

Bicycle Institute of Victoria Incorporated

**Financial Report
for the year ended 30 June 2005**

Registration No: 054 009 871

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 2005.

Council members

The following persons were Council Members at the Institute during the whole of the financial year and up to the date of this report:

Simon Crone (President, member of Executive Committee)
James Alexander (Vice President, member of Executive Committee)
Gabrielle Callahan
Sally Ferry (member of Executive Committee from November 2004)
Albie Heintz (member of Executive Committee)
David Levin QC
Stuart Orr (President and a member of Executive Committee until December 2004)
Paul van Veenendaal

David Larsen was elected as a Council Member in November 2004 and held office up to the date of this report.

James Kelly was a Council Member from the beginning of the financial year until his retirement in November 2004.

Graham Lindsay was the Consulting Treasurer and a member of the Executive Committee for the financial year until his resignation on 22 August 2005.

Meetings of Council and Executive

Councillor	Full meetings of Councillors		Meetings of Executive	
	A	B	A	B
Simon Crone	13	12	10	9
James Alexander	13	11	10	7
Gabrielle Callahan	13	12		
Sally Ferry	13	10	3	1
Albie Heintz	13	13	10	10
David Levin QC	13	10		
Stuart Orr	13	8	5	3
Paul van Veenendaal	13	10		
Graham Lindsay			10	8
David Larsen	8	7		
James Kelly	5	3		

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

B = Number of meetings attended

Bicycle Institute of Victoria Incorporated

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

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

- 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 financial year.

Operating result

The loss from operating activities for the year was \$197,000. The Institute 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

1. A payment has been made to the Australian Tax Office since 30 June 2005 amounting to \$24,519 for GST on Membership income covering the period from October 2003 to 30 June 2004. The oversight occurred at the time of establishing the new database and was detected by the Institute's own reconciliation procedures. This prior year matter has been accounted for by reducing Membership income by that amount for the year to 30 June 2005.
2. The postage charge on the mail out of the Great Rides magazine was reassessed after dispatch. The Institute paid the additional postage of \$88,000 under protest and has charged the Income Statement with this amount for the 2005 financial year rather than carry the amount forward as a prepaid event expense to the next financial year as per Bicycle Victoria accounting policy.

Corporate Governance Statement

The Corporate Governance Statement set out on pages 4 to 6 of this report, was reviewed and updated in August 2005.

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Council Members' Report (continued)

Insurance of Officers

During the year, the Institute 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 the Institute 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



Simon Crone - President



James Alexander – Vice President

Dated this 29 day of August 2005

The Institute's Corporate Governance Statement

The Institute is a self-funded community organisation.

The Institute and the Council are committed to achieving and demonstrating the highest standards of corporate governance in a manner appropriate to the Institute.

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 the Institute'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 the Institute 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 the Institute 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 Institute Constitution, which is available from the Institute. 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 Institute website.

It is the aim of Council to have 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 Business Manager attend all Council and Executive 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 the Institute
- 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 who are members of the Executive also attend those meetings of the Executive.

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 the Institute during the year other than as a normal member, except that David Larsen received payment for writing articles for Ride On, particulars of which are disclosed in the Financial Statements in the Note 20 – Related party Disclosures. 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 a process will be established by December 2005.

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.

Delegation

Council delegates responsibility for the operation and administration of the Institute 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.

Bicycle Institute of Victoria Incorporated

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 – Simon Crone
- Vice President – James Alexander
- Two other Councillors elected by the full Council – Sally Ferry and Albie Heintz
- Consulting Treasurer – Graham Lindsay (resigned 22 August 2005)

The Consulting Treasurer, General Manager, Business Manager, Finance Manager and Accountant attend the Executive and have a voice but no vote. The Executive meets monthly a week prior to the Council meeting.

The Executive provides that the Institute:

- has an appropriate system of internal controls and monitoring of compliance activities over its resources, functions and assets
- meets its statutory and fiduciary responsibilities relating to the accounting and financial reporting practices and internal control systems
- and carries out the following activities

For the audit function:

- Reviews the accounts in detail each month before presentation to Council
- Reviews, assesses and approves 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
- Conducts annual reviews of the external auditors, reviewing audit fees, plan, policies and scope, ensuring the audits are effective and reviewing the audit reports.
- Meets with the auditors during the year to discuss accounting policies, changes in the Accounting Standards and other relevant pronouncements and legislation.
- Discusses 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:

- Performs a detailed quarterly review of the 'non current assets' or holdings of securities, which the Council intends to retain on a long-term basis.
- Reviews the performance of the funds managers in the short and long term and meet with them regularly to discuss the investments.

Bicycle Institute of Victoria Incorporated

For risk management:

- Reviews 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:

- Ensures the Institute follows appropriate remuneration policies and practices of compensation including incentive plans, other benefits and service contracts.
- Reviews appropriate staff performance monitoring and appraisal systems.
- Reviews staffing policies.

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 statement.

Bicycle Institute of Victoria Incorporated

MCINNES, GRAHAM
& GIBBS

CHARTERED ACCOUNTANTS

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Independent audit report to members of the 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 2005. 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.

Bicycle Institute of Victoria Incorporated

MCINNES, GRAHAM
& GIBBS
CHARTERED ACCOUNTANTS

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 prior to entry into the financial records. Accordingly, as the evidence available to us regarding revenue from this source was limited, our audit procedures with respect to voluntary contributions had to be restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether voluntary contributions obtained are complete.

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 2005 and the results of its operations and its cash flows for the year then ended.

McInnes Graham & Gibbs
Chartered Accountants

D. I. Gibbs
Partner

29th August 2005

Bicycle Institute of Victoria Incorporated

Statement of Financial Performance for the year ended 30 June 2005

	Note	2005 \$	2004 \$
Events revenue		6,493,622	4,550,108
Membership fees, income and donations		1,642,133	1,356,002
Campaigns revenue		237,139	166,782
Other products and Services		319,039	241,011
External sales revenue	3	8,691,933	6,313,903
Interest income		53,056	28,248
Investment income		141,092	81,322
Increase in market value of investment portfolio		254,437	-
		448,585	109,570
Revenue from ordinary activities	2	9,140,518	6,423,473
Employee benefits		1,856,328	1,402,629
Supply and service costs		4,405,860	2,228,241
Depreciation and amortisation		607,329	216,135
Insurance		629,828	730,663
Printing and office costs		775,478	472,416
Promotion costs		79,740	260,926
Cost of merchandise		312,803	330,791
Audit, legal and consultancy		155,664	162,611
Merchant card fees		139,395	61,693
IT and online costs		221,261	208,666
Occupancy costs		157,413	155,272
Loss on sale of shares		0	20,268
Other		(3,581)	284,666
Expenses from ordinary activities	2	9,337,518	6,534,977
(LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(197,000)	(111,504)
Income tax expense (The Institute is exempt from income tax)	1(m)	-	-
NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE ATTRIBUTABLE TO the Institute	16	(197,000)	(111,504)
Transfer to Reserves	17	(62,500)	(75,000)
TOTAL CHANGES IN MEMBERS' FUNDS		(259,500)	(186,504)

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

Bicycle Institute of Victoria Incorporated

Statement of Financial Position as at 30 June 2005

	Note	2005 \$	2004 \$
CURRENT ASSETS			
Cash assets	4	301,749	83,894
Receivables	5	160,778	303,590
Inventories	6	35,580	89,138
Other	7	437,919	262,068
TOTAL CURRENT ASSETS		<u>936,026</u>	<u>738,690</u>
NON CURRENT ASSETS			
Property, plant and equipment	8	327,347	658,613
Intangible assets	9	7,144	6,796
Investments	10	2,066,259	1,696,956
TOTAL NON CURRENT ASSETS		<u>2,400,750</u>	<u>2,362,365</u>
TOTAL ASSETS		<u>3,336,776</u>	<u>3,101,055</u>
CURRENT LIABILITIES			
Payables	11	719,591	470,738
Interest-bearing liabilities	12	-	5,379
Provisions	13	147,212	107,405
Other	14	1,037,070	880,670
TOTAL CURRENT LIABILITIES		<u>1,903,873</u>	<u>1,464,192</u>
NON CURRENT LIABILITIES			
Provisions	15	6,040	13,000
TOTAL NON CURRENT LIABILITIES		<u>6,040</u>	<u>13,000</u>
TOTAL LIABILITIES		<u>1,909,913</u>	<u>1,477,192</u>
NET ASSETS		<u>1,426,863</u>	<u>1,623,863</u>
MEMBERS' FUNDS			
Accumulated surplus	16	1,289,363	1,548,863
Reserves	17	137,500	75,000
TOTAL MEMBERS' FUNDS		<u>1,426,863</u>	<u>1,623,863</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 2005

	Note	2005 \$	2004 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members, riders and all other sources		10,103,822	7,035,037
Payments to suppliers and employees		(9,604,178)	(6,653,756)
NET CASH INFLOW FROM OPERATING ACTIVITIES	22(b)	<u>499,644</u>	<u>381,281</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for leasehold fit-out and office equipment		(225,335)	(450,826)
Payments for rides equipment		(49,951)	(32,488)
Payments for intangible assets		(1,124)	(735)
Proceeds from sale of assets		-	3,937
Net proceeds from investment portfolio		114,866	39,241
Funds re-invested		(114,866)	(39,241)
Transfer funds for investment		-	(250,000)
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		<u>(276,410)</u>	<u>(730,112)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings**		(5,379)	(13,297)
NET CASH (OUTFLOWS) FROM FINANCING ACTIVITIES		<u>(5,379)</u>	<u>(13,297)</u>
NET INCREASE (DECREASE) IN CASH HELD		217,855	(362,128)
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		83,894	446,022
CASH AT THE END OF THE FINANCIAL YEAR	22(a)	<u>301,749</u>	<u>83,894</u>

** Borrowings were finance leases related to event equipment

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

NOTES TO THE FINANCIAL STATEMENTS

Bicycle Institute of Victoria Incorporated

FOR THE YEAR ENDED 30 JUNE 2005

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 Associations 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 realisable within 90 days. Collectibility of receivables is reviewed on an ongoing basis, uncollectables are written off and provisions raised for doubtful debts 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, 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, classified as Office equipment, 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 (prior year only)

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 2005

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 inherent in 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

The Institute has changed accounting policy this financial year to be consistent with new Accounting Standards effective from 1 July 2005. Investments are valued at market value instead of at cost.

The increase in value between cost and market in this financial year of \$254,437 has been brought to account in the Statement of Financial Performance.

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 the Institute has 25 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.

As a part of this appraisal the carrying value of database and online registration costs (classified within Office Equipment) have been re-evaluated and additional amortisation of \$243,500 has been charged to the Statement of Financial Performance in this financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Bicycle Institute of Victoria Incorporated

1 SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

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 and online costs	2 to 3 years

(k) Investment income

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

The increase or decrease in market value of the investment portfolio will be recognised in the Statement of Financial Performance, see Note 1 (h).

(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) and 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) Impact of the 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.

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.

Bicycle Institute of Victoria Incorporated

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1 SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

Non-current Investments

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

The Institute has changed its accounting policy to adopt this method for the current financial year (see Note 1 h)

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/(LOSS) FROM OPERATIONS

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

	2005	2004
	\$	\$
After crediting		
Net gain on sale of rides equipment	-	3,937
Net gain on sale of investments	26,989	-
Net gain in market value of investment portfolio	254,437	-
After charging		
Auditors remuneration		
- for auditing the financial statements	8,250	7,500
- for other services	4,000	3,800
Net loss on disposal of investments	-	20,268

Bicycle Institute of Victoria Incorporated

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

3. Information about business segments

Revenue	Rides		Membership		Cycling Development		Other Products & Services		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
External sales revenue	6,493,622	4,550,108	1,642,133	1,356,002	237,139	166,782	319,039	241,011	8,691,933	6,313,903
Segment result	613,994	105,358	223,170	224,717	(232,954)	(147,087)	(67,774)	-	536,436	182,988
Administrative expenses and overheads (see c) below)									(733,436)	(294,492)
Net Profit/(Loss)									<u>(197,000)</u>	<u>(111,504)</u>
Segment assets	678,685	708,076	50,132	71,289	86,050	108,420	64,315	108,421	879,182	887,786
Unallocated assets (see b) below)									2,457,594	2,213,269
Total assets									<u>3,336,775</u>	<u>3,101,055</u>
Segment liabilities	1,136,548	938,595	431,146	261,190	177,624	100,160	38,188	-	1,783,506	1,299,945
Unallocated liabilities									126,477	177,247
Total liabilities									<u>1,909,983</u>	<u>1,477,192</u>
Depreciation expense	66,295	78,307	10,825	16,985	15,516	7,926	11,908	-	104,544	103,218
Unallocated Depreciation (see c) below)									502,785	112,917
Total depreciation									<u>607,329</u>	<u>216,135</u>

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 \$2,066,259 at 30 June 2005 (\$1,696,956 at 30 June 2004)

c) Administrative expenses and overheads includes amortisation of the database and online costs amounting to \$455,124 for the year see Note 1 (j)

Bicycle Institute of Victoria Incorporated

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	\$	\$
4. CURRENT ASSETS – CASH ASSETS		
Cash at bank & on hand	187,844	53,894
Deposits at call	83,905	-
Deposits - bond money	30,000	30,000
	<u>301,749</u>	<u>83,894</u>
a) Deposits at call are bearing floating interest rates between 5% to 5.5% (2004 - 4.0% to 4.5%). Deposits – bond money guarantees performance for payment of rent and bears interest at interest rates between 4% to 4.5% (2004 - 4.0% to 4.5%).		
b) The Institute 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 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.		
5. CURRENT ASSETS - RECEIVABLES		
Trade debtors	<u>160,778</u>	<u>303,590</u>
	<u>160,778</u>	<u>303,590</u>
6. CURRENT ASSETS - INVENTORIES		
Parking rails and books– at cost	33,719	20,898
Event related – at cost	1,861	68,240
	<u>35,580</u>	<u>89,138</u>
7. CURRENT ASSETS - OTHER		
Prepaid expenses	68,516	34,566
Prepaid event expenses	369,403	227,502
	<u>437,919</u>	<u>262,068</u>

Bicycle Institute of Victoria Incorporated

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

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 2004	284,511	531,529	51,154	210,098	20,115	187,591	1,284,998
Additions at cost	15,010	209,737	42,458	7,493	588	-	275,286
Disposals	-	(17,011)	-	-	-	-	(17,011)
Transfer from leased assets	-	73,052	-	114,539	-	(187,591)	-
Balance at 30 June 2005	299,521	797,307	93,612	332,130	20,703	-	1,543,273
Accumulated Depreciation							
Balance at 30 June 2004	135,693	159,621	37,210	124,730	8,469	160,662	626,385
Depreciation expense	65,093	485,434	11,948	39,192	4,885	-	606,552
Disposals	-	(17,011)	-	-	-	-	(17,011)
Transfer from leased assets	-	73,052	-	87,610	-	(160,662)	-
Balance at 30 June 2005	200,786	701,096	49,158	251,532	13,354	-	1,215,926
Net Book Value							
As at 30 June 2004	148,818	371,908	13,944	85,368	11,646	26,929	658,613
As at 30 June 2005	98,735	96,211	44,454	80,598	7,349	-	327,347

Bicycle Institute of Victoria Incorporated

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	\$	\$
9. NON CURRENT ASSETS - Intangible Assets		
Trade marks - at cost		
Opening balance	6,796	6,433
Additions	1,124	735
Less current year amortisation	(776)	(372)
Balance at 30 June 2005	<u>7,144</u>	<u>6,796</u>

10. NON CURRENT ASSETS - Investments		
Funds invested, at cost June 2005	1,654,000	1,654,000
Accumulated income received - net of management fees	157,822	42,956
Increase in market value over book value	<u>254,437</u>	<u>-</u>
	<u>2,066,259</u>	<u>1,696,956</u>

The method of accounting for these funds is set out in Note 1 to these accounts. The market value at 30 June 2005 was \$2,066,259 (30 June 2004 \$1,789,321).

	2005	2004
	\$	\$
11. CURRENT LIABILITIES – PAYABLES		
Trade creditors	190,584	214,444
Other creditors	<u>529,007</u>	<u>256,294</u>
	<u>719,591</u>	<u>470,738</u>

12. CURRENT LIABILITIES – INTEREST BEARING		
Secured		
Lease liability	-	5,379
	<u> </u>	<u>5,379</u>

Refer Note 19

The leases were arranged with a major finance company.

Lease liabilities were 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 2005**

	2005	2004
	\$	\$
13. CURRENT LIABILITIES – PROVISIONS		
Employee benefits	147,212	107,405
	<u>147,212</u>	<u>107,405</u>
 14. CURRENT LIABILITIES – OTHER		
Unexpired membership fees	113,456	135,085
Prepaid ride and other fees	919,278	741,249
Money held in trust	891	891
Ted Parker memorial fund	3,445	3,445
	<u>1,037,070</u>	<u>880,670</u>
 15. NON-CURRENT LIABILITIES – PROVISIONS		
Employee benefits	6,040	13,000
	<u>6,040</u>	<u>13,000</u>
 16. MEMBERS FUNDS		
Balance at beginning of financial year	1,548,863	1,735,367
Net (Loss)/Profit for the year	(197,000)	(111,504)
Transfer to Liability insurance reserve	(62,500)	(75,000)
Balance at end of financial year	<u>1,289,363</u>	<u>1,548,863</u>
 17. RESERVES		
a) Liability insurance reserve	<u>137,500</u>	<u>75,000</u>
b) Movements:		
Amount set aside to meet possible liability insurance excess	<u>62,500</u>	<u>75,000</u>
c) Nature and purpose of Reserve		
<p>The Insurance Reserve recognises the potential liability which may arise from the Institute’s self insuring a maximum of \$50,000 (2004-\$100,000) of the excess on the liability policy in the insurance period to 30 September 2005. This reserve will be increased by \$12,500 by 30 September 2005, see Note 24 a)</p>		

Bicycle Institute of Victoria Incorporated

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

18. MATTER ARISING AFTER BALANCE DATE

A payment has been made to the Australian Tax Office since 30 June 2005 amounting to \$24,519 for GST on Membership income covering the period from October 2003 to 30 June 2004. The oversight occurred at the time of establishing the new database and was detected by the Institute's own reconciliation procedures. This prior year matter has been accounted for by reducing Membership income by that amount for the year to 30 June 2005.

	2005	2004
	\$	\$
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
Minimum lease payments	-	5,379
Less future finance charges	-	(107)
Recognised as lease liability	-	5,272
Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows		
Within one year	120,486	89,639
Later than one year but not later than 2 years	37,633	31,486
Later than 2 years but not later than 5 years	3,300	16,500
	<u>161,419</u>	<u>137,625</u>

Bicycle Institute of Victoria Incorporated

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

20. RELATED PARTY DISCLOSURES

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

Simon Crone
James Alexander
Gabrielle Callahan
Sally Ferry
Albie Heintz
David Larsen
David Levin QC
Stuart Orr
Paul van Veenendaal

James Kelly was a Council Member from the beginning of the financial year until his retirement in November 2004.

Remuneration

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

	2005	2004
	\$	\$
The aggregate of income paid or payable to all Councillors of the Institute during the financial year.	200	Nil
	No.	No.
The number of Councillors of the Institute whose total income falls within each band of income.		
\$0 - \$9,999	10	12
Other transactions with Councillors and Councillor related entities:	\$	\$
The profit from ordinary activities before income tax excluding the following items of revenue and expense that resulted from transactions with Councillors or their-related entities.	Nil	Nil
Fees paid to a Councillor for writing articles for Ride On magazine (\$400 was paid prior to his appointment)	200	Nil
	<u>200</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 2005

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:

	2005	2004
	\$	\$
Cash at bank and on hand	187,844	53,894
Deposits at call	83,905	-
Deposits—bond money	30,000	30,000
Balances per statement of cash flows	<u>301,749</u>	<u>83,894</u>

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

	2005	2004
	\$	\$
Net (loss)/profit	(197,000)	(111,504)
Non-cash items included in operating result:		
Depreciation & amortisation	607,329	216,135
Net gain on sale of rides equipment		(3,937)
Net gain on market value of investments	(254,437)	-
Changes in assets and liabilities:		
Decrease/(increase) in trading receivables	142,812	(134,917)
(Increase)/ decrease in inventories	53,558	(20,033)
(Increase)/decrease in other current assets	(175,851)	1,961
(Increase) in funds invested	(114,866)	(39,241)
Increase/(decrease) in creditors	248,853	175,062
Increase in employee benefits	32,847	22,150
Increase in other current liabilities	156,399	275,605
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>499,644</u>	<u>381,281</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 2005

23. 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.

2005	Notes	Floating interest rate (\$)	Non- interest bearing (\$)	Total \$
Financial assets				
Cash	4	113,905	187,844	301,749
Receivables and prepayments	5,7	-	598,697	598,697
Total financial assets		113,905	786,541	900,446

Weighted average interest rate 4.75%

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		30,000	619,552	649,552

Weighted average interest rate 4.20%

Financial liabilities	Fixed interest rate maturing	
	Within 1 year	1 to 5 years

2005

Lease liabilities	19	Nil	-
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Weighted average interest rate		Nil	
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2004

Lease liabilities	19	107	-
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Weighted average interest rate		8.10%	
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Bicycle Institute of Victoria Incorporated

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

(b) 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 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.

24. CONTINGENT LIABILITIES

a) The Institute is self insuring for an excess up to \$50,000 (2004 - \$100,000) in the event that claims are received for an injury sustained in the year ended 30 June 2005 on the Liability policy. Claims can be made up to three years after the accident. No such claims have yet to be made as at the date of signing these financial statements.

The Reserve of \$137,500 (2004 - \$75,000) as disclosed in Note 17, will be increased to \$150,000 by 30 September 2005.

b) A claim has been received from the caterer contracted to provide meals for the 2004 Great New Zealand Bike Ride for an amount of New Zealand \$43,000. The Institute disputes this claim totally and has engaged its Lawyers to defend the action.

Bicycle Institute of Victoria Incorporated

Declaration by Members of the Council

Council Members declare that the financial statements set out on pages 10 to 26:

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 2005 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:



Simon Crone -President



James Alexander – Vice President

Dated this 29 day of August 2005