

Parnell Trust Annual Report 2016



Our vision is for a sustainable, vibrant,
inclusive and connected community



ParnellTrust

Chairperson's Report

The past year has been one of consolidation and development for Parnell Community Trust, with positive results across all areas of activities. We are pleased to report that we have continued to deliver good levels of support and services to the community, at the same time as returning sound financial results.

This has been the first full year for our Chief Executive, Lyn Fox, who has recruited and developed a strong management team around her. The Trustees are appreciative of the performance of Lyn and her team, which has given the Trust another year of excellent results.

A key trend is that income for management of Parnell Community Centre and other operations, from grant funding from Auckland Council, continues to be unpredictable, and is generally diminishing. This trend has placed increasing importance on our social enterprise model, where the Trust has developed a 'virtuous circle' of delivering community services that generate financial surpluses, enabling us to invest in further services.

An excellent example of this social enterprise model in action is our KidsHQ SuperMeals. We were already providing meals for the children in the Early Childhood Centres, and the quality of the food had earned the Trust Gold Healthy Heart Award endorsement from the Heart Foundation. We have a commercial kitchen and a kitchen team led by an experienced professional chef, and the opportunity to play to these strengths arose when parents started asking whether we could sell meals for them to take away when they collected their children. This demand from busy parents gave us the opportunity to develop and trial a range of healthy takeaway meals. We created the KidsHQ brand, and have been selling the meals to parents, at Parnell Community Centre and Parnell Farmers' Market, online via kidshq.co.nz and we have recently started supplying other early childhood centres. An excellent example of 'win-win-win' - providing a service that satisfies a genuine need and demand, returns a surplus, and enables us to expand the service to other community groups.

We have continued to provide a wide range of community services. It is always a pleasant surprise when you walk into the entrance of the Jubilee Building to read the list of events, functions and activities and the broad cross-section of community groups represented on the noticeboard each day. We continue to work to make the Jubilee Building, and the Trust itself, the 'Hub of the Community'. Our reception and general office is now located downstairs in the main lobby, right opposite Parnell Library, and this has become the 'shop window' for the Trust's activities.

The role of Community Development Manager has been established this year, leading to the exploration of multiple opportunities to expand our community engagement, which in turn has led to an increase in applications for grant funding for new initiatives from a variety of philanthropic and charitable institutions. Once again, a 'virtuous circle.'

Some of this year's successes include our collaboration with TSB on 'Art in a Day' in February, the sustainability initiatives at the early Childhood Education Centres, which have led to them becoming 'EnviroSchools,' the Programmes for Children school holiday activities, including connecting with Ngati Whatua with a visit to Orakei Marae in January, and the fact that our School Holiday programmes make us one of the largest providers of holiday programmes in Auckland, plus a host of others.

And all of these activities and initiatives have led to a healthy financial result. The social enterprise 'virtuous circle' at work!

On a more formal note, our relationships with Auckland Council and other community groups are at the heart of our activities, and are an area of focus for our Chief Executive. We are in the process of negotiating with Council on the lease for our continued use of the Jubilee Building, as well as working on our leases for the early childhood centres, both existing and new opportunities.

The Trust's catchment area is the old Hobson Ward, and we take this to mean 'people who have a community of interest with Parnell' i.e. people who live, work and play in our community. We have maintained high levels of contact with people in our community, across a diverse range of activities, including community classes, social activities, the farmers' market, art initiatives, heritage walks, venue hire and hospitality. We maintain good working relationships with other local interest groups and associations, and with Auckland Council and the Waitemata Local Board.

We have a well-rounded board of Trustees, with skills, experience and community links across the full spectrum of community activities. They give their time and contributions on a voluntary basis. In the past twelve months we have appointed Kirsty Cameron, editor and publisher of The Hobson magazine, and local resident Chris Cole, who brings years of early childhood education expertise, as Trustees, and the board is confident that we are well-positioned to continue to connect and engage with all of our stakeholders, and to provide the services that truly make Parnell Community Trust the 'Hub of the Community.'

David Vinsen

Chairperson

Chief Executive's Report

In 2016 Parnell Community Trust continued to focus on growing its financial foundation through the expansion of our social enterprise model. As a social enterprise, we have sought to increase profit-generating activities to fund programmes that strengthen our community and fulfil the Trust's social mandate. The search for a third early childhood centre and growth of KidsHQ SuperMeals are two strategies that aim to ensure the Trust's long-term financial viability.

The following are some highlights from 'Team Parnell.'

Parnell Community Centre, Classes and Venue

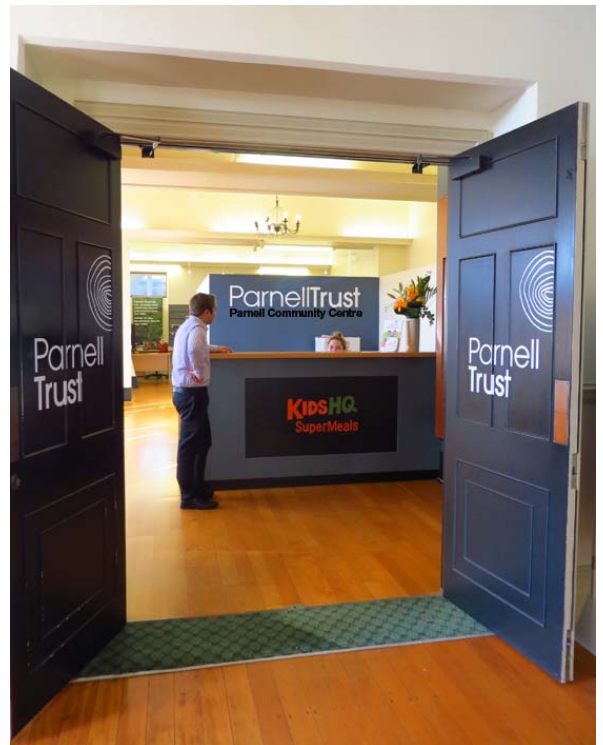
One of the highlights for Parnell Trust in 2016 was the relocation of our head office to a bright, new space opposite Parnell Community Library, on the ground floor of the Jubilee Building. Following this move, which brought our Centre-based staff together in one office,

Parnell Trust is literally at the front and centre of Parnell Community Centre. From our new location we really feel connected with our community and are able to assist people in many ways.

The Trust continued to offer a varied programme of more than 50 classes and social activities throughout the year at the Community Centre.

Popular social activities including Bridge, Mah Jong and Step Out Walking groups and exercise classes including Yoga and Pilates bring weekly enjoyment to many people in our community. Our English as a Second Language (ESOL) classes continue to provide a friendly introduction to New Zealand life for new residents.

Parnell Trust ensures that the Parnell Community Centre is well used throughout the year for community group functions, business meetings, workshops, exhibitions and social gatherings, including weddings.



1,327

enrolments in classes at Parnell Community Centre

5,993

hours Parnell Community Centre used for community activities

Community and Parnell Farmers' Market

The appointment of Community Development Manager, Sarah Thorne, in July 2015, has provided a platform for the Trust to explore new opportunities for partnering and collaboration, while still providing our ongoing social activities and community classes.



Amanda Brett won a Judges' Commendation for her watercolour of Parnell Farmers' Market in TSB Art in a Day 2016.

Participating in the second Art in a Day competition provided an opportunity to change the format to enable the public to see the artists at work. More than 100 people attended the award ceremony, which was held in the Jubilee Building's Titoki Room. Sponsors TSB Bank, represented by former Newmarket branch Manager Dianne Stark, presented awards to the winners and Shale Chambers, Chair of Waitemata Local Board, presented three Judges' Commendations. It was a great night!

One of the first projects undertaken by our new Community Development Manager, was organising a series of seven free Sustainable Urban Living Workshops, held alongside Parnell Farmers' Market. Held at the beginning of the current financial year, the popular workshops were made possible thanks to generous grant funding received from Waitemata Local Board. Topics covered, including Composting, Organic Gardening and Growing Food in a Small Place, build on initiatives developed by the Trust for our Early Childhood Centres' Green Kids programme, which promotes sustainability as a core part of the curriculum.

634

average number of shoppers at Parnell Farmers' Market every Saturday

Another project developed during the year, and run as part of the 2016 Auckland Heritage Festival, was "The Jubilee Building, Then and Now" - an event series highlighting the history of the Jubilee Building from its beginnings as a school, home and workshop for the blind; to its current role as a community hub. The event was a collaboration between with the Trust, the Blind Foundation and Parnell Community Library and featured a talk by blind community luminary Mary Schnackenberg, an exhibition from the Blind Foundation's archives accessible to the vision-impaired, and a themed Scavenger Hunt for children, with clues hidden in braille book marks.

Following from this collaboration with the Blind Foundation, the volunteer guides who lead the Trust's Heritage Walks will be trained to include more vivid details along their walks, for the benefit of the vision-impaired.

Early Childhood Centres

Our early childhood centres have provided excellent outcomes for the children under our care. Parnell and Gladstone Park Early Childhood Centres have both won the Heart Foundation's Gold Healthy Heart Award twice for holistic health-related practices related to exercise, nutrition and sustainability. Parnell Trust's Green Kids Programme places these practices at the core of the curriculum we have developed for under five year-olds.

During the year the centres were invited to join the EnviroSchools programme. The children, and many accompanying parents, had a fantastic opportunity to learn more about sustainability on trips to the Zero Waste Zone, at the Waitakere Refuse and Recycling Transfer Station. The Auckland Council centre's staff showed lots of ways that families could reduce their rubbish and contribute to a sustainable society.

The trip fitted perfectly with our centres' philosophy of sustainability and it was a wonderful chance for everyone to see the benefits of recycling first hand.



Children from Gladstone Park Early Childhood Centre investigate worms from the worm farm on their visit to Auckland Council's Zero Waste Zone.

92

average number of children looked after every day at Parnell Trust's early childcare centres

Gladstone Park Early Childhood Centre had a very thorough review from Education Review Office staff in January. We were given a three-year review that showed continued progress from previous reviews.

Parnell Early Childhood Centre's Kauri Room kids went to the Museum. With the help of parents and grandparents, kids and teachers they visited the 'Weird and Wonderful' exhibition at

Auckland Museum on March 30th. Bugs, insects, spiders and other weird and wonderful creatures were explored with microscope and magnifying glass. Museum staff told stories about the critters and showed the children new ways of seeing small things. It was a cool trip!

With lease uncertainty at Parnell Early Childhood Centre, we have had a difficult year maintaining our previous enrolment levels. Following negotiations with the property's owners, we were advised that our lease will be renewed for two years from 1st January 2017. This has provided the parents with a level of certainty and has resulted in enrolments continuing at around the 68% occupancy level.

Programmes for Children

Our Programmes for Children team had a very successful year with numbers of children attending both School Holiday and After School programmes continuing to grow.

Attendance at Epsom Normal Primary School programmes has grown significantly with up to 67 children attending our After School Programme. During our School Holiday Programmes our team is now looking after up to 95 children per day. You can only imagine the amount of organisation this requires!

109

average number of children in Parnell Trust's After School Programmes every day



Parnell Trust offers a range of up to four different activity options every day of the school holidays. Adventure Seekers have exhilarating adventures out and about in the Auckland area, such as this day's action at Gravity NZ Trampoline Park in Mount Wellington.

94

average number of children looked after every day of the school holidays

Our School Holiday Programme continues to offer lots of exciting school-based activities, including very popular computer skills workshops, and adventures around Auckland for the children to enjoy. We've actively worked to maintain competitive prices and participation numbers. Continued development of our online enrolment process will enable us to offer shorter day options and incentives to parents.

KidsHQ SuperMeals

KidsHQ SuperMeals, our newest social enterprise, continues to evolve. The meals are made in Parnell Early Childhood Centre's kitchen. While originally made for children from one year-old and up, SuperMeals are also popular with adults, particularly seniors. The range includes more than 10 meal options, which are sold frozen in 200g and 300g compostable packs.

2,799

**KidsHQ SuperMeals sold from
Parnell Trust locations
February – June 30, 2016**



To enable sales beyond Parnell Trust locations, nutritional information labels have been added to our packaging. We have begun supplying catering size packs to another Early Childhood Centre and are looking to grow commercial sales. Our mission is to reach as many children as possible, initially within the Auckland area, and provide a nutritious low cost lunch or dinner.

From February sales of KidsHQ SuperMeals were significantly increased when they were made available to purchase from our office at Parnell Community Centre and at Parnell Farmers' Market.

KidsHQ's website (www.kidshq.co.nz) was launched in June and we will soon add a home delivery option to this channel to boost sales.



Outlook

As I think about what's ahead, I'm incredibly optimistic about what Parnell Trust will deliver to our community in 2016/17. We have strengthened our team, and have developed new and existing services to ensure sustainable growth. We continue to have options in terms of organic growth and via acquisition to enable Parnell Trust to meet its mission.

Finally thank you to the Board and staff for their continued support.

Lyn Fox

CHIEF EXECUTIVE

Treasurer's Report

This report accompanies the Financial Statements of the Parnell Community Trust for the year ended 30 June 2016.

The Trust has reported a net loss of \$7,366 for the year to 30 June 2016 compared with last year's profit of \$154,787.

Total income for the year, including grant funding of \$1,281,637, is \$3,520,469 compared with \$3,671,817 last year.

Four years ago the Trust undertook a comprehensive review of all aspects of its business activities which resulted in a leaner, more focussed organisation. This enabled the Trust to show improved performance and progressively strengthen its financial position.

The small loss shown this year arises from increased depreciation to amortise assets over the remaining lease period where this had been shortened at one childcare centre.

Thus, a small accounting loss was recorded, although, the reality is the Trust trades with good profitability throughout the year.

The Board and management of the Trust continue to maintain a consistent focus on improving its financial position which has shown steady improvement over several years.

The Financial Statements have been audited and an unqualified Audit Report dated 3 October, 2016 has been issued.

Bill Sinclair

TREASURER

Parnell Community Trust

Financial Statements

for the year ended 30 June 2016

Contents	Page number
Directory	10
Auditor's Report	11
Statement of Comprehensive Revenue & Expenses	12
Statement of Movements of Equity	13
Statement of Financial Position	14
Cash Flow Statement	15
Statement of Accounting Policies	16

The Board of Trustees presents the financial statements of Parnell Community Trust for the year ended 30 June 2016.

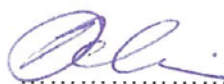
The financial statements that follow are signed for and on behalf of the Board of Trustees and were authorised for issue on the date below.

Chair



.....

Treasurer



.....

Date: 30.9.16

Parnell Community Trust

Directory

Date of Registration	2 September 1982
Registered Office	545 Parnell Road Parnell Auckland
Trustees	David Vinsen (Chairperson) Kate Wiseman (Deputy Chairperson) Bill Sinclair (Treasurer) Wayne Adsett Kirsty Cameron (joined 2015) Chris Cole (joined 2015) Christiane Pracht Paul Smith David Cosgrove (left during 2015)
Auditor	RSM Hayes Audit Level 1, 1 Broadway Newmarket Auckland
Bank	BNZ 80 Queen Street Auckland

Independent Auditor's Report

To the Trustees of Parnell Community Trust

RSM Hayes Audit

PO Box 9588
Newmarket, Auckland 1149
Level 1, 1 Broadway
Newmarket, Auckland 1023

T +64 (9) 367 1656
www.rsmnz.co.nz

We have audited the financial statements of Parnell Community Trust on pages 12 to 24 which comprise the statement of financial position as at 30 June 2016, and the statement of comprehensive revenue and expenses, statement of movements in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Trustees, as a body, in accordance with Rule 14 in the Trust Deed. Our audit has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trustees as a body, for our work, for this report, or for the opinions we have formed.

Trustees' Responsibility for the Financial Statements

The trustees are responsible for the preparation and fair presentation of these financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand).

Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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, as well as evaluating the overall presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, Parnell Community Trust.

Opinion

In our opinion, the financial statements on pages 12 to 24 present fairly, in all material respects, the financial position of Parnell Community Trust as at 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

A stylized signature of the letters 'RSM' in blue ink.

3 October 2016

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Hayes Audit is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practises in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

Parnell Community Trust

Statement of Comprehensive Revenue & Expenses

for the year ended 30 June 2016

	Notes	2016 \$
Revenue from non-exchange transactions		
Grants	15	1,279,040
Sponsorships and Donations		2,597
		1,281,637
Revenue from exchange transactions		
Fees and Subscriptions		2,217,086
Interest Income		7,027
Other Operating Revenue		14,719
		2,238,832
Total Revenue		3,520,469
Expenses		
Employee Related Costs		2,342,856
Marketing Expenses		35,339
Depreciation and Amortisation	12	129,020
Rent and OPEX	14	385,744
Operational Expenses		634,876
Total Expenses		3,527,835
Total surplus/(deficit) for the year		(7,366)

These financial statements should be read in conjunction with the Notes to the Accounts

Parnell Community Trust

Statement of Movements of Equity

for the year ended 30 June 2016

	Notes	2016 \$
Equity at Beginning of Year	22	136,062
Comprehensive Revenue and Expense		(7,366)
Equity at the End of the Year		128,696

These financial statements should be read in conjunction with the Notes to the Accounts

Parnell Community Trust

Statement of Financial Position

for the year ended 30 June 2016

	Notes	2016 \$
Equity		128,696
Current Assets		
Cash on Hand		135,736
Receivables from non-exchange transactions		142,130
Receivables from exchange transactions		78,568
Prepayments		9,866
Total Current Assets		366,300
Current Liabilities		
Bank Overdraft		-
Trade Payables and Accruals		189,605
Employee Benefits		107,808
Fees in Advance		39,949
Grants Received in Advance		3,827
Total Current Liabilities		341,189
Net Current Assets (Liabilities)		25,111
Non-Current Assets		
Fixed Assets Cost	12	1,034,889
less Depreciation		(965,163)
Goodwill	8	-
Intangible Assets – Software		111,051
less Accumulated Amortisation		(77,190)
Total Non-Current Assets		103,585
Net Total Assets (Liabilities)		128,696

These financial statements should be read in conjunction with the Notes to the Accounts

Parnell Community Trust

Cash Flow Statement

for the year ended 30 June 2016

	Notes	2016 \$
Cash flows from operating activities		
Receipts		
Receipts from Government Grants		1,269,090
Receipts from other Grants		9,950
Receipts from sponsorships & donations		2,597
Receipts from fees		2,227,366
Receipts from other income		14,719
Interest received		7,027
		3,530,749
Payments		
Payments to employees		2,337,659
Payments to suppliers		1,085,101
		3,422,760
Net cash generated by operating activities		107,988
Cash flows from investing activities		
Receipts		
Sale of property, plant and equipment		-
		-
Payments		
Payments for property, plant and equipment		37,551
Proceeds from disposal of property, plant and equipment		-
Payments for intangible assets		-
		37,551
Net cash (used in)/ provided by investing activities		(37,551)
Cash flows from financing activities		
Proceeds from bank debt		-
Repayment of bank debt		-
Net cash used in financing activities		-
Net increase in cash and cash equivalents		70,437
Cash and cash equivalents at the beginning of the year		65,299
Cash and cash equivalents at the end of the year		135,736

These financial statements should be read in conjunction with the Notes to the Accounts

Parnell Community Trust

Statement of Accounting Policies

for the year ended 30 June 2016

1. REPORTING ENTITY

The reporting entity is Parnell Community Trust. Parnell Community Trust is domiciled in New Zealand and is a Charitable Organisation registered under the Charitable Trust Act 1957. DIA Charities Services registration number CC25685.

The financial statements of the Trust are presented for the year ended June 2016.

These financial statements and the accompanying notes summarise the financial results of activities carried out by the Parnell Trust. The Parnell Trust is a provider of community and childcare services.

These financial statements have been approved and were authorised for issue by the Board of Trustees on 30 September, 2016.

2. STATEMENT OF COMPLIANCE

The Trust financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable financial reporting standards as appropriate that have been authorized for use by the External Reporting Board for Not-For-Profit entities. The Trust is a public benefit not-for-profit entity and is eligible to apply Tier 2 Not-For-Profit PBE IPSAS on the basis that it does not have public accountability and it is not defined as large.

The Board has elected to report in accordance with Tier 2 Not-For-Profit PBE Accounting Standards and in doing so has taken advantage of all applicable Reduced Disclosure Regime ("RDR") disclosure concessions.

3. EFFECT OF FIRST TIME ADOPTION OF PBE STANDARDS ON ACCOUNTING POLICIES AND DISCLOSURES

This is the first set of financial statements of the Trust that is presented in accordance with PBE standards. The Trust has previously reported in accordance with old GAAP as defined by Financial Reporting Standards and applicable statements of Standard Accounting Practice. Parnell Community Trust has taken advantage of the exemption for the first time application of PBE standards not to provide comparative values. The accounting policies adopted in these financial statements are consistent with those of the previous year, except for instances when the accounting or reporting requirements of a PBE standard are different to requirements under NZ IFRS (PBE) as outlined below. The financial statements presented in the old format using old NZ GAAP can be found on Parnell Community Trust's website (www.parnell.org.nz) and the DIA Charities Register. The changes to accounting policies and disclosures caused by first time application of PBE accounting standards are as follows:

PBE IPSAS 1 – Presentation of financial statements

There are minor differences between PBE IPSAS 1 and the old NZ GAAP standard. These differences have an effect on disclosure only. The main changes in disclosure resulting from the application of PBE IPSAS 1 are the following:

Receivables from exchange and non-exchange transactions:

In the financial statements of the previous year, receivables were presented as a single total in the statement of financial position. However, PBE IPSAS 1 requires receivables from non-exchange transactions and receivables from exchange transactions to be presented separately in the statement of financial position. This requirement affected both current and comparative receivables figures.

PBE IPSAS 23 – Revenue from Non-Exchange Transaction

PBE IPSAS 23 prescribes the financial reporting requirements for revenue arising from non-exchange transactions. There is no equivalent financial reporting standard under NZ IFRS. The application of this standard affected the Trust's accounting for funding and grants revenue.

Non-exchange revenue from grants can only be deferred and recognised as a liability if there is a condition attached to the grant that require an entity to use the grant as specified or return of the grant if the entity does not perform as specified. Refer Note 22 for restatements made.

PBE IPSAS 2 prescribes the financial reporting requirements for preparation of statement of cash flows. This is the first year that the Trust has prepared a cash flow statement.

4. SUMMARY OF ACCOUNTING POLICIES

The specific accounting policies adopted in the Financial Statements and which have a significant effect on the results and financial position disclosed are:

4.1 Basis of Measurement

These consolidated financial statements have been prepared on the basis of historical cost, as modified by the fair value measurement of non-derivative financial instruments.

4.2 Financial Instruments

Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the financial instruments.

The Trust recognises a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when the rights to receive cash flows from the asset have expired or are waived, or the Trust has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and either:

The Trust has transferred substantially all the risks and rewards of the asset; or

The Trust has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial Assets

Financial assets within the scope of PBE IPAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The classifications of the financial assets are determined at initial recognition.

The categorisation determines subsequent measurement and whether any resulting income and expense is recognised in surplus or deficit or in other comprehensive revenue and expenses. The Trust's financial assets are classified as either financial assets at fair value through surplus or deficit, or loans or receivables. The Trust's financial assets include: cash and cash equivalents, receivables from non-exchange transactions and receivables from exchange transactions.

Fair value is determined by obtaining the quoted market price in an active market. All financial assets except for those at fair value through surplus or deficit are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired.

Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for impairment. The Trust's cash and cash equivalents, receivables from non-exchange transactions and exchange transactions fall into this category of financial instruments.

Impairment of financial assets

The Trust assesses at the end of reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial of financial assets that can be reliably estimated.

For financial assets carried at amortised cost, if there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the surplus or deficit for the reporting period.

In determining whether there is any objective evidence of impairment, the Trust first assesses whether there is objective evidence of impairment of financial assets that are individually significant, and individually or collectively significant for financial assets that are not individually significant. If the trust determines that there is no objective evidence of impairment for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. If the reversal results in the carrying amount exceeding its amortised cost, the amount of the reversal is recognised in surplus or deficit.

Financial Liabilities

The Trust's financial liabilities include trade and other creditors (excluding GST and PAYE), employee entitlements and deferred income (in respect to grants whose conditions are yet to be complied with).

All financial liabilities are initially recognised at fair value (plus transaction cost for financial liabilities not at fair value through surplus or deficit) and are measured subsequently at amortised cost using the effective interest method except for financial liabilities at fair value through surplus or deficit.

4.3 Functional and presentational currency

The financial statements are presented in New Zealand dollars (\$), which is the Trust's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

4.4 Income Tax and Goods and Services Tax

These Financial Statements have been prepared exclusive of Goods and Services Tax except for Debtors and Creditors that are inclusive of GST. Parnell Community Trust is a registered charity and is therefore exempt from income tax.

4.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Trust and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must be met before revenue is recognised.

Revenue from non-exchange transactions

Grant Revenue

Grant Revenue includes grants given by other charitable organisations, philanthropic organisations and businesses. Grant revenue is recognised when the conditions attached to the grant have been complied with. Where there are unfulfilled conditions attached to the grant, the amount relating to the unfulfilled condition is recognised as a liability and released to revenue as the conditions are fulfilled.

Donations

Donations are recognised as revenue upon receipt and include donations from the general public, donations received for specific programmes or services or donations in-kind.

Donations in-kind include donations received for services, consumables and volunteer time and is recognised in revenue and expense when the goods or services are received.

Donations in-kind are measured at their fair value as at date of acquisition, ascertained by reference to the expected cost that would be otherwise incurred by the Trust.

Services in-kind may be recognised as revenue but do not have to be, including volunteer time which has been recorded where possible but has not been given a financial value in these financial statements.

Revenue from exchange transactions

Subscriptions and Fees

Fees and subscriptions received in exchange for monthly access to the Trust's facilities are initially recorded as income in advance and recognised in revenue evenly over the membership period.

Interest and dividend income

Interest revenue is recognised as it accrues, using the effective interest method.

Dividend income is recognised when the dividend is declared.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6. INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits or service potential embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in surplus or deficit as the expense category that is consistent with the function of the intangible assets.

The Trust does not hold any intangible assets that have an indefinite life.

The amortisation periods for the Trust's assets are as follows:

- Software 33%

7. PROPERTY, PLANT AND EQUIPMENT

Fixed Assets are valued at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Depreciation has been charged in the accounts on a straight line basis over the estimated life of the assets, as summarised below.

Office Equipment	3 years
Office Furniture	5 years
Leasehold Improvements	13 years
Childcare Equipment	3 years
Technology	3 years

The carrying value of fixed assets is reviewed annually for any impairment in value. Impairment losses are recognised in the Statement of Comprehensive Revenue and Expenses.

8. GOODWILL

Goodwill represents the excess of the purchase consideration over the fair value of net tangible assets acquired, at the time of acquisition. This relates to childcare centres. Goodwill was fully impaired in the 2015 financial year.

9. OPERATING LEASE

Operating lease payments are recognised as an expense in the periods the amounts are payable.

10. EMPLOYEE BENEFITS

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave and accumulating sick leave are recognised in surplus or deficit during the period in which the employee provided the related services. Liabilities for the associated benefits are measured at the amounts expected to be paid when the liabilities are settled.

11. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Trust's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Trust's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

- *Estimates and assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Trust based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Trust. Such changes are reflected in the assumptions when they occur.

- *Useful lives and residual values*

The useful lives and residual values of assets are assessed using the following indicators to determine potential future use and value from disposal:

- The condition of the asset
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

The estimated useful lives of the asset classes held by the Trust are listed in note 6 and 7.

12. FIXED ASSETS

At 30 June 2016	Current Year Depreciation	Impairment/ Losses	Cost	Accumulated Depreciation	Book Value
	\$	\$	\$	\$	\$
Equipment	9,577	Nil	108,081	(92,695)	15,387
Furniture and Fittings	4,404	Nil	177,991	(166,733)	11,257
Leasehold	95,966	Nil	524,218	(486,928)	37,290
Technology	15,163	Nil	224,599	(200,221)	24,378
	125,110	-	1,034,889	(946,577)	88,311

Reconciliation of the carrying amount at the beginning and end of the period

At 30 June 2016	Opening Balance	Additions	Disposals	Depreciation	Book Value
	\$	\$	\$	\$	\$
Equipment	17,843	7,121		(9,578)	15,386
Furniture and Fittings	9,151	6,510		(4,404)	11,257
Leasehold	124,576	8,679		(95,966)	37,289
Technology	33,982	5,567		(15,170)	24,379
	185,552	27,877	-	(125,118)	88,311

13. INTANGIBLES - SOFTWARE

At 30 June 2016	Current Year Depreciation	Impairment/ Losses	Cost	Accumulated Depreciation	Book Value
	\$	\$	\$	\$	\$
Software	3,907	Nil	111,051	(95,825)	15,226

Reconciliation of the carrying amount at the beginning and end of the period

At 30 June 2016	Opening Balance	Additions	Disposals	Depreciation	Book Value
	\$	\$	\$	\$	\$
Software	9,452	9,675		(3,901)	15,226
	9,452	9,675	-	(3,901)	15,226

14. OPERATING LEASE COMMITMENTS

	2016
	\$
Current Portion	202,080
Next 1-5 years	257,796
Over 5 years	Nil
	<u>459,876</u>

Operating leases are over Early Childhood Centre at Glanville Terrace, Parnell, and printers and photocopiers with Ricoh Finance. The lease over the Gladstone park site is currently running on a month to month arrangement until a longer term lease is able to be entered into.

15. GRANTS

Included in operating income in the statement of financial performance are the following grants:

Grant Revenue From Non-Exchange Transactions		2016
		\$
Ministry of Education Grants		1,111,133
Ministry of Social Development (OSCAR)		76,451
Ministry of Social Development	Resource Capability	7,000
Auckland Council Grants	Art in a Day	7,500
Auckland Council Grants	Operating Grant - Jubilee	54,700
Department of Internal Affairs (Lottery Grant)	Community Classes & Activities	18,750
Other Grants		3,506
		<u>1,279,040</u>

16. CAPITAL COMMITMENTS

At balance date the Trust has no capital commitments (2015: \$0).

17. CONTINGENT LIABILITIES

At balance date the Trust has no contingent liabilities (2015: \$0).

18. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

The key management personnel, as defined by PBE IPSAS 20 Related Party Disclosures, are the members of the governing body which is comprised of the Board of Trustees, Chief Executive Officer, CFO, Marketing Manager, Venue Manager and Programmes for Children Manager, which comprises the governing body of the Group. No remuneration is paid to the members of the Board of Trustees. The aggregate remuneration of key personnel and the number of individuals, determined on a full-time basis, receiving remuneration is as follows:

	2016
Total Remuneration - Full Time Equivalent	\$419,754
Number of persons - Full Time Equivalent	5

Parnell Early Childhood Limited is a non-trading entity that is a related party of Parnell Community Trust. There were no transactions with PEC Ltd during the year.

19. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial instruments presented in the statement of financial position relate to the following categories of assets and liabilities:

	2016
	\$
Financial Assets	
<i>Financial Assets at Fair Value through Surplus or Deficit</i>	
Cash and cash equivalents	135,736
Receivables from exchange Transactions	142,130
Receivables from non-exchange transactions	78,568
	<u>356,434</u>
Financial Liabilities	
<i>At amortised cost</i>	
Trade and other creditors	136,950
Accrued Expenditure	52,655
Employee Entitlements	107,808
Deferred Income (Operational)	43,776
	<u>341,189</u>

20. EVENTS AFTER THE REPORTING DATE

Subsequent to year end Parnell Community Trust entered into an agreement to purchase an additional early childhood education centre for \$300,000. As of the time of signing of these financial statements due diligence was in process and the agreement is conditional based on satisfactory completion of that process.

21. GOING CONCERN

At balance date, Parnell Community Trust has positive working capital of \$25,111, 2015: (\$66,517). The trustees have continued to adopt the going concern assumption when preparing these financial statements based on their opinion of the on-going support of key stakeholders, and the positive trading conditions that have allowed surplus before depreciation to be achieved in the last 3 financial years. The Trust has traded profitably post year end to the date of signing these financial statements, further improving the financial position.

The childcare centres run by the Trust have leases that expire within the next 12 months. The Board has sought extensions to these leases and, while not signed at balance date, the Board has every expectation that they will be able to negotiate terms that will allow these childcare centres to continue to operate for at least the next 12 months.

Should ongoing support not be received from key stakeholders and the profitability of certain business units not be maintained, this may cast doubt on the ability of the trust to be able to operate as a going concern. The Trustees however remain confident, based on their financial forecasts, of the continued financial success of the Trust.

22. EXPLANATION OF THE TRANSITION TO PBE IPSAS

The Trust's financial statements for the year ended 30 June 2016 are the first annual financial statements prepared in accordance with PBE IPSAS. The Trust has applied PBEFRS 47 "First time adoption of PBE standards by entities other than those previously applying NZ IFRSs" in preparing these financial statements.

The Trust's transition date is 1 July 2015 and it has prepared its opening PBE IPSAS Statement of Financial Position as at that date.

Reconciliation of Net Assets		30 June 2015 \$
Balance as at 30 June under previous Old NZ GAAP:		
Net Assets		128,497
Recognition of Grants received in Advance	Note 1	7,565
		<hr/>
		<u>136,062</u>

Notes:

1. Deferred Income released to revenue - Under Old NZ GAAP, income received from grants were recorded as a deferred income liability. Under PBE IPSAS, this income does not meet the definition of a liability and has been released to Revenue.

(This page has intentionally been left blank)