

Summary of

Financial information

As per the financial statements, the University recorded a consolidated surplus of \$341.9 million in 2021. This compares to a consolidated surplus of \$108.7 million in 2020.

The significant difference when comparing the 2 years (an increase of \$233.2 million) is largely due to the 2021 result including:

- one-off Commonwealth Government Research Support Program grant revenue of \$82.9 million forecast for expenditure in 2022
- additional investment revenue of \$101.9 million due to more funds being invested and increased returns relative to the prior year
- additional endowed donation revenue of \$15.2 million relative to the prior year.

While the financial statements reflect a true and fair view of the financial position of the University and its consolidated entities in accordance with the applicable accounting standards, the more informative financial result is the 'underlying consolidated EBITDA' (earnings before interest, tax, depreciation and amortisation).

The underlying consolidated EBITDA represents the total annual funding available for major capital and infrastructure projects, operational plant and equipment, debt servicing, and a contribution to the UQ Future Fund.

A breakdown of the items adjusted for as part of the underlying consolidated EBITDA is contained in the *Reconciliation of Operating Result to Underlying EBITDA* table above right.

Reconciliation of operating result (Income Statement In Published Financials) to underlying EBITDA			
	Consolidated 2020 \$'000	Consolidated 2021 \$'000	Variance \$'000
Net operating result as per University's published financial statements ¹	108,735	341,941	233,206
Income tied to major capital projects ²	(33)	-	33
Movement in unspent Research Support Program grant revenue ³	-	(82,874)	(82,874)
Fair value gain on TRI Investment	643	(329)	(972)
Endowed donations to be held in perpetuity ⁴	(12,274)	(27,530)	(15,256)
Unspent investment portfolio losses/(gains) ⁴	(35,743)	(76,323)	(40,580)
UNDERLYING OPERATING RESULT	61,328	154,885	93,557
Depreciation and amortisation expense	165,493	169,125	3,632
Loss/(gain) on disposal of property, plant and equipment	8,975	17,018	8,043
Donated assets	(128)	(545)	(417)
Interest revenue (excluding interest tied to external funding)	(4,717)	(2,165)	2,552
Interest expense	15,881	16,930	1,049
Income tax expense	28	(6)	(34)
UNDERLYING EBITDA	246,860	355,242	108,382

¹ This is the net operating result of the consolidated entity as per the University's statutory financial statements.

² This category represents funding provided by governments and other sources for specific major capital projects. This funding is not available for the general operating expenditure of the University.

³ In 2021, the University received an additional one-off \$99.5m in Research Support Program grant revenue. In accordance with Australian Accounting Standards, this is recognised as revenue in full as received (as opposed to when it is expended). Of this amount, \$16.6m was expended in 2021 with the remainder to be spent in 2022. The movement in the unexpended portion of this grant revenue has therefore been excluded from the underlying operating surplus.

⁴ The majority of funds invested in the long-term managed investment portfolio are restricted funds set aside for endowed donations and bequests earmarked for purposes specified by the giver. Such donations are not available for the general operating expenditure of the University nor is the unspent increase/decrease in the fair value of the portfolio related to these endowments and bequests.

University finances

Underlying consolidated EBITDA

The underlying consolidated EBITDA was a surplus of \$355.2 million in 2021. This compares to a surplus of \$246.9 million in 2020.

Underlying consolidated revenue (excluding investment revenue)

The University's underlying consolidated revenue (excluding investment revenue) increased by \$53.8 million (or 2.6 per cent). This can be attributed to:

- An increase in the combined funding through the Commonwealth Grant Scheme (CGS), the Higher Education Loan Program (HELP), and HELP student contributions of \$13.9 million (or 2.7 per cent). The number of Commonwealth-funded students rose by 0.7 per cent from 25,253 EFTSL in 2020 to 25,433 in 2021.
- An increase in course fees and charges of \$0.9 million (or 0.1 per cent). The number of full-fee paying domestic and international students rose by 6.4 per cent from 17,441 EFTSL in 2020 to 18,556 EFTSL in 2021. However, growth in this revenue stream was minimal due to a higher percentage of students receiving a 12.5 per cent rebate provided to those studying offshore (the result of COVID-19-related travel restrictions).
- An increase in research block grant funding of \$21.4 million (or 11.7 per cent). The increase is largely due to an additional \$16.6 million in expenditure related to one-off Research Support Program grant revenue received in 2021. The remainder of this one-off grant, totalling \$82.9 million, will be recognised as part of underlying revenue when expended in 2022.
- An increase in tied research, scholarship and other major project revenue of \$11.3 million (or 2.6 per cent). As the result does not recognise such revenue until expended, this rise is due to a related increase in expenditure.
- A decrease in scholarship and donation revenue (excluding endowments) of

\$12.3 million (or 27.5 per cent). This was largely due to additional COVID-19-related research donations received in 2020.

- A decrease in State Government financial assistance due to a one-off payroll tax refund of \$9.5 million received in 2020.
- An increase in royalty and licence fee revenue of \$5.0 million (or 15.9 per cent) due to a rise in Gardasil royalties during the year.
- An increase in the remaining revenue categories of \$23.1 million (or 14.3 per cent). Other revenue dropped in 2020 but with fewer COVID-19-related restrictions in 2021, revenue increased in areas including consultancy fees, contract work, parking fees, gym and sport fees, student accommodation, and Customs House dining.

Underlying consolidated investment revenue

The University's underlying consolidated investment revenue was \$141.2 million in 2021 as compared to \$76.0 million in 2020. This represents an increase of \$65.2 million (or 85.9 per cent) and can be attributed to:

- An increase in the unrealised returns on the long-term investment portfolio (excluding unspent endowment earnings) of \$71.3 million. The annual return of the UQ Investment Fund was 23.74 per cent in 2021 compared to 15.80 per cent in 2020.
- An increase in the unrealised returns on the medium-term investment portfolio of \$15.2 million. The annual return was 11.69 per cent in 2021 compared to 1.78 per cent in 2020.
- A decrease in the returns on investments in commercialisation entities of \$27.9 million. The 2020 result included a significant one-off sale.
- An increase in remaining investment revenue of \$6.6 million. This is due to an increase in the unrealised fair value of other strategic investments.

Underlying expenditure

The University's underlying consolidated expenditure increased by \$10.7m (or 0.6 per cent). This can be attributed to:

- A decrease in employee expenses of \$25.8 million (or 2.1 per cent). This was largely driven by the following movements within the parent entity:
 - a 1.2 per cent decline in the average number of full-time equivalent (FTE) permanent staff
 - a 4.7 per cent rise in the average number of FTE casual staff
 - salary rate increases of 2.0 per cent that occurred on 1 January 2021 in accordance with the University's Enterprise Bargaining Agreement
 - a decline in termination payments as the 2020 year included \$67.4 million in costs associated with a Voluntary Separation Scheme (VSS) for eligible staff.
- An increase in non-employee expenditure on tied research, scholarship and other major project revenue, and the one-off Research Support Program grant revenue of \$8.6 million (or 4.7 per cent).
- An increase in repairs and maintenance expenses of \$12.2 million (or 18.7 per cent). This expense was low in 2020 due to a deferral of projects.
- An increase in the remaining expenditure categories of \$15.7 million (or 3.8 per cent). Much of this related to the increased digital and on-campus activity with a rise in expenses including computing software and licences, student support, advertising and promotion, teaching/research consumables, insurance, printing and stationery, and trading purchases.

Capital expenditure

The University has continued to invest in major infrastructure. The total amount capitalised on property, plant and equipment, and intangibles during 2021 was \$239.5 million (2020: \$192.0 million).

Major capital projects in 2021 included the completion of a new chemical engineering building (Andrew N. Liveris Building), the completion of new student accommodation (Kev Carmody House), the acquisition of existing student accommodation (units in UniLodge on the St Lucia campus), and the development of a central hub for all student services and support (Student Central).

Investment Portfolio

Background

The University maintains 2 long-term managed investment portfolios – the UQ Investment Fund and the UQ Socially Responsible Investment (SRI) Green Fund. These portfolios serve 2 purposes.

Firstly, they hold endowments received by the University over the past century. The principal amount of the endowment is invested in perpetuity and the investment earnings are used to support a particular purpose (e.g. scholarships, prizes, chairs) consistent with the donor's intent.

Secondly, they hold a portion of annual operating surpluses generated by the University in recent years. This is known as the UQ Future Fund and the funds are invested in the long-term to provide for (1) a stream of investment earnings that can be used for innovative or strategically important teaching and learning activities, and/or (2) a reserve to draw upon to absorb a large financial shock.

CFO Statement

In preparing the financial statements, the UQ Chief Financial Officer has fulfilled the reporting responsibilities as required by the *Financial Accountability Act 2009*. They have provided the accountable officer with a statement that the financial internal controls of the University were operating efficiently, effectively and economically in accordance with section 57 of the *Financial and Performance Management Standard 2019*.

UQ Investment Fund Performance			
	Return Of Portfolio	Average CPI plus 6%	Above/(Below) Target
Return over past year	23.74%	9.50%	14.24%
Return over past 3 years	22.24%	7.84%	14.40%
Return over past 5 years	14.57%	7.60%	6.97%
Return over past 7 years	13.49%	7.45%	6.04%

UQ Socially Responsible Investment Green Fund Performance			
	Return Of Portfolio	Average CPI plus 6%	Above/(Below) Target
Return over past year	28.15%	9.50%	18.65%
Return over past 3 years	20.49%	7.84%	12.65%
Return over past 5 years	13.40%	7.60%	5.80%

UQ Investment Fund

The UQ Investment Fund is managed by external fund managers who are required to operate within designated asset allocation benchmarks. Each has responsibilities for investments in cash and fixed interest, listed property, Australian shares, overseas shares, tactical asset allocation, and private equity. The balance at 31 December 2021 was \$950.0 million. Of this total, \$427.5 million relates to endowments and \$522.5 million relates to the UQ Future Fund.

The investment strategy of the UQ Investment Fund is to achieve a long-term return (net of all fund manager fees) of the Consumer Price Index plus an additional 6 per cent over rolling 7-year periods. As at 31 December 2021, the fund had produced a one-year return of 23.74 per cent and a 7-year return of 13.49 per cent per annum (meeting its target).

The UQ Investment Fund has no direct investments in fossil fuel companies. The University regularly monitors the composition of investments managed by external fund managers and ensures fossil fuel companies do not form a material part of the total investment.

UQ Socially Responsible Investment (SRI) Green Fund

The UQ SRI Green Fund offers an alternative to donors providing endowments who are looking for socially responsible investments. The fund will not invest in companies involved with tobacco, armaments, gaming or pornography as they are not deemed socially responsible investments. Further, the fund will not invest in companies excluded from the FTSE All-World ex Fossil Fuels Index.

The fund managers are required to operate within designated asset allocation benchmarks and each has responsibilities for investments in cash and fixed-interest and Australian shares. The balance at 31 December 2021 was \$5.8 million.

The investment strategy of the UQ SRI Green Fund is to achieve a long-term return (net of all fund manager fees) of the Consumer Price Index plus an additional 6 per cent over rolling 7-year periods. As at 31 December 2021, the fund had produced a one-year return of 28.15 per cent. A 7-year return is not yet available as the fund was first established in 2016.