# Annual Report 2013

Financial Report for the Year Ended 30 June 2013

**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

This year has been one of challenge, transition and renewal for our association.

The Gift and Homewares industry has been confronted by difficult trading conditions and your association has responded with a number of initiatives.

**1. Reduction in stand fees by 20%**
In July last year the board accepted a management proposal to reduce the cost of stand fees by 20% for the February 2013 fair. Whilst there are CPI increases applied each year, this new lower cost base is to be applied for all future fairs and was designed to support our exhibiting members in difficult trading conditions.

**2. Outsourcing of selected services**
One consequence of lower revenue from stand fees was a need to re-structure the organisation to reduce costs. This entailed utilising a call centre for outbound phone calls, principally to market our trade fairs to a wider retail audience and preparing a new IT strategy to leverage off the latest available technologies at the earliest opportunity. The call centre operation has proven its worth with over 20,000 calls being made to promote our February fair alone. These calls could never have been made using past practises.

**3. Implementation of Design Life**
Your board had been assessing ways to make the February fair for retailers a must attend event. We accepted the proposal from management to launch a new exhibit within our fair in 2013. It would be invitation only and focussed solely on high-end homewares. The board has been very pleased with the result for the first year and you can expect to see improvements in future years. Just as importantly, the lessons learnt in presenting Design Life will flow through to the Home and Giving fair as a whole.

In summary, as a response to the challenges confronting our industry, we moved to reduce costs. The consequence of the cost reduction has been a transition to a leaner organisation, coupled with the introduction of new initiatives in our trade fairs.

The benefits of the IT strategy will be flowing through later this year with a new-look, fully integrated, AGHA website. The board is also currently giving consideration to a range of value-add website options to benefit members.

Finally, I wish to acknowledge the tremendous contrbution of all the AGHA staff in dealing with this organisational change. Their efforts have ensured a smooth transition and helped to place the organisation in great stead for the future.

**Nigel Kirby**
President

# TREASURER'S REPORT

It would be an understatement to call the past 12 months anything less than a challenge for Australian business. The financial indicators were flashing red even before the year began. Your Board, having agreed to the 20% reduction in stand costs, did so with the full knowledge of the impact on our "bottom line". We should be grateful our cash reserves allowed us to take this step which in any 12 month period will result in a drop in revenue of around 1 million dollars.

On the positive side, staff levels have been substantially reduced without causing any loss of service delivery to members. These salary savings go a long way to help offset reduced income from lower exhibitor fees. Outsourced IT services and call centre will further help to reduce costs.

Management has to be congratulated on the initiative of Design Life. The February Fair heralded the first edition of this new concept. The development cost of Design Life required an investment of some $250,000. Buyers loved it and our Trade Fair team was pleased to receive a considerable number of companies expressing interest in future participation in this segment of Home and Giving. We are confident of a "house full" for both sections of February Fair. Again I stress the value of having cash reserves which have allowed these initiatives to occur.

During the past financial year the value of the AGHA investment portfolio has increased by 15.2% ($241,996). This gain substantially helps to offset the losses accrued following the GFC. This past year was an exceptionally strong investment market and it would be unrealistic to expect a similar gain during this current financial year but is pleasing our investment is moving steadily in the right direction.

During the past year we have written off $45,000 in bad debts. Management recognises the difficulties some members are experiencing, but is forced to take a more vigilant attitude to minimise future losses.

Considering the extremely difficult trading conditions in the wholesale and retail economy, the AGHA is faring well. The losses we have sustained are deliberate and calculated for long term good. To implement these strategic changes, the Board approved a $467,000 loss. In the event, the loss was contained to $298,034 some $168,000 less than projection. This bottom line loss of $298,034 should not be viewed with great concern -the reverse is true. Our management team is to be congratulated on steering the AGHA successfully through a difficult trading period and ready to take the challenges that lie ahead.

**Barry Marks**
Treasurer

# DIRECTORS' REPORT

## DIRECTORS' REPORT

The directors present their report together with the financial report of Australian Gifts & Homewares Association Limited (the Company), for the financial year ended 30 June 2013 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:

| | | |
|---|---|---|
| David Schwartz | Patricia Guest | Lawrence Boyle (Resigned 24 September 2012) |
| Barry Marks | John Kalleske | Timothy McCauley (Appointed 24 September 2012) |
| Joel Farberman | Nigel Kirby | Gloria Gattuso (Appointed 24 September 2012) |
| Christophe Rymer | Dean Osmond | Renske Carbone (Appointed 24 September 2012) |
| Rowen Bavinton | | |

# 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 loss of the company for the financial year after providing for income tax amounted to $298,034 (2012: profit of $438,834)

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 | 3 years | Science & Nature Pty Ltd |
| Patricia Guest | Vice President | 3 years | Madras Link Pty Ltd |
| John Kalleske | Vice President | 3 years | Somerset Distribution (Asia Pacific) |
| Barry Marks | Treasurer | 10 years | Stylesetter International Co Pty Ltd |
| David Schwartz | Director | 11 years | Shanghaied Pty Ltd |
| Christophe Rymer | Director | 6 years | Francalia Pty Ltd |
| Joel Farberman | Director | 6 years | TLC Importing Pty Ltd |
| Lawrence Boyle | Director | 3 years | Wild Retail Group Pty Ltd |
| Dean Osmond | Director | 3 years | Baden P Morris Pty Ltd |
| Renske Carbone | Director | 0.75 years | Colours of Australia |
| Gloria Gattuso | Director | 0.75 years | Theatre Imports – The trustee for The Gattuso Trust |
| Timothy McCauley | Director | 0.75 years | Artianna Pty Ltd |
| Rowen Bavinton | Director | 0.25 years | Boyle Industries Pty Ltd |

## MEETINGS OF DIRECTORS

| DIRECTORS | DIRECTORS' MEETINGS | |
|---|---|---|
| | Number eligible to attend | Number attended |
| Nigel Kirby | 5 | 5 |
| Patricia Guest | 5 | 5 |
| John Kalleske | 5 | 4 |
| Barry Marks | 5 | 4 |
| David Schwartz | 5 | 5 |
| Christophe Rymer | 5 | 5 |
| Joel Farberman | 5 | 4 |
| Lawrence Boyle | 1 | 1 |
| Dean Osmond | 5 | 3 |
| Renske Carbone | 4 | 4 |
| Gloria Gattuso | 4 | 3 |
| Timothy McCauley | 4 | 4 |
| Rowen Bavinton | 5 | 5 |

## 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 2013 was 1,083 (2012: 1,176).

As at 30 June 2013, the total amount that members of the Company are liable to contribute if the Company is wound up is $108,300 (2012: $117,600).

*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 30th day of August 2013

# 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 2013 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 30th day of August 2013

# FINANCIAL REPORT

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

| | Notes | 2013 | 2012 |
|---|---|---|---|
| | | $ | $ |
| Revenue | 5 | **8,348,925** | 8,880,366 |
| Direct costs | | **(5,224,632)** | (4,872,703) |
| Employee benefits expense | | **(2,062,931)** | (2,054,086) |
| Depreciation and amortisation expenses | | **(225,286)** | (136,991) |
| Travelling expenses | | **(73,349)** | (102,513) |
| Advertising & marketing expenses | | **(328,568)** | (338,949) |
| Professional fee expenses | | **(342,089)** | (193,611) |
| Communication expenses | | **(40,643)** | (43,933) |
| Other expenses from ordinary activities | | **(670,413)** | (827,615) |
| **Results from operating activities** | | **(618,986)** | 309,965 |
| Finance income | 6 | **487,572** | 173,024 |
| Finance costs | | **(60,231)** | (142,210) |
| **Net finance income** | | **427,341** | 30,814 |
| (Loss)/profit before income tax | | **(191,645)** | 340,779 |
| Income tax (expense)/benefit | 7 | **(106,389)** | 98,055 |
| **(Loss)/profit for the year** | | **(298,034)** | 438,834 |
| Other comprehensive income | | **-** | - |
| **Total comprehensive (loss)/income for the year** | | **(298,034)** | 438,834 |

## STATEMENT OF FINANCIAL POSITION

| As at 30 June 2013 | Notes | 2013 | 2012 |
|---|---|---|---|
| **CURRENT ASSETS** | | $ | $ |
| Cash and cash equivalents | 8 | **4,480,516** | 5,454,820 |
| Trade and other receivables | 9 | **1,183,129** | 1,650,908 |
| Other investments | 10 | **1,814,924** | 1,253,087 |
| Prepayments | | **1,310,050** | 1,023,900 |
| **TOTAL CURRENT ASSETS** | | **8,788,619** | 9,382,715 |
| **NON-CURRENT ASSETS** | | | |
| Other investments | 10 | **139,000** | 100,000 |
| Property, plant and equipment | 11 | **2,100,872** | 2,217,760 |
| Deferred tax assets | 13 | **-** | 106,389 |
| **TOTAL NON-CURRENT ASSETS** | | **2,239,872** | 2,424,149 |
| **TOTAL ASSETS** | | **11,028,491** | 11,806,864 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 12 | **815,026** | 511,083 |
| Employee benefits | 14 | **125,833** | 149,520 |
| Other liabilities | 15 | **4,025,366** | 4,596,263 |
| **TOTAL CURRENT LIABILITIES** | | **4,966,225** | 5,256,866 |
| **NON-CURRENT LIABILITIES** | | | |
| Employee benefits | 14 | **23,173** | 58,596 |
| Other liabilities | 15 | **-** | 154,275 |
| **TOTAL NON-CURRENT LIABILITIES** | | **23,173** | 212,871 |
| **TOTAL LIABILITIES** | | **4,989,398** | 5,469,737 |
| **NET ASSETS** | | **6,039,093** | 6,337,127 |
| **MEMBERS FUNDS** | | | |
| Retained earnings | | **6,039,093** | 6,337,127 |
| **TOTAL MEMBERS FUNDS** | | **6,039,093** | 6,337,127 |

## STATEMENT OF CHANGES IN EQUITY

As at 30 June 2013

| | Retained Earnings |
|---|---|
| | $ |
| **Balance at 1 July 2011** | **5,898,293** |
| Profit for the year, representing total comprehensive income | 438,834 |
| **Balance at 30 June 2012** | **6,337,127** |
| Loss for the year, representing total comprehensive loss | (298,034) |
| **Balance at 30 June 2013** | **6,039,093** |

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

| | Notes | 2013 | 2012 |
|---|---|---|---|
| | | $ | $ |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | **8,813,851** | 9,806,304 |
| Payments to suppliers and employees | | **(9,639,483)** | (9,547,317) |
| Grant received | | **112,574** | 121,383 |
| Interest received | | **131,470** | 173,024 |
| Net cash provided by operating activities | | **(581,588)** | 553,394 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of property, plant and equipment | | **-** | 91,022 |
| Payment for property, plant and equipment | | **(114,542)** | (399,853) |
| Proceeds from (payments for) investments | | **(278,174)** | 460,001 |
| Net cash used in investing activities | | **(392,716)** | 151,170 |
| Net increase/(decrease) in cash held | | **(974,304)** | 704,564 |
| Cash at beginning of financial year | | **5,454,820** | 4,750,256 |
| **Cash at end of financial year** | 8 | **4,480,516** | 5,454,820 |

*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 2013

### NOTE 1: REPORTING ENTITY

The financial statements of Australian Gift & Homewares Association Limited (the Company), a not-for-profit entity, are as at and for the year ended 30 June 2013.

### 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 30th August 2013.

**(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 which 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.

**(e) Changes in accounting policies**

***Presentation of financial statements and reduced disclosure***

The Company early adopted reduced disclosure requirements in AASB 1053 *Application of Tiers of Australian Accounting Standards*, AASB 2010-2 *Amendments to Australian Standards arising from Reduced Disclosure Requirements* and AASB 2011-02 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements*. This has resulted in a reduction of disclosures for items such as financial instruments and reconciliation of cash flows.

Comparative information has been re-presented or removed so that it also conforms to the new disclosure requirements. Since the change in accounting policy only impacts presentation aspects there was no impact on comprehensive income.

### 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, except as explained in note 2(e) which addresses changes in accounting policies.

Certain comparative amounts in the statement of comprehensive income have been reclassified to conform with the current year's presentation.

**(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.

*(ii) Recognition and measurement*

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 2013 to reflect this valuation.

*(iii) 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.

*(iv) 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 or 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 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 & 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** | **2013**<br>**$** | **2012**<br>**$** |
|---|---|---|
| **Operating activities** | | |
| – trade fair and Home & Giving income | **7,333,730** | 7,749,855 |
| – membership fees | **583,171** | 627,588 |
| – commission | **319,286** | 381,282 |
| – export market development grant | **112,574** | 121,383 |
| – other revenue | **164** | 258 |
| **Total Revenue** | **8,348,925** | 8,880,366 |

**NOTE 6: FINANCE INCOME**

| | | |
|---|---|---|
| Interest income on bank deposits | **131,470** | 163,649 |
| Investment income | **102,163** | 9,375 |
| Net change in fair value of financial assets at fair value through profit or loss | **253,939** | - |
| **Finance Income** | **487,572** | 173,024 |
| Loss on disposal of investments | **60,231** | - |
| **Finance costs** | **60,231** | 173,024 |

**NOTE 7: INCOME TAX EXPENSE**

**(a) The components of tax expense comprise:**

| | | |
|---|---|---|
| Current tax | **(137,813)** | 81,530 |
| Deferred tax | 106,389 | (98,055) |
| Tax loss not recognised | **137,813** | - |
| Tax losses utilised | **-** | (81,530) |
| Under/(over) provision in respect of prior years | **-** | - |
| | **106,389** | (98,055) |

**(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% (2012: 30%) | **(57,494)** | 102,234 |
| Tax effect of: | | |
| – Income and expenses subject to mutuality | **(74,148)** | (100,115) |
| – Other assessable and non-deductible items | **1,763** | **78,491** |
| – Tax losses (recognised)/not recognised | **236,268** | (98,456) |
| – Tax losses utilised | **-** | (80,209) |
| – Under provision for income tax in prior year | **-** | - |
| Income tax attributable to entity | **106,389** | (98,055) |

**NOTE 8: CASH ASSETS**

| | | |
|---|---|---|
| Cash on hand | **1,000** | 1,000 |
| Cash at bank | **4,479,516** | 5,453,820 |
| Cash and cash equivalents in the statement of cash flows | **4,480,516** | 5,454,820 |

**NOTE 9: TRADE AND OTHER RECEIVABLES**

| | | |
|---|---|---|
| CURRENT | | |
| Trade debtors | **1,186,075** | 1,604,243 |
| Less provision for doubtful debts | **(37,865)** | (11,011) |
| | **1,148,210** | 1,593,232 |
| Other debtors | **34,919** | 57,676 |
| | **1,183,129** | 1,650,908 |

(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 $26,854 with respect to trade and other receivables in the year ended 30 June 2013 (2012: $Nil).

**NOTE 10: OTHER INVESTMENTS**

| | 2013 $ | 2012 $ |
|---|---|---|
| CURRENT | | |
| Investments at fair value through profit and loss | | |
| – Australian equities | **900,261** | 1,118,089 |
| – Fixed interest | **745,353** | - |
| – Property | **169,310** | 133,279 |
| – Other | **-** | 1,719 |
| | **1,814,924** | 1,253,087 |
| NON-CURRENT | | |
| Investments at cost: APN Property Plus Portfolio | **139,000** | 100,000 |
| | **139,000** | 100,000 |

**NOTE 11: PROPERTY, PLANT AND EQUIPMENT**

| | 2013 $ | 2012 $ |
|---|---|---|
| **BUILDINGS** | | |
| At cost | **1,594,319** | 1,594,319 |
| Less accumulated depreciation | **(160,455)** | (138,699) |
| Total buildings | **1,433,864** | 1,455,620 |
| **IMPROVEMENTS** | | |
| At cost | **290,346** | 290,346 |
| Less accumulated depreciation | **(116,367)** | (103,214) |
| Total improvements | **173,979** | 187,132 |
| **PLANT AND EQUIPMENT** | | |
| (a) Plant and equipment | | |
| At cost | **949,196** | 1,182,149 |
| Less accumulated depreciation | **(502,510)** | (664,314) |
| | **446,686** | 517,835 |
| (b) Motor vehicles | | |
| At cost | **65,600** | 65,419 |
| Less accumulated depreciation | **(19,256)** | (8,246) |
| | **46,344** | 57,173 |
| Total plant and equipment | **493,030** | 575,008 |
| Total property, plant and equipment | **2,100,872** | 2,217,760 |

**(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 $ |
|---|---|---|---|---|---|
| **2013** | | | | | |
| Balance at the beginning of the year | 1,455,620 | 187,132 | 517,835 | 57,173 | 2,217,760 |
| Additions | - | - | 114,361 | 181 | 114,542 |
| Disposals | - | - | (3,931) | - | (3,931) |
| Depreciation expense | (21,756) | (13,153) | (181,580) | (11,010) | (227,499) |
| Carrying amount at end of the year | 1,433,864 | 173,979 | 446,686 | 46,344 | 2,100,872 |

**NOTE 12: PAYABLES**

| | 2013 $ | 2012 $ |
|---|---|---|
| CURRENT | | |
| Trade creditors | **457,565** | 132,288 |
| Sundry creditors and accruals | **357,461** | 378,795 |
| | **815,026** | 511,083 |

**NOTE 13: TAX**

| | 2013 $ | 2012 $ |
|---|---|---|
| **Recognised deferred tax assets and liabilities** | | |
| Deferred tax assets have been recognised in respect of the following items: | | |
| Property, plant and equipment | **-** | 100,287 |
| Provisions and accruals | **-** | 6,102 |
| | **-** | 106,389 |
| Unused tax losses for which no deferred tax asset has been recognised @ 30% | **236,268** | - |

**NOTE 14: EMPLOYEE BENEFITS**

| | 2013 $ | 2012 $ |
|---|---|---|
| CURRENT | | |
| Long service leave liability | **23,940** | 14,577 |
| Annual leave liability | **101,893** | 134,943 |
| | **125,833** | 149,520 |
| NON-CURRENT | | |
| Long service leave liability | **23,173** | 58,596 |
| (a) Aggregate employee entitlements liability | **149,006** | 208,116 |
| (b) Number of employees at year end | **15** | 24 |

**NOTE 15: OTHER LIABILITIES**

| | 2013 $ | 2012 $ |
|---|---|---|
| CURRENT | | |
| Unearned income | **3,759,771** | 4,506,723 |
| Deposits outstanding | **265,595** | 89,540 |
| | **4,025,366** | 4,596,263 |
| NON-CURRENT | | |
| Deposits outstanding | **-** | 154,275 |

**NOTE 16: EQUITY**

Australian Gift & 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 2013 was 1,083 (2012: 1,176).

As at 30 June 2013, the total amount that members of the Company are liable to contribute if the Company is wound up is $108,300 (2012: $117,600).

**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.

| | 2013 $ | 2012 $ |
|---|---|---|
| Short-term employee benefits | **265,733** | 238,158 |
| Long-term employee benefits | **2,128** | 590 |
| Post-employee benefits | **17,775** | 16,470 |

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**

There have been no events subsequent to the reporting date which would have a material effect on the Company's financial statements as at 30 June 2013.

# INDEPENDENT AUDIT REPORT

## DIRECTORS' DECLARATION

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

(a) 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 2013 and of its performance for the financial year ended on that date; and

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

(b) 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** | **Barry Marks** |
| Director | Director |

Dated at Sydney this 30th day of August 2013

## 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 2013, 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*.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Gift & Homewares Association Limited on 30th August 2013, would be in the same terms if given to the directors as at the time of this auditor's report.

## 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 2013 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 2nd day of September 2013

## DISCLAIMER

The additional financial information presented on page 11 is in accordance with the books and records of Australian Gift & 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 2013. 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 2nd day of September 2013

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 INFORMATION

## TRADING AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2013

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| **INCOME** | | |
| Trade fair and Home & Giving income | **7,333,730** | 7,749,855 |
| **LESS DIRECT COSTS** | | |
| Venue costs | **2,795,558** | 2,510,407 |
| Other direct costs | **2,429,074** | 2,369,656 |
| Total direct costs | **5,224,632** | 4,880,063 |
| **GROSS PROFIT** | **2,109,098** | 2,869,792 |
| **LESS EXPENSES** | | |
| Accommodation | **56,905** | 52,633 |
| Advertising and marketing | **328,568** | 338,949 |
| Auditor's remuneration | **34,672** | 35,178 |
| Bank charges and fees | **7,280** | 6,495 |
| Computer expenses | **186,066** | 64,848 |
| Conference and meeting expenses | **17,762** | 39,568 |
| Consultancy fees | **229,399** | 95,793 |
| Corporate branding | **-** | 103,623 |
| Database management | **-** | 27,321 |
| Depreciation | **225,286** | 136,991 |
| Insurance | **28,529** | 25,370 |
| Lease charges | **1,998** | 9,593 |
| Legal costs | **72,418** | 105,259 |
| Loss from investments | **60,231** | 142,210 |
| Motor vehicle expenses | **10,167** | 8,313 |
| Postage | **28,872** | 19,334 |
| Printing and stationery | **19,335** | 63,526 |
| Rates and taxes | **11,034** | 12,981 |
| Repairs and maintenance | **8,535** | 17,035 |
| Salaries and wages | **2,062,931** | 2,054,086 |
| Social media | **600** | 25,940 |
| Special projects | **50,050** | 464 |
| Subscriptions | **23,302** | 47,675 |
| Sundry expenses | **156,593** | 213,045 |
| Telephone | **40,643** | 36,574 |
| Travelling expenses | **71,807** | 102,513 |
| IT infrastructure & website development | **70,527** | 47,231 |
| **TOTAL EXPENSES** | **3,803,510** | 3,832,548 |
| **NET PROFIT/(LOSS)** | **(1,694,412)** | (962,756) |
| **OTHER OPERATING INCOME** | | |
| Members' subscriptions | **583,171** | 627,588 |
| Interest income | **131,470** | 163,649 |
| Commission | **319,286** | 381,282 |
| Investment income | **102,163** | 9,375 |
| EMD Grant | **112,574** | 121,383 |
| Net change in fair value of financial assets at fair value through profit or loss | **253,939** | - |
| Other income | **164** | 258 |
| **TOTAL OTHER OPERATING INCOME** | **1,502,767** | 1,303,535 |
| **OPERATING (LOSS) PROFIT BEFORE INCOME TAX** | **(191,645)** | 340,779 |
| Income tax (expense) benefit | **(106,389)** | 98,055 |
| **OPERATING (LOSS) PROFIT AFTER INCOME TAX** | **(298,034)** | 438,834 |

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

&more.

AUSTRALIAN Gift & Homewares ASSOCIATION


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