

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

A.B.N. 89 401 152 271

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005



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POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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DIRECTORS' REPORT

The Directors present their report on the company for the year ended 31 December 2005.

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
Cheryl Battaerd	Diane Scobie
Malcolm Cochrane	Glenn L Stewart
Mark A Coyne	Arlene Tansey
Ian K Ellis	Errol Whiteley
Mark Goodwin - resigned 7 March 2005	Christopher Evans – appointed 7 March 2005

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.

The company is limited by guarantee and has no share capital.

RESULTS

The net loss of the Company for the year ended 31 December 2005 after income tax was \$4,157,377 (2004: (\$4,845,867)).

REVIEW OF OPERATIONS

PCYC experienced significant growth and improvement in all its key performance areas in 2005.

The number of individuals choosing to take out membership at Club level increased from approximately 35,000 to approximately 45,000. This significant growth in membership reflected a concerted effort at Club level to encourage users to take up formal membership and to support their local Club. Overall activity levels in Clubs amounted to 1.48 million visits.

The number of individual young offenders under case management within Targeted Programming by Police Officers operating in Clubs increased from 692 to 893. The important performance indicator in regard to the scope of Targeted Programming is the level of offence reduction for the group of young offenders involved in Targeted Programming. The results for 2005 saw a continued 65-70% reduction in offences, notwithstanding the increased numbers of offenders involved. A total of 67 new 'hot spot' locations were adopted by Police working out of PCYCs, bringing the number under this area of work to 211. Approximately 13,386 individuals participated in other Police PCYC programs, bringing to over 80,000 the number involved in these programs since 2001.

Underpinning the growth in membership and participants in Targeted Programming was the roll-out of Club Managers funded by the NSW Government. This initiative was designed to free Police Officers from Club Management responsibilities and for juvenile crime prevention. The roll-out of managers was completed in 2005, with over 50 police officers freed for Targeted Programming work.

DIRECTORS' REPORT

REVIEW OF OPERATIONS - Continued

A major initiative in youth development was undertaken in 2005 with the trial of the first 'Blue Star' Youth Leadership program. This program was based on a trial development project in 2003-2004 that saw young people given training to participate in a PCYC Youth Forum. The Blue Star Program provides young PCYC members an opportunity to obtain leadership development, including TAFE recognized safety training and participation in the Duke of Edinburgh Award. Over 50 young people participated in the Blue Star program in 2005. The Program will be refined and expanded in 2006.

Flowing from the first youth development project, and responding to specific recommendations from the Youth Forum, the Board of PCYC established as part of its constitution the opportunity to appoint two youth representatives to the Board. Appointments were made for the first time in 2005, and the Board received its first presentation from its youth representatives at its November 2005 meeting. The CEO has been given the responsibility to support this process of youth input and Board and management response in the future.

State Office committed itself to revenue generation through increased community support in 2005 to balance cost cutting through restructuring in 2003 and cost containment in 2004. The acceleration of telemarketed and Club-level raffle sales saw a significant increase in net fundraising in 2005, with the net result exceeding \$1 million. An additional 149,324 individuals have become PCYC supporters as a result of the new raffles.

Investment in Club upgrades continued in 2005, with projects to increase club capacity and to tackle potential safety and amenity issues in older buildings. Expenditure from the PCYC Advancement Fund in 2005 for these purposes exceeded \$3.5 million. This expenditure included the purchase of land adjoining the Dubbo PCYC that will allow a significant expansion of the Club in 2006.

Including Advancement Fund expenditure, PCYC financial performance before depreciation significantly improved from (\$792,487) in 2004 to \$3,558 in 2005.

Kempsey PCYC became operational in 2005. Whilst a community based PCYC Program had been operating in Kempsey for a number of years, Club facilities were developed during 2004 and came to completion at the beginning of 2005. Discussions were coming to completion towards the end of 2005 for new Clubs to be established at Bourke and Bateau Bay in 2006.

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.

AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

As a result of the introduction of IFRS, the company's financial report has been prepared in accordance with those standards. A reconciliation of adjustments arising on the transition to IFRS is included in Note 2 to this report.

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.

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DIRECTORS' REPORT

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 22 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, 17 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	9	9	-	-
C Battaerd	9	5	-	-
M Cochrane	9	7	-	-
M Coyne	9	7	-	-
I K Ellis	9	7	8	7
M Goodwin	1	-	-	-
C Evans	8	6	-	-
N Moore	9	8	8	8
D Scobie	7	7	-	-
G Stewart	9	8	-	-
A Tansey	9	8	-	-
E Whiteley	9	9	-	-

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.

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DIRECTORS' REPORT



AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

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

NICHOLAS MOORE
Chairman

Sydney, 28 April 2006

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF POLICE & COMMUNITY YOUTH CLUBS NSW LTD

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Police and Community Youth Clubs NSW Limited for the year ended 31 December 2005, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON NSW

A G RIGELE
Partner

Sydney

28 April 2006

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements and the directors' declaration for Police and Community Youth Clubs NSW Limited (the company), for the year ended 31 December 2005.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Qualification

Cash from donations, memberships, fees and other fund raising activities are a significant source of revenue for Police and Community Youth Clubs NSW Limited. Although the directors of Police and Community Youth Clubs NSW Limited has implemented systems of controls to ensure the monies received at its clubs are properly recorded in the accounting records, it is impracticable to establish control over the collection of revenue from these sources prior to entry into its financial records.

Our audit procedures with respect to revenue from these sources had to be restricted to the amounts recorded in the financial records. As a result, we are unable to express an opinion as to whether revenue from cash donations, memberships, fees and other fundraising activities is complete.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF

POLICE & COMMUNITY YOUTH CLUBS NSW LTD



Qualified audit opinion

In our opinion, except for the effects on the financial report of such adjustments, if any, as might have been required had the limitation on our audit procedures referred to in the qualification paragraph above not existed, the financial report of Police and Community Youth Clubs NSW Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Police and Community Youth Clubs NSW Limited's financial position as at 31 December 2005, and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Act 2001; and
- (b) other mandatory financial reporting requirements in Australia.

GRANT THORNTON NSW
Chartered Accountants

A G RIGELE
Partner

Sydney

28 April 2006

DIRECTORS' DECLARATION

The directors declare that

1. the financial statements and notes set out on pages 12 to 31 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 2005 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 2006

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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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 2006

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005	2004
		\$	\$
Revenue	3	23,153,555	21,305,016
Contributions from Police Officer services	1	8,307,068	7,460,343
Other income	3	258,431	55,379
Fundraising expenditure	4	(4,835,431)	(6,029,415)
Cost of goods sold		(430,831)	(451,286)
Activity expenses	4	(3,632,737)	(2,360,756)
Occupancy costs		(5,724,931)	(5,212,213)
Employment costs	4	(7,504,719)	(6,553,301)
Transport and communication expenses		(1,834,745)	(1,824,889)
Administration expenses		(3,150,329)	(3,432,133)
Finance costs – other persons		(148,711)	(173,172)
Costs of Police Officer services	1	(8,307,068)	(7,460,343)
Other expenses		(306,929)	(169,097)
Loss from ordinary activities before income tax expense		(4,157,377)	(4,845,867)
Income tax expense - exempt	1	-	-
Loss from ordinary activities after income tax expense		(4,157,377)	(4,845,867)

The accompanying notes form part of these financial statements.

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	2005	2004
		\$	\$
Current Assets			
Cash and cash equivalents	5	14,945,453	21,007,232
Trade and other receivables	6	835,212	304,849
Inventories	7	69,261	70,514
Other current assets	8	427,553	491,365
Total Current Assets		16,277,479	21,873,960
Non-Current Assets			
Trade and other receivables	6	279,946	-
Property, plant and equipment	9	68,220,226	55,088,676
Intangibles	10	176,755	-
Total Non-Current Assets		68,676,927	55,088,676
Total Assets		84,954,406	76,962,636
Current Liabilities			
Trade and other payables	11	2,588,774	2,377,594
Short-term borrowings	12	-	2,758,152
Short-term provisions	13	455,179	316,573
Total Current Liabilities		3,043,953	5,452,319
Non-Current Liabilities			
Long-term provisions	13	367,848	196,115
Total Non-Current Liabilities		367,848	196,115
Total Liabilities		3,411,801	5,648,434
Net Assets		81,542,605	71,314,202
Equity			
Reserves	14	68,284,349	54,494,205
Accumulated funds		13,258,256	16,819,997
Total Equity		81,542,605	71,314,202

The accompanying notes form part of these financial statements.

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005

	Retained Earnings	Asset Revaluation Reserve	Total
	\$	\$	\$
Balance at 1 January 2004	21,665,864	54,494,205	76,160,069
Net income recognised directly in equity	-	-	-
Loss for the period	(4,845,867)	-	(4,845,867)
Total recognised income and expense for the period	(4,845,867)	-	(4,845,867)
Balance at 31 December 2004	16,819,997	54,494,205	71,314,202
Balance at 1 January 2005	16,819,997	54,494,205	71,314,202
Revaluation of land and buildings	-	14,385,780	14,385,780
Realisation of revaluation	595,636	(595,636)	-
Net income recognised directly in equity	595,636	13,790,144	14,385,780
Loss for the period	(4,157,377)	-	(4,157,377)
Total recognised income and expense for the period	(3,561,741)	13,790,144	10,228,403
Balance at 31 December 2005	13,258,256	68,284,349	81,542,605

The accompanying notes form part of these financial statements.

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005	2004
		\$	\$
Cash flows from operating activities			
Receipts from customers – inclusive of GST		22,598,234	21,239,958
Payments to suppliers and employees - inclusive of GST		(23,542,504)	(22,373,175)
Interest received		1,035,818	1,332,608
Finance costs		(148,711)	(173,172)
Net cash inflow from operating activities	17	(57,163)	26,219
Cash flows from investing activities			
Purchases of property, plant and equipment		(4,416,569)	(4,788,949)
Proceeds from sale of property, plant and equipment		1,433,105	1,880,263
Loans made		(270,000)	-
Net cash outflow from investing activities		(3,253,464)	(2,908,686)
Cash flows from financing activities			
Repayment of borrowings		-	(2,500)
Net outflow from financing activities		-	(2,500)
Net decrease in cash held		(3,310,627)	(2,884,967)
Cash at the beginning of the year		18,256,080	21,141,047
Cash at the end of the year	18	14,945,453	18,256,080

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

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, the NSW Charitable Fundraising Act and Regulations and the Corporations Act 2001.

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.

Basis of Preparation

Police & Community Youth Clubs NSW Ltd have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (IFRS) from 1 January 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the accounts resulting from the introduction of IFRS have been applied retrospectively to 2004 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of Police & Community Youth Clubs NSW Ltd to be prepared in accordance with Australian equivalents to IFRS.

Reconciliations of the transition from previous Australian GAAP to IFRS have been included in Note 2 to this report. The accounting policies set out below have been consistently applied to all years presented.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

Statement of Accounting Policies - Continued

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.

Fundraising Activities

Fundraising, donations and bequests are recognised as revenue when the Company obtains control of the contributions, it is probable that the economic benefits comprising the contribution will flow to the Company and the amount of the contribution can be measured reliably.

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 16 are in accordance with Authority Condition 7, which is issued to the Company under section 19 of the Act.

Donations and bequests: are recognised 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 16 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 16.

Donated Services

Various services are generously donated to the company. These services are recognised when the amount of the contribution can be measured reliably.

Inventories

Inventories are valued at the lower of cost or current replacement costs. Costs have been assigned to inventories on hand at balance date using the average cost method.

Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and depreciated replacement costs, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

Statement of Accounting Policies - Continued

The decline in future economic benefit is recognised in the income statement 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 and impairment losses.

Where an asset is acquired at no cost or for nominal cost, the cost is its fair value at the date of acquisition.

Freehold Land and Buildings

Freehold land and buildings 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.

Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation reserve in shareholders equity. Decreases that offset previous increases of the same asset are charged against fair value reserves, all other decrements are charged to the income statement. Each year the difference between the depreciation based on the revalued carrying amount of the asset charged to the income statement and the depreciation based on the assets original cost is transferred from the revaluation reserve to the retained earnings.

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. The Company has elected to adopt the exemption made available under AASB 1 in relation to AASB 116 Property, Plant and Equipment and elected to use the fair value of buildings on leasehold land at the date of transition to AIFRS as deemed cost. Subsequent depreciation is based on deemed cost as at that date.

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 has elected to adopt the exemption made available under AASB 1 in relation to AASB 116 Property, Plant and Equipment and elected to use the fair value of buildings held in trust at the date of transition to AIFRS as deemed cost. Subsequent depreciation is based on deemed cost as at that date.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

Statement of Accounting Policies – Continued

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. A provision has been estimated where it can be reliably measured.

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.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements 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 depreciable assets are:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

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 Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits 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 benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by the company to employee superannuation funds and are charged as expenses when incurred.

Cash and Cash Equivalents

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.

Fundraising, donations and bequests are recognised as revenue when the Company obtains control of the contributions, it is probable that the economic benefits comprising the contribution will flow to the Company and the amount of the contribution can be measured reliably.

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.

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.

Police labour is considered to be a contribution by the Police as defined by AASB 1004 and as such income and a corresponding expense has been recognised in the Income Statement.

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 2005

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.

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Intangibles

Software is initially recorded at cost less amortisation and impairment losses. The carrying amount of the software is revised annually by the directors to ensure it is not in excess of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial reports based on historical knowledge and best available current information. The Directors assess impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets.

2. First-time Adoption of Australian Equivalent to International Financial Report Standards

Reclassifications have been made to the income statement for the year ended 31 December 2004 as follows:

Under Australian equivalents to IFRS, the sale of non-current assets must be reflected as a gain or loss on sale and not separately split between proceeds and costs of disposal. Adjustments have been made to the Income Statement for the year ended 31 December 2004 as follows:

	Previous GAAP	Effect of transition to Australian equivalents of IFRS	Australian equivalents of IFRS
	\$	\$	\$
Revenue from ordinary activities	23,184,375	(1,879,359)	21,305,016
Other income	-	55,379	55,379
Carrying value of assets sold	(1,993,077)	1,993,077	-
Other expenses	-	(169,097)	(169,097)

This reclassification has no effect on the net loss for the 2004 financial year. There were no impacts on the balance sheet, equity or cash flows in prior years as a result of transition to A-IFRS.

Buildings on leasehold land and buildings held in trust have previously been shown at fair value. The Company has elected to adopt the exemption made available under AASB 1 in relation to AASB 116 Property, Plant and Equipment and elected to use the fair value of buildings on leasehold land at the date of transition to AIFRS as deemed cost. Subsequent depreciation is based on deemed cost as at that date.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
	\$	\$
3. Revenue		
Operating activities		
Proceeds from fundraising		
- Housie	2,683,237	3,512,308
- Donations	2,740,799	2,219,872
- Raffles and Art Unions	4,251,467	4,167,479
- Other fundraising projects	644,279	558,528
Sale of goods	623,310	611,720
Fees	5,482,851	4,624,093
Government grants	5,308,244	4,014,542
Interest received – other persons	1,035,818	1,332,608
Other	165,739	16,104
Rent received	131,280	210,346
Insurance proceeds	86,531	37,416
Total revenue	23,153,555	21,305,016
Non-Operating Activities		
Gains on disposal of property, plant and equipment	258,431	55,379
Other Income	258,431	55,379
4. 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	165,400	-
- Plant, equipment and motor vehicles	(49,851)	(113,718)
Expenses		
Depreciation		
- Buildings on freehold land	1,482,019	1,468,223
- Buildings on leasehold land	525,450	475,720
- Buildings held in trust	982,571	977,554
- Plant, equipment and motor vehicles	1,170,895	1,131,883
	4,160,935	4,053,380
Provisions - Employee entitlements	310,339	49,301
Finance costs	148,711	173,172

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
	\$	\$
4. Loss from Ordinary Activities (continued)		
Significant expenses		
The following expense items are relevant in explaining the financial performance		
Fundraising expenditure		
Reduction in cost in:		
Telemarketing	2,235,931	2,888,943
Housie	2,152,694	2,713,508
Activity Expenses		
Overall increase and reclassify of Grant costs:		
Grant costs	585,247	-
Activity costs	761,608	619,852
Employment costs		
Inclusion of Childcare services and adjustment to long service leave:		
Childcare wages	611,469	77,990
Long service leave	206,339	2,290
5. Cash and cash equivalents		
Cash at bank and in hand	299,413	15,747
Cash on deposit	14,646,040	20,991,485
	<u>14,945,453</u>	<u>21,007,232</u>
Represented By:		
Club and State Office funds:		
- Funds for general working expenses	491,396	4,029,291
Special purpose funds:		
- Advancement Fund	14,454,057	16,977,941
	<u>14,945,453</u>	<u>21,007,232</u>

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
	\$	\$
6. Trade and Other Receivables		
Current		
Trade debtors	234,078	285,318
Sundry debtors	601,134	19,531
	<u>835,212</u>	<u>304,849</u>
Non-Current		
Loans – Other	<u>279,946</u>	<u>-</u>
All loans are secured by mortgage on property.		
7. Inventories		
Finished goods at cost	<u>69,261</u>	<u>70,514</u>
8. Other current assets		
Prepaid expenses	<u>427,553</u>	<u>491,365</u>
9. Property, Plant and Equipment		
Freehold land		
At independent valuation	19,404,000	-
At directors valuation	-	13,294,000
	<u>19,404,000</u>	<u>13,294,000</u>
Buildings on freehold land		
At independent valuation	24,245,000	-
At directors valuation	-	19,648,000
At cost	-	478,450
Less: accumulated depreciation	-	2,892,878
	<u>24,245,000</u>	<u>17,233,572</u>
Buildings on leasehold land		
At directors valuation	-	4,899,000
At cost	6,644,806	1,646,393
	<u>6,644,806</u>	<u>6,545,393</u>
Less: accumulated amortisation	<u>1,945,890</u>	<u>1,420,440</u>
	<u>4,698,916</u>	<u>5,124,953</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
	\$	\$
9. Property, Plant and Equipment (continued)		
Buildings held in trust		
At directors valuation	-	15,610,000
At cost	16,583,426	-
	16,583,426	15,610,000
Less: Accumulated depreciation	2,937,679	1,955,107
	13,645,747	13,654,893
Total properties	61,993,663	49,307,418
Plant, equipment and motor vehicles – at cost	14,358,299	13,164,255
Less: Accumulated depreciation	8,131,736	7,382,997
	6,226,563	5,781,258
Total property, plant and equipment	68,220,226	55,088,676

The latest assessments of fair value are based upon independent valuations carried out by Mr I McFarlane AAPI from the NSW Department of Commerce at 31 December 2005.

Reconciliations - 2005

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	17,233,572	5,124,953
Additions	685,000	376,225	99,413
Disposals	(150,000)	(529,600)	-
Revaluations	5,575,000	8,646,822	-
Depreciation expense	-	(1,482,019)	(525,450)
Carrying amount at the end of the year	19,404,000	24,245,000	4,698,916
	Buildings In trust \$	Plant and equipment \$	Total \$
Carrying amount at the start of the year	13,654,893	5,781,258	55,088,676
Additions	973,425	3,035,682	5,169,745
Disposals	-	(1,419,482)	(2,099,082)
Revaluations	-	-	14,221,822
Depreciation expense	(982,571)	(1,170,895)	(4,160,935)
Carrying amount at the end of the year	13,645,747	6,226,563	68,220,226

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
	\$	\$
10. Intangibles		
Software		
At cost	176,755	-
Less: Accumulated amortisation	-	-
	<u>176,755</u>	<u>-</u>
Total intangibles	<u>176,755</u>	<u>-</u>
11. Trade and Other Payables		
Current		
Trade creditors and accruals	<u>2,588,774</u>	<u>2,377,594</u>
12. Short-term Borrowings		
Current		
Bank overdraft – secured	-	2,751,152
Loans secured by guarantee	-	7,000
	<u>-</u>	<u>2,758,152</u>
The variable rate bank overdraft is secured by a charge over certain cash investments.		
13. Provisions		
Current		
Provision for employee entitlements	<u>455,179</u>	<u>316,573</u>
Non Current		
Provision for employee entitlements	<u>367,848</u>	<u>196,115</u>
Aggregate amount of employee entitlements liability	<u>823,027</u>	<u>512,688</u>
Employee Numbers	<u>411</u>	<u>364</u>

14. Reserves

(a) Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non-current assets.

15. 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.

In September 2005 an accident occurred on a jumping castle at a Police and Community Youth Club event. There has been a prosecution under section 8(2) of the Occupational Health and Safety Act 2000 (NSW) to which the company has entered a guilty plea. A sentencing hearing has taken place and the company has received judgment imposing a penalty of \$30,500.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
	\$	\$

16. Fundraising Appeals

Fundraising income and expenses

Details of aggregate gross income and total expenses in fundraising appeals

Gross proceeds from fundraising appeals	10,319,782	10,458,187
Less: total costs of fundraising	(4,835,431)	(6,029,415)
Net surplus from fundraising	<u>5,484,351</u>	<u>4,428,772</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	47	58
Surplus from fundraising to gross income from fundraising	53	42
Cost of fundraising services to total expenditure	18	23
Cost of fundraising services to total income received	21	28

Gross comparisons

	Gross proceeds \$	Fundraising costs \$	2005 Surplus \$	2004 Surplus \$
Housie	2,683,237	2,152,694	530,543	798,800
Donations and bequests	2,740,799	-	2,740,799	2,219,872
Raffles & Art unions	4,251,467	2,400,918	1,850,549	1,097,705
Fundraising projects	644,279	281,819	362,460	312,395
Total	<u>10,319,782</u>	<u>4,835,431</u>	<u>5,484,351</u>	<u>4,428,772</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
	\$	\$
17. Cash flow Information		
Reconciliation of Cash Flow from operations with Loss from ordinary activities after income tax.		
Loss from ordinary activities after income tax	(4,157,377)	(4,845,867)
Non-cash flows in loss from ordinary activities:		
Depreciation expense	4,160,935	4,053,380
Child Care Services	(165,351)	-
Net loss (gain) on disposal of property, plant and equipment	(115,549)	113,718
Increase in provision for employee entitlements	310,339	49,301
Revaluation decrement	163,958	-
Changes in assets and liabilities:		
Decrease (increase) in prepayments	63,812	-
Decrease (increase) in receivables	(530,363)	292,646
Decrease (increase) in inventories	1,253	6,091
Increase (decrease) in trade creditors and accruals	211,180	356,950
Cash Flows from operations	<u>(57,163)</u>	<u>26,219</u>

The company has a bank overdraft facility amounting to \$2,000,000 (2004: \$3,000,000). At 31 December 2005 \$0 (2004: \$2,751,152) of this facility was used. Interest rates are variable.

18. Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash on hand	299,413	15,747
Cash on deposit	14,646,040	20,991,485
Bank overdraft	-	(2,751,152)
	<u>14,945,453</u>	<u>18,256,080</u>

19. Auditors Remuneration

Received or due and receivable by the auditor for:

- Auditing the accounts	57,500	200,637
- Other services	100,560	12,000
	<u>158,060</u>	<u>212,637</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
	\$	\$

20. Key Management Personnel Compensation

Directors

All directors are non-executive and details are included in Note 21 below.

Other Key Management Personnel

Chris Gardiner (Chief Executive Officer)

Kiran Narsey (General Manager, Financial & Corporate Services)

Julie Vaughan (General Manager, Clubs)

	Salary & Fees \$	Super annuation Contributions \$	Bonus \$	Non-Cash Benefits \$	Total \$
2005 Total compensation	323,590	32,043	16,500	16,350	388,483
2004 Total compensation	296,421	29,287	-	16,350	342,058

21. Directors Qualifications and Experience

N W Moore - Chairperson	Executive Director and head of investment banking group, Macquarie Bank Limited and a Chartered Accountant, appointed March 2002.
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 Goodwin	Police Officer, resigned 7 March 2005.
C Evans	Police Officer, appointed 15 June 2005.
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 2005

22. Related Party Information

Transactions between Police & Community Youth Clubs NSW Ltd and directors or director related entities 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.

N W Moore Nature of terms and conditions:
Macquarie Property, a director-related entity, are retained by the Company to provide advice on the Company's property assets. Transactions totaled \$15,600 (2004: \$NIL)

23. Segment Reporting

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

24. 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 \$14,945,453 (2004: \$18,256,080) 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.

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non-interest Bearing		Total	
	2005 %	2004 %	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$
Financial Assets:								
Cash and cash equivalents	5.3	5.2	14,945,453	21,007,232	-	-	14,945,453	21,007,232
Receivables	8.3	-	279,946	-	835,212	304,849	1,115,158	304,849
Total Financial Assets			15,225,399	21,007,232	835,212	304,849	16,060,611	21,312,081
Financial Liabilities:								
Trade and other payables	-	-	-	-	2,588,744	2,377,594	2,588,744	2,377,594
Bank overdraft secured	7.6	7.3	-	2,751,152	-	-	-	2,751,152
Loans	-	-	-	7,000	-	-	-	7,000
Total Financial Liabilities				2,758,152	2,588,744	2,377,594	2,588,744	5,135,746

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

25. Events After the Balance Date

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.

26. Capital Commitments

Capital commitments contracted for:

	2005	2004
	\$	\$
Capital expenditure projects	<u>3,530,278</u>	<u>-</u>
Payable		
- not later than 12 months	3,530,278	-
- between 12 months and five years	-	-
- greater than five years	-	-
	<u>3,530,278</u>	<u>-</u>

27. Company Details

The registered office of the company is:

1A Cleary Avenue
Belmore NSW 2192