

BICYCLE VICTORIA INCORPORATED
A B N 41 026 835 903

Bicycle Victoria Incorporated

Financial Report
for the year ended 30 June 2006

Registration No: A0008607J

ABN 41 026 835 903

BICYCLE VICTORIA INCORPORATED

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Board Members' Report

Your Board Members submit the following report of Bicycle Victoria Incorporated ("Bicycle Victoria") for the year ended 30 June 2006.

Board members

The following persons were Board Members of Bicycle Victoria during the whole of the financial year and up to the date of this report:

Simon Crone (President, member of Audit & Risk, Constitution and Remuneration Committees)

David Larsen (Vice President, Chair of Audit & Risk Committee and member of Remuneration, Constitution and Regulation Committees)

James Alexander (member of Audit & Risk and Remuneration Committees)

Gabrielle Callahan

Albie Heintz (member of Audit & Risk , Remuneration and Regulation Committees)

David Levin Q.C. (Chair of Constitution Committee and member of Remuneration Committee)

Stuart Orr (member of Constitution Committee)

Ross Kilborn was appointed as a Board Member in November 2005 and held office up to the date of this report. (Chair of Remuneration Committee)

Jason den Hollander was a Board Member from November 2005 until June 2006.

Sally Hutchison was a Board member and member of the Executive Committee from the beginning of the financial year until November 2005.

Paul van Veenendaal was Board Member from the beginning of the financial year until November 2005.

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Board Members' Report (Cont'd)

Meetings of Board, Audit & Risk and other Committees

Board Member	Board meetings		Audit & Risk Committee (Formerly Executive Committee)		Constitution Committee		Remuneration Committee		Regulation Committee	
	A	B	A	B	A	B	A	B	A	B
Simon Crone – President.	13	12	12	10	1	0	3	2	-	-
David Larsen – Vice Pres.	13	13	7	7	-	-	3	3	1	1
James Alexander	13	11	12	8	-	-	3	1	-	-
Gabrielle Callahan	13	11	-	-	-	-	-	-	-	-
Jason den Hollander	7	5	-	-	-	-	-	-	-	-
Albie Heintz	13	13	12	12	-	-	3	3	1	1
Sally Hutchison	5	5	3	2	-	-	-	-	-	-
Ross Kilborn	8	8	-	-	-	-	3	2	-	-
David Levin Q.C	13	12	-	-	1	1	3	1	-	-
Graham Lindsay	-	-	2	2	-	-	-	-	-	-
Stuart Orr	13	12	-	-	-	-	-	-	-	-
Paul van Veenendaal	5	5	-	-	-	-	-	-	-	-

A = Number of meetings held during the time the Board member held office or was a member of the Committee during the financial year.

B = Number of meetings attended.

Current Board Members relevant skills and terms of office at the date of this report are:-

Board Member	Relevant skills, experience and expertise	Appointed to the Board
Simon Crone – President	FCA, CPA, CMA, BCom, DipSM. 20 years experience in finance (public and private sectors, consulting and in senior management), board and audit committee roles.	2002
David Larsen – Vice Pres.	BA(Psych) BLitt, MBA. 14 years experience in Management Consulting and Project Management	2004
James Alexander	10 years in experience in human resource and industrial relations management for private, public and not for profit sector enterprises.	2001
Gabrielle Callahan	BCom . 10 years experience in an associations, including issues management and member liaison as well as other commercial activities.	2003

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Board Members' Report (Cont'd)

Albie Heintz	14 years experience as General Manager of large private company. Former director of three large private companies spanning 10 years.	1995
Ross Kilborn	FCCA, FCCM, 15 years experience in senior management positions.	2005
David Levin Q.C.	M.A. 30 years experience as barrister, practising in commercial law. Former director of Barristers Chambers Ltd and alternate director of Barfund, the Victorian Bar's superannuation fund trustee. Founder and convenor of Wigs on Wheels, the Victorian Bench and Bar Bicycle User Group.	2003
Stuart Orr	BEng (Hons), MEng/Sci, PhD. 20 years management and strategy experience in academia, private and public organisations.	2001

Board Member's emoluments

Board Members hold office in an honorary position and are not paid for their services to the organisation.

Principal activities

The principal continuing activities of Bicycle Victoria during the year were:

- Representation of cyclists interests at all levels of government and in the community for the purpose of getting More People Cycling More Often; and
- Promoting services to members.

The following activities were carried out in support of the principal activities:

- Running bicycle rides; and
- Providing bicycle related products and services.

Significant changes in the state of affairs

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

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Board Members' Report (Cont'd)

Operating result

The profit from operating activities for the year was \$488,458. Bicycle Victoria is exempt from income tax because it is categorised as a not-for-profit organisation for tax purposes.

Corporate Governance Statement

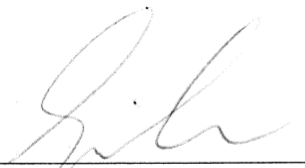
The Corporate Governance Statement set out on pages 6 to 10 of this report, was reviewed and updated in August 2006.


Insurance of Officers

During the year, Bicycle Victoria paid a premium of \$11,999 to insure the Board Members and Officers of the organisation.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of Bicycle Victoria and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the organisation.

Signed in accordance with a resolution of the Board Members.



Simon Crone – President

David Larsen – Vice President

Dated this 28 day of August 2006

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Corporate Governance Statement

The 10 core principles of the ASX Corporate Governance Council's (ASXCGC) guidelines are recommendations and apply to listed companies. Although Bicycle Victoria Incorporated (Bicycle Victoria) is not a listed company and does not have any obligations to report on these principles, as a membership organisation committed to advancing good corporate governance, it is committed to report against contemporary principles which have resonance within the business community. Bicycle Victoria has, where appropriate, adopted corporate governance standards that comply with each of the ten ASXCGC Corporate Governance Principles, unless otherwise stated.

Principle 1: Lay solid foundations for management and oversight

The Bicycle Victoria Constitution states at clause 34.1 that the Board is responsible for both the governance and management of the organisation. Clause 34.2 requires the Board to delegate management of the organisation to the Chief Executive Officer and clause 54.3 requires the Board to provide for the financial management of the organisation.

The Bicycle Victoria Board has formally declared as regulations a Board Charter, Board - Chief Executive Interrelationship Policies and a Delegation of Authority. These documents specify the respective roles and responsibilities of Board and Management. They are published and made available on the Bicycle Victoria website at www.bv.com.au (search Governance). In summary the Board on behalf of all stakeholders of Bicycle Victoria especially its Members is responsible for the stewardship and future well-being of Bicycle Victoria and delegates to the Chief Executive Officer responsibility for implementation of its strategic direction.

Principle 2: Structure the Board to add value

The names of the Board Members of the organisation in office and their terms of office at the date of this statement are set out on pages 2 & 3. There are no executive directors, Board Members are independent and elected for a three year term. Casual vacancies that may arise are filled by a Board appointment and the position is filled in the next election cycle. The procedures for election by Members is made available on the website and distributed to all Members. The Board has adopted a number of measures to ensure that independent judgment is achieved and maintained. Board Members sign a comprehensive declaration concerning their conduct which is available on the Bicycle Victoria website at www.bv.com.au (search Governance). Board Members having a conflict of interest in relation to a particular item of business declare that conflict before commencement of discussion on the topic and Board Members may only remain in the room during any related discussion with Board approval. The Board may, on occasions confer at scheduled sessions without management present.

The Board is currently balanced in its composition with each current director bringing a range of complementary skills and experience to Bicycle Victoria. To assist the Board in discharging its responsibilities, it has established a number of Board committees including an Audit and Risk Committee, Constitution Committee and a Remuneration Committee. As a membership organisation which does not recommend candidates for election the Board has not established a Nomination Committee. Each of these committees has mandated operating procedures that are

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governed by their respective terms of reference and each of these committees is chaired by a non-executive director who is not the same person as the Chair of the Board. The Committee's are comprised solely of independent non-executive directors, who are entitled to obtain legal or other independent professional advice, as appropriate to the role of the committee, and are entitled to obtain such resources and information from the Chief Executive Officer.

The President is the Board's Chair and is considered by the Board to be independent in terms of the ASXCGC's definition of independent director. The President/ Chair and Chief Executive Officer have separate roles. The President / Chair is responsible for leading the Board in the discharge of its duties.

Principle 3: Promote ethical and responsible decision making

The Board is committed to the adoption of ethical conduct in all areas of its responsibilities and authority. Employees are also required to meet these high standards. The organisation takes seriously its obligations to comply with all federal, state and local government laws and regulations, as well as common law obligations. The Board Code of Ethics is detailed within the Board Charter and Board - Chief Executive Officer Interrelationship Policies is available on the Bicycle Victoria website at www.bv.com.au (search Governance) and the Staff Code of Conduct is available on the Bicycle Victoria website at www.bv.com.au (search Code of Conduct). The organisation is a non-listed, not-for-profit entity under the Associations Incorporation Act 1981 (Vic) and as such there is no trading in company securities.

Principle 4: Safeguard integrity in financial reporting

Bicycle Victoria's Chief Executive Officer and Business Manager report in writing to the Board, the Audit and Risk Committee and the auditors that the financial statements of Bicycle Victoria for the full financial year present a true and fair view, in all material respects, of the company's financial condition and operational results; and are in accordance with the Australian Accounting Standards, applicable approved accounting standards and the appropriate disclosures of all information required by statute.

The Board established an Audit and Risk Committee in 2006, superseding its Executive Committee. The membership of the committee consists of three or four independent non-executive Board Members plus a Chair who is also an independent non-executive Board Member and who is not the Chair of the Board. Details of their attendance at committee meetings are set out at page 2 and 3. The principal functions of the Audit and Risk Committee are governed by their terms of reference. The terms of reference is detailed within the Board Charter and Board - Chief Executive Officer Interrelationship Policies available on the Bicycle Victoria website at www.bv.com.au (search Governance). The objectives are to assist the Board in the discharge of its responsibilities with respect to overseeing all aspects of financial and non-financial reporting, control and audit functions and organisational risk.

Principle 5: Make timely and balanced disclosure

The organisation is not a listed company and is not subject to ASX listing rule disclosure requirements. The organisation does, however, report to its members in the form required by the Associations Incorporation Act (Vic) 1981 and discloses significant information on a continuous basis as detailed in Principle 6 below.

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Principle 6: Respect the rights of shareholders

The organisation does not have shareholders but has members. The organisations practice has been to communicate with members and other stakeholders in an open, regular and timely manner so that members have sufficient information to make informed decisions on the operations and results of the organisation. The main communication channels are via the website www.bv.com.au, through its bi monthly magazine, *RideOn*, and fortnightly e-newsletter, *In The Loop*. The Annual Report is circulated to all members prior to the company's Annual General Meeting. The Full Financial Report is available via the website.

The Board encourages full participation of members at the company's Annual General Meeting to ensure a high level of accountability and understanding of the organisation's strategy and goals. The Constitution Committee has been tasked with the promoting of effective communication and participation at the Annual General Meeting. The Auditor is invited and has indicated his intention to attend the Annual General Meeting and be available to answer questions about the conduct of the audit and the preparation of the content of the auditors report

Principle 7: Recognise and manage risk

The Board is responsible for the oversight of the company's risk management and control framework. The Board receives and reviews a monthly compliance report and presentations as required from Management. Presentations made to the Board or committees of the Board throughout the year by appropriate members of the company's management team (and/or independent advisers, where necessary) are on the nature of particular risks and details of the measures which are either in place or can be adopted to manage or mitigate the risk. The Audit and Risk Committee assists the Board in fulfilling its risk management responsibilities by reviewing the financial and reporting aspects of the company's risk management and control framework. Major exposures for the organisation stem from Bicycle Victoria's business-risk profile, which covers areas including operational, reputation, regulatory, contractual, financial, information and strategic risk.

The organisation has recently implemented an improved policy framework designed to ensure that the company's risks are identified and that controls are adequate, in place and functioning effectively. This improved framework incorporates the maintenance of comprehensive policies, procedures, guidelines and monthly risk reports by Management that are based on reports produced by the managers of the organisation's main business units on at least an annual basis. Responsibility for control and risk management is delegated to the appropriate level of management within the company with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and control framework.

Bicycle Victoria's Chief Executive Officer and Business Manager are in a position to report in writing to the Board and the external auditors that the statement given in accordance with the ASXCGC's best practice recommendation under Principle 4 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and the company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

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Principle 8: Encourage enhanced performance

The Board has recently adopted a peer review and self-evaluation process to measure its own performance and the performance of its committees. The evaluation of the Board is facilitated by an external expert on governance matters, who is assisted by the Boards Constitution Committee. An annual review will be presented to the members at the Annual General Meeting, this will be available after the Annual General Meeting on the Bicycle Victoria website at www.bv.com.au (search AGM). The Board believes that its corporate governance practices should be indicative of best practice for an organisation of its type and, as far as possible, for corporations generally. The Board, therefore, keeps all areas of Bicycle Victoria governance under ongoing review.

Induction days designed for newly appointed directors are held for each new Board Member and external training is made available to Board Members in Board functions. Providing leadership to management is a priority of the Board and is a key strategy within Bicycle Victoria governance. The role of the Business Manager includes that of Company Secretary, accountable to the Board through the President on all governance matters. Arrangements put in place by the Board to monitor the performance of the organisation's Chief Executive Officer include a review by the Board of the company's financial performance and a detailed review of the operations of each department on a monthly basis. Detailed presentations are also made by the Chief Executive Officer and his direct reports regularly. Board Members are able to obtain answers to questions and further information to make informed decisions. The performance management review system between the Chief Executive Officer and all other staff against job description and key performance indicators have been recently overhauled and will occur on at least an annual basis.

Principle 9: Remunerate fairly and responsibly

Executives are paid market rates benchmarked against similar organisations. A performance based salary component amounting to no more than 10% of the Chief Executive Officer's base salary is able to be paid to the Chief Executive Officer at the Board's discretion utilising formal criteria. A program of regular performance appraisals and objective setting for the Chief Executive Officer has been developed. The Board established a Remuneration Committee during the year, whose objective is to assist the Board in discharging its responsibilities by gathering information and providing options and recommendations for the Board to aid in its consideration and decisions of the Chief Executive Officer's remuneration. The Remuneration Committee comprises at least two independent Board Members and is chaired by an independent Board Member. Details of their attendance at committee meetings are set out at page 2 and 3. The terms of reference of the Remuneration Committee are available on the website at www.bv.com.au (search Remuneration). Policies concerning the remuneration of staff other than the Chief Executive Officer are the responsibility of the Chief Executive Officer.

Board Members do not receive remuneration nor is there a retirement scheme. No Board Members, during or since the end of the financial year, received or has become entitled to receive a benefit by reason of a contract made by Bicycle Victoria or of a related body corporate with one of the Board Members or with a firm of which they are a member or with a company in which they have a substantial financial interest. Each of the Board Members is a member of Bicycle Victoria. Bicycle Victoria pays insurance premiums to insure the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Board

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Member's other than conduct involving a wilful breach of duty. The Bicycle Victoria constitution provides an indemnity for Board members, unless the liability did not arise out of a conduct in good faith.

Principle 10: Recognise the legitimate interests of Stakeholders

Bicycle Victoria aims to be highly successful, efficient and effective in pursuit of its purpose and mission which is more people cycling more often. To ensure this occurs, the organisation conducts its business within the Code of Business Conduct and Ethics, documented and outlined in Principle 3 of this statement and the organisations staff operating philosophy, which is:

- improving the cycling experience will be a guiding principle of all our activities
- we will be strong, determined and courageous in representing and working in the interest of cycling
- we aim to build mutually beneficial relationships that will benefit the world of cycling
- peoples' well being will be a guiding principle of all of our activities
- we treat every person respectfully, consistently and fairly
- we value a harmonious caring workplace and supporting each other
- we believe that everyone needs to do their job well to make sure we can all be our best
- everyone is given the opportunity to participate and is involved in decision making within their area of responsibility

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Income Statement for the year ended 30 June 2006

	Note	2006 \$	2005 \$
Rides revenue		7,118,362	6,493,622
Membership fees, income and donations		1,522,737	1,642,133
Campaigns revenue		170,723	237,139
Other Products and Services		637,764	319,039
External sales revenue		<u>9,449,586</u>	<u>8,691,933</u>
Interest income		89,832	53,056
Investment income		93,833	141,092
Increase in market value of investment portfolio		-	254,437
		<u>183,665</u>	<u>448,585</u>
Revenue	2	<u>9,633,251</u>	<u>9,140,518</u>
Employee benefits		1,909,698	1,856,328
Supply and service costs		4,612,777	4,405,860
Depreciation		189,524	607,329
Insurance		474,408	629,828
Printing and office costs		693,212	775,478
Promotion costs		141,913	79,740
Cost of merchandise		367,463	312,803
Audit, legal and consultancy		235,167	155,664
Finance Costs		141,957	139,395
IT and online costs		184,454	221,261
Occupancy costs		196,773	157,413
Other		(2,553)	3,563
Expenses	2	<u>9,144,793</u>	<u>9,344,662</u>
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE		488,458	(204,144)
Income tax expense	1(i)	-	-
PROFIT/(LOSS) FROM OPERATIONS	12	<u>488,458</u>	<u>(204,144)</u>

The accompanying notes form part of these financial statements.

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Balance Sheet as at 30 June 2006

	Note	2006 \$	2005 \$
CURRENT ASSETS			
Cash and cash equivalents	3	1,478,861	301,749
Trade and other receivables	4	429,140	160,778
Inventories	5	37,786	35,580
Other current assets	6	240,106	437,919
TOTAL CURRENT ASSETS		<u>2,185,893</u>	<u>936,026</u>
NON CURRENT ASSETS			
Plant and equipment	8	176,594	327,347
Financial assets	7	2,456,226	2,066,259
TOTAL NON CURRENT ASSETS		<u>2,632,820</u>	<u>2,393,606</u>
TOTAL ASSETS		<u>4,818,713</u>	<u>3,329,632</u>
CURRENT LIABILITIES			
Trade and other payables	9	777,155	866,803
Other current liabilities	10	1,764,327	1,037,070
TOTAL CURRENT LIABILITIES		<u>2,541,482</u>	<u>1,903,873</u>
NON CURRENT LIABILITIES			
Long term provisions	11	42,772	6,040
TOTAL NON CURRENT LIABILITIES		<u>42,772</u>	<u>6,040</u>
TOTAL LIABILITIES		<u>2,584,254</u>	<u>1,909,913</u>
NET ASSETS		<u>2,234,459</u>	<u>1,419,719</u>
MEMBERS' FUNDS			
Retained earnings	12	1,731,719	1,282,219
Reserves	13	502,740	137,500
TOTAL MEMBERS' FUNDS		<u>2,234,459</u>	<u>1,419,719</u>

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity
for the year ended 30 June 2006

	Note	Retained Earnings \$	Financial Assets Reserve \$	Insurance Reserve \$	Total \$
Balance at 30 June 2004		1,548,863	-	75,000	1,623,863
Profit/(Loss) attributable to members		(204,144)	-	-	(204,144)
Transfer to/from insurance reserves		(62,500)	-	62,500	-
Balance at 30 June 2005		1,282,219	-	137,500	1,419,719
Profit/(Loss) attributable to members	12	488,458	-	-	488,458
Transfer to/from Insurance reserve	13	(38,958)	-	38,958	-
Investment Revaluation		-	326,282	-	326,282
Balance at 30 June 2006		1,731,719	326,282	176,458	2,234,459

The accompanying notes form part of these financial statements.

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Cash Flow Statement for the year ended 30 June 2006

	Note	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members, riders and all other sources		9,301,205	10,103,822
Payments to suppliers and employees		(8,085,176)	(9,604,178)
NET CASH INFLOW FROM OPERATING ACTIVITIES	18(b)	1,216,029	499,644
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for leasehold fit-out and office equipment		(22,455)	(225,335)
Payments for rides equipment		(16,862)	(49,951)
Payments for intangible assets		-	(1,124)
Proceeds from sale of assets		400	-
Net proceeds from investment portfolio		389,967	114,866
Funds re-invested		(389,967)	(114,866)
Transfer funds for investment		-	-
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		(38,917)	(276,410)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		-	(5,379)
NET CASH (OUTFLOWS) FROM FINANCING ACTIVITIES		-	(5,379)
NET INCREASE IN CASH HELD		1,177,112	217,855
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		301,749	83,894
CASH AT THE END OF THE FINANCIAL YEAR	18(a)	1,478,861	301,749

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1. SUMMARY OF SIGNIFICANT POLICIES

This financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the requirements of the Victorian Associations Incorporation Act (Vic) 1981.

The financial report complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by Bicycle Victoria in the preparation of the financial statements.

Basis of preparation

First-time adoption of Australian Equivalents to International Financial Reporting Standards

Bicycle Victoria has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the accounts resulting from the introduction of AIFRS where material, have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied.

Reconciliations of the transition from previous Australian GAAP to AIFRS have not been included in this report due to the immaterial nature of these changes.

These accounts are the first financial statements of Bicycle Victoria to be prepared in accordance with AIFRS. The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has also 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 fair values of the considerations given in exchange for assets. The accounting policies have been consistently applied with those of the previous year.

(a) Cash and cash equivalents

For the purpose of the statement of cash flows, cash includes cash on hand, at banks and on deposit.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1. SUMMARY OF SIGNIFICANT POLICIES (CONT'D)

(c) Inventories of parking materials and books for resale

Inventories are measured at the lower of cost and net realisable value. Costs are determined on a first in first out basis, and cost comprises the cost of direct materials at acquisition.

(d) 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.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in 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.

The cost of fixed assets constructed within the entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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 association 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 building and capitalised lease assets, is depreciated on a straight-line basis over their useful lives to the 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 expected useful lives are;

Leasehold fit-out costs	5 years or to end of lease
Office equipment	3 to 5 years
Rides equipment	5 to 10 years
Database	2 to 3 years

(e) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1. SUMMARY OF SIGNIFICANT POLICIES (CONT'D)

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the association are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amount equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the association will obtain ownership of the asset or ownership over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(g) Employee benefits

Provision is made for the Association's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. 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.

(h) Revenue recognition

Future rides to be conducted

Income and expenses related to rides to be conducted are taken up and brought to account as income and expenditure when the ride is completed.

Membership fees

Membership fees are accounted for as received with future servicing costs accrued.

BICYCLE VICTORIA INCORPORATED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1 SUMMARY OF SIGNIFICANT POLICIES (CONT'D)

(i) Income tax

The organisation is exempt from income tax under section 50 of the Income Tax Assessment Act.

(j) Impairment of Assets

At each reporting date, the association reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those 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 value-in-use, 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.

Where it is not possible to estimate the recoverable amount of an individual asset, the association estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(k) Goods and 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 Tax 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 the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(l) Comparative Figures

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

(m) Critical Accounting Estimates and Judgments

The Board members evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the association.

Key Estimates — Impairment

Bicycle Victoria assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	\$	\$
2. PROFIT		
Profit/(Loss) from operations is arrived at after crediting /charging the following specific items:		
After crediting		
Net gain on sale of rides equipment	400	-
Net gain on sale of investments	-	26,989
Net gain in market value of investment portfolio	-	245,437
After charging		
Auditing & reviewing the financial reports	11,500	8,250
Rental expense on operating leases	140,053	133,863
3. CURRENT ASSETS – CASH AND CASH EQUIVALENTS		
Cash at bank & on hand	525,012	187,844
Deposits at call	913,849	83,905
Deposits - bond money	40,000	30,000
	<u>1,478,861</u>	<u>301,749</u>

- a) Deposits at call are bearing floating interest rates between 4.65% to 5.5% (2005 - 5% to 5.5%). Deposits – bond money guarantees performance for payment of rent and credit cards and bears interest at interest rates between 3.25% to 4.9% (2005 - 4.0% to 4.5%).
- b) Bicycle Victoria has an overdraft facility of \$500,000 with HSBC Bank Australia Ltd, secured against \$1,250,000 of the value of the investment portfolio. The facility was undrawn at balance date and will be used, if needed, for short term cash management. This more structured approach to cash management will allow the investment portfolio to maximise its potential without unnecessary trading activity disturbance.

BICYCLE VICTORIA INCORPORATED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	\$	\$
4. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES		
Trade debtors	<u>429,140</u>	<u>160,778</u>
5. CURRENT ASSETS - INVENTORIES		
Parking rails and books– at cost	37,786	33,719
Ride related – at cost	<u>-</u>	<u>1,861</u>
	<u>37,786</u>	<u>35,580</u>
6. CURRENT ASSETS – OTHER CURRENT ASSETS		
Prepaid expenses	60,002	68,516
Prepaid ride expenses	<u>180,104</u>	<u>369,403</u>
	<u>240,106</u>	<u>437,919</u>
7. NON CURRENT ASSETS – FINANCIAL ASSETS		
Financial assets at fair value available for sale	<u>2,456,226</u>	<u>2,066,259</u>
Available for sale financial assets comprise:		
Listed and unlisted investments, at fair value:		
Bills fixed interest	-	18,091
Cash	85,716	206,596
Equities	1,326,716	1,088,971
Fixed interest	179,235	166,771
Unit Trusts	-	330,695
Property Trusts	350,491	255,135
Int'l Equity	<u>514,068</u>	<u>-</u>
Financial assets at fair value available for sale	<u>2,456,226</u>	<u>2,066,259</u>

BICYCLE VICTORIA INCORPORATED

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

8. NON CURRENT ASSETS – Plant and equipment (all assets are at cost)

	Leasehold improvements	Office equipment	Rides equipment	Catering equipment	Furniture & fittings	TOTAL
	\$	\$	\$	\$	\$	\$
Gross Carrying Amount						
Balance at 30 June 2005	299,521	797,307	93,612	332,130	20,703	1,543,273
Additions at cost	-	5,877	16,862	16,580	-	39,319
Disposals	-	(1,754)	(10,295)	(2,580)	-	(14,629)
Balance at 30 June 2006	299,521	801,430	100,179	346,130	20,703	1,567,963
Accumulated Depreciation						
Balance at 30 June 2005	200,786	701,096	49,158	251,532	13,354	1,215,926
Depreciation expense	68,147	76,675	18,784	20,986	4,929	189,521
Disposals	-	(1,872)	(9,625)	(2,580)	-	(14,077)
Balance at 30 June 2006	268,933	775,899	58,317	269,938	18,283	1,391,370
Net Book Value						
As at 30 June 2005	98,735	96,211	44,454	80,598	7,349	327,347
As at 30 June 2006	30,588	25,531	41,862	76,192	2,420	176,594

BICYCLE VICTORIA INCORPORATED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	\$	\$
9. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES		
Trade payables	38,210	190,584
Short term employee benefits	104,366	147,212
Other payables	634,579	529,007
	777,155	866,803

10. CURRENT LIABILITIES – OTHER CURRENT LIABILITIES		
Unexpired membership fees	163,054	113,456
Prepaid ride and other fees	1,596,937	919,278
Money held in trust	891	891
Ted Parker memorial fund	3,445	3,445
	1,764,327	1,037,070

11. NON-CURRENT LIABILITIES – LONG TERM PROVISIONS			
	Long Service Leave Provision	Make Good Provision	Total
	\$	\$	\$
Balance at beginning of financial year	6,040	-	6,040
Additional Provision raised	3,644	33,088	36,732
Provision used	-	-	-
Balance at end of financial year	9,684	33,088	42,772
	2006	2005	
	\$	\$	
Analysis of Total Provisions			
Non-current	42,772	6,040	
Balance at end of financial year	42,772	6,040	

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

BICYCLE VICTORIA INCORPORATED

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

11. NON-CURRENT LIABILITIES – LONG TERM PROVISIONS (CONT'D)

Make Good Provision

At the end of the lease Bicycle Victoria shall remove from the premises all fixtures, fittings, work stations, office partitioning, signs and notices. A provision has been recognised for reinstate and make good to reasonable satisfaction of the Lessor any part of the premises damaged by such removal.

12. ACCUMULATED SURPLUS

	2006	2005
	\$	\$
Balance at beginning of financial year	1,282,219	1,548,863
Net (Loss)/Profit for the year	488,458	(204,144)
Transfer to Liability insurance reserve	(38,958)	(62,500)
Balance at end of financial year	<u>1,731,719</u>	<u>1,282,219</u>

13. RESERVES

	2006	2005
	\$	\$
Liability insurance reserve	<u>176,458</u>	<u>137,500</u>
a) Movements:		
Amount set aside to meet possible liability insurance excess	<u>38,958</u>	<u>62,500</u>

b) Nature and purpose of Reserve:

The Insurance Reserve recognises the potential liability that may arise from Bicycle Victoria self insuring a maximum of \$30,000 (2005 - \$50,000 plus 2004 - \$100,000) of the excess on the liability policy, less an excess payment already made of \$3,542.

Financial Asset Reserve	<u>326,282</u>	<u>-</u>
a) Movements:	<u>326,282</u>	<u>-</u>

b) Nature and purpose of Reserve:

The financial assets reserve records revaluation of financial assets

BICYCLE VICTORIA INCORPORATED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

14. MATTER ARISING AFTER BALANCE DATE

No significant events subsequent to reporting date have arisen.

15. LEASE COMMITMENTS

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows

Within one year	89,020	120,486
Later than one year but not later than 2 years	89,344	37,633
Later than 2 years but not later than 5 years	259,741	3,300
	<u>474,105</u>	<u>161,419</u>

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by the lower of CPI or 5% per annum. The lease allows for subletting of all lease areas.

16. KEY MANAGEMENT PERSONNEL COMPENSATION

	Short Term Benefits \$	Long-Term Benefits \$	Total \$
2006			
Total Compensation	<u>346,266</u>	<u>(2,210)</u>	<u>344,056</u>
2005			
Total Compensation	<u>266,920</u>	<u>8,164</u>	<u>275,084</u>

17. COMPANY DETAILS

Registered office and the principal place of business of Bicycle Victoria Incorporated is Level 10, 446 Collins Street, Melbourne, Victoria 3000

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

18. CASH FLOW INFORMATION

(a) Reconciliation of cash

For the purposes of the statement of cash flows, Bicycle Victoria considers cash to include cash on hand and in banks and investments in money market instruments. Cash at the end of the reporting period as shown in the statement of cash flows is reconciled to the related items in the statements of financial position as follows:

	2006	2005
	\$	\$
Cash at bank and on hand	525,012	187,844
Deposits at call	913,849	83,905
Deposits—bond money	40,000	30,000
Balances per statement of cash flows	<u>1,478,861</u>	<u>301,749</u>

(b) Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities

	2006	2005
	\$	\$
Net profit/(loss)	488,458	(204,144)
Non-cash items included in operating result:		
Depreciation	196,668	607,329
Net gain on disposal of rides equipment	(400)	-
Net gain on market value of investments	(293,395)	(254,437)
Changes in assets and liabilities:		
(Increase)/ decrease in trade and other receivables	(268,362)	142,812
(Increase)/ decrease in inventories	(2,206)	53,558
Decrease/(increase) in other current assets	190,669	(168,707)
Increase/(decrease) in funds invested	190,752	(114,866)
Increase/(decrease) in creditors	753,047	405,252
(Decrease)/increase in employee benefits	(39,202)	32,847
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>1,216,029</u>	<u>499,644</u>

(c) There were no non-cash financing or investing activities during the period.

BICYCLE VICTORIA INCORPORATED

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

19. FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The association's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable. Bicycle Victoria does not have any derivative instruments at 30 June 2006.

Treasury Risk Management

An audit and risk committee consisting of Board members together with senior staff meet on a regular basis to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

(b) Interest rate risk exposures

Bicycle Victoria's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as Bicycle Victoria intends to hold fixed rate assets and liabilities to maturity.

2006	Notes	Floating interest rate (\$)	Non- interest bearing (\$)	Total \$
Financial assets				
Cash	3	953,849	525,012	1,478,861
Receivables and prepayments	4,6	-	669,246	669,246
Investments at fair value	7		2,456,226	2,456,226
Total financial assets		<u>953,849</u>	<u>3,650,484</u>	<u>4,604,333</u>

Weighted average interest rate 4.38%

2005	Notes	Floating interest rate (\$)	Non- interest bearing (\$)	Total \$
Financial assets				
Cash	3	113,905	187,844	301,749
Receivables and prepayments	4,6	-	598,697	598,697
Investments	7		2,066,259	2,066,259
Total financial assets		<u>113,905</u>	<u>2,852,800</u>	<u>2,966,705</u>

Weighted average interest rate 4.75%

BICYCLE VICTORIA INCORPORATED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

19. FINANCIAL INSTRUMENTS (CONT'D)

2006	Notes	Floating interest rate (\$)	Non- interest bearing (\$)	Total \$
Financial liabilities				
Trade and other payables	9	-	777,155	777,155
Total financial liabilities		-	777,155	777,155

2005	Notes	Floating interest rate (\$)	Non- interest bearing (\$)	Total \$
Financial liabilities				
Trade and other payables	9	-	866,803	866,803
Total financial liabilities		-	866,803	866,803

(c) Credit risk

Credit risk is defined as the maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Balance Sheet and notes to the financial statements.

Bicycle Victoria does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the entity.

(d) Net fair values

The net fair values of assets and liabilities approximate their carrying values. No financial assets and financial liabilities, other than the investment portfolio set out in Note 8 to these statements, are readily traded on organised markets in standardised form. Financial assets where the carrying amount exceeds net fair values have not been written down as Bicycle Victoria intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Balance Sheet and the notes to the financial statements.

Aggregate net fair value and carrying amounts of financial assets and financial liabilities at balance date.

BICYCLE VICTORIA INCORPORATED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

19. FINANCIAL INSTRUMENTS (CONT'D)

	Notes	2006		2005	
Financial assets		Carrying Amount (\$)	Net Fair Value (\$)	Carrying Amount (\$)	Net Fair Value (\$)
Cash	3	1,478,861	1,478,861	301,749	301,749
Receivables and prepayments	4,6	669,246	669,246	598,697	598,697
Investments	7	2,456,226	2,456,226	2,066,259	2,066,259
Total financial assets		4,604,333	4,604,333	2,966,705	2,966,705
Financial liabilities		Carrying Amount (\$)	Net Fair Value (\$)	Carrying Amount (\$)	Net Fair Value (\$)
Trade and other payables	9	777,155	777,155	866,803	866,803
Total financial liabilities		777,155	777,155	866,803	866,803

20. CONTINGENT LIABILITIES

Bicycle Victoria is self insuring for an excess in the event that claims are received on the Liability policy for an injury sustained in the year ended 30 June 2006. Claims are expected to be made up to three years after the accident; The excess for the 2006 year is up to \$30,000 (2005 : \$50,000 and 2004 : \$100,000) an amount of \$3,542 has been paid against the 2006 excess and expensed in the 2005/06 year therefore the reserve of \$176,458 (2005 : \$137,500) as disclosed in Note 13 has been formed.

21. CHANGE IN ACCOUNTING POLICY

Bicycle Victoria has adopted the following accounting standards for application on or after 1 January 2005:

AASB 132: Financial Instruments: Disclosure and Presentation

AASB 139: Financial Instruments: Recognition and Measurement

The changes resulting from the adoption of AASB 132 relate primarily to increased disclosures required under the Standard and do not affect the value of amounts reported in the financial statements.

BICYCLE VICTORIA INCORPORATED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

21. CHANGE IN ACCOUNTING POLICY (CONT'D)

The adoption of AASB 139 has resulted in material differences in the recognition and measurement of the group's financial instruments. The group has elected not to adjust comparative information resulting from the introduction of AASB 139 as permitted under the transitional provisions of this Standard. As such, previous Australian Accounting Standards have been applied to comparative information. A summary of the main adjustments that would have resulted were AASB 139 to have been applied retrospectively is included below.

Available-for-sale financial assets

Under AASB 139, available-for-sale financial assets are revalued to fair value at reporting date. All adjustments resulting from changes in fair value are taken directly to equity.

The aggregate effect of the change in accounting policy on the annual financial statements for the year ended 30 June 2006 is as follows:

	2006		2005			
	Previously Stated	Adjustments	Restated	Previously Stated	Adjustments	Restated
	\$	\$	\$	\$	\$	\$
Balance Sheet						
Financial assets	2,456,226	-	2,456,226	2,066,259	-	2,066,259
Financial instruments reserve (equity)	-	326,282	326,282	-	-	-
Accumulated Surplus	2,058,001	(326,282)	1,731,719	1,282,219	-	1,282,219

BICYCLE VICTORIA INCORPORATED

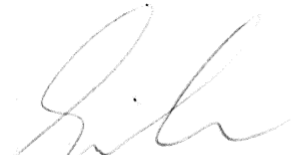
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Declaration by Board Members

Board Members declare that the financial statements set out on pages 11 - 29:

1. Presents a true and fair view of the financial position of Bicycle Victoria as at 30 June 2006 and its performance for the year ended on that date in accordance with Australian Accounting Standards, mandatory professional reporting requirements and other authoritative pronouncements of the Australian Accounting Standards Board.
2. At the date of this statement, there are reasonable grounds to believe that Bicycle Victoria will be able to pay its debts as and when they fall due.

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



Simon Crone – President

David Larsen – Vice President

Dated this 28 day of August 2006