



UCW Limited (ASX:UCW)
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28 October 2016

The Manager
Company Announcements
Australian Securities Exchange

By electronic lodgement

Dear Sirs

September 2016 Quarter Update

Highlights

- Last 12 Months (**LTM**) to Q1, FY17 international enrolments of 3,334, up 25.8% on the previous corresponding period (**PCP**)
- Q2, FY17 enrolments expected to be around 971, up 26.6% on the PCP
- Investment in business continuing with development of new courses and implementation of a new student management system underway
- Lease signed to establish new campus in Brisbane CBD from Q3, FY17
- Actively pursuing acquisition opportunities in line with stated strategy

Cash position

Operating cashflow for the consolidated entity for the quarter was \$403k, compared to \$360k in the prior quarter.

As at 30 September 2016 the Company had cash of \$9.1m, compared to \$8.8m as at 30 June 2016.

During the quarter the Company continued to invest in the implementation of a new student management system and other initiatives aimed at building a robust platform to support future growth. The company is also investing in developing new courses, which will be introduced during calendar 2017.

A deferred consideration payment of a minimum \$3.5m remains due to the vendors of Australian Learning Group Pty Limited (**ALG**) in November 2016. The Directors believe that the payment will be close to or equal to \$3.5m.

ALG performance

Acquired by the Company in March 2016, ALG is a national provider of accredited vocational education with a focus on the international student market. ALG is a fee-for-service provider with no exposure to VET FEE-HELP.

ALG offers certificate and diploma level courses in Fitness, Sport and Recreation Management, Massage Therapy and Dance Teaching and has campuses in Sydney, Melbourne, Brisbane and Perth.

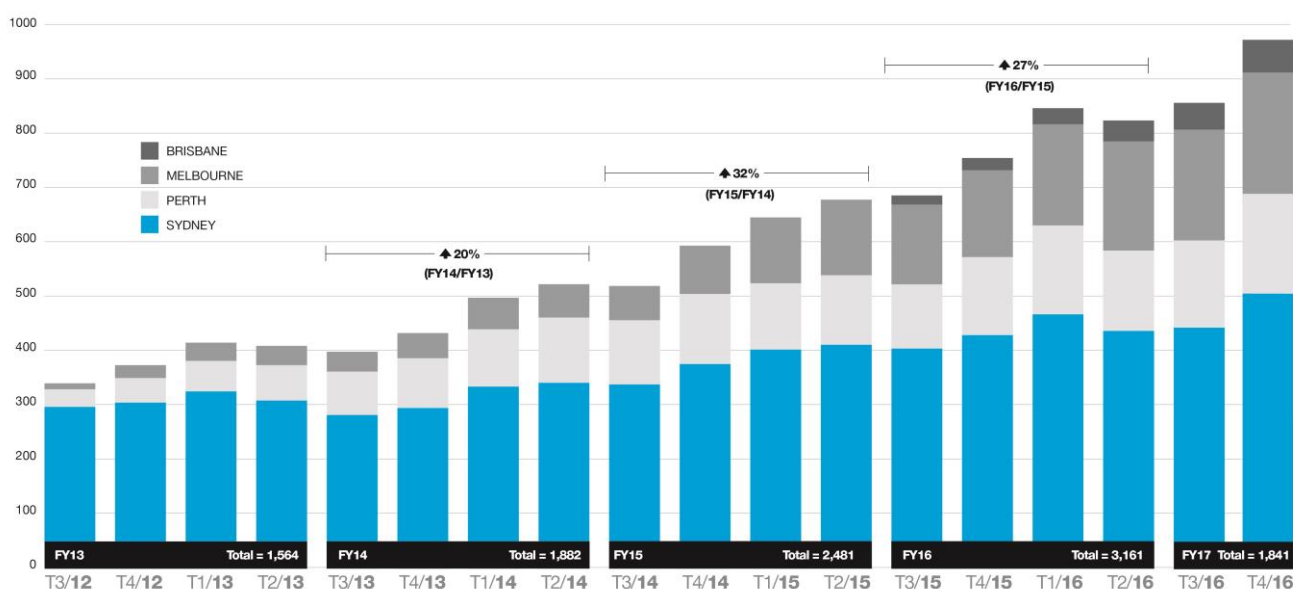
International enrolments

International enrolments continued to perform well with Q1, FY17 enrolments of 870, up 24.8% on the PCP.

Last 12 Months (LTM) to Q1, FY17 enrolments were 3,334, up 25.8% on the previous corresponding period.

Q2, FY17 enrolments are expected to be around 971, which would be up 26.6% on the PCP.

Enrolments by term, by campus



Domestic enrolments

Domestic revenue (unaudited) for Q1, FY17 was \$0.3m against full year FY16 revenue of \$1.3m.

The majority of ALG's domestic revenue is derived from distance education courses. These are either paid for upfront or by way of automatic payment plans. Revenue is recognised equally over a 12-month period from and including the month of sale.

Enrolment numbers are not considered a strong stand-alone indicator of performance due to the significant variance in pricing between courses and modules offered.

The fee-for-service domestic market continues to be challenging given the prevalence of VET FEE-HELP offers and general uncertainty in the market place. ALG is currently reviewing its domestic sales channel for its distance education courses, with a view to improving sales conversions.

ALG also offers domestic students classroom delivery for its Massage Therapy courses. Course timetables have become more targeted towards international students over time, which has had an impact on domestic enrolments. This trend is likely to continue given the Company's growth focus is the international student market.

Growth initiatives

The Company intends to continue to invest in growth initiatives and building a platform to scale up the business. This may impact earnings in the short term as the payback on such investment may not be immediate.

As noted above, the Company is investing in developing new courses, which will be introduced during calendar 2017.

A new student management system is being implemented with anticipated initial rollout in Q3, FY17. This is expected to improve operational efficiency and offer enhanced functionality to students, agents and staff. Further, management consider that the new student management system is a key piece of infrastructure that will enable the company to extract efficiencies as it adds scale by acquisition.

Acquisitions

In line with Company's stated strategic objectives, it continues to engage in discussions in relation to a number of acquisition opportunities.

For further information, please contact:

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

UCW Limited

ABN

85 108 962 152

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,474	2,474
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing	(46)	(46)
(d) leased assets		
(e) staff /supplier costs	(1,796)	(1,796)
(f) administration and corporate costs	(281)	(281)
1.3 Dividends received (see note 3)		
1.4 Interest received	52	52
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from operating activities	403	403
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)*	(139)	(139)
2.6	Net cash used in investing activities	(139)	(139)

* Amount reflects a \$100k refundable deposit and \$39k investment in the new student management system

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	0	0

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	8,818	8,818
4.2	Net cash from operating activities (item 1.9 above)	403	403
4.3	Net cash used in investing activities (item 2.6 above)	(139)	(139)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	0
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of quarter	9,082	9,082

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	5,529	5,292
5.2 Call deposits	3,553	3,526
5.3 Bank overdrafts	0	
5.4 Other (provide details)	0	
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	9,082	8,818

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

(101)

0

Directors' salaries/fees and superannuation.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

0

0

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	
9.2 Product manufacturing and operating costs	
9.3 Advertising and marketing	(45)
9.4 Leased assets	
9.5 Staff costs	(1,935)
9.6 Administration and corporate costs	(270)
9.7 Other (provide details if material)*	(3,500)
9.8 Total estimated cash outflows	(5,750)

* Deferred consideration payment due to the vendors of Australian Learning Group Pty Limited (ALG).

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)*	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

*See Note against 2.1(b).

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Director/Company secretary)

Date:28 October 2016.....

Print name:Lyndon Catzel.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.