The University of Queensland
Australia

CREATE CHANGE

# Annual Report
2018

ANNUAL FINANCIAL STATEMENTS
VOLUME 1

**PUBLIC AVAILABILITY** NOTE

This volume, the Annual Report and the Annual Financial Statements (Volume 2) are available from the UQ Office of Marketing and Communications (see back cover for contact details) or online at **uq.edu.au/about/annual-reports**.

The following information is also available online at **uq.edu.au/about/annual-reports** and on the Queensland Government Open Data website at **https://data.qld.gov.au**:

– Consultancies
– Overseas travel.

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*Cover: The BLOOM – A UQ Jacaranda Festival event was held for the first time at the St Lucia campus from 22–26 October.*

# ANNUAL **FINANCIAL STATEMENTS**

## FOREWORD

The financial statements are general purpose financial reports prepared in accordance with prescribed requirements.

The financial statements comprise the following components:

- Income Statements
- Statements of Comprehensive Income
- Statements of Financial Position
- Statements of Changes in Equity
- Statements of Cash Flows
- Notes to the Financial Statements
- Management Certificate
- Independent Auditor's Report.

Within the above components, the financial statements have been aggregated into the following disclosures:

- University (as an entity in its own right and to which the remainder of this Annual Report refers) – column headed Parent
- Group (University and controlled entities: refer to Note 26 for a listing of these entities) – column headed Consolidated.

## CONTENT

## INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | Consolidated 2018 $'000 | Consolidated 2017 $'000 | Parent 2018 $'000 | Parent 2017 $'000 |
|---|---|---|---|---|---|
| **Revenue from continuing operations** | | | | | |
| **Australian government financial assistance** | | | | | |
| Australian government grants | 2 | **766,958** | 704,490 | **766,958** | 704,490 |
| HELP – Australian government payment | 2(b) | **222,471** | 222,064 | **222,471** | 222,064 |
| State and local government financial assistance | 3 | **36,206** | 34,900 | **36,206** | 34,900 |
| HECS-HELP – Student payments | | **22,134** | 25,107 | **22,134** | 25,107 |
| Fees and charges | 4 | **640,336** | 535,832 | **633,597** | 529,194 |
| Investment revenue | 5(a) | **17,608** | 12,208 | **22,797** | 18,169 |
| Royalties, trademarks and licences | | **35,434** | 26,767 | **12,278** | 9,640 |
| Consultancy and contracts | 6 | **165,997** | 169,406 | **156,135** | 156,872 |
| Other revenue | 7(a) | **113,721** | 102,909 | **108,368** | 96,796 |
| **Total revenue from continuing operations** | | **2,020,865** | 1,833,683 | **1,980,944** | 1,797,232 |
| Share of profit / (loss) on investments accounted for using the equity method | 14 | **94** | (658) | **-** | - |
| Other investment loss | 5(b) | **(10,384)** | 31,394 | **(12,482)** | 30,650 |
| Other income | 7(b) | **892** | 474 | **892** | 474 |
| **Total income from continuing operations** | | **2,011,467** | 1,864,893 | **1,969,354** | 1,828,356 |
| **Expenses from continuing operations** | | | | | |
| Employee related expenses | 8 | **1,047,725** | 993,076 | **1,018,828** | 967,196 |
| Depreciation and amortisation | | **168,302** | 163,736 | **167,700** | 163,296 |
| Repairs and maintenance | | **81,497** | 74,746 | **80,875** | 74,492 |
| Finance costs | | **12,000** | 11,763 | **12,000** | 11,763 |
| Impairment of assets | | **818** | 507 | **847** | 644 |
| Loss on disposal of assets | | **12,835** | 11,505 | **12,716** | 11,510 |
| Other expenses | 9 | **611,818** | 561,904 | **601,888** | 548,137 |
| **Total expenses from continuing operations** | | **1,934,995** | 1,817,237 | **1,894,854** | 1,777,038 |
| **Operating result before income tax** | | **76,472** | 47,656 | **74,500** | 51,318 |
| Income tax (expense) / benefit | | **(3,768)** | (45) | **-** | - |
| **Operating result after income tax for the year** | | **72,704** | 47,611 | **74,500** | 51,318 |
| Non-controlling interest | | **(18)** | 26 | **-** | - |
| **Operating result attributable to members of The University of Queensland and Controlled Entities** | | **72,722** | 47,585 | **74,500** | 51,318 |

*The accompanying notes form part of these financial statements.*

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Operating result after income tax for the year** | **72,704** | 47,611 | **74,500** | 51,318 |
| **Items that may be reclassified to profit or loss** | | | | |
| Fair value adjustment from revaluation of property, plant, equipment and intangible assets, net of tax | **56,680** | 46,633 | **56,680** | 46,633 |
| **Items that will not be reclassified to profit or loss** | | | | |
| Fair value adjustment on revaluation of financial assets through other comprehensive income | **7,690** | - | **7,690** | - |
| Fair value adjustment assets-available-for-sale reserve | **-** | 5,175 | **-** | 5,175 |
| **Total comprehensive income for the year** | **137,074** | 99,419 | **138,870** | 103,126 |
| **Total comprehensive income attributable to:** | | | | |
| Members of the parent entity | **137,092** | 99,393 | **138,870** | 103,126 |
| Non-controlling interest | **(18)** | 26 | **-** | - |
| **Total comprehensive income** | **137,074** | 99,419 | **138,870** | 103,126 |

*The accompanying notes form part of these financial statements.*

## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | **2018** | **2017** | **2018** | **2017** |
| | *Notes* | **$'000** | **$'000** | **$'000** | **$'000** |
| **ASSETS** | | | | | |
| **Current Assets** | | | | | |
| Cash and cash equivalents | 11 | **183,456** | 124,056 | **154,043** | 93,813 |
| Trade and other receivables | 12 | **83,556** | 82,390 | **78,962** | 73,455 |
| Inventories | | **5,516** | 4,749 | **5,092** | 4,408 |
| Other financial assets | 13 | **504,509** | 366,640 | **504,509** | 366,640 |
| Prepayments | | **11,783** | 23,881 | **11,274** | 23,266 |
| **Total current assets** | | **788,820** | 601,716 | **753,880** | 561,582 |
| **Non-current assets** | | | | | |
| Investments accounted for using the equity method | 14 | **31,366** | 31,272 | **-** | - |
| Property, plant and equipment | 15 | **2,729,072** | 2,702,475 | **2,726,769** | 2,700,530 |
| Intangible assets | 16 | **23,477** | 22,234 | **23,377** | 22,232 |
| Other financial assets | 13 | **278,913** | 257,211 | **329,829** | 297,588 |
| Prepayments | | **12,500** | 13,000 | **12,500** | 13,000 |
| **Total non-current assets** | | **3,075,328** | 3,026,192 | **3,092,475** | 3,033,350 |
| **Total assets** | | **3,864,148** | 3,627,908 | **3,846,355** | 3,594,932 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 17 | **119,351** | 101,889 | **126,956** | 93,240 |
| Borrowings | 18 | **3,793** | - | **3,793** | - |
| Provisions | 19 | **166,977** | 155,871 | **164,306** | 153,430 |
| Current tax liabilities | | **3,774** | 8 | **-** | - |
| Other liabilities | 20 | **90,357** | 75,369 | **86,124** | 70,092 |
| **Total current liabilities** | | **384,252** | 333,137 | **381,179** | 316,762 |
| **Non-current liabilities** | | | | | |
| Borrowings | 18 | **178,891** | 134,761 | **178,891** | 134,761 |
| Provisions | 19 | **30,244** | 30,784 | **29,576** | 30,031 |
| **Total non-current liabilities** | | **209,135** | 165,545 | **208,467** | 164,792 |
| **Total liabilities** | | **593,387** | 498,682 | **589,646** | 481,554 |
| **Net assets** | | **3,270,761** | 3,129,226 | **3,256,709** | 3,113,378 |
| **EQUITY** | | | | | |
| Reserves | 21 | **1,758,605** | 1,698,824 | **1,758,605** | 1,698,824 |
| Retained earnings | | **1,511,363** | 1,429,591 | **1,498,104** | 1,414,554 |
| **Parent interest** | | **3,269,968** | 3,128,415 | **3,256,709** | 3,113,378 |
| Non-controlling interest | | **793** | 811 | **-** | - |
| **Total equity** | | **3,270,761** | 3,129,226 | **3,256,709** | 3,113,378 |

*The accompanying notes form part of these financial statements.*

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

| | Parent | | | |
|---|---|---|---|---|
| | Retained Earnings | Reserves | Non-controlling Interest | Total |
| | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 January 2017** | 1,363,236 | 1,647,016 | - | 3,010,252 |
| Operating result for the year | 51,318 | - | - | 51,318 |
| Fair value adjustment on revaluation of available-for-sale financial asset | - | 5,175 | - | 5,175 |
| Fair value adjustment on revaluation of property, plant and equipment | - | 46,633 | - | 46,633 |
| **Total Comprehensive Income** | 51,318 | 51,808 | - | 103,126 |
| **Balance at 31 December 2017** | 1,414,554 | 1,698,824 | - | 3,113,378 |
| **Balance at 1 January 2018** | **1,414,554** | **1,698,824** | - | **3,113,378** |
| Retrospective changes from AASB 9 (refer Note 1(s)) | | | | |
| Transfer from retained earnings between reserves | **9,050** | **(9,050)** | - | - |
| Fair value adjustment | - | **4,461** | - | **4,461** |
| **Balance as restated** | **1,423,604** | **1,694,235** | - | **3,117,839** |
| Operating result for the year | **74,500** | - | - | **74,500** |
| Fair value adjustment on revaluation of financial assets through other comprehensive income | - | **7,690** | - | **7,690** |
| Fair value adjustment on revaluation of property, plant and equipment | - | **56,680** | - | **56,680** |
| **Total comprehensive income** | **74,500** | **64,370** | - | **138,870** |
| **Balance at 31 Dec 2018** | **1,498,104** | **1,758,605** | - | **3,256,709** |

| | Consolidated | | | |
|---|---|---|---|---|
| | Retained Earnings | Reserves | Non-controlling Interest | Total |
| | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 January 2017** | 1,381,435 | 1,647,016 | 1,356 | 3,029,807 |
| Operating result for the year | 47,585 | - | 26 | 47,611 |
| Controlled entities de-registered | 571 | - | (571) | - |
| Fair value adjustment on revaluation of available-for-sale financial asset | - | 5,175 | - | 5,175 |
| Fair value adjustment on revaluation of property, plant and equipment | - | 46,633 | - | 46,633 |
| **Total comprehensive income** | 48,156 | 51,808 | (545) | 99,419 |
| **Balance at 31 December 2017** | 1,429,591 | 1,698,824 | 811 | 3,129,226 |
| **Balance at 1 January 2018** | **1,429,591** | **1,698,824** | **811** | **3,129,226** |
| Retrospective changes from AASB 9 (refer Note 1(s)) | | | | |
| Transfer from retained earnings between reserves | **9,050** | **(9,050)** | - | - |
| Fair value adjustment | - | **4,461** | - | **4,461** |
| **Balance as restated** | **1,438,641** | **1,694,235** | **811** | **3,133,687** |
| Operating result for the year | **72,722** | - | **(18)** | **72,704** |
| Fair value adjustment on revaluation of financial assets through other comprehensive income | - | **7,690** | - | **7,690** |
| Fair value adjustment on revaluation of property, plant and equipment | - | **56,680** | - | **56,680** |
| **Total comprehensive income** | **72,722** | **64,370** | **(18)** | **137,074** |
| **Balance at 31 December 2018** | **1,511,363** | **1,758,605** | **793** | **3,270,761** |

*The accompanying notes form part of these financial statements.*

## STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | *Notes* | $'000 | $'000 | $'000 | $'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | | |
| Australian government grants | | **993,076** | 927,411 | **993,076** | 927,411 |
| OS-HELP (net) | | **(153)** | 115 | **(153)** | 115 |
| State and local government grants | | **36,464** | 34,978 | **36,464** | 34,978 |
| HECS-HELP – Student payments | | **30,166** | 32,507 | **30,166** | 32,507 |
| Receipts from student fees and other customers | | **1,022,025** | 899,252 | **970,726** | 854,521 |
| Dividends and distributions received | | **3,408** | 3,499 | **8,886** | 9,672 |
| Interest received | | **10,124** | 11,318 | **9,835** | 11,104 |
| Payments to suppliers and employees | | **(1,768,820)** | (1,686,700) | **(1,708,472)** | (1,646,216) |
| Income taxes (paid) / refunded | | **(2)** | 146 | **-** | - |
| Net cash provided by / (used in) operating activities | 22 | **326,288** | 222,526 | **340,528** | 224,092 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | | | |
| Proceeds from sale of property, plant and equipment and intangibles | | **8,083** | 6,082 | **8,083** | 5,966 |
| Payments for property, plant and equipment | | **(152,460)** | (91,919) | **(151,285)** | (91,395) |
| Proceeds from sale of other financial assets | | **1,640** | 4,292 | **340** | 897 |
| Payments for other financial assets | | **(64,224)** | (224,216) | **(76,954)** | (224,179) |
| Loans from / (to) controlled entities | | **-** | - | **(554)** | (404) |
| Net (increase) / decrease in term deposits | | **(95,000)** | 128,107 | **(95,000)** | 128,107 |
| Net cash provided by / (used in) investing activities | | **(301,961)** | (177,654) | **(315,370)** | (181,008) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | | | |
| Proceeds from borrowings from external entity | | **45,684** | 8,835 | **45,684** | 8,835 |
| Finance lease payments | | **(9,508)** | (9,248) | **(9,508)** | (9,231) |
| Repayment of borrowings to an external party | | **(253)** | - | **(253)** | - |
| Net cash provided by / (used in) financing activities | | **35,923** | (413) | **35,923** | (396) |
| Net increase (decrease) in cash and cash equivalents held | | **60,250** | 44,459 | **61,081** | 42,688 |
| Cash and cash equivalents at beginning of year | | **124,056** | 80,322 | **93,813** | 51,835 |
| Effects of exchange rate changes on cash and cash equivalents | | **(850)** | (725) | **(851)** | (710) |
| Cash and cash equivalents at end of financial year | 11 | **183,456** | 124,056 | **154,043** | 93,813 |

*The accompanying notes form part of these financial statements.*

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

# 1 Summary of Significant Accounting Policies

## (a) Basis of preparation

These financial statements are general purpose financial statements and have been prepared in accordance with the Financial and Performance Management Standard, issued under Section 57 of the *Financial Accountability Act 2009*, Australian Accounting Standards and the Financial Statement Guidelines for Australian Higher Education Providers for the 2018 reporting period issued by the Department of Education and Training.

Additionally, the statements have been prepared in accordance with the *Higher Education Support Act 2003.*

The University of Queensland is a not-for-profit entity and these financial statements have been prepared on that basis. The Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS) and to the extent these inconsistencies are applied, these financial statements do not comply with IFRS. The main impact is in the following accounting treatments:

- the offsetting of impairment losses within a class of assets
- the timing of the recognition of non-reciprocal revenue.

### Date of authorisation for issue

The financial statements were authorised for issue by the Senate of The University of Queensland and Controlled Entities on 25 February 2019.

### Historical cost convention

The financial report has been prepared under the historical cost convention, except for available for sale financial investments, financial assets at fair value through profit and loss and certain classes of property, plant and equipment, which have been measured at fair value.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted. 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, leasing transactions that are within the scope of AASB 117 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 *Inventories* or value in use in AASB 136 *Impairment of Assets*.

### Rounding

Amounts in the financial report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

### Accrual basis of accounting

The financial statements, except for cash flow information, have been prepared using the accrual basis of accounting.

### Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below:

*Fair value of financial assets and liabilities*

The fair value of financial assets and financial liabilities must be estimated for recognition, measurement and disclosure purposes. Further information is contained in Note 1(j).

*Fair value of property, plant and equipment*

Land, buildings, infrastructure and land improvements, and some heritage and cultural assets are measured at fair value less any accumulated depreciation and accumulated impairment losses. Further information is contained in Note 1(k).

*Impairment of assets*

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. Further information is contained in Note 1(g).

*Useful lives*

The useful lives of assets and residual values (where appropriate) are assessed annually and may vary depending on a number of factors. In assessing asset lives, factors such as technological innovation, wear and tear and maintenance programs are taken into account. An increase/(decrease) in asset lives would result in a lower (higher) future period charge recognised in the Income Statement.

## (b) Basis of consolidation

*(i) Controlled Entities*

The consolidated financial statements comprise the financial statements of The University of Queensland and its controlled entities as at 31 December each year ('the Group').

Controlled entities are all those entities (including structured entities) over which the Group has control. The Group has control over an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power over the investee exists when the Group has existing rights that give it current ability to direct the relevant activities of the investee. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Returns are not necessarily monetary and can be only positive, only negative, or both positive and negative.

Controlled entities are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases.

The acquisition method of accounting is used to account for the acquisition of controlled entities by the Group.

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 asset transferred. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of controlled entities are shown separately in the consolidated statement of comprehensive income, statement of financial position and statement of changes in equity.

*(ii) Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associates are accounted for in the parent entity financial statements at fair value through profit or loss and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost (refer to Note 14).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statements, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statements, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

## (c) Foreign currency transactions and balances

### Transaction and balances

*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 and parent financial statements are presented in Australian dollars, which is The University of Queensland and Controlled Entities' functional and presentation currency.

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 and from the translation at year-end of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

If gains or losses on non-monetary items are recognised in other comprehensive income, translation gains or losses are also recognised in other comprehensive income. Similarly, if gains or losses on non-monetary items are recognised in profit or loss, translation gains or losses are also recognised in profit or loss.

## (d) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group, and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

*(i) Student fees*

Fees and charges are recognised as revenue in the year in which the courses are provided to students.

*(ii) Sale of goods*

Revenue 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.

*(iii) Rendering of services*

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

*(iv) Interest and royalties*

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

Fees and royalties paid for the use of the Group's assets are recognised on an accrual basis in accordance with the substance of the relevant agreement.

*(v) Contributions*

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which the Group obtains control over them. Where grants are received that are reciprocal in nature, revenue is recognised over the term of the funding arrangements.

Contributed assets are recognised at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

## (e) Income Tax

The tax expense recognised in the income statements comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

The University is exempt from paying income tax in Australia.

With the exception of the UQ Investment Trust, the University of Queensland Foundation Trust, UQ College Ltd, UQ Health Care Ltd, UQ Sport Ltd, IMBcom Asset Trust, UniQuest Pty Ltd, JKTech Pty Ltd, Symbiosis Group Pty Ltd, Dendright Pty Ltd, UQH Finance Pty Ltd and UQ Holdings Pty Ltd, all of the controlled entities of the University 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.

## (f) Other taxes

Revenue, expenses and 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). Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statements of financial position.

Cash flows in the statements of cash flows are included 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 operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## (g) Impairment of assets

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible 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.

The asset's recoverable amount is determined to comply with AASB 13 *Fair Value Measurement* and AASB 136 *Impairment of Assets*. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

An impairment loss is recognised immediately in the Income Statement, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

When an asset is revalued using either a market or income valuation approach, any

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

accumulated impairment losses at that date are eliminated against the gross amount of the asset prior to restating for the revaluation.

## (h) Cash and cash equivalents

Cash and short-term deposits in the Statements of Financial Position comprise cash at bank and on hand and short-term deposits with an original maturity of 90 days or less.

For the purposes of the Statements of Cash Flows, cash includes cash on hand, at-call deposits with banks or financial institutions, and investments in money market instruments maturing within less than 90 days and net of bank overdrafts.

## (i) Trade receivables

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

In terms of the impairment of trade receivables the University applies a simplified approach in calculating expected credit losses ("ECLs"). Therefore, the University does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The University has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The balances of these allowances are set out in Note 12.

## (j) Financial instruments

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

For purposes of subsequent measurement, financial assets are classified in five categories:

- Other financial assets at amortised costs
- Other financial assets at fair value through other comprehensive income
- Investments in equity instruments designated at fair value through other comprehensive income
- Other financial assets at fair value through profit or loss
- Other financial assets designated at fair value through profit or loss

*(i) Financial assets at amortised cost*

The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables, and loans to related parties.

*(ii) Financial assets at fair value through other comprehensive income*

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

*(iii) Investments in equity instruments designated at fair value through other comprehensive income*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB132 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

*(iv) Financial assets at fair value through profit or loss (including designated)*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the income statement when the right of payment has been established.

### Fair value

The fair value of investments traded in an active market is based on the quoted market prices at balance date. The fair value of investments that are not traded in an active market is estimated using valuation techniques consistent with accepted market practice. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same and discounted cash flow analysis.

### Investment in controlled entities

Controlled entities are those entities controlled by the University. Control exists when the University has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investments in controlled entities are recorded at cost in the University's parent financial statements.

### Investment in associates

Associates are those entities which the University 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 in the University's consolidated financial statements and are recorded at fair value in the University's parent financial statements. Under the equity method, the share of profits or losses of the entity is recognised in the Income Statement, and the share of movements in reserves is recognised in the Statement of Comprehensive Income and the Statement of Changes in Equity.

Investments in associated entities which are commercialisation entities are recorded at fair value through profit or loss or as available-for-sale in both the University's parent and consolidated financial statements on the basis that this provides more relevant information than if valued using the equity method of accounting.

### Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments other than receivables and not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### Derecognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Financial liabilities

Financial liabilities are initially recognised at their fair value. Transaction costs directly attributable to the acquisition are included unless the financial liability is held at fair value through profit or loss, in which case they are expensed.

Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

## (k) Property, plant and equipment

### Initial recognition

Purchases of property, plant and equipment are initially recognised at cost in the Statement of Financial Position. However, items that fall below the following asset recognition thresholds are expensed in the year of acquisition:

| Asset class | Recognition threshold |
|---|---|
| Land | $1 |
| Buildings | $10,000 |
| Infrastructure and land improvements | $10,000 |
| Leasehold improvements | $10,000 |
| Plant and equipment | $5,000 |
| Heritage and cultural assets | $1 |

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.

Work in progress assets are initially recognised using the thresholds above that apply to assets of the same functionality

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(e.g. buildings under construction would be recognised if the cost exceeds $10,000.)

Property, plant and equipment acquired by way of a finance lease is initially recognised at an amount equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, using the interest rate implicit in the original lease contract as the discount factor. A corresponding liability for the lease payments is also recorded.

Items of property, plant and equipment that have been donated to the Group are initially recognised at fair value.

### Subsequent recognition

Property, plant and equipment is recognised at the end of each reporting year in the Statement of Financial Position as follows:

| Asset class | Carrying value |
|---|---|
| Work in progress | Cost |
| Land | Fair value less impairment losses |
| Buildings | Fair value less accumulated depreciation and impairment losses |
| Infrastructure and land improvements | Fair value less accumulated depreciation and impairment losses |
| Leasehold improvements | Cost less accumulated depreciation and impairment losses |
| Plant and equipment | Cost less accumulated depreciation and impairment losses |
| Heritage and cultural assets – reference collection | Fair value less accumulated depreciation and impairment losses |
| Heritage and cultural assets – heritage collection | Fair value less impairment losses |
| Heritage and cultural assets – museum collection | Fair value less impairment losses |

Work in progress consists of buildings, infrastructure and land improvements and plant and equipment assets that have not been completed at year end.

Property, plant and equipment acquired by way of a finance lease is subsequently recognised using the same criteria above that applies to assets fully owned by the Group (e.g. leased plant and equipment is recorded at cost, leased buildings are recorded at fair value).

Heritage and cultural assets have been split into the following subclasses:

- The reference collection consists of both general and specialised publications. These items generally have a long useful life but are not held indefinitely.
- The heritage collection consist of items that have heritage, cultural or historic value that are worth preserving indefinitely and to which sufficient resources are committed to preserve and protect the collection and its service potential. The collection is not depreciated as management believe it does not lose value over time.
- The museum collection consists of art works and artefacts held by the University's Anthropology, Antiquities and Art Museums. The collection is not depreciated as management believe they do not lose value over time.

When assets held at fair value are revalued, the accumulated depreciation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Increases in the carrying amounts arising on revaluations are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. To the extent that the increase reverses a decrease previously recognised in the Income Statement, the increase is first recognised in the Income Statement.

Decreases that reverse previous increases of the same asset class are also recognised in other comprehensive income to the extent of the remaining reserve attributable to the asset class. All other decreases are charged to the Income Statement.

### Depreciation

Buildings, infrastructure and land improvements, plant and equipment and heritage and cultural reference collection assets are depreciated over their estimated economic useful lives using either the straight line or diminishing value method.

Leased assets and leasehold improvements assets are depreciated over the unexpired period of the lease. However, where the Group is expected to retain the asset at the end of the lease period, the asset will be depreciated over its expected useful life.

The depreciation rates used are as follows:

| Asset class | Method | Annual rate |
|---|---|---|
| Buildings | Straight line | 1% – 10% |
| Infrastructure and land improvements | Straight line | 1% – 4% |
| Leased assets | Straight line | 3% |
| Leasehold improvements | Straight line | 3% – 19% |
| Plant and equipment | Straight line | 10% – 20% |
| Heritage and cultural assets – reference collection | Diminishing value | 15% |

Depreciation of property, plant and equipment commences when the asset is available for use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

### Valuations

*Land, buildings and infrastructure, and land improvements*

The Group performs a full valuation of its land, buildings and infrastructure, and land improvements (1) every four years, or (2) where the asset class has experienced a significant and volatile change in value. This is performed by an independent professional valuer. In years when a full valuation is not performed, the Group performs a desktop valuation. This is also performed by an independent professional valuer who uses appropriate and relevant indices based on the most recent full valuation.

The last full valuation was performed by AssetVal in 2015 (as at 31 December 2015). The last desktop valuation was performed by AssetVal in 2018 (as at 31 December 2018).

In determining building areas, the valuer has relied on site plans provided by the Group. Basic on-site measurements were only undertaken by the valuer where site plans were not available.

It is not possible for the valuer to sight all land improvement assets. Examples of assets which cannot be sighted include underground cables and pipes. The valuer has therefore relied on areas and quantities provided by the Group.

*Heritage and cultural assets – reference collection*

The Group performs a full valuation of its reference collection each year. This is performed internally based on the average cost of a publication.

*Heritage and cultural assets – heritage collection*

The Group performs a valuation of its heritage collection every four years. The collection contains a large number of low dollar value items and it is therefore not practical for an independent professional valuer to sight all assets when a valuation is performed. As a result, the Group only performs a full valuation on those assets that (1) have been acquired since the previous valuation, and (2) have been identified by the Group as possibly experiencing a significant change in value. All other assets are subject to a desktop valuation. The last desktop valuation was performed by Barbara Palmer in 2017 (as at 31 December 2016). The last valuation of acquired items was performed by Barbara Palmer in 2017 (as at 31 December 2016).

*Heritage and cultural assets – museum collection*

The Group performs a full valuation of its museum collection (1) every four to five years, or (2) where the collection has experienced a significant and volatile change in value. This is performed by a number of different independent professional valuers (depending on the type of collection). The most recent full valuations occurred between 2016 (as at 31 December 2016) and 2018 (as at 31 December 2018).

**Subsequent costs and repairs and maintenance**

Subsequent costs that are capital in nature are included in an 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.

Repairs and maintenance represent work performed to keep an asset in an operating condition and to ensure that the service originally expected of the asset is maintained. Repairs and maintenance is charged to the Income Statement during the reporting year in which it is incurred.

**Derecognition**

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

Further detail in relation to fair value is set out in Note 1(t).

Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed whenever there is a material movement in the value of an asset under the revaluation model.

## (l) Intangible assets

Intangible assets are initially recognised at cost in the Statement of Financial Position. With the exception of theses and the digital library collection, items that fall below the asset recognition threshold of $100,000 are expensed in the year of acquisition.

The theses and digital library collection recognition threshold is $1.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

The cost of intangible assets includes the purchase or development cost plus any costs or fees incidental to the purchase or development of the asset.

Intangible assets that have been donated to the Group are initially recognised at fair value.

Items recognised as intangible assets are as follows:

- Digital library collection of self-generated and purchased items in a digital/electronic format
- Intellectual property such as theses
- Systems development expenditure including software WIP and software internally generated
- Software purchased
- Patents, trademarks and licenses.

Intangible assets are measured at the end of each reporting year at cost less accumulated depreciation and impairment losses. They are unable to be measured at fair value as there is no active market for such assets.

Intangible assets are amortised over their estimated economic useful lives using either the straight line or diminishing value method. The amortisation rates used are as follows:

| Category | Method | Annual rate |
|---|---|---|
| Digital library collection | Diminishing value | 15% |
| Intellectual property (theses) | Diminishing value | 15% |
| Software internally generated | Straight line | 12.5% |
| Software purchased | Straight line | 20 – 33% |
| Patents, trademarks and licences | Straight line | 20 – 50% |

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

An intangible asset is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

## (m) Trade payables

Trade creditors are recognised on receipt of the goods or services ordered and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30-day terms.

## (n) 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 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.

**Financing costs**

Financing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other financing costs are recognised as an expense when incurred.

## (o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

## (p) Employee benefits

*(i) Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, are recognised in other payables and the liability for annual leave is recognised in the provision for employee benefits 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 non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Regardless of the expected timing of settlements, provisions made in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it is classified as a non-current liability.

*(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 and projected staff turnover rates based on age of staff. Expected future payments are discounted using the 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. Provisions made are classified as a current liability for those employees who have reached the service period that allows them to take leave in service (i.e. they are unconditionally qualified) and for employees within one year of the unconditionally qualified service period.

## (q) Superannuation

The UniSuper Defined Benefit Division (DBD) is a multiemployer defined benefit plan under superannuation law but, as a result of amendments to Clause 34 of UniSuper, a defined contribution plan under AASB 119 *Employee Benefits*.

Clause 34 of the UniSuper Trust Deed outlines the action UniSuper will take if actuarial investigations determine there are insufficient funds to provide benefits payable under the UniSuper Trust Deed. If there are insufficient funds, the Trustees must reduce the benefits payable under Division A and Division B on a fair and equitable basis. There is no requirement for employers and members to be asked to 'top up' their contributions in the event of a prolonged shortfall in the Defined Benefit Division.

## (r) Future accounting standards and interpretations

The following standards have been issued but are not mandatory for 31 December 2018 reporting periods. The University of Queensland and Controlled Entities has elected not to early adopt any of these standards. The University of Queensland and Controlled Entities assessment of the impact of these new Standards and Interpretations is set out as follows:

AASB 15 *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principle-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to represent the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five step process:

- identify the contract(s) with a customer
- identify the performance obligations in the contract(s)
- determine the transaction price
- allocate the transaction price to the performance obligations in the contract(s)
- recognise revenue when (or as) the performance obligations are satisfied.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The University has elected to apply the modified retrospective approach.

The following sources of income will be affected and the impacts of applying the new standard on the Group's financial statements on a modified retrospective approach are as set out in the table below:

| Item | AASB 15 New standard | Approximate $ impact on 1 January 2019 |
|---|---|---|
| Australian Government financial assistance: | | |
| Australian Research Council | Revenue is recognised over time as the research activities are performed. | Deferred revenue will increase by approximately $52.247m; Accrued revenue will increase by $0.610m; Retained earnings will decrease by $51.637m on 1 January 2019. |
| Other Australian Governments grants | Revenue is recognised over time as the research activities are performed. | Deferred revenue will increase by approximately $123.042m; Accrued revenue will increase by $4.724m; Retained earnings will decrease by $118.318m on 1 January 2019. |
| State and Local Government financial assistance | Revenue is to be recognised when the University satisfies a performance obligation by transferring a service to the customer. | Deferred revenue will increase by approximately $12.684m; Accrued revenue will increase by $0.753m; Retained earnings will decrease by $11.931m on 1 January 2019. |
| Consultancy and contracts | Revenue is to be recognised when the University satisfies a performance obligation by transferring a service to the customer. | Deferred revenue will increase by approximately $80.718m; Accrued revenue will increase by $6.735m; Retained earnings will decrease by $73.983m on 1 January 2019. |
| Other revenue and income | Revenue is to be recognised when the University satisfies a performance obligation by transferring a service to the customer. | Deferred revenue will increase by approximately $40.047m; Accrued revenue will increase by $0.368m; and Retained earnings will decrease by $39.679m on 1 January 2019. |

### Presentation and disclosure requirements

The presentation and disclosure requirements in AASB 15 are more detailed than under current Australian Accounting Standards. Many of the disclosure requirements in AASB 15 are new and the Group has assessed there will be an increase in the disclosures required in the Group's financial statements. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of estimates and judgements made when assessing the contracts where the Group has concluded that there is a significant financing component.

### Date of adoption by the Group

The new standard is mandatory for financial years commencing on or after 1 January 2019. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2019 and that the comparatives will not be restated.

AASB 16 ***Leases*** (applicable to annual reporting periods commencing on or after 1 January 2019).

When effective, this standard will replace the current accounting requirements applicable to leases in AASB 117 *Leases and related Interpretations*. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets)
- depreciation of right-to-use assets in line with AASB 116 *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease
- additional disclosure requirements.

### Impact

The Group has assessed all contracts which may fall under this new standard. Following the assessment, the Group has identified contracts that deal with real property and are considered to fall within the scope of the new standard. Some of these contracts are considered to be below-market leases (i.e. peppercorn leases). As per AASB 2018-8 *Right-of-Use Assets of Not-for-Profit Entities*, peppercorn leases will be initially recognised at cost rather than fair value. For the contracts that can be measured at fair value, it will result in the Group recognising a right-to-use asset of $85.992m, corresponding lease liability of $85.992m on 1 January 2019.

### Presentation and disclosure requirements

The disclosure requirements in AASB 16 are new and the Group has assessed there will be an increase in the disclosures required in the Group's financial statements. In particular, the Group expects that the notes to the financial statements will be expanded because the Group is required to disclose sufficient information to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lease.

### Date of adoption by the Group

The new standard is mandatory for financial years commencing on or after 1 January 2019. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2019 and that the comparatives will not be restated.

AASB 1058 ***Income of Not-for-Profit Entities*** (applicable to annual reporting periods commencing on or after 1 January 2019).

AASB 1058 supersedes all the income recognition requirements relating to private sector not-for-profit entities, and the majority of income recognition requirements relating to public sector not-for-profit entities, previously in AASB 1004 *Contributions*. When effective, this standard will defer income recognition in some circumstances for not-for-profit entities, particularly where there is a performance obligation or any other liability. In addition, certain components in an arrangement, such as donations, may be separated from other types of income and recognised immediately. The standard also expands the circumstances in which not-for-profit entities are required to recognise income for goods and services received for consideration that is significantly less than the fair value of the asset principally to enable the entity to further its objectives, including for example, peppercorn leases.

### Impact

This standard operates in conjunction with AASB 15 *Revenue from Contracts and Customers*. AASB 1058 will only apply where AASB 15 does not apply. Both standards supersede AASB 1004 *Contributions*. The main impact on adopting this standard is reflected above with the adoption of AASB15.

### Presentation and disclosure requirements

The disclosure requirements in AASB 1058 are new and the Group has assessed there will be an increase in the disclosures required in the Group's financial statements. In particular, the Group expects that the notes to the financial statements will be expanded because the Group is required to disclose sufficient information which will allow users of the financial statements to understand the effects of transactions where an entity acquires an asset for consideration that is significantly less than fair value principally to enable the entity to further its objectives on the financial position, financial performance and cash flows of the entity. There will also be additional disclosures required for capital grants and where there are externally imposed restrictions that limit or direct the purpose for which resources may be used.

### Date of adoption by the Group

The new standard is mandatory for financial years commencing on or after 1 January 2019. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2019 and that the comparatives will not be restated.

### AASB 2018-8 *Right-of-Use Assets of Not-for-Profit Entities*

This standard provides a temporary option for not-for-profit lessees to elect to measure a class (or classes) of right-of-use assets arising under concessionary ('peppercorn') leases at initial recognition at cost, rather than at fair value.

Under AASB 1058 *Income of Not-for-Profit Entities* and AASB 16 *Leases*, NFPs would have been required to measure right-of-use assets at initial recognition at fair value in respect of concessionary leases from 1 January 2019. Concessionary leases are those that have significantly below-market terms and conditions principally to enable the entity to further its objectives. It is effective for reporting periods commencing on or after 1 January 2019, which is the same as the effective date for AASB 16 *Leases*.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### (s) Initial application of Accounting Standards and Interpretations

**AASB 9 *Financial Instruments***

AASB 9 *Financial Instruments* replaces the provisions of AASB 139 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The following table shows the adjustments recognised for each individual line item:

| Balance sheet (extract) | | 31-Dec-17 $'000 | AASB 9 $'000 | 1 January 2018 restated $'000 |
|---|---|---|---|---|
| **Current assets** | | | | |
| Term deposits (maturity greater than 90 days) | (a) | 155,000 | (155,000) | |
| Other financial asset at amortised cost | (a) | – | 155,000 | 155,000 |
| **Non-current assets** | | | | |
| Available-for-sale financial assets | (b) | 25,838 | (25,838) | |
| Financial assets at Fair Value Through Other Comprehensive Income (FVTOCI) | (b) | | 30,299 | 30,299 |

The nature of the adjustments are described below:

**(a) Reclassification from held-to-maturity to amortised cost**

Term deposits with a maturity date greater than 90 days that would previously been classified as held-to-maturity are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of the other financial assets as 1 January 2018 to be recognised in opening retained earnings.

**(b) Equity investments previously classified as available-for-sale**

The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short-to-medium term. As a result, assets with a fair value of $25.838m were reclassified from available-for-sale financial assets to financial assets at FVTOCI and fair value gains of $4.461m were recognised in the FVTOCI reserve on 1 January 2018. Further, opening retained earnings has been adjusted upwards by $9.050m on 1 January 2018 to reflect the transfer of previously recognised impairment losses on available-for-sale financial assets into FVTOCI reserve.

**(c) Reclassification of financial instruments on adoption of AASB 9**

On the date of initial application, 1 January 2018, the financial instruments of the Group were as shown in the table below, with any reclassifications noted:

| Current financial assets | Measurement category: Original (AASB 139) | Measurement category: New (AASB 9) | Carrying amount: Original $'000 | Carrying amount: New $'000 | Difference $'000 |
|---|---|---|---|---|---|
| Term Deposits (maturity > 90 days) | Held to maturity | Amortised cost | 155,000 | 155,000 | – |
| **Current assets** | | | | | |
| Listed and unlisted equity securities | FVTPL | FVTPL | 211,640 | 211,640 | – |
| **Non-current assets** | | | | | |
| Listed and unlisted equity securities | FVTPL | FVTPL | 231,374 | 231,374 | – |
| Listed and unlisted equity securities | Available-for-sale | FVTOCI | 25,838 | 30,299 | 4,461 |

The impact of these changes on the University's equity is as follows:

| Other reserves | Effect on AFS $'000 | Effect on FVTOCI $'000 |
|---|---|---|
| **Opening balance – AASB 139** | **16,202** | - |
| Reclassification of listed and un-listed securities from available-for-sale (AFS) to FVTOCI | (16,202) | 16,202 |
| Fair value adjustment | | (4,589) |
| **Opening balance – AASB 9** | **-** | **11,613** |
| **Retained earnings** | | |
| **Opening balance – AASB 139** | **1,429,591** | |
| Retained earnings transfer of impairment losses to reserves (refer Note 1(s)(b) | | 9,050 |
| **Opening balance – AASB 9** | | **1,438,641** |

### (d) Impairment of financial assets

The Group has two types of financial assets that are subject to AASB 9's new expected credit loss model:

- Debt investments carried at amortised cost (term deposits with maturity greater than 90 days)
- Loans and receivables.

The Group was required to revise its impairment methodology under AASB 9 for each of these classes of assets.

#### Debt investments

Debt investments at amortised cost are essentially cash and cash equivalents. While subject to the impairment requirements of AASB 9, the identified impairment loss was nil.

#### Loans and receivables

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivable. The identified impairment loss was immaterial.

## (t) Fair value

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. Observable inputs used by the Group include, but are not limited to, published sales data for land and general office buildings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by the Group include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of the Group's assets/liabilities, internal records of recent construction costs (and/or estimates of such costs) for assets' characteristics/functionality, and assessments of physical condition and remaining useful life. 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 nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

More specific fair value information about the Group's property, plant and equipment is outlined in Note 29.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

## 2 Australian government financial assistance

### (a) Commonwealth Grants Scheme and Other Grants

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | **2018** | **2017** | **2018** | **2017** |
| | *Note* | **$'000** | **$'000** | **$'000** | **$'000** |
| Commonwealth Grant Scheme | | **301,797** | 308,478 | **301,797** | 308,478 |
| Access and Participation Funding | | **3,178** | 2,495 | **3,178** | 2,495 |
| National Priorities Pool | | **83** | 48 | **83** | 48 |
| Promotion of Excellence in Learning and Teaching | | **-** | 105 | **-** | 105 |
| Disability Performance Funding | | **155** | 142 | **155** | 142 |
| Indigenous Support Program | | **2,092** | 1,924 | **2,092** | 1,924 |
| **Total Commonwealth Grants Scheme and Other Grants** | 30(a) | **307,305** | 313,192 | **307,305** | 313,192 |

### (b) Higher Education Loan Programs (HELP)

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | **2018** | **2017** | **2018** | **2017** |
| | *Note* | **$'000** | **$'000** | **$'000** | **$'000** |
| HECS-HELP | | **187,673** | 187,495 | **187,673** | 187,495 |
| FEE-HELP | | **29,522** | 29,411 | **29,522** | 29,411 |
| VET FEE-HELP | | **74** | 81 | **74** | 81 |
| SA-HELP | | **5,202** | 5,077 | **5,202** | 5,077 |
| **Total Higher Education Loan Programs** | 30(b) | **222,471** | 222,064 | **222,471** | 222,064 |

### (c) Education Research

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | **2018** | **2017** | **2018** | **2017** |
| | *Note* | **$'000** | **$'000** | **$'000** | **$'000** |
| Research Training Program | | **96,507** | 94,609 | **96,507** | 94,609 |
| Research Support Program | | **90,759** | 89,916 | **90,759** | 89,916 |
| **Total Education Research Grants** | 30(c) | **187,266** | 184,525 | **187,266** | 184,525 |

### (d) Other Capital Funding

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | **2018** | **2017** | **2018** | **2017** |
| | *Note* | **$'000** | **$'000** | **$'000** | **$'000** |
| ARC Linkage Infrastructure, Equipment and Facilities Grant | | **3,459** | 1,950 | **3,459** | 1,950 |
| **Total Other Capital Funding** | 30(d) | **3,459** | 1,950 | **3,459** | 1,950 |

## 2 Australian government financial assistance (continued)

### (e) Australian Research Council (ARC)

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | *Note* | $'000 | $'000 | $'000 | $'000 |
| Discovery | | **44,805** | 47,805 | **44,805** | 47,805 |
| Linkages | | **8,876** | 9,337 | **8,876** | 9,337 |
| Networks and Centres | | **11,342** | 16,929 | **11,342** | 16,929 |
| Special Research Initiatives | | **1,265** | - | **1,265** | - |
| **Total ARC** | 30(e) | **66,288** | 74,071 | **66,288** | 74,071 |

### (f) Other Australian Government Financial Assistance

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| **Non-capital** | | | | |
| National Health and Medical Research Council | **74,776** | 66,568 | **74,776** | 66,568 |
| Various Other Australian Government | **127,864** | 64,184 | **127,864** | 64,184 |
| **Total** | **202,640** | 130,752 | **202,640** | 130,752 |
| **Total Other Australian Government Financial Assistance** | **202,640** | 130,752 | **202,640** | 130,752 |
| **Total Australian Government Financial Assistance** | **989,429** | 926,554 | **989,429** | 926,554 |

## 3 State and local government financial assistance

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| **Non-capital** | | | | |
| State Government | **36,206** | 34,900 | **36,206** | 34,900 |
| **Total State and Local Government Financial Assistance** | **36,206** | 34,900 | **36,206** | 34,900 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## 4 Fees and charges

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| **Course fees and charges** | | | | |
| Fee-paying onshore overseas students | **552,882** | 453,161 | **552,882** | 453,161 |
| Fee-paying offshore overseas students | **19,816** | 18,166 | **19,816** | 18,166 |
| Continuing education | **3,003** | 3,035 | **2,948** | 2,985 |
| Fee-paying domestic postgraduate students | **11,462** | 11,781 | **11,462** | 11,781 |
| Fee-paying domestic undergraduate students | **1,075** | 1,805 | **1,075** | 1,805 |
| Fee-paying domestic non-award students | **747** | 729 | **747** | 729 |
| **Total course fees and charges** | **588,985** | 488,677 | **588,930** | 488,627 |
| **Other non-course fees and charges** | | | | |
| Student services fees from students | **8,032** | 7,400 | **8,032** | 7,400 |
| Library fines | **824** | 520 | **824** | 520 |
| Parking fees and fines | **6,988** | 7,199 | **6,998** | 7,221 |
| Registration fees | **3,887** | 3,380 | **3,888** | 3,380 |
| Rental charges | **4,672** | 4,877 | **4,979** | 5,077 |
| Gym and sport fees | **7,225** | 7,015 | **-** | - |
| Student residential fees | **2,668** | 2,409 | **2,668** | 2,409 |
| State clinical loading | **-** | 18 | **-** | 18 |
| Other services | **17,055** | 14,337 | **17,278** | 14,542 |
| **Total other fees and charges** | **51,351** | 47,155 | **44,667** | 40,567 |
| **Total fees and charges** | **640,336** | 535,832 | **633,597** | 529,194 |

## 5 Investment revenue and income

### (a) Investment revenue

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| Interest from other entities | **11,486** | 10,008 | **11,197** | 9,793 |
| Dividends from other entities | **6,122** | 2,200 | **11,600** | 8,376 |
| **Total investment revenue** | **17,608** | 12,208 | **22,797** | 18,169 |

### (b) Other investment income

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| Net fair value gains / (losses) on investment portfolios and other financial assets | **(10,988)** | 31,596 | **(12,482)** | 30,594 |
| Net gain / (loss) on sale of other financial assets | **604** | (202) | **-** | 56 |
| **Total other investment income** | **(10,384)** | 31,394 | **(12,482)** | 30,650 |
| **Total investment revenue and income** | **7,224** | 43,602 | **10,315** | 48,819 |

## 6 Consultancy and contracts

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| Contract revenue – research | **129,045** | 132,190 | **128,534** | 128,583 |
| Consultancy fees | **21,801** | 21,937 | **14,707** | 13,217 |
| Other contract revenue | **15,151** | 15,279 | **12,894** | 15,072 |
| **Total consultancy and contracts** | **165,997** | 169,406 | **156,135** | 156,872 |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

# 7 Other revenue and other income

## (a) Other revenue

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Donations and bequests | **51,164** | 48,039 | **51,122** | 48,131 |
| Scholarships and prizes | **5,222** | 5,015 | **5,228** | 5,055 |
| Net foreign exchange gain / (loss) | **22** | (528) | **33** | (471) |
| Sale of goods | **10,319** | 8,994 | **10,507** | 8,117 |
| Sale of services | **35,286** | 33,019 | **28,865** | 27,389 |
| Sponsorships | **1,971** | 2,059 | **1,973** | 2,062 |
| Other revenue | **9,737** | 6,311 | **10,640** | 6,513 |
| **Total other revenue** | **113,721** | 102,909 | **108,368** | 96,796 |

## (b) Other income

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Insurance proceeds | **892** | 474 | **892** | 474 |
| **Total other income** | **892** | 474 | **892** | 474 |

## 8 Employee related expenses

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| **Academic** | | | | |
| Salaries | **403,983** | 386,257 | **398,227** | 382,318 |
| Payroll tax | **23,386** | 22,369 | **23,386** | 22,369 |
| Worker's compensation | **111** | 191 | **111** | 191 |
| Long service leave expense | **8,069** | 7,084 | **8,069** | 7,084 |
| Annual leave expense | **29,945** | 24,949 | **29,945** | 24,949 |
| Other | **21,093** | 17,117 | **21,403** | 17,148 |
| Contributions to funded superannuation and pension schemes | **63,316** | 60,595 | **63,316** | 60,595 |
| **Total academic** | **549,903** | 518,562 | **544,457** | 514,654 |
| **Non-academic** | | | | |
| Salaries | **374,947** | 358,436 | **354,236** | 339,451 |
| Payroll tax | **22,548** | 21,521 | **21,363** | 20,655 |
| Worker's compensation | **141** | 237 | **28** | 112 |
| Long service leave expense | **7,269** | 6,403 | **7,117** | 6,270 |
| Annual leave expense | **31,950** | 28,129 | **31,686** | 27,993 |
| Other | **3,037** | 3,521 | **2,983** | 3,471 |
| Contributions to funded superannuation and pension schemes | **57,930** | 56,267 | **56,958** | 54,590 |
| **Total non-academic** | **497,822** | 474,514 | **474,371** | 452,542 |
| **Total employee related expenses** | **1,047,725** | 993,076 | **1,018,828** | 967,196 |

The number of full-time equivalent employees in the consolidated entity at 31 March 2018 was 7867 (2017: 7859).
The number of full-time equivalent employees in the parent entity at 31 March 2018 was 7589 (2017: 7597).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

## 9 Other expenses

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Scholarships, grants and prizes | **87,424** | 82,106 | **87,195** | 81,727 |
| Non-capitalised equipment | **26,786** | 27,224 | **26,581** | 26,911 |
| Advertising, marketing and promotional expenses | **18,200** | 15,608 | **18,038** | 15,187 |
| Travel, staff development and entertainment | **57,130** | 54,198 | **56,501** | 53,536 |
| Teaching materials and services | **22,955** | 20,737 | **22,955** | 20,737 |
| Laboratory supplies and services | **37,664** | 33,513 | **37,647** | 33,517 |
| Collaborative projects | **63,442** | 53,583 | **72,111** | 60,216 |
| Utilities and insurance | **37,201** | 38,937 | **35,579** | 37,187 |
| Computing supplies and services | **21,881** | 14,861 | **21,380** | 14,390 |
| Facilities and campus services | **18,894** | 19,026 | **18,968** | 18,938 |
| Office supplies and furniture | **6,567** | 6,612 | **6,358** | 6,405 |
| Staffing expenses | **5,396** | 6,700 | **5,245** | 6,634 |
| Staff appointment expenses | **4,222** | 3,302 | **4,174** | 3,301 |
| Professional, consultant and admin services | **128,763** | 115,019 | **132,124** | 116,021 |
| Memberships and subscriptions | **7,666** | 7,601 | **7,340** | 7,435 |
| Postage and freight | **4,607** | 4,278 | **4,579** | 4,261 |
| Telecommunications | **10,576** | 7,483 | **10,506** | 7,366 |
| Miscellaneous expenses | **39,329** | 36,887 | **34,607** | 34,368 |
| Commercialisation supplies and services | **13,115** | 14,229 | **-** | - |
| **Total other expenses** | **611,818** | 561,904 | **601,888** | 548,137 |

## 10 Remuneration of Auditors

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

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Audit and review of the Financial Statements** | | | | |
| Fees paid to the Auditor-General of Queensland for the audit and review of statutory financial reports under Australian Accounting Standards | **751** | 745 | **525** | 524 |
| Fees paid to Deloitte Touche Tohmatsu for the audit of statutory financial reports under US GAAP for the financial year ended 31 December | **140** | 130 | **140** | 130 |
| **Total** | **891** | 875 | **665** | 654 |
| **Other services** | | | | |
| **Other audit and assurance services** | | | | |
| Fees paid to other audit firms for the audit of special purpose financial reports | **132** | 93 | **132** | 93 |
| **Total** | **132** | 93 | **132** | 93 |

## 11 Cash and cash equivalents

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Cash at bank and in hand | **183,456** | 124,056 | **154,043** | 93,813 |
| Total cash and cash equivalents | **183,456** | 124,056 | **154,043** | 93,813 |

### (a) Cash at bank and on hand

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

## 12 Trade and other receivables

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Current** | | | | |
| Debtors – external | **67,506** | 72,615 | **63,348** | 67,663 |
| Provision for impairment | **(3,872)** | (3,550) | **(3,776)** | (3,397) |
| **Total debtors – external** | **63,634** | 69,065 | **59,572** | 64,266 |
| Debtors – controlled entities | **-** | - | **7,792** | 2,770 |
| Accrued revenue | **11,529** | 8,749 | **3,205** | 1,843 |
| Other debtors | **8,393** | 4,576 | **8,393** | 4,576 |
| **Total current receivables** | **83,556** | 82,390 | **78,962** | 73,455 |
| | | | | |
| **Non-Current** | | | | |
| Trade receivables | **-** | 71 | **-** | - |
| Provision for impairment | **-** | (71) | **-** | - |
| **Total debtors – external** | **-** | - | **-** | - |
| Loans and advances – controlled entities | **-** | - | **2,196** | 2,196 |
| Provision for impairment | **-** | - | **(2,196)** | (2,196) |
| **Total loans and advances – controlled entities** | **-** | - | **-** | - |
| **Total non-current trade and other receivables** | **-** | - | **-** | - |

## 13 Other financial assets

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current** | | | | |
| Other financial assets at fair value through profit or loss | **254,509** | - | **254,509** | - |
| Other financial assets at amortised costs | **250,000** | - | **250,000** | - |
| Fair value through profit or loss (held for trading) | **-** | 211,640 | **-** | 211,640 |
| Held-to-maturity | **-** | 155,000 | **-** | 155,000 |
| **Total current other financial assets** | **504,509** | 366,640 | **504,509** | 366,640 |
| **Non-current** | | | | |
| Other financial assets at fair value through profit or loss | **239,847** | - | **259,293** | - |
| Investments in equity instruments designated at fair value through other comprehensive income | **39,066** | - | **70,536** | - |
| Fair value through profit or loss (held for trading) | **-** | 231,373 | **-** | 253,010 |
| Available-for-sale financial assets | **-** | 25,838 | **-** | 44,578 |
| **Total non-current other financial assets** | **278,913** | 257,211 | **329,829** | 297,588 |
| **Total other financial assets** | **783,422** | 623,851 | **834,338** | 664,228 |

Changes in fair values of other financial assets at fair value through profit or loss are recorded in other income in the income statements (Note 5 – Investment revenue and income).

Note 1(s) explains the changes as a result of the application of AASB 9 *Financial Instruments.*

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

## 14 Investments accounted for using the equity method

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| Investments in associates | **31,366** | 31,272 | **-** | - |
| Total investments accounted for using the equity method | **31,366** | 31,272 | **-** | - |

| | | | | |
|---|---|---|---|---|
| **Reconciliation** | | | | |
| Balance at 1 January | **31,272** | 32,215 | **-** | - |
| Share of profit / (loss) for the year | **94** | (658) | **-** | - |
| Impairment of associate | **-** | (285) | **-** | - |
| **Balance at 31 December** | **31,366** | 31,272 | **-** | - |

| | Ownership Interest % | |
|---|---|---|
| | 2018 | 2017 |
| **Associates** | | |
| Translational Research Institute Trust | 25 | 25 |
| Admedus Vaccines Pty Ltd (formerly known as Coridon Pty Ltd) | 27 | 27 |

Summarised financial information in respect of associates is set out below.

| | 2018 | 2017 |
|---|---|---|
| | $'000 | $'000 |
| **Financial Position** | | |
| Total assets | **333,148** | 334,085 |
| Total liabilities | **208,248** | 207,950 |
| **Net assets** | **124,900** | 126,135 |
| Share of associates' net assets | **31,366** | 31,272 |
| **Financial Performance** | | |
| Total revenue | **30,722** | 28,412 |
| Total expenses | **(30,346)** | (33,191) |
| **Profit / (loss)** | **376** | (4,779) |
| Other comprehensive income | **-** | 1,525 |
| **Total comprehensive loss** | **376** | (3,254) |
| Share of associates' profit / (loss) | **94** | (658) |

The associates have no contingent liabilities or capital commitments at 31 December 2018 or 2017.

The Translational Research Institute Trust is a collaboration between The University of Queensland, Queensland University of Technology, Mater Medical Research Institute Ltd and Queensland Health, developed with the aim of translating the findings of basic biomedical research into better patient outcomes.

## 15 Property, plant and equipment

| Parent | Work in progress $'000 | Land $'000 | Buildings $'000 | Infrastructure and land improvements $'000 | Leased assets $'000 | Leasehold improvements $'000 | Plant and equipment $'000 | Heritage and cultural assets $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2017** | | | | | | | | | |
| Cost | 44,113 | - | - | - | 118,040 | 14,863 | 473,860 | - | 650,876 |
| Valuation | - | 275,523 | 3,055,798 | 198,928 | 111,160 | - | - | 137,395 | 3,778,804 |
| Accumulated depreciation | - | - | (1,277,545) | (63,684) | (28,943) | (6,336) | (275,442) | (48,088) | (1,700,038) |
| **Net book amount** | 44,113 | 275,523 | 1,778,253 | 135,244 | 200,257 | 8,527 | 198,418 | 89,307 | 2,729,642 |
| **Year ended 31 December 2017** | | | | | | | | | |
| Opening net book amount | 44,113 | 275,523 | 1,778,253 | 135,244 | 200,257 | 8,527 | 198,418 | 89,307 | 2,729,642 |
| Additions | 50,721 | - | 6,050 | 35 | - | - | 28,906 | 1,631 | 87,343 |
| Disposals | - | - | (148) | - | - | - | (3,494) | (279) | (3,921) |
| Revaluation increment / (decrement) | - | 1,280 | 35,386 | 4,010 | 3,682 | - | - | 2,721 | 47,079 |
| Transfers | (57,564) | 5,740 | 47,800 | 3,563 | - | - | 455 | 6 | - |
| Depreciation charge | - | - | (105,689) | (3,077) | (7,597) | (816) | (39,753) | (2,681) | (159,613) |
| **Closing net book amount** | 37,270 | 282,543 | 1,761,652 | 139,775 | 196,342 | 7,711 | 184,532 | 90,705 | 2,700,530 |
| **At 31 December 2017** | | | | | | | | | |
| Cost | 37,270 | - | - | 30,172 | 118,040 | 14,862 | 487,384 | - | 687,728 |
| Valuation | - | 282,543 | 3,213,546 | 178,802 | 115,510 | - | - | 144,610 | 3,935,011 |
| Accumulated depreciation | - | - | (1,451,894) | (69,199) | (37,208) | (7,151) | (302,852) | (53,905) | (1,922,209) |
| **Closing net book amount** | 37,270 | 282,543 | 1,761,652 | 139,775 | 196,342 | 7,711 | 184,532 | 90,705 | 2,700,530 |

## 15 Property, plant and equipment (continued)

| **Parent** | Work in progress $'000 | Land $'000 | Buildings $'000 | Infrastructure and land improvements $'000 | Leased assets $'000 | Leasehold improvements $'000 | Plant and equipment $'000 | Heritage and cultural assets $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2018** | | | | | | | | | |
| Cost | 37,270 | - | - | 30,172 | 118,040 | 14,862 | 487,384 | - | 687,728 |
| Valuation | - | 282,543 | 3,213,546 | 178,802 | 115,510 | - | - | 144,610 | 3,935,011 |
| Accumulated depreciation | - | - | (1,451,894) | (69,199) | (37,208) | (7,151) | (302,852) | (53,905) | (1,922,209) |
| **Net book amount** | 37,270 | 282,543 | 1,761,652 | 139,775 | 196,342 | 7,711 | 184,532 | 90,705 | 2,700,530 |
| **Year ended 31 December 2018** | | | | | | | | | |
| Opening net book amount | 37,270 | 282,543 | 1,761,652 | 139,775 | 196,342 | 7,711 | 184,532 | 90,705 | 2,700,530 |
| Additions | 102,192 | 1,907 | 8,717 | - | - | - | 34,238 | 858 | 147,912 |
| Disposals | (8,655) | - | (1,502) | - | - | - | (2,883) | (199) | (13,239) |
| Revaluation increment / (decrement) | - | 2,952 | 40,325 | 3,647 | 2,248 | - | - | 7,061 | 56,233 |
| Transfers | (23,030) | 3,861 | 6,770 | 374 | - | 5,737 | 6,288 | - | - |
| Depreciation charge | - | - | (109,012) | (3,214) | (7,742) | (1,877) | (40,294) | (2,528) | (164,667) |
| **Closing net book amount** | 107,777 | 291,263 | 1,706,950 | 140,582 | 190,848 | 11,571 | 181,881 | 95,897 | 2,726,769 |
| **At 31 December 2018** | | | | | | | | | |
| Cost | 107,777 | - | - | 30,546 | 118,040 | 20,599 | 499,031 | - | 775,993 |
| Valuation | - | 291,263 | 3,268,197 | 184,853 | 118,180 | - | - | 160,630 | 4,023,123 |
| Accumulated depreciation | - | - | (1,561,247) | (74,817) | (45,372) | (9,028) | (317,150) | (64,733) | (2,072,347) |
| **Closing net book amount** | 107,777 | 291,263 | 1,706,950 | 140,582 | 190,848 | 11,571 | 181,881 | 95,897 | 2,726,769 |

## 15 Property, plant and equipment (continued)

| Consolidated | Work in progress $'000 | Land $'000 | Buildings $'000 | Infrastructure and land improvements $'000 | Leased assets $'000 | Leasehold improvements $'000 | Plant and equipment $'000 | Heritage and cultural assets $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2017** | | | | | | | | | |
| Cost | 44,114 | - | - | - | 118,040 | 15,019 | 480,093 | - | 657,266 |
| Valuation | - | 275,523 | 3,055,798 | 198,928 | 111,160 | - | - | 137,395 | 3,778,804 |
| Accumulated depreciation | - | - | (1,277,545) | (63,684) | (28,943) | (6,467) | (279,732) | (48,088) | (1,704,459) |
| **Net book amount** | 44,114 | 275,523 | 1,778,253 | 135,244 | 200,257 | 8,552 | 200,361 | 89,307 | 2,731,611 |
| **Year ended 31 December 2017** | | | | | | | | | |
| Opening net book amount | 44,114 | 275,523 | 1,778,253 | 135,244 | 200,257 | 8,552 | 200,361 | 89,307 | 2,731,611 |
| Additions | 50,731 | - | 6,050 | 35 | - | - | 29,419 | 1,631 | 87,866 |
| Disposals | - | - | (148) | - | - | - | (3,605) | (279) | (4,032) |
| Revaluation increment / (decrements) | - | 1,280 | 35,386 | 4,010 | 3,682 | - | - | 2,721 | 47,079 |
| Transfers | (57,564) | 5,740 | 47,800 | 3,563 | - | - | 455 | 6 | - |
| Depreciation charge | - | - | (105,689) | (3,077) | (7,597) | (818) | (40,187) | (2,681) | (160,049) |
| **Closing net book amount** | 37,281 | 282,543 | 1,761,652 | 139,775 | 196,342 | 7,734 | 186,443 | 90,705 | 2,702,475 |
| **At 31 December 2017** | | | | | | | | | |
| Cost | 37,281 | - | - | 30,172 | 118,040 | 15,018 | 493,865 | - | 694,376 |
| Valuation | - | 282,543 | 3,213,546 | 178,802 | 115,510 | - | - | 144,610 | 3,935,011 |
| Accumulated depreciation | - | - | (1,451,894) | (69,199) | (37,208) | (7,284) | (307,422) | (53,905) | (1,926,912) |
| **Closing net book amount** | 37,281 | 282,543 | 1,761,652 | 139,775 | 196,342 | 7,734 | 186,443 | 90,705 | 2,702,475 |

## 15 Property, plant and equipment (continued)

| Consolidated | Work in progress $'000 | Land $'000 | Buildings $'000 | Infrastructure and land improvements $'000 | Leased assets $'000 | Leasehold improvements $'000 | Plant and equipment $'000 | Heritage and cultural assets $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2018** | | | | | | | | | |
| Cost | 37,281 | - | - | 30,172 | 118,040 | 15,018 | 493,865 | - | 694,376 |
| Valuation | - | 282,543 | 3,213,546 | 178,802 | 115,510 | - | - | 144,610 | 3,935,011 |
| Accumulated depreciation | - | - | (1,451,894) | (69,199) | (37,208) | (7,284) | (307,422) | (53,905) | (1,926,912) |
| **Net book amount** | 37,281 | 282,543 | 1,761,652 | 139,775 | 196,342 | 7,734 | 186,443 | 90,705 | 2,702,475 |
| **Year ended 31 December 2018** | | | | | | | | | |
| Opening net book amount | 37,281 | 282,543 | 1,761,652 | 139,775 | 196,342 | 7,734 | 186,443 | 90,705 | 2,702,475 |
| Additions | 102,459 | 1,907 | 8,717 | - | - | 413 | 34,636 | 858 | 148,990 |
| Disposals | (8,656) | - | (1,501) | - | - | - | (3,003) | (199) | (13,359) |
| Revaluation increment / (decrements) | - | 2,952 | 40,325 | 3,647 | 2,248 | - | - | 7,061 | 56,233 |
| Transfers | (23,076) | 3,861 | 6,770 | 374 | - | 5,737 | 6,334 | - | - |
| Depreciation charge | - | - | (109,013) | (3,214) | (7,742) | (1,962) | (40,808) | (2,528) | (165,267) |
| **Closing net book amount** | 108,008 | 291,263 | 1,706,950 | 140,582 | 190,848 | 11,922 | 183,602 | 95,897 | 2,729,072 |
| **At 31 December 2018** | | | | | | | | | |
| Cost | 108,008 | - | - | 30,546 | 118,040 | 21,168 | 504,610 | - | 782,372 |
| Valuation | - | 291,263 | 3,268,197 | 184,853 | 118,180 | - | - | 160,630 | 4,023,123 |
| Accumulated depreciation | - | - | (1,561,247) | (74,817) | (45,372) | (9,246) | (321,008) | (64,733) | (2,076,423) |
| **Closing net book amount** | 108,008 | 291,263 | 1,706,950 | 140,582 | 190,848 | 11,922 | 183,602 | 95,897 | 2,729,072 |

## 16 Intangible assets

| | Parent | | | | |
|---|---|---|---|---|---|
| | Digital library collection | Intellectual property | Software WIP | Software internally generated | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **At 1 January 2017** | | | | | |
| Cost | 36,746 | - | 6,982 | 25,201 | 68,929 |
| Valuation | - | 1,518 | - | - | 1,518 |
| Accumulated amortisation | (14,697) | (968) | - | (24,666) | (40,331) |
| **Net book amount** | 22,049 | 550 | 6,982 | 535 | 30,116 |
| **Year ended 31 December 2017** | | | | | |
| Opening net book amount | 22,049 | 550 | 6,982 | 535 | 30,116 |
| Additions | 2,954 | 55 | 1,792 | - | 4,801 |
| Disposals | (8,554) | (2) | - | - | (8,556) |
| Transfers | - | - | (7,797) | 7,797 | - |
| Amortisation charge | (3,287) | (83) | - | (313) | (3,683) |
| Revaluation decrements | (434) | (12) | - | - | (446) |
| **Closing net book amount** | 12,728 | 508 | 977 | 8,019 | 22,232 |
| **At 31 December 2017** | | | | | |
| Cost | 24,563 | - | 977 | 18,782 | 44,322 |
| Valuation | - | 1,526 | - | - | 1,526 |
| Accumulated amortisation | (11,835) | (1,018) | - | (10,763) | (23,616) |
| **Net book amount** | 12,728 | 508 | 977 | 8,019 | 22,232 |
| **Year ended 31 December 2018** | | | | | |
| Opening net book amount | **12,728** | **508** | **977** | **8,019** | **22,232** |
| Additions | **2,924** | **49** | **817** | **-** | **3,790** |
| Disposals | **(57)** | **(4)** | **-** | **-** | **(61)** |
| Amortisation charge | **(1,870)** | **(76)** | **-** | **(1,087)** | **(3,033)** |
| Revaluation increments | **435** | **14** | **-** | **-** | **449** |
| **Closing net book amount** | **14,160** | **491** | **1,794** | **6,932** | **23,377** |
| **At 31 December 2018** | | | | | |
| Cost | **28,224** | **-** | **1,794** | **18,782** | **48,800** |
| Valuation | **-** | **1,602** | **-** | **-** | **1,602** |
| Accumulated depreciation | **(14,064)** | **(1,111)** | **-** | **(11,850)** | **(27,025)** |
| **Net book amount** | **14,160** | **491** | **1,794** | **6,932** | **23,377** |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## 16 Intangible assets (continued)

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | Digital library collection | Intellectual property | Software WIP | Software internally generated | Software purchased | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **At 1 January 2017** | | | | | | |
| Cost | 36,746 | - | 6,982 | 25,201 | 858 | 69,787 |
| Valuation | - | 1,518 | - | - | - | 1,518 |
| Accumulated amortisation | (14,697) | (968) | - | (24,666) | (852) | (41,183) |
| **Net book amount** | 22,049 | 550 | 6,982 | 535 | 6 | 30,122 |
| **Year ended 31 December 2017** | | | | | | |
| Opening net book amount | 22,049 | 550 | 6,982 | 535 | 6 | 30,122 |
| Additions | 2,954 | 55 | 1,792 | - | - | 4,801 |
| Disposals | (8,554) | (2) | - | - | - | (8,556) |
| Transfers | - | - | (7,797) | 7,797 | - | - |
| Amortisation charge | (3,287) | (83) | - | (313) | (4) | (3,687) |
| Revaluation decrements | (434) | (12) | - | - | - | (446) |
| **Closing net book amount** | 12,728 | 508 | 977 | 8,019 | 2 | 22,234 |
| **At 31 December 2017** | | | | | | |
| Cost | 24,563 | - | 977 | 18,782 | 858 | 45,180 |
| Valuation | - | 1,526 | - | - | - | 1,526 |
| Accumulated amortisation | (11,835) | (1,018) | - | (10,763) | (856) | (24,472) |
| **Net book amount** | 12,728 | 508 | 977 | 8,019 | 2 | 22,234 |
| **Year ended 31 December 2018** | | | | | | |
| Opening net book amount | **12,728** | **508** | **977** | **8,019** | **2** | **22,234** |
| Additions | **2,924** | **49** | **817** | **100** | **-** | **3,890** |
| Disposals | **(57)** | **(4)** | **-** | **-** | **-** | **(61)** |
| Transfers | **-** | **-** | **-** | **-** | **-** | **-** |
| Amortisation charge | **(1,870)** | **(76)** | **-** | **(1,087)** | **(2)** | **(3,035)** |
| Revaluation Increments | **435** | **14** | **-** | **-** | **-** | **449** |
| **Closing net book amount** | **14,160** | **491** | **1,794** | **7,032** | **-** | **23,477** |
| **At 31 December 2018** | | | | | | |
| Cost | **28,224** | **-** | **1,794** | **18,882** | **858** | **49,758** |
| Valuation | **-** | **1,602** | **-** | **-** | **-** | **1,602** |
| Accumulated amortisation | **(14,064)** | **(1,111)** | **-** | **(11,850)** | **(858)** | **(27,883)** |
| **Net book amount** | **14,160** | **491** | **1,794** | **7,032** | **-** | **23,477** |

## 17 Trade and other payables

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current** | | | | |
| Trade payables | **25,045** | 28,150 | **23,118** | 26,786 |
| Employee benefits | **26,269** | 23,855 | **26,269** | 23,807 |
| Sundry payables and accrued expenses | **58,325** | 41,327 | **54,282** | 33,604 |
| OS-HELP liability to Australian Government | **3,937** | 4,090 | **3,937** | 4,090 |
| Trade and other payables – controlled entities | **-** | - | **15,673** | 987 |
| Other payables | **5,775** | 4,467 | **3,677** | 3,966 |
| **Total current trade and other payables** | **119,351** | 101,889 | **126,956** | 93,240 |

## 18 Borrowings

| | Note | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | *Note* | $'000 | $'000 | $'000 | $'000 |
| **Current** | | | | | |
| QTC loan | | **3,793** | - | **3,793** | - |
| **Total current borrowings** | | **3,793** | - | **3,793** | - |
| **Non-Current** | | | | | |
| Finance lease liability | 23(b) | **128,418** | 125,926 | **128,418** | 125,926 |
| QTC loan | | **50,473** | 8,835 | **50,473** | 8,835 |
| **Total non-current borrowings** | | **178,891** | 134,761 | **178,891** | 134,761 |
| **Total borrowings** | | **182,684** | 134,761 | **182,684** | 134,761 |

The University has the following long-term debt facilities from the Queensland Treasury Corporation (QTC):

- A $251.0 million loan to fund a student residences project on the St Lucia campus. The total amount drawn down at 31 December 2018 is $11.0 million and the loan is expected to be fully drawn down by the end of 2024.
- A $87.1 million loan to fund a solar farm in Warwick. The total amount drawn down at 31 December 2018 is $43.5 million and the loan is expected to be fully drawn down by the end of 2019.

(a) Reconciliation of liabilities arising from financing activities

| | 2017 | Cash flows | Non-cash changes | 2018 |
|---|---|---|---|---|
| | | | Other | |
| | $'000 | $'000 | $'000 | $'000 |
| Long-term borrowings | 8,835 | **45,431** | **-** | **54,266** |
| Lease liabilities | 125,926 | **(9,508)** | **12,000** | **128,418** |
| **Total liabilities from financing activities** | 134,761 | **35,923** | **12,000** | **182,684** |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

## 19 Provisions

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current provisions expected to be settled within 12 months** | | | | |
| Workers' compensation | **1,053** | 957 | **1,053** | 957 |
| Long service leave | **22,026** | 21,767 | **21,270** | 21,074 |
| Annual leave | **60,897** | 53,171 | **59,032** | 51,532 |
| Other provisions | **50** | 109 | **-** | - |
| **Subtotal** | **84,026** | 76,004 | **81,355** | 73,563 |
| **Current provisions expected to be settled after more than 12 months** | | | | |
| Annual leave | **29,071** | 28,472 | **29,071** | 28,472 |
| Long service leave | **53,880** | 51,395 | **53,880** | 51,395 |
| **Subtotal** | **82,951** | 79,867 | **82,951** | 79,867 |
| **Total current provisions** | **166,977** | 155,871 | **164,306** | 153,430 |
| **Non-current provisions** | | | | |
| Long service leave | **29,902** | 30,486 | **29,234** | 29,733 |
| Workers' compensation | **342** | 298 | **342** | 298 |
| **Total non-current provisions** | **30,244** | 30,784 | **29,576** | 30,031 |
| **Total provisions** | **197,221** | 186,655 | **193,882** | 183,461 |

## 20 Other liabilities

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current** | | | | |
| Revenue received in advance | **84,932** | 66,891 | **81,874** | 64,636 |
| Loan from controlled entity | **-** | - | **299** | 853 |
| Australian government unspent financial assistance | **1,434** | 1,689 | **1,434** | 1,689 |
| Other | **3,991** | 6,789 | **2,517** | 2,914 |
| **Total other liabilities** | **90,357** | 75,369 | **86,124** | 70,092 |

**Revenue received in advance**

The University has funds donated by external parties (including Government) with specific restrictions 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.

# 21 Reserves

## (a) Reserves

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| **Reserves** | | | | |
| Asset revaluation surplus | **1,739,302** | 1,682,622 | **1,739,302** | 1,682,622 |
| Investment revaluation reserve | **19,303** | 16,202 | **19,303** | 16,202 |
| **Total Reserves** | **1,758,605** | 1,698,824 | **1,758,605** | 1,698,824 |

## (b) Movements

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| **Asset revaluation surplus** | | | | |
| Property, plant, equipment and intangible assets revaluation surplus | **1,682,622** | 1,635,989 | **1,682,622** | 1,635,989 |
| Fair value adjustment on revaluation of property, plant, equipment and intangible assets, net of tax | **56,680** | 46,633 | **56,680** | 46,633 |
| | **1,739,302** | 1,682,622 | **1,739,302** | 1,682,622 |
| **Investment revaluation reserve** | | | | |
| Opening balance | **16,202** | 11,027 | **16,202** | 11,027 |
| Retrospective adjustments from AASB 9 | | | | |
| Retained earnings | **(9,050)** | - | **(9,050)** | - |
| Fair value adjustment | **4,461** | - | **4,461** | - |
| Restated opening balance | **11,613** | 11,027 | **11,613** | 11,027 |
| Fair value adjustment on revaluation of financial assets through other comprehensive income | **7,690** | 5,175 | **7,690** | 5,175 |
| | **19,303** | 16,202 | **19,303** | 16,202 |
| **Total reserves** | **1,758,605** | 1,698,824 | **1,758,605** | 1,698,824 |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

## 22 Reconciliation of operating result after income tax to net cash flows from operating activities

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| Operating result for the year | **72,704** | 47,611 | **74,500** | 51,318 |
| Depreciation and amortisation | **168,302** | 163,736 | **167,700** | 163,296 |
| Donations of property, plant and equipment | **(416)** | (793) | **(416)** | (793) |
| Non-cash license fees | **(1,394)** | - | **-** | - |
| Net (gain) / loss on sale of non-current assets | **12,835** | 11,505 | **12,716** | 11,510 |
| Net (gain) / loss on disposal of other financial assets | **(604)** | 202 | **-** | (56) |
| Interest expense on finance leases | **12,000** | 11,764 | **12,000** | 11,763 |
| Bad and doubtful debts written off / (written back) | **818** | 507 | **847** | 644 |
| Equity accounted investment | **(94)** | 658 | **-** | - |
| Unrealised foreign exchange loss / (gain) | **850** | 725 | **851** | 710 |
| Other non-cash interest revenue | **-** | (186) | **-** | (186) |
| Change in fair value of other financial assets | **12,161** | (31,206) | **13,654** | (30,204) |
| Change in operating assets and liabilities: | | | | |
| (Increase) / decrease in receivables | **(9,287)** | 5,776 | **(13,661)** | 6,003 |
| (Increase) / decrease in inventories | **(773)** | 84 | **(685)** | 13 |
| (Increase) / decrease in other assets | **12,597** | (7,850) | **7,484** | (7,824) |
| (Increase) / decrease in tax assets | **-** | 85 | **-** | - |
| Increase / (decrease) in payables | **17,271** | 9,528 | **38,531** | 5,508 |
| Increase / (decrease) in provisions | **10,565** | 1,569 | **10,421** | 1,249 |
| Increase / (decrease) in tax liabilities | **3,766** | 7 | **-** | - |
| Increase / (decrease) in other liabilities | **14,987** | 8,804 | **16,586** | 11,141 |
| Net cash provided by / (used in) operating activities | **326,288** | 222,526 | **340,528** | 224,092 |

## 23 Commitments

### (a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities are:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| Property, plant and equipment | | | | |
| Within one year | **232,666** | 31,455 | **232,666** | 31,455 |
| Later than one year | **104,549** | 3,011 | **104,549** | 3,011 |
| **Total capital commitments** | **337,215** | 34,466 | **337,215** | 34,466 |

In addition, there are commitments of $29.920m within one year, $17.405m between one and five years and $2.042m after five years for minor works expenditure as at 31 December 2018.

### (b) Lease commitments

*(i) Operating Leases*

The Group leases premises under non-cancellable operating leases.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| Within one year | **4,738** | 4,704 | **4,738** | 4,295 |
| Between one year and five years | **19,699** | 19,537 | **19,699** | 18,301 |
| Later than five years | **103,688** | 87,792 | **103,688** | 87,792 |
| **Total future minimum lease payments** | **128,125** | 112,033 | **128,125** | 110,388 |

*(ii) Finance Leases*

In November 2009, the University has entered into a lease for the construction of the Pharmacy Australia Centre of Excellence (PACE) building which expires in November 2049. Under the terms of the lease, the building transfers to the University on termination of the lease.

Commitments in relation to finance leases are payable as follows:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| Within one year | **9,794** | 9,508 | **9,794** | 9,508 |
| Between one year and five years | **42,201** | 40,972 | **42,201** | 40,972 |
| Later than five years | **431,629** | 442,652 | **431,629** | 442,652 |
| **Total future minimum lease payments** | **483,624** | 493,132 | **483,624** | 493,132 |
| Future finance charges | **(355,206)** | (367,206) | **(355,206)** | (367,206) |
| **Recognised as a liability** | **128,418** | 125,926 | **128,418** | 125,926 |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

## 23 Commitments (continued)

### (b) Lease commitments (continued)

The PACE lease is structured so that for the first 22 years interest expense exceeds payments made. For this reason, the lease liability will continue to grow until 2032 and no portion of the liability is disclosed as current.

The weighted average interest rate implicit in the finance leases in 2018 is: 9.52 per cent (2017: 9.52 per cent)

### (c) Other commitments

*University Innovation and Investment Trust (UIIT) No. 4*

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| Within one year | **1,000** | 1,000 | **1,000** | 1,000 |
| Between one year and five years | **4,000** | 4,000 | **4,000** | 4,000 |
| Later than five years | **1,500** | 2,500 | **1,500** | 2,500 |
| Total | **6,500** | 7,500 | **6,500** | 7,500 |

*University Innovation and Investment Trust (UIIT) No. 4*

The University has entered into a funding deed with the UIIT No. 4. Under the deed, the University may be required to meet calls on partly paid units held in the trust. The UIIT No.4 is a venture fund founded by The University of Queensland. It is for the purpose of providing seed funding to further develop promising research outcomes and to assist with the commercialisation of such research outcomes.

As at 31 December 2018, the University held:

10,000,000 partly paid $1 units paid up to $3,500,000, and may be required to meet calls totalling $6,500,000.

The rate of drawdown depends on:

1. Rate of investment in new ventures
2. Rate of liquidation of investments
3. If the unit holder requests that the funds from any liquidated investments be retained in the trust to be offset against future calls, or paid to them immediately.

*Other operating commitments*

In 2013 UQ entered into a licence to occupy a portion of the TRI facility. Under this agreement, UQ is committed to contribute funds to cover the operational costs of the facility over the 30-year licence term. UQ contributed $10.495 million in 2018 (2017: $8.647 million).

## 24 Related parties

### (a) Parent entities

The ultimate parent entity within the Group is The University of Queensland and Controlled Entities.

### (b) Controlled entities

Interests in controlled entities are set out in Note 26.

### (c) Key management personnel

Disclosures relating to directors and specified executives are set out in Note 27.

### (d) Transactions with related parties of The University of Queensland

The following transactions occurred with controlled entities and associates as related parties:

| | Consolidated | Consolidated | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| Revenue | | | | |
| Sale of goods and services | **2,381** | 2,504 | **19,189** | 16,850 |
| Royalty revenue | **-** | - | **10,848** | 8,890 |
| Dividends | **-** | - | **5,518** | 6,224 |
| Interest | **-** | - | **-** | 4 |
| | **2,381** | 2,504 | **35,555** | 31,968 |
| Expenditure | | | | |
| Purchase of goods and services | **7,274** | 5,123 | **16,580** | 11,166 |
| Grants and funding | **6,333** | 6,457 | **13,709** | 11,970 |
| | **13,607** | 11,580 | **30,289** | 23,136 |

### (e) Outstanding balances

For outstanding balances with related parties please refer to the following notes:

- Trade receivables and loans and advances – refer Note 12.
- Trade payables – refer Note 17.
- Payables, loans and advances – refer Note 20.

## 24 Related parties (continued)

### (e) Outstanding balances (continued)

A $2.196 million provision for impairment *(parent only) has been raised in relation to a loan to JK Tech Pty Ltd. Aside from that, no further provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

Trade receivables from controlled entities are unsecured and due for settlement no more than 30 days from the date of recognition.

Trade payables to controlled entities are unsecured and are generally settled on 30-day terms.

### (f) Guarantees

The University of Queensland has provided a guarantee to some of its controlled entities that it will provide funding should a situation arise where the controlled entity is unable to meet its liabilities. How that funding is provided, whether by way of share subscription, gift, loan or by some other means will be determined at such time as it is required to be made available. The controlled entities to whom a guarantee has been provided are JKTech Pty Ltd and UQ Health Care Limited.

### (g) Transactions with related parties of key management personnel

Transactions with entities related to key management personnel occur on terms and conditions which are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related entities on an arm's length basis.

## 25 Contingencies

### (a) Contingent liabilities

*Supplementary Benefit Payments*

The University has a contingent liability which may arise in respect of supplementary pension payments to be made to some retired staff members or their dependants. These retired staff were members of a Staff Superannuation Scheme which was terminated in June 1984. Former members who had been granted supplementary benefits at this date continue to receive these benefits.

*Unimutual*

For the year 1 January 1990 to date, The University of Queensland has been a member of Unimutual, a mutual organisation that provides discretionary risk protection to universities and other educational and research institutions. Under its rules, Unimutual may make a call for a supplementary contribution from members in the event of there being a deficit in any year. A supplementary contribution would only be levied after the application of reinsurance recoveries and investment income for the appropriate year. Supplementary contributions may be levied pro-rata according to the original contribution paid.

*Environmental and Make-Good Obligations*

The University has a number of potential environmental obligations including asbestos remediation and Indooroopilly mine site rehabilitation costs.

Asbestos remediation costs are only identified when action needs to be taken to remove the asbestos. The University maintains a register of known and suspected contamination on University property. At reporting date, no asbestos has been identified as posing an immediate hazard or earmarked for removal as part of the scope of works in a building refurbishment.

## 25 Contingencies (continued)

### (a) Contingent liabilities (continued)

At reporting date, no decision has yet been taken to close the Indooroopilly mine and therefore mine site rehabilitation costs are not known.

*Third Party Liabilities – Consolidated Entity*

Under the University's intellectual property policy, the future realisation of the Group's non-current financial assets for cash will give rise to the obligation to pay one-third of the net proceeds to investors. These liabilities are contingent as they arise only upon future realisation of the underlying investment assets for cash. The realisation of cash proceeds from investment assets is uncertain due to risks associated with development of the technology, the availability of capital from investors and funding from grants, the acceptance of the technology in its target market and the general economic climate. The fair value of the investments in the commercialisation entities has been reduced to reflect the fact that their value to the Group represents only two-thirds of their full value.

### (b) Contingent assets

Third Party Liabilities – Parent Entity

Under the University's intellectual property policy, the future realisation of the non-current financial assets held by controlled entities for cash will give rise to an economic benefit of one-third of the net proceeds to the University as the parent entity. These receivables in the parent entity are contingent as they arise only upon future realisation of the underlying investment assets for cash. The realisation of cash proceeds from investment assets is uncertain due to risks associated with development of the technology, the availability of capital from investors and funding from grants, the acceptance of the technology in its target market and the general economic climate.

No other contingencies of a significant nature exist or are recognised in the accounts.

### (c) Guarantees

The University has provided the following bank guarantees:

i) $5 million to Workcover Queensland as it is self-insured for workers' compensation. The guarantee has no expiration date.

ii) $4 million in respect of a loan facility entered into by International House to construct new facilities.

iii) $11 million in respect of a loan facility entered into by King's College to construct new facilities.

iv) $6.6 million in respect of a loan facility entered into by The Women's College to construct new facilities.

## 26 Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in Note 1(b):

| Name of Entity | Country of Incorporation | Class of Shares | 2018 % | 2017 % |
|---|---|---|---|---|
| **UQ Investment Trust Group** | | | | |
| IMBcom Pty Ltd | **Australia** | **Ordinary** | **100.00** | **100.00** |
| UQ Investment Trust | **Australia** | **Ordinary** | **100.00** | **100.00** |
| Cyclagen Pty Ltd *(Deregistered 6 June 2018)* | **Australia** | **Ordinary** | **-** | **100.00** |
| Kalthera Pty Ltd *(Deregistered 6 June 2018)* | **Australia** | **Ordinary** | **-** | **100.00** |
| IMBcom Asset Management Pty Ltd | **Australia** | **Ordinary** | **100.00** | **100.00** |
| **UQ Holdings Group** | | | | |
| UQ Holdings Pty Ltd | **Australia** | **Ordinary** | **100.00** | **100.00** |
| UQ Health Care Ltd | **Australia** | **Limited by Guarantee** | **-** | **-** |
| UQ College Ltd | **Australia** | **Limited by Guarantee** | **-** | **-** |
| UQ Sport Ltd | **Australia** | **Limited by Guarantee** | **-** | **-** |
| UQH Finance Pty Ltd | **Australia** | **Ordinary** | **100.00** | **100.00** |
| **JKTech Group** | | | | |
| JK Tech Pty Ltd | **Australia** | **Ordinary** | **94.00** | **94.00** |
| JK Africa Mining Solutions Pty Ltd *(Deregistered 27 November 2018)* | **South Africa** | **Ordinary** | **-** | **100.00** |
| SMI-ICE-Chile SpA *(formerly JK South America SpA)* | **Chile** | **Ordinary** | **100.00** | **100.00** |
| **UniQuest and UniQuest Asset Trust Group** | | | | |
| UniQuest Pty Ltd | **Australia** | **Ordinary** | **100.00** | **100.00** |
| Dendright Pty Ltd | **Australia** | **Ordinary** | **100.00** | **100.00** |
| Leximancer Pty Ltd | **Australia** | **Ordinary** | **60.00** | **60.00** |
| Neo Rehab Pty Ltd | **Australia** | **Ordinary** | **100.00** | **100.00** |
| Symbiosis Group Pty Ltd | **Australia** | **Ordinary** | **100.00** | **100.00** |
| UWAT Pty Ltd | **Australia** | **Ordinary** | **100.00** | **100.00** |
| **Other entities** | | | | |
| UQ Jakarta Office Pty Ltd | **Australia** | **Ordinary** | **100.00** | **100.00** |
| UQ Foundation Trust | **Australia** | **Ordinary** | **100.00** | **100.00** |
| IMBcom Asset Trust | **Australia** | **Ordinary** | **100.00** | **100.00** |
| Global Change Institute Pty Ltd | **Australia** | **Ordinary** | **100.00** | **100.00** |
| Warwick OperationsCo Pty Ltd | **Australia** | **Ordinary** | **100.00** | **-** |

## 27 Key management personnel disclosures

### (a) Names of responsible persons and executive officers

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the University during 2018. Further information on these positions can be found in the body of the Annual Report under the section relating to corporate governance.

**Senate members**

Mr Peter Varghese AO
Ms Tonianne Dwyer
Prof Peter Adams
Ms Julianne Alroe
Mr Tim Crommelin
Mr Phil Hennessy AO
Dr Zelle Hodge AM
Mr Jamie Merrick
Mr Grant Murdoch
Dr Sally Pitkin
Ms Cecile Wake
Prof Greg Hainge
Assoc Prof Tony Roberts
Ms Rebecca Hurst
Mr Thomas Mackay
Assoc Prof Douglas Cavaye
Adj Assoc Prof Dimity Dornan AO
Ms Kathy Hirschfield
Ms Anne Cross AM
Ms Michelle Tredenick
Mr Zachary Thomas (until 2 October 2018)

**Executive Officers**

Prof Peter Høj AC
Prof Aidan Byrne
Prof Joanne Wright
Mr Rongyu Li (acting from 12 March – 27 November 2018, appointed 28 November 2018)
Prof Bronwyn Harch (appointed 16 July 2018)
Mr Greg Pringle
Prof Iain Watson (until 22 March 2018)
Prof Robyn Ward (until 29 June 2018)

## 27 Key management personnel disclosures (continued)

### (b) Remuneration of Senate members and executives

The remuneration of Senate members only relates to remuneration for acting in the capacity as a member of Senate. Certain members elect to donate part or all of this remuneration to the University.

| | Parent | |
|---|---|---|
| | **2018** | **2017** |
| **Senate Members** | | |
| Nil to $14,999 | **3** | 21 |
| $15,000 to $29,999 | **14** | - |
| $30,000 to $44,999 | **3** | - |
| $75,000 to $89,999 | **1** | - |

| | Parent | |
|---|---|---|
| | **2018** | **2017** |
| **Executive Officers** | | |
| $15,000 to $29,999 | **1** | - |
| $285,000 to $299,999 | **1** | - |
| $345,000 to $359,999 | **1** | - |
| $465,000 to $479,999 | **1** | - |
| $585,000 to $599,999 | **-** | 1 |
| $630,000 to $644,999 | **-** | 1 |
| $645,000 to $659,999 | **1** | - |
| $720,000 to $734,999 | **1** | - |
| $735,000 to $749,999 | **-** | 1 |
| $750,000 to $764,999 | **-** | 1 |
| $765,000 to $779,999 | **1** | - |
| $915,000 to $929,999 | **-** | 1 |
| $1,155,000 to $1,169,999 | **-** | 1 |
| $1,185,000 to $1,199,999 | **1** | - |

### (c) Total remuneration of Senate members and executives

| | Parent | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| Short-term employee benefits | **3,903** | 3,663 |
| Post-employment benefits | **568** | 568 |
| Other long-term benefits | **(1)** | 69 |
| Performance payments | **548** | 505 |
| | **5,018** | 4,805 |

## 28 Financial risk management

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

### (a) Market risk

*(i) Interest rate risk – cash*

The Group maintains a sufficient level of cash that enables it to meet all reasonably anticipated operating and capital cash flow requirements in the short-to-medium term. The level of cash fluctuates from year-to-year largely due to the timing of major capital works (e.g. new buildings). It is not the intention of the Group to maintain a large, long-term cash balance.

Cash required in the short term (up to six months) is held in a mix of bank accounts and the Queensland Treasury Corporation (QTC) Capital Guaranteed Cash Fund. Cash not required in the short term (beyond six months) is held in fixed interest-rate term deposits with approved banks and financial institutions. These term deposits have a typical duration of between six and 12 months.

The interest revenue 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 revenue to support its operations. In 2018, interest revenue accounted for 0.6 per cent (2017: 0.5 per cent) of total revenue.

As at 31 December 2018, total cash was $433.5 million (2017: $279.14 million) and total interest revenue for the year was $11.5 million (2017: $10.0 million). Based on the average daily cash balance, this equates to a return of 2.5 per cent (2017: 2.5 per cent).

*(ii) Interest rate risk – finance leases*

In 2009, the Group entered into a 40-year finance lease to acquire the Pharmacy Australia Centre of Excellence (PACE) building. Ownership of the building transfers to the Group on completion of the lease in 2049.

There is no risk from movements in interest rates as the repayments are fixed over the full term of the lease. The implicit interest rate is 9.52 per cent (2017: 9.52 per cent).

As at 31 December 2018, the total finance lease liability was $128.4 million (2017: $125.9 million) and the total interest expense for the year was $12.0 million (2017: $11.8 million).

*(iii) Interest rate risk – borrowings*

In 2017, the Group commenced drawdowns on a loan from the Queensland Treasury Corporation (QTC) to fund the construction of student residences on the St Lucia campus. The total approved loan facility is $251.0 million.

As at 31 December 2018, the total drawdowns on the loan were $10.9 million (2017: $8.8 million). Interest is paid at a variable rate. The average rate for the year was 2.1 per cent (2017: 2.0 per cent) and the total interest expense for the year was $0.2 million (2017: $0.1 million). The loan is currently interest only but will revert to a mix of principal and interest when the construction is completed in 2022 and will be fully repaid by 2036.

In 2018, the Group commenced drawdowns on a loan from the Queensland Treasury Corporation (QTC) to fund the construction of a solar farm in Warwick. The total approved loan facility is $87.1 million.

As at 31 December 2018, the total drawdowns on the loan were $43.5 million. Interest is paid at a fixed rate of 3.085 per cent per annum and the total interest expense for the year was $0.2 million. Loan payments, incorporating a mix of principal and interest, will occur on a monthly basis over the next 10 years and the loan will be fully repaid by 2028.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

## 28 Financial risk management (continued)

### (a) Market risk (continued)

*(iv) Equity risk – managed investment portfolio*

The Group maintains two long-term managed investment portfolios that are primarily for endowments received from donors. Some endowments are held in perpetuity while others are held until fully spent. The endowed funds are invested and the earnings distributed to the purposes specified by the donors.

The first investment portfolio is known as the UQ Investment Fund. The second is known as the UQ Socially Responsible Investment Green Fund and is prohibited from investing in the following (1) entities considered to have involvement with tobacco, armaments, gaming and pornography, or (2) entities considered to be ‘excluded companies’ as defined by the FTSE All-World ex Fossil Fuels Index Series Rules.

The portfolios are managed by external fund managers who invest in a mix of cash, fixed interest securities, Australian shares, international shares, property trusts and private equity. The target return is an average of 6.0 per cent plus CPI per annum (inclusive of all fund manager fees) over rolling seven-year periods.

The Group manages the risk of fluctuations in equity prices by instructing the external fund managers to invest in a well-diversified portfolio across a number of industry sectors.

As of 31 December 2018, the total value of the UQ Investment Fund was $224.3 million (2017: $218.0 million). The total return for the year was a loss of 2.1 per cent (2017: gain of 10.4 per cent) and the total return for the past seven years was a gain of 12.2 per cent.

As of 31 December 2018, the total value of the UQ Socially Responsible Investment Green Fund was $3.4 million (2017: $3.7 million). The total return for the year was a loss of 8.1 per cent (2017: gain of 16.6 per cent). There is no long-term return information available as the fund was established in 2016.

*(v) Equity risk – QIC Growth Fund*

The Group maintains a prudent reserve of liquid assets to meet any unanticipated operating and capital expenditure that may arise. These funds are currently invested in the Queensland Investment Corporation (QIC) Growth Fund.

The QIC Growth Fund is a well-diversified managed fund that invests in a mix of cash, fixed interest securities, equities, real estate, infrastructure, private equity and other alternatives. The target return is an average of 4.0 per cent plus CPI per annum (inclusive of all fund manager fees) over rolling five-year periods.

The Group made its first investment in the QIC Growth Fund in 2017. As of 31 December 2018, the total value of investment was $254.5 million (2017: $211.6 million). The total return for the year was a loss of 2.9 per cent (2017: gain of 5.9 per cent).

*(vi) Equity risk – commercialisation investments*

The Group holds investments in entities (both listed and unlisted) in commercialisation entities. In most cases, the University 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 University’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 2018, the total value of commercialisation investments was $11.9 million (2017: $9.6 million).

## 28 Financial risk management (continued)

### (a) Market risk (continued)

*(vii) Currency risk*

The large majority of the Group's transactions are denominated in Australian dollars (AUD). In 2018, less than 10 per cent of all revenue and less than 10 per cent of all expenditure was invoiced in a foreign currency. Of these transactions, the most frequent currencies used were the US dollar, the European euro and the Great Britain pound. This equates to a minor level of currency risk.

The most significant currency risk relates to demand for services. In 2018, total course fees and charges revenue from overseas students was $572.7 million (2017: $471.3 million) with 75 per cent of these students coming from six countries – China, Singapore, Malaysia, the United States, Hong Kong and India. While most of these fees are invoiced in AUD, a significant appreciation of the AUD relative to the currencies of these countries could see a reduction in demand for the Group's services.

### (b) Credit risk

*(i) Credit risk – cash*

Credit risk from cash balances held with banks and financial institutions is managed in accordance with a Senate-approved investment policy.

Cash held in the QTC Capital Guaranteed Cash Fund is guaranteed by the State Government of Queensland under section 32 of the *Queensland Treasury Corporation Act 1988*.

Cash held in term deposits is spread across a number of financial institutions to help reduce credit risk. The limits per institution are determined based on the ratings issued by Standard & Poor's.

There is also exposure to credit risk when the Group provides a guarantee to an external party. Details of contingent liabilities are disclosed in Note 25.

*(ii) Credit risk – trade and other receivables*

Prior to providing any goods or services that will result in a material debt by a potential customer to the Group, a credit check on the customer is performed to ensure that the likelihood of a default is minimised. Credit terms are generally up to 30 days from the date of invoice.

In the case of tuition fees paid by individual students, those who have not fully paid by the census date are automatically unenrolled from the course.

As at 31 December 2018, total trade and other receivables was $83.6 million (2017: $82.1 million). The single largest debtor was $3.1 million (2017: $7.5 million).

The total impairment of receivables (inclusive of receivables written off and the movement in the provision for impairment) for the year was $0.8 million (2017: $0.5 million). This is very low when compared against total revenue.

## 28 Financial risk management (continued)

### (c) Liquidity risk

Liquidity risk is managed in accordance with a Senate-approved investment policy.

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

The investment in the QIC Growth Fund can also be converted to cash at short notice. Further, the Group has access to a $60 million working capital facility from the Queensland Treasury Corporation. This facility was unused at 31 December 2018.

## 29 Fair value measurements

### (a) Fair value measurements

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

Due to the short-term nature of the current receivables and trade and other payables their carrying value is assumed to approximate their fair value and based on credit history it is expected that the receivables that are neither past due nor impaired will be received when due.

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

| | Consolidated | | Consolidated | |
|---|---|---|---|---|
| | **2018** | **2018** | **2017** | **2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| **Financial assets** | | | | |
| Cash and cash equivalents | **183,456** | **183,456** | 124,056 | 124,056 |
| Trade and other receivables | **83,556** | **83,556** | 82,390 | 82,390 |
| Other financial assets at fair value through profit and loss | **494,356** | **494,356** | 443,013 | 443,013 |
| Investments in equity instruments designated at fair value through other comprehensive income | **39,066** | **39,066** | - | - |
| Other financial assets at amortised cost | **250,000** | **250,000** | - | - |
| Other financial assets available for sale | **-** | **-** | 25,838 | 25,838 |
| Other financial assets held-to-maturity | **-** | **-** | 155,000 | 155,000 |
| **Total financial assets recognised at fair value** | **1,050,434** | **1,050,434** | 830,297 | 830,297 |
| **Financial liabilities** | | | | |
| Trade and other payables | **119,351** | **119,351** | 101,889 | 101,889 |
| Borrowings | **182,684** | **182,684** | 134,761 | 134,761 |
| **Total financial liabilities recognised at fair value** | **302,035** | **302,035** | 236,650 | 236,650 |

## 29 Fair value measurements (continued)

### (a) Fair value measurements (continued)

The Group has also measured the following non-financial assets at fair value at the end of each reporting year:

- Land
- Buildings
- Infrastructure and land improvements
- Leased assets
- Heritage and cultural assets.

### (b) Fair value hierarchy

The Group categorises assets and liabilities measured at fair value into the following hierarchy based on the level of inputs used in measurement:

- 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.

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

(i) *Recognised fair value measurements*

Fair value measurements recognised in the statement of financial position are categorised into the following levels at 31 December 2017 and 31 December 2018.

| **Consolidated** | *Notes* | **2018 $'000** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** |
|---|---|---|---|---|---|
| **Recurring fair value measurements** | | | | | |
| **Financial assets** | | | | | |
| Other financial assets at fair value through profit and loss | 13 | **494,356** | **228,909** | **263,112** | **2,335** |
| Investments in equity instruments designated at fair value through other comprehensive income | 13 | **39,066** | **-** | **-** | **39,066** |
| Other financial assets at amortised cost | 13 | **250,000** | **250,000** | **-** | **-** |
| Total financial assets | | **783,422** | **478,909** | **263,112** | **41,401** |
| **Non-financial assets** | | | | | |
| Property, plant and equipment | 15 | **2,331,108** | **-** | **76,833** | **2,254,275** |
| **Total non-financial assets** | | **2,331,108** | **-** | **76,833** | **2,254,275** |

## 29 Fair value measurements (continued)

### (b) Fair value hierarchy (continued)

| | Notes | 2017<br>$'000 | Level 1<br>$'000 | Level 2<br>$'000 | Level 3<br>$'000 |
|---|---|---|---|---|---|
| **Recurring fair value measurements** | | | | | |
| **Financial assets** | | | | | |
| Other financial assets at fair value through profit and loss | 13 | 443,013 | 222,182 | 218,086 | 2,745 |
| Other financial assets available for sale | 13 | 25,838 | - | - | 25,838 |
| Other financial assets held-to-maturity | 13 | 155,000 | 155,000 | - | - |
| Total financial assets | | 623,851 | 377,182 | 218,086 | 28,583 |
| **Non-financial assets** | | | | | |
| Property, plant and equipment | 15 | 2,372,653 | - | 65,491 | 2,307,162 |
| **Total non-financial assets** | | 2,372,653 | - | 65,491 | 2,307,162 |

### (c) Fair value – property, plant and equipment

**Land (levels 2 and 3)**

All residential zoned land has been categorised as level 2. The fair value of this land has been determined based on sales of comparably zoned land together with discussions with selling agents and third-party sources. Regard was given to such factors as the location, redevelopment potential, size, access to water, farming potential, zoning and Council classification of the sales evidence.

The remaining land has been categorised as level 3 given the specialised nature and restricted use of the land. The fair value of this land has been assessed having regard to such factors as the location, size and AssetVal's knowledge.

**Buildings (levels 2 and 3)**

The Group has buildings that are primarily residential properties. These have been categorised as level 2 and have been valued using the direct comparison approach. This is based on sales of similar residential properties having regard to the standard of improvements, building size, accommodation provided, number of dwelling units and market conditions at the time of sale.

The remaining buildings have been categorised as level 3 given the specialised nature and use of the education related buildings, together with limited comparable sales on a ‘going concern’ basis. The Group has used a depreciated replacement cost methodology to determine fair value for such buildings. The assessed replacement cost for the buildings is replacement with a new, modern equivalent asset. The replacement costs have been assessed having regard to Rawlinson’s *Australian Construction Handbook 2018*, actual costs for construction projects undertaken by the Group and AssetVal's knowledge and exposure to construction projects and building costs.

**Infrastructure and land improvements (level 3)**

Infrastructure and land improvements have been categorised as level 3 given the nature and use of the infrastructure and land improvements, together with limited comparable sales on a ‘going concern’ basis. The Group has used a depreciated replacement cost methodology to determine fair value for its infrastructure and land improvements. The assessed replacement cost for the infrastructure and land improvements is replacement with a new, modern equivalent asset. The replacement costs have been assessed having regard to Rawlinson’s *Australian Construction Handbook 2018*, actual costs for construction projects undertaken by the Group and AssetVal's knowledge and exposure to construction projects and building costs.

## 29 Fair value measurements (continued)

### (c) Fair value – property, plant and equipment (continued)

**Leased assets (level 3)**

Property, plant and equipment acquired by way of a finance lease is valued using the same methodology above that applies to assets fully owned by the Group (e.g. leased buildings are valued the same way as fully owned buildings).

**Heritage and cultural assets (level 3)**

The reference collection has been categorised as level 3. The fair value has been determined based on the average cost of a publication.

The heritage collection has been categorised as level 3 given the nature and use of rare materials and manuscripts. The Group has used replacement cost methodology to determine the fair value of the heritage collection. Regard was given to auction and catalogue prices for rare books, periodicals and manuscripts material as well as the annual increase in the consumer price index.

The museum collection has been categorised as level 3. The Group has used replacement cost methodology to determine the fair value of the museum collection. In determining fair value, consideration was given to market prices.

### (d) Fair value – other financial assets

**Term deposits, shares in listed entities and managed investment portfolio (levels 1 and 3)**

Term deposits, shares in listed entities and the managed investment portfolio 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.

However, where the quoted market prices do not constitute an active market owing to the asset being thinly traded, an appropriate adjustment is made to the quoted price and the asset is categorised as level 3.

**Shares in unlisted entities and convertible notes (levels 2 and 3)**

The Group 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## 29 Fair value measurements (continued)

### (d) Fair value – other financial assets (continued)

The following table is a reconciliation of level 3 items for the years ended 31 December 2018 and 2017.

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| Opening balance | **28,583** | 26,936 |
| Acquisitions | **1,077** | 837 |
| Transfers from level 2 | **-** | 259 |
| Transfers out of level 3 | **-** | (443) |
| Fair value gains / (losses) | **11,741** | 4,648 |
| Sales | **-** | (3,654) |
| Closing balance | **41,401** | 28,583 |

### (e) Fair value – other assets held at fair value

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their 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 current borrowings approximates the carrying amount, as the impact of discounting is not significant.

Land, buildings, infrastructure and land improvements classified as held for sale during the reporting period were measured at the lower of their carrying amount and fair value less costs to sell at the time of the reclassification.

# 30 Acquittal of Australian Government Financial Assistance

## (a) Education – CGS and Other Education Grants

| | | Commonwealth Grants Scheme#1 | | Access and Participation Fund | | National Priorities Pool | | Promotion of excellence in Learning and Teaching | | Higher Education Participation Program | | Higher Education Partnership Project Funding | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| **Parent Entity (University) Only** | *Note* | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Financial assistance received in cash during the reporting period (total cash received from Australian Government for the program) | | **301,904** | 308,381 | **3,178** | 3,338 | **83** | 48 | **-** | 105 | **-** | - | **-** | - |
| Net accrual adjustments | | **(107)** | 97 | **-** | (843) | **-** | - | **-** | - | **-** | - | **-** | - |
| Revenue for the period | 2(a) | **301,797** | 308,478 | **3,178** | 2,495 | **83** | 48 | **-** | 105 | **-** | - | **-** | - |
| Surplus / (deficit) from the previous year | | **-** | - | **-** | 806 | **44** | 90 | **353** | 615 | **-** | - | **-** | - |
| Total revenue including accrued revenue | | **301,797** | 308,478 | **3,178** | 3,301 | **127** | 138 | **353** | 720 | **-** | - | **-** | - |
| Less expenses including accrued expenses | | **(301,797)** | (308,478) | **(3,178)** | (3,301) | **(127)** | (94) | **(145)** | (367) | **-** | - | **-** | - |
| Surplus / (deficit) for the reporting period | | **-** | - | **-** | - | **-** | 44 | **208** | 353 | **-** | - | **-** | - |

| | | Disability Performance Funding #2 | | Improving the Quality of Maths and Science Teaching Programs | | Indigenous Student Success Program #3 | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| **Parent Entity (University) Only** | *Note* | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Financial assistance received in cash during the reporting period (total cash received from Australian Government for the program) | | **155** | 142 | **-** | - | **2,092** | 1,924 | **307,412** | 313,938 |
| Net accrual adjustments | | **-** | - | **-** | - | **-** | - | **(107)** | (746) |
| Revenue for the period | 2(a) | **155** | 142 | **-** | - | **2,092** | 1,924 | **307,305** | 313,192 |
| Surplus / (deficit) from the previous year | | **-** | - | **-** | 63 | **-** | - | **397** | 1,574 |
| Total revenue including accrued revenue | | **155** | 142 | **-** | 63 | **2,092** | 1,924 | **307,702** | 314,766 |
| Less expenses including accrued expenses | | **(155)** | (142) | **-** | (63) | **(2,092)** | (1,924) | **(307,494)** | (314,369) |
| Surplus / (deficit) for the reporting period | | **-** | - | **-** | - | **-** | - | **208** | 397 |

#1 Includes basic CGS grant amount, CGS – Regional Loading, CGS – Enabling Loading, CGS – Medical Student Loading, Allocated Places and Non Designated Courses.

#2 Disability Performance Funding includes Additional Support for Students with Disabilities and Australian Disability Clearinghouse on Education and Training.

#3 Indigenous Student Success Program has replaced the Indigenous Commonwealth Scholarships Program and the Indigenous Support Program as of 1 January 2017.

## 30 Acquittal of Australian Government Financial Assistance (continued)

### (b) Higher education loan programs (excluding OS-HELP)

| | | HECS-HELP (Australian Government payments only) | | FEE-HELP #4 | | VET FEE-HELP | | SA-HELP | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| **Parent Entity (University) Only** | *Note* | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Cash Payable / (Receivable) at the beginning of the year | | **681** | 853 | **1,009** | 1,910 | **-** | 22 | **-** | - | **1,690** | 2,785 |
| Financial assistance received in cash during the reporting period | | **187,514** | 187,323 | **29,426** | 28,510 | **74** | 59 | **5,202** | 5,077 | **222,216** | 220,969 |
| Cash available for the period | | **188,195** | 188,176 | **30,435** | 30,420 | **74** | 81 | **5,202** | 5,077 | **223,906** | 223,754 |
| Revenue earned | 2(b) | **(187,673)** | (187,495) | **(29,522)** | (29,411) | **(74)** | (81) | **(5,202)** | (5,077) | **(222,471)** | (222,064) |
| Cash Payable / (Receivable) at the end of the year | | **522** | 681 | **913** | 1,009 | **-** | - | **-** | - | **1,435** | 1,690 |

#4 Program is in respect of FEE-HELP for Higher Education only and excludes funds received in respect of VET FEE-HELP

# 30 Acquittal of Australian Government Financial Assistance (continued)

## (c) Department of Education and Training Research #5

| | | Research Training Program #6 | | Research Support Program #7 | | Total | |
|---|---|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| **Parent Entity (University) Only** | *Note* | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Financial assistance received in cash during the reporting period (total cash received from Australian Government for the program) | | **96,434** | 94,609 | **90,579** | 89,916 | **187,013** | 184,525 |
| Net accrual adjustments | | **73** | - | **180** | - | **253** | - |
| Revenue for the period | 2(c) | **96,507** | 94,609 | **90,759** | 89,916 | **187,266** | 184,525 |
| Surplus / (deficit) from the previous year | | **8,735** | 16,086 | **-** | 1,728 | **8,735** | 17,814 |
| Total revenue including accrued revenue | | **105,242** | 110,695 | **90,759** | 91,644 | **196,001** | 202,339 |
| Less expenses including accrued expenses | | **(98,467)** | (101,960) | **(90,759)** | (91,644) | **(189,226)** | (193,604) |
| Surplus / (deficit) for the reporting period | | **6,775** | 8,735 | **-** | - | **6,775** | 8,735 |

#5 The reported surplus for Research Training Program of $8.7million for 2017 has rolled over for future use by the University.

#6 Research Training Program has replaced Australian Postgraduate Awards, International Postgraduate Research Scholarships and Research Training Scheme in 2017.

#7 Research Support Program has replaced Joint Research Engagement, JRE Engineering Cadetships, Research Block Grants and Sustainable Research Excellence in Universities in 2017.

## Total Higher Education Provider Research Training Program expenditure

| | Total domestic students | Total overseas students |
|---|---|---|
| | $'000 | $'000 |
| Research Training Program Fees offsets | 72,183 | - |
| Research Training Program Stipends | 26,284 | - |
| Research Training Program Allowances | - | - |
| **Total for all types of support** | 98,467 | - |

## 30 Acquittal of Australian Government Financial Assistance (continued)

### (d) Other Capital Funding

| | | Linkage Infrastructure, Equipment and Facilities Grant | | Total | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| **Parent Entity (University) Only** | *Note* | **$'000** | **$'000** | **$'000** | **$'000** |
| Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program) | | **3,459** | 1,950 | **3,459** | 1,950 |
| Revenue for the period | 2(d) | **3,459** | 1,950 | **3,459** | 1,950 |
| Surplus / (deficit) from the previous year | | **320** | 800 | **320** | 800 |
| Total revenue including accrued revenue | | **3,779** | 2,750 | **3,779** | 2,750 |
| Less expenses including accrued expenses | | **(470)** | (2,430) | **(470)** | (2,430) |
| Surplus / (deficit) for reporting period | | **3,309** | 320 | **3,309** | 320 |

## 30 Acquittal of Australian Government Financial Assistance (continued)

### (e) Australian Research Council Grants

| | | Discovery | | Linkages | | Networks and Centres | | Special Research Initiatives | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| **Parent Entity (University) Only** | *Note* | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program) | | **44,805** | 47,805 | **8,876** | 9,337 | **11,342** | 16,929 | **1,265** | - | **66,288** | 74,071 |
| Revenue for the period | 2(e) | **44,805** | 47,805 | **8,876** | 9,337 | **11,342** | 16,929 | **1,265** | - | **66,288** | 74,071 |
| Surplus / (deficit) from the previous year | | **29,910** | 34,121 | **8,482** | 9,259 | **10,035** | 4,769 | **419** | 3,039 | **48,846** | 51,188 |
| Total revenue including accrued revenue | | **74,715** | 81,926 | **17,358** | 18,596 | **21,377** | 21,698 | **1,684** | 3,039 | **115,134** | 125,259 |
| Less expenses including accrued expenses | | **(46,523)** | (52,016) | **(9,213)** | (10,114) | **(10,214)** | (11,663) | **(418)** | (2,620) | **(66,368)** | (76,413) |
| Surplus / (deficit) for reporting period | | **28,192** | 29,910 | **8,145** | 8,482 | **11,163** | 10,035 | **1,266** | 419 | **48,766** | 48,846 |

## 30 Acquittal of Australian Government Financial Assistance (continued)

### (f) OS-HELP

| | 2018 | 2017 |
|---|---|---|
| **Parent Entity (University) Only** | **$'000** | **$'000** |
| Cash received during the reporting period | **5,103** | 5,084 |
| Cash spent during the reporting period | **(5,256)** | (4,961) |
| Net cash received | **(153)** | 123 |
| Cash surplus / (deficit) from the previous period | **4,090** | 3,967 |
| Cash surplus / (deficit) for the reporting period | **3,937** | 4,090 |

### (g) Student Services and Amenities Fee

| | | 2018 | 2017 |
|---|---|---|---|
| **Parent Entity (University) Only** | *Notes* | **$'000** | **$'000** |
| Unspent / (overspent) revenue from previous period | | **10,430** | 9,547 |
| SA-HELP revenue earned | 2(b) | **5,202** | 5,077 |
| Student services fees direct from students | 4 | **8,032** | 7,400 |
| Total revenue expendable in period | | **23,664** | 22,024 |
| Student services expenses during period | | **(12,761)** | (11,594) |
| Unspent / (overspent) student services revenue | | **10,903** | 10,430 |

# **MANAGEMENT** CERTIFICATE

We have prepared the foregoing annual financial statements pursuant to the provisions of the *Financial Accountability Act 2009,* the *Financial Management and Performance Standard 2009* and other prescribed requirements and certify that -

(a) The financial statements and consolidated financial statements are in agreement with the accounts and records of The University of Queensland and its controlled entities;

(b) In our opinion:

(i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects;

(ii) the financial statements have been drawn up so as to present a true and fair view of the transactions of The University of Queensland and controlled entities for the period 1 January 2018 to 31 December 2018 and the financial position as at 31 December 2018 in accordance with prescribed accounting standards and conform with the *Financial Statement Guidelines for Australian Higher Education Providers for the 2018 Reporting Period* issued by the Australian Government Department of Education and Training;

(iii) at the time of the certificate there are reasonable grounds to believe that The University of Queensland will be able to pay its debts as and when they fall due;

(iv) the amount of Australian Government financial assistance expended during the year was for the purpose(s) for which it was intended;

(v) The University of Queensland has complied with applicable legislation, contracts, agreements and program guidelines in making that expenditure; and

(vi) The University of Queensland charged Student Services and Amenities Fees strictly in accordance with the *Higher Education Support Act 2003* and the Administration Guidelines made under the Act. Revenue from the fee was spent strictly in accordance with the Act and only on services and amenities specified in subsection 19-38(4) of the Act.

Mr Peter Varghese AO
Chancellor
THE UNIVERSITY OF QUEENSLAND
25 February 2019

Professor Peter Høj
Vice-Chancellor & President
THE UNIVERSITY OF QUEENSLAND
25 February 2019

Mr Andrew Betts
Chief Financial Officer
THE UNIVERSITY OF QUEENSLAND
25 February 2019

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# INDEPENDENT AUDITOR'S REPORT

To the Senate of the University of Queensland

## Report on the audit of the financial report

### Opinion

I have audited the accompanying financial report of the University of Queensland (the parent) and its controlled entities (the group).

In my opinion, the financial report:

a) gives a true and fair view of the parent's and group's financial position as at 31 December 2018, and their financial performance and cash flows for the year then ended

b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards.

The financial report comprises the statements of financial position as at 31 December 2018, income statements, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

### Basis for opinion

I conducted my 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 parent and group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's 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 and the *Auditor-General of Queensland Auditing Standards*.

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

### Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Buildings, infrastructure and land improvements valuation ($1,847.532 million)

*Refer Note 15*

| Key audit matter | How my audit procedures addressed this key audit matter |
|---|---|
| Buildings comprising primarily of specialised buildings were material to the University of Queensland at balance date and were measured at fair value using the current replacement cost method. A comprehensive revaluation was undertaken by a valuation specialist in 2015 and desktop valuations were performed by the valuer for 2016, 2017 and 2018 balances,<br>The current replacement cost method comprises:<br>• Gross replacement cost, less<br>• Accumulated depreciation<br>The University derived the gross replacement cost of its buildings in 2015 through using unit prices that required significant judgements for:<br>• identifying the components of buildings with separately identifiable replacement costs<br>• developing a unit rate for each of these components, including:<br>o estimating the current cost for a modern substitute (including locality factors and oncosts), expressed as a rate per unit (e.g. $/square metre)<br>o identifying whether the existing building contains obsolescence or less utility compared to the modern substitute, and if so estimating the adjustment to the unit rate required to reflect this difference.<br>The measurement of accumulated depreciation involved significant judgements for forecasting the remaining useful lives of building components.<br>Interim desktop valuations involve significant judgement in relation to application of appropriate indices to previous comprehensive valuations in determining the fair value of the buildings at the interim valuation date.<br>The significant judgements required for gross replacement cost and useful lives are also significant for calculating annual depreciation expense. | My audit procedures included, but were not limited to:<br>In the prior years:<br>• Assessing the adequacy of management's review of the valuation process<br>• Obtaining an understanding of the methodology used and assessing its design, integrity and appropriateness using common industry practices<br>• Assessing the competence, capability and objectivity of the valuation specialist<br>• On a sample basis, evaluating the relevance, completeness, and accuracy of source data used to derive unit costs including:<br>o Modern substitute<br>o Adjustment for excess quality or obsolescence.<br>In the current year:<br>• Evaluating the reasonableness of the indices used against other publicly available information about movements in values for replacement costs of similar assets.<br>• Assessing the competence, capability and objectivity of the valuation specialist<br>• Engaged our valuation experts to assist in evaluating the reasonableness of the valuation indices and methodologies<br>• Evaluating their relevance and appropriateness to changes in Building Price Index inputs and other publicly available information.<br>• Assessing the ongoing reasonableness of the buildings useful lives by –<br>o Reviewing management's annual assessment of useful lives.<br>o Assessing the appropriateness of useful lives where assets were disposed of prior to the end of their useful life.<br>• Reviewing assets with an inconsistent relationship between the University's future Capital plan and remaining life.<br>• Performing reasonableness tests to confirm depreciation is calculated in accordance with the University's accounting policies and industry standards. |

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Land valuations ($291.262million)

*Refer Note 15*

| Key audit matter | How my audit procedures addressed this key audit matter |
|---|---|
| The University's Land was measured at fair value using the market approach which involves physical inspection and reference to publicly available data on recent sales of similar land in nearby localities taking into account the restrictions on the land use.<br>The land was comprehensively revalued in 2015 and desktop valuations were undertaken in 2016, 2017 and 2018 by a valuation specialist.<br>Significant judgement was used in arriving at suitable discount rates for the restrictions on university land.<br>The fair value of land was derived by comparing the market value of similar restricted use land, and applying judgement in assessing the fair value of the restricted use land assets of the University.<br>Interim valuations require judgement in the assessment of relevant indices and the application thereof to the comprehensive valuations performed, taking into account the restricted use of the land assets. | My procedures for the valuation of Land included, but were not limited to:<br>In the prior years:<br>• Assessing the competence, capability and objectivity of the experts used to develop the models.<br>• Obtaining an understanding of the methodology used with reference to common industry practices.<br>• For a sample of land parcels, evaluating the reasonableness of any adjustments applied due to the restrictions on use.<br>For the period subsequent to this revaluation:<br>• Assessing the competence, capability and objectivity of the valuation specialist<br>• Engaged our valuation experts to assist in evaluating the reasonableness of the valuation indices and methodologies<br>• Evaluating the reasonableness of the index used against other publicly available information about movements in values for unrestricted land that is otherwise similar.<br>• On a sample basis, testing the accuracy of the application of indices to the valuation of land assets. |

## Other information

Other information comprises the information included in the group's annual report for the year ended 31 December 2018 but does not include the financial report and my auditor's report thereon.

The Senate is responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

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## Responsibilities of the Entity for the Financial Report

The Senate is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards, and for such internal control as the Senate determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Senate is also responsible for assessing the parent's and group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the parent or group or to otherwise cease operations.

## 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 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 expressing an opinion on the effectiveness of the parent's and group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.
- Conclude on the appropriateness of the parent's and group'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 parent's or group'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. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the parent or group 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.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

I communicate with the Senate 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.

From the matters communicated with the Senate, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 31 December 2018:

a) I received all the information and explanations I required.

b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

MReardon

Michelle Reardon
as delegate of the Auditor-General
28 February 2019

Queensland Audit Office
Brisbane

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*As at 31 December 2018*

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