

POLICE & COMMUNITY YOUTH CLUBS NSW LTD
A.B.N. 89 401 152 271

FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006



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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 2006.

DIRECTORS

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

Allan L Backhouse – term expired 30 March 2007	Diane Scobie
Cheryl Battaerd – resigned 23 Nov 2006	Glenn L Stewart – term expired 30 March 2007
Malcolm Cochrane	Arlene Tansey
Mark A Coyne	Errol Whiteley
Ian K Ellis	Brent Thomas – appointed 23 Nov 2006
Christopher Evans	James Crethar – appointed 30 March 2007
Nicholas W Moore	Janis Harvey – appointed 30 March 2007

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, special responsibilities 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 2006 after income tax was \$3,650,591(2005: (\$4,157,377)).

REVIEW OF OPERATIONS

2006 was another year of growth, investment, and new initiatives by Police and Community Youth Clubs NSW.

Membership in local Clubs continued to grow with approximately 53,000 members in 2006 compared to approx 45,000 in 2005. A major focus for membership growth has been initiatives by PCYC in promoting new sports activities and events at Club level such as Futsal (indoor soccer), 3x3 basketball and Oztag. As part of a strategy to create development paths for young people interested in football and Futsal, PCYC took over a football club centrally located within the greater Sydney area with significant game and training facilities – Parramatta FC – with the Club's youth and senior teams to operate as PCYC Parramatta Eagles in the future. Promotion of sports and arts initiatives will continue 2007.

Over 650 young people were case managed by Police Officers working in and through PCYC during 2006, with over 260 additional 'at risk' young people also involved in programs. Offence reduction on average across the group of young offenders involved in Police Programs was approximately 70%, this outstanding level of effectiveness being achieved even as numbers involved have increased. Sixty seven youth crime or anti-social behavior 'hotspots' were also being targeted.

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DIRECTORS' REPORT

REVIEW OF OPERATIONS - Continued

A major crime reduction initiative, using funds provided by the NSW Government, was the launch of two new Mobile PCYC vans targeting youth 'hotspots' in the Newcastle and Lake Macquarie local Government areas and at Walgett. Each van cost approx \$ and contains in-van computer games and music event sound systems, sports equipment and a bar-b-q to enable a range of interactions with young people by the Police Officers and volunteers working out of the vans. An independent evaluation project has been put in place to monitor the effectiveness of the two Mobile units in lowering incidents of crime and promoting safety in public places. Initial reports from the communities and Police Local Area Commands served indicates strong support for the work done through the Mobile units.

A number of major Club upgrades were completed in 2006. Maitland, Tweed Heads and Dubbo Clubs benefited from major redevelopment projects costing approximately \$800,000, \$1.5 million and \$2.5 million respectively. Each Club has been able to develop significant new activity spaces for the young people. Overall the capital upgrade expenditure from the Advancement Fund for 2006 amounted to approximately \$5.9 million.

Increased fundraising to create a sustainable operating base into the future continued to be a major focus for PCYC in 2006. State Office achieved net fundraising in 2006 of approximately \$6.1 million, up approximately \$650,000 from 2005. A major new initiative – the Commissioner's Gala Dinner for PCYC – was launched thanks to the support of the NSW Police Commissioner, with that event raising approx \$50,000 for PCYC's youth programs.

The term of appointment for the seven Directors appointed by the NSW Minister for Police under PCYC's Constitution expired in June 2006. Mr Nicholas Moore, the existing Chairperson, was re-appointed Chairperson and five existing directors were also re-appointed. Mr Brent Thomas was appointed for the first time. The term for these appointments is to June 2008. The term of office for elected directors also expired during the year, with elections of new directors completed in early 2007.

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.

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 Note 19 to this Annual report.

DIRECTORS INTERESTS

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

MEETINGS OF DIRECTORS

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

	Directors' Meetings		Risk & Finance Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
A L Backhouse	6	5	-	-
C Battaerd	5	4	-	-
M Cochrane	6	6	-	-
M Coyne	6	5	-	-
I K Ellis	6	5	6	5
B Thomas	1	1	-	-
C Evans	6	4	-	-
N Moore	6	6	6	6
D Scobie	6	4	-	-
G Stewart	6	2	-	-
A Tansey	6	5	-	-
E Whiteley	6	5	-	-

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.

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

A.B.N. 89 401 152 271

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:

A handwritten signature in black ink, consisting of stylized initials and a surname.

NICHOLAS MOORE
Chairman

Sydney, 23 April 2007

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF POLICE AND COMMUNITY YOUTH CLUBS NSW
LIMITED**

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 Limited for the year ended 31 December 2006, 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.


GRANT THORNTON NSW


A G RIGELE
Partner

Sydney

23 April 2007

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INDEPENDENT AUDIT REPORT TO MEMBERS OF POLICE AND COMMUNITY YOUTH CLUBS NSW LIMITED

Scope

The financial report and board responsibility

The financial report comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement, accompanying notes to the financial statements, and the declaration by the Directors in respect of Fundraising Appeals for Police and Community Youth Clubs NSW Limited (“the company”), for the year ended 31 December 2006.

The Board of Police and Community Youth Clubs NSW Limited are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001, other mandatory professional reporting requirements in Australia and the Charitable Fundraising Act 1991. 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 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, other mandatory financial reporting requirements in Australia and the Charitable Fundraising Act 1991, 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 Company.

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.

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**INDEPENDENT AUDIT REPORT TO MEMBERS OF POLICE AND
COMMUNITY YOUTH CLUBS NSW LIMITED (cont)**

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.

Qualified audit opinion

In our opinion, 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 2006, and of its performance for the year ended on that date.
 - (ii) Complying with Accounting Standards in Australia and the Corporations Act 2001.
- (b) other mandatory financial reporting requirements in Australia.
- (c) the financial report shows a true and fair view of the financial result of fundraising appeals for the year to which they relate;
- (d) the financial report and associated records have been properly kept during the year in accordance with the Act and the regulations;
- (e) monies received as a result of fundraising appeals conducted during the year has been properly accounted for and applied in accordance with the Act and its regulations; and
- (f) there are reasonable grounds to believe Police and Community Youth Clubs NSW Limited will be able to pay its debts as and when they fall due.


GRANT THORNTON NSW
Chartered Accountants


A G RIGGLE
Partner

Sydney

23 April 2007


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 2006 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, 23 April 2007

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 balance sheet gives a true and fair view of the state of affairs of the state of affairs with respect to fund raising appeals; and
- (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; and
- (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, 23 April 2007

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006	2005
		\$	\$
Revenue	2	25,130,288	23,153,555
Contributions from Police Officer services	1	8,910,621	8,307,068
Other income	2	36,191	258,431
Fundraising expenditure	3	(4,262,404)	(4,835,431)
Cost of goods sold		(507,979)	(430,831)
Activity expenses	3	(4,596,020)	(3,632,737)
Occupancy costs		(5,820,366)	(5,724,931)
Employment costs		(7,752,152)	(7,504,719)
Transport and communication expenses	3	(2,309,038)	(1,834,745)
Administration expenses		(3,249,350)	(3,150,329)
Finance costs – other persons		(103,252)	(148,711)
Costs of Police Officer services	1	(8,910,621)	(8,307,068)
Other expenses		(216,509)	(306,929)
Loss from ordinary activities before income tax expense		(3,650,591)	(4,157,377)
Income tax expense - exempt	1	-	-
Loss from ordinary activities after income tax expense		(3,650,591)	(4,157,377)

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 2006

	Note	2006	2005
		\$	\$
Current Assets			
Cash and cash equivalents	4	10,533,559	14,945,453
Trade and other receivables	5	779,541	835,212
Inventories	6	51,780	69,261
Other current assets	7	313,598	427,553
Total Current Assets		<u>11,678,478</u>	<u>16,277,479</u>
Non-Current Assets			
Trade and other receivables	5	304,425	279,946
Property, plant and equipment	8	70,182,220	68,220,226
Intangibles	9	187,245	176,755
Total Non-Current Assets		<u>70,673,890</u>	<u>68,676,927</u>
Total Assets		<u>82,352,368</u>	<u>84,954,406</u>
Current Liabilities			
Trade and other payables	10	2,634,509	2,588,774
Short-term borrowings	11	833,891	-
Short-term provisions	12	829,505	455,179
Total Current Liabilities		<u>4,297,905</u>	<u>3,043,953</u>
Non-Current Liabilities			
Long-term provisions	12	162,447	367,848
Total Non-Current Liabilities		<u>162,447</u>	<u>367,848</u>
Total Liabilities		<u>4,460,352</u>	<u>3,411,801</u>
Net Assets		<u>77,892,016</u>	<u>81,542,605</u>
Equity			
Reserves	13	68,284,349	68,284,349
Accumulated funds		9,607,667	13,258,256
Total Equity		<u>77,892,016</u>	<u>81,542,605</u>

The accompanying notes form part of these financial statements.

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Retained Earnings	Asset Revaluation Reserve	Total
	\$	\$	\$
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
Balance at 1 January 2006	13,258,256	68,284,349	81,542,605
Revaluation of land and buildings	-	-	-
Realisation of revaluation	-	-	-
Net income recognised directly in equity	-	-	-
Loss for the period	(3,650,591)	-	(3,650,591)
Total recognised income and expense for the period	(3,650,591)	-	(3,650,591)
Balance at 31 December 2006	9,607,667	68,284,349	77,892,016

The accompanying notes form part of these financial statements.

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**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	2006	2005
		\$	\$
Cash flows from operating activities			
Receipts from customers – inclusive of GST		26,661,683	22,598,234
Payments to suppliers and employees - inclusive of GST		(26,189,427)	(23,542,504)
Interest received		809,296	1,035,818
Finance costs		(103,252)	(148,711)
Net cash inflow from operating activities	16	<u>1,178,302</u>	<u>(57,163)</u>
Cash flows from investing activities			
Purchases of property, plant and equipment		(8,424,896)	(4,416,569)
Proceeds from sale of property, plant and equipment		2,105,119	1,433,105
Loans made		-	(270,000)
Purchase of Software		(104,310)	-
Net cash outflow from investing activities		<u>(6,424,087)</u>	<u>(3,253,464)</u>
Cash flows from financing activities			
Repayment of borrowings		-	-
Net outflow from financing activities		<u>-</u>	<u>-</u>
Net decrease in cash held		(5,245,785)	(3,310,627)
Cash at the beginning of the year		14,945,453	18,256,080
Cash at the end of the year	17	<u>9,699,668</u>	<u>14,945,453</u>

The accompanying notes form part of these financial statements.

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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 of Police & Community Youth Clubs NSW Ltd complies with all Australian equivalents to International Financial Reporting Standards (AIFRS). A statement of compliance with International Financial Reporting standards cannot be made due to the company applying for the not-for-profit sector specific requirements contained in AIFRS.

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

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.

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.

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

Donated Services

Various services are generously donated to the company. 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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.

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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 the estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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 2006



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. Software is being amortised over a period of 5 years. 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.

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

	2006	2005
	\$	\$
2. Revenue		
Operating activities		
Proceeds from fundraising		
- Housie	1,338,564	2,683,237
- Donations	2,744,673	2,740,799
- Raffles and Art Unions	5,412,391	4,251,467
- Other fundraising projects	907,989	644,279
Sale of goods	680,227	623,310
Fees	6,492,670	5,482,851
Government grants	6,258,421	5,308,244
Interest received – other persons	833,776	1,035,818
Other	180,024	165,739
Rent received	142,641	131,280
Insurance proceeds	138,912	86,531
Total revenue	<u>25,130,288</u>	<u>23,153,555</u>
Other Income		
Gains on disposal of property, plant and equipment	36,191	258,431
Other Income	<u>36,191</u>	<u>258,431</u>
3. Loss from Ordinary Activities		
Loss from ordinary activities before income tax has been determined after:		
Revenue and net gains		
Net gain (loss) on disposal of non-current assets		
- property	-	165,400
- Plant, equipment and motor vehicles	(128,231)	(49,851)
Expenses		
Depreciation		
- Buildings on freehold land	1,327,163	1,482,019
- Buildings on leasehold land	345,853	525,450
- Buildings held in trust	937,181	982,571
- Plant, equipment and motor vehicles	1,619,355	1,170,895
	<u>4,229,552</u>	<u>4,160,935</u>
Provisions - Employee entitlements	169,466	310,339
Amortisation of Software	46,812	-
Impairment of Goodwill	47,010	-
Finance costs	103,252	148,711

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

	2006	2005
	\$	\$
3. Loss from Ordinary Activities (continued)		
Significant expenses		
The following expense items are relevant in explaining the financial performance		
Fundraising expenditure		
Reduction in cost in:		
Housie	1,158,687	2,152,694
Activity Expenses		
Overall increase and reclassify of Grant costs:		
Grant costs	724,688	585,247
Activity costs	1,040,652	761,608
Transport and Communication Expenses		
Increase in Depreciation:		
Motor vehicles	896,133	548,428
4. Cash and cash equivalents		
Cash at bank and in hand	34,519	299,413
Cash on deposit	10,499,040	14,646,040
	<u>10,533,559</u>	<u>14,945,453</u>
Represented By:		
Club and State Office funds:		
- Funds for general working expenses	854,728	491,396
Special purpose funds:		
- Advancement Fund	9,678,831	14,454,057
	<u>10,533,559</u>	<u>14,945,453</u>
5. Trade and Other Receivables		
Current		
Trade debtors	508,583	234,078
Sundry debtors	270,958	601,134
	<u>779,541</u>	<u>835,212</u>
Non-Current		
Loans – Other	<u>304,425</u>	<u>279,946</u>

All loans are secured by mortgage on property.

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

	2006	2005
	\$	\$
6. Inventories		
Finished goods at cost	<u>51,780</u>	<u>69,261</u>
7. Other current assets		
Prepaid expenses	<u>313,598</u>	<u>427,553</u>
8. Property, Plant and Equipment		
Freehold land		
At valuation	<u>19,404,000</u>	<u>19,404,000</u>
	<u>19,404,000</u>	<u>19,404,000</u>
Buildings on freehold land		
At cost	26,271,285	24,245,000
Less: accumulated depreciation	<u>1,327,163</u>	-
	<u>24,944,122</u>	<u>24,245,000</u>
Buildings on leasehold land		
At deemed cost	<u>8,414,901</u>	<u>6,644,806</u>
	8,414,901	6,644,806
Less: accumulated amortisation	<u>2,291,624</u>	<u>1,945,890</u>
	<u>6,123,277</u>	<u>4,698,916</u>
Buildings held in trust		
At cost	<u>16,802,970</u>	<u>16,583,426</u>
	16,802,970	16,583,426
Less: Accumulated depreciation	<u>3,874,860</u>	<u>2,937,679</u>
	<u>12,928,110</u>	<u>13,645,747</u>
Total properties	<u>63,399,509</u>	<u>61,993,663</u>
Plant, equipment and motor vehicles – at cost	15,329,439	14,358,299
Less: Accumulated depreciation	<u>8,546,728</u>	<u>8,131,736</u>
	<u>6,782,711</u>	<u>6,226,563</u>
Total property, plant and equipment	<u>70,182,220</u>	<u>68,220,226</u>

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.

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

	2006	2005
	\$	\$
8. Property, Plant and Equipment (continued)		
Reconciliations - 2006		
Reconciliation of the carrying amount of each class of property, plant and equipment are set out below:		
	Freehold Properties	Leasehold
	Land	Buildings
	\$	\$
Carrying amount at the start of the year	19,404,000	24,245,000
Additions	-	2,026,285
Disposals	-	-
Revaluations	-	-
Depreciation expense	-	(1,327,163)
Carrying amount at the end of the year	<u>19,044,000</u>	<u>24,944,122</u>
	Buildings	Plant and
	In trust	equipment
	\$	\$
Carrying amount at the start of the year	13,645,747	6,226,563
Additions	219,544	4,408,853
Disposals	-	(2,233,350)
Revaluations	-	-
Depreciation expense	(937,181)	(1,619,355)
Carrying amount at the end of the year	<u>12,928,110</u>	<u>6,782,711</u>
	Total	Total
	\$	\$
Carrying amount at the start of the year	68,220,226	68,220,226
Additions	8,424,896	8,424,896
Disposals	(2,233,350)	(2,233,350)
Revaluations	-	-
Depreciation expense	(4,229,552)	(4,229,552)
Carrying amount at the end of the year	<u>70,182,220</u>	<u>70,182,220</u>
9. Intangibles		
Software		
At cost	234,057	176,755
Less: Accumulated amortisation	46,812	-
	<u>187,245</u>	<u>176,755</u>
Goodwill		
At cost	47,010	-
Less: Accumulated amortisation	47,010	-
	<u>-</u>	<u>-</u>
Total intangibles	<u>187,245</u>	<u>176,755</u>
10. Trade and Other Payables		
Current		
Trade creditors and accruals	<u>2,634,509</u>	<u>2,588,774</u>

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

	2006	2005
	\$	\$
11. Short-term Borrowings		
Current		
Bank overdraft – secured	833,891	-
Loans secured by guarantee	-	-
	<u>833,891</u>	<u>-</u>

The variable rate bank overdraft is secured by a charge over certain cash investments.

12. Provisions**Current**

Provision for employee entitlements	<u>829,505</u>	<u>455,179</u>
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Non Current

Provision for employee entitlements	<u>162,447</u>	<u>367,848</u>
Aggregate amount of employee entitlements liability	<u>991,952</u>	<u>823,027</u>
Employee Numbers	<u>432</u>	<u>411</u>

13. Reserves**(a) Asset Revaluation Reserve**

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

14. Contingent Liabilities

In the course of its normal business the company receives claims arising from its operating activities. In the opinion of the directors, all such matters are covered by insurance.

15. Fundraising Appeals**Fundraising income and expenses**

Details of aggregate gross income and total expenses in fundraising appeals

Gross proceeds from fundraising appeals	10,403,617	10,319,782
Less: total costs of fundraising	<u>(4,262,404)</u>	<u>(4,835,431)</u>
Net surplus from fundraising	<u>6,141,213</u>	<u>5,484,351</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.

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

	2006	2005
	\$	\$

15. Fundraising Appeals (continued)

Fundraising Comparisons by percentage	%	%
Cost of fundraising to total income from fundraising	41	47
Surplus from fundraising to gross income from fundraising	59	53
Cost of fundraising services to total expenditure	15	18
Cost of fundraising services to total income received	17	21

Gross comparisons

	Gross proceeds \$	Fundraising costs \$	2006 Surplus \$	2005 Surplus \$
Housie	1,338,564	1,158,687	179,877	530,543
Donations and bequests	2,744,673	-	2,744,673	2,740,799
Raffles & Art unions	5,412,392	2,738,545	2,673,847	1,850,549
Fundraising projects	907,988	365,172	542,816	362,460
Total	10,403,617	4,262,404	6,141,213	5,484,351

16. Cash flow Information

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

Loss from ordinary activities after income tax	(3,650,591)	(4,157,377)
Non-cash flows in loss from ordinary activities:		
Depreciation and amortisation expense	4,323,374	4,160,935
Child Care Services		(165,351)
Net loss (gain) on disposal of property, plant and equipment	128,231	(115,549)
Increase in provision for employee entitlements	168,925	310,339
Revaluation decrement	-	163,958
Changes in assets and liabilities:		
Decrease (increase) in prepayments	113,955	63,812
Decrease (increase) in receivables	(202,914)	(530,363)
Decrease (increase) in inventories	17,481	1,253
Increase (decrease) in trade creditors and accruals	279,841	211,180
Cash Flows from operations	1,178,302	(57,163)

The company has a bank overdraft facility amounting to \$2,000,000 (2005: \$2,000,000). At 31 December 2006 \$833,891 (2005: \$0) of this facility was used. Interest rates are variable.

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

	2006	2005
	\$	\$
17. 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	34,519	299,413
Cash on deposit	10,499,040	14,646,040
Bank overdraft	(833,891)	-
	<u>9,699,668</u>	<u>14,945,453</u>

18. Auditors Remuneration

Received or due and receivable by the auditor for:

- Auditing the accounts	60,000	57,500
- Other services	7,620	100,560
	<u>67,620</u>	<u>158,060</u>

19. Key Management Personnel Compensation

Directors

All directors are non-executive and details are included in Note 20 below. No director has received emoluments during the year.

Other Key Management Personnel

Chris Gardiner (Chief Executive Officer)

Kiran Narsey (General Manager, Financial & Corporate Services)

Julie Vaughan (General Manager, Clubs)

	Short-term Benefits				
	Salary & Fees \$	Super annuation Contributions \$	Bonus \$	Non-Cash Benefits \$	Total \$
2006					
Total compensation	<u>380,921</u>	<u>27,688</u>	<u>0</u>	<u>16,350</u>	<u>424,959</u>
2005					
Total compensation	<u>323,590</u>	<u>32,043</u>	<u>16,500</u>	<u>16,350</u>	<u>388,483</u>

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

20. Directors Qualifications, Special responsibilities 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 term expired 30 March 2007.
C Battaerd	Sports Consultant and member of NSW Sports Federation & NSW Womens Sport & Recreation Association, resigned 23 November 2006.
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.
B Thomas	Executive, Commonwealth Bank of Australia and a Solicitor, appointed 23 November 2006.
C Evans	Police Officer, appointed 15 June 2005.
J Crethar	Retired company director, appointed 30 March 2007
J Harvey	Principal, President Parramatta PCYC, appointed 30 March 2007
D Scobie	Teacher, Vice President Port Stephens PCYC, appointed December 2004.
G L Stewart	IT Analyst, Treasurer South Sydney PCYC, term expired 30 March 2007.
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.

21. 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 \$0 (2005: \$15,600)
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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.

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

23. Financial Instruments (continued)

Interest Rate Risk

The company has net cash in banks and on deposit of \$9,699,668 (2005: \$14,945,453) 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	
	2006	2005	2006	2005	2006	2005	2006	2005
	%	%	\$	\$	\$	\$	\$	\$
Financial Assets:								
Cash and cash equivalents	7.9	6.9	10,533,559	14,945,453	-	-	10,533,559	14,945,453
Receivables	8.55	8.3	304,425	279,946	1,013,647	835,212	1,318,072	1,115,158
Total Financial Assets			10,837,984	15,225,399	1,013,647	835,212	11,851,631	16,060,611
Financial Liabilities:								
Trade and other payables	-	-	-	-	2,818,214	2,588,744	2,818,214	2,588,744
Bank overdraft secured	8.3	7.6	833,891	-	-	-	833,891	-
Loans	-	-	-	-	-	-	-	-
Total Financial Liabilities			833,891	-	2,818,214	2,588,744	3,652,105	2,588,744

24. 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.

25. Capital Commitments

Capital commitments contracted for:

	2006 \$	2005 \$
Capital expenditure projects	<u>1,873,000</u>	<u>3,530,278</u>
Payable		
- not later than 12 months	1,873,000	3,530,278
- between 12 months and five years	-	-
- greater than five years	-	-
	<u>1,873,000</u>	<u>3,530,278</u>

POLICE & COMMUNITY YOUTH CLUBS NSW LTD

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**



26. Company Details

The registered office of the company is:

1C Mimika Avenue
Whalan NSW 2770