FINANCIAL REPORT 31 DECEMBER 2005

This financial report covers both Bond University Limited as an individual entity and the consolidated entity consisting of Bond University Limited and its controlled entities. The financial report is presented in Australian currency.

Bond University Limited is a company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Bond University Limited
Level 6, The Arch
Bond University Qld 4229

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on pages 38 – 43, which is not part of this financial report.

The financial report was authorised for issue by the directors on 28 April 2006. The company has the power to amend and reissue the financial report.

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Revenue from continuing operations	3	81,480,225	77,076,545	92,956,090	65,962,633
Other income	4	-	8,959	-	5,067
Salaries and related expenses		40,939,732	39,628,117	4,833,451	3,284,630
Facilities management and maintenance		7,282,585	7,811,216	7,172,041	6,244,178
Utilities and outgoings		2,878,287	2,905,311	2,691,093	2,336,983
Marketing and promotional expenses		4,971,204	4,487,308	4,832,914	4,350,524
Depreciation and amortisation expenses		5,985,175	4,781,906	5,975,810	4,771,405
Finance costs	5	3,408,150	2,916,244	3,408,150	2,916,244
Food and beverage cost – Conference Centre		1,775,520	1,995,135	-	-
Service fee – BBT		2,148,982	2,188,263	2,148,982	2,188,263
Consumables		1,406,766	1,213,461	1,133,769	906,228
Minor equipment		1,286,022	390,755	1,248,717	358,650
Management fees		-	-	33,016,445	32,712,862
Other expenses from ordinary activities		5,803,644	3,827,117	4,421,890	2,596,473
Profit before income tax		3,594,158	4,940,671	22,072,828	3,301,260
Income tax expense	1(e)	-	-	-	-
Profit for the year		3,594,158	4,940,671	22,072,828	3,301,260
Profit attributable to members of Bond University Limited		3,594,158	4,940,671	22,072,828	3,301,260

The above income statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS AS AT 31 DECEMBER 2005

		Consolidated		Parent Entity	
	Notes	**2005 $**	2004 $	**2005 $**	2004 $
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	6	15,056,414	10,530,349	13,495,325	9,718,144
Receivables	7	2,894,125	4,034,208	2,712,165	3,912,974
Inventories	8	72,449	91,319	–	–
Total current assets		18,022,988	14,655,876	16,207,490	13,631,118
NON-CURRENT ASSETS					
Available-for-sale financial asset	9	11,000	–	11,000	-
Other financial assets	10	–	11,000	9	11,009
Property, plant and equipment	11	82,805,703	70,013,466	82,803,193	70,007,700
Intangible assets	12	1,018,644	1,063,405	1,018,644	1,057,298
Total non-current assets		83,835,347	71,087,871	83,832,846	71,076,007
Total assets		101,858,335	85,743,747	100,040,336	84,707,125
LIABILITIES					
CURRENT LIABILITIES					
Payables	13	11,041,150	7,483,038	20,163,723	36,403,912
Interest bearing liabilities	14	1,621,970	4,148,649	1,621,970	4,148,649
Provisions	15	2,281,225	2,320,829	131,936	103,408
Other	16	8,769,495	8,570,513	7,704,276	7,088,413
Total current liabilities		23,713,840	22,523,029	29,621,905	47,744,382
NON-CURRENT LIABILITIES					
Interest bearing liabilities	17	45,159,245	33,814,972	45,159,245	33,814,972
Derivative financial instruments	18	683,475	–	683,475	–
Provisions	19	1,465,989	1,480,643	86,170	47,583
Total non-current liabilities		47,308,710	35,295,615	45,928,890	33,862,555
Total liabilities		71,022,549	57,818,644	75,550,795	81,606,937
Net assets		30,835,786	27,925,103	24,489,541	3,100,188
EQUITY					
Contributed equity	20	–	–	–	–
Reserves	21	(683,475)	–	(683,475)	–
Retained profits	21	31,519,261	27,925,103	25,173,016	3,100,188
Total equity		30,835,786	27,925,103	24,489,541	3,100,188

The above balance sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Total equity at the beginning of the financial year		27,925,103	22,984,432	3,100,188	(201,072)
Adjustment on adoption of AASB 132 and AASB 139, net of tax, to:					
Reserves	21	(912,056)	-	(912,056)	-
Cash flow hedges	21	228,581	-	228,581	-
Net expense recognised directly in equity		(683,475)	-	(683,475)	-
Profit for the year		3,594,158	4,940,671	22,072,828	3,301,260
Total recognised income and expense for the year		2,910,683	4,940,671	21,389,353	3,301,260
Total equity at the end of the financial year		30,835,786	27,925,103	24,489,541	3,100,188

The above statements of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

		Consolidated		Parent Entity	
	Notes	**2005 $**	2004 $	**2005 $**	2004 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of goods and services tax)		87,176,908	80,808,703	74,537,943	67,749,109
Receipts on behalf of controlled entities (inclusive of goods and services tax)		-	-	7,297,480	7,520,985
Payments to suppliers and employees (inclusive of goods and services tax)		(74,607,850)	(68,390,990)	(33,065,767)	(25,024,117)
Payments on behalf of controlled entities (inclusive of goods and services tax)		-	-	(33,609,661)	(33,023,990)
Interest received		1,041,081	869,245	966,400	672,165
Interest paid		(3,506,439)	(2,900,133)	(3,506,439)	(2,900,133)
Net cash inflow from operating activities	28	10,103,700	10,386,825	12,619,956	14,994,019
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(15,681,428)	(8,528,645)	(15,681,428)	(8,323,425)
Payments for intangible assets		(462,586)	(1,099,475)	(462,584)	(1,099,475)
Loan repaid by (advanced to) Bond University Foundation		64,616	43,694	64,616	43,694
Proceeds from sale of property, plant and equipment		179,834	10,791	179,378	6,899
Net cash outflow from investing activities		(15,899,564)	(9,573,635)	(15,900,018)	(9,372,307)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances to controlled entities		-	-	(3,661,544)	(1,476,231)
Proceeds from borrowings		10,000,000	-	10,000,000	-
Repayment of borrowings		(2,187,500)	(2,500,000)	(2,187,500)	(2,500,000)
Repayment of lease liabilities		(1,946,009)	(1,761,380)	(1,946,009)	(1,761,380)
Net cash inflow/(outflow) from financing activities		5,866,491	(4,261,380)	2,204,947	(5,737,611)
NET INCREASE/(DECREASE) IN CASH HELD		70,627	(3,448,189)	(1,075,115)	(115,899)
Cash at the beginning of the financial year		2,531,686	5,979,875	3,083,502	3,199,401
Cash at the end of the financial year	6	2,602,313	2,531,686	2,008,387	3,083,502
Financing arrangements	17				
Non-cash investing and financing activities	29				

The above cashflow statements should be read in conjunction with the accompanying notes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.
The financial report includes separate financial statements for Bond University Limited as an individual entity and the consolidated entity consisting of Bond University Limited and its subsidiaries.

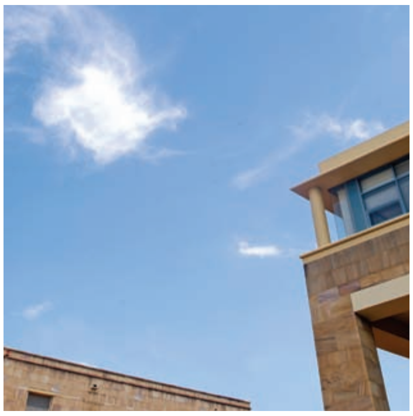
(A) BASIS OF PREPARATION

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards
These financial statements are the first Bond University Limited financial statements to be prepared in accordance with AIFRS. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of Bond University Limited until 31 December 2004 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Bond University Limited 2005 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2004 were restated to reflect these adjustments. The consolidated entity has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 January 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the consolidated entity's equity and its net income are given in note 30.



Dean of Law Professor Duncan Bentley with McDonalds Australia Chairman Mr Bob Mansfield, AO, at the Bond University Business Leaders Round Table event.

Historical Cost Convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value.

(B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Bond University Limited ('company' or 'parent entity') as at 31 December 2005 and the results of all subsidiaries for the year then ended. Bond University Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(C) FOREIGN CURRENCY TRANSLATION

(i) *Functional and presentation currency*
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Bond University Limited's functional and presentation currency.

(ii) *Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

(D) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

- Tuition and student food and accommodation revenue are recognised monthly as the services are provided to students. Tuition revenue is net of financial aid provided to students by the University.
- Other food and beverage income is recognised upon provision to customers.
- Interest revenue is recognised using the effective interest method.
- Donations and government grants are recognised as income when received.
- Other income is recognised when the service is provided. It is the University's policy to recognise as revenue non-refundable student tuition income.

(E) INCOME TAX

The Company, Bond University Limited, and its controlled entities, Bond University Staff Services Pty Ltd, Bond University Services Pty Ltd, Campus Operations Pty Limited, Lashkar Pty Limited and Themis Pty Ltd are exempt from income tax under section 50-5 of the Income Tax Assessment Act 1997.

(F) LEASES

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases (note 11). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for the period. The property, plant and equipment acquired under finance lease is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 24). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(G) 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. Cost is measured as the fair value of the assets given or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

(H) IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use has been determined as the depreciated replacement cost of the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(I) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the cash flows statement, cash excludes monies held in trust.

(J) TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement.

(K) INVENTORIES

Food, beverages and general stores stock are stated at the lower of cost and net realisable value. Costs are assigned to inventory quantities on hand at balance date on the basis of weighted average costs.

(L) INVESTMENTS AND OTHER FINANCIAL ASSETS

From 1 January 2004 to 31 December 2004
The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 January 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Under previous AGAAP, interests in listed and unlisted securities, other than subsidiaries and associates, are brought to account at cost.

Adjustments on transition date: 1 January 2005
The nature of the main adjustment to make this information comply with AASB 132 and AASB 139 is that unquoted equity securities held have been reclassified from other financial assets to available-for-sale financial assets. For further information reference should be made to note 9.

(M) DERIVATIVES

From 1 January 2004 to 31 December 2004
The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 January 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.
The following sets out how derivatives are accounted for under the previous AGAAP.

Interest rate swaps
The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest and finance charges during the period and included in other debtors or other creditors at each reporting date.

Adjustments on transition date: 1 January 2005
The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that derivatives are measured on a fair value basis. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 January 2005) changes in the carrying amounts of derivatives are taken to retained earnings or reserves, depending on whether the criteria for hedge accounting are satisfied at the transition date.

For further information concerning the adjustments on transition date reference should be made to:

- Derivative financial instruments – note 18
- Reserves and retained profits – note 21
- Explanation of transition to AIFRS – note 30: section 5 of this note discloses the adjustment to each line item in the financial statements on transition date.

From 1 January 2005
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designated its derivative as a hedge of highly probable forecast transactions (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 18. Movements in the hedging reserve in equity are shown in note 21.

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(N) FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

(O) PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Land and artworks are not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost over their estimated useful lives, as follows:

Buildings	10-50 years
Computer Equipment	3 years
Other Plant and Equipment	5 years
Furniture and Fitout	5 years
Library Books and Journals	5 years
Motor vehicles	5 years

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 (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(P) INTANGIBLE ASSETS

Computer software has a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of computer software over their estimated useful life of 3 years.

(Q) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(R) BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

(S) BORROWING COSTS

Borrowing costs are expensed in the period to which they relate. Any prepayment of interest is recorded as part of current receivables.

Borrowing costs for the consolidated entity include interest on long-term borrowings and finance lease charges.

(T) EMPLOYEE BENEFITS

(i) Wages and Salaries, Annual Leave and Sick Leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long Service Leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of 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 to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations
All employees of the Group are entitled to benefits on retirement, disability or death from the Group's superannuation plan. The Group has a defined contribution plan that receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

Contributions to the defined contribution fund are recognised as an expense as they become payable.

NOTE 2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the predictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures.

Risk management is carried out under principles approved by the Board of Directors. Treasury identifies, evaluates and hedges financial risks.

(A) CREDIT RISK

The Group has no significant concentrations of credit risk. Tuition and accommodation fees are payable in advance for each semester.

(B) LIQUIDITY RISK

Prudent liquidity management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

(C) CASH FLOW RISK

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group manages its cash flow interest-rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long term borrowings at floating rates and swaps them into fixed rates that are lower than those available to the Group borrowed at fixed rates directly. Under the interest-rate swap, the Group agrees to exchange, quarterly, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

NOTE 3. REVENUE

	Consolidated		Parent Entity	
	2005 $	2004 $	**2005 $**	2004 $
FROM CONTINUING OPERATIONS				
Sales Revenue				
Tuition revenue – University	61,062,613	55,349,875	61,062,613	55,349,875
Tuition revenue – External Programs	3,641,030	3,999,749	3,641,030	3,999,749
Tuition revenue – Language Centre	2,321,624	2,701,301	-	-
Sale of goods – food and beverages	4,476,400	5,067,112	-	-
Student accommodation rent	3,491,159	2,875,143	-	-
Non-refundable student income	894,538	593,448	323,332	593,448
Other student fees and charges	852,950	714,960	542,237	312,378
Fitness centre income	621,227	697,795	-	-
Student activities fee income	526,969	561,956	526,969	561,956
Sundry income	1,821,388	1,792,896	1,435,500	1,260,608
	79,709,898	74,354,235	67,531,681	62,078,014
Other Revenue				
Interest	1,041,081	869,245	966,400	672,165
Grants and donations	729,246	1,853,065	729,246	1,853,065
Management fee	-	-	23,728,763	1,359,389
	81,480,225	77,076,545	92,956,090	65,962,633

Tuition revenue is net of scholarships provided by the University to students which amounted to $7,012,785 in 2005 and $6,533,158 in 2004.

Included in the management fee was an amount of $22,086,168 charged during the year by Bond University Limited (BUL) to Campus Operations Pty Ltd (COPS) to recoup prior years overheads incurred by BUL on behalf of COPS.

NOTE 4. OTHER INCOME

Net gain on disposal of plant and equipment	-	8,959	-	5,067

NOTE 5. EXPENSES

	Consolidated 2005 $	Consolidated 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
PROFIT FOR THE YEAR INCLUDES THE FOLLOWING SPECIFIC EXPENSES:				
Depreciation				
Buildings	1,363,894	991,736	1,363,894	991,736
Plant and equipment	344,324	253,628	343,423	252,565
Furniture and fitout	1,169,404	771,883	1,168,279	770,757
Motor vehicles	1,230	1,227	-	-
Library	807,083	803,667	807,083	803,250
Total depreciation	3,685,935	2,822,141	3,682,679	2,818,308
Amortisation				
Plant and equipment under finance leases	1,564,451	1,656,933	1,564,451	1,656,933
Motor vehicles under finance leases	227,442	118,567	227,442	118,567
Computer software	507,347	184,264	501,238	177,596
Total amortisation	2,299,240	1,959,764	2,293,131	1,953,096
Finance costs - net				
Interest and finance charges paid/payable	3,408,150	2,916,244	3,408,150	2,916,244
Amount capitalised	-	-	-	-
Finance costs expensed	3,408,150	2,916,244	3,408,150	2,916,244
Net loss on disposal of property, plant and equipment	182,634	-	183,088	-
Rental expense relating to operating leases Minimum lease payments	347,757	493,394	347,757	493,394
Defined contribution superannuation expense	4,411,163	4,206,185	406,555	114,720

NOTE 6. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated 2005 $	Consolidated 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Cash at bank and on hand	15,056,414	10,530,349	13,495,325	9,718,144

(A) RECONCILIATION TO CASH AT THE END OF THE YEAR

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated 2005 $	Consolidated 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Balances as above	15,056,414	10,530,349	13,495,325	9,718,144
Less:				
Monies held in trust (note 16)	8,243,429	7,998,663	7,276,266	6,634,642
Fee-Help advance (note 13)	4,210,672	-	4,210,672	-
Balances per statement of cash flows	2,602,313	2,531,686	2,008,387	3,083,502

Monies held in trust relates to students fees received in advance.
The Fee-Help advance relates to an overpayment of Fee-Help from the Department of Education, Science and Training.

(B) CASH AT BANK AND ON HAND

Cash at bank bears a floating interest rate of 5.45% (2004: 5.20%) and cash on hand is non-interest bearing.

NOTE 7. CURRENT ASSETS - RECEIVABLES

	Consolidated		Parent Entity	
	2005 $	2004 $	**2005 $**	2004 $
Trade receivables	1,095,810	2,344,141	1,045,717	2,265,178
Less: Provision for doubtful receivables	(155,000)	(139,000)	(150,000)	(134,000)
	940,810	2,205,141	895,717	2,131,178
Other receivables	591,146	970,182	531,354	969,908
Prepayments	1,297,551	789,965	1,284,894	782,886
Security deposits	64,618	68,920	200	29,002
	2,894,125	4,034,208	2,712,165	3,912,974

(a) Bad and doubtful trade receivables
The Group has recognised a loss of $112,097 (2004: gain of $741,035) in respect of bad and doubtful trade receivables during the year ended 31 December 2005. The loss has been included in 'other expenses' in the income statement.
(b) Other Receivables
These are debtors other than students and Campus Operations debtors. There is no interest charged on overdue amounts. Collateral is not normally obtained.

NOTE 8. CURRENT ASSETS - INVENTORIES

AT COST				
Food	19,398	26,572	-	-
Beverages	38,603	44,381	-	-
General stores	14,448	20,366	-	-
	72,449	91,319	-	-

NOTE 9. NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

UNLISTED SECURITIES				
Equity securities	11,000	-	11,000	-
	11,000	-	11,000	-

TRANSITION TO AASB 132 AND AASB 139

The Group has taken the exemption available under AASB 1 to apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 January 2005. At the date of transition to these standards of 1 January 2005, equity securities with a carrying amount of $11,000 that were classified in the balance sheet under previous AGAAP as other financial assets were designated and re-classified as available-for-sale financial assets.

NOTE 10. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

Shares in controlled entities (note 26)	-	-	9	9
Other unlisted securities Equity securities	-	11,000	-	11,000
	-	11,000	9	11,009

These financial assets are carried at cost.

NOTE 11. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Parent Entity	
	2005 $	2004 $	**2005 $**	2004 $
Land and Buildings				
Freehold land – at cost	10,717,000	10,717,000	10,717,000	10,717,000
Buildings – at cost	65,734,449	54,288,834	65,734,449	54,288,834
Less: Accumulated depreciation	6,735,825	5,371,931	6,735,825	5,371,931
	58,998,625	48,916,903	58,998,625	48,916,903
Total land and buildings	69,715,625	59,633,903	69,715,625	59,633,903
Plant and equipment and other assets				
Plant and equipment – at cost	5,829,914	4,993,034	5,498,567	4,626,040
Less: Accumulated depreciation	4,643,319	4,380,005	4,311,972	4,013,912
	1,186,595	613,029	1,186,595	612,128
Plant and equipment under finance lease	5,172,195	5,667,424	5,172,195	5,667,424
Less: Accumulated amortisation	2,014,169	2,839,757	2,014,169	2,839,757
	3,158,026	2,827,667	3,158,026	2,827,667
Furniture, fitout and other assets – at cost	15,284,915	13,218,082	13,553,222	11,348,658
Less: Accumulated depreciation	9,938,917	8,935,800	8,208,815	7,069,092
	5,345,998	4,282,282	5,344,407	4,279,566
Motor vehicles – at cost	35,789	35,791	14,020	14,020
Less: Accumulated depreciation	34,870	33,642	14,020	14,020
	919	2,149	-	-
Motor vehicles under finance lease	1,573,841	799,598	1,573,841	799,598
Less: Accumulated amortisation	280,112	163,117	280,112	163,117
	1,293,729	636,481	1,293,729	636,481
Library – at cost	17,736,731	17,311,613	17,674,160	17,249,046
Less: Accumulated depreciation	15,631,920	15,293,658	15,569,349	15,231,089
	2,104,811	2,017,955	2,104,811	2,017,955
Total plant and equipment and other assets	13,090,078	10,379,563	13,087,569	10,373,797
Total property, plant and equipment	82,805,703	70,013,466	82,803,193	70,007,700

(a) Valuations of land and buildings
Land and buildings are measured on the cost basis. An independent valuation of land and buildings was carried out during the financial year ended 31 December 2004 in accordance with bank covenants on the basis of the highest and best use of land other than for University purposes. The market value was calculated at $65,000,000 on the basis of alternate use.

(b) Non-current assets pledged as security
Refer to note 17 for information on non-current assets pledged as security by the parent entity or its controlled entities.

(c) Reconciliations
Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

NOTE 11. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Opening net book amount at 1 January 2004 $	Additions $	Disposals $	Depreciation/ amortisation charge $	Closing net book amount at 31 December 2004 $
Consolidated					
Land	10,717,000	-	-	-	10,717,000
Buildings	45,206,593	4,702,046	-	991,736	48,916,903
Plant and equipment	558,205	308,453	-	253,629	613,029
Leased plant and equipment	2,949,634	1,534,966	-	1,656,933	2,827,667
Furniture, fitout and other assets	2,297,245	2,756,920	-	771,883	4,282,282
Motor vehicles	3,376	-	-	1,227	2,149
Leased motor vehicles	377,459	377,589	-	118,567	636,481
Library	2,065,715	770,825	14,918	803,667	2,017,955
Total	64,175,227	10,450,799	14,918	4,597,642	70,013,466
Parent entity					
Land	10,717,000	-	-	-	10,717,000
Buildings	45,206,593	4,702,046	-	991,736	48,916,903
Plant and equipment	556,240	308,453	-	252,565	612,128
Leased plant and equipment	2,949,634	1,534,966	-	1,656,933	2,827,667
Furniture, fitout and other assets	2,293,403	2,756,920	-	770,757	4,279,566
Leased motor vehicles	377,459	377,589	-	118,567	636,481
Library	2,065,298	770,825	14,918	803,250	2,017,955
Total	64,165,627	10,450,799	14,918	4,593,808	70,007,700

	Opening net book amount at 1 January 2005 $	Additions $	Disposals $	Depreciation/ amortisation charge $	Closing net book amount at 31 December 2005 $
Consolidated					
Land	10,717,000	-	-	-	10,717,000
Buildings	48,916,903	11,445,616	-	1,363,894	58,998,625
Plant and equipment	613,029	925,917	8,027	344,324	1,186,595
Leased plant and equipment	2,827,667	1,894,810	-	1,564,451	3,158,026
Furniture, fitout and other assets	4,282,282	2,410,984	177,864	1,169,404	5,345,998
Motor vehicles	2,149	-	-	1,230	919
Leased motor vehicles	636,481	1,056,293	171,603	227,442	1,293,729
Library	2,017,955	898,911	4,972	807,083	2,104,811
Total	70,013,466	18,632,531	362,466	5,477,828	82,805,703
Parent entity					
Land	10,717,000	-	-	-	10,717,000
Buildings	48,916,903	11,445,616	-	1,363,894	58,998,625
Plant and equipment	612,128	925,917	8,027	343,423	1,186,595
Leased plant and equipment	2,827,667	1,894,810	-	1,564,451	3,158,026
Furniture, fitout and other assets	4,279,566	2,410,984	177,864	1,168,279	5,344,407
Leased motor vehicles	636,481	1,056,293	171,603	227,442	1,293,729
Library	2,017,955	898,911	4,972	807,083	2,104,811
Total	70,007,700	18,632,531	362,466	5,474,572	82,803,193

NOTE 12. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Consolidated		Parent Entity	
	2005 $	2004 $	**2005 $**	2004 $
Computer software	2,765,856	2,321,272	2,763,362	2,300,778
Less: Accumulated amortisation	1,747,212	1,257,866	1,744,718	1,243,480
	1,018,644	1,063,405	1,018,644	1,057,298

	$ Opening net book amount at 1 January 2004	**$ Additions**	**$ Disposals**	**$ Amortisation charge***	**$ Closing net book amount at 31 December 2004**
Consolidated					
Computer software	148,194	1,099,475	-	184,264	1,063,405
Parent entity					
Computer software	135,419	1,099,475	-	177,596	1,057,298

	$ Opening net book amount at 1 January 2005	**$ Additions**	**$ Disposals**	**$ Amortisation charge***	**$ Closing net book amount at 31 December 2005**
Consolidated					
Computer software	1,063,405	462,586	-	507,347	1,018,644
Parent entity					
Computer software	1,057,298	462,584	-	501,238	1,018,644

*Amortisation of $507,347 (2004: $184,264) is included in depreciation and amortisation expense in the income statement. Computer software has a finite useful life of 3 years.

NOTE 13. CURRENT LIABILITIES – PAYABLES

	Consolidated		Parent Entity	
	2005 $	2004 $	**2005 $**	2004 $
Trade payables	4,756,522	5,390,475	3,720,265	3,887,771
Other payables	6,284,628	2,092,563	4,363,686	63,898
Amounts payable to subsidiaries	-	-	12,079,772	32,452,243
	11,041,150	7,483,038	20,163,723	36,403,912

Other payables include a Fee-Help overpayment of $4,210,672 that is repayable to the Department of Education, Science and Training (DEST).

NOTE 14. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	Consolidated		Parent Entity	
	2005 $	2004 $	**2005 $**	2004 $
Secured				
Bank loan	-	2,500,000	-	2,500,000
Lease liabilities (note 24)	1,621,970	1,648,649	1,621,970	1,648,649
Total secured current interest bearing liabilities	1,621,970	4,148,649	1,621,970	4,148,649

Details of the security relating to each of the secured liabilities and further information on the bank loan are set out in note 17.

NOTE 15. CURRENT LIABILITIES – PROVISIONS

Employee benefits	2,281,225	2,320,829	131,936	103,408

NOTE 16. CURRENT LIABILITIES – OTHER

Deferred income				
- student fees (note 6)	8,243,429	7,998,663	7,276,266	6,634,642
- scholarships	428,010	453,770	428,010	453,771
- fitness centre	98,056	118,080	-	-
	8,769,495	8,570,513	7,704,276	7,088,413

NOTE 17. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

Secured				
Bank loan	42,187,500	31,875,000	42,187,500	31,875,000
Lease liabilities (note 24)	2,971,745	1,939,972	2,971,745	1,939,972
Total non-current interest bearing liabilities	45,159,245	33,814,972	45,159,245	33,814,972
(a) Total Secured Liabilities (current and non-current)				
Bank loan	42,187,500	34,375,000	42,187,500	34,375,000
Lease liabilities	4,593,715	3,588,621	4,593,715	3,588,621
Total secured liabilities	46,781,215	37,963,621	46,781,215	37,963,621

(b) Assets Pledged as Security
The bank loan is secured by:
– first registered mortgages over the freehold land and buildings;
– first registered company charge over all assets and undertakings of all entities in the consolidated entity;
– cross guarantee between Bond University Limited and all entities in the consolidated entity.
Lease liabilities are effectively secured as the rights to the leased asset recognised in the financial statements revert to the lessor in the event of default.

NOTE 17. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES (CONTINUED)

The following financial covenants apply to the bank loan:
- net fee-paying students to be not less than 96% of the base case financial model;
- student fees not to fall below 4% of prior year actual;
- EBITDA to be within 85% of budget forecasts;
- revenue or EBITDA not to decline by 4% or more on a rolling three semester basis;
- debt service cover ratio to be more than 1.3 times; and
- the company is not to incur other debt or operating leasing greater than $5,000,000 in aggregate without the prior written consent of the bank.

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	Consolidated		Parent Entity	
	2005 $	2004 $	**2005 $**	2004 $
CURRENT				
Floating charge				
Cash and cash equivalents	15,056,414	10,530,349	13,495,325	9,718,144
Receivables	2,894,125	4,034,208	2,712,165	3,912,974
Inventories	72,449	91,319	-	-
Total current assets pledged as security	18,022,988	14,655,876	16,207,490	13,631,118
NON-CURRENT				
First mortgage				
Freehold land and buildings	69,715,625	59,633,903	69,715,625	59,633,903
Finance lease				
Plant and equipment under finance lease	3,158,026	2,827,667	3,158,026	2,827,667
Motor vehicles under finance lease	1,293,729	636,481	1,293,729	636,481
	4,451,755	3,464,148	4,451,755	3,464,148
Floating charge				
Available-for-sale financial assets	11,000	-	11,000	-
Other financial assets	-	11,000	9	11,009
Plant and equipment	8,638,323	6,915,415	8,635,813	6,909,649
Intangible assets	1,018,644	1,063,405	1,018,644	1,057,298
	9,667,967	7,989,820	9,665,467	7,977,956
Total non-current assets pledged as security	83,835,347	71,087,871	83,832,846	71,076,007
Total assets pledged as security	101,858,335	85,743,747	100,040,336	84,707,125
(c) Financing Arrangements Unrestricted access was available at balance date to the following lines of credit:				
Credit standby arrangements				
Total facilities				
Lease finance facility	343,000	343,000	343,000	343,000
Interest rate management facility	3,000,000	3,000,000	3,000,000	3,000,000
Financial guarantee	12,000,000	5,000,000	12,000,000	5,000,000
	15,343,000	8,343,000	15,343,000	8,343,000

NOTE 17. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES (CONTINUED)

	Consolidated 2005 $	Consolidated 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
(c) Financing Arrangements (continued)				
Used at balance date				
Lease finance facility	–	–	–	–
Interest rate management facility	–	–	–	–
Financial guarantee	12,000,000	5,000,000	12,000,000	5,000,000
	12,000,000	5,000,000	12,000,000	5,000,000
Unused at balance date				
Lease finance facility	343,000	343,000	343,000	343,000
Interest rate management facility	3,000,000	3,000,000	3,000,000	3,000,000
Financial guarantee	–	–	–	–
	3,343,000	3,343,000	3,343,000	3,343,000
Bank loan facilities				
Total facilities	42,500,000	45,000,000	42,500,000	45,000,000
Used at balance date	42,187,500	34,375,000	42,187,500	34,375,000
Unused at balance date	312,500	10,625,000	312,500	10,625,000

The financial guarantee is in favour of the Department of Education, Science and Training for the purpose of Fee Help. A further facility limit of $5,645,000 (2004: $7,245,000) is available on the interchangeable facility which includes payroll facility, foreign currency dealing facility, fleet lease facility, vendor solutions (leasing) facility and credit card facility. The amount unused at balance date is $1,849,240 (2004: $3,977,272).

The current interest rates on the bank loans drawn range between 7.48% and 7.98% (2004: 7.54%).

(d) Interest Rate Risk Exposures
The following table sets out the consolidated entity's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods. Exposures arise predominantly from liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate liabilities to maturity.

		Fixed interest rate						
2005	**Floating interest rate $**	**1 year or less $**	**Over 1 to 2 years $**	**Over 2 to 3 years $**	**Over 3 to 4 years $**	**Over 4 to 5 years $**	**Over 5 years $**	**Total $**
Bank loan (note 17)	42,187,500	–	–	–	–	–	–	42,187,500
Lease liabilities (note 17)	–	1,621,970	1,414,165	1,096,496	444,264	16,820	–	4,593,715
Interest rate swap (note 18)	(42,187,500)	2,500,000	2,500,000	2,500,000	34,687,500	–	–	–
	–	4,121,970	3,914,165	3,596,496	35,131,764	16,820	–	46,781,215
Weighted average interest rate		7.84%	7.71%	7.83%	7.61%	6.21%	–	
2004								
Bank loan (note 17)	34,375,000	–	–	–	–	–	–	34,375,000
Lease liabilities (note 17)	–	1,648,649	1,008,666	591,238	229,239	110,829	–	3,588,621
Interest rate swap (note 18)	(34,375,000)	2,500,000	2,500,000	2,500,000	2,500,000	24,375,000	–	–
	–	4,148,649	3,508,666	3,091,238	2,729,239	24,485,829	–	37,963,621
Weighted average interest rate		7.66%	7.72%	7.47%	7.57%	7.48%	–	

(e) Fair Value
The fair value of all interest bearing liabilities (including those arising from interest rate swap agreements) of the consolidated entity approximates their carrying amounts.

NOTE 18. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated		Parent Entity	
	2005 $	2004 $	**2005 $**	2004 $
Non-current liabilities				
Interest rate swap contracts – cash flow hedges	683,475	-	683,475	-

(A) TRANSITION TO AASB 132 AND AASB 139

The Group has taken the exemption available under AASB 1 to apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 January 2005. At the date of transition to these standards of 1 January 2005: For the Group and parent entity, a net adjustment of a $912,056 decrease in net assets was recognised representing a reclassification of interest rate cash flow hedges under AASB 139 to derivative financial instrument liabilities and re-measurement to fair value of $912,056.

For more information refer to note 1(m) and section 5 of note 30.

(B) INSTRUMENTS USED BY THE GROUP

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates.

Interest rate swap contracts – cash flow hedges

Bank loans of the Group currently bear an average interest rate of 7.03%. In order to protect the loans from exposure to increasing interest rates, the Group has entered into an interest rate swap contract under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

The swap currently in place covers 100% (2004: 100%) of the loan principal outstanding and is timed to expire as each loan repayment falls due. The fixed interest rate is 6.23% plus a pricing margin of 1.25% to 1.75% (2004: 6.23% plus a pricing margin of 1.25%) and the variable rate is the 90 day bank bill swap rate which at balance date was 5.66% (2004: 6.68%) plus a margin of 1.25% to 1.75%.

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified to profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in income immediately.

At balance date for both the Group and the parent entity the contract was a liability with a fair value of $683,475. In the year ended 31 December 2005 there was:

- on the date of transition to AASB 132 and AASB 139 on 1 January 2005 a loss of $912,056 on re-measurement to fair value; and
- a loss from the decrease in fair value of $13,173 during the year.

NOTE 19. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent Entity	
	2005 $	2004 $	**2005 $**	2004 $
Employee benefits	1,465,989	1,480,643	86,170	47,583

NOTE 20. CONTRIBUTED EQUITY

Bond University Limited was incorporated as a company limited by guarantee on 12 February 1987. Pursuant to the Memorandum and Articles of Association of the company, every member has undertaken in the event of a deficiency on winding up to contribute an amount not exceeding $10. At 31 December 2005, Bond University Limited had 33 members.

NOTE 21. RESERVES AND RETAINED PROFITS

	Consolidated		Parent Entity	
	2005 $	2004 $	**2005 $**	2004 $
(a) Reserves				
Hedging reserve – cash flow hedges	(683,475)	–	(683,475)	–
Movements:				
Balance 1 January	–	–	–	–
Adjustment on adoption of AASB 132 and AASB 139 (note 18)	(912,056)	–	(912,056)	–
Transfer to income statement	241,754	–	241,754	
Revaluation (note 18)	(13,173)	–	(13,173)	–
Balance 31 December	(683,475)	–	(683,475)	–
(b) Retained profits Movements in retained profits were as follows:				
Balance 1 January	27,925,103	22,984,432	3,100,188	(201,072)
Net profit for the year	3,594,158	4,940,671	22,072,828	3,301,260
Balance 31 December	31,519,261	27,925,103	25,173,016	3,100,188

(c) Nature and purpose of reserves
The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(m). Amounts are recognised in profit and loss when the associated hedge transaction affects profit and loss.

NOTE 22. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent Entity	
	2005 $	2004 $	**2005 $**	2004 $
(A) ASSURANCE SERVICES				
Audit services				
PricewaterhouseCoopers Australian firm: Audit and review of financial reports and other audit work under the *Corporations Act 2001*	131,500	97,000	86,000	75,000
Total remuneration for audit services	131,500	97,000	86,000	75,000
Other assurance services				
PricewaterhouseCoopers Australian firm:				
Audit of regulatory returns	3,000	14,709	3,000	14,709
Controls assurance services	–	18,186	–	18,186
Total remuneration for other assurance services	3,000	32,895	3,000	32,895
Total remuneration for assurance services	134,500	129,895	89,000	107,895
(B) ADVISORY SERVICES				
PricewaterhouseCoopers Australian firm:				
Taxation advice	–	6,300	–	6,300
Total remuneration for advisory services	–	6,300	–	6,300

NOTE 23. CONTINGENCIES

The parent entity and consolidated entity had contingent liabilities at 31 December 2005 in respect of:

Claims
There is a claim against the University in respect to entry requirements and admission into a medical program at Bond University. There is also a claim in respect to profit share entitlements associated with an executive education program. The University is vigorously defending these claims and based on the information that is available it is not practical to estimate the financial effect of these claims, if any, at this time.

Guarantees
A financial guarantee amounting to $12,000,000 is given in favour of the Department of Education, Science and Training in respect of Fee-Help.

NOTE 24. COMMITMENTS

	Consolidated		Parent Entity	
	2005 $	2004 $	**2005 $**	2004 $
(a) Capital Commitments				
Commitment in relation to a fixed price building contract not recognised as a liability, payable:				
Within one year	-	10,700,000	-	10,700,000
(b) Lease Commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	459,190	502,636	459,190	502,636
Later than one year but not later than 5 years	326,539	256,432	326,539	256,432
Later than 5 years	-	-	-	-
	785,729	759,068	785,729	759,068
Representing:				
Non-cancellable operating leases	210,219	359,439	210,219	359,439
Future finance charges on finance leases	575,510	399,629	575,510	399,629
	785,729	759,068	785,729	759,068

(I) OPERATING LEASES

The Group leases various motor vehicles under non-cancellable operating leases expiring within one to four years.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	158,995	284,625	158,995	284,625
Later than one year but not later than 5 years	51,224	74,814	51,224	74,814
Later than 5 years	-	-	-	-
	210,219	359,439	210,219	359,439

(II) FINANCE LEASES

The Group leases various plant and equipment with a carrying amount of $4,451,755 (2004: $3,464,148) under finance leases expiring within two to five years.

Commitments in relation to finance leases are payable as follows:				
Within one year	1,922,165	1,866,660	1,922,165	1,866,660
Later than one year but not later than 5 years	3,247,060	2,121,590	3,247,060	2,121,590
Minimum lease payments	5,169,225	3,988,250	5,169,225	3,988,250
Less: Future finance charges	575,510	399,629	575,510	399,629
Total lease liabilities	4,593,715	3,588,621	4,593,715	3,588,621
Representing lease liabilities:				
Current (note 14)	1,621,970	1,648,649	1,621,970	1,648,649
Non-current (note 17)	2,971,745	1,939,972	2,971,745	1,939,972
	4,593,715	3,588,621	4,593,715	3,588,621

The weighted average interest rate implicit in the leases is 8.21% (2004: 8.09%).

NOTE 25. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Bond University Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 26.

(c) Key management personnel compensation

	Consolidated		Parent Entity	
	2005 $	2004 $	**2005 $**	2004 $
Short-term employee benefits	1,897,573	1,703,507	1,505,994	316,469
Post-employment benefits	374,073	335,573	296,892	62,219
Other long-term employee benefits	-	80,649	-	-
Termination benefits	85,791	32,862	-	-
	2,357,437	2,152,591	1,802,886	378,688

(d) Other Transactions with Directors and Director-related Entities

A former director, Mr K Ohmae (resigned as director 28 May 2004), is the Managing Director of Business Breakthrough Inc. (BBT). Bond University Limited entered into an arrangement with BBT in 2001 for the delivery of a Masters of Business Administration program in Japan. The arrangement was based on normal commercial terms and conditions. In accordance with the agreement, a service fee is payable by Bond University to BBT for services provided by BBT.

The aggregate amounts of the above transactions with the former director of Bond University Limited up to the date of his resignation:

	Consolidated		Parent Entity	
	2005 $	2004 $	**2005 $**	2004 $
Service fee	-	1,621,260	-	1,621,260

(e) Transactions with subsidiaries and other related parties

The following transactions occurred with related parties:

		Parent Entity	
	Subsidary	**2005 $**	2004 $
Management fee revenue	Lashkar Pty Ltd	1,642,595	1,359,389
	Campus Operations Pty Ltd	22,086,168	-
Management fee expense	Bond University Services Pty Ltd	18,541,366	18,400,087
	Bond University Staff Services Pty Ltd	14,475,079	14,312,464
	Themis Pty Ltd	-	310
Accommodation and catering expense	Campus Operations Pty Ltd	314,571	277,630
Audio visual revenue	Campus Operations Pty Ltd	1,000	4,006

	Consolidated		Parent Entity	
	2005 $	2004 $	**2005 $**	2004 $
Loans from related parties				
Loans advanced to:				
Subsidiaries	-	-	29,973,725	26,979,235
Loans to related parties				
Loan repayments from: Bond University Foundation	64,616	43,694	64,616	43,694

(f) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Parent Entity	
	2005 $	2004 $	**2005 $**	2004 $
Current payables				
Subsidiaries	-	-	12,079,772	32,452,243
Current receivables				
Bond University Foundation	8,863	73,479	8,863	73,479

(g) Terms and conditions

The above transactions were made on commercial terms and conditions and at market rates except where indicated.

There are no fixed terms for the repayment of amounts advanced to Bond University Limited and the amount advanced to Bond University Foundation. All amounts payable are free of interest and unsecured.

During the year Bond University Limited provided accounting and administration assistance to other entities in the wholly owned group and Bond University Foundation. With the exception of Campus Operations Pty Ltd and Lashkar Pty Ltd, all accounting and administration assistance was provided free of charge.

NOTE 26. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

Name of Entity	Country of Incorporation	Class of shares	Cost of Parent Entity's Investment		Equity Holding *	
			2005 $	2004 $	**2005 %**	2004 %
Bond University Services Pty Ltd	Australia	Ordinary	2	2	100	100
Bond University Staff Services Pty Ltd	Australia	Ordinary	2	2	100	100
Campus Operations Pty Ltd	Australia	Ordinary	2	2	100	100
Themis Pty Ltd	Australia	Ordinary	2	2	100	100
Lashkar Pty Ltd	Australia	Ordinary	1	1	100	100
			9	9		

* The proportion of ownership interest is equal to the proportion of voting power held.

NOTE 27. EVENTS OCCURRING AFTER BALANCE SHEET DATE

Subsequent to balance date the University received capital grants from the State and Federal governments to be applied towards the debt raised by the University for the construction of a Faculty of Health Sciences and Medicine building.

The University Council approved the introduction of a School of Sustainable Development which is expected to enrol its first students in September 2006.

No other events other than what has been referred to above have arisen subsequent to balance date so as to have a material impact on the operating results or financial position of the Company or the consolidated entity.

NOTE 28. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated		Parent Entity	
	2005 Inflows / (Outflows) $	2004 Inflows / (Outflows) $	**2005 Inflows / (Outflows) $**	2004 Inflows / (Outflows) $
Profit from ordinary activities after income tax expense	3,594,158	4,940,671	22,072,828	3,301,260
Depreciation and amortisation	5,985,175	4,781,906	5,975,810	4,771,405
Net (profit) loss on sale of non-current assets	182,634	(8,959)	183,088	(5,067)
Provision for doubtful debts increase (decrease)	16,000	(66,000)	16,000	(66,000)
Provision for doubtful debts write-back	-	(766,800)	-	(766,800)
Change in operating assets and liabilities				
(Increase) decrease in trade & other debtors	1,059,468	(133,209)	1,120,193	(239,688)
(Increase) decrease in inventories	18,870	(17,313)	-	-
Increase (decrease) in trade and other creditors and employee benefits	(752,605)	1,656,529	(16,747,963)	7,998,909
Net cash inflows from operating activities	10,103,700	10,386,825	12,619,956	14,994,019

Bond University Limited bills and collects student accommodation and food income on behalf of Campus Operations Pty Ltd. Fitness Centre income is also banked by Bond University Limited. The total income collected by Bond University Limited on behalf of Campus Operations Pty Ltd for the year ended 31 December 2005 was $7,289,441 (2004: $7,498,682). Income collected by Bond University Limited on behalf of Lashkar Pty Ltd amounted to $8,039 (2004: $22,303) for the year ended 31 December 2005.

NOTE 29. NON-CASH INVESTING AND FINANCING ACTIVITIES

	Consolidated		Parent Entity	
	2005 $	2004 $	**2005 $**	2004 $
Acquisition of plant and equipment by means of finance leases	2,951,103	1,912,555	2,951,103	1,912,555

NOTE 30. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS)

(a) At the date of transition to AIFRS: 1 January 2004

		Consolidated			Parent Entity		
	Notes	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $	2004 Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
CURRENT ASSETS							
Cash assets		14,294,464	-	14,294,464	9,773,694	-	9,773,694
Receivables	(a)	2,162,577	949,316	3,111,893	2,010,232	873,948	2,884,180
Inventories		74,006	-	74,006	-	-	-
Other	(a)	949,316	(949,316)	-	873,948	(873,948)	-
Total current assets		17,480,363	-	17,480,363	12,657,874	-	12,657,874
NON-CURRENT ASSETS							
Investments	(d)	11,000	-	11,000	11,009	-	11,009
Property, plant and equipment	(b)	64,323,420	(148,194)	64,175,226	64,301,046	(135,419)	64,165,627
Intangibles	(b)	-	148,194	148,194	-	135,419	135,419
Total non-current assets		64,334,420	-	64,334,420	64,312,055	-	64,312,055
Total assets		81,814,783	-	81,814,783	76,969,929	-	76,969,929
CURRENT LIABILITIES							
Payables		5,734,620	-	5,734,620	29,888,692	-	29,888,692
Interest bearing liabilities		4,120,432	-	4,120,432	4,120,432	-	4,120,432
Provisions		2,317,057	-	2,317,057	-	-	-
Other		8,833,744	-	8,833,744	6,966,378	-	6,966,378
Total current liabilities		21,005,853	-	21,005,853	40,975,502	-	40,975,502
NON-CURRENT LIABILITIES							
Interest bearing liabilities		36,195,499	-	36,195,499	36,195,499	-	36,195,499
Provisions		1,628,999	-	1,628,999	-	-	-
Total non-current liabilities		37,824,498	-	37,824,498	36,195,499	-	36,195,499
Total liabilities		58,830,351	-	58,830,351	77,171,001	-	77,171,001
Net assets (liabilities)		22,984,432	-	22,984,432	(201,072)		(201,072)
EQUITY							
Contributed equity							
Retained profits (accumulated losses)		22,984,432	-	22,984,432	(201,072)	-	(201,072)
Total equity		22,984,432	-	22,984,432	(201,072)	-	(201,072)

NOTE 30. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (CONTINUED)

(b) At the end of the last reporting period under previous AGAAP: 31 December 2004

		Consolidated			Parent Entity		
	Notes	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $	2004 Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
CURRENT ASSETS							
Cash assets		10,530,349	-	10,530,349	9,718,144	-	9,718,144
Receivables	(a)	3,175,323	858,885	4,034,208	3,101,086	811,888	3,912,974
Inventories		91,319	-	91,319	-	-	-
Other	(a)	858,885	(858,885)	-	811,888	(811,888)	-
Total current assets		14,655,876	-	14,655,876	13,631,118	-	13,631,118
NON-CURRENT ASSETS							
Investments		11,000	-	11,000	11,009	-	11,009
Property, plant and equipment	(b)	71,076,871	(1,063,405)	70,013,466	71,064,998	(1,057,298)	70,007,700
Intangibles	(b)	-	1,063,405	1,063,405	-	1,057,298	1,057,298
Total non-current assets		71,087,871	-	71,087,871	71,076,007	-	71,076,007
Total assets		85,743,747	-	85,743,747	84,707,125	-	84,707,125
CURRENT LIABILITIES							
Payables		7,483,038	-	7,483,038	36,403,912	-	36,403,912
Interest bearing liabilities		4,148,649	-	4,148,649	4,148,649	-	4,148,649
Provisions		2,320,829	-	2,320,829	103,408	-	103,408
Other		8,570,513	-	8,570,513	7,088,413	-	7,088,413
Total current liabilities		22,523,029	-	22,523,029	47,744,382	-	47,744,382
NON-CURRENT LIABILITIES							
Interest bearing liabilities		33,814,972	-	33,814,972	33,814,972	-	33,814,972
Provisions		1,480,643	-	1,480,643	47,583	-	47,583
Total non-current liabilities		35,295,615	-	35,295,615	33,862,555	-	33,862,555
Total liabilities		57,818,644	-	57,818,644	81,606,937	-	81,606,937
Net assets (liabilities)		27,925,103	-	27,925,103	3,100,188	-	3,100,188
EQUITY							
Contributed equity		-	-	-	-	-	-
Retained profits (accumulated losses)		27,925,103	-	27,925,103	3,100,188	-	3,100,188
Total equity		27,925,103	-	27,925,103	3,100,188	-	3,100,188

NOTE 30. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (CONTINUED)

(2) Reconciliation of profit for the year ended 31 December 2004

	Notes	Consolidated			Parent Entity		
		Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $	2004 Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
Revenue	(c)	77,094,640	(18,095)	77,076,545	65,980,728	(18,095)	65,962,633
Other income	(c)	-	8,959	8,959	-	5,067	5,067
Salaries and related expenses		39,628,117	-	39,628,117	3,284,630	-	3,284,630
Facilities management and maintenance		7,811,216	-	7,811,216	6,244,178	-	6,244,178
Utilities and outgoings		2,905,311	-	2,905,311	2,336,983	-	2,336,983
Marketing and promotional expenses		4,487,308	-	4,487,308	4,350,524	-	4,350,524
Depreciation and amortisation expenses		4,781,906	-	4,781,906	4,771,405	-	4,771,405
Finance costs		2,916,244	-	2,916,244	2,916,244	-	2,916,244
Food and beverage cost		1,995,135	-	1,995,135	-	-	-
Service fee – BBT		2,188,263	-	2,188,263	2,188,263	-	2,188,263
Consumables		1,213,461	-	1,213,461	906,228	-	906,228
Minor equipment		390,755	-	390,755	358,650	-	358,650
Management fees		-	-	-	32,712,862	-	32,712,862
Other expenses	(c)	3,836,253	(9,136)	3,827,117	2,609,501	(13,028)	2,596,473
Profit before income tax		4,940,671	-	4,940,671	3,301,260	-	3,301,260
Income tax expense		-	-	-	-	-	-
Profit for the year		4,940,671	-	4,940,671	3,301,260	-	3,301,260
Profit attributable to members of Bond University Limited		4,940,671	-	4,940,671	3,301,260	-	3,301,260

(3) Reconciliation of cash flow statement for the year ended 31 December 2004
The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

(4) Notes to the reconciliations
(a) Prepayments and other current assets
In accordance with AASB 101 Presentation of Financial Statements, prepayments and security deposits have been included in receivables. These were separately disclosed as other current assets under previous AGAAP.

(b) Intangible assets
In accordance with AASB 138 Intangible Assets, computer software has been re-classified as an intangible asset. These were included in property, plant and equipment under previous AGAAP.

(c) Disposal of plant and equipment
In accordance with AASB 101 Presentation of Financial Statements, gains or losses on disposal of non-current assets are reported on a net basis by deducting from the proceeds on disposal the carrying amount of the assets.

(d) Financial instruments
The Group has elected to apply the exemption from restatement of comparatives for AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. It has therefore continued to apply previous AGAAP rules to derivatives, financial assets and financial liabilities and also to hedge relationships for the year ended 31 December 2004. The adjustments required for differences between previous AGAAP and AASB 132 and AASB 139 have been determined and recognised at 1 January 2005. Refer to section 5 of this note and note 1 for further details.

NOTE 30. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (CONTINUED)

(5) Adjustments on transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement:* 1 January 2005

	Consolidated			Parent Entity		
	31 December 2004 $	Adjustment $	1 January 2005 $	31 December 2004 $	Adjustment $	1 January 2005 $
CURRENT ASSETS						
Cash assets	10,530,349	-	10,530,349	9,718,144	-	9,718,144
Receivables	4,034,208	-	4,034,208	3,912,974	-	3,912,974
Inventories	91,319	-	91,319	-	-	-
Total current assets	14,655,876	-	14,655,876	13,631,118	-	13,631,118
NON-CURRENT ASSETS						
Available-for-sale financial assets	-	11,000	11,000	-	11,000	11,000
Other financial assets	11,000	(11,000)	-	11,009	(11,000)	9
Property, plant and equipment	70,013,466	-	70,013,466	70,007,700	-	70,007,700
Intangibles	1,063,405	-	1,063,405	1,057,298	-	1,057,298
Total non-current assets	71,087,871	-	71,087,871	71,076,007	-	71,076,007
Total assets	85,743,747	-	85,743,747	84,707,125	-	84,707,125
CURRENT LIABILITIES						
Payables	7,483,038	-	7,483,038	36,403,912	-	36,403,912
Interest bearing liabilities	4,148,649	-	4,148,649	4,148,649	-	4,148,649
Provisions	2,320,829	-	2,320,829	103,408	-	103,408
Other	8,570,513	-	8,570,513	7,088,413	-	7,088,413
Total current liabilities	22,523,029	-	22,523,029	47,744,382	-	47,744,382
NON-CURRENT LIABILITIES						
Interest bearing liabilities	33,814,972	-	33,814,972	33,814,972	-	33,814,972
Derivative financial instruments	-	912,056	912,056	-	912,056	912,056
Provisions	1,480,643	-	1,480,643	47,583	-	47,583
Total non-current liabilities	35,295,615	912,056	36,207,671	33,862,555	912,056	34,774,611
Total liabilities	57,818,644	912,056	58,730,700	81,606,937	912,056	82,518,993
Net assets (liabilities)	27,925,103	912,056	27,013,047	3,100,188	912,056	2,188,132
EQUITY						
Contributed equity	-	-	-	-	-	-
Reserves	-	(912,056)	(912,056)	-	(912,056)	(912,056)
Retained profits	27,925,103	-	27,925,103	3,100,188	-	3,100,188
Total equity	27,925,103	(912,056)	27,013,047	3,100,188	(912,056)	2,188,132

Refer to notes 1(l) and 1(m) for further information on the transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* on 1 January 2005.