

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

A.B.N. 89 401 152 271

FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2004



POLICE & COMMUNITY YOUTH CLUBS NSW LTD AND ITS CLUBS

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DIRECTORS' REPORT

The Directors present their report on the company for the year ended 31 December 2004.

DIRECTORS

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

Allan L Backhouse	Frank Hansen – resigned 31 May 2004
Cheryl Battaerd - appointed 1 June 2004	Nicholas W Moore
Malcolm Cochrane - appointed 1 June 2004	Warren Mundine – resigned 31 May 2004
Mark A Coyne	Andrew Scipione – resigned 31 May 2004
Ian K Ellis	Diane Scobie – appointed 16 December 2004
Melinda Gainsford-Taylor – resigned 26 February 2004	Glenn L Stewart
Mark Goodwin - appointed 1 June 2004, resigned	Arlene Tansey - appointed 1 June 2004
Graham S Habgood – resigned 19 July 2004	Errol Whiteley

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 2004 after income tax was \$4,845,867.

REVIEW OF OPERATIONS

Continuity in strategic focus characterised operations in 2004. As in 2003 the areas of priority related to increasing the level and quality of participation of young people in Clubs, support for Police Officers working in Clubs to prevent and reduce juvenile crime, reduction of costs at State Office and establishment of medium term financial performance goals for Clubs, introduction of civilian managers to Clubs to free Police Officers for direct work with young people, and planning and gradual implementation of upgrade works for facilities.

PCYC increased its club level membership in 2004 to over 35,000 individuals. The number of individuals registered as volunteers in Clubs increased to over 3000. The number of young people referred by NSW Police Local Area Commands to Police Officers working in PCYCs was over 1935, with a total of 590 young people being case managed by the end of the year. Police Officers continued to achieve reduction in criminal offences by the young people involved in their programs by approximately 66%. An additional 24,000 people participated in community policing programs run by Officer in PCYCs. Police Programs in PCYC were again the recipients of National Crime Prevention Awards.

Following consultations across PCYC in 2003, a set of Mission and Strategy Goals were identified and agreed at the annual PCYC State Conference in April and subsequently adopted by the Board. The Goals include a set of broad performance indicators incorporated in business planning for 2005 and to be reported against from 2005 onwards. Significant progress towards these goals was achieved in 2004 including:

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DIRECTORS' REPORT

REVIEW OF OPERATIONS - Continued

- The completion of the term for first State Youth Forum, with young Forum members completing training in areas such as first aid and coaching and participating in decision making at the Annual Conference, and the drafting of a comprehensive program for youth development based on the success of the first Forum;
- The approval by the NSW Government in June 2004 of \$3.2 million per annum funding for appointment of civilian managers in all Clubs, with the recruitment process commenced in August and appointments made to thirds of clubs by the end of 2004;
- An independent review of the 'Targeted Programming' approach to juvenile crime reduction by Police Officers working in PCYCs, with the review confirming data on crime reduction achieved and the review being used by these Officers to revise the structure and scope of Targeted Programming to address longer-term behavioural change in young people in the programs. The review confirmed that Police Officers working in PCYCs deal with young offenders whose offending profile is more serious than that of the general population of young people coming to the attention of Police;
- Continued significant cost control and deficit reduction at State Office and the setting of specific financial performance targets for all Clubs by 2006;
- Continuation of improvements in risk management, including a review of potential occupational health and safety (OH&S) related maintenance needs at Clubs, the allocation of Advancement Funds to address these needs and the appointment of a full-time Facilities Manager to oversee upgrade works and future annual review processes, with programs of OH&S related maintenance works expected to be rolled-out in 2005;
- Provision of intensive training in October and November 2004 for selected Police Officers, involved in oversight of Club compliance and performance, in middle-management skills;
- Progression of design, planning and feasibility review of proposed major upgrade works at a number of Clubs under Advancement Fund allocations approved in principle in 2003, including the completion of work in Kempsey to establish a new Club to be operational early in 2005;
- Successful completion of a trial of tele-marketed raffles, with this approach to fundraising providing significant additional revenue to PCYC in 2004.

PCYC opened a new Club in 2004 – the Liverpool PCYC. The facility, based in the suburb of Miller, was opened by the Minister for Police, the Hon John Watkins MP, and the Mayor of Liverpool, and a previous Police Minister, the Hon George Pacuillo.

The term of the seven appointed members of the Board of PCYC expired in March 2004 and new appointments to the Board were made by the Minister for Police, the Hon John Watkins MP, in June 2004.

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

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.

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DIRECTORS' REPORT (CONTINUED)

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.

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		Risk & Finance Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
A L Backhouse	7	7		
C Battaerd	5	4		
M Cochrane	5	4		
M Coyne	7	4		
I K Ellis	7	7		
M Gainsford – Taylor	1	-		
M Goodwin	5	5		
G S Habgood	2	2	3	3
F Hansen	2	1		
N Moore	7	6	5	4
W Mundine	2	-		
A Scipione	2	-		
D Scobie	-	-		
G Stewart	7	5		
A Tansey	5	2		
E Whiteley	7	6		

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DIRECTORS' REPORT (CONTINUED)

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.

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.

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

NICHOLAS MOORE
Chairman

Sydney, 28 April 2005

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF

**POLICE & COMMUNITY YOUTH CLUBS NSW LTD
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Scope

We have audited the financial report of Police & Community Youth Clubs NSW Ltd as set out on pages 7 to 24 for the year ended 31 December 2004.

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 2004 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.

28 April 2005

**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 8 to 24 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 2004 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, 28 April 2005

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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, 28 April 2005

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STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004	2003
		\$	\$
Revenue from ordinary activities	2	23,184,375	22,761,363
Fundraising expenditure		(6,029,415)	(3,176,746)
Cost of goods sold		(451,286)	(541,462)
Activity expenses		(2,360,756)	(2,180,530)
Occupancy costs		(5,212,213)	(7,314,478)
Employment costs		(6,553,301)	(4,558,562)
Transport and communication expenses		(1,824,889)	(1,682,273)
Administration expenses		(3,432,133)	(2,623,914)
Borrowing costs – other persons		(173,172)	(59,096)
Carrying value of assets sold		(1,993,077)	(3,974,755)
Loss from ordinary activities before income tax expense		(4,845,867)	(3,350,453)
Income tax expense - exempt	1	-	-
Loss from ordinary activities after income tax expense		(4,845,867)	(3,350,453)
Total changes in equity		(4,845,867)	(3,350,453)

The accompanying notes form part of these financial statements.

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004

	Note	2004	2003
		\$	\$
Current Assets			
Cash assets	4	21,007,232	22,663,080
Receivables	5	304,849	141,037
Inventories	6	70,514	76,605
Other	7	491,365	947,824
Total Current Assets		21,873,960	23,828,546
Non-Current Assets			
Property, plant and equipment	8	55,088,676	56,347,088
Total Non-Current Assets		55,088,676	56,347,088
Total Assets		76,962,636	80,175,634
Current Liabilities			
Payables	9	2,377,594	2,020,646
Interest bearing liabilities	10	2,758,152	1,523,533
Provisions	11	316,573	325,689
Total Current Liabilities		5,452,319	3,869,868
Non-Current Liabilities			
Interest bearing liabilities	10	-	8,000
Provisions	11	196,115	137,697
Total Non-Current Liabilities		196,115	145,697
Total Liabilities		5,648,434	4,015,565
Net Assets		71,314,202	76,160,069
Equity			
Reserves	12	54,494,205	54,494,205
Accumulated funds	13	16,819,997	21,665,864
Total Equity		71,314,202	76,160,069

The accompanying notes form part of these financial statements.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004	2003
		\$	\$
Cash flows from operating activities			
Receipts from customers – inclusive of GST		21,239,958	14,477,913
Payments to suppliers and employees - inclusive of GST		(22,159,382)	(18,562,247)
Interest received		1,332,608	852,317
Borrowing costs		(139,291)	(59,097)
GST received (paid)		(247,674)	226,708
Net cash inflow(outflow)from operating activities	16	26,219	(3,064,406)
Cash flows from investing activities			
Purchases of property, plant and equipment		(4,788,949)	(3,883,132)
Proceeds from sale of property, plant and equipment		1,880,263	8,438,826
Net Cash (outflow) inflow from investing activities		(2,908,686)	4,555,694
Cash Flows from Financing Activities			
Repayment of borrowings		(2,500)	(6,000)
Net (outflow) inflow from financing activities		(2,500)	(6,000)
Net increase (decrease) in cash held		(2,884,967)	1,485,288
Cash at the beginning of the year		21,141,047	19,655,759
Cash at the end of the year	17	18,256,080	21,141,047

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

	2004	2003
	\$	\$

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 2004

	2004	2003
	\$	\$

Statement of Accounting Policies - Continued

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 2004

	2004	2003
	\$	\$

Statement of Accounting Policies - Continued

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%

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

	2004	2003
	\$	\$

Statement of Accounting Policies - Continued

Leases

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 upon receipt provided it is probable that the economic benefits comprising the grant will flow to the company.

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

	2004	2003
	\$	\$
Statement of Accounting Policies - Continued		
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.		
Adoption of Australian Equivalents to International Financial Reporting Standards		
Australia is currently preparing for introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.		
The company's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation.		
The directors are of the opinion that the key differences in the company's accounting policies which arise from the adoption of IFRS are:		
Impairment of Assets		
The company currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of the pending AASB 136 Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less cost to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.		
2. Revenue		
Operating activities		
Proceeds from fundraising		
- Housie	3,512,308	3,689,816
- Donations	2,219,872	2,379,219
- Raffles and Art Unions	4,167,479	194,659
- Other fundraising projects	558,528	493,685
Sale of goods	611,720	729,003
Fees	4,624,093	4,065,995
Other	16,104	13,835
	<u>15,710,104</u>	<u>11,566,212</u>
Non-operating activities		
Government grants	4,014,542	1,707,969
Interest received – other persons	1,332,608	852,317
Rent received	210,346	189,712
Insurance proceeds	37,416	6,376
Proceeds on disposal of non-current assets	1,879,359	8,438,826
	<u>7,474,271</u>	<u>11,195,150</u>
Total revenue	<u>23,184,375</u>	<u>22,761,363</u>

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NOTES TO THE FINANCIAL STATEMENTS
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	2004	2003
	\$	\$
3. Loss from Ordinary Activities		
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	(113,718)	(8,789)
Expenses		
Depreciation		
- Buildings on freehold land	1,468,223	1,424,655
- Buildings on leasehold land	475,720	944,720
- Buildings held in trust	977,554	977,554
- Plant, equipment and motor vehicles	1,131,883	1,043,832
	<u>4,053,380</u>	<u>4,390,761</u>
Provisions - Employee entitlements	<u>49,301</u>	<u>83,537</u>
Borrowing costs	<u>139,291</u>	<u>59,097</u>
Significant expenses		
The following expense items are relevant in explaining the financial performance		
Occupancy costs		
The club refurbishment program commenced during the previous year		
Building repairs and maintenance	864,489	2,703,359

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NOTES TO THE FINANCIAL STATEMENTS
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	2004	2003
	\$	\$
4. Cash Assets		
Cash on hand	15,747	13,346
Cash on deposit	20,991,485	22,649,734
	<u>21,007,232</u>	<u>22,663,080</u>
Represented By:		
Club and State Office funds:		
- Funds for general working expenses	4,029,291	3,806,902
Special purpose funds:		
- Advancement Fund	16,977,941	18,856,178
	<u>21,007,232</u>	<u>22,663,080</u>
5. Receivables		
Trade debtors	285,318	137,913
Sundry debtors	19,531	3,124
	<u>304,849</u>	<u>141,037</u>
6. Inventories		
Finished goods at cost	<u>70,514</u>	<u>76,605</u>
7. Other		
Prepaid expenses	<u>491,365</u>	<u>947,824</u>
8. Property, Plant and Equipment		
Freehold land		
At directors valuation	<u>13,294,000</u>	<u>13,294,000</u>
Buildings on freehold land		
At directors valuation	19,648,000	19,648,000
At cost	478,450	376,198
Less: accumulated depreciation	2,892,878	1,424,655
	<u>17,233,572</u>	<u>18,599,543</u>
Buildings on leasehold land		
At directors valuation	4,899,000	4,899,000
At cost	1,646,393	88,493
	6,545,393	4,987,493
Less: accumulated amortisation	1,420,440	944,720
	<u>5,124,953</u>	<u>4,042,773</u>

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	2004	2003
	\$	\$
Buildings held in trust		
At directors valuation	15,610,000	15,610,000
Less: Accumulated depreciation	1,955,107	977,554
	<u>13,654,893</u>	<u>14,632,446</u>
Total properties	<u>49,307,418</u>	<u>50,568,762</u>
Plant, equipment and motor vehicles – at cost	13,164,255	12,545,646
Less: Accumulated depreciation	7,382,997	6,767,320
	<u>5,781,258</u>	<u>5,778,326</u>
Total property, plant and equipment	<u>55,088,676</u>	<u>56,347,088</u>

Reconciliations - 2004

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	13,294,000	18,599,543	4,042,773
Additions	-	102,252	1,557,900
Disposals	-	-	-
Depreciation expense	-	(1,468,223)	(475,720)
Carrying amount at the end of the year	<u>13,294,000</u>	<u>17,233,572</u>	<u>5,124,953</u>
	Buildings In trust	Plant and equipment	Total
	\$	\$	\$
Carrying amount at the start of the year	14,632,446	5,778,326	56,347,088
Additions	-	3,128,796	4,788,949
Disposals	-	(1,993,981)	(1,993,981)
Depreciation expense	(977,554)	(1,131,883)	(4,053,380)
Carrying amount at the end of the year	<u>13,654,892</u>	<u>5,781,258</u>	<u>55,088,676</u>

9. Payables

Current

Trade creditors and accruals	<u>2,377,594</u>	<u>2,020,646</u>
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	2004	2003
	\$	\$
10. Interest Bearing Liabilities		
Current		
Bank overdraft – secured	2,751,152	1,522,033
Loans secured by guarantee	7,000	1,500
	<u>2,758,152</u>	<u>1,523,533</u>
Non Current		
Loans secured by guarantee	-	8,000
	<u>-</u>	<u>8,000</u>
The variable rate bank overdraft is secured by a charge over certain cash investments.		
11. Provisions		
Current		
Provision for employee entitlements	316,573	325,689
	<u>316,573</u>	<u>325,689</u>
Non Current		
Provision for employee entitlements	196,115	137,697
Aggregate amount of employee entitlements liability	512,688	463,386
	<u>512,688</u>	<u>463,386</u>
12. Reserves		
Asset revaluation reserve	54,494,205	54,494,205
	<u>54,494,205</u>	<u>54,494,205</u>
Movement in reserve		
Opening balance	54,494,205	57,435,863
Transfer prior year revaluation increments to accumulated funds being increment realised on sale of freehold property	-	2,941,658
	<u>-</u>	<u>2,941,658</u>
Closing Balance	54,494,205	54,494,205
	<u>54,494,205</u>	<u>54,494,205</u>
13. Accumulated Funds		
Accumulated funds at the beginning of the financial year	21,665,864	22,074,660
Transfer from asset revaluation reserve of previous revaluation increments of Land and Buildings disposed of during the year	-	2,941,658
Net Loss attributable to members	(4,845,867)	(3,350,453)
	<u>(4,845,867)</u>	<u>(3,350,453)</u>
Accumulated funds at the end of the financial year	16,819,997	21,665,864
	<u>16,819,997</u>	<u>21,665,864</u>

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	2004	2003
	\$	\$

14. Contingent Liabilities

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 with the exception of the following.

The company is currently defending a claim brought against the company by a former employee in relation to their past employment. The company has received legal advice that it has a strong case and should be able to successfully defend the case. The claim is expected to be settled within the next twelve months. The amount disclosed is based on legal advice and represents the potential financial amount that the company may be liable for.

400,000	-
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15. Fundraising Appeals

Fundraising income and expenses

Details of aggregate gross income and total expenses in fundraising appeals

Gross proceeds from fundraising appeals	8,238,314	4,378,160
Less: Total costs of fundraising	<u>(6,029,415)</u>	<u>(3,176,746)</u>
Net surplus from fundraising	<u>4,428,772</u>	<u>1,201,414</u>

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	58	73
Surplus from fundraising to gross income from fundraising	42	27
Costs of fundraising services to total expenditure	23	14
Costs of fundraising services to total income received	28	14

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	2004	2003
	\$	\$

15. Fundraising Appeals (continued)

Gross comparisons

	Gross proceeds \$	Fundraising costs \$	2004 Surplus \$	2003 Surplus \$
Housie	3,512,308	2,713,508	798,800	826,011
Donations and bequests	2,219,872	-	2,219,872	2,326,163
Raffles & Art unions	4,179,351	3,081,646	1,097,705	137,498
Fundraising projects	546,656	234,261	312,395	290,961
Total	10,458,187	6,029,415	4,428,772	3,580,633

16. Cash flow Information

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

Loss from ordinary activities after income tax	(4,845,867)	(3,350,453)
Non-cash flows in Loss from ordinary activities:		
Depreciation expense	4,053,380	4,390,761
Net loss (gain) on disposal of property, plant and equipment	113,718	(4,464,072)
Increase in provision for employee entitlements	49,301	83,537
Changes in assets and liabilities:		
Decrease (increase) in receivables	292,646	(215,634)
Decrease (increase) in inventories	6,091	(214)
Increase (decrease) in trade creditors and accruals	356,950	491,669
Cash Flows from operations	<u>26,219</u>	<u>(3,064,406)</u>

The company has a bank overdraft facility amounting to \$3,000,000 (2003 \$2,500,000). At 31 December 2004 \$2,751,152 (2003: \$1,522,033) of this facility was used. Interest rates are variable.

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	15,747	13,346
Cash on deposit	20,991,485	22,649,734
Bank overdraft	(2,751,152)	(1,522,033)
	<u>18,256,080</u>	<u>21,141,047</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

	2004	2003
	\$	\$
18. Auditors Remuneration		
Received or due and receivable by the auditor for:		
- Auditing the accounts	200,637	184,270
- Other services	12,000	12,454
	<u>212,637</u>	<u>196,724</u>

19. Remuneration of Directors

Amounts received, or due and receivable by the Directors	<u>4,702</u>	<u>6,750</u>
Number of Directors of the company whose remuneration was within the following bands:		
\$1 to \$9,999	7	8

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.
C Battaerd	Sports Consultant and member of NSW Sports Federation & NSW Womens Sport & Recreation Association, appointed June 2004
M Cochrane	Industrial officer, Director ING , appointed June 2004
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 February 2004
M Goodwin	Police Officer, appointed June 2004
G S Habgood	Company Director, resigned July 2004
F Hansen	Police Officer, resigned May 2004
W Mundine	Land Management Consultant, resigned May 2004
A Scipione	Police officer, resigned May 2004
D Scobie	Teacher, Vice President Port Stephens PCYC, appointed December 2004
G L Stewart	IT Analyst, Treasurer South Sydney PCYC, appointed September 1997.
A Tansey	Banker, Director of Sydney Ports Corporation & Snowy Hydro Limited, appointed June 2004
E Whiteley	Financial Planner, member of the Financial Planning Association of Australia, appointed July 2000

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

	2004	2003
	\$	\$

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: 2004 \$Nil (2003: \$770) – Provision of coach charter services to Newcastle PCYC as and when required at commercial rates. Payable to the Sid Fogs & 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 net cash in banks and on deposit of \$18,256,080 (2003: \$21,141,047) as disclosed in these notes. The cash in banks is earning interest at market rates, interest payable on bank overdrafts are 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