

Financial

REPORT 31 DECEMBER 2007

FINANCIAL REPORT

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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 3 - 5, which is not part of this financial report.

The financial report was authorised for issue by the directors on 18 April 2008. The company has the power to amend and reissue the financial report.

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Consolidated		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
Revenue from continuing operations	3	111,236,330	87,657,776	106,726,758	81,482,679
Salaries and related expenses		58,117,115	46,018,038	35,079,077	12,490,329
Facilities management and maintenance		5,591,188	6,181,705	4,965,464	6,108,642
Utilities and outgoings		2,690,934	2,702,488	2,328,202	2,611,815
Marketing and promotional expenses		8,897,805	6,705,273	8,757,586	6,225,642
Depreciation and amortisation expenses	5	8,329,557	6,705,253	8,327,751	6,703,206
Finance costs	5	3,375,115	3,164,775	3,375,115	3,164,775
Food and beverage cost - Conference Centre		1,889,118	1,583,248	-	-
Service fee - BBT		1,305,451	1,216,718	1,305,451	1,216,718
Consumables		1,775,990	1,498,027	1,478,890	1,237,669
Minor equipment		1,449,272	760,091	1,321,533	680,039
Management fees		-	-	20,520,632	30,468,581
Other expenses from ordinary activities		5,828,125	6,245,031	5,544,738	5,375,702
Profit from operations		11,986,660	4,877,129	13,722,319	5,199,561
Other income	4	2,339,634	10,589,114	2,339,634	10,589,114
Profit before income tax		14,326,294	15,466,243	16,061,953	15,788,675
Income tax expense	1(e)	-	-	-	-
Profit for the year		14,326,294	15,466,243	16,061,953	15,788,675

As a not-for-profit University, the profit for the year is for reinvestment back into the University.

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

BALANCE SHEETS AS AT 31 DECEMBER 2007

	Notes	Consolidated		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
ASSETS					
Current Assets					
Cash and cash equivalents	6	26,760,590	20,394,038	20,928,216	17,036,300
Receivables	7	6,078,726	2,403,015	5,868,312	2,332,146
Inventories	8	78,362	83,309	-	-
Other financial assets at fair value through profit or loss	9	5,319	8,070	5,319	8,070
Total Current Assets		32,922,997	22,888,432	26,801,847	19,376,516
Non-Current Assets					
Available-for-sale financial assets	10	11,000	11,000	11,000	11,000
Derivative financial instruments	11	1,964,698	-	1,964,698	-
Other financial assets	12	-	-	9	9
Property, plant and equipment	13	102,308,915	87,142,279	102,292,405	87,141,816
Intangible assets	14	375,824	583,356	375,824	583,356
Total Non-Current Assets		104,660,437	87,736,635	104,643,936	87,736,181
Total Assets		137,583,434	110,625,067	131,445,783	107,112,697
LIABILITIES					
Current Liabilities					
Payables	15	11,703,491	12,331,021	13,598,555	18,496,825
Borrowings	16	2,195,314	1,877,311	2,195,314	1,877,311
Provisions	17	2,513,646	2,185,955	1,012,021	657,476
Other	18	10,668,159	10,195,810	9,124,851	8,813,521
Total Current Liabilities		27,080,610	26,590,097	25,930,741	29,845,133
Non-Current Liabilities					
Borrowings	19	45,968,514	35,941,068	45,968,514	35,941,068
Derivative financial instruments	11	-	392,185	-	392,185
Provisions	20	1,257,814	1,108,398	558,186	364,805
Total Non-Current Liabilities		47,226,328	37,441,651	46,526,700	36,698,058
Total Liabilities		74,306,938	64,031,748	72,457,441	66,543,191
Net Assets		63,276,496	46,593,319	58,988,342	40,569,506
EQUITY					
Contributed equity	21	-	-	-	-
Reserves	22	1,964,698	(392,185)	1,964,698	(392,185)
Retained profits	22	61,311,798	46,985,504	57,023,644	40,961,691
Total Equity		63,276,496	46,593,319	58,988,342	40,569,506

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

STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Consolidated		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
Total equity at the beginning of the financial year		46,593,319	30,835,786	40,569,506	24,489,541
Changes in the value of cash flow hedges, net of tax	22	2,356,883	291,290	2,356,883	291,290
Net income recognised directly in equity		2,356,883	291,290	2,356,883	291,290
Profit for the year		14,326,294	15,466,243	16,061,953	15,788,675
Total recognised income and expense for the year		16,683,177	15,757,533	18,418,836	16,079,965
Total equity at the end of the financial year		63,276,496	46,593,319	58,988,342	40,569,506

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Consolidated		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
Cash Flows from Operating Activities					
Receipts from customers (inclusive of goods and services tax)		115,529,253	96,760,803	102,463,403	84,720,897
Receipts from Federal and State governments - capital grants (inclusive of goods and services tax)		-	9,900,000	-	9,900,000
Receipts on behalf of controlled entities (inclusive of goods and services tax)		-	-	7,295,890	7,016,463
Payments to suppliers and employees (inclusive of goods and services tax)		(94,393,875)	(80,332,713)	(66,050,517)	(41,581,758)
Payments on behalf of controlled entities (inclusive of goods and services tax)		-	-	(20,974,327)	(31,921,549)
Interest received		1,768,789	1,125,724	1,492,490	993,237
Interest paid		(3,955,756)	(3,169,746)	(3,955,756)	(3,169,746)
Net cash inflow from operating activities	28	18,948,411	24,284,068	20,271,183	25,957,544
Cash Flows from Investing Activities					
Payments for property, plant and equipment		(21,450,433)	(8,805,994)	(21,432,581)	(8,805,994)
Payments for intangible assets		(266,626)	(109,120)	(266,626)	(109,120)
Payments for other financial assets at fair value through profit or loss		(28,405)	(6,000)	(28,405)	(6,000)
Loan repaid by (advanced to) Bond University Foundation		(24,231)	3,844	(24,231)	3,844
Proceeds from sale of other financial assets at fair value through profit or loss		29,721	-	29,721	-
Proceeds from sale of property, plant and equipment		341,828	207,696	337,374	207,696
Net cash outflow from investing activities		(21,398,146)	(8,709,574)	(21,384,748)	(8,709,574)
Cash Flows from Financing Activities					
Advances to controlled entities		-	-	(3,665,054)	(3,144,731)
Proceeds from borrowings		10,624,673	-	10,624,673	-
Repayment of borrowings		-	(9,000,000)	-	(9,000,000)
Repayment of lease liabilities		(2,195,969)	(1,877,559)	(2,195,969)	(1,877,558)
Net cash inflow/(outflow) from financing activities		8,428,704	(10,877,559)	4,763,650	(14,022,289)
Net Increase/(Decrease) in cash and cash equivalents					
		5,978,969	4,696,935	3,650,085	3,225,681
Cash at the beginning of the financial year		16,291,428	11,594,493	14,066,296	10,840,615
Cash and cash equivalents at the end of the financial year	6	22,270,397	16,291,428	17,716,381	14,066,296

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

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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 Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS).

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 2007 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 13). 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 short-term and long-term payables. Each lease payment is allocated between the liability and the finance cost. 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 25). 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 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (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

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(ii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and Derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent Measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Fair Value

The fair value of quoted investments are based on current bid prices.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(m) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value 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 11. Movements in the hedging reserve in equity are shown in note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'.

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 carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

(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, net of their residual values, 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. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a

financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(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.

(u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2007 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 2007-4 Amendments to Australian Accounting Standards arising from ED151 and Other Amendments and AASB 2007-7 Amendments to Australian Accounting Standards

AASB 2007-4 and AASB 2007-7 are applicable to annual reporting periods beginning on or after 1 July 2007. The amendments introduce a number of options that existed under IFRS but had not been included in the original Australian Equivalents to IFRS and remove many of the additional Australian disclosure requirements.

The Group will adopt the amendments arising from AASB 2007-4 and AASB 2007-7 for the financial year ending 31 December 2008. However, it does not intend to apply any of the new options now available. As a consequence, application of the revised standards will not affect any of the amounts recognised in the financial statements, but it may remove

some of the disclosures that are currently required.

(ii) AASB 2007-7: *Amendments to Australian Accounting Standards* – effective for annual reporting periods commencing on or after 1 July 2007.

The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and the parent entity's financial instruments.

(iii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards Arising from AASB 101*.

A revised AASB 101 was initially issued in October 2006 and then reissued in September 2007 with further amendments. AASB 101 is applicable to annual reporting periods beginning on or after 1 January 2009. AASB 2007-8 was also issued in October 2006 and is applicable for annual reporting periods beginning on or after 1 January 2009 and is applied when AASB 101 is applied.

The Group has not adopted the standard early. The revised AASB 101 required the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity but will not affect any of the amounts recognised in the financial statements. Further the revised standard will require that a third balance sheet be disclosed where an entity has made a prior period adjustments or a reclassification of items in the financial statements. The third balance sheet will be required as at the beginning of the comparative period.

(iv) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The Company will apply the revised AASB 123 from 1 January 2009.

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. Management 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. REVENUE

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
From continuing operations				
Sales Revenue				
Tuition revenue - University	89,989,184	69,234,208	89,989,184	69,234,208
Tuition revenue - External Programs	2,386,129	2,239,519	2,386,129	2,239,519
Tuition revenue - Language Centre	3,232,661	2,771,847	-	-
Sale of goods - food and beverages	5,058,156	4,306,083	-	-
Student accommodation rent	3,358,545	3,573,686	-	-
Consulting income	1,410,351	346,776	1,410,351	346,776
Non-refundable student income	74,542	613,440	74,542	613,440
Other student fees and charges	983,503	1,062,538	716,835	831,161
Fitness centre income	763,048	516,983	-	-
Student activities fee income	471,938	535,477	471,938	535,477
Sundry income	1,739,058	1,331,495	1,410,351	1,054,659
	109,467,115	86,532,052	96,459,330	74,855,240
Other Revenue				
Interest	1,769,215	1,125,724	1,492,490	993,237
Management fee	-	-	8,774,938	5,634,202
	111,236,330	87,657,776	106,726,758	81,482,679

Tuition revenue is net of scholarships provided by the University to students which amounted to \$7,318,517 in 2007 and \$7,011,004 in 2006.

NOTE 4. OTHER INCOME

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Fair value gain on other financial assets at fair value through profit or loss (note 9)	149	2,070	149	2,070
Grants and donations	2,339,485	10,587,044	2,339,485	10,587,044
	2,339,634	10,589,114	2,339,634	10,589,114

Grants and donations in 2006 included matching State and Federal government capital grants totalling \$9,000,000.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. EXPENSES

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Profit for the year includes the following specific expenses:				
Depreciation				
Buildings	2,278,318	1,587,190	2,278,318	1,587,190
Plant and equipment	743,975	477,902	742,632	477,902
Furniture and fitout	2,081,037	1,521,222	2,080,574	1,520,094
Motor vehicles	-	919	-	-
Library	870,502	864,224	870,502	864,224
Total depreciation	5,973,832	4,451,457	5,972,026	4,449,410
Amortisation				
Plant and equipment under finance leases	1,466,772	1,337,455	1,466,772	1,337,455
Motor vehicles under finance leases	414,796	371,933	414,796	371,933
Computer software	474,157	544,408	474,157	544,408
Total amortisation	2,355,725	2,253,796	2,355,725	2,253,796
Finance costs				
Interest and finance charges paid/payable	3,375,115	3,164,775	3,375,115	3,164,775
Net loss on sale of other financial assets at fair value through profit or loss (note 9)	1,585	-	1,585	-
Net loss on disposal of property, plant and equipment	3,312	15,600	7,767	15,600
Rental expense relating to operating leases				
Minimum lease payments	162,970	196,559	162,970	196,559
Defined contribution superannuation expense	6,264,534	5,061,244	3,428,271	1,105,135

NOTE 6. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Cash at bank and on hand	26,760,590	20,394,038	20,928,216	17,036,300
(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:				
Balances as above	26,760,590	20,394,038	20,928,216	17,036,300
Less:				
Monies held in trust	4,490,193	4,102,610	3,211,835	2,970,004
Balances per statement of cash flows	22,270,397	16,291,428	17,716,381	14,066,296

Monies held in trust relate to students fees that are held in trust as required by the Education Services for Overseas Students (ESOS) Act.

(b) Cash at bank and on hand

Cash at bank bears a floating interest rate of 6.70% (2006: 6.20%) and cash on hand is non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. CURRENT ASSETS - RECEIVABLES

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Trade receivables	3,139,938	417,010	2,998,536	416,410
Less: Provision for doubtful receivables	(125,000)	(105,000)	(120,000)	(100,000)
	3,014,938	312,010	2,878,536	316,410
Other receivables	859,044	611,351	798,147	547,997
Prepayments	2,203,621	1,478,356	2,190,506	1,466,616
Security deposits	1,123	1,298	1,123	1,123
	6,078,726	2,403,015	5,868,312	2,332,146

(a) Trade receivables

Trade receivables in 2007 include an amount for Fee-Help receivable from the Department of Education, Science and Training (DEST) of \$2,508,911 that was received in 2008.

(b) Bad and doubtful trade receivables

The Group has recognised a loss of \$46,271 (2006: \$60,736) in respect of bad and doubtful trade receivables during the year ended 31 December 2007. The loss has been included in 'other expenses' in the income statement.

(c) 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.

(d) Past due but not impaired

There are no trade and other receivables past due considered to be impaired.

NOTE 8. CURRENT ASSETS - INVENTORIES

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
At cost				
Food	21,416	26,989	-	-
Beverages	41,456	36,658	-	-
General stores	15,490	19,662	-	-
	78,362	83,309	-	-

NOTE 9. CURRENT ASSETS - OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Australian listed equity securities	5,319	8,070	5,319	8,070

Changes in fair values of other financial assets at fair value through profit or loss are recorded in other income in the income statement (note 4).

NOTE 10. NON-CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Australian unlisted equity securities	11,000	11,000	11,000	11,000

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Non-current assets				
Interest rate swap contracts - cash flow hedges	1,964,698	-	1,964,698	-
	1,964,698	-	1,964,698	-
Non-current liabilities				
Interest rate swap contracts - cash flow hedges	-	392,185	-	392,185
	-	392,185	-	392,185

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 variable interest rate of 8.64%. 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% (2006: 100%) of the loan principal outstanding and expires on 23 November 2013. The fixed interest rate is 6.51% plus a pricing margin of 1.35% (2006: 6.51% plus a pricing margin of 1.35%) and the variable rate is the 90 day bank bill swap rate which at balance date was 7.12% (2006: 6.36%) plus a margin of 1.35%.

The contract requires settlement of net interest receivable or payable each month. Interest is payable on the underlying debt every quarter. 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. In the year ended 31 December 2007 a gain of \$17,748 was transferred to profit and loss (2006: loss of \$143,868).

At balance date, the contract was an asset with a fair value of \$1,964,698 (2006: liability of \$392,185). In the year ended 31 December 2007 there was a gain from the increase in fair value of \$2,374,631 (2006: \$147,422).

NOTE 12. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Shares in subsidiaries (note 27)	-	-	9	9

These financial assets are carried at cost.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Land and Buildings				
Freehold land - at cost	10,717,000	10,717,000	10,717,000	10,717,000
Buildings - at cost	82,767,913	68,641,269	82,767,913	68,641,269
Less: Accumulated depreciation	10,601,333	8,323,015	10,601,333	8,323,015
	72,166,580	60,318,254	72,166,580	60,318,254
Total land and buildings	82,883,580	71,035,254	82,883,580	71,035,254
Plant and equipment and other assets				
Plant and equipment - at cost	9,907,962	7,845,380	9,576,762	7,532,033
Less: Accumulated depreciation	5,507,369	5,019,498	5,192,679	4,706,151
	4,400,593	2,825,882	4,384,083	2,825,882
Plant and equipment under finance lease	5,066,728	4,895,008	5,066,728	4,895,008
Less: Accumulated amortisation	2,584,844	2,122,696	2,584,844	2,122,696
	2,481,884	2,772,312	2,481,884	2,772,312
Furniture, fitout and other assets - at cost	21,939,727	17,934,040	20,217,717	16,208,279
Less: Accumulated depreciation	13,279,006	11,313,045	11,556,996	9,587,747
	8,660,721	6,620,995	8,660,721	6,620,532
Motor vehicles - at cost	6,136	35,789	-	14,020
Less: Accumulated depreciation	6,136	35,789	-	14,020
	-	-	-	-
Motor vehicles under finance lease	2,347,515	2,213,805	2,347,515	2,213,805
Less: Accumulated amortisation	678,114	536,724	678,114	536,724
	1,669,401	1,677,081	1,669,401	1,677,081
Library - at cost	18,949,424	18,214,843	18,886,855	18,152,276
Less: Accumulated depreciation	16,736,688	16,004,088	16,674,119	15,941,520
	2,212,736	2,210,755	2,212,736	2,210,755
Total plant and equipment and other assets	19,425,335	16,107,025	19,408,825	16,106,562
Total property, plant and equipment	102,308,915	87,142,279	102,292,405	87,141,816

(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 2006 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 \$110,000,000 on the basis of alternate use. This value excludes improvements of \$15,900,000 that are subsequent to the valuation.

(b) Non-current assets pledged as security

Refer to note 19 for information on non-current assets pledged as security by the parent entity or its controlled entities.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

	Opening net book amount at 1 January 2006 \$	Additions \$	Disposals \$	Depreciation/ amortisation charge \$	Closing net book amount at 31 December 2006 \$
Consolidated					
Land	10,717,000	-	-	-	10,717,000
Buildings	58,998,625	2,906,819	-	1,587,190	60,318,254
Plant and equipment	1,186,595	2,117,189	-	477,902	2,825,882
Leased plant and equipment	3,158,026	951,741	-	1,337,455	2,772,312
Furniture, fitout and other assets	5,345,998	2,797,449	1,230	1,521,222	6,620,995
Motor vehicles	919	-	-	919	-
Leased motor vehicles	1,293,729	962,981	207,696	371,933	1,677,081
Library	2,104,811	984,537	14,369	864,224	2,210,755
Total	82,805,703	10,720,716	223,295	6,160,845	87,142,279
Parent entity					
Land	10,717,000	-	-	-	10,717,000
Buildings	58,998,625	2,906,819	-	1,587,190	60,318,254
Plant and equipment	1,186,595	2,117,189	-	477,902	2,825,882
Leased plant and equipment	3,158,026	951,741	-	1,337,455	2,772,312
Furniture, fitout and other assets	5,344,407	2,797,449	1,230	1,520,094	6,620,532
Leased motor vehicles	1,293,729	962,981	207,696	371,933	1,677,081
Library	2,104,811	984,537	14,369	864,224	2,210,755
Total	82,803,193	10,720,716	223,295	6,158,798	87,141,816
	Opening net book amount at 1 January 2007 \$	Additions \$	Disposals \$	Depreciation/ amortisation charge \$	Closing net book amount at 31 December 2007 \$
Consolidated					
Land	10,717,000	-	-	-	10,717,000
Buildings	60,318,254	14,126,644	-	2,278,318	72,166,580
Plant and equipment	2,825,882	3,251,014	932,328	743,975	4,400,593
Leased plant and equipment	2,772,312	1,176,344	-	1,466,772	2,481,884
Furniture, fitout and other assets	6,620,995	4,120,763	-	2,081,037	8,660,721
Leased motor vehicles	1,677,081	740,399	333,283	414,796	1,669,401
Library	2,210,755	884,341	11,858	870,502	2,212,736
Total	87,142,279	24,299,505	1,277,469	7,855,400	102,308,915
Parent entity					
Land	10,717,000	-	-	-	10,717,000
Buildings	60,318,254	14,126,644	-	2,278,318	72,166,580
Plant and equipment	2,825,882	3,233,163	932,328	742,632	4,384,083
Leased plant and equipment	2,772,312	1,176,344	-	1,466,772	2,481,884
Furniture, fitout and other assets	6,620,532	4,120,763	-	2,080,574	8,660,721
Leased motor vehicles	1,677,081	740,399	333,283	414,796	1,669,401
Library	2,210,755	884,341	11,858	870,502	2,212,736
Total	87,141,816	24,281,654	1,277,469	7,853,594	102,292,405

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. NON-CURRENT ASSETS - INTANGIBLE ASSETS

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Computer software	3,147,108	2,892,977	3,126,613	2,872,482
Less: Accumulated amortisation	2,771,284	2,309,621	2,750,789	2,289,126
	375,824	583,356	375,824	583,356

	Opening net book amount at 1 January 2006 \$	Additions \$	Disposals \$	Depreciation/ amortisation charge \$	Closing net book amount at 31 December 2006 \$
Consolidated					
Computer software	1,018,644	109,120	-	544,408	583,356
Parent entity					
Computer software	1,018,644	109,120	-	544,408	583,356
	Opening net book amount at 1 January 2007 \$	Additions \$	Disposals \$	Depreciation/ amortisation charge \$	Closing net book amount at 31 December 2007 \$
Consolidated					
Computer software	583,356	266,625	-	474,157	375,824
Parent entity					
Computer software	583,356	266,625	-	474,157	375,824

*Amortisation of \$474,157 (2006: \$544,408) is included in depreciation and amortisation expense in the income statement. Computer software has a finite useful life of 3 years.

NOTE 15. CURRENT LIABILITIES - PAYABLES

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Trade payables	7,398,537	7,840,261	6,674,239	6,765,392
Other payables	4,304,954	4,490,760	2,620,439	2,466,377
Amounts payable to subsidiaries	-	-	4,303,877	9,265,056
	11,703,491	12,331,021	13,598,555	18,496,825

Other payables in 2006 included a Fee-Help overpayment by the Department of Education, Science and Training (DEST) of \$1,376,752 that was repaid in 2007.

Other payables include accruals for annual leave. The entire obligation is presented as current, since the Group does not have unconditional right to defer settlement. The Group expects all employees to take the full amount of accrued leave within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. CURRENT LIABILITIES - BORROWINGS

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Secured				
Bank loan	-	-	-	-
Lease liabilities (note 25)	2,195,314	1,877,311	2,195,314	1,877,311
Total secured current borrowings	2,195,314	1,877,311	2,195,314	1,877,311

Details of the security relating to each of the secured liabilities and further information on the bank loan are set out in note 19.

NOTE 17. CURRENT LIABILITIES - PROVISIONS

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Employee benefits - long service leave	2,513,646	2,185,955	1,012,021	657,476

NOTE 18. CURRENT LIABILITIES - OTHER

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Deferred income				
student fees	10,564,596	9,674,428	9,102,666	8,380,660
scholarships	22,185	432,861	22,185	432,861
fitness centre	81,378	88,521	-	-
	10,668,159	10,195,810	9,124,851	8,813,521

NOTE 19. NON-CURRENT LIABILITIES - BORROWINGS

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Secured				
Bank loan	43,812,173	33,187,500	43,812,173	33,187,500
Lease liabilities (note 25)	2,156,341	2,753,568	2,156,341	2,753,568
Total non-current borrowings	45,968,514	35,941,068	45,968,514	35,941,068
(a) Total Secured Liabilities				
The total secured liabilities (current and non-current) are as follows:				
Bank loan	43,812,173	33,187,500	43,812,173	33,187,500
Lease liabilities	4,351,655	4,630,879	4,351,655	4,630,879
Total secured liabilities	48,163,828	37,818,379	48,163,828	37,818,379

(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 19. NON-CURRENT LIABILITIES - BORROWINGS (CONTINUED)

(b) Assets Pledged as Security (continued)

The following financial covenants apply to the bank loan:

- total debt to EBITDA to be less than 4.1 times;
- alternate use land valuation not less than \$80,000,000;
- EBITDA to be within 85% of budget forecasts;
- 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 company complied at all times during the year with the above covenants.

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

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Current				
Floating charge				
Cash and cash equivalents	26,760,590	20,394,038	20,928,216	17,036,300
Receivables	6,078,726	2,403,015	5,868,312	2,332,146
Inventories	78,362	83,309	-	-
Other financial assets at fair value through profit or loss	5,319	8,070	5,319	8,070
Total current assets pledged as security	32,922,997	22,888,432	26,801,847	19,376,516
Non-current				
First mortgage				
Freehold land and buildings	82,883,580	71,035,254	82,883,580	71,035,254
Finance lease				
Plant and equipment under finance lease	2,481,884	2,772,312	2,481,884	2,772,312
Motor vehicles under finance lease	1,669,401	1,677,081	1,669,401	1,677,081
	4,151,285	4,449,393	4,151,285	4,449,393
Floating charge				
Available-for-sale financial assets	11,000	11,000	11,000	11,000
Other financial assets	-	-	9	9
Derivative financial instruments	1,964,698	-	1,964,698	-
Plant and equipment	15,274,050	11,657,632	15,257,540	11,657,169
Intangible assets	375,824	583,356	375,824	583,356
	17,625,572	12,251,988	17,609,071	12,251,534
Total non-current assets pledged as security	104,660,437	87,736,635	104,643,936	87,736,181
Total assets pledged as security	137,583,434	110,625,067	131,445,783	107,112,697

NOTE 19. NON-CURRENT LIABILITIES - BORROWINGS (CONTINUED)

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
(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
Asset finance facility	4,000,000	4,000,000	4,000,000	4,000,000
Financial guarantee	-	12,000,000	-	12,000,000
	4,343,000	16,343,000	4,343,000	16,343,000
Used at balance date				
Lease finance facility	-	-	-	-
Asset finance facility	1,397,866	2,442,095	1,397,866	2,442,095
Financial guarantee	-	12,000,000	-	12,000,000
	1,397,866	14,442,095	1,397,866	14,442,095
Unused at balance date				
Lease finance facility	343,000	343,000	343,000	343,000
Asset finance facility	2,602,134	1,557,905	2,602,134	1,557,905
Financial guarantee	-	-	-	-
	2,945,134	1,900,905	2,945,134	1,900,905
Bank loan facilities				
Total facilities	54,300,000	54,300,000	54,300,000	54,300,000
Used at balance date	43,812,173	33,187,500	43,812,173	33,187,500
Unused at balance date	10,487,827	21,112,500	10,487,827	21,112,500

The financial guarantee is in favour of the Department of Education, Science and Training for the purpose of Fee Help. This guarantee was cancelled during 2007.

The current interest rate on the bank loans drawn is 7.86% (2006: 7.86%).

(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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19. NON-CURRENT LIABILITIES - BORROWINGS (CONTINUED)

(d) Interest Rate Risk Exposures (continued)

2007	Fixed interest rate							Total \$
	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 \$	
Bank loan (note 19)	43,812,173	-	-	-	-	-	-	43,812,173
Lease liabilities (note 16)	-	2,195,314	1,537,618	531,517	87,205	-	-	4,351,654
Interest rate swap (note 11)	(43,812,173)	-	2,500,000	2,500,000	2,500,000	2,500,000	33,812,173	-
	-	2,195,314	4,037,618	3,031,517	2,587,205	2,500,000	33,812,173	48,163,827
Weighted average interest rate		8.79%	8.27%	8.16%	7.91%	7.86%	7.86%	

2006	Fixed interest rate							Total \$
	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 \$	
Bank loan (note 19)	33,187,500	-	-	-	-	-	-	33,187,500
Lease liabilities (note 16)	-	1,877,311	1,713,194	958,639	81,735	-	-	4,630,879
Interest rate swap (note 11)	(33,187,500)	-	-	2,500,000	2,500,000	2,500,000	25,687,500	-
	-	1,877,311	1,713,194	3,458,639	2,581,735	2,500,000	25,687,500	37,818,379
Weighted average interest rate		8.00%	8.44%	7.98%	7.87%	7.86%	7.86%	

(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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20. NON-CURRENT LIABILITIES - PROVISIONS

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Employee benefits - long service leave	1,257,814	1,108,398	558,186	364,805

NOTE 21. 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 2007, Bond University Limited had 30 members.

NOTE 22. RESERVES AND RETAINED PROFITS

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
(a) Reserves				
Hedging reserve - cash flow hedges	1,964,698	(392,185)	1,964,698	(392,185)
Movements:				
Balance 1 January	(392,185)	(683,475)	(392,185)	(683,475)
Transfer to net profit	(17,748)	143,868	(17,748)	143,868
Revaluation	2,374,631	147,422	2,374,631	147,422
	2,356,883	291,290	2,356,883	291,290
Balance 31 December	1,964,698	(392,185)	1,964,698	(392,185)
(b) Retained profits				
Movements in retained profits were as follows:				
Balance 1 January	46,985,504	31,519,261	40,961,691	25,173,016
Net profit for the year	14,326,294	15,466,243	16,061,953	15,788,675
Balance 31 December	61,311,798	46,985,504	57,023,644	40,961,691

(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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23. 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	
	2007	2006	2007	2006
	\$	\$	\$	\$
Assurance services				
Audit services				
PricewaterhouseCoopers Australian firm: Audit and review of financial reports and other audit work under the Corporations Act 2001	147,000	138,000	98,000	91,000
Total remuneration for audit services	147,000	138,000	98,000	91,000
Other assurance services				
PricewaterhouseCoopers Australian Firm: Audit of regulatory returns	-	3,000	-	3,000
Total remuneration for other assurance services	-	3,000	-	3,000
Total remuneration for assurance services	147,000	141,000	98,000	94,000

NOTE 24. CONTINGENCIES

The parent entity and consolidated entity had contingent liabilities at 31 December 2007 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. The University is vigorously defending this claim and based on the information that is available it is not practical to estimate the financial effect of this claim, if any, at this time.

NOTE 25. COMMITMENTS

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
(a) Capital Commitments				
Commitment in relation to a fixed price building contract not recognised as a liability, payable:				
Within one year	10,392,492	4,611,861	10,392,492	4,611,861
(b) Lease Commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	426,694	402,725	426,694	402,725
Later than one year but not later than 5 years	233,456	246,867	233,456	246,867
Later than 5 years	-	-	-	-
	660,150	649,592	660,150	649,592
Representing:				
Non-cancellable operating leases	220,506	147,080	220,506	147,080
Future finance charges on finance leases	439,644	502,512	439,644	502,512
	660,150	649,592	660,150	649,592

NOTE 25. COMMITMENTS FOR EXPENDITURE (CONTINUED)

(b) Lease Commitments (continued)

(i) Operating Leases

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

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	136,260	99,102	136,260	99,102
Later than one year but not later than 5 years	84,246	47,978	84,246	47,978
Later than 5 years	-	-	-	-
	220,506	147,080	220,506	147,080

(ii) Finance Leases

The Group leases various motor vehicles and plant and equipment with a carrying amount of \$4,151,285 (2006: \$4,449,393) under finance leases expiring within one to four years.

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Commitments in relation to finance leases are payable as follows:				
Within one year	2,485,748	2,180,934	2,485,748	2,180,934
Later than one year but not later than 5 years	2,305,551	2,952,457	2,305,551	2,952,457
Minimum lease payments	4,791,299	5,133,391	4,791,299	5,133,391
Less: Future finance charges	439,644	502,512	439,644	502,512
Total lease liabilities	4,351,655	4,630,879	4,351,655	4,630,879
Representing lease liabilities:				
Current (note 16)	2,195,314	1,877,311	2,195,314	1,877,311
Non-current (note 19)	2,156,341	2,753,568	2,156,341	2,753,568
	4,351,655	4,630,879	4,351,655	4,630,879

The weighted average interest rate implicit in the leases is 8.85% (2006: 8.01%).

NOTE 26. 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 27.

(c) Key management personnel compensation

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Short-term employee benefits	1,935,578	1,869,320	1,935,578	1,869,320
Post-employment benefits	381,177	368,682	381,177	368,682
	2,316,755	2,238,002	2,316,755	2,238,002

(d) Transactions with related parties

The following transactions occurred with related parties:

	Subsidiary	Parent Entity	
		2007	2006
		\$	\$
Management fee revenue	Lashkar Pty Ltd	4,838,052	1,248,154
	Campus Operations Pty Ltd	3,936,886	4,386,048
Management fee expense	Bond University Services Pty Ltd	9,138,432	15,326,289
	Bond University Staff Services Pty Ltd	11,382,200	15,142,292
Accommodation and catering expense	Campus Operations Pty Ltd	637,744	400,722
Audio visual revenue	Campus Operations Pty Ltd	1,326	-

(e) Outstanding balances

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

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Current payables				
Subsidiaries	-	-	4,303,877	9,265,056
Current receivables				
Bond University Foundation	29,250	5,019	29,250	5,019
Bond University Trust	-	-	200	-

(f) 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 amounts advanced to Bond University Foundation and the Bond University Trust. 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 and the Bond University Trust. With the exception of Campus Operations Pty Ltd and Lashkar Pty Ltd, all accounting and administration assistance was provided free of charge.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 27. 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 *	
			2007	2006	2007	2006
			\$	\$	%	%
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 28. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated		Parent Entity	
	2007 Inflows/ (Outflows)	2006 Inflows/ (Outflows)	2007 Inflows/ (Outflows)	2006 Inflows/ (Outflows)
	\$	\$	\$	\$
Profit for the year	14,326,294	15,466,243	16,061,954	15,788,675
Depreciation and amortisation	8,329,557	6,705,253	8,327,751	6,703,206
Net (profit) loss on sale of non-current assets	3,312	15,600	7,767	15,600
Net (profit) loss on sale of non-current assets	1,585	-	1,585	-
Fair value (gains) losses on other financial assets at fair value through profit or loss	(149)	(2,070)	(149)	(2,070)
Provision for doubtful debts increase (decrease)	20,000	(50,000)	20,000	(50,000)
Change in operating assets and liabilities				
(Increase) decrease in trade & other debtors	(3,671,481)	537,267	(3,531,734)	426,174
(Increase) decrease in inventories	4,947	(10,860)	-	-
Increase (decrease) in trade and other creditors and employee benefits	(150,420)	841,858	(685,490)	2,286,858
Increase (decrease) in other liabilities	84,766	780,777	69,499	789,101
Net cash inflows from operating activities	18,948,411	24,284,068	20,271,183	25,957,544

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 2007 was \$7,295,890 (2006: \$7,015,972). Income collected by Bond University Limited on behalf of Lashkar Pty Ltd amounted to \$nil (2006: \$491) for the year ended 31 December 2007.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 29. NON-CASH INVESTING AND FINANCING ACTIVITIES

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Acquisition of plant and equipment by means of finance leases	1,916,744	1,914,722	1,916,744	1,914,722

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