THE UNIVERSITY OF QUEENSLAND
AUSTRALIA

ANNUAL REPORT 2016

ANNUAL FINANCIAL STATEMENTS
VOLUME 2 – SUBSIDIARIES

Public availability note

This volume, the Annual Report and the Annual Financial Statements (Volume 1) are available from the Office of Marketing and Communications (see inside back cover) or online at **uq.edu.au/about/annualreport**.

The following information is also available online at **uq.edu.au/about/annualreport**:

- Consultancies
- Overseas travel.

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Interpreter Service Statement

The University of Queensland (UQ) is committed to providing accessible services to people from all culturally and linguistically diverse backgrounds. If you have difficulty understanding this Annual Report 2016, please contact UQ's Institute of Modern Languages on (07) 3346 8200 to arrange an interpreter to effectively communicate this report to you.

Front cover image: *UQ Gatton's 3.275 megawatt Solar Research Facility features sheep, which are also used by the Vet School for teaching purposes, to help manage grass and reduce the need for mowing.*

ANNUAL FINANCIAL STATEMENTS SUBSIDIARIES

UQ Holdings PTY LTD

ABN 25 056 673 164

UQ HOLDINGS PTY LTD AND ITS CONTROLLED ENTITIES

CONTENTS

Directors' Report

The Directors present their report, together with the financial statements of the Group, being UQ Holdings Pty Ltd (the company or parent entity, herein 'UQ Holdings') and its controlled entities for the financial year ended 31 December 2016.

1. General information

Principal activities

The principal activities of the Group during the financial year were:

(a) investment in companies established to commercialise the intellectual property and facilities of The University of Queensland (UQ)

(b) management of, adding value to and marketing of intellectual resources and services of UQ

(c) management of sporting and recreational facilities

(d) provision of post school educational programs as a pathway to higher education

(e) operation of medical centres and related health care services

(f) provision of consulting services and the installation and maintenance of products in the resources industry

(g) trusteeship of a charitable foundation, for the benefit of UQ and the community.

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

2. Operating results and review of operations for the year

Operating results

The consolidated result of the Group for the financial year after providing for income tax amounted to a profit of $11,042 thousand (2015: $22,301 thousand).

Review of operations

The Group's decrease in profit is largely explained by the result of one significant transaction in the prior year. UniQuest Pty Limited (UniQuest) recognised a gain of $15,521 thousand on the sale of its shares in Spinifex Pharmaceuticals Inc. (Spinifex).

3. Other items

Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the Group during the year.

Dividends paid or recommended

UQ Holdings Pty Ltd paid a dividend in 2016 to The University of Queensland of $15 million (2015: nil). No other dividends have been paid or declared since the start of the financial year to members.

Matters or circumstances arising after the end of the year

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments and results

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental matters

The minerals industry consulting services operation of controlled entity, JKTech Pty Ltd, are regulated by the environmental regulations of the Commonwealth, State and local government. The Directors of that company have advised that, to the best of their knowledge, there have been no significant breaches of environmental regulations related to the operations.

The other operations of the Group are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Company was not a party to any such proceedings during the financial period.

Indemnification and insurance of officers and auditors

The Company's Constitution provides that the directors, secretaries and the Auditor General of Queensland shall be indemnified out of the assets of the Group against all costs, losses, expenses or liabilities which arise out of the performance of their normal duties as an officer or auditor of the Group, excluding any liability arising out of conduct involving a lack of good faith or any liability to the Group or any related body corporate.

Insurance premiums have been paid, during or since the end of the financial year, for any person who is or has been an officer or auditors of the Group. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012* for the year ended 31 December 2016 has been received and can be found on page A-4 of the financial report.

This report is signed in accordance with a resolution of the Board of Directors.

On behalf of the Directors

Mr John Massey

24 February 2017

Auditor's Independence Declaration

To the Directors of UQ Holdings Pty Ltd

In accordance with Subdivision 60-C of the *Australian Charities and Not-for-profits Commission Act 2012*, I am pleased to provide the following declaration of independence to the Directors of UQ Holdings Pty Ltd.

Independence Declaration

As the lead auditor for the audit of UQ Holdings Pty Ltd and its subsidiaries for the financial year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

JWelsh

QUEENSLAND
23 FEB 2017
AUDIT OFFICE

J F WELSH FCPA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Consolidated	
	2016	**2015**
	$'000	**$'000**
Revenue and other income from continuing operations		
Research, consultancy and contracts fees	**25,657**	31,601
Licence fees and royalties	**33,531**	29,060
Sport services and retail	**8,396**	8,390
Medical services	**2,705**	2,393
Tuition fees	**3,845**	3,623
Other revenue from continuing operations	**9,442**	6,364
Gain on sale of financial assets	**605**	15,522
Net fair value gain on financial assets held at fair value	**2,828**	-
Other income	**797**	1,702
Total revenue and other income from continuing operations	**87,806**	98,655
Expenses from continuing operations		
Commercialisation supplies and services	**(38,515)**	(37,060)
Employee benefits expense	**(24,452)**	(24,830)
Patent expenses	**(1,937)**	(2,018)
Other expenses	**(11,150)**	(9,713)
Depreciation and amortisation expense	**(454)**	(573)
Impairment of assets	**(104)**	(336)
Net fair value loss on financial assets held at fair value	**-**	(23)
Finance costs	**(8)**	(56)
Share of net losses of equity-accounted associates and joint ventures	**(162)**	(1,207)
Total expenses from continuing operations	**(76,782)**	(75,816)
Profit/(loss) before income tax	**11,024**	22,839
Income tax expense	**34**	(30)
Profit/(loss) from continuing operations	**11,058**	22,809
Loss from discontinued operations	**(16)**	(508)
Profit/(loss) for the year	**11,042**	22,301
Total comprehensive income/(loss)for the year	**11,042**	22,301
Total comprehensive income/(loss) attributable to:		
Members of the parent entity	**10,980**	22,441
Non-controlling interest	**62**	(140)
Total comprehensive income/(loss) for the year	**11,042**	22,301

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	Consolidated 2016 $'000	2015 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	C1	**28,237**	32,644
Trade and other receivables	C3	**6,494**	6,342
Inventories		**408**	322
Other assets	C4	**8,873**	9,385
Current tax receivable		**99**	-
Financial assets	C5	**2,831**	-
TOTAL CURRENT ASSETS		**46,942**	48,693
NON-CURRENT ASSETS			
Trade and other receivables	C3	**1,108**	1,108
Investments in associates	C7	**209**	245
Financial assets	C5	**7,537**	8,219
Deferred tax asset		**85**	18
Property, plant and equipment	C6	**1,969**	1,635
Intangible assets		**6**	9
TOTAL NON-CURRENT ASSETS		**10,914**	11,234
TOTAL ASSETS		**57,856**	59,927
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	C8	**17,249**	17,652
Borrowings	C11	**17**	15
Employee benefits	D1	**2,048**	2,048
Other liabilities	C9	**1,785**	1,486
TOTAL CURRENT LIABILITIES		**21,099**	21,201
NON-CURRENT LIABILITIES			
Borrowings	C11	**2,047**	158
Employee benefits	D1	**802**	699
TOTAL NON-CURRENT LIABILITIES		**2,849**	857
TOTAL LIABILITIES		**23,948**	22,058
NET ASSETS		**33,908**	37,869
EQUITY			
Issued capital		**18,740**	18,740
Retained earnings		**12,988**	17,008
Total equity attributable to equity holders of the Company		**31,728**	35,748
Non-controlling interests		**2,180**	2,121
TOTAL EQUITY		**33,908**	37,869

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Consolidated			
	Issued Capital	**Retained Earnings**	**Non-controlling interests**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance as at 1 January 2016	**18,740**	**17,008**	**2,121**	**37,869**
Total comprehensive income for the year	**-**	**10,980**	**62**	**11,042**
Dividend paid to controlling interest		**(15,000)**		**(15,000)**
Dividend paid to non-controlling interest	**-**	**-**	**-**	**-**
Non-controlling interests in shares issued by controlled entity	**-**	**-**	**(3)**	**(3)**
Balance as at 31 December 2016	**18,740**	**12,988**	**2,180**	**33,908**
Balance as at 1 January 2015	18,740	(5,433)	2,251	15,558
Total comprehensive income for the year	-	22,441	(140)	22,301
Dividend paid to non-controlling interest	-	-	(109)	(109)
Non-controlling interests in shares issued by controlled entity	-	-	119	119
Balance as at 31 December 2015	18,740	17,008	2,121	37,869

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Consolidated 2016 $'000	Consolidated 2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**89,653**	88,773
Payments to suppliers and employees		**(84,696)**	(86,331)
Franking credit refunds received		**-**	735
Income tax paid		**(132)**	(53)
Interest received		**321**	324
Net cash provided by operating activities	C2	**5,146**	3,448
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment		**46**	67
Proceeds from sale of other financial assets		**5,205**	16,102
Payments for property, plant, equipment and intangibles		**(1,059)**	(289)
Payments for other financial assets		**(613)**	(1,592)
Net cash provided by investing activities		**3,579**	14,288
CASH FLOWS FROM FINANCING ACTIVITIES			
(Payment)/proceeds from issuance of equity instruments		**(3)**	119
(Repayments of)/proceeds from loans from related entities		**1,900**	(621)
Dividend paid		**(15,000)**	(109)
Repayment of finance lease liabilities		**(17)**	(25)
Net cash used in financing activities		**(13,120)**	(636)
Effects of exchange rate changes on cash and cash equivalents		**(12)**	28
Net increase/(decrease) in cash and cash equivalents held		**(4,407)**	17,128
Cash and cash equivalents at the beginning of financial year		**32,644**	15,516
Cash and cash equivalents at end of financial year	C1	**28,237**	32,644

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

A Basis of Preparation

A1 General information

The following entities within the UQ Holdings Group are registered as tax-exempt charities with the Australian Charities and Not-for-profits Commission (ACNC):

- UQ Holdings Pty Ltd
- UniQuest Pty Ltd
- UQ Sport Limited
- UQ College Limited
- UQ Health Care Limited
- Symbiosis Group Pty Ltd
- Dendright Pty Ltd
- JKTech Pty Ltd
- UQH Finance Pty Ltd.

A2 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012,* Australian Accounting Standards and Interpretations, and other legislative requirements.

The financial statements comprise the consolidated financial statements of UQ Holdings and its controlled entities.

The financial statements were authorised for issue by the Directors on 24 February 2017.

A3 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at re-valued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

The financial statements are presented in Australian dollars rounded to the nearest thousand dollars.

When necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

A4 Foreign currency transactions and balances

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Foreign currency transactions are recorded at the spot rate on the date of the transaction. Foreign currency monetary items are translated using the exchange rate at the end of the reporting period.

Exchange differences arising on the settlement of monetary items are recognised in the statement of profit or loss and other comprehensive income.

A Basis of Preparation (continued)

A5 Going concern

The ability of the Group to continue as a going concern is principally dependent upon the continued generation of positive cash flows by Group entities in the 2017 reporting period and the continued financial support of UQ, the ultimate parent entity.

In assessing the ability of the consolidated entity to continue as a going concern, the Directors have considered the following:

- UQ has provided a letter of financial support up to $3,000,000 for JK Tech Pty Ltd
- UQ has provided a letter of financial support up to $1,000,000 for UQ Health Care Limited.

Accordingly, the Directors are satisfied that the going concern basis of preparation is appropriate. The financial statements have therefore been prepared on a going concern basis, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

A6 Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

These estimates and judgements are based on the best information available at the time of preparing the financial statements; however, as additional information is known then the actual results may differ from the estimates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

B Performance for the year

This section provides the information that is most relevant to understanding the financial performance of the Group during the financial year and, where relevant, the accounting policies and the critical judgements and estimates made.

B1 Revenue and other income

Recognition and measurement

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group and specific criteria relating to the type of revenue, as noted below, have been satisfied.

i. Research, consultancy and contracts fees

Revenue from research, consultancy and contracts fees is recognised when the relevant activity or project is completed to the extent that the client is legally required to pay the Group under the terms of the underlying contract.

ii. Licence fees

Revenue is recognised when the Group has an absolute entitlement to the licence fee. In the case of licence fees to start-up licensee companies settled through the issue of shares and other securities, the Group recognises the income from those licence fees at an amount that is net of any future disbursements under the splits arrangement (see Note C5 for more information).

iii. Royalties

Royalties are recognised on an accrual basis when they become due and payable in accordance with the relevant contract or agreement. An accounting estimate is made in relation to royalties receivable up to 31 December on the basis of the latest available, reliable information.

iv. Sport, tuition and other services

Revenue from the rendering of a service is recognised only when the Group has a right to be compensated, it is probable the compensation will be received, and the amount of the revenue can be reliably measured.

v. Provision of medical services

Revenue from the provision of administrative services to general practitioners is in the form of a management fee payable to the Group in recognition of the services provided to enable the medical practitioner to deliver medical services to their patients. The revenue is recognised when the general practitioners deliver medical services to the patient.

vi. Other revenue and income from continuing operations

Revenue from the sale of other goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered to have passed to the buyer at the time of delivery of the goods to the customer.

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

Grants, contributions, donations and gifts are recognised as revenue in the year in which the Group obtains control over them.

All revenue received or receivable arose from the operating activities of the UQH Group.

B Performance for the year (continued)

B2 Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income, and statement of cash flows.

B3 Taxation

i. Income tax

With the exception of those tax exempt entities outlined at A1, all entities in the Group are taxable entities with the charge for income tax expense based on profit for the year adjusted for any non-assessable or disallowed items. Where income tax is incurred, it is expensed and provided for in the financial period in which the tax is incurred.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Unrecognised deferred income tax assets are reassessed each reporting date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

ii. Goods and Services Tax (GST)

Revenue and expenses are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

C Assets and liabilities

This section provides information relating to the assets and liabilities of the Group. It also provides information on the Group's exposure to financial risks, how they affect the Group's financial position and performance and how the risks are managed. Assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

C1 Cash and cash equivalents

	Consolidated	
	2016	**2015**
	$'000	**$'000**
Cash at bank and on hand	**25,523**	31,420
Restricted deposit*	**2,714**	1,224
Total cash and cash equivalents	**28,237**	32,644

* Restricted deposits include an amount of $2,714,468 (2015: $1,223,501) in relation to the first and second tranches of funding (net of disbursements) from InnovaChile CORFO (Chilean Economic Development Agency) for the establishment of an International Centre of Excellence in Chile. JKTech South America SpA entered into a Centre Agreement with InnovaChile CORFO on 24 June 2014 to establish the Centre of Excellence (the Centre) over an eight (8) year period from the date of commencement of the Centre Agreement. Total grant funding expected to be received over the duration of the agreement is approximately $12 million.

Disbursement and use of the grant funding is governed by pre-defined rules outlined in the grant agreement which relate to the establishment and operation of the Centre. Types of expenditure that the funding will be used for includes, but is not limited to, start-up costs associated with establishing the Centre, administrative overheads as well as project-related costs for the research and development activities of the Centre.

JKTech South America SpA has entered into a sub-agreement with UQ, the ultimate controlling entity, which has the effect of transferring the rights and obligations under the Centre Agreement, including responsibility for the tranche funding and subsequent expenditure, to UQ.

Recognition and measurement

i. Cash and cash equivalents

For statement of cash flows and statement of financial position presentation purposes, cash and cash equivalents includes 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.

C Assets and liabilities (continued)

C2 Reconciliation of cash flow from operating activities

	Consolidated	
	2016	**2015**
	$'000	**$'000**
Profit/(loss) for the year	**11,042**	22,301
Non-cash flows in profit/(loss)		
Depreciation and amortisation	**454**	573
Share of net losses of equity-accounted associates and joint ventures	**162**	1,207
Net loss/(gain) on disposal of property, plant and equipment	**76**	(54)
Gain on disposal of other financial assets	**(605)**	(15,522)
Gain on deemed disposal of equity-accounted associates and joint ventures	**(126)**	(830)
Impairment of assets	**104**	336
Finance costs	**8**	56
Forgiveness of debt	**-**	(240)
Non-cash licence fee and interest income	**(1,692)**	(1,010)
Unrealised loss/(gain) on foreign currency translation	**12**	(28)
Change in fair value of other financial assets	**(2,828)**	23
Changes in assets and liabilities:		
Decrease/(Increase) in trade and other receivables	**(108)**	(25)
Decrease/(Increase) in inventories	**(86)**	180
Decrease/(Increase) in other non-financial assets	**(1,102)**	(4,635)
Decrease/(Increase) in tax assets	**(165)**	(18)
Decrease/(Increase) in trade and other payables	**(399)**	1,054
Decrease/(Increase) in provisions	**100**	(159)
Decrease in other liabilities	**299**	240
Decrease in tax liabilities	**-**	(1)
Cash provided by/(used in) operating activities	**5,146**	3,448

i. Goods and Services Tax (GST)

Cash flows are included in the statement of cash flows above on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as an operating cash flow.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

C Assets and liabilities (continued)

C3 Trade and other receivables

	Consolidated	
	2016	2015
	$'000	$'000
CURRENT		
Trade receivables – non-related entities	**5,221**	4,813
Allowance for impairment	**(29)**	(161)
Trade receivables – UQ	**346**	570
Other receivables	**956**	1,120
Total current trade and other receivables	**6,494**	6,342
NON-CURRENT		
Loans to related entities	**1,108**	1,108
Total non-current trade and other receivables	**1,108**	1,108

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They have been classed as non-current where they are not expected to be recovered or settled within twelve months following year end. They are measured at amortised cost using the effective interest method.

Receivables are stated inclusive of GST.

C4 Other assets

	Consolidated	
	2016	2015
	$'000	$'000
CURRENT		
Prepayments	**587**	488
Accrued income	**8,286**	8,897
Total other assets	**8,873**	9,385

Recognition and measurement

i. Key estimates – accrued royalty income and cost of sales

The majority of accrued income relates to royalty income deriving from sales of the human papilloma virus ('HPV') vaccine. These amounts are based on the anticipated value of HPV royalty income due and payable on actual sales of the HPV vaccine for the final quarter of the year. Where the actual value of royalties received is different to the accounting estimate, the difference is accounted for in the period of receipt.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

C Assets and liabilities (continued)

C5 Financial assets

	Consolidated	
	2016	2015
	$'000	$'000
CURRENT		
Contingent revenue accrued on sale of shares	**3,095**	-
Reduction in fair value due to commitment to pay third party disbursements	**(264)**	-
Total current financial assets at fair value through profit or loss ('FVTPL')	**2,831**	-
NON-CURRENT		
Non-current financial assets subject to the splits arrangement (refer ii. below):		
Shares and securities – listed	**2,620**	3,269
Shares and securities – unlisted	**4,264**	3,842
Contingent revenue accrued on sale of shares	**320**	633
Reduction in fair value due to commitment to pay third party disbursements	**(5,005)**	(5,163)
	2,199	2,581
Non-current financial assets not subject to the splits arrangement:		
Shares and securities – listed	**-**	5
Shares and securities – unlisted	**1,425**	554
Contingent revenue accrued on sale of shares	**2,173**	4,307
Convertible notes	**1,740**	772
	5,338	5,638
Total non-current financial assets at FVTPL	**7,537**	8,219

(a) Financial assets at FVTPL

Recognition and measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified in this category if they are (1) held for trading or (2) designated as such by the Group. They are measured at their fair value with any gain or loss arising from a change in fair value recognised in the statement of profit or loss.

ii. Third party disbursements

A key part of the Group's business is the licensing of technology to other companies. In settlement of licence fees, the Group receives shares and other securities ('underlying investment assets') in those companies.

It is the current policy of The University of Queensland that net proceeds of commercialisation will be disbursed as follows ('splits arrangement'):

a) one-third to the contributors
b) one-third to the University commercialisation company
c) one-third to the relevant faculty or institute within The University of Queensland.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

C Assets and liabilities (continued)

C5 Financial assets (continued)

(a) Financial assets at FVTPL (continued)

ii. Third party disbursements (continued)

Net proceeds of commercialisation is defined as the cash revenues actually received by the University or a University commercialisation company from commercialising the intellectual property, less any expenses and costs relating to the protection, registering, management, marketing, commercialising or enforcing of that intellectual property.

Realisation of an underlying financial asset for cash would give rise to a disbursement in accordance with the splits arrangement identified above.

Where an underlying financial asset is subject to these arrangements, it is recognised in the statement of financial position at the amount that is net of any future disbursements under the splits arrangement (i.e. the amount recognised is one third). The gross fair value of the Group's portfolio of financial assets subject to these arrangements, and the third-party disbursements which would arise on realisation of those financial assets for cash are shown above. Any financial assets which are not subject to the splits arrangement are recognised at their full fair value.

iii. Impairment – financial assets

The carrying value of all financial assets is assessed at balance date to determine if there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, an impairment loss is recognised in the statement of profit or loss.

iv. Key estimates

Refer to Note C13.

(b) Contingent revenue accrued on sale of shares

On 27 June 2015, UniQuest disposed of its shares in Spinifex Pharmaceuticals Inc (Spinifex). In exchange for the transfer of shares, UniQuest received, inter alia, contractual rights to receive cash in the future on achievement of certain development milestones by Spinifex. Contingent revenue accrued on sale of shares represents the fair value of those contractual rights.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

C Assets and liabilities (continued)

C6 Property, plant and equipment

Consolidated	Capital Works in Progress $'000	Plant and Equipment $'000	Motor Vehicles $'000	Leasehold Improvements $'000	Total $'000
Year ended 31 December 2016					
Opening net book amount	**1**	**1,467**	**134**	**33**	**1,635**
Additions	**175**	**847**	**40**	**-**	**1,062**
Disposals	**-**	**(63)**	**(61)**	**(6)**	**(130)**
Transfers	**(175)**	**149**	**26**	**-**	**-**
Depreciation expense	**-**	**(412)**	**(35)**	**(2)**	**(449)**
Impairment loss	**-**	**(149)**	**-**	**-**	**(149)**
Closing net book amount	**1**	**1,839**	**104**	**25**	**1,969**
Cost	**1**	**6,017**	**216**	**156**	**6,390**
Accumulated depreciation and impairment	**-**	**(4,178)**	**(112)**	**(131)**	**(4,421)**
Closing net book amount	**1**	**1,839**	**104**	**25**	**1,969**

Consolidated	Capital Works in Progress $'000	Plant and Equipment $'000	Motor Vehicles $'000	Leasehold Improvements $'000	Total $'000
Year ended 31 December 2015					
Opening net book amount	81	1,733	175	28	2,017
Additions	200	191	-	7	398
Disposals	-	(9)	(5)	-	(14)
Transfers	(280)	280	-	-	-
Depreciation expense	-	(466)	(36)	(2)	(504)
Impairment loss	-	(262)	-	-	(262)
Closing net book amount	1	1,467	134	33	1,635
Cost	1	5,417	260	154	5,832
Accumulated deprecation and impairment	-	(3,950)	(126)	(121)	(4,197)
Closing net book amount	1	1,467	134	33	1,635

Recognition and measurement

i. Acquisition

A recognition threshold for the Group of $5000 (2015: $5000) has been determined and only assets above that value have been capitalised. Items of property, plant and equipment are recorded at cost and depreciated as outlined in the following paragraphs.

C Assets and liabilities (continued)

C6 Property, plant and equipment (continued)

ii. Depreciation

Items of property, plant and equipment are depreciated using the straight line method over their estimated useful lives. The depreciation rates used for each class of asset, for the current and previous years, are as follows:

- Motor vehicles – useful life between four and 10 years
- Plant and equipment – useful life between three and 20 years.

Leasehold improvements and leased assets are depreciated over the unexpired period of the lease.

Assets are depreciated from the date of acquisition or, in respect of constructed assets, from the time an asset is completed and held ready for use.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period.

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 and recognised in the statement of profit or loss.

iii. Impairment of assets

The Group reviews the estimated useful lives of property, plant and equipment on an annual basis. If an indicator of impairment exists, the asset's recoverable amount is determined. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss in the statement of profit or loss. The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

iv. Recognition and derecognition of property, plant and equipment

The cost of property, plant and equipment includes the purchase or construction cost plus any costs or fees incidental to the purchase or construction of the asset. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposal of items of property, plant and equipment are determined by comparing proceeds with carrying amounts. These gains and losses on disposal are included in the statement of profit or loss.

C7 Investments in associates

	Consolidated	
	2016	**2015**
	$'000	**$'000**
NON-CURRENT		
Investments in associates	**209**	245
	209	245

Recognition and measurement

Associates are those entities which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associated entities are accounted for using the equity method of accounting. Under the equity method, the share of profits or losses of the Group is recognised in the statement of profit and loss, and the share of movements in reserves is recognised in the statement of profit or loss and the statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

C Assets and liabilities (continued)

C8 Trade and other payables

	Consolidated 2016 $'000	Consolidated 2015 $'000
CURRENT		
Trade payables and accrued expenses – non-related entities	**7,033**	9,176
Trade payables and accrued expenses – UQ	**7,094**	6,685
Restricted deposit *	**2,714**	1,224
Other payables	**408**	567
Total current trade and other payables	**17,249**	17,652

* Refer to Note C1 for details on the restricted deposit.

Recognition and measurement

i. Trade and other payables

Trade and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

Payables are stated inclusive of GST.

C9 Other liabilities

	Consolidated 2016 $'000	Consolidated 2015 $'000
CURRENT		
Revenue received in advance	**1,785**	1,486
Total current other liabilities	**1,785**	1,486

Recognition and measurement

The Group has funds received that have specific restrictions or refund clauses that result in the funds not meeting the control requirements necessary for recognition as revenue. A liability has been recognised to show these funds as revenue in advance.

C10 Contingent liabilities and other commitments

i. JKTech South America SpA

JKTech South America SpA is required to provide performance bonds guaranteeing fulfilment of the objectives relating to each tranche contained within the Centre Agreement entered into with InnovaChile CORFO for the establishment of an International Centre of Excellence in Chile. The performance bonds apply to the tranches of funding provided in accordance with the Agreement. The Centre Agreement was signed on 24 June 2014 and will operate for an eight (8) year period from the date of commencement. Performance bonds will be required to guarantee each tranche of funding that is released by InnovaChile CORFO, and upon successful completion of the objectives relating to each tranche of funding the related performance bond will be released. Total grant funding expected to be received over the duration of the Centre Agreement is approximately $12 million. JKTech South America SpA has entered into a sub-agreement with UQ, the ultimate controlling entity, which has the effect of transferring the obligations under the Centre Agreement, including in relation to the performance bonds, to UQ.

C Assets and liabilities (continued)

C10 Contingent liabilities and other commitments (continued)

ii. UniQuest Pty Ltd

In 2016 a wholly-owned subsidiary of UniQuest entered into an agreement with a third party under which a proportion of the subsidiary's possible future royalty revenue is to be paid to the third party in consideration for funding received from that third party. The maximum possible amount to be paid is $1.4m and the timing is unknown.

There were no other contingent liabilities or assets of a material nature as at the reporting date for the Group.

C11 Borrowings

	Consolidated	
	2016	**2015**
	$'000	**$'000**
CURRENT		
Lease liability	**17**	15
Total current borrowings	**17**	15
NON-CURRENT		
Lease liability	**-**	17
Related party loans – UQ	**2,047**	141
Total non-current borrowings	**2,047**	158

Recognition and measurement

i. 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 statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of the loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are removed from the statement of financial position 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 reporting date and does not expect to settle the liability for at least 12 months after the reporting date.

Borrowing costs are recognised as an expense when incurred.

C Assets and liabilities (continued)

C12 Financial risk management

The Group's activities expose it to a variety of financial risks. An assessment of these risks is as follows:

(a) Interest rate risk – cash

The interest income generated from cash is subject to movements in interest rates. However, this risk is not significant as the Group is not heavily reliant on interest income to support its operations. In 2016, interest income accounted for less than one per cent of total revenue and income.

(b) Equity risk – commercialisation investments

The Group holds investments in commercialisation entities (both listed and unlisted). In most cases, the Group has obtained an equity holding in these entities by contributing intellectual property as opposed to cash.

While it is hoped that these investments will provide a financial return, their more important objective is to enhance the Group's reputation by commercialising knowledge, products and services that can benefit society. The value of these investments can fluctuate significantly given their high risk and this is monitored by reviewing their commercialisation activities on a regular basis.

As of 31 December 2016, the total value of commercialisation investments was $10.4 million.

(c) Currency risk

The majority of the Group's transactions are denominated in Australian dollars. However, the Group is exposed to foreign currency risk. This arises from exposure to the following:

- Royalty and licence fee revenue denominated in US dollars
- Research and consultancy service revenue and related expenditure denominated in US dollars and Chilean pesos
- Financial assets held at fair value through the profit and loss denominated in US dollars and euros
- Cash assets, receivables and payables denominated in US dollars, Chilean pesos and South African rand.

The Group's policy is to ensure that its exposure to foreign currency risk is kept to an acceptable level by selling foreign currency as soon as it is received (except in situations where the related expenditure will also occur in a foreign currency).

At 31 December 2016, the total value of assets and liabilities denominated in a foreign currency were as follows:

	Consolidated	
	2016	**2015**
	$'000	**$'000**
Assets		
US dollars	**14,726**	13,867
Chilean pesos	**4,060**	2,744
Euros	**592**	-
South African rand	**30**	61
	19,408	16,672
Liabilities		
US dollars	**5,081**	4,557
Chilean pesos	**3,725**	2,686
	8,806	7,243

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

C Assets and liabilities (continued)

C12 Financial risk management (continued)

(d) Credit risk

Credit risk from cash balances held with approved banks and financial institutions is assessed as immaterial.

As at 31 December 2016, total trade and other receivables was $7.6 million. The single largest debtor was a receivable of $1.5 million from The University of Queensland and it is expected that the University will meet its obligation. Of the remaining receivables balance of $6.1 million, no receivable exceeds $0.35 million.

(e) Liquidity risk

Liquidity risk is managed on an individual subsidiary basis and the risk is considered low.

Cash flow forecasts are prepared by management that show the cash needs of the entities on a monthly and annual basis. Sufficient cash is held in bank accounts to meet all reasonably anticipated operating cash flow requirements.

C13 Fair value measurement

(a) Recognition and measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy:

Level 1 represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities

Level 2 represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly

Level 3 represents fair value measurements that are substantially derived from unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

C Assets and liabilities (continued)

C13 Fair value measurement (continued)

(b) Fair value measurements

The Group measures and recognises the following financial assets and liabilities at fair value at the end of each reporting year.

	Carrying Amount		Fair Value	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Financial assets				
Cash and cash equivalents	**28,237**	32,644	**28,237**	32,644
Trade and other receivables	**7,602**	7,450	**7,602**	7,450
Financial assets – FVTPL	**10,368**	8,219	**10,368**	8,219
Total financial assets	**46,207**	48,313	**46,207**	48,313
Financial liabilities				
Trade and other payables	**17,249**	17,652	**17,249**	17,652
Borrowings	**2,064**	173	**2,064**	173
Total financial liabilities	**19,313**	17,825	**19,313**	17,825

(c) Fair value hierarchy

Details on the fair values of the major asset types are as follows:

Term deposits and shares in listed entities have been categorised as level 1. The fair value of assets traded in active markets (such as publicly traded securities) is based on quoted market prices for identical assets at the end of the reporting year. This is the most representative of the fair value in the circumstances.

UQ has shares and convertible notes in unlisted entities that are not traded in active markets. These have been valued using prices established in a price-setting financing round which has occurred within the two years prior to the reporting date and which involves at least one new investor. A price-setting financing round excludes an insider up round but includes an insider down round. The valuation technique takes into account material variations in rights of preferred versus ordinary shares, including the liquidation preference enjoyed by holders of preferred shares. These are categorised as level 2.

Where there is evidence that the price established in a price-setting financing round is not an appropriate valuation mechanism and better information exists to inform the valuation, the asset is categorised as level 3. Such information includes, but is not limited to, evidence that the investee company is trading poorly, that the technology the investee company is developing is known to have failed, that the investee company's investors have withdrawn their support or that the date of the last investment is greater than two years prior to the reporting date. In these cases, the fair value has been determined using the best information available about the assumptions that market participants would use when pricing the asset.

Reconciliation of financial assets categorised as level 3:

	2016	2015
	$'000	$'000
Opening level 3 balance	**5,768**	204
Total gains or losses in profit or loss	**2,478**	694
Purchases	**-**	4,919
Sales	**(2,979)**	-
Transfers in/(out) of level 3	**716**	(49)
Closing level 3 balance	**5,983**	5,768

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

C Assets and liabilities (continued)

C13 Fair value measurement (continued)

(c) Fair value hierarchy (continued)

The carrying value less impairment provision of trade and other receivables and payables is a reasonable approximation of the fair values due to their short term nature.

The fair value of non-current borrowings is estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments. The fair value of borrowings approximates the carrying amount, as the impact of discounting is not significant.

D Employee benefits

This section provides a breakdown of the various programs the Group uses to reward and recognise employees and key executives, including Key Management Personnel (KMP).

D1 Employee benefits

	Consolidated	
	2016	**2015**
	$'000	**$'000**
CURRENT		
Long service leave	**560**	488
Annual leave	**1,330**	1,350
Other provisions	**158**	210
Total current provisions	**2,048**	2,048
NON-CURRENT		
Long service leave	**802**	699
Total non-current provisions	**802**	699

Recognition and measurement

i. Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages, superannuation, annual leave and long service leave in the period the related service is rendered.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term benefits are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to reporting date.

The Group does not have an obligation to pay sick leave on termination to any employees and no liability has been recognised.

ii. Key estimates and judgements – long service leave

Management judgement is applied in determining the following key assumptions used in the calculation of the liability for long service leave at balance date:

- Future increases in salaries and wages
- Future on cost rates
- Experience of employee departures and period of service
- Discount rates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

D Employee benefits (continued)

D2 Key management personnel

The names of each person who has been a Director during the year and to the date of this report are:
Mr J Massey (Chairman)
Mr M McNarn, AO (resigned 4 January 2016)
Mr G Pringle (appointed 4 January 2016)
Mr D Gow (resigned 31 December 2016)
Mr G Murdoch
Dr S Pitkin.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Key management personnel remuneration included within employee expenses for the year is shown below:

	2016 $'000	2015 $'000
Short-term employee benefits	**278**	318
Post-employment benefits	**25**	29
Total remuneration benefits	**303**	347

E Group structure

E1 Parent entity disclosures

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

	2016 $'000	2015 $'000
Financial position		
Assets		
Current assets	**222**	798
Non-current assets	**11,763**	11,763
Total assets	**11,985**	12,561
Liabilities		
Current liabilities	**115**	172
Non-current liabilities	**-**	-
Total liabilities	**115**	172
Equity		
Issued capital	**18,740**	18,740
Retained earnings	**(6,870)**	(6,350)
Total equity	**11,870**	12,390
Financial performance		
Profit for the year	**14,480**	45
Other comprehensive income	**-**	-
Total comprehensive income	**14,480**	45

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

E Group structure (continued)

E2 Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities:

Name of entity	Country of Incorporation	Class of Shares	Equity Holding	
			2016	2015
			%	%
JKTech Pty Ltd	Australia	Ordinary	94	94
SUSOP Pty Ltd	Australia	Ordinary	100	100
JK Africa Mining Solutions Pty Ltd	South Africa	Ordinary	100	100
JKTech South America SpA	Chile	Ordinary	100	100
UniQuest Pty Ltd	Australia	Ordinary	100	100
Cloevis Pty Ltd	Australia	Ordinary	100	100
Dendright Pty Ltd	Australia	Ordinary	100	100
Leximancer Pty Ltd	Australia	Ordinary	60	60
Lucia Publishing Systems Pty Ltd	Australia	Ordinary	95	95
Metallotek Pty Ltd	Australia	Ordinary	100	100
Neo-Rehab Pty Ltd	Australia	Ordinary	100	100
Pepfactants Pty Ltd *(deregistered 15 June 2016)*	Australia	Ordinary	-	60
Symbiosis Group Pty Ltd	Australia	Ordinary	100	100
UWAT Pty Ltd	Australia	Ordinary	100	100
UQ Health Care Limited	Australia	Limited by Guarantee	-	-
UQ College Limited	Australia	Limited by Guarantee	-	-
UQ Sport Ltd	Australia	Limited by Guarantee	-	-
UQH Finance Pty Ltd	Australia	Ordinary	100	100

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and entities controlled by its subsidiaries. Control is achieved when the Company:

- has power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee
- has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- potential voting rights held by the Company, other vote holders or other parties
- rights arising from other contractual arrangements
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made.

E Group structure (continued)

E2 Controlled entities (continued)

Principles of consolidation (continued)

Consolidation of a controlled entity begins when the Company obtains control over the entity and ceases when the Company loses control of the entity. Specifically, income and expenses of a controlled entity acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the entity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of controlled entities to bring their accounting policies into line with the Groups accounting policies.

Reporting periods of controlled entities align to the Company.

All intergroup assets and liabilities, equity, income expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in controlled entities that do not result in the Group losing control over the entities are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the change in their relative interests in the controlled entities. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

E3 Related parties

The Group's main related parties are as follows:

(a) Entities exercising control over the Group

The ultimate parent entity, which exercises control over the Group, is The University of Queensland. At 31 December 2016 the ultimate parent entity owns 100 per cent of the issued ordinary shares of UQ Holdings Pty Ltd.

(b) Controlled entities

Interests in controlled entities are outlined in Note E2.

(c) Key management personnel

Any person having authority and responsibility for planning, directing and controlling the activities of UQ Holdings, directly or indirectly, including any Director (whether executive or otherwise) of UQ Holdings is considered key management personnel. For details of disclosures relating to key management personnel, refer to Note D2.

(d) Other related parties

Other related parties include immediate family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their immediate family members.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

E Group structure (continued)

E3 Related parties (continued)

(e) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred between the UQ Holdings Group and The University of Queensland:

(i) Revenue

	Consolidated	
	2016	**2015**
	$'000	**$'000**
Sale of goods and services	**5,599**	7,490
Grants and funding	**5,963**	1,592
Total revenue	**11,562**	9,082

(ii) Expenditure

	Consolidated	
	2016	**2015**
	$'000	**$'000**
Purchase of goods and services	**20,759**	16,058
Royalty expense	**10,825**	8,483
Interest expense	**6**	77
Total expenditure	**31,590**	24,618

(iii) Dividend paid

UQ Holdings Pty Ltd paid a dividend to The University of Queensland of $15 million (2015: nil). No other dividends have been paid or declared since the start of the financial year to members.

(iv) Outstanding balances

	Consolidated	
	2016	**2015**
	$'000	**$'000**
Assets		
Trade and other receivables	346	570
Loans to related parties – UQ	1,108	1,108
Total assets	**1,454**	1,678
Liabilities		
Trade and accrued expenses	7,094	6,685
Loans from related entities	2,047	141
Total liabilities	**9,141**	6,826

F Other

F1 Remuneration of auditors

	Consolidated	
	2016	2015
	$'000	$'000
Auditor-General of Queensland, for:		
Auditing the financial report	**217**	218
	217	218

No non-audit related services were provided by the Auditor-General of Queensland.

F2 Events occurring after the reporting date

No matter or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

F Other (continued)

F3 Standards and interpretations issued but not yet effective

The consolidated Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. The adoption in the current reporting period has not had a material impact on the Group.

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards.

The following table summarises those future requirements, and their impact on the Group:

Standard Name	Effective Date	Requirements	Impact
AASB 9 *Financial Instruments*	1 January 2018	AASB 9 establishes changes to the classification and measurement requirements for financial assets and financial liabilities. The key changes introduced by AASB 9 are: • requirements for impairment of financial assets based on a three-stage 'expected loss' approach • amendments to classification and measurement of financial assets to add an additional category for debt instruments. The new category of fair value through other comprehensive income is added to the existing categories for debt instruments • amendments to AASB 7 *Financial Instruments: Disclosures* that significantly expand the disclosures required in relation to credit risk.	The Group has not yet determined the magnitude of any changes which may be needed. Some additional disclosures may be required.
AASB 16 *Leases*	1 January 2019	The new Standard introduces three main changes: • enhanced guidance on identifying whether a contract contains a lease • a completely new lease accounting model for lessees that requires lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets • enhanced disclosures. Lessor accounting will not change significantly.	AASB 16 is not expected to have a significant impact on the Group. Additional disclosures may be required.
AASB 15 *Revenue from Contracts with Customers*	1 January 2018	AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a Group's contracts with customers. The core principle of AASB 15 is that a Group recognises revenue to depict the transferor promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. A Group recognises revenue in accordance with that core principle by applying the following steps: Step 1: Identify the contract(s) with a customer Step 2: Identify the performance obligations in the contract Step 3: Determine the transaction price Step 4: Allocate the transaction price to the performance obligations in the contract Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.	The Group will review its revenue recognition policies for contracts with customers. The Group has not yet determined the magnitude of any changes which may be needed. Some additional disclosures may be required.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

F Other (continued)

F3 Standards and interpretations issued but not yet effective (continued)

Standard Name	Effective Date	Requirements	Impact
AASB 2015-6 *Extending Related Party Disclosures to Not-for-Profit Public Sector Entities*	1 July 2016	This Standard makes amendments to AASB 124 *Related Party Disclosures* to extend the scope of that Standard to include not-for-profit public sector entities.	The Group has not yet determined the magnitude of any changes which may be needed. Some additional disclosures may be required.
AASB 1058 *Income of not-for-profit eneitites*	1 January 2019	This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15 *Revenue from Contracts with Customers*.	The Group has not yet determined the magnitude of any changes which may be needed. Some additional disclosures may be required.

Directors' Declaration

In the opinion of the Directors of UQ Holdings Pty Ltd:

1. The consolidated financial statements and notes are in accordance with the *Australian Charities and Not-for-profits Act 2012* including:
   a. complying with Accounting Standards, the *Australian Charities and Not-for-profits Commission Regulation 2013* and other mandatory professional reporting requirements
   b. giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2016 and of their performance for the financial year ended on that date.
2. The consolidated financial statements and notes comply with Australian Accounting Standards as issued by the Accounting Standards Board as described in note A2 to the financial statements.
3. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and signed in accordance with subsection 60-15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013*.

Signed on behalf of the Directors by:

Mr John Massey

24 February 2017

Independent Auditor's Report

To the Board of UQ Holdings Pty Ltd

Opinion

I have audited the financial report of UQ Holdings Pty Ltd, and the consolidated entity comprising the entity and its controlled entities, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the responsible entities' declaration.

In my opinion, the accompanying financial report is in accordance with the prescribed requirements of Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

(a) giving a true and fair view of the financial position of the entity and the consolidated entity as at 31 December 2016, and of its financial performance and its cash flows for the year then ended and

(b) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis of Opinion

I conducted the audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the entity in accordance with the *Auditor-General Act 2009, the Australian Charities and Not-for-profits Commission Act 2012*, and the ethical requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Board for the Financial Report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Act 2012*. The Board's responsibility also includes such internal control as the Board determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for overseeing the entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

QUEENSLAND
28 FEB 2017
AUDIT OFFICE

J F WELSH FCPA

(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office

Brisbane

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UQH Finance PTY LTD

ABN 93 166 213 350

UQH FINANCE PTY LTD

CONTENTS

Auditor's Independence Declaration

To the Directors of UQH Finance Pty Ltd

This auditor's independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001*.

Independence declaration

As lead auditor for the audit of UQH Finance Pty Ltd for the financial year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

QUEENSLAND
23 FEB 2017
AUDIT OFFICE

J F WELSH FCPA
as Delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2016

	2016	2015
	$	$
Revenue from continuing operations		
Total revenue from continuing operations	-	-
Expenses from continuing operations		
Other expenses	(120)	(120)
Total expenses from continuing operations	**(120)**	(120)
Surplus/(deficit) before income tax expense	**(120)**	(120)
Income tax (expense) / revenue	**-**	-
Director's declaration	**(120)**	(120)
Total comprehensive income for the period	**(120)**	(120)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	2016 $	2015 $
Assets		
Current assets		
Cash and cash equivalents	19,640	19,760
Total current assets	**19,640**	19,760
Total assets	**19,640**	19,760
Liabilities		
Total liabilities	**-**	-
Net assets	**19,640**	19,760
Director's declaration		
Contributed equity	20,000	20,000
Retained surplus	(360)	(240)
Total equity	**19,640**	19,760

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2016

	Contributed Equity $	Retained Surplus $	Total Equity $
Balance as at 1 January 2016	20,000	(240)	19,760
Shares issued	-	-	-
Surplus / (deficit) attributable to the entity	-	(120)	(120)
Balance at 31 December 2016	**20,000**	**(360)**	**19,640**
Balance as at 1 January 2015	20,000	(120)	19,880
Shares issued	-	-	-
Surplus / (deficit) attributable to the entity	-	(120)	(120)
Balance at 31 December 2015	**20,000**	**(240)**	**19,760**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2016

	Notes	**2016**	2015
		$	$
Cash flows from operating activities			
Payments to suppliers and employees		(120)	(120)
Net cash (used in) / generated from operating activities		**(120)**	(120)
Cash flows from investing activities			
Net cash (used in) / generated from investing activities		**-**	-
Cash flows from financing activities			
Net cash (used in) / generated from financing activities		**-**	-
Director's declaration		(120)	(120)
Cash and cash equivalents at the beginning of the financial period		19,760	19,880
Cash and cash equivalents at the end of the financial period		**19,640**	19,760

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

1 Summary of significant accounting policies

(a) General Information

UQH Finance Pty Ltd (the company) is a proprietary company incorporated and domiciled in Australia.

The parent company is UQ Holdings Pty Ltd. The ultimate parent company is The University of Queensland. UQH Finance Pty Ltd did not control any entities at the end of the reporting period or at any time during the reporting period.

The company was incorporated on 10 October 2013. The principal place and registered office of business of the company is UQH Finance Pty Ltd, Level 3 JD Story Building, The University of Queensland, St Lucia, QLD 4067.

The principal activity of the company is to provide financial services.

The financial statements are presented in Australian dollars, which is the entities' functional and presentation currency.

(b) Basis of preparation

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users who are dependent on its general purpose financial reports. These financial statements are therefore special purpose financial statements prepared in order to meet the requirements of the *Corporations Act 2001*.

The financial statements have been prepared in accordance with the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The complete disclosure requirements of other Accounting Standards, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board have not been applied. The financial report contains only those disclosures that are considered necessary to meet the needs of users of the financial statements.

The financial statements have been prepared on the basis of historical cost unless otherwise stated in the notes to the financial statements. The financial statements are rounded to the nearest $1 for presentation.

Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

(c) Cash and cash equivalents

For the purposes of the Statements of Financial Position and the Statements of Cash Flows, cash includes cash at bank and on hand.

(d) Net value of financial assets and liabilities

The net fair value of cash and cash equivalents, other assets, and other liabilities approximate their carrying amounts.

At the end of the reporting period the company reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists the excess of the carrying amount over its recoverable amount is recognised in profit and loss. At the end of the reporting period no indication of impairment was identified.

(e) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods. The company has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective, instead they will be applied in accordance with their respective commencement dates. Adoption of other standards / interpretations issued but not yet effective are not expected to have a material impact on the financial statements.

2 Remuneration of auditors

The Auditor-General of Queensland is the auditor of the Group. Audit fee expenses related to UQH Finance Pty Ltd were incurred by the parent entity UQ Holdings Pty Ltd. The auditors received no other benefits.

3 Contingent liabilities

There are no known contingent liabilities or assets and commitments of a material nature at the balance date.

4 Subsequent events

No matter of circumstance has arisen since 31 December 2016 that has significantly affected or may significantly affect the entity.

Director's Declaration

The Director of UQH Finance Pty Ltd has determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The Director of UQH Finance Pty Ltd declares that:

1) The financial statements and notes, that comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and the Notes to the Financial Statements, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards as described in Note 1 to the financial statements, the *Corporations Regulations 2001*

   (b) give a true and fair view of the financial position as at 31 December 2016 and of the performance for the period ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

2) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed by:

Mr Greg Pringle

Director

24 February 2017

Brisbane

Independent Auditor's Report

To the Members of UQH Finance Pty Ltd

Opinion

I have audited the financial report of UQH Finance Pty Ltd (the Company), which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the directors' declaration.

In my opinion, the accompanying financial report of UQH Finance Pty Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's financial position as at 31 December 2016 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*

Basis of Opinion

I conducted the audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

JWelsh

J F WELSH FCPA

(as Delegate of the Auditor-General of Queensland)

QUEENSLAND
28 FEB 2017
AUDIT OFFICE

Queensland Audit Office

Brisbane

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As at 31 December 2016

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Back cover image: The new synthetic sports fields for hockey and soccer at UQ St Lucia.

THE UNIVERSITY OF QUEENSLAND
AUSTRALIA