

**POLICE & COMMUNITY YOUTH CLUBS NSW LTD**

A.B.N. 89 401 152 271

FINANCIAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2002



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

A.B.N. 89 401 152 271

## **DIRECTORS' REPORT**

The Directors present their report on the company, comprising State Office, the 55 Clubs, and the Advancement Fund for the year ended 31 December 2002.

We wish to thank the outgoing members of the Board, Mr Denis Cleary, Mr Peter Blythe, Mr Mark Ella, Ms Karen Legge and Ms Karin Sheedy and for their excellent work in promoting PCYC NSW.

### **DIRECTORS**

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

Allan L Backhouse	Karen Legge – resigned 1 March 2002
Peter J J Blythe – resigned 28 February 2002	David Madden – appointed 1 March 2002- resigned 19 June 2002.
Denis Cleary – resigned 1 March 2002	Nicholas W Moore – appointed 1 March 2002
Mark A Coyne – appointed 1 March 2002	Warren Mundine – appointed 1 March 2002
Mark Ella – resigned 1 March 2002	Andrew Scipione – appointed 19 June 2002
Ian K Ellis	Karin Sheedy – resigned 1 March 2002
Melinda Gainsford-Taylor – appointed 1 March 2002	Glenn L Stewart
Graham S Habgood	Errol Whiteley
Frank Hansen	

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

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

### **PRINCIPAL ACTIVITIES**

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

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

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

### **RESULTS**

The net profit of the Company for the year ended 31 December 2002 after income tax was \$3,955,615.

### **DIVIDENDS**

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

### **REVIEW OF OPERATIONS**

Membership in the PCYC was 33,000 members, active in a range of sporting, arts, life-skill and general recreation activities in our Clubs.

Approximately 800 young people who came to the attention of the judicial system have been involved in Targeted Programming work by Police Officers working in PCYC Clubs. Although a difficult area of social policy to assess, initial review of outcome data on this targeted work suggested a 65% reduction in offending behavior by those involved with PCYC programs, a significant achievement in juvenile crime reduction.

PCYC Police Officers undertook 2,459 'hot spot' juvenile crime interventions involving situational and community crime prevention strategies.

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## **DIRECTORS' REPORT (CONTINUED)**

### **REVIEW OF OPERATIONS - Continued**

PCYC Police Officers were involved in over 900 different types of community policing activities including schools, driver education, and general community crime prevention programs and involving over 220,000 people in Club or outreach activities.

Five new Board members, including a new Chairman, were appointed by the Police Minister, The Hon Michael Costa MP, in February and a new Chief Executive Officer was recruited in September. The new Board authorised a major restructuring of the State Office to lower costs and re-align Executive team structure in October.

Two Police Officers working in PCYC Clubs won State-wide community awards in recognition of the importance of their work for the community.

Work commenced on a new PCYC Club in Liverpool with the support of Liverpool City Council, and on community facilities at Marrickville to be managed by PCYC for Marrickville City Council.

A major resourcing initiative for Clubs was established with pilot funding from the Minister for Police, the Hon Michael Costa MP, which will place civilian administrators in up to 18 Clubs to release Police Officers for direct work with young people and community policing initiatives.

Grants of \$5 million and \$2.7 million were provided by the Police Minister towards Club upgrades and the costs of organisational reform, respectively.

Supplementing the grant from the Police Minister with its own reserves, a \$15 million capital funding program was launched by PCYC with Clubs invited to make submissions for Club 2003-2005 upgrades and redevelopment.

Macquarie Bank provided 279 computers, 55 printers and implementation funds of \$120,000 to allow Clubs to establish computer based learning centres as part of their programs.

NSW Department of Sport & Recreation provided \$300,000 for Club "Youth in Sport" programs across the State.

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

### **EVENTS SUBSEQUENT TO 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.

### **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.

# POLICE & COMMUNITY YOUTH CLUBS NSW LTD AND ITS CLUBS

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## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS BENEFITS – continued

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

### DIRECTORS INTERESTS

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

### MEETINGS OF DIRECTORS

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

	Directors' Meetings		Audit Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
A L Backhouse	9	8		
P J J Blythe	1	0		
D Cleary	1	0		
M Coyne	8	6		
M Ella	1	0		
I K Ellis	9	6		
M Gainsford – Taylor	8	4		
G S Habgood	9	7	3	3
F Hansen	9	7		
K Legge	1	0		
D Madden	2	0		
N Moore	8	7	3	3
W Mundine	8	5		
A Scipione	6	0		
K Sheedy	1	0		
G Stewart	9	8		
E Whiteley	9	7		

### PROCEEDINGS ON BEHALF OF COMPANY

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

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

### DIRECTORS AND OFFICERS INDEMNIFICATION

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

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

**NICHOLAS MOORE**  
Chairman

Sydney, 8 April 2003

# **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF**

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

## **Scope**

We have audited the financial report of Police & Community Youth Clubs NSW Ltd as set out on pages 6 to 22 for the year ended 31 December 2002.

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 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 2002 and their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) the provisions of the Charitable Fundraising Act 1991; and
- (c) other mandatory professional reporting requirements.

8 April 2003

**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 report and notes set out on pages 7 to 22:
  - (a) comply with Accounting Standards and the Corporations Act 2001; and
  - (b) give a true and fair view of the financial position as at 31 December 2002 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, 8 April 2003

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

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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, 8 April 2003

**POLICE & COMMUNITY YOUTH CLUBS NSW LTD  
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STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002	2001
		\$	\$
Revenue from operating activities - fundraising			
- Proceeds from fundraising		4,832,550	5,292,261
- Donations and bequests		2,133,091	2,027,296
		6,965,641	7,319,557
Less Fundraising expenditure		(3,689,593)	(4,081,302)
Net surplus from fundraising		3,276,048	3,238,255
Other revenue from operating activities	2	4,343,011	4,196,589
Other revenue from non-operating activities	2	10,921,235	6,457,122
Cost of goods sold		(467,277)	(506,389)
Activity expenses		(2,034,255)	(1,871,308)
Occupancy costs		(4,090,959)	(4,014,977)
Employment costs		(3,887,725)	(3,628,167)
Transport and communication expenses		(1,409,156)	(1,233,802)
Administration expenses		(1,992,409)	(1,788,055)
Borrowing costs – other persons		(22,720)	(15,629)
Carrying value of assets sold		(680,178)	(2,794,279)
Profit (Loss) from ordinary activities before income tax expense		3,955,615	(1,960,640)
Income tax expense - exempt	1	-	-
Profit (Loss) from ordinary activities after income tax expense		3,955,615	(1,960,640)
Increase (decrease) in asset revaluation reserve	12	10,818,838	(366,255)
Increase in asset revaluation reserve on adoption of accounting standard AASB 1041	12	-	1,359,000
Net assets of community funded programs transferred out as a result in change of accounting policy	13	-	(244,715)
Total changes in equity		\$14,774,453	\$(1,212,610)

The accompanying notes form part of these financial statements.

**POLICE & COMMUNITY YOUTH CLUBS NSW LTD  
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STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2002

	Note	2002	2001
		\$	\$
<b>Current Assets</b>			
Cash assets	4	20,491,906	14,219,251
Receivables	5	475,006	251,367
Inventories	6	76,391	87,415
Other	7	398,221	224,629
<b>Total Current Assets</b>		<b>21,441,524</b>	<b>14,782,662</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	60,829,472	52,152,136
<b>Total Non-Current Assets</b>		<b>60,829,472</b>	<b>52,152,136</b>
<b>Total Assets</b>		<b>82,270,996</b>	<b>66,934,798</b>
<b>Current Liabilities</b>			
Payables	9	1,528,977	1,169,208
Interest bearing liabilities	10	842,147	633,552
Provisions	11	215,429	220,238
<b>Total Current Liabilities</b>		<b>2,586,553</b>	<b>2,022,998</b>
<b>Non-Current Liabilities</b>			
Interest bearing liabilities	10	9,500	31,925
Provisions	11	164,420	143,805
<b>Total Non-Current Liabilities</b>		<b>173,920</b>	<b>175,730</b>
<b>Total Liabilities</b>		<b>2,760,473</b>	<b>2,198,728</b>
<b>Net Assets</b>		<b>\$79,510,523</b>	<b>\$64,736,070</b>
<b>Equity</b>			
Reserves	12	57,435,863	46,617,025
Accumulated Funds	13	22,074,660	18,119,045
<b>Total Equity</b>		<b>\$79,510,523</b>	<b>\$64,736,070</b>

The accompanying notes form part of these financial statements.

**POLICE & COMMUNITY YOUTH CLUBS NSW LTD  
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STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002	2001
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers – inclusive of GST		20,418,690	12,090,463
Payments to suppliers and employees - inclusive of GST		(14,006,488)	(13,197,325)
Interest received		758,488	590,511
Borrowing costs		(22,527)	(27,258)
<b>Net cash inflow(outflow)from operating activities</b>	14	<u>7,148,163</u>	<u>(543,609)</u>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(1,883,549)	(2,155,529)
Proceeds from sale of property, plant and equipment		821,871	10,886,993
<b>Net Cash (outflow) inflow from investing activities</b>		<u>(1,061,678)</u>	<u>8,731,464</u>
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings		-	29,925
Repayment of borrowings		(40,925)	(27,736)
<b>Net (outflow) inflow from financing activities</b>		<u>(40,925)</u>	<u>2,189</u>
<b>Net increase in cash held</b>		6,045,560	8,190,045
Cash at the beginning of the year		13,610,199	5,420,154
<b>Cash at the end of the year</b>	15	<u>\$19,655,759</u>	<u>\$13,610,199</u>

The accompanying notes form part of these financial statements.

# POLICE & COMMUNITY YOUTH CLUBS NSW LTD AND ITS CLUBS

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

	2002	2001
	\$	\$

### 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 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.

#### Income Tax

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

#### 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.

# POLICE & COMMUNITY YOUTH CLUBS NSW LTD AND ITS CLUBS

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

	2002	2001
	\$	\$

### Statement of Accounting Policies - Continued

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

#### Buildings on Leasehold Land

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

#### Buildings held in Trust

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

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

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

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

#### Plant and Equipment

Plant and equipment are measured on the cost basis.

#### Depreciation

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

The depreciation rates used for each class of assets are:

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

# POLICE & COMMUNITY YOUTH CLUBS NSW LTD AND ITS CLUBS

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

	2002	2001
	\$	\$

### Statement of Accounting Policies - Continued

#### Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset are transferred to the entity are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are depreciated on a straight line basis over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

#### Employee Entitlements

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

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

#### Cash

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

#### Revenue

Revenue from fundraising and donations is recognised upon receipt.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

Revenue from the sale of goods is recognised upon delivery of goods to customers.

Interest is recognised on a proportional basis taking into account interest rates applicable to financial assets.

#### Goods & Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST

# POLICE & COMMUNITY YOUTH CLUBS NSW LTD AND ITS CLUBS

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

	2002	2001
	\$	\$
<b>Statement of Accounting Policies - Continued</b>		
<b>Change in Accounting Policy</b>		
<p>The company changed its accounting policy in the 2001 financial year to no longer recognise transactions arising from the provision of After School Care, Vacation Care and other externally funded programs as they do not meet the respective financial reporting recognition criteria. The effect of the change has been an adjustment to opening accumulated funds for the prior financial year 2002 \$Nil (2001 \$244,715).</p>		
<b>Assumption of Police Service Support</b>		
<p>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.</p> <p>No amount has been included in the financial report for the valuable services provided by the NSW Police Service.</p> <p>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.</p> <p>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.</p>		
<b>Members' Guarantees</b>		
<p>Police &amp; 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.</p>		
<b>2. Revenue</b>		
<b>Operating activities</b>		
- Proceeds from fundraising	4,832,550	5,292,261
- Donations and bequests	2,133,091	2,027,296
- Fees	3,778,343	3,471,246
- Sale of goods	552,388	643,115
- Other	12,280	82,229
	11,308,652	11,516,147
<b>Non-operating activities</b>		
- Government grants	9,213,759	729,704
- Interest received – other persons	758,488	590,511
- Rent received	142,923	81,196
- Insurance proceeds	7,455	229,067
- Proceeds on disposal of non-current assets	798,609	4,826,643
	10,921,234	6,457,121
<b>Total revenue</b>	\$22,229,886	\$17,973,268

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2002

	2002	2001
	\$	\$
<b>3. Profit (Loss) from Ordinary Activities</b>		
Profit (Loss) from ordinary activities before income tax has been determined after:		
<b>Revenue and net gains</b>		
Net gain on disposal of non-current assets		
- property	-	1,760,383
- Plant, equipment and motor vehicles	116,618	20,037
<b>Expenses</b>		
Depreciation		
- Buildings on freehold land	1,219,777	1,229,341
- Buildings on leasehold land	397,359	418,783
- Buildings held in trust	741,271	758,060
- Plant, equipment and motor vehicles	961,391	990,099
	<u>3,319,798</u>	<u>3,396,283</u>
Provisions		
- Employee entitlements	15,806	(14,463)
Borrowing costs		
- Interest paid - other	22,720	27,258
<b>4. Cash Assets</b>		
Cash on hand	13,840	13,701
Cash on deposit	20,478,066	14,205,550
	<u>\$20,491,906</u>	<u>\$14,219,251</u>
Represented By:		
Club and State Office funds		
Funds for general working expenses	3,666,136	2,996,819
Special purpose funds:		
Advancement Fund	16,825,770	11,222,432
	<u>\$20,491,906</u>	<u>\$14,219,251</u>
<b>5. Receivables</b>		
Trade debtors	420,262	227,723
Sundry debtors	54,744	23,644
	<u>\$475,006</u>	<u>\$251,367</u>
<b>6. Inventories</b>		
Finished goods at cost	<u>\$76,391</u>	<u>\$87,415</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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	2002	2001
	\$	\$
<b>7. Other</b>		
Prepaid expenses	397,021	224,629
Share Investments	1,200	-
	<u>\$398,221</u>	<u>\$224,629</u>
<b>8. Property, Plant and Equipment</b>		
Freehold land		
At independent valuation – 2002	15,044,000	-
At directors valuation – 2001	-	11,523,000
	<u>15,044,000</u>	<u>11,523,000</u>
Buildings on freehold land		
At independent valuation – 2002	20,226,000	-
At directors valuation – 2001	-	21,468,245
Less: accumulated depreciation	-	3,039,323
	<u>20,226,000</u>	<u>18,428,922</u>
Buildings on leasehold land		
At independent valuation – 2002	4,944,780	-
At directors valuation – 2001	-	5,377,838
	<u>4,944,780</u>	<u>5,377,838</u>
Less: accumulated amortisation	-	798,407
	<u>4,944,780</u>	<u>4,579,431</u>
Buildings held in trust		
At independent valuation – 2002	15,610,000	-
At directors valuation – 2001	-	14,565,690
Less: Accumulated depreciation	-	1,792,431
	<u>15,610,000</u>	<u>12,773,259</u>
Total properties	<u>55,824,780</u>	<u>47,304,612</u>
<b>Property, Plant and Equipment (Cont)</b>		
Plant, equipment and motor vehicles – at cost	11,202,897	10,973,572
Less: Accumulated depreciation	6,198,205	6,126,048
	<u>5,004,692</u>	<u>4,847,524</u>
Total property, plant and equipment	<u>\$60,829,472</u>	<u>\$52,152,136</u>

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

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NOTES TO THE FINANCIAL STATEMENTS  
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	2002	2001
	\$	\$

**Reconciliations - 2002**

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	11,523,000	18,428,922	4,579,431
Additions	-		45,780
Fair value increments	3,521,000	3,037,855	716,926
Depreciation expense	-	(1,240,777)	(397,357)
Carrying amount at the end of the year	<u>\$15,044,000</u>	<u>\$20,226,000</u>	<u>\$4,944,780</u>

	Buildings	Plant and	Total
	In trust	equipment	\$
	\$	\$	\$
Carrying amount at the start of the year	12,773,259	4,847,524	52,152,136
Additions	13,958	1,823,811	1,883,549
Disposals	-	(726,250)	(726,250)
Fair value increments	3,564,054	-	10,839,835
Depreciation expense	(741,271)	(940,393)	(3,319,798)
Carrying amount at the end of the year	<u>\$15,610,000</u>	<u>\$5,004,692</u>	<u>\$60,829,472</u>

**9. Payables**

**Current**

Trade creditors and accruals	<u>\$1,528,977</u>	<u>\$1,169,208</u>
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**10. Interest Bearing Liabilities**

**Current**

Bank overdraft – secured	836,147	609,052
Loans secured by guarantee	6,000	24,500
	<u>\$842,147</u>	<u>\$633,552</u>

**Non Current**

Loans secured by guarantee	<u>\$9,500</u>	<u>\$31,925</u>
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The variable rate bank overdraft is secured by a charge over certain cash investments.

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	2002	2001
	\$	\$
<b>11. Provisions</b>		
<b>Current</b>		
Provision for employee entitlements	\$215,429	\$220,238
<b>Non Current</b>		
Provision for employee entitlements	\$164,420	\$143,805
Aggregate amount of employee entitlements liability	\$379,849	\$364,043
<b>12. Reserves</b>		
Asset revaluation reserve	\$57,435,863	\$46,617,025
<b>Movement in reserves</b>		
<b>Asset revaluation reserve</b>		
Opening balance	46,617,025	47,716,573
Increase in asset revaluation reserve on adoption of accounting standard AASB 1041	-	1,359,000
Write down of freehold property to recoverable amounts	-	(366,255)
Revaluation increments on land and buildings	10,818,838	-
Transfer prior year revaluation increments to accumulated funds being increment realised on sale of freehold property	-	(2,092,293)
Closing Balance	\$57,435,863	\$46,617,025
<b>Asset Realisation Reserve</b>		
Opening Balance	-	8,487,616
Less: Transfer to accumulated funds	-	(8,487,616)
Closing Balance	-	-

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

	2002	2001
	\$	\$
<b>13. Accumulated Funds</b>		
Accumulated funds at the beginning of the financial year	18,119,045	9,744,491
Transfer from asset realisation reserve	-	8,487,616
Transfer from asset revaluation reserve of previous revaluation increments of Land and Buildings disposed of during the year	-	2,092,293
Net assets of community funded programs transferred out as a result in change of accounting policy	-	(244,715)
Net Profit (loss) attributable to members	3,955,615	(1,960,640)
Accumulated funds at the end of the financial year	<u>\$22,074,660</u>	<u>\$18,119,045</u>

### 14. Cash flow Information

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

Profit (Loss) from ordinary activities after income tax	3,955,615	(1,960,640)
Non-cash flows in loss from ordinary activities:		
Depreciation expense	3,319,798	3,396,283
Net gain on disposal of property, plant and equipment	(116,618)	(1,780,421)
Increase (decrease) in provision for employee entitlements	15,806	(14,463)
Changes in assets and liabilities		
(Increase) decrease in receivables	(397,231)	273,835
(Increase) decrease in inventories	11,024	(1,854)
Increase (decrease) in trade creditors and accruals	359,769	(456,349)
Cash Flows from operations	<u>\$7,148,163</u>	<u>\$(543,609)</u>

The company has a bank overdraft facility amounting to \$2,500,000 (2001 \$2,500,000). At 31 December 2002 \$836,147 (2001: \$609,052) of this facility was used. Interest rates are variable.

### 15. Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash on hand	13,840	13,701
Cash on deposit	20,478,066	14,205,550
Bank overdrafts	(836,147)	(609,052)
	<u>\$19,655,759</u>	<u>\$13,610,199</u>

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FOR THE YEAR ENDED 31 DECEMBER 2002

	2002	2001
	\$	\$

**16. 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, or any liabilities arising from such legal action would not have a materially adverse effect on the operating result or financial position of the company if settled unfavorably.

**17. Charitable Fundraising Information**

Total income received by the Company comprises fundraising income and income from other sources. 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. The following information on income and expenses of fundraising appeals is disclosed in accordance with the requirements of the Best Practice Guidelines for charitable organisations.

<b>Fundraising Comparisons by percentage</b>	%	%
Cost of fundraising to total income from fundraising	76	67
Surplus from fundraising to gross income from fundraising	24	44
Costs of fundraising services to total expenditure	20	24
Costs of fundraising services to total income received	17	31

**18. Auditors Remuneration**

Received or due and receivable by the auditor for:

- Auditing the accounts	173,420	111,210
- Other services	11,000	12,500

Received or due and receivable by other auditors for:

- Auditing club accounts	-	77,763
	<u>\$184,420</u>	<u>\$201,473</u>

**19. Remuneration of Directors**

Amounts received, or due and receivable by the Directors

<u>\$35,328</u>	<u>\$41,870</u>
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Number of Directors of the company whose remuneration was within the following bands:

\$1 to \$9,999	11	9
\$20,000 to \$29,999	1	1

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

	2002	2001
	\$	\$

### 20. 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.
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, appointed March 2002.
G S Habgood	Company Director, appointed July 2000.
F Hansen	Police Officer, appointed July 1998.
W Mundine	Land Management Consultant, appointed March 2002.
A Scipione	Police officer, appointed June 2002.
G L Stewart	IT Analyst, Treasurer South Sydney PCYC, appointed September 1997.
E Whiteley	Financial Planner, member of the Financial Planning Association of Australia, appointed July 2000.

### 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.

P J J Blythe	Nature of terms and conditions: 2002 \$Nil (2001 \$6,930) – Provision of consulting services relating to budget and financial matters.
D Cleary	Nature of terms and conditions: Macquarie Property and Investment Banking are retained by the Company to provide advice on proper management of the Company's property assets.
G S Habgood	Nature of terms and conditions: 2002 \$1,580 (2001: \$6,500) – Provision of coach charter services to Newcastle PCYC as and when required at commercial rates. Payable to the Sid Foggs & Sons group of company's.

### 22. Segment Reporting

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

### 23. Financial Instruments

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

#### Interest Rate Risk

The company has cash in banks and on deposit of \$20,478,066 (2001: \$14,205,550) as disclosed in these notes. The cash is earning interest at market rates.

# POLICE & COMMUNITY YOUTH CLUBS NSW LTD AND ITS CLUBS

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

	2002	2001
	\$	\$

### **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