

SUMMARY OF

# FINANCIAL INFORMATION

As per the financial statements, the University recorded a consolidated surplus of \$72.7m for 2018. This compares to a consolidated surplus of \$47.6m in 2017.

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 University believes that the more relevant financial result is the underlying consolidated EBITDA (earnings before interest, tax, depreciation and amortisation). This represents the total funding available for debt servicing, major capital projects, and operational property, plant and equipment.

A breakdown of the items adjusted for as part of the underlying consolidated EBITDA is contained in the table *Reconciliation of operating result to underlying EBITDA* on page 39.

## UNIVERSITY FINANCES

### Underlying EBITDA

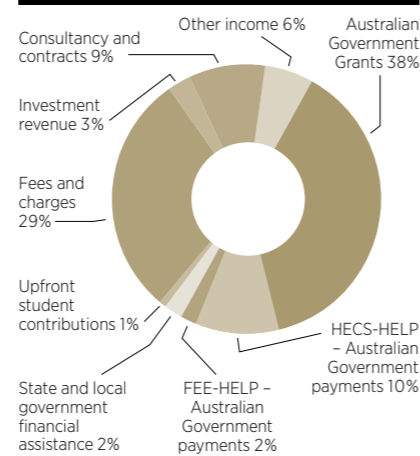
The underlying consolidated EBITDA moved from a surplus of \$207.0m in 2017 to a surplus of \$192.7m in 2018. The fall of \$14.3m is largely due to a decline in the value of the University's investment in the Queensland Investment Corporation Growth Fund.

### Underlying income

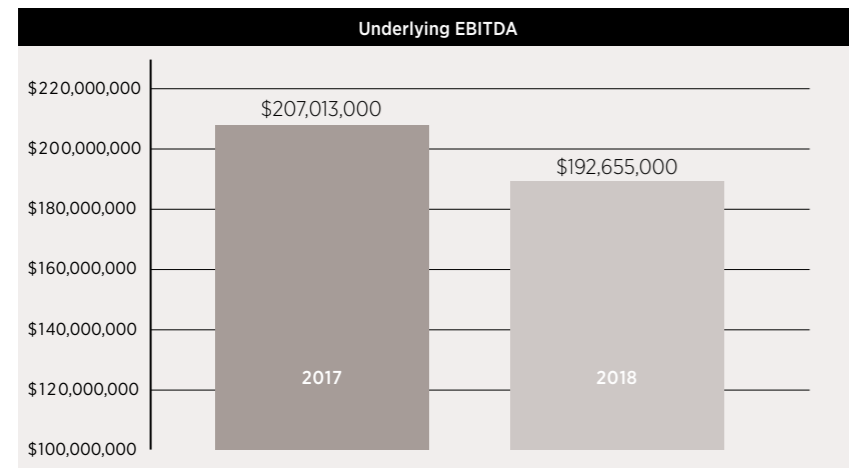
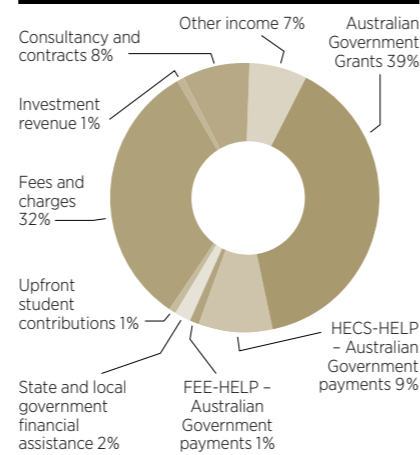
The University's underlying consolidated income increased by \$98.7m (or 5 per cent). This can be attributed to:

- An increase in course fees and charges of \$100.3m (or 21 per cent). The number of full-fee paying domestic and international students rose by 14.2 per cent from 14,098 EFTSL in 2017 to 16,101 EFTSL in 2018. Also contributing to the increase were price increases.
- A decrease in the combined funding through the Commonwealth Grant Scheme (CGS), the Higher Education Loan Program (HELP), and HELP student contributions of \$9.5m (or 2 per cent). The number of Commonwealth-funded students fell by 3.8 per cent from 27,030 EFTSL in 2017 to 26,011 in 2018.

Revenue: University of Queensland parent 2017



Revenue: University of Queensland parent 2018



- An increase in tied research, scholarship and other major project income of \$13.2m (or 4 per cent). As the underlying result does not recognise such revenue until it is expended, this increase is due to a related increase in research expenditure.
- A decrease in non-tied investment revenue of \$18.0m related to fall during the year in the University's investment in the Queensland Investment Corporation (QIC) Growth Fund.
- An increase in the remaining revenue categories of \$12.7m (or 3 per cent) due to a number of small factors.

### Underlying expenditure

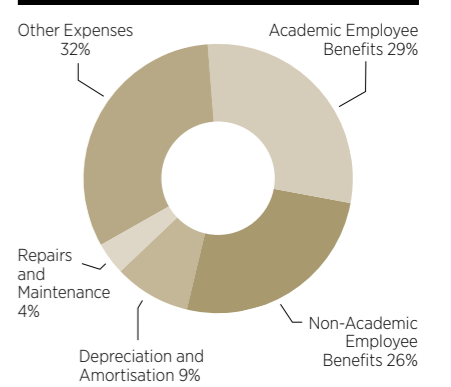
The University's underlying consolidated expenditure increased by \$113.0m (or 7 per cent). This can be attributed to:

- An increase in employee expenses of \$53.9m (or 5 per cent). This was largely driven by the following movements within

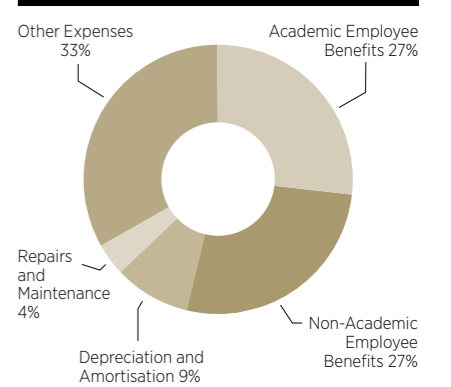
the parent entity: a 1.8 per cent rise in the number of full-time equivalent (FTE) staff, and salary and wage increases of at least 2.0 per cent that occurred on 1 April 2018 in accordance with the University's Enterprise Bargaining Agreement.

- An increase in non-employee expenditure on tied research, scholarship and other major project income of \$4.3m (or 3 per cent).
- An increase in repair and maintenance expenditure of \$6.4m (or 9 per cent) due to additional works performed to help reduce the backlog of deferred maintenance.
- An increase in the remaining expenditure categories of \$48.4m (or 12 per cent). Contributing to the increase were rises in commission payments (due to increased international student numbers), information technology projects, software and licences, and library electronic materials.

Expenditure: University of Queensland parent 2017



Expenditure: University of Queensland parent 2018



Reconciliation of Operating Result (Income Statement in Published Financials) to Underlying EBITDA

	Consolidated 2018 \$'000	Consolidated 2017 \$'000	Variance \$'000
Net operating result before income tax as per University's published financial statements <sup>1</sup>	72,704	47,611	25,093
Income tied to major capital projects <sup>2</sup>	(3)	(2367)	2364
Movement in unspent research, scholarship and major project income <sup>3</sup>	(65,579)	2726	(68,305)
Fair value gain on TRI Investment	(94)	734	(828)
Endowed donations to be held in perpetuity <sup>4</sup>	(7816)	(3,980)	(3836)
Unspent investment portfolio losses/(gains) <sup>4</sup>	7783	(14,476)	22,259
<b>UNDERLYING OPERATING RESULT BEFORE INCOME TAX</b>	<b>6995</b>	<b>30,248</b>	<b>(23,253)</b>
Depreciation and amortisation expense	168,302	163,736	4566
Loss/(gain) on disposal of property, plant and equipment	12,835	11,504	1331
Donated assets	(416)	(751)	335
Interest revenue	(10,829)	(9584)	(1245)
Interest expense	12,000	11,767	233
Income tax expense	3768	93	3675
<b>UNDERLYING EBITDA</b>	<b>192,655</b>	<b>207,013</b>	<b>(14,358)</b>

<sup>1</sup> This is the net operating result of the consolidated entity as per the University's statutory financial statements.  
<sup>2</sup> 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.  
<sup>3</sup> In accordance with Australian Accounting Standards, the majority of the University's tied research, scholarship and major project income is recognised as received (as opposed to when it is spent or earned). This mismatch can create significant fluctuations in the operating result. The increase/decrease in unexpended tied research, scholarship and major project income is therefore excluded from the underlying operating surplus as it is not available for the general operating expenditure of the University and must be refunded if not spent or earned in future years.  
<sup>4</sup> The majority of funds invested in the 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.

**Capital expenditure**

The University has continued to invest in major infrastructure. The total amount capitalised on property, plant and equipment during 2018 was \$152.9m (2017: \$92.1m).

Major capital projects commenced in 2018 include the construction of a solar farm in Warwick, a new chemical engineering building and new childcare centre at St Lucia, and a central chiller station at Gatton.



Architectural rendering of the Andrew N Liveris (chemical engineering) building at UQ St Lucia.



Construction of the new substation and chiller plant at UQ Gatton began during the year.

UQ Investment Fund Performance			
	Return Of Portfolio	Average CPI plus 6%	Above/(Below) Target
Return over past year	(2.13%)	7.93%	(10.06%)
Return over past 3 years	5.15%	7.71%	(2.56%)
Return over past 5 years	7.52%	7.82%	(0.30%)
Return over past 7 years	12.16%	7.90%	4.26%

UQ Socially Responsible Investing (SRI) Green Fund Performance			
	Return Of Portfolio	Average CPI plus 6%	Above/(Below) Target
Return over past year	(8.06%)	7.93%	(15.99%)

**Investment Portfolio**

**UQ Investment Fund**

The University has a total of \$224.3m in a long-term investment portfolio that is managed by external specialist fund managers. Known as the UQ Investment Fund, it holds portfolio trust and bequest funds received in past years.

The fund managers are required to operate within designated asset allocation benchmarks and each has responsibilities for investments in cash and fixed interest, listed property, Australian shares, overseas shares, tactical asset allocation, and private equity.

The investment strategy of the UQ Investment Fund is to achieve a long-term return of the Consumer Price Index (CPI) plus an additional 6 per cent. The portfolio produced a negative return of 2.1 per cent for the year to 31 December 2018.

**UQ Socially Responsible Investment (SRI) Green Fund**

The University has a total of \$3.4m in another long-term investment portfolio managed by external fund managers. Known as the UQ Socially Responsible Investment (SRI) Green Fund, this fund was established in 2016 and provides an alternative to those providing donations and bequests. The University contributed \$3m towards the establishment of this fund.

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 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 investment strategy of the UQ SRI Green Fund is to achieve a long-term return of the Consumer Price Index (CPI) plus an additional 6 per cent. The portfolio produced a negative return of 8.1 per cent for the year to 31 December 2018.

**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*. He has 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 Standards 2009*.

# OUR GOVERNANCE

**UNIVERSITY GOVERNING BODY**

The governing body of the University is the Senate, as constituted by the *University of Queensland Act 1998*. Senate has 22 members, comprising official members, appointed members, elected members and additional members.

Members serve a four-year term, except student members who serve for two years. A casual vacancy arose on 2 October 2018 following the resignation of the undergraduate elected member. The 34th Senate began its term on 1 January 2018 and will expire on 31 December 2021. Senate met seven times during 2018.

The University complies with the *Voluntary Code of Best Practice for the Governance of Australian Public Universities*, as amended at the Universities Australia and University Chancellors Council joint meeting on 15 May 2018.

**Senate achievements**

In 2018, UQ Senate:

- under the Seal of the University, conferred 13,902 awards to 12,692 students—including 578 PhD candidates
- approved the *Reconciliation Action Plan 2019–2022*
- participated in the University's brand refresh
- adopted the revised version of the *Voluntary Code of Best Practice for the Governance of Australian Universities*
- approved the UQ Governance and Management Framework, UQ Senate Charter, and updated UQ Standing Orders
- concluded the changes required as a consequence of the passing of the *University Legislation Amendment Act 2017*, in particular the updating of the Senate and Academic Board Elections Policy

- noted the *Mental Health Strategy 2018–2020* and the *Mental Health Implementation Plan 2018*
- invited eight nominees to receive an honorary doctorate from UQ and one to receive a Gatton Gold Medal.

**Financial reporting**

The financial statements are general purpose financial reports prepared in accordance with prescribed requirements. The University of Queensland is a statutory body and is audited by the Queensland Audit Office.

**Remuneration**

The option of remunerating members was introduced in 2018 by way of the University's Policy on Senate Remuneration and due to the passing of the *University Legislation Amendment Act 2017*. See also: [uq.edu.au/about/year-ended-december-31-2018](http://uq.edu.au/about/year-ended-december-31-2018).



**2018 UQ Senate**

Front row, from left: Professor Greg Hainge; Anne Cross, AM; Professor Peter Høj, AC (Vice-Chancellor and President); Peter N Varghese, AO (Chancellor); Tonia Dwyer (Deputy Chancellor); Professor Peter Adams; Julieanne Alroe. Back row: Philip Hennessy, AO; Dr Sally Pitkin; Grant Murdoch; Michelle Tredenick; Adjunct Associate Professor Dimity Dornan, AO; Associate Professor Douglas Cavaye; Thomas Mackay; Timothy Crommelin. Absent: Kathy Hirschfeld; Dr Zelle Hodge, AM; Rebecca Hurst; Jamie Merrick; Associate Professor Tony Roberts; Cecile Wake.