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.
Other revenue is recognised when the right to receive the revenue has been established. All revenue is stated net of the amount of goods and services tax (GST).

(f) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(g) Finance income and finance costs

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.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets.

(h) Tax

Tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

NOTE 4: DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investments in equity securities
The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted closing bid price at the reporting date.

NOTE 5: REVENUE	**2014 $**	**2013 $**
Operating activities		
– trade fair and Home & Giving income	**7,091,785**	7,333,730
– membership fees	**585,153**	583,171
– commission	**175,768**	319,286
– export market development grant	**50,000**	112,574
– other revenue	**521**	164
Total Revenue	**7,903,227**	8,348,925

NOTE 6: FINANCE INCOME	**2014 $**	**2013 $**
Interest income on bank deposits	**93,941**	131,470
Investment income	**120,050**	102,163
Net change in fair value of financial assets at fair value through profit or loss	**170,816**	253,939
Finance Income	**384,807**	487,572
Loss on disposal of investments	**3,587**	60,231
Finance costs	**3,587**	60,231

NOTE 7: INCOME TAX EXPENSE

(a) The components of tax expense comprise:		
Current tax	**108,141**	(137,813)
Deferred tax	15,148	106,389
Tax loss not recognised	**-**	137,813
Tax losses utilised	**(108,141)**	-
Under/(over) provision in respect of prior years	**-**	-
	15,148	106,389

(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2013: 30%)	**15,598**	(57,494)
Tax effect of:		
– Income and expenses subject to mutuality	**(81,790)**	(74,148)
– Other assessable and non-deductible items	**61,354**	**1,763**
– Tax losses not recognised	**128,127**	236,268
– Tax losses utilised	**(108,141)**	-
– Under provision for income tax in prior year	**-**	-
Income tax attributable to entity	**15,148**	106,389

NOTE 8: CASH ASSETS		
Cash on hand	**1,000**	1,000
Cash at bank	**3,624,682**	4,479,516
Cash and cash equivalents in the statement of cash flows	**3,625,682**	4,480,516

NOTE 9: TRADE AND OTHER RECEIVABLES		
CURRENT		
Trade debtors (a)	**1,093,172**	1,186,075
Less provision for doubtful debts	**(50,317)**	(37,865)
	1,042,855	1,148,210
Other debtors	**84,315**	34,919
	1,127,170	1,183,129

(a) Included in trade debtors are amounts owing by members relating to unearned income for future trade fairs (Note 15).

The Company has recognised an impairment loss of $12,452 with respect to trade and other receivables in the year ended 30 June 2014 (2013: $26,854).

NOTE 10: OTHER INVESTMENTS		
CURRENT		
Investments at fair value through profit and loss		
– Australian equities	**1,400,774**	900,261
– Fixed interest	**1,061,680**	745,353
– Property	**208,711**	169,310
	2,671,165	1,814,924
NON-CURRENT		
Investments at cost: APN Property Plus Portfolio	**139,000**	139,000
	139,000	139,000

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	2014 $	2013 $
BUILDINGS		
At cost	**1,594,319**	1,594,319
Less accumulated depreciation	**(182,212)**	(160,455)
Total buildings	**1,412,107**	1,433,864
IMPROVEMENTS		
At cost	**290,346**	290,346
Less accumulated depreciation	**(121,469)**	(116,367)
Total improvements	**168,877**	173,979
PLANT AND EQUIPMENT		
(a) Plant and equipment		
At cost	**952,532**	949,196
Less accumulated depreciation	**(667,426)**	(502,510)
	285,106	446,686
(b) Motor vehicles		
At cost	**27,038**	65,600
Less accumulated depreciation	**(9,081)**	(19,256)
	17,957	46,344
Total plant and equipment	**303,063**	493,030
Total property, plant and equipment	**1,884,047**	2,100,872

(a) Movements in Carrying Amounts

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

	Buildings $	Improvements $	Plant & Equipment $	Motor Vehicles $	Total $
2014					
Balance at the beginning of the year	1,433,864	173,979	446,686	46,343	2,100,872
Additions	-	-	3,336	-	3,336
Disposals	-	-	-	(19,663)	(19,663)
Depreciation expense	(21,757)	(5,102)	(164,916)	(8,723)	(200,498)
Carrying amount at end of the year	1,412,107	168,877	285,106	17,957	1,884,047

NOTE 12: PAYABLES

	2014 $	2013 $
CURRENT		
Trade creditors	**148,336**	457,565
Sundry creditors and accruals	**120,606**	357,461
Other creditors	**281,422**	-
	550,364	815,026

NOTE 13: TAX

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

	2014	2013
Property, plant and equipment	**(11,825)**	-
Provisions and accruals	**(3,323)**	-
	(15,148)	-
Unused tax losses for which no deferred tax asset has been recognised @ 30%	**128,127**	236,268

NOTE 14: EMPLOYEE BENEFITS

	2014 $	2013 $
CURRENT		
Long service leave liability	**31,659**	23,940
Annual leave liability	**92,857**	101,893
	124,516	125,833
NON-CURRENT		
Long service leave liability	**13,767**	23,173
(a) Aggregate employee entitlements liability	**138,283**	149,006
(b) Number of employees at year end	**16**	15

NOTE 15: OTHER LIABILITIES

	2014	2013
CURRENT		
Unearned income (a)	**3,850,261**	3,759,771
Deposits outstanding	**-**	265,595
	3,850,261	4,025,366

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

NOTE 16: MEMBERS FUNDS

Australian Gifts and Homewares Association Limited is incorporated and domiciled in Australia as a public company limited by guarantee. In accordance with the constitution of the Company, every member of the Company undertakes to contribute an amount limited to $100 per member in the event of winding up the Company during the time that he or she is a member or within one year thereafter. The number of members as at 30 June 2014 was 997 (2013: 1,083).

As at 30 June 2014, the total amount that members of the Company are liable to contribute if the Company is wound up is $99,700 (2013: $108,300).

NOTE 17: RELATED PARTY TRANSACTIONS

Key Management personnel and director transactions:
A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of these entities.

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.

	2014 $	2013 $
Short-term employee benefits	**292,825**	265,733
Long-term employee benefits	**185**	2,128
Post-employee benefits	**15,043**	17,775

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

NOTE 18: COMPANY DETAILS

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

NOTE 19: SUBSEQUENT EVENTS

On the 4th August 2014 the Board of the Australian Gift and Homewares Association approved the purchase of the assets, being predominantly intangible assets, of the "Fashion Exposed" trade show from Informa Australia Pty Ltd. The exchange of contracts took place on 19th August 2014 and per the terms of the sale agreement there was an agreed fixed component of consideration and a contingent consideration linked to future performance. As a result, the full purchase consideration to be paid is yet to be quantified.

INDEPENDENT AUDIT REPORT

DIRECTORS' DECLARATION

In the opinion of the directors of Australian Gift & Homewares Association Limited (the Company):

(a) the Company is not publicly accountable;

(b) the financial statements and notes, set out on pages 6 to 9, are 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 2014 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.

Nigel Kirby
Director

Barry Marks
Director

Dated at Sydney this 8th day of September 2014

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

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Australian Gift & Homewares Association Limited (the Company), which comprises the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 19 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

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

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

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

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

Independence
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

AUDITOR'S OPINION

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

(a) giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

KPMG

Cameron Roan
Partner
Sydney, New South Wales

Dated at Sydney this 29th day of August 2014

DISCLAIMER

The additional financial information presented on page 11 is in accordance with the books and records of Australian Gifts & Homewares Association Limited which have been subjected to the auditing procedures applied in our statutory audit of the company for the year ended 30 June 2014. It will be appreciated that our statutory audit did not cover all details of the additional financial information. Accordingly, we do not express an opinion on such financial information and no warranty of accuracy or reliability is given.
In accordance with our firm policy, we advise that neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any person (other than the company) in respect of such information, including any errors or omissions therein, arising through negligence or otherwise however caused.

KPMG

Dated at Sydney this 8th day of September 2014

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

ADDITIONAL FINANCIAL INFORMATION

TRADING AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2014

	2014 $	2013 $
INCOME		
Trade fair and Home & Giving income	**7,091,785**	7,333,730
LESS DIRECT COSTS		
Venue costs	**2,701,273**	2,795,558
Other direct costs	**2,311,560**	2,429,074
Total direct costs	**5,012,833**	5,224,632
GROSS PROFIT	**2,078,952**	2,109,098
LESS EXPENSES		
Accommodation	**44,853**	56,905
Accounting fees	**19,558**	-
Advertising and marketing	**191,452**	328,568
Auditor’s remuneration	**33,866**	34,672
Bank charges and fees	**13,300**	7,280
Computer expenses	**180,141**	186,066
Conference and meeting expenses	**30,886**	17,762
Consultancy fees	**147,146**	229,399
Database management	**1,500**	-
Depreciation	**200,498**	225,286
Insurance	**27,111**	28,529
Lease charges	**-**	1,998
Legal costs	**195,555**	72,418
Loss from investments	**3,587**	60,231
Motor vehicle expenses	**6,899**	10,167
Postage	**13,021**	28,872
Printing and stationery	**19,579**	19,335
Rates and taxes	**15,558**	11,304
Repairs and maintenance	**9,699**	8,535
Salaries and wages	**1,765,012**	2,062,931
Social media	**-**	600
Special projects	**2,500**	50,050
Subscriptions	**13,886**	23,302
Sundry expenses	**172,313**	156,593
Telephone	**32,491**	40,643
Travelling expenses	**60,220**	71,807
IT infrastructure & website development	**22,577**	70,527
TOTAL EXPENSES	**3,223,208**	3,803,510
NET LOSS	**(1,144,256)**	(1,694,412)
OTHER OPERATING INCOME		
Members’ subscriptions	**585,153**	583,171
Interest income	**93,941**	131,470
Commission	**175,768**	319,286
Investment income	**120,050**	102,163
EMD Grant	**50,000**	112,574
Net change in fair value of financial assets at fair value through profit or loss	**170,816**	253,939
Other income	**521**	164
TOTAL OTHER OPERATING INCOME	**1,196,249**	1,502,767
OPERATING PROFIT/(LOSS) BEFORE INCOME TAX	**51,993**	(191,645)
Income tax expense	**(15,148)**	(106,389)
OPERATING PROFIT/(LOSS) AFTER INCOME TAX	**36,845**	(298,034)

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

&more.

AUSTRALIAN
Gift & Homewares
ASSOCIATION

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