

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

A.B.N. 89 401 152 271

FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2003



POLICE & COMMUNITY YOUTH CLUBS NSW LTD AND ITS CLUBS

A.B.N. 89 401 152 271

DIRECTORS' REPORT

The Directors present their report on the company, comprising State Office, the 57 Clubs, and the Advancement Fund for the year ended 31 December 2003.

DIRECTORS

The names of the Directors in office at any time during or since the end of the year are:

Allan L Backhouse	Nicholas W Moore
Mark A Coyne	Warren Mundine
Ian K Ellis	Andrew Scipione
Melinda Gainsford-Taylor – resigned 26 February 2004	Glenn L Stewart
Graham S Habgood	Errol Whiteley
Frank Hansen	

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Information on Directors qualifications and experience is contained in the notes to the Accounts.

PRINCIPAL ACTIVITIES

The Company has implemented a range of programs and activities designed to ensure the objectives, as outlined in its Constitution, are being attained.

Community based policing programs and crime prevention initiatives to impact on young people are being implemented

No significant change in the nature of these activities occurred during the year.

RESULTS

The net loss of the Company for the year ended 31 December 2003 after income tax was \$3,350,453.

DIVIDENDS

No dividends were paid during the year and no recommendation is made as to dividends in accordance with the restrictions referred to in paragraph 4 of the Company's Constitution.

REVIEW OF OPERATIONS

Key operational outcomes in 2003 focused on continuing high levels of participation in and use of Clubs by young people and the community, continuing success in reducing and preventing juvenile crime, increasing levels of participation by young people in decision making in the organization, reducing State Office costs, successfully implementing a trial of civilian managers in 18 Clubs, and progressing a major capital upgrade program across the network of facilities.

PCYC had over 33,000 individuals registered as Club members in 2003 and recorded over 1.25 million visits to Clubs. Approximately 200,000 people were involved in community policing programs. Over 500 young people were referred to Clubs by NSW Police Local Area Commands and became involved in individual case management within PCYC's Targeted Programming approach. It was pleasing to see that PCYC's Targeted Programming receiving recognition, taking out a Certificate of Merit award at the 2003 National Crime Prevention Award.

The Youth in Sport program aims to give young people at risk of coming into contact with the criminal justice system a chance, through sport and recreation opportunities, to develop the self-esteem and skills

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DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS - Continued

necessary for active citizenship into the future. The Youth in Sport program is an initiative of the NSW Department of Tourism, Sport and Recreation and is delivered by PCYC throughout NSW. In 2003/2004 the NSW Department of Tourism, Sport and Recreation allocated \$296,173 in funding to the Youth in Sport program.

During the year, PCYC NSW made a start in developing a systematic approach to involving young people in the decision making processes by establishing the PCYC State Youth Forum and inviting 38 young people, representing PCYC membership from across NSW, as inaugural PCYC State Youth Delegates. Youth Delegates participated in a Youth Development Camp at Broken Bay Sport and Recreation Centre in September 2003, and joined PCYC Club Presidents, staff, Police Officers and State Executive to make important decisions concerning the future of the PCYC at a State Consultation in November 2003.

Restructuring of staffing at State Office in 2002 was supplemented by tight cost controls to significantly reduce State Office costs in 2003. PCYC also undertook a comprehensive risk assessment of its work and activities resulting in key policy initiatives relating to Risk Assessment and Management, Occupational Health & Safety, Child Protection and Club Governance. These policy initiatives and compliance audits are expected to significantly lower risk to young people participating in PCYC activities and to produce insurance premium savings in 2004.

A trial of 18 civilian Club Managers funded by the NSW Government in PCYC has successfully implemented throughout 2003 and a positive evaluation completed in December 2004. This important initiative by the NSW Government is designed to better resource direct work with young people by Police Officers in PCYC's.

In October 2003, The Hon. Dr Andrew Refshauge MP, Deputy Premier, and local Member for Marrickville opened the Debbie and Abbey Borgia Community and Recreation Centre and new PCYC Marrickville. The new facility is a \$5 million state-of-the art indoor sports and recreation facility funded by Marrickville City Council and managed by PCYC. It was designed as a modern, environmentally sustainable structure, sensitive to the heritage of the site, nearby buildings, the nearby river and local climate, and the surrounding parkland. Just before Christmas, the new PCYC Liverpool was completed, a project resulting from the vision and commitment of the Liverpool City Council. Following a traditional welcome and dance performance by students from Tamworth High's Ynarrwadjiin (Black Girl White Girl), the NSW Minister for Police, the Hon Mr John Watkins MP, opened the new PCYC Tamworth "Youth Centre". A project of Tamworth City Council and PCYC Tamworth, and part-funded by the Commonwealth Department of Transport & Regional Solutions, the centre is a state of the art youth space, comprising a dance and stage area, pool tables, and relaxation space.

Complimenting the opening of new facilities was a further allocation of capital from the sale of PCYC property to upgrade and expansion of Club facilities over the next two to three years, bringing PCYC's capital program to approximately \$20 million. PCYC's capital program includes a grant of \$5 million from the NSW Government in 2002.

No significant change in the state of affairs of the company occurred during the financial year.

AFTER BALANCE DATE EVENTS

No matter or circumstance has arisen since the end of the financial year to the date of this Report that has significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

FUTURE DEVELOPMENTS

PCYC is continuing to develop partnerships with local Government and other Government and Corporate bodies to provide services and benefits to young people.

ENVIRONMENTAL REGULATION

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of the State of New South Wales.

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS BENEFITS

No Director has received or become entitled to receive, since the end of the previous financial year, a benefit by reason of a contract made by the Company or a controlled entity with the Director, a firm of which they are a member, or a company in which a Director has a substantial financial interest.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts.

DIRECTORS INTERESTS

Apart from the transactions disclosed in note 21 to these accounts no director has declared any interest under Section 231(1) of the Corporations Act 2001 in a contract or proposed contract with the Company.

MEETINGS OF DIRECTORS

During the financial year, 12 meetings of directors (including committees) were held. Attendances were as follows:

	Directors' Meetings		Audit Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
A L Backhouse	9	9		
M Coyne	9	8		
I K Ellis	9	8		
M Gainsford – Taylor	9	3		
G S Habgood	9	7	1	1
F Hansen	9	5		
N Moore	9	9	1	1
W Mundine	9	2		
A Scipione	9	3		
G Stewart	9	8		
E Whiteley	9	7		

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

The company was not a party to any such proceedings during the year.

DIRECTORS AND OFFICERS INDEMNIFICATION

During the financial year the Company has paid premiums in respect of directors and officers insurance, details of the nature of the cover and premium paid are prohibited from disclosure in accordance with the terms and conditions of the policy.

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

NICHOLAS MOORE
Chairman

Sydney, 29 April 2004

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF

**POLICE & COMMUNITY YOUTH CLUBS NSW LTD
AND ITS CLUBS**

Scope

We have audited the financial report of Police & Community Youth Clubs NSW Ltd as set out on pages 6 to 22 for the year ended 31 December 2003.

The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Qualification

As is common for organisations of this type, it is not practicable for the company to maintain an effective system of internal control over donations, memberships, fees and other fundraising activities until their initial entry in the accounting records. Accordingly our audit in relation to income was limited to amounts recorded.

Audit Opinion

In our opinion, except for the effects on the financial report of the matter referred to in the qualification paragraph, the financial report of Police & Community Youth Clubs NSW Ltd is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 2003 and their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) the provisions of the Charitable Fundraising Act 1991; and
- (c) other mandatory professional reporting requirements in Australia.

29 April 2004

**SPOONER TINWORTH & CO
CHARTERED ACCOUNTANT**

Level 5, 66 Berry Street
North Sydney NSW 2060

MARK TINWORTH

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

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DIRECTORS' DECLARATION



The directors declare that

1. the financial statements and notes set out on pages 7 to 22 are in accordance with the Corporations Act 2001; and
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 31 December 2003 and performance for the year ended on that date of the company;
- 2 in the director's opinion there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors:

NICHOLAS MOORE
Chairman

Sydney, 29 April 2004

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STATEMENT BY THE BOARD IN RESPECT OF FUNDRAISING APPEALS

We the Board of Directors of Police & Community Youth Clubs NSW Ltd declare that to the best of our knowledge and having regard to internal controls and audit procedures undertaken at the clubs, we are satisfied that: -

- (a) the accounts give a true and fair view of income and expenditure of Police & Community Youth Clubs NSW Ltd. with respect to the fundraising appeals; and
- (b) the statement of financial position gives a true and fair view of the state of affairs of the Company.
- (c) the provisions of the Charitable Fundraising Act 1991 and the regulations under that Act and the conditions attached to the authority have been complied with.
- (d) the internal controls exercised by Police & Community Youth Clubs NSW Ltd are appropriate and effective in accounting for income received.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

NICHOLAS MOORE
Chairman

Sydney, 29 April 2004

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STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003	2002
		\$	\$
Revenue from ordinary activities	2	22,761,363	22,229,887
Fundraising expenditure		(3,176,746)	(3,689,593)
Cost of goods sold		(541,462)	(467,277)
Activity expenses		(2,180,530)	(2,034,255)
Occupancy costs	3	(7,314,478)	(4,090,959)
Employment costs	3	(4,558,562)	(3,887,725)
Transport and communication expenses		(1,682,273)	(1,409,156)
Administration expenses	3	(2,623,914)	(1,992,409)
Borrowing costs – other persons		(59,097)	(22,720)
Carrying value of assets sold		(3,974,755)	(680,178)
Profit (Loss) from ordinary activities before income tax expense		(3,350,453)	3,955,615
Income tax expense - exempt	1	-	-
Profit (Loss) from ordinary activities after income tax expense		(3,350,453)	3,955,615
Increase (decrease) in asset revaluation reserve	12	-	10,818,838
Total changes in equity		(3,350,453)	14,774,453

The accompanying notes form part of these financial statements.

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2003

	Note	2003	2002
		\$	\$
Current Assets			
Cash assets	4	22,663,080	20,491,906
Receivables	5	141,037	475,006
Inventories	6	76,605	76,391
Other	7	947,824	398,221
Total Current Assets		23,828,546	21,441,524
Non-Current Assets			
Property, plant and equipment	8	56,347,088	60,829,472
Total Non-Current Assets		56,347,088	60,829,472
Total Assets		80,175,634	82,270,996
Current Liabilities			
Payables	9	2,020,646	1,528,977
Interest bearing liabilities	10	1,523,533	842,147
Provisions	11	325,689	215,429
Total Current Liabilities		3,869,868	2,586,553
Non-Current Liabilities			
Interest bearing liabilities	10	8,000	9,500
Provisions	11	137,697	164,420
Total Non-Current Liabilities		145,697	173,920
Total Liabilities		4,015,565	2,760,473
Net Assets		76,160,069	79,510,523
Equity			
Reserves	12	54,494,205	57,435,863
Accumulated Funds	13	21,665,864	22,074,660
Total Equity		76,160,069	79,510,523

The accompanying notes form part of these financial statements.

**POLICE & COMMUNITY YOUTH CLUBS NSW LTD
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003	2002
		\$	\$
Cash flows from operating activities			
Receipts from customers – inclusive of GST		14,532,894	20,418,690
Payments to suppliers and employees - inclusive of GST		(18,390,520)	(14,006,488)
Interest received		852,317	758,488
Borrowing costs		(59,097)	(22,527)
Net cash inflow(outflow)from operating activities	16	(3,064,406)	7,148,163
Cash flows from investing activities			
Purchases of property, plant and equipment		(3,883,132)	(1,883,549)
Proceeds from sale of property, plant and equipment		8,438,826	821,871
Net Cash (outflow) inflow from investing activities		4,555,694	(1,061,678)
Cash Flows from Financing Activities			
Repayment of borrowings		(6,000)	(40,925)
Net (outflow) inflow from financing activities		(6,000)	(40,925)
Net increase in cash held		1,485,288	6,045,560
Cash at the beginning of the year		19,655,759	13,610,199
Cash at the end of the year	17	21,141,047	19,655,759

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

	2003	2002
	\$	\$

1. Statement of Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the NSW Charitable Fundraising Act and Regulations.

The financial report covers the economic entity Police & Community Youth Clubs NSW Ltd, including the Company's Clubs and Advancement Fund. Police & Community Youth Clubs NSW Ltd is a Public Company limited by guarantee, incorporated and domiciled in Australia.

The Financial Report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Taxes

Income tax: The Company is endorsed as an income tax exempt charitable entity and accordingly is an exempt body for Income Tax, accordingly no provision for these taxes is required.

Fringe benefits tax: the company, as a public benevolent institution, was exempt from fringe benefits tax under section 57A, Fringe Benefits Tax Assessment Act 1986. From 1 April 2001 this exemption ceased for certain fringe benefits paid to employees in excess of \$30,000 grossed up value for each employee.

Capital gains tax: the company, as a public benevolent institution, is exempt from capital gains tax under section 50-5, Income Tax Assessment Act 1997.

Payroll Tax: the company, as a public benevolent institution, is exempt from payroll tax under section 10(1) (a2), Payroll Tax Act 1971.

Land Tax: the company, as a charitable institution, is exempt from land tax under section 10(d), Land Tax Act.

Stamp duties and charges: the company, as a public benevolent institution and holder of an Authority to Fundraise under the Charitable Fundraising Act 1991 has a general exemption from paying stamp duty and charges under section 275 of the NSW Duties Act 1997.

Goods and Services Tax: the company, as a public benevolent institution is registered for the goods and services tax (GST). Applicable from 1 July 2000. The tax paid is paid on revenues from commercial activities and sponsorship. Most input taxes charged are credited except for expenses related to non creditable transaction. Revenues, expenses and assets are recognised net of the amount of GST except:

1. where the amount of GST incurred is not recoverable from the ATO, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
2. for receivables or payables which are recognised inclusive of GST where applicable.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

	2003	2002
	\$	\$

Fundraising Activities

Charitable Fundraising Act 1991: this Act and supporting Charitable Fundraising Regulation prescribe the manner in which fundraising appeals are conducted, controlled and reported in NSW. The amounts shown in Note 15 are in accordance with Authority Condition 7, which is issued to the Company under section 19 of the Act.

Donations and bequests: are returned as income as and only when received by the company or deposited to the company's bank account. As specified in the Act, unsolicited donations, members' donations and bequests are not treated as fundraising income when determining information required under the Act.

Costs of fundraising: costs used in Note 15 include all direct fundraising costs in accordance with the Act. The inclusion of indirect costs is discretionary. Indirect costs excluded, include overheads such as the time spent by accounting or office staff administering appeals, cost apportionment of rent, light and power, and insurance. Exclusion of the indirect costs decreases the cost of fundraising and increases the margins from fundraising shown in Note 15.

Donated Services

Various services are generously donated to the company. No assessment of the value of those services is included in the accounts

Inventories

Inventories are valued at the lower of cost or net realisable value. Costs have been assigned to inventories on hand at balance date using the average cost method.

Recoverable amount of non-current assets

The recoverable amount test does not apply to the non-current assets of the company measured at fair value as the future economic benefits are not primarily dependent on the assets ability to generate net cash inflows. The carrying amount of non-current assets measured at cost reflects their remaining future economic benefit as at balance date.

The decline in future economic benefit is recognised in the statement of financial performance annually as a depreciation expense. The depreciation rates are reviewed with sufficient regularity to ensure they reflect the decline in future economic benefits.

Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Freehold land and buildings, buildings on leasehold land and buildings held in trust are measured at their fair value. Because of the special nature and limited alternative uses of club buildings the market buying price has been used in determining fair value. With a few exceptions the market buying price would exceed the market selling price. Buildings on leasehold land and buildings held in trust have no market selling price.

Valuations are made with sufficient regularity to ensure the carrying amount of property does not differ materially from its fair value at balance date. Annual internal assessments are made, supplemented by independent assessments every three years.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

	2003	2002
	\$	\$

Statement of Accounting Policies - Continued

The above policy was adopted with effect from 1 January 2001 to comply with AASB 1041 Revaluation of Non-Current Assets. The previous policy was to measure buildings at their cost of replacement with an asset of similar potential or function, less an allowance for the effect of depreciation and economic and functional obsolescence. The policy change had the effect in the prior financial year of increasing the total carrying amount of buildings on freehold land 2002 \$Nil (2001 \$747,500) and upon buildings held in trust 2002 \$Nil (2001 \$611,500).

Buildings on Leasehold Land

These assets comprise buildings erected on land where there is no legal right to ownership of the land, however there is an operating lease to occupy at rentals substantially below market.

Buildings held in Trust

These assets comprise buildings erected on land where there is a legal right to ownership of the land, or a trustee's right to occupy whilst there is continuing utilisation exclusively for Police & Community Youth Club purposes.

The Company recognises as assets buildings on leasehold land and held in trust on the basis they are a scarce resource controlled by the Company. Furthermore they provide service potential through their ability to enable the Company to achieve its stated objectives, whilst providing economic benefits, through the absence of a commercial rental charge or acquisition cost.

Buildings on leasehold land are only taken up in the accounts where there is a continuing use and service benefit to the Company. In the event of cessation of existing use all benefits therein would be forfeited under the terms of the right of occupation and in some cases there may be expenses associated with removal or re-instatement to original condition. No provision has been made for these costs.

Consistent with previous years, no value has been ascribed in these accounts to leasehold land or to land where buildings are held in trust on the basis there is no recoverable amount associated with the land at the expiry of the remaining useful life of the buildings.

Plant and Equipment

Plant and equipment are measured on the cost basis.

Depreciation

The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated on a straight line basis over their estimated useful lives commencing from the time the asset is held ready for use. The cost of buildings on leasehold land are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5 – 12.5%
Plant and equipment	10 – 25%

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

	2003	2002
	\$	\$

Statement of Accounting Policies - Continued

Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset are transferred to the entity 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 value. Leased assets are depreciated on a straight line basis over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Other leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged as expenses in the periods in which they are incurred.

Employee Entitlements

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the company to employee superannuation funds and are charged as expenses when incurred.

Cash

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

Revenue

Revenue from fundraising and donations is recognised upon receipt. Revenue from the rendering of a service is recognised upon the delivery of the service to the customer. Revenue from the sale of goods is recognised upon delivery of goods to customers. Interest is recognised on a proportional basis taking into account interest rates applicable to financial assets. Government grants are recognised in the period to which the funding agreement relates.

Assumption of Police Service Support

The Financial Report has been prepared on the basis there is no substantial change by the New South Wales Government or Police Service regarding the provision of police personnel or resources to assist the organisation with achieving its operational objectives of implementing community based policing programs.

No amount has been included in the financial report for the valuable services provided by the NSW Police Service.

In the event policy changes occur which substantially reduce the level of police personnel and resources, this would reduce the Company's capacity to raise funds and continue to provide services at their current level. In turn this might impact on the carrying amounts of certain property assets, to the extent that withdrawal of support could result in club closures.

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NOTES TO THE FINANCIAL STATEMENTS
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	2003	2002
	\$	\$
Statement of Accounting Policies - Continued		
Members' Guarantees		
Police & Community Youth Clubs NSW Ltd is a company limited by guarantee. In the event of the company being wound up, each member may be liable to contribute an amount not exceeding \$100.		
Disposal of surplus		
Paragraph 4 of The company's constitution prohibits the distribution of any surplus to members. As required by the Charitable Fundraising Act 1991, the Income Tax Assessment Act 1997 and Tax Ruling TR 2000/12, any assets remaining upon winding up of the company must be applied to the objects or purposes for which they were raised.		
2. Revenue		
Operating activities		
Proceeds from fundraising		
- Housie	3,689,816	4,090,261
- Donations	2,379,219	2,133,091
- Raffles	194,659	199,030
- Other fundraising projects	493,685	543,259
Sale of goods	729,003	552,388
Fees	4,065,995	3,778,343
Other	13,835	12,280
	11,566,212	11,308,652
Non-operating activities		
Government grants	1,707,969	9,213,759
Interest received – other persons	852,317	758,488
Rent received	189,712	142,923
Insurance proceeds	6,326	7,455
Proceeds on disposal of non-current assets	8,438,826	798,609
	11,195,150	10,921,234
Total revenue	22,761,362	22,229,886
3. Profit (Loss) from Ordinary Activities		
Profit (Loss) from ordinary activities before income tax has been determined after:		
Revenue and net gains		
Net gain (Loss) on disposal of non-current assets		
- property	4,472,860	-
- Plant, equipment and motor vehicles	(8,789)	116,618

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NOTES TO THE FINANCIAL STATEMENTS
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	2003	2002
	\$	\$
Expenses		
Depreciation		
- Buildings on freehold land	1,424,655	1,219,777
- Buildings on leasehold land	944,720	397,359
- Buildings held in trust	977,554	741,271
- Plant, equipment and motor vehicles	1,043,832	961,391
	<u>4,390,761</u>	<u>3,319,798</u>
Provisions - Employee entitlements	<u>83,537</u>	<u>15,806</u>
Borrowing costs - other	<u>59,097</u>	<u>22,720</u>
Significant expenses		
The following expense items are relevant in explaining the financial performance		
Occupancy costs		
The club refurbishment program commenced during the year		
Building repairs and maintenance	2,703,359	501,451
Employment costs		
Additional civilian club managers were recruited during the year		
Wages	3,415,460	2,924,657
Training and recruitment costs	180,881	18,453
Administration		
Insurance premiums and other costs increased		
Insurance	754,729	560,726
Project costs	288,955	98,538

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	2003	2002
	\$	\$
4. Cash Assets		
Cash on hand	13,346	13,840
Cash on deposit	22,649,734	20,478,066
	<u>22,663,080</u>	<u>20,491,906</u>
Represented By:		
Club and State Office funds:		
- Funds for general working expenses	3,806,902	3,666,136
Special purpose funds:		
- Advancement Fund	18,856,178	16,825,770
	<u>22,663,080</u>	<u>20,491,906</u>
5. Receivables		
Trade debtors	137,913	420,262
Sundry debtors	3,124	54,744
	<u>141,037</u>	<u>475,006</u>
6. Inventories		
Finished goods at cost	<u>76,605</u>	<u>76,391</u>
7. Other		
Prepaid expenses	947,824	397,021
Share investments	-	1,200
	<u>947,824</u>	<u>398,221</u>

**POLICE & COMMUNITY YOUTH CLUBS NSW LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

	2003	2002
	\$	\$
8. Property, Plant and Equipment		
Freehold land		
At directors valuation – 2003	13,294,000	-
At independent valuation – 2002	-	15,044,000
	<u>13,294,000</u>	<u>15,044,000</u>
Buildings on freehold land		
At directors valuation – 2003	19,648,000	-
At independent valuation – 2002	-	20,226,000
At cost	418,911	-
Less: accumulated depreciation	1,424,655	-
	<u>18,642,256</u>	<u>20,226,000</u>
Buildings on leasehold land		
At directors valuation – 2003	4,944,780	-
At independent valuation – 2002	-	4,944,780
	<u>4,944,780</u>	<u>4,944,780</u>
Less: accumulated amortisation	944,720	-
	<u>4,000,060</u>	<u>4,944,780</u>
Buildings held in trust		
At directors valuation – 2003	15,610,000	-
At independent valuation – 2002	-	15,610,000
Less: Accumulated depreciation	977,554	-
	<u>14,632,446</u>	<u>15,610,000</u>
Total properties	<u>50,568,762</u>	<u>55,824,780</u>
Plant, equipment and motor vehicles – at cost	12,545,646	11,202,897
Less: Accumulated depreciation	6,767,320	6,198,205
	<u>5,778,326</u>	<u>5,004,692</u>
Total property, plant and equipment	<u>56,347,088</u>	<u>60,829,472</u>

The latest assessments of fair value are based upon assessments from an independent valuation carried out by Mr I McFarlane AAPI from the NSW State Valuation Office at 31 December 2002. The independent valuation estimates the market selling price of freehold land and buildings to be 2003 \$34,915,698 (2002: \$38,139,500) excluding selling costs.

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	2003	2002
	\$	\$

Reconciliations - 2003

Reconciliation of the carrying amount of each class of property, plant and equipment are set out below:

	Freehold Properties		Leasehold
	Land	Buildings	Buildings
	\$	\$	\$
Carrying amount at the start of the year	15,044,000	20,226,000	4,944,780
Additions	-	418,911	-
Disposals	(1,750,000)	(578,000)	-
Depreciation expense	-	(1,424,655)	(944,720)
Carrying amount at the end of the year	<u>13,294,000</u>	<u>18,642,256</u>	<u>4,000,060</u>

	Buildings	Plant and	Total
	In trust	equipment	Total
	\$	\$	\$
Carrying amount at the start of the year	15,610,000	5,004,692	60,829,472
Additions	-	3,464,221	3,883,132
Disposals	-	(1,646,755)	(3,974,755)
Depreciation expense	(977,554)	(1,043,832)	(4,390,761)
Carrying amount at the end of the year	<u>14,632,446</u>	<u>5,778,326</u>	<u>56,347,088</u>

9. Payables

Current

Trade creditors and accruals	<u>2,020,646</u>	<u>1,528,977</u>
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10. Interest Bearing Liabilities

Current

Bank overdraft – secured	1,522,033	836,147
Loans secured by guarantee	1,500	6,000
	<u>1,523,533</u>	<u>842,147</u>

Non Current

Loans secured by guarantee	<u>8,000</u>	<u>9,500</u>
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The variable rate bank overdraft is secured by a charge over certain cash investments.

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NOTES TO THE FINANCIAL STATEMENTS
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	2003	2002
	\$	\$
11. Provisions		
Current		
Provision for employee entitlements	325,689	215,429
Non Current		
Provision for employee entitlements	137,697	164,420
Aggregate amount of employee entitlements liability	463,386	379,849
12. Reserves		
Asset revaluation reserve	54,494,205	57,435,863
Movement in reserve		
Opening balance	57,435,863	46,617,025
Revaluation increments on land and buildings	-	10,818,838
Transfer prior year revaluation increments to accumulated funds being increment realised on sale of freehold property	2,941,658	-
Closing Balance	54,494,205	57,435,863
13. Accumulated Funds		
Accumulated funds at the beginning of the financial year	22,074,660	18,119,045
Transfer from asset revaluation reserve of previous revaluation increments of Land and Buildings disposed of during the year	2,941,658	-
Net Profit (loss) attributable to members	(3,350,453)	3,955,615
Accumulated funds at the end of the financial year	21,665,864	22,074,660
14. Contingent Liabilities		
<p>In the course of its normal business the company receives claims arising from its operating activities. In the opinion of the directors, all such matters are covered by insurance, or any liabilities arising from such legal action would not have a materially adverse effect on the operating result or financial position of the company if settled unfavorably.</p>		
15. Fundraising Appeals		
Fundraising income and expenses		
<p>Details of aggregate gross income and total expenses in fundraising appeals</p>		
Gross proceeds from fundraising appeals	4,378,160	4,832,550
Less: Total costs of fundraising	(3,176,746)	(3,689,593)
Net surplus from fundraising	1,201,414	1,142,957

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	2003	2002
	\$	\$

Application of funds for charitable purposes

All income received is applied towards charitable purposes, comprising costs of conducting sporting and cultural activities, administration, staff costs and the purchase of capital items in connection with these operations.

Fundraising Comparisons by percentage	%	%
Cost of fundraising to total income from fundraising	73	76
Surplus from fundraising to gross income from fundraising	27	24
Costs of fundraising services to total expenditure	14	20
Costs of fundraising services to total income received	14	17

Gross comparisons

	Gross proceeds \$	Fundraising costs \$	Surplus \$	2003 %	2002 %
Housie	3,689,816	2,863,805	826,011	77	80
Donations and bequests	2,379,219	53,056	2,326,163	2	4
Raffles	194,659	57,161	137,498	29	28
Fundraising projects	493,685	202,724	290,961	41	39
Total	6,757,379	3,176,746	3,580,633		

The summer getaway raffle commenced in October 2003 and was drawn in February 2004. Unaudited gross proceeds were \$947,077. As the draw was conducted after the end of the year, the proceeds and expenses will be included in the 2004 financial report.

16. Cash flow Information

Reconciliation of Cash Flow from operations with Profit (Loss) from ordinary activities after income tax.

Profit (Loss) from ordinary activities after income tax	(3,350,453)	3,955,615
Non-cash flows in Profit (Loss) from ordinary activities:		
Depreciation expense	4,390,761	3,319,798
Net gain on disposal of property, plant and equipment	(4,464,072)	(116,618)
Increase (decrease) in provision for employee entitlements	83,537	15,806
Changes in assets and liabilities:		
(Increase) decrease in receivables	(215,634)	(397,231)
(Increase) decrease in inventories	(214)	11,024
Increase (decrease) in trade creditors and accruals	491,669	359,769
Cash Flows from operations	(3,064,406)	7,148,163

The company has a bank overdraft facility amounting to \$2,500,000 (2002 \$2,500,000). At 31 December 2003 \$1,522,033 (2002: \$836,147) of this facility was used. Interest rates are variable.

POLICE & COMMUNITY YOUTH CLUBS NSW LTD AND ITS CLUBS

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

	2003	2002
	\$	\$
17. Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash on hand	13,346	13,840
Cash on deposit	22,649,734	20,478,066
Bank overdraft	(1,522,033)	(836,147)
	<u>21,141,047</u>	<u>19,655,759</u>
18. Auditors Remuneration		
Received or due and receivable by the auditor for:		
- Auditing the accounts	184,270	173,420
- Other services	12,454	11,000
	<u>196,724</u>	<u>184,420</u>
19. Remuneration of Directors		
Amounts received, or due and receivable by the Directors	<u>6,750</u>	<u>35,328</u>
Number of Directors of the company whose remuneration was within the following bands:		
\$1 to \$9,999	8	11
\$20,000 to \$29,999	-	1
20. Directors Qualifications and Experience		
N W Moore	Executive Director and head of investment banking group, Macquarie Bank Limited and a Chartered Accountant. Appointed March 2002.	
- Chairperson		
A L Backhouse	Retired rural worker, President Dubbo PCYC appointed September 1994.	
M A Coyne	Business consultant and member of Australian Institute of Company Directors and the Australian Marketing Institute. Appointed March 2002.	
I K Ellis	Retired Police Officer (Alternate for NSW Police Commissioner) Appointed March 1998.	
M Gainsford-Taylor	Promotions, resigned 26 February 2004	
G S Habgood	Company Director, appointed July 2000.	
F Hansen	Police Officer, appointed July 1998.	
W Mundine	Land Management Consultant, appointed March 2002.	
A Scipione	Police officer, appointed June 2002.	
G L Stewart	IT Analyst, Treasurer South Sydney PCYC, appointed September 1997.	
E Whiteley	Financial Planner, member of the Financial Planning Association of Australia, appointed July 2000.	

POLICE & COMMUNITY YOUTH CLUBS NSW LTD AND ITS CLUBS

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

	2003	2002
	\$	\$

21. Related Party Information

Transactions between Police & Community Youth Clubs NSW Ltd and directors or director related entities, other than detailed above. All transactions were on terms and conditions that were no more favourable to the director related entity than those available, or which might reasonably be expected to be available, on similar transactions with non-director-related entities and were on an arm's length basis.

G S Habgood	Nature of terms and conditions: 2003 \$770 (2002: \$1,580) – Provision of coach charter services to Newcastle PCYC as and when required at commercial rates. Payable to the Sid Foggs & Sons group of company's.
N W Moore	Nature of terms and conditions: Macquarie Property, a non director related entity, are retained by the Company to provide advice on the Company's property assets.

22. Segment Reporting

The Company's activities comprise provision of services to youth in New South Wales.

23. Financial Instruments

The company has not entered into any financial instruments on terms which are different to normal commercial practice that would expose it to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates.

Interest Rate Risk

The company has cash in banks and on deposit of \$22,649,734 (2002: \$20,478,066) as disclosed in these notes. The cash is earning interest at market rates.

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date is the carrying amount of those assets, net of any provision for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

Net Fair Value

The net fair value of all financial assets and liabilities of the company is reflected in the carrying amounts of these assets and liabilities as shown in these accounts.

24. Company Details

The registered office of the company is:

1A Cleary Avenue
Belmore NSW 2192