

Bicycle Institute of Victoria Incorporated

**Financial Report
for the year ended 30 June 2004**

Registration No: A0008607J

ABN 41 026 835 903

Bicycle Institute of Victoria Incorporated

Council Members' Report

Your council members submit the following report of Bicycle Institute of Victoria Incorporated (the Institute) for the year ended 30 June 2004.

Council members

The following persons were Council members at Bicycle Victoria during the whole of the financial year and up to the date of this report:

Stuart Orr (President, member of Executive Committee)
Simon Crone (Vice President, member of Executive Committee)
Albie Heintz (member of Executive Committee)
James Alexander (member of Executive Committee)
James Kelly
Paul van Veenendaal

The following persons were elected as Council Members in November 2003 and held office up to the date of this report:

Gabrielle Callahan
Sally Ferry
David Levin

Sandra Edwards, Jürgen Strauss and Amanda Swaney were Council Members from the beginning of the financial year until their retirement in November 2003

Graham Lindsay is the Consulting Treasurer and a member of the Executive Committee

Meetings of Council and Executive

Councillor	Full meetings of Councillors		Meetings of Executive	
	A	B	A	B
Stuart Orr	11	11	12	8
Simon Crone	11	11	12	12
James Alexander	11	7	12	6
Albie Heintz	11	11	12	11
James Kelly	11	5		
Paul van Veenendaal	11	10		
Gabrielle Callahan	7	6		
Sally Ferry	7	7		
David Levin	7	7		
Graham Lindsay	n/a	n/a	12	10
Sandra Edwards	4	3		
Jürgen Strauss	4	4		
Amanda Swaney	4	3		

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

B = Number of meetings attended

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Council Members' Report (continued)

Councillor's emoluments

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

Principal activities

The principal continuing activities of the Institute 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
- Promoting services to members
- Running bicycle events
- Providing bicycle related products and services

Significant changes in the state of affairs

No significant changes in the state of affairs occurred during the period.

Operating result

The loss for the year was \$111,504. Bicycle Victoria is exempt from income tax because it is categorised as a not-for-profit organisation for tax purposes.

Matters arising subsequent to the end of the financial year

Bicycle Victoria has entered into 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 is currently undrawn and will be used, if needed, for short term cash management. A more structured approach to cash management will allow the investment portfolio to maximise its potential without disturbance.

Corporate Governance Statement

The Corporate Governance Statement set out on pages 3 to 6 of this report, adopted in May 2002, was reviewed and updated in August 2004.

Insurance of Officers

During the year, Bicycle Victoria paid a premium of \$11,380 to insure the Councillors 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 Members of the Council



S Crone - Vice President

Dated this 30 day of August 2004



E A Heintz - Council Member

Bicycle Victoria Corporate Governance Statement

Bicycle Victoria is a self-funded community organisation.

Bicycle Victoria and the council are committed to achieving and demonstrating the highest standards of corporate governance in a manner appropriate to Bicycle Victoria. Corporate governance practices are regularly reviewed especially in light of best practice recommendations as released from time to time. The aim is to be largely consistent with or exceed best practice.

The relationship between the Council and management is important to Bicycle Victoria's long-term success. Day to day management of the organisation's affairs and the implementation of strategy and policy initiatives are formally delegated by the Council to the General Manager and management in the organisation's delegations policy, which is contained in the by-laws. These delegations are reviewed on a regular basis.

The Councillors are responsible to the members for the performance of Bicycle Victoria in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the members as a whole. The focus of the Council is to enhance the interests of members and other key stakeholders and to ensure the organisation is properly managed.

Councillors take into account the rights and interests of members, event riders, volunteers, supporters, employees, suppliers and the community at large recognising that all are essential to the ongoing success of the organisation. Councillors maintain an awareness of contemporary community needs and seek to identify strategic business opportunities for Bicycle Victoria that further the objective of getting more people riding more often.

Council Composition & Term of office

The rules surrounding composition and election of the Council are set out in the Bicycle Victoria Constitution, which is available from Bicycle Victoria. The constitution states:

- The Council will consist of nine members elected for a three year term.
- Three Councillors will retire each year in rotation at which point they are entitled to stand for re-election, if so nominated.
- The President is elected by the full Council at the first meeting after the elections are held each year. The president is limited to two terms or six years.

The Councillors act in an unpaid, honorary capacity.

Details of the members of Council, any office they hold on Council or committees they are a member of is set out in the Council Members Report and available on the Bicycle Victoria website.

It is the aim of council to have a qualifications, experience and skills statement to identify the attributes appropriate for Councillors and inventory existing Councillors skills. This will be completed as part of a broader education process for current and prospective councillors.

All councillors sign a Councillor's Declaration each year. Under the declaration each councillor agrees to act with the utmost integrity and objectivity striving to enhance the reputation and performance of the organisation. The declaration covers areas such as: action, performance, governance, compliance, interest, information, support and commitment.

The General Manager and Finance Manager attend all council meetings, other than those sessions where there is a conflict such as remuneration discussions. They have a voice but no vote, nor are they included in the quorum for a meeting.

Bicycle Institute of Victoria Incorporated

Council role and responsibilities

The role and responsibilities of the Councillors include:

- Contributing to the development of and approving the organisational strategy
- Reviewing and approving the annual budget and business and financial plans supporting any major initiative
- Overseeing and monitoring:
 - Organisational performance and the achievement of the organisation's strategic objectives
 - Progress of major projects and significant programs
- Establishing goals for management and monitoring the achievement of those goals
- Ensuring there are effective management processes in place and approving major initiatives
- Monitoring financial performance including approval of the annual and half year financial reports and liaison with the organisation's auditors
- Appointment, performance assessment and, if necessary, removal of the General Manager
- Enhancing and protecting the reputation of Bicycle Victoria
- Ensuring the significant risks facing the organisation, including those associated with its legal compliance obligations have been identified and appropriate and adequate control, monitoring, accountability and reporting mechanisms are in place
- Reporting to members
- Establishing practices and policies in respect of employment and volunteer safety, health and the environment

Commitment

The Council hold monthly council meetings during the year.

Councillors also attend meetings of the Executive of which they are a member.

The number of meetings of the council and the executive held during the year and the number of meetings attended by each councillor are disclosed in the Council Members' Report.

Conflict of interests and independence

None of the current councillors have business dealings with Bicycle Victoria during the year other than as a normal member. Councillors are required to declare any interest they have in any dealings with the organisation and absent themselves from any related discussion or decision making.

Performance Assessment

There is no current formal self assessment of the collective performance of the council. This is however an area under review and it is the intention that this process will be established in the near future.

President and General Manager

The President is responsible for leading the Council, ensuring that the council activities are organised and efficiently conducted and for ensuring councillors are properly briefed for meetings. The President is also responsible for encouraging effective participation in the activities of the organisation by members including standing for Council. The General Manager is responsible for implementing organisational strategies and policies.

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Delegation

Council delegates responsibility for the operation and administration of Bicycle Victoria to the General Manager who, with the executive team, is assisted in fulfilling their responsibilities by a number of salaried personnel and volunteers. Performance is regularly monitored in conjunction with management.

Council Committees

The council establishes additional committees to assist in the execution of its duties and to allow detailed consideration of complex issues. The only committee of council at present is the executive.

All matters determined by the committees are submitted to the full council as recommendations for council decision.

The Executive

An Executive Committee is established under the Constitution. The executive consists of:

- President – Stuart Orr
- Vice President – Simon Crone
- Two other Councillors elected by the full Council – Albie Heintz and James Alexander
- Consulting Treasurer – Graham Lindsay

The General Manager and Finance Manager attend the executive and have a voice but no vote. The executive meets monthly a week prior to the council meeting.

The main responsibilities of the executive are:

- To ensure that Bicycle Victoria has an appropriate system of internal controls and monitoring of compliance activities over Bicycle Victoria resources, functions and assets.

- to ensure Bicycle Victoria meets its statutory and fiduciary responsibilities relating to the accounting and financial reporting practices and internal control systems.
- for the audit function:
 - to review the accounts in detail each month before presentation to Council
 - to review, assess and approve the financial information prior to publication in the Annual Report and lodgement with the Department of Justice and any other financial information published by the organisation
 - to conduct annual reviews of the external auditors, reviewing audit fees, plan, policies and scope, ensuring the twice-yearly audits are effective and reviewing the audit reports.
 - to meet with the auditors during the year to discuss accounting policies, changes in the Accounting Standards and other relevant pronouncements and legislation.
 - to discuss the external audit and any significant issues arising from it and ensuring management takes prompt action, including any significant disagreements between the auditors and management, irrespective of whether they have been resolved.
- for investment review:
 - Perform a detailed quarterly review of the 'non current assets' or holdings of securities, which the Council intends to retain on a long-term basis.
 - Review the performance of the funds managers in the short and long term and meet with them regularly to discuss the investments.

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- for risk management:
 - Review and discuss the major risks affecting the business and ensure strategies are developed to mitigate these risks. These risks include action taken by competitors, government policy changes, supply arrangements and the purchase, development and use of information systems. The effectiveness of management information systems and systems of internal control.
- for remuneration and staff review:
 - To ensure Bicycle Victoria follows appropriate remuneration policies and practices of compensation including incentive plans, other benefits and service contracts.
 - To ensure appropriate staff performance monitoring and appraisal.
 - To review all staffing matters.
- for major investments:
 - From time to time oversee the development of plans that require capital or abnormal financial expenditure, co-opting external independent advice as necessary.

Generally the Executive has no power itself other than to make recommendations to Council. However from time to time Council will delegate specific tasks to the Executive.

External auditors

The organisation policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external audit is reviewed annually. An analysis of fees paid to external auditors is provided in the financial statements.

Bicycle Institute of Victoria Incorporated

Independent audit report to the members of Bicycle Institute of Victoria Inc.

Scope

The financial report and Council's responsibility

The financial report comprises the Statement of Financial Position, Statement of Financial Performance, Statement of Cash Flows, accompanying notes to the financial statements, and the Declaration by Members of the Council for the Bicycle Institute of Victoria Inc. ("the institute"), for the year ended 30 June 2004. The Council of the institute is responsible for the preparation and true and fair presentation of the financial report in accordance with the Incorporation Act (Vic) 1981. 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 institute. Our audit was conducted in accordance with Australian Auditing and Assurance Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, 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 Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the institute'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 Council.

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. Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

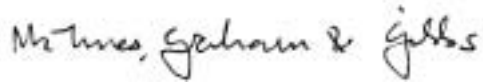
Qualification

Voluntary contributions are a source of revenue for the Bicycle Institute of Victoria Inc. As is common for organisations of this type, it is not practicable to maintain an effective system of internal control over the collection of voluntary contributions and fundraising monies prior to entry into its financial records. Accordingly, as the evidence available to us regarding revenue from this source was limited, our audit procedures with respect to voluntary contributions and fundraising monies had to be restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether voluntary contributions and fundraising monies obtained are complete.

Bicycle Institute of Victoria Incorporated

Qualified Audit Opinion

In our opinion, except for the effects (if any) on the financial report of the matter referred to in the qualification paragraph, the financial report presents a true and fair view in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia the financial position of the Bicycle Institute of Victoria Inc as at 30 June 2004 and the results of its operations and its cash flows for the year then ended.



McInnes Graham & Gibbs
Chartered Accountants



Simon C Trivett
Partner

30 August 2004

Bicycle Institute of Victoria Incorporated

Statement of Financial Performance for the year ended 30 June 2004

	Note	2004 \$	2003 \$
Events revenue		4,550,108	3,662,653
Membership fees, income & donations		1,434,081	1,176,196
Campaigns revenue		329,714	207,675
External sales revenue	3	6,313,903	5,046,524
Interest & investment income		109,570	104,091
Revenue from ordinary activities	2	6,423,473	5,150,615
Employee benefits		1,402,629	1,082,125
Supply and service costs		2,228,241	1,467,001
Depreciation and amortisation		216,135	151,160
Insurance		730,663	557,197
Printing & office costs		472,416	453,285
Promotion costs		260,926	223,123
Cost of merchandise		330,791	266,640
Audit, legal & consultancy		162,611	110,364
Merchant card fees		61,693	62,580
IT & website costs		208,666	180,697
Occupancy costs		155,272	147,348
Loss on sale of shares		20,268	73,059
Other		284,666	259,107
Expenses from ordinary activities	2	6,534,977	5,033,686
(LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(111,504)	116,929
Income tax expense (Bicycle Victoria is exempt from income tax)	1(m)	-	-
NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE ATTRIBUTABLE TO THE INSTITUTE	16	(111,504)	116,929
Transfer to Reserves	17	(75,000)	
TOTAL CHANGES IN MEMBERS' FUNDS		(186,504)	116,929

The above statement of financial performance should be read in conjunction with the accompanying notes.

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Statement of Financial Position as at 30 June 2004

	Note	2004 \$	2003 \$
CURRENT ASSETS			
Cash assets	4	83,894	446,022
Receivables	5	303,590	168,673
Inventories	6	89,138	69,105
Other	7	262,068	264,029
TOTAL CURRENT ASSETS		<u>738,690</u>	<u>947,829</u>
NON CURRENT ASSETS			
Property, plant and equipment	8	658,613	390,834
Intangible assets	9	6,796	6,433
Investments	10	1,696,956	1,407,715
TOTAL NON CURRENT ASSETS		<u>2,362,365</u>	<u>1,804,982</u>
TOTAL ASSETS		<u>3,101,055</u>	<u>2,752,811</u>
CURRENT LIABILITIES			
Payables	11	470,738	295,448
Interest-bearing liabilities	12	5,379	13,297
Provisions	13	107,405	87,755
Other	14	880,670	605,065
TOTAL CURRENT LIABILITIES		<u>1,464,192</u>	<u>1,001,565</u>
NON CURRENT LIABILITIES			
Interest-bearing liabilities	12	-	5,379
Provisions	15	13,000	10,500
TOTAL NON CURRENT LIABILITIES		<u>13,000</u>	<u>15,879</u>
TOTAL LIABILITIES		<u>1,477,192</u>	<u>1,017,444</u>
NET ASSETS		<u>1,623,863</u>	<u>1,735,367</u>
MEMBERS' FUNDS			
Accumulated surplus	16	1,548,863	1,735,367
Reserves	17	75,000	-
TOTAL MEMBERS' FUNDS		<u>1,623,863</u>	<u>1,735,367</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Bicycle Institute of Victoria Incorporated

Statement of Cash Flows for the year ended 30 June 2004

	Note	2004 \$	2003 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members, riders and all other sources		7,035,037	5,770,347
Payments to suppliers and employees		(6,653,756)	(5,449,974)
NET CASH INFLOW FROM OPERATING ACTIVITIES	22(b)	<u>381,281</u>	<u>320,373</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for leasehold fit-out and office equipment		(450,826)	(42,900)
Payments for rides equipment		(32,488)	-
Payments for intangible assets		(735)	(3,599)
Proceeds from sale of assets		3,937	20,000
Transfer funds for Investment		(250,000)	-
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		<u>(730,112)</u>	<u>(26,499)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings**		(13,297)	(88,696)
NET CASH (OUTFLOWS) FROM FINANCING ACTIVITIES		<u>(13,297)</u>	<u>(88,696)</u>
NET INCREASE (DECREASE) IN CASH HELD		(362,128)	205,178
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		446,022	240,844
CASH AT THE END OF THE FINANCIAL YEAR	22(a)	<u><u>83,894</u></u>	<u><u>446,022</u></u>

** Borrowings are finance leases related to event equipment

The above statement of cash flows should be read in conjunction with the accompanying notes

Bicycle Institute of Victoria Incorporated

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

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 Incorporation Act (Vic) 1981.

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.

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

(a) Cash

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

(b) Receivables

Receivables are all at amount realisable as due within 90 days. Collectibility of receivables is reviewed on an ongoing basis, uncollectables written off and provisions raised as necessary.

(c) Inventories of parking materials and merchandise for resale

Inventories are valued 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) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired.

Fit-out costs of the premises leased by the organisation are categorised as Leasehold Improvements and are valued at cost, less accumulated amortisation.

Ride assets, Showers, Toilets and Catering Equipment are reflected in the financial statements at actual cost less accumulated depreciation.

Migration costs of the database to an outsourced server, redesign of the website and online entry forms are reflected at cost less accumulated amortisation

(e) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount.

(f) Leased assets

Leases of non-current assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Institute, 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 values. Leased assets are amortised on a straight-line basis over their estimated useful lives where it is likely that the Institute will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Lease payments under 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.

Bicycle Institute of Victoria Incorporated

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1. SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

(g) Intangible assets

Costs incurred registering Trade Marks of the major rides are recognised as an intangible asset. The costs are amortised over ten years.

Intangible assets such as the goodwill of the names of the rides, the value of the mailing list, and the reliance on volunteer labour costs cannot be readily valued in monetary terms and therefore do not appear in the Statement of financial position

(h) Investments

Investments are valued at cost. Cost reflects the reinvestment of income received, profit and loss on sales of investments and the net cost of managing the portfolio.

When market value is below cost investments will be revalued to market when it is determined that there has been a permanent diminution in the value of the portfolio.

Market value for the purpose of determining the current value of the portfolio is determined by reference to market prices prevailing at balance date.

(i) Employee benefits

Wages and salaries, annual leave and sick leave;

The amounts expected to be paid to employees for pro-rata entitlement to wages and salaries and annual leave expected to be settled within one year have been measured at the current amount payable. Superannuation contributions are made by the Institute to employee superannuation funds and are charged as expenses when incurred.

At the date of this report Bicycle Victoria has 17 full time employees.

Bonus plan;

A liability for bonus plans, payable at Council's discretion, is recognised in other creditors.

Liabilities for bonus plans are expected to be settled within 12 months, or shortly thereafter, and are measured at the amounts expected to be paid when they are settled.

Long service entitlements;

Long service entitlements payable more than one year from the reporting date have been measured at the present value of the expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms of maturity and currency that match, as closely as possible, the estimated future cash flows.

(j) Depreciation of fixed assets

Depreciation or amortisation has been charged on fixed assets at rates assessed to match the cost of each of the assets over their economic life using the straight line or diminishing balance method of depreciation.

Estimates of remaining lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are;

Leasehold fit-out costs	5 years
Office equipment	3 to 5 years
Rides equipment	5 to 10 years
Database & website costs	2 to 3 years

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1. SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

(k) Investment income

Dividends, interest and distributions from listed and unlisted securities are recognised as income in the Statement of Financial Performance when received.

(l) Revenue recognition

Future rides to be conducted

Income and expenses related to rides to be conducted in the next financial year are taken up as deferred income (liability) prepaid expense (asset) 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.

m) Income tax

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

n) Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards ("IFRS") effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The management of the Institute, along with its auditors, are assessing the significance and impact of these changes and preparing for their implementation. An IFRS project team has been established to oversee and manage the Institute's transition to IFRS.

The Councillors of the Institute are of the opinion that the key differences in the entity's accounting policies which will arise from the adoption of IFRS are as follows:

Impairment of Assets

The Institute currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from an asset's use and subsequent disposal. Under the pending AASB 136 *Impairment of Assets*, the recoverable amount of an asset will be determined as the higher of the fair value less costs to sell or the value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

Non-current Investments

Under the pending AASB 139 *Financial Instruments: Recognition and Measurement*, financial instruments that are classified as available for sale instruments must be carried at fair value. Unrealised gains or losses may be recognised either in income or directly to equity.

Bicycle Institute of Victoria Incorporated

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1. SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

The Institute's accounting policy is to measure non-current investments at cost, with an annual review by Councillors to ensure that the carrying amounts are not in excess of the recoverable value of the instruments. Under this policy, no recognition is made of either the excess of the fair value of the financial instruments, unless the diminution is regarded as permanent.

Internally Generated Brands

Under the pending AASB 138 *Intangible Assets*, internally generated brands may not be capitalised to the statement of financial position, but should be expensed in the period in which they are incurred. The Institute's current accounting policy is to capitalise only those third party costs incurred in protecting and registering trade marks and amortise them over the period in which their benefit is expected to be realised. The result of this change will not have any material effect on the entity's financial statements.

In addition, a number of other changes in requirements have been identified which are expected to lead to changes in methodology or processes, increased disclosures and possibly changes in measurement of assets or liabilities. The changes are not expected to have a material impact.

2. PROFIT FROM OPERATIONS

Profit from operations is arrived at after crediting /charging the following specific items:

	2004	2003
	\$	\$
After crediting		
Net gain on sale of rides equipment	3,937	7,561
After charging		
Auditors remuneration		
- for auditing the financial statements	7,500	13,327
- for other services	3,800	500
Net loss on disposal of investments	20,268	73,509

Bicycle Institute of Victoria Incorporated

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

3. INFORMATION ABOUT BUSINESS SEGMENTS

Revenue	Events		Membership		Campaigns		Total	
	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$
External sales revenue	4,550,108	3,662,653	1,434,081	1,176,196	329,714	207,675	6,313,903	5,046,524
Segment result	105,358	323,109	224,717	199,492	(147,087)	(114,327)	182,988	408,274
Administrative expenses and overheads							(294,492)	(291,345)
Net Profit							(111,504)	116,929
Segment assets	708,077	566,008	71,289	70,225	108,420	148,057	887,786	784,290
Unallocated assets (see b) below)							2,213,269	1,968,521
Total assets							3,101,055	2,752,811
Segment liabilities	936,138	590,328	261,520	210,167	102,287	7,478	1,299,945	936,919
Unallocated liabilities							177,247	80,525
Total liabilities							1,477,192	1,017,444
Depreciation expense	78,307	86,996	16,985	16,023	7,926	7,478	103,218	110,497
Unallocated depreciation							112,917	40,663
Total depreciation							216,135	151,160

Note: a) The Institute operates in the leisure and lobbying sectors, conducting rides within Australasia and lobbying on behalf of the Members of the Institute
b) Unallocated assets includes the investment portfolio book value \$1,696,956 at 30 June 2004 (\$1,407,715 at 30 June 2003)

Bicycle Institute of Victoria Incorporated

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

	2004	2003
	\$	\$
4. CURRENT ASSETS – CASH ASSETS		
Cash at bank & on hand	53,894	114,426
Deposits at call	-	300,000
Deposits - bond money	30,000	31,596
	<u>83,894</u>	<u>446,022</u>
<p>Deposits at call are bearing floating interest rates between 4% to 4.5% (2003 – 4.0% to 5.0%). Deposits – bond money guarantees performance for payment of rent and bears interest at interest rates between 4% to 4.5%</p>		
5. CURRENT ASSETS - RECEIVABLES		
Trade debtors	303,590	168,673
	<u>303,590</u>	<u>168,673</u>
6. CURRENT ASSETS - INVENTORIES		
Books and parking rails – at cost	20,898	16,454
Event related – at cost	68,240	52,651
	<u>89,138</u>	<u>69,105</u>
7. CURRENT ASSETS - OTHER		
Prepaid expenses	34,566	45,083
Prepaid event expenses	227,502	218,946
	<u>262,068</u>	<u>264,029</u>

Bicycle Institute of Victoria Incorporated

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

8. NON CURRENT ASSETS -Property, plant and equipment (all assets are at cost)

	Leasehold improvements	Office equipment	Rides equipment	Catering equipment	Furniture & fittings	Leased office & rides equipment	TOTAL
	\$	\$	\$	\$	\$	\$	\$
Gross Carrying Amount							
Balance at 30 June 2003	270,070	98,179	39,076	189,688	17,081	187,591	801,685
Additions at cost	14,441	433,350	12,078	20,410	3,034	-	483,313
Disposals	-	-	-	-	-	-	-
Balance at 30 June 2004	284,511	531,529	51,154	210,098	20,115	187,591	1,284,998
Accumulated Depreciation							
Balance at 30 June 2003	79,078	57,983	29,726	103,424	4,906	135,665	410,782
Depreciation expense	56,615	101,638	7,484	21,306	3,563	24,997	215,603
Disposals	-	-	-	-	-	-	-
Balance at 30 June 2004	135,693	159,621	37,210	124,730	8,469	160,662	626,385
Net Book Value							
As at 30 June 2003	190,992	40,196	9,350	86,264	12,174	51,926	390,834
As at 30 June 2004	148,818	371,908	13,944	85,368	11,646	26,929	658,613

Bicycle Institute of Victoria Incorporated

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

	2004	2003
	\$	\$
9. NON CURRENT ASSETS - INTANGIBLE ASSETS		
Trade marks - at cost		
Opening balance	6,433	3,148
Additions	735	3,599
Less accumulated amortisation	<u>(372)</u>	<u>(314)</u>
Balance at 30 June 2004	<u><u>6,796</u></u>	<u><u>6,433</u></u>
10. NON CURRENT ASSETS - INVESTMENTS		
Funds invested, at cost June 2004	1,654,000	1,422,293
Net income received/ losses incurred since	<u>42,956</u>	<u>(14,578)</u>
	<u><u>1,696,956</u></u>	<u><u>1,407,715</u></u>

The method of accounting for these funds is set out in Note 1 to these accounts. The market value at 30 June 2004 was \$1,789,321 (30 June 2003 was \$1,310,826).

	2004	2003
	\$	\$
11. CURRENT LIABILITIES – PAYABLES		
Trade creditors	214,444	80,216
Other creditors	<u>256,294</u>	<u>215,232</u>
	<u><u>470,738</u></u>	<u><u>295,448</u></u>
12. INTEREST-BEARING LIABILITIES		
Secured		
Lease liability – current	<u>5,379</u>	<u>13,297</u>
Lease liability – non-current	<u>-</u>	<u>5,379</u>

Refer Note 21

The leases were arranged with a major finance company.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

Bicycle Institute of Victoria Incorporated

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

	2004	2003
	\$	\$
13. CURRENT LIABILITIES – PROVISIONS		
Employee benefits	107,405	87,755
	<u>107,405</u>	<u>87,755</u>
14. CURRENT LIABILITIES – OTHER		
Unexpired membership fees	135,085	107,285
Prepaid ride & other fees	741,249	493,444
Money held in trust	891	891
Ted Parker memorial fund	3,445	3,445
	<u>880,670</u>	<u>605,065</u>
15. NON-CURRENT LIABILITIES – PROVISIONS		
Employee benefits	13,000	10,500
	<u>13,000</u>	<u>10,500</u>
16. MEMBERS FUNDS		
Balance at beginning of financial year	1,735,367	1,618,438
Net (Loss)/Profit for the year	(111,504)	116,929
Transfer to Liability Insurance Reserve	(75,000)	-
Balance at end of financial year	<u>1,548,863</u>	<u>1,735,367</u>
17. RESERVES		
a) Liability Insurance Reserve	<u>\$75,000</u>	<u>-</u>
b) Movements:		
Amount set aside to meet possible liability insurance excess	\$75,000	-
c) Nature and purpose of Reserve		
The Insurance Reserve recognises the potential liability which may arise from the Institute's self insuring a maximum of \$100,000 of the liability policy in the insurance period to 30 September 2004. This reserve will be increased by \$25,000 by 30 September 2004.		

Bicycle Institute of Victoria Incorporated

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

18. MATTER ARISING AFTER BALANCE DATE

Bicycle Victoria has entered into 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 is currently undrawn and will be used, if needed, for short term cash management. A more structured approach to cash management will allow the investment portfolio to maximise its potential without disturbance.

	2004	2003
	\$	\$
19. LEASE COMMITMENTS		
Finance lease		
Finance lease capitalised in the accounts in accordance with the accounting policies defined in Note 1.		
Payable:		
Within one year	5,379	13,297
Later than one year but not later than 2 years	-	5,379
Later than 2 years but not later than 5 years	-	-
Minimum lease payments	<u>5,379</u>	<u>18,676</u>
Less future finance charges	(107)	(1,103)
Recognised as lease liability	<u><u>5,272</u></u>	<u><u>17,573</u></u>
Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows		
Within one year	89,639	105,538
Later than one year but not later than 2 years	31,486	89,639
Later than 2 years but not later than 5 years	<u>16,500</u>	<u>47,986</u>
	<u><u>137,625</u></u>	<u><u>243,163</u></u>

Bicycle Institute of Victoria Incorporated

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

20. RELATED PARTY DISCLOSURES

The Councillors of Bicycle Institute of Victoria Incorporated during the year were:

S Orr
S Crone
E A Heintz
J Alexander
J Kelly
P van Veenendaal
G Callahan (elected November 2003)
S Ferry (elected November 2003)
D Levin (elected November 2003)
A Swaney (up to November 2003)
J Strauss (up to November 2003)
S Edwards (up to November 2003)

Remuneration

Council members offer their services voluntarily and are paid no remuneration by the Institute.

	2004	2003
	\$	\$
The aggregate of income paid or payable to all Councillors of the Institute during the financial year.	Nil	Nil
	2004	2003
	No.	No.
The number of directors of the Institute whose total income falls within each band of income.		
\$0 - \$9,999	12	11
Other transactions with Councillors and Councillor related entities:	2004	2003
	\$	\$
The profit from ordinary activities before income tax includes the following items of revenue and expense that resulted from transactions with Councillors or their-related entities.	Nil	Nil
	<u>Nil</u>	<u>Nil</u>

21. REGISTERED OFFICE

The Bicycle Institute of Victoria Incorporated of Level 10, 446 Collins Street, Melbourne, Victoria 3000 reports under the Associations Incorporations Act 1981.

Bicycle Institute of Victoria Incorporated

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

22. CASH FLOW INFORMATION

(a) Reconciliation of cash

For the purposes of the statement of cash flows, the Institute 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:

	2004	2003
	\$	\$
Cash at bank and on hand	53,894	114,426
Deposits at call	-	300,000
Deposits—bond money	30,000	31,596
Balances per statement of cash flows	<u>83,894</u>	<u>446,022</u>

(b) Reconciliation of cash provided by operating activities to operating result

	2004	2003
	\$	\$
Net (loss)/profit	(111,504)	116,929
Non-cash items included in operating result:		
Depreciation & amortisation	216,135	151,160
Net gain on sale of rides equipment	(3,937)	(7,561)
Net gain of investments	(39,241)	14,578
Changes in assets and liabilities:		
Decrease/(increase) in trading receivables	(134,917)	(111,230)
(Increase)/ decrease in inventories	(20,033)	(39,977)
(Increase)/decrease in other current assets	1,961	(96,537)
Increase/(decrease) in creditors	175,062	76,964
Increase in employee benefits	22,150	8,190
Increase in other current liabilities	275,605	207,857
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>381,281</u>	<u>320,373</u>

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

Bicycle Institute of Victoria Incorporated

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

22. FINANCIAL INSTRUMENTS

(a) Interest rate risk exposures

The Institute'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 the Institute intends to hold fixed rate assets and liabilities to maturity.

2004	Notes	Floating interest rate (\$)	Non- interest bearing (\$)	Total \$
Financial assets				
Cash	4	30,000	53,894	83,894
Receivables and prepayments	5,7	-	565,658	565,658
Total financial assets		<u>30,000</u>	<u>619,552</u>	<u>649,552</u>

Weighted average interest rate 4.75%

2003	Notes	Floating interest rate (\$)	Non- interest bearing (\$)	Total \$
Financial assets				
Cash	4	331,596	114,426	446,022
Receivables and prepayments	5,7	-	432,702	432,702
Total financial assets		<u>331,596</u>	<u>547,128</u>	<u>878,724</u>

Weighted average interest rate 4.20%

Financial liabilities

		Fixed interest rate maturing	
		Within 1 year	1 to 5 years

2004			
Lease liabilities	10	107	-
Weighted average interest rate		8.10%	

2003			
Lease liabilities	10	1,103	-
Weighted average interest rate		8.10%	

Bicycle Institute of Victoria Incorporated

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

(b) Credit risk

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 Statement of Financial Position and notes to the financial statements.

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

(c) 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 10 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 the Institute 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 Statement of Financial Position and the notes to the financial statements.

23. CONTINGENT LIABILITIES

The Institute is self insuring for an excess up to \$100,000 in the event that claims are received for an injury sustained in the year ended 30 June 2004 on the Liability policy. Claims can be made up to seven years after the accident. No such claims have yet to be made as at the date of signing these financial statements.

The Reserve of \$75,000, as disclosed in Note 17, will be increased to \$100,000 by 30 September 2004.

Bicycle Institute of Victoria Incorporated

Declaration by Members of the Council

Council Members declare that the financial statements set out on pages 9 to 25:

1. comply with Accounting Standards, the Associations Incorporation Act 1981 and other mandatory professional reporting requirements; and
2. give a true and fair view of the Institute's financial position as at 30 June 2004 and its performance for the year ended on that date.

In the Council Members opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the Institute 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 Council and is signed for and on behalf of the Council by:



S Crone -Vice President



E A Heintz – Council Member

Dated this 30 day of August 2004