

**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**

**Bicycle Victoria Incorporated**

**Financial Report**  
**for the year ended 30 June 2011**

**Registration No: A0008607J**

**ABN 41 026 835 903**

**BICYCLE VICTORIA INCORPORATED**  
A B N 41 026 835 903

**Board Members' Report**

Your Board Members submit the following financial report of Bicycle Victoria Incorporated ("Bicycle Victoria") for the year ended 30 June 2011.

**Board Members**

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

- Simon Crone (President)
- Janice Simpson (Vice President and Convenor of Audit and Risk Committee)
- Rick Barry (Convenor of Remuneration Committee)
- Ruth Paterson (Convenor of Board Renewal Committee)
- Helen Millicer
- Catherine James
- Eytan Lenko
- Tony Maughan
- Jeremy Brand (Convenor of Constitution Committee)

**Meetings of Board, Audit & Risk and other Committees**

Board Member	Board meetings		Audit & Risk Committee		Constitution Committee		Remuneration Committee		Board Renewal Committee	
	A	B	A	B	A	B	A	B	A	B
Simon Crone	9	9	11	9	3	2	6	6	2	1
Janice Simpson*	9	7	11	8	3	2	-	-	2	1
Rick Barry	9	9	5	5	-	-	6	6	2	2
Ruth Paterson	9	8	-	-	-	-	-	-	4	4
Catherine James	9	9	6	6	2	2	2	1		
Helen Millicer	9	8	6	5	-	-	6	4	2	2
Eytan Lenko	9	8	5	5	3	2	1	1	2	2
Tony Maughan	9	6	5	4	-	-	-	-		
Jeremy Brand	9	7	6	4	3	3	6	5		

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

B = Number of meetings attended.

\* The Board granted Janice Simpson leave of absence for three months from July until September 2010.

## BICYCLE VICTORIA INCORPORATED

A B N 41 026 835 903

### Current Board Members relevant skills and terms of office

Board Member	Relevant skills, experience and expertise	Appointed to the Board
Simon Crone – President	FCA, CPA, BCom, DipSM. Over 20 years experience in finance (public and private sectors, consulting and in senior management), board and audit committee roles.	2002
Janice Simpson – Vice President	FCDA, MSocSci, GDipCareerEd, BA, DipEd, DipPWE. 35 years work experience in several sectors including small business ownership and management, consulting, education, counselling, writing and editing.	2007
Ruth Paterson	BA(Hons), MA, 10 years experience in policy and program roles in government and non-government organisations.	2006
Rick Barry	BS(Astronomy), BS(Physics), 20 years experience in community and not for profit organisations.	2007
Helen Millicer	GDipMM, GDipBM, BA. Over 20 years experience in communications and strategic management roles in government, listed companies, media and industry associations, including committees and boards.	2008
Jeremy Brand	LLB, BA, DipCorp&Sec Law, Bond Mediation, LIV Accred. Com Lit Specialist. Over 20 years experience in commercial legal practice. Board member in the bike retail industry.	2009
Tony Maughan	ACA, GAICD, B.Com (Melb), MBA (Melb). Over 20 years business experience in financial services and professional services sectors in Australia and overseas.	2009
Eytan Lenko	BEng(Hons), BSci, GCert Entrepreneurship & Innovation, GCert Sustainability. Over 10 years of experience with IT and technology across, finance, media and consulting in senior roles. Over 5 years experience starting up and running businesses from advisory and operational perspectives.	2009
Catherine James	GradCertPubAdmin, BSc. Over 20 years experience in government and board roles.	2010

### Board Member's emoluments

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

**BICYCLE VICTORIA INCORPORATED**  
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**Principal activities**

The principal continuing activity of Bicycle Victoria during the year was to promote the health of the community through the prevention and control of disease by “More People Cycling More Often”.

This work focused on changing key determinants of health at a societal scale including: individual lifestyle factors such as the level of individual physical activity; social and community factors such as fostering connection between riders as well as socio economic, cultural and environmental factors such as developing healthy places to live, work and study.

The domains in which we work encompass the two main types of bike riding– riding for transport and riding for recreation.

In those domains, the organisation sought to promote the development of bicycle infrastructure; influence the development of legislation and deliver large-scale behaviour change programs and build widespread support for the organisation’s goal.

The following activities were carried out in support of the organisation’s purpose:

- Promoting services to Members,
- Running bicycle rides; and
- Providing bicycle related products and services.

**Significant changes in the state of affairs**

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

**Operating result**

The deficit from operating activities for the year was (\$110,407) (2010 surplus \$116,864). Bicycle Victoria is exempt from income tax because it is categorised as a not-for-profit organisation for tax purposes.

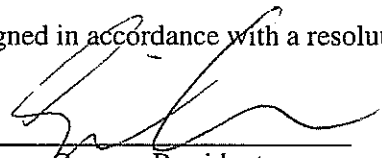
**Corporate Governance Statement**

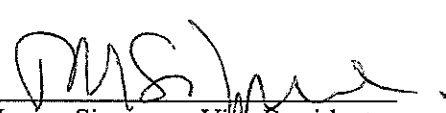
The Corporate Governance Statement set out on pages 7 to 9 of this report, was reviewed and updated in September 2011.

**Insurance of Officers**

During the year, Bicycle Victoria paid a premium of \$16,040 to insure the Board Members and Officers of the organisation. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of Bicycle Victoria and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the organisation.

Signed in accordance with a resolution of the Board

  
\_\_\_\_\_  
Simon Crone – President

  
\_\_\_\_\_  
Janice Simpson – Vice President

Dated this 5<sup>th</sup> day of October 2011

**BICYCLE VICTORIA INCORPORATED**  
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**Corporate Governance Statement**

Bicycle Victoria Incorporated (Bicycle Victoria) is not required but elects to report on the eight core principles of the ASX Corporate Governance Council's (ASXCGC) guidelines (2nd edition with amendments issued 30 June 2010).

**Principle 1: Lay solid foundations for management and oversight**

The Bicycle Victoria Constitution states that the Board is responsible for the governance and management of the association (clause 34.1); that it delegates management of the association to the Chief Executive Officer (CEO) (clause 34.2 ); and that it provides financial oversight of the association (clause 54.3).

Formally declared regulations including a *Board Charter*, *Board - CEO Interrelationship Policy* and a *Delegation of Authority* specify the respective roles and responsibilities of Board and Management.

The Board monitors the CEO's performance through an annual performance review based on strategy, financial performance and operations. Staff performance reviews are conducted against job descriptions and key performance indicators and are the responsibility of the Chief Operating Officer.

In summary, the Board on behalf of all stakeholders of Bicycle Victoria, especially its Members, is responsible for the stewardship and future wellbeing of Bicycle Victoria, and delegates to the CEO responsibility for implementation of its strategic direction.

**Principle 2: Structure the Board to add value**

Board Members are non-executive and are elected for three year terms. Each Board Member is a Member of Bicycle Victoria and is therefore bound by the Constitution. Board Members sign a comprehensive declaration concerning their conduct, including a provision for conflict of interest.

The President is the Board's Chair and is considered to be independent (see the ASXCGC's definition of an independent director). The President is responsible for leading the Board in the discharge of its duties. The Board has established four committees: Audit and Risk, Constitution, Remuneration and Board Renewal. Each of these committees operates under terms of reference and is chaired by a Board Member who is not the same person as the Chair of the Board. The Board establishes working groups to consider specific matters when required. Committees and working groups are entitled to obtain legal or other independent professional advice as appropriate. Incoming Board Members attend Board Induction Training as well as Leadership Victoria training for not-for-profit board members. The Board periodically reviews governance and its performance.

**Principle 3: Promote ethical and responsible decision making**

The Board is committed to complying with all federal, state and local government laws and regulations, as well as common law obligations. The *Board Code of Ethics* is detailed within the *Board Charter* and *Board - CEO Interrelationship Policies*.

The Board may confer without management present.

The association is a non-listed, not-for-profit entity under the Associations Incorporation Act 1981 (Victoria) and as such there is no trading in company securities.

**Principle 4: Safeguard integrity in financial reporting**

The Audit and Risk Committee assists the Board in the discharge of its responsibilities by overseeing all aspects of financial and non-financial reporting, control and audit functions and

## **BICYCLE VICTORIA INCORPORATED**

**A B N 41 026 835 903**

organisational risk. Bentleys has been Bicycle Victoria's external auditors since 2006. The performance of the external auditor is reviewed annually by the Audit and Risk Committee.

### **Principle 5: Make timely and balanced disclosure**

The association is not a listed company and is not subject to ASX listing rule disclosure requirements. Bicycle Victoria, reports to its Members in the form required by the Associations Incorporation Act 1981 (Victoria) and discloses significant information on a continuous basis as detailed in Principle 6 below.

### **Principle 6: Respect the rights of shareholders**

Bicycle Victoria has Members not shareholders. Bicycle Victoria communicates with Members and others in a regular and timely manner so that Members have sufficient information to make informed decisions on the association's operations and results. Communication channels include the website [www.bv.com.au](http://www.bv.com.au), the bi-monthly magazine *Ride On*, and the fortnightly e-newsletter *In the Loop*. The full financial report is available to all Members prior to the Annual General Meeting.

The Board encourages full participation of Members at the Annual General Meeting to ensure a high level of accountability and understanding of Bicycle Victoria's strategy and goals. The Auditor attends the Annual General Meeting and is available to answer questions about the conduct of the audit and the preparation of the content of the auditors' report.

### **Principle 7: Recognise and manage risk**

The Board is responsible for the oversight of Bicycle Victoria's risk management and control framework. Bicycle Victoria's business-risk profile includes operational, reputation, regulatory, contractual, financial, informational and strategic risk. Through the Audit and Risk Committee, the Board receives and reviews monthly reports describing risk and compliance.

Bicycle Victoria has a risk identification and management policy framework incorporating the maintenance of comprehensive policies, procedures, guidelines and regular risk reports. Responsibility for control and risk management is delegated, the CEO having ultimate responsibility to the Board for the risk management and control framework. The CEO reports in writing to both the Board and the external auditors that financial reporting is founded on a sound system of risk management, internal compliance and control.

The Bicycle Victoria constitution provides an indemnity for Board Members for conduct in good faith while acting in the capacity of Board Members. Bicycle Victoria insures Board Members against liabilities for costs and expenses incurred by them in defending any legal proceedings arising from their duties, other than those arising from conduct involving a wilful breach of duty.

### **Principle 8: Remunerate fairly and responsibly**

Board Members do not receive remuneration nor is there a retirement scheme

Executives are paid market rates benchmarked against similar organisations. A performance-based salary component amounting to no more than 15% of the CEO's base salary is able to be paid to the CEO at the Board's discretion utilising formal criteria as developed by the Remuneration Committee.

Implementation of policies concerning the remuneration of staff other than the CEO are the responsibility of the CEO, who may seek advice from the Board Remuneration Committee as appropriate.

**BICYCLE VICTORIA INCORPORATED**  
A B N 41 026 835 903

**Statement of Comprehensive Income for the year ended 30 June 2011**

	Note	2011 \$	2010 \$
Rides revenue		7,796,743	6,761,121
Membership fees, income and donations		2,459,312	2,220,405
Campaigns revenue		624,135	248,553
Behaviour change program through Social Marketing		785,023	1,103,057
Other Products and Services		1,574,495	1,262,688
<b>External sales revenue</b>		<u>13,239,708</u>	<u>11,595,824</u>
Interest income		159,679	114,434
Investment income		96,259	75,935
		<u>255,938</u>	<u>190,369</u>
<b>Revenue</b>		<u><b>13,495,646</b></u>	<u><b>11,786,193</b></u>
Employee benefits		4,536,866	4,037,677
Supply and service costs		4,390,624	3,940,125
Depreciation		191,604	149,186
Insurance		597,669	598,117
Printing and office costs		928,290	733,911
Promotion costs		654,377	195,052
Cost of merchandise		843,978	722,303
Audit, legal and consultancy		684,552	568,343
Finance Costs		173,860	140,834
IT and online costs		198,621	203,618
Occupancy costs		328,509	317,048
Other		77,103	63,115
<b>Expenses</b>		<u><b>13,606,053</b></u>	<u><b>11,669,329</b></u>
<b>(DEFICIT)/SURPLUS BEFORE INCOME TAX EXPENSE</b>	2	<b>(110,407)</b>	<b>116,864</b>
Income tax expense	1(h)	-	-
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>	11	<u><b>(110,407)</b></u>	<u><b>116,864</b></u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Net gain/(loss) on revaluation of financial assets		<u>82,631</u>	<u>157,379</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<u><b>82,631</b></u>	<u><b>157,379</b></u>
<b>TOTAL COMPREHENSIVE (DEFICIT)/INCOME FOR THE YEAR</b>		<u><b>(27,776)</b></u>	<u><b>274,243</b></u>

The accompanying notes form part of these financial statements.

**BICYCLE VICTORIA INCORPORATED**  
A B N 41 026 835 903

**Statement of Financial Position as at 30 June 2011**

	Note	2011 \$	2010 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	2,451,671	3,620,749
Trade and other receivables	4	1,463,720	1,776,540
Inventories	5	143,507	53,076
Other current assets	6	549,304	605,249
<b>TOTAL CURRENT ASSETS</b>		<u>4,608,202</u>	<u>6,055,614</u>
<b>NON CURRENT ASSETS</b>			
Plant and equipment	8	908,490	541,229
Financial assets	7	2,332,667	2,186,435
<b>TOTAL NON CURRENT ASSETS</b>		<u>3,241,157</u>	<u>2,727,664</u>
<b>TOTAL ASSETS</b>		<u>7,849,359</u>	<u>8,783,278</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	4,648,351	5,473,988
<b>TOTAL CURRENT LIABILITIES</b>		<u>4,648,351</u>	<u>5,473,988</u>
<b>NON CURRENT LIABILITIES</b>			
Long term provisions	10	59,656	140,162
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>59,656</u>	<u>140,162</u>
<b>TOTAL LIABILITIES</b>		<u>4,708,007</u>	<u>5,614,150</u>
<b>NET ASSETS</b>		<u>3,141,352</u>	<u>3,169,128</u>
<b>EQUITY</b>			
Accumulated Surplus	11	3,184,860	3,275,267
Reserves	12	<u>(43,508)</u>	<u>(106,139)</u>
<b>TOTAL EQUITY</b>		<u>3,141,352</u>	<u>3,169,128</u>

The accompanying notes form part of these financial statements.

**BICYCLE VICTORIA INCORPORATED**  
A B N 41 026 835 903

**Statement of Changes in Equity for year ended 30 June 2011**

	Note	Accumulated Surplus	Financial Assets Reserve	Insurance Reserve	Total
		\$	\$	\$	\$
<b>Balance at 1 July 2009</b>		3,157,018	(328,518)	66,385	2,894,885
Surplus for the year	11	116,864	-	-	116,864
Other comprehensive income	12	-	157,379		157,379
Transfer to/(from) insurance reserves	12	1,385	-	(1,385)	-
<b>Balance at 30 June 2010</b>		<b>3,275,267</b>	<b>(171,139)</b>	<b>65,000</b>	<b>3,169,128</b>
Deficit for the year	11	(110,407)	-	-	(110,407)
Other comprehensive income	12	-	82,631	-	82,631
Transfer to/(from) Insurance reserve	12	20,000	-	(20,000)	-
<b>Balance at 30 June 2011</b>		<b>3,184,860</b>	<b>(88,508)</b>	<b>45,000</b>	<b>3,141,352</b>

The accompanying notes form part of these financial statements.

**BICYCLE VICTORIA INCORPORATED**  
A B N 41 026 835 903

**Statement of Cash Flows for year ended 30 June 2011**

	Note	2011 \$	2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from members and riders		13,552,528	12,339,593
Interest received		159,679	114,434
Investment income received		96,259	75,935
Payments to suppliers and employees		(14,354,303)	(12,668,361)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>18</b>	<b>(545,837)</b>	<b>(138,399)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for plant and equipment		(539,184)	(229,335)
Payments for rides equipment		(20,456)	(50,107)
Funds re-invested		(63,601)	(44,092)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(623,241)</b>	<b>(323,534)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,169,078)</b>	<b>(461,933)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		<b>3,620,749</b>	<b>4,082,682</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	<b>3(a)</b>	<b>2,451,671</b>	<b>3,620,749</b>

The accompanying notes form part of these financial statements.

**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. SUMMARY OF SIGNIFICANT POLICIES**

The financial statements cover Bicycle Victoria as an individual entity. Bicycle Victoria is an association incorporated in Victoria under the Association Incorporated Act 1981 (Victoria).

**Basis of Preparation**

These financial statements are a general purpose financial report which has been prepared in accordance with Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements or the Australian Accounting Standards Board and the requirements of the Associations Incorporation Act 1981.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**(a) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of financial position.

**(b) Inventories of bikes, parking materials and books for resale**

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

**(c) Plant and Equipment**

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

**Plant and equipment**

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

The carrying amount of plant and equipment is reviewed annually by board members to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the association and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of comprehensive income during the financial period in which they are incurred.

**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. SUMMARY OF SIGNIFICANT POLICIES (CONT'D)**

**Depreciation**

The depreciable amount of all fixed assets, including capitalised lease assets, is depreciated on a straight-line basis over their useful lives from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Leasehold fit-out costs	25%
Office equipment	33%
Rides equipment	10-30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to accumulated surplus.

**(d) Financial Instruments**

***Initial Recognition and Measurement***

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

***Classification and Subsequent Measurement***

Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as: (i) the amount at which the financial asset or financial liability is measured at initial recognition, (ii) less principal repayments, (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and (iv) less any reduction for impairment.

**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. SUMMARY OF SIGNIFICANT POLICIES (CONT'D)**

**(d) Financial Instruments (cont'd)**

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

**Financial assets at fair value through profit or loss**

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

**Loans and receivables**

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

**Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

**Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

**Financial Liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

**Fair Value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Where material, financial guarantees issued, which requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118 Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118. The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. SUMMARY OF SIGNIFICANT POLICIES (CONT'D)**

**(d) Financial Instruments (cont'd)**

*Financial Guarantees*

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

*Impairment*

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

*Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**(e) Leases**

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

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

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

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

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

**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1 SUMMARY OF SIGNIFICANT POLICIES (CONT'D)**

**(f) Employee benefits**

Provision is made for the Association's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. The cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflow.

**(g) Revenue**

**Future rides to be conducted**

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

**Membership fees**

Membership fees are received annually in advance and are brought to account as revenue on a straight-line basis over the period of the membership.

**Interest revenue**

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

**(h) Income tax**

The organisation is exempt from income tax under s50-110 of the Income Tax Assessment Act 1997 ("ITAA97") on the basis it is a charitable institution as described in item 1.1 of the Table in s50-5 of the ITAA97.

**(i) Impairment of Assets**

At each reporting date, the association reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of comprehensive income.

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

**(j) Goods and Services Tax (GST)**

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

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

**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1 SUMMARY OF SIGNIFICANT POLICIES (CONT'D)**

**(k) Comparative Figures**

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

**(l) Adoption of New and Revised Accounting Standards**

During the current year, the Association has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these Standards has impacted the recognition, measurement and disclosure of certain transactions.

Application of these standards has not resulted in a material impact on the preparation and presentation of the financial statements of the Association.

**(m) New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Association has decided not to early adopt. A discussion of those future requirements and their impact on the Association is as follows:

- AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Association has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and

# BICYCLE VICTORIA INCORPORATED

A B N 41 026 835 903

## 1 SUMMARY OF SIGNIFICANT POLICIES (CONT'D)

- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.
- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Association.

- AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Subject to AASB 1049, general government sectors of the Australian Government and state and territory governments would also apply Tier 1 reporting requirements.

The following entities can elect to apply Tier 2 of the framework when preparing general purpose financial statements:

- for-profit private sector entities that do not have public accountability;
- not-for-profit private sector entities; and
- public sector entities, whether for-profit or not-for-profit, other than the Australian Government and state, territory and local governments.

AASB 2010-2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**

**1 SUMMARY OF SIGNIFICANT POLICIES (CONT'D)**

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Association.

- AASB 2009-14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepaays future contributions into a defined benefit pension plan.

This Standard is not expected to impact the Association.

- AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Association.

- AASB 2010-5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

- AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

# BICYCLE VICTORIA INCORPORATED

A B N 41 026 835 903

## 1 SUMMARY OF SIGNIFICANT POLICIES (CONT'D)

This Standard is not expected to impact the Association.

- AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Association has not yet determined any potential impact on the financial statements from adopting AASB 9.

- AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Association.

- AASB 2010-9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Association.

- AASB 2010-10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**

**1 SUMMARY OF SIGNIFICANT POLICIES (CONT'D)**

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009-11 will only affect early adopters of AASB 2009-11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010-7.]

This Standard is not expected to impact the Association.

**Critical Accounting Estimates and Judgments**

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

**Key Estimates – Impairment**

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

**Key Judgements**

*Provision for impairment of receivables*

Included in accounts receivable at 30 June 2011 is an amount receivable from sales made to various customers during the current financial year amounting to \$10,541 (2010: \$17,481). The amount is now over 90 days overdue. Bicycle Victoria believes that full amount of the debt is recoverable, and no provision of impairment of receivables has been made at 30 June 2011.

*Available-for-sale investments*

The association maintains a portfolio of securities with a carrying value of \$2,332,667 (2010: \$2,186,435) at reporting date. The portfolio has improved over the year and all individual investments have been reviewed for indications of impairment at the reporting date. No such indications have been found. Management will continue monitoring the future movements.

	2011	2010
	\$	\$
<b>2. (DEFICIT)/SURPLUS</b>		
(Deficit)/Surplus from operations is arrived at after charging the following specific items:		
Auditing and reviewing the financial reports	15,901	15,446
Rental expense on operating leases	288,707	272,060
Provision for doubtful debts	4,358	11,725

**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**3. CURRENT ASSETS – CASH AND CASH EQUIVALENTS**

	2011	2010
	\$	\$
a) Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the Statement of financial position as follows:		
Cash at bank & on hand	222,297	135,559
Deposits at call & Term Deposits	1,497,970	3,410,876
Deposits - bond money	731,404	74,314
Cash and Cash Equivalent	2,451,671	3,620,749
b) <b>Deposits at call and Term Deposits</b> are bearing floating interest rates between 5.7% to 6.2% (2010 – 2.5% to 6.2%)		
<b>Deposits – bond money</b> guarantees performance for payment of rent and credit cards and bears interest at interest rates between 5.1% to 6% (2010 – 2.9% to 5.1%).		

**4. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES**

Trade receivables	1,491,791	1,800,253
Allowance for doubtful debts	(28,071)	(23,713)
	1,463,720	1,776,540

The average credit period on the sale of goods and services is 30-60 days. No interest is charged on trade receivables. Allowances for doubtful debts are recognised by reference to past default experience.

Included in trade and other receivables are debtors with a carrying amount of \$ 10,541 (2010: \$17,481) which are past due at the reporting date which the Association has not provided as doubtful as there has not been a significant change in credit quality and the amounts are still considered recoverable.

**Ageing of past due but not impaired**

60-90 days	-	-
Over 90 days	10,541	17,481
Total	10,541	17,481
Average age days	139	109

In determining the recoverability of a trade receivable, the Association considers any change in the credit quality of the trade receivables from the date the credit was initially granted up to reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Board members believe that there is no further credit provision required in excess of the allowance for doubtful debts.

**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**4. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (CONT'D)**

**Movement in provision for doubtful debts**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of the year	23,713	29,703
Impairment losses recognised on receivables	28,071	11,725
Amounts written back during the year	<u>(23,713)</u>	<u>(17,715)</u>
Balance at the end of the year	<u>28,071</u>	<u>23,713</u>

**Ageing of impaired trade receivables**

45-60 days	200	-
60-90 days	400	881
Over 90 days	<u>27,471</u>	<u>22,832</u>
Total	<u>28,071</u>	<u>23,713</u>

**5. CURRENT ASSETS- INVENTORIES**

Great WA Bikes- at cost	45,671	-
Bike Parking rails and books- at cost	97,836	53,076
Total	<u>143,507</u>	<u>53,076</u>

**6. CURRENT ASSETS – OTHER CURRENT ASSETS**

Prepaid expenses	121,765	54,666
Prepaid ride expenses	<u>427,539</u>	<u>550,583</u>
Total	<u>549,304</u>	<u>605,249</u>

**BICYCLE VICTORIA INCORPORATED**  
A B N 41 026 835 903

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**7. NON CURRENT ASSETS – FINANCIAL ASSETS**

	<b>2011</b>	<b>2010</b>
	\$	\$
a) Available for sale financial assets	<u>2,332,667</u>	<u>2,186,435</u>
Available for sale financial assets comprise:		
Listed investments, at fair value:		
Equities	1,326,626	1,266,446
Income Assets	140,919	141,176
Property Trusts	260,127	188,591
Unlisted investments, at fair value:		
Cash	135,628	137,728
International Equity	<u>469,367</u>	<u>452,494</u>
Financial assets at fair value available for sale	<u>2,332,667</u>	<u>2,186,435</u>

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

**8. NON CURRENT ASSETS – PLANT AND EQUIPMENT**

**Plant and Equipment**

At cost	2,206,787	1,650,748
Accumulated Depreciation	<u>(1,298,297)</u>	<u>(1,109,519)</u>
Net Book Value	<u>908,490</u>	<u>541,229</u>

**BICYCLE VICTORIA INCORPORATED**  
A B N 41 026 835 903

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

<b>8. NON CURRENT ASSETS – PLANT AND EQUIPMENT (CONT'D)</b>							
	<b>Leasehold improvements</b>	<b>Office equipment</b>	<b>Rides equipment</b>	<b>Catering equipment</b>	<b>Furniture &amp; fittings</b>	<b>Work In Progress</b>	<b>TOTAL</b>
<b>Cost</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 30 June 2010	325,815	647,974	279,750	361,554	35,655	-	1,650,748
Additions at cost	-	171,685	20,456	-	14,919	352,580	559,640
Disposals	-	(1,105)	(2,496)	-	-	-	(3,601)
<b>Balance at 30 June 2011</b>	<b>325,815</b>	<b>818,554</b>	<b>297,710</b>	<b>361,554</b>	<b>50,574</b>	<b>352,580</b>	<b>2,206,787</b>
<b>Accumulated Depreciation</b>							
Balance at 30 June 2010	318,348	275,144	173,296	314,978	27,753	-	1,109,519
Depreciation expense	6,655	133,388	36,827	8,254	6,480	-	191,604
Disposals	-	(330)	(2,496)	-	-	-	(2,826)
<b>Balance at 30 June 2011</b>	<b>325,003</b>	<b>408,202</b>	<b>207,627</b>	<b>323,232</b>	<b>34,233</b>	<b>-</b>	<b>1,298,297</b>
<b>Net Book Value</b>							
As at 30 June 2010	7,467	372,830	106,454	46,576	7,902	-	541,229
As at 30 June 2011	812	410,352	90,083	38,322	16,341	352,580	908,490

**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	\$	\$
<b>9. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES</b>		
Trade payables	755	-
Short term employee benefits	275,597	270,392
Make good lease accrual	82,400	-
Other payables	947,420	681,035
Unexpired membership fees	204,717	200,796
Prepaid ride and other fees	3,005,966	4,245,859
Parkiteer deposits	127,160	71,570
Money held in trust	891	891
Ted Parker memorial fund	3,445	3,445
	4,648,351	5,473,988

The average credit period of the purchase of goods and services is 30 days. No interest is charged on trade payables. The Association has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

**Make Good Provision**

At the end of a lease Bicycle Victoria shall remove from the premises all fixtures, fittings, work stations, office partitioning, signs and notices from a given premises. A provision has been recognised to reinstate and make good to reasonable satisfaction of the Lessor any part of the premises damaged by such removal. This provision has been included in the current liabilities to reflect payments due in September 2011.

**10. NON-CURRENT LIABILITIES – LONG TERM PROVISIONS**

	Long Service Leave Provision	Make Good Lease Provision	Total
	\$	\$	\$
Balance at beginning of financial year	59,834	80,328	140,162
Provision raised during the year	21,921	2,072	23,993
Provision payout during year	(22,099)	-	(22,099)
Provision transferred to trade payables	-	(82,400)	(82,400)
Balance at end of financial year	59,656	-	59,656

**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

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

	<b>2011</b>	<b>2010</b>
	\$	\$
<b>Analysis of Total Provisions</b>		
Non-current	59,656	140,162
Balance at end of financial year	59,656	140,162

**Provision for Long-term Employee Benefits**

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

**11. ACCUMULATED SURPLUS**

	<b>2011</b>	<b>2010</b>
	\$	\$
Balance at beginning of financial year	3,275,267	3,157,018
(Deficit)/Surplus for the year	(110,407)	116,864
Transfer from Liability Insurance Reserve	20,000	1,385
Balance at end of financial year	3,184,860	3,275,267

**12. RESERVES**

	<b>2011</b>	<b>2010</b>
	\$	\$
<b>Liability insurance reserve</b>	45,000	65,000
a) Movements:		
Decrease in the amount set aside to meet possible liability insurance excess	(20,000)	(1,385)

b) Nature and purpose of Reserve:

The Insurance Reserve recognises the potential liability that may arise from Bicycle Victoria self insuring a maximum of \$15,000 (2010 - \$15,000 plus 2009 - \$15,000) of the excess on the liability policy.

**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**12. RESERVES (CONT'D)**

	<b>2011</b>	<b>2010</b>
	\$	\$
<b>Financial Asset Reserve</b>	(88,508)	(171,139)
a) Movements:	82,631	157,379

b) Nature and purpose of Reserve:

The financial assets reserve records revaluation of financial assets

**13. CAPITAL MANAGEMENT**

Management controls the capital of the Association in order to ensure that the Association can fund its operations and continue as a going concern. There are no externally imposed capital requirements. Management effectively manages the Association's capital by assessing the Association's financial risks and responding to changes in these risks. These responses include the management of debt levels and adopting a conservative stance to borrowings. There have been no changes in the strategy adopted by management to control the capital of the entity since the prior year. This strategy has yielded positive net debt positions; and the gearing ratios for the year ended 30 June 2011 and 30 June 2010 are as follows:

	<b>2011</b>	<b>2010</b>
	\$	\$
Total borrowings	-	-
Trade and other payables	1,030,575	681,035
Total	1,030,575	681,035
Less cash and cash equivalents	(2,451,671)	(3,620,749)
Net debt/(Net Cash Working Capital)	(1,421,096)	(2,939,714)
Total equity	3,141,352	3,169,128
Total capital	1,720,256	229,414
Gearing ratio	N/A	N/A

**14. EVENTS AFTER THE REPORTING DATE**

No significant events subsequent to reporting date have arisen.

**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**15. LEASE COMMITMENTS**

	2011	2010
	\$	\$
<b>Operating leases</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable – minimum lease payments		
-not later than 12 months	467,855	185,718
-between 12 months and 5 years	2,098,811	119,871
-greater than 5 years	3,141,532	-
	5,708,198	305,589

All leases held by Bicycle Victoria are non-cancellable with rent payable monthly in advance. Subject to written application and Bicycle Victoria adhering to all lease terms as at the time of application, sub-letting is permissible at all locations.

The Collins Street lease has expired at the date of reporting and Bicycle Victoria have entered into a 10 year lease agreement at the new Bourke St premises which is subject to a 3.75% fixed percentage increase per annum. A market review in respect of the Collins Street premises occurred in October 2008 and was subject to 5% indexation reviews until its expiry. Queen Street's lease has also expired at the date of reporting.

The lease for the workshop premises in Sunshine expires 31 August 2013 and rental reviews are scheduled to occur August 2012 and August 2013.

**16. KEY MANAGEMENT PERSONNEL COMPENSATION**

	2011	2010
	\$	\$
<b>Short Term Benefits</b>	1,103,601	643,731
<b>Long-Term Benefits</b>	24,015	10,761
<b>Total Compensation</b>	1,127,616	654,492
<b>No. of Personnel *</b>	9	4

\* Includes expanded Leadership Team following organisational restructure during the 2011 year.

**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**17. ASSOCIATION DETAILS**

The registered office and principal place of business of Bicycle Victoria Incorporated for the year ended was Level 10, 446 Collins Street, Melbourne, Victoria 3000. The Association relocated to Level 4, 246 Bourke Street, Melbourne, Victoria 3000 on 5 September 2011.

**18. CASH FLOW INFORMATION**

Reconciliation of Cash Flow from Operations with (Deficit)/Surplus for the year

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
(Deficit)/Surplus after Income Tax	(110,407)	116,864
<b>Non-cash items included in operating result:</b>		
Depreciation	191,604	149,186
Net loss on assets disposal	775	-
Provision for doubtful debts expense	4,358	11,715
<b>Changes in assets and liabilities:</b>		
Decrease in trade and other receivables	308,462	732,054
Increase in inventories	(90,431)	(18,771)
Decrease/(Increase) in other current assets	55,945	(126,876)
Decrease in trade and other payables	(830,842)	(1,087,785)
Increase in employee benefits	5,027	71,162
(Decrease)/Increase in other provisions	(80,328)	14,052
<b>Net Cash Flow from Operating Activities</b>	<u>(545,837)</u>	<u>(138,399)</u>

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

**19. FINANCIAL RISK MANAGEMENT**

**Financial Risk Management Policies**

The Association's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable. Bicycle Victoria does not have any derivative instruments at 30 June 2011.

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

**Specific Financial Risk Exposures and Management**

**(a) Interest rate risk**

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

**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**19. FINANCIAL RISK MANAGEMENT (CONT'D)**  
**(b) Loans and receivables**

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

<b>2011</b>	<b>Notes</b>	<b>Floating interest rate (\$)</b>	<b>Non-interest bearing (\$)</b>	<b>Total \$</b>
<b>Financial assets</b>				
Cash and cash equivalents	3	2,229,374	222,297	2,451,671
Receivables	4	-	1,463,720	1,463,720
Investments	7	-	2,332,667	2,332,667
<b>Total financial assets</b>		<b>2,229,374</b>	<b>4,018,684</b>	<b>6,248,058</b>

Weighted average interest rate 5.95%

<b>2010</b>	<b>Notes</b>	<b>Floating interest rate (\$)</b>	<b>Non- interest bearing (\$)</b>	<b>Total \$</b>
<b>Financial assets</b>				
Cash and cash equivalents	3	3,485,190	135,559	3,620,749
Receivables	4	-	1,776,540	1,776,540
Investments	7	-	2,186,435	2,186,435
<b>Total financial assets</b>		<b>3,485,190</b>	<b>4,098,534</b>	<b>7,583,724</b>

Weighted average interest rate 4.35%

<b>2011</b>	<b>Notes</b>	<b>Floating interest rate (\$)</b>	<b>Non- interest bearing (\$)</b>	<b>Total \$</b>
<b>Financial liabilities</b>				
Trade and other payables	9	-	1,030,575	1,030,575
<b>Total financial liabilities</b>		<b>-</b>	<b>1,030,575</b>	<b>1,030,575</b>

<b>2010</b>	<b>Notes</b>	<b>Floating interest rate (\$)</b>	<b>Non- interest bearing (\$)</b>	<b>Total \$</b>
<b>Financial liabilities</b>				
Trade and other payables	9	-	681,035	681,035
<b>Total financial liabilities</b>		<b>-</b>	<b>681,035</b>	<b>681,035</b>

**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**19. FINANCIAL RISK MANAGEMENT (CONT'D)**

**(c) Credit risk**

Credit risk is defined as the maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting 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.

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

**(d) Foreign currency risk**

The Association has no significant exposure to fluctuations in foreign currencies.

**(e) Liquidity risk**

The Association manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

*Financial liability and financial asset maturity analysis*

	Within 6 months		6 months to 1 Year		Over 5 Years		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>								
Trade and other payables	1,030,575	681,035	-	-	-	-	1,030,575	681,035
Total expected outflows	1,030,575	681,035	-	-	-	-	1,030,575	681,035
<b>Financial assets — cash flows realisable</b>								
Cash and cash equivalents	2,451,671	3,620,749	-	-	-	-	2,451,671	3,620,749
Trade and other receivables	1,463,720	1,776,540	-	-	-	-	1,463,720	1,776,540
Available for sale investments	2,332,667	2,186,435	-	-	-	-	2,332,667	2,186,435
Total anticipated inflows	6,248,058	7,583,724	-	-	-	-	6,248,058	7,583,724
Net inflow on financial instruments	5,217,483	6,902,689	-	-	-	-	5,217,483	6,902,689

**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**19. FINANCIAL RISK MANAGEMENT (CONT'D)**

**(f) Net fair values**

The net fair values of listed investments have been valued at the quoted market bid price at reporting date adjusted for transaction costs expected to be incurred. No financial assets and financial liabilities, other than the investment portfolio set out in Note 7 to these statements, are readily traded on organised markets in standardised form. Financial assets where the carrying amount exceeds net fair values have not been written down as Bicycle Victoria intends to hold these assets to maturity.

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

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

	Notes	2011		2010	
		Carrying Amount (\$)	Net Fair Value (\$)	Carrying Amount (\$)	Net Fair Value (\$)
<b>Financial assets</b>					
Cash and cash equivalents	3	2,451,671	2,451,671	3,620,749	3,620,749
Receivables	4	1,463,720	1,463,720	1,776,540	1,776,540
Available for sale financial assets	7	<u>2,332,667</u>	<u>2,332,667</u>	<u>2,186,435</u>	<u>2,186,435</u>
<b>Total financial assets</b>		<u>6,248,058</u>	<u>6,248,058</u>	<u>7,583,724</u>	<u>7,583,724</u>
<b>Financial liabilities</b>					
Trade and other payables	9	<u>1,030,575</u>	<u>1,030,575</u>	<u>681,035</u>	<u>681,035</u>
<b>Total financial liabilities</b>		<u>1,030,575</u>	<u>1,030,575</u>	<u>681,035</u>	<u>681,035</u>

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities ( Level 1)
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly ( as prices) or indirectly ( derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data ( unobservable inputs) (Level 3)

**BICYCLE VICTORIA INCORPORATED**

A B N 41 026 835 903

**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2011****19. FINANCIAL RISK MANAGEMENT (CONT'D)****(f) Net fair values (cont'd)**

<b>2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>				
Available-for-sale financial assets	2,332,667	-	-	2,332,667
	<u>2,332,667</u>	<u>-</u>	<u>-</u>	<u>2,332,667</u>
<b>2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>				
Available-for-sale financial assets	2,186,435	-	-	2,186,435
	<u>2,186,435</u>	<u>-</u>	<u>-</u>	<u>2,186,435</u>

**(g) Sensitivity Analysis**

The following table illustrates sensitivities to the group's exposures to changes in interest rates, exchange rates and commodity and equity prices. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	<b>Profit</b>	<b>Equity</b>
	<b>\$</b>	<b>\$</b>
<b>Year ended 30 June 2011</b>		
+/- 1% in interest rates	+/-25,873	+/-25,873
+/-5% in listed investments	+/-86,384	+/-86,384
<b>Year ended 30 June 2010</b>		
+/- 1% in interest rates	+/-37,585	+/-37,585
+/-5% in listed investments	+/-79,811	+/-79,811

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**20. CONTINGENT LIABILITIES**

Bicycle Victoria is self-insuring for an excess in the event that claims are received on the liability policy for a claim or injury sustained during the year ended 30 June 2011. Claims are expected to be made up to three years after the accident. The excess for the 2011 year is \$15,000 (2010: \$15,000 and 2009: \$15,000). Therefore the reserve of \$45,000 (2010: \$65,000) as disclosed in Note 12 has been formed.

**21. RELATED PARTY TRANSACTIONS**

	2011	2010
	\$	\$
<b>Transactions with related parties</b>		
Amounts paid to/(received from) entities over which Key Management Personnel have control or significant influence or close family members of Key Management Personnel		
a. A company over which Eytan Lenko (a Board member) has significant influence, provided software development and hosting services	14,520	28,820
b. A company over which Jeremy Brand (a Board member) has significant influence, purchased RideOn advertising under normal commercial terms and conditions	(4,092)	(5,087)
Amounts paid to entities of which Key Management Personnel are members		
a. Bicycle User Groups of which Helen Millicer, Rick Barry, Ruth Paterson and Catherine James (Board members) are members, received payment for Super Tuesday and Super Sunday Bike counts under normal commercial terms and conditions	1,070	2,000

The Board members that were also the members of various Bicycle User Groups as follows:

	2011	2010
Helen Millicer	Glen Eira	Glen Eira
Rick Barry	Moreland	Moreland
Ruth Paterson	Moreland	Moreland
Eytan Lenko	Port Phillip	Port Phillip
Tony Maughan	-	Audax Australia
Catherine James	Darebin	Darebin

**Other related party disclosure**

Bike Retail Network Pty Ltd, Bicycle Australia Pty Ltd, Bicycle Network Victoria Pty Ltd and The Bicycle Network Pty Ltd are subsidiaries of the Association. The subsidiaries did not trade during the year and accordingly consolidated financial statements have not been prepared.

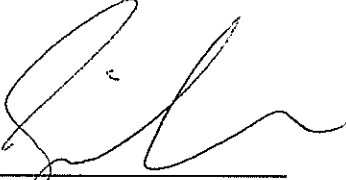
**BICYCLE VICTORIA INCORPORATED**  
**A B N 41 026 835 903**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**


**Declaration by Board Members**

Board Members declare that the financial statements set out on pages 7 - 34:

1. Present a true and fair view of the financial position of Bicycle Victoria Incorporated as at 30 June 2011 and its performance for the year ended on that date in accordance with Australian Accounting Standards, mandatory professional reporting requirements and other authoritative pronouncements of the Australian Accounting Standards Board.
2. At the date of this statement, there are reasonable grounds to believe that Bicycle Victoria will be able to pay its debts as and when they fall due.

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

  
\_\_\_\_\_  
Simon Crone – President

  
\_\_\_\_\_  
Janice Simpson – Vice President

Dated this <sup>5<sup>th</sup></sup> day of October 2011

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BICYCLE VICTORIA INCORPORATED**

We have audited the accompanying financial report of Bicycle Victoria Incorporated, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by the Committee.

### **Committee's Responsibility for the Financial Report**

The Committee is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Associations Incorporation Act (Vic) 1981 and for such internal control as the Committee and management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF BICYCLE VICTORIA INCORPORATED (Continued)**

**Independence**

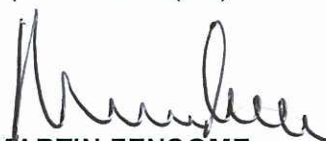
In conducting our audit, we have complied with the independence requirements of the Australian professional ethical pronouncements.

**Opinion**

In our opinion the financial report gives a true and fair view of the financial position of Bicycle Victoria Incorporated as at 30 June 2011 and of its financial performance for the year then ended in accordance with Australian Accounting Standards and Associations Incorporation Act (Vic) 1981.



**BENTLEYS MELBOURNE PARTNERSHIP  
CHARTERED ACCOUNTANTS**



**MARTIN FENSOME  
PARTNER**

Dated in Melbourne on this 5 day of October 2011