

Summary of

Financial information

As per the financial statements, the University recorded a consolidated surplus of \$127.8m for 2019. This compares to a consolidated surplus of \$72.7m in 2018.

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 45.

University finances

Underlying EBITDA

The underlying consolidated EBITDA moved from a surplus of \$192.7m in 2018 to a surplus of \$256.3m in 2019. The rise of \$63.6m is largely due to an increase in the value of the University's investments (excluding the portion related to endowments).

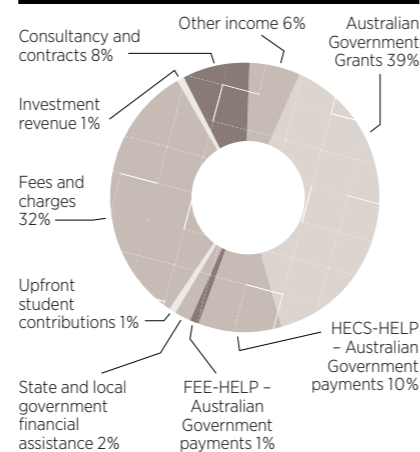
Underlying income

The University's underlying consolidated income increased by \$206.7m (or 11 per cent). This can be attributed to:

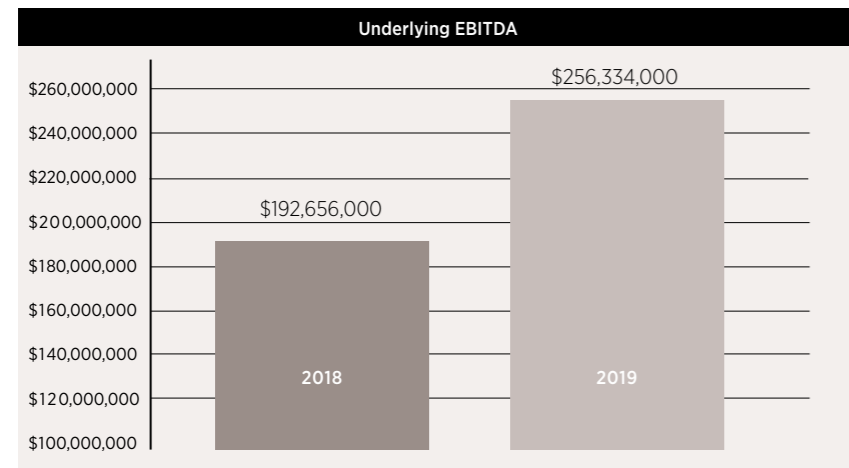
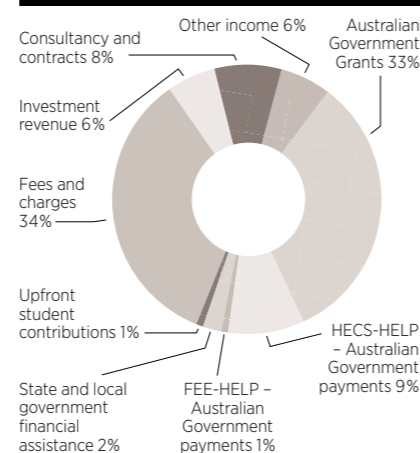
- An increase in course fees and charges of \$107.4m (or 18 per cent). The number of full-fee paying domestic and international students rose by 11.6 per cent from 16,101 EFTSL in 2018 to 17,976 EFTSL in 2019. Also contributing to the rise were price increases.
- An increase in the combined funding through the Commonwealth Grant Scheme (CGS), the Higher Education Loan Program (HELP), and HELP student contributions of \$4.8m (or 1 per cent). The number of Commonwealth-funded students fell by 1.5 per cent from 26,012 EFTSL in 2018 to 25,626 in 2019.

- A decrease in research block grant funding of \$5.0m (or 3 per cent) due to a small drop in the University's share of total research funding across higher education providers.
- An increase in tied research, scholarship and other major project revenue of \$41.2m (or 11 per cent). As the underlying result does not recognise such revenue until it is expended, this rise is due to a related increase in expenditure.

Revenue: University of Queensland parent 2018



Revenue: University of Queensland parent 2019



- An increase in investment revenue of \$57.6m. This gain is largely unrealised and relates to an increase in the fair value of investments (excluding the portion related to endowments) during the year.
- An increase in the remaining revenue categories of \$0.7m due to a number of small factors.

Underlying expenditure

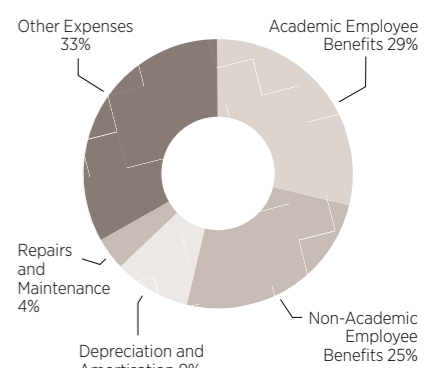
The University's underlying consolidated expenditure increased by \$143.1m (or 8 per cent). This can be attributed to:

- An increase in employee expenses of \$86.6m (or 8 per cent). This was largely driven by the following movements within

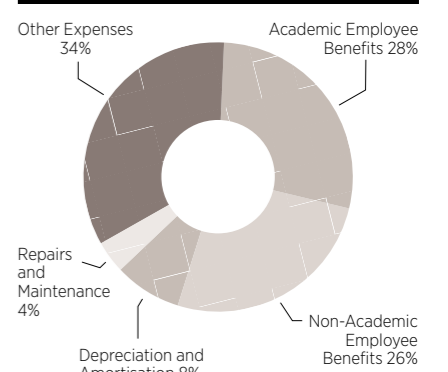
the parent entity: a 5.3 per cent rise in the number of full-time equivalent (FTE) staff, and salary and wage increases of 1.9 per cent that occurred on 28 February 2019 in accordance with the University's Enterprise Bargaining Agreement.

- An increase in non-employee expenditure on tied research, scholarship and other major project income of \$27.3m (or 7 per cent).
- An increase in the remaining expenditure categories of \$29.2m (or 9 per cent). Contributing to the increase were rises in commission payments (due to increased international student numbers), scholarship payments to students, software and licences, and library electronic materials.

Expenditure: University of Queensland parent 2018



Expenditure: University of Queensland parent 2019



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

	Consolidated 2019 \$'000	Consolidated 2018 \$'000	Variance \$'000
Net operating result before income tax as per University's published financial statements ¹	127,780	72,705	55,075
Income tied to major capital projects ²	(1,199)	(3)	(1,196)
Movement in unspent research, scholarship and major project income ³	-	(65,579)	65,579
Fair value gain on TRI Investment	613	(94)	707
Endowed donations to be held in perpetuity ⁴	(15,921)	(7,816)	(8,105)
Unspent investment portfolio losses/(gains) ⁴	(50,185)	7,783	(57,968)
UNDERLYING OPERATING RESULT BEFORE INCOME TAX	61,088	6,996	54,092
Depreciation and amortisation expense	174,781	168,302	6,479
Loss/(gain) on disposal of property, plant and equipment	16,637	12,835	3,802
Donated assets	(504)	(416)	(88)
Interest revenue (excluding interest tied to external funding)	(10,611)	(10,829)	218
Interest expense	14,945	12,000	2,945
Income tax expense	(2)	3,768	(3,770)
UNDERLYING EBITDA	256,334	192,656	63,678

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 2018, the majority of the University's tied research, scholarship and major project income was recognised as received (as opposed to when it was spent or earned). This mis-match created significant fluctuations in the operating result. The increase/decrease in unexpended tied research, scholarship and major project income was therefore excluded from the underlying operating surplus as it was not available for the general operating expenditure of the University and needed to be refunded if not spent or earned in future years. This will not be an adjusting item from 2019 onwards as new Australian Accounting Standards allow the revenue to be deferred and not recognised until spent or earned.
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 requests.

UQ offers a range of learning opportunities—including a working farm at Gatton, pictured here—all of which contribute to student satisfaction, but also a necessary part of the University's ongoing expenditure.



Capital expenditure

The University has continued to invest in major infrastructure. The total amount capitalised on property, plant and equipment and intangibles during 2019 was \$311.7m (2018: \$152.9m).

Major capital projects in 2019 included the construction of a solar farm in Warwick, construction of a new chemical engineering building at St Lucia, refurbishment of existing buildings at St Lucia, and the acquisition of additional premises in Toowong and Brisbane City.

Investment Portfolio

UQ Investment Fund

The University has a total of \$306.5m in a long-term investment portfolio, known as the UQ Investment Fund, that is for (1) external endowments received by the University, and (2) internal co-contributions towards those endowments. Most endowments are held in perpetuity but a small number are held until fully spent. The endowed funds are invested and the earnings distributed to the purposes specified by the donors.

UQ Investment Fund Performance			
	Return Of Portfolio	Average CPI plus 6%	Above/(Below) Target
Return over past year	27.47%	7.60%	19.87%
Return over past 3 years	11.70%	7.82%	3.88%
Return over past 5 years	11.27%	7.65%	3.62%
Return over past 7 years	12.88%	7.88%	5.00%

UQ Socially Responsible Investing (SRI) Green Fund Performance			
	Return Of Portfolio	Average CPI plus 6%	Above/(Below) Target
Return over past year	30.25%	7.60%	22.65%
Return over past 3 years	11.76%	7.82%	3.94%

The UQ Investment Fund is managed by external specialist 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 investment strategy of the UQ Investment Fund is to achieve a long-term return of the Consumer Price Index plus an additional 6 per cent. The portfolio produced a positive return of 27.5 per cent for the year to 31 December 2019.

UQ Socially Responsible Investment (SRI) Green Fund

The University has a total of \$4.4m 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 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 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 positive return of 30.2 per cent for the year to 31 December 2019.

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 Standard 2019*.

The Warwick Solar Farm will save the University millions of dollars in power costs. Pictured here are workers installing panels on the trackers, which track east to west with intelligent controls to adjust each row individually, rather than all moving as one group. This ensures the best alignment with the sun and better output during all conditions.



Annual

Financial statements

for The University of Queensland and Controlled Entities for the year ended 31 December 2019

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**.

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