As per the financial statements, the University recorded a consolidated deficit of $15.5m for 2016. This compares to a consolidated surplus of $58.5m in 2015.

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 8.

University finances

Underlying EBITDA

The underlying consolidated EBITDA moved from a surplus of $15.5m in 2015 to a surplus of $18.8m in 2016 – a decline of $13.9m.

Underlying income

The University’s underlying consolidated income increased by $7.1m (or 1 per cent). This can be attributed to:

- An increase in course fees and charges of $33.9m (or 10 per cent). The number of full fee paying domestic and international students rose by 5.7 per cent from 11,471 EFTSL in 2015 to 12,666 EFTSL in 2016. Also contributing to the increase was fee band indexation of 4.0 per cent.
- An increase in the combined funding through the Commonwealth Grant Scheme (CGS), the Higher Education Loan Program (HELP), and HELP student contributions of $3.0m (or 2 per cent). The number of Commonwealth-funded students fell by 1.8 per cent from 28,056 EFTSL in 2015 to 27,561 in 2016. Despite the drop, revenue increased slightly due to indexation and a refund of CGS funding previously withheld in the prior year.

- An increase in non-tied Research Block Grant funding of $5.5m (or 3 per cent).
largely due to additional monies received through the Sustainable Research Excellence and Research Training Scheme programs.

A decrease in tied research, scholarship and other major project income of $175m (or 4 per cent). As the underlying result does not recognise such revenue until it is expended, this decrease is due to a related decrease in research expenditure.

A decrease in the fair value gains from commercialisation investments of $13m. This is largely the result of a $16.5m gain in 2015 following the sale of an investment in Spinifex Pharmaceuticals Pty Ltd.

A decrease in non-tied donations and bequests of $10.0m (or 26 per cent). A decrease in insurance proceeds of (12,406) 5856 Leukaemia Foundation Queensland 7.28 (124)

Chair in Perinatal Medicine Average CPI plus 6% (%)

(8970) 150,000 0.29

An increase in repairs and maintenance

Masonic Chair in Geriatric Medicine

1.27 15.62

(61,348) (899) Above/(Below) Target (%)

Paul Eliadis Chair of Classics and

2.20 29,914

150,000 (7930) 9.95

Chair in Metallurgical Engineering

76,000 (34) 7.57 2

An increase in the remaining expenditure

Chair in Dermatology

7.89 (15,477) 48

(73,956) 2

Capital expenditure

The University has continued to invest in major infrastructure. The total amount capitalised on property, plant and equipment during 2016 was $1030m (2015: $873m).

The two major capital projects undertaken in 2016 were the new Synthetic Fields Precinct and a major refurbishment of the Forgan Smith Building.

Investment Portfolio

UQ Investment Fund

The University has a total of $176.7m 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 return of 76 per cent for the year to 31 December 2016.

UQ Socially Responsible Investment (SRI) Green Fund

The University has a total of $3.2m 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 January 2016 through Dalton Nicol Reid. UQ has committed $1 million to the establishment of this fund, which is seen as complementing its commitment to the United Nations-supported Principles for Responsible Investment Initiative. The option to invest in this fund—as opposed to the general UQ Investment Fund—will be provided to donors.

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 return of 8.8 per cent for the year to 31 December 2016.

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.