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 $138.9m in 2016 to a surplus of $207.0m in 2017 – an improvement of $68.1m.

#### Underlying income

The University’s underlying consolidated income increased by $89.1m (or 5 per cent). This can be attributed to:

- An increase in course fees and charges of $85.8m (or 21 per cent). The number of full-fee paying domestic and international students rose by 11.4 per cent from 12,655 EFTSL in 2016 to 14,100 EFTSL in 2017. Also contributing to the increase was fee band indexation of 4.0 per cent.
- A decrease in the combined funding through the Commonwealth Grant Scheme (CGS), the Higher Education Loan Program (HELP), and HELP student contributions of $16.7m (or 3 per cent). The number of Commonwealth-funded students fell by 1.7 per cent from 14,072 EFTSL in 2016 to 13,835 EFTSL in 2017 and HELP student contributions of $16.7m (or 3 per cent). The number of Commonwealth-funded students fell by 1.7 per cent from 14,072 EFTSL in 2016 to 13,835 EFTSL in 2017.
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### Summary of Financial Information

As per the financial statements, the University recorded a consolidated surplus of $47.6m for 2017. This compares to a consolidated deficit of $15.5m in 2016.
Contributing to the decrease was the fact that the 2016 result included revenue of $10m relating to previously withheld efficiency dividends.

- An increase in Research Block Grant funding of $7.9m (or 4 per cent) due to additional monies received through the Research Training Program and Research Support Program.
- A decrease in tied research, scholarship and other major project income of $13.0m (or 4 per cent). As the underlying result does not recognize such revenue until it is expended, this decrease is due to a related decrease in research expenditure.
- An increase in non-tied investment revenue of $11.6m related to the University’s decision to invest for the first time during 2017 in the Queensland Investment Corporation (QIC) Growth Fund.
- An increase in the remaining revenue categories of $13.5m (or 5 per cent) due to a number of small factors.

Underlying expenditure

The University’s underlying consolidated expenditure increased to $220.1m (or 1 per cent). This can be attributed to:

- An increase in employee expenses of $18.9m (or 2 per cent). This was largely driven by the following movements within the parent entity: a 1.9 per cent step down in the number of full-time equivalent (FTE) staff, and salary and wage increases of 3.0 per cent on 1 January 2017 in accordance with the University’s Enterprise Bargaining Agreement.
- A decrease in non-employee expenditure on tied research, scholarship and other project major project income of $8.6m (or 5 per cent).
- An increase in the remaining expenditure categories of $11.5m (or 2 per cent) due to a number of small factors.

Capital expenditure

The University has continued to invest in major infrastructure projects. The total amount capitalised on property, plant and equipment during 2017 was $82.3m (2016: $79.1m).

Major capital projects undertaken in 2017 include the construction of a new child care centre at the St Lucia Campus, a library extension at the Gatton campus, and a fit-out of premises at the new Brisbane CBD campus. Costs were also incurred in relation to the construction of student residences at the St Lucia campus, which are scheduled for completion in 2020.

Investment Portfolio

UQ Investment Fund

The University has a total of $228.0m 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 responsibility 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 10.4 per cent for the year to 31 December 2017.

UQ Socially Responsible Investment (SRI) Green Fund

The University has a total of $33.7m 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 2018 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 responsibility 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 9.6 per cent for the year to 31 December 2017.

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.