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27 July 2017

The Manager
Company Announcements
Australian Securities Exchange

By electronic lodgment

June 2017 Quarter Update

Highlights

- Continued growth in ALG international student numbers – Q4, FY17 international enrolments of 1,127, up 34.6% on the previous corresponding period (**PCP**)
- Investment in ALG business continuing to support expected revenue growth in FY18 and beyond - including through rollout of 4Life courses to ALG's interstate campuses
- Acquisition strategy progressing with integration of 4Life well underway and Performance Education transaction completed on 11 July 2017. The Company continues to actively engage in discussions in relation to a number of acquisition opportunities
- Completion of capital raising by way of placement and rights issue to fund Performance Education transaction - gross proceeds of \$3.1m raised
- New loan facility with Commonwealth Bank has allowed the Company to retain a greater amount of its cash reserves to pursue future investment and acquisition opportunities

Commentary on Appendix 4C

As at 30 June 2017 the Company had cash of \$7.3m, compared to \$4.4m as at 31 March 2017.

Operating cash flow for the consolidated entity for the quarter was \$256k, compared to \$528k in the prior quarter and year-to-date (for the full 2017 financial year) of \$810k. The full year operating cash flow of \$810k comprises Australian Learning Group Pty Limited (**ALG**) operating cash flow of \$1,796k, offset by UCW Limited (**UCW** or **the Company**) operating cash flow of (\$913k) and 4Life Pty Ltd (**4Life**) operating cash flow of (\$73k).

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

The integration of 4Life, acquired as an add-on to ALG in January 2017, is progressing well. ALG's applications to add 4Life's qualifications to its scope of registration as an RTO and its CRICOS registration have recently been approved and ALG intends to soon commence offering these qualifications directly. 4Life's Sydney staff have been relocated to ALG's premises and integrated into the organisational structure.

ALG has also recently obtained approval for an increase in its CRICOS capacity to 2,399 students. The CRICOS capacity represents the number of students that ALG is approved to have concurrently enrolled. The increase provides ALG with significant 'headroom' to accommodate further growth in international students.

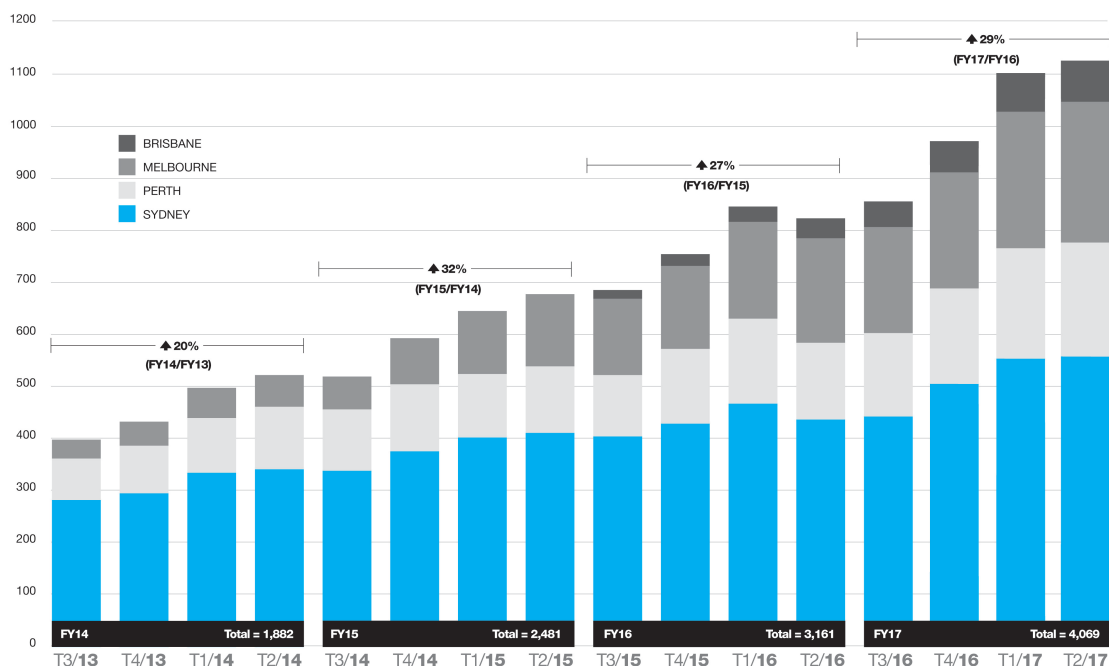
Effective 1 July 2017 for all new students, ALG increased the price of its international student courses by an average of 6.7%. As continuing students and students that had enrolled prior to this date are not subject to the price increase, the impact of the price increase will phase in throughout FY18 and FY19.

International enrolments

International enrolments continued to perform well with Q4, FY17 enrolments of 1,127, up 34.6% on the PCP. Growth has largely been achieved through a strategy of expanding existing courses into ALG's interstate campuses.

Last 12 Months (LTM) to Q4, FY17 enrolments were 4,069 up 28.8% on the PCP.

Enrolments by term, by campus



Domestic enrolments

Domestic revenue (unaudited) for Q4, FY17 was \$0.3m against full year FY16 revenue of \$1.3m. ALG's domestic revenue is principally derived from distance education courses. These are either paid for upfront or by way of regular payment plans. Revenue is recognised equally over a 12-month period from and including the month of sale.

4Life performance

Acquired by the Company in January 2017 as an add-on acquisition for ALG, 4Life offers a suite of courses in the field of Community Services, which ALG intends to deliver through its national campus footprint and agent network, commencing during FY18. 4Life is currently being integrated into ALG.

4Life's courses include Early Childhood Education and Care, Individual Support, Disability, Ageing Support, Mental Health, Counselling and Community Services, most of which include a work-integrated learning / work placement component.

4Life has continued to enjoy strong enrolment growth since its acquisition by UCW. Q4, FY17 international student enrolments were 126 and Q1, FY18 enrolments are expected to be over 160 (compared to less than 100 at the time of acquisition in January 2017).

From Q1, FY18 4Life's international student enrolments and results will be combined with ALG's for reporting purposes.

Growth initiatives

Investment is continuing in ALG to scale up the business ahead of expected revenue growth. This includes, by way of example: development of a new Brisbane campus, which opened in April 2017, the ongoing rollout of all existing courses (including 4Life courses) to all campuses nationally, implementation of the new student management system (now live with progressive rollout of features ongoing), development of new courses and recent key hires including in sales, interstate student services, finance, IT and HR.

The Company intends to continue to invest in growth initiatives to scale up the business. This will impact earnings in the short term as the payback on such investments may not be immediate.

Corporate activity

Acquisition of interest in Performance Education Group Pty Ltd

On 11 July 2017 (post the end of the reported period), the Company completed the acquisition of 24.6% of the ordinary shares in Performance Education Group Pty Ltd ACN 117 850 281 (**Performance Education**).

\$4.7m was paid on completion (**Completion Amount**). 25% of the Completion Amount was satisfied through the issue of 19.7m ordinary shares in UCW at an issue price of \$0.06 per share (**Consideration Shares**). The Consideration Shares are subject to a voluntary escrow period of 12 months, expiring 10 July 2018. The remaining 75% of the Completion Amount was paid in cash, being \$3.6m.

A working capital adjustment (**Adjustment Amount**) of between \$0.9m and \$1.1m is expected to be finalised and paid shortly. The Adjustment Amount is also payable 25% in UCW shares at an issue price of \$0.06 per share and 75% in cash.

\$1.5m of the Completion Amount was funded by a new loan facility with Commonwealth Bank, which also includes a \$0.5m working capital facility (currently undrawn) and a \$0.2m bank guarantee facility (**Loan Facility**). The Loan Facility has terms that are typical of commercial loans of this nature. Establishing the Loan Facility has allowed the Company to retain a greater amount of its cash reserves to pursue future investment and acquisition opportunities.

In accordance with accounting standards, UCW intends to equity account for its interest in Performance Education by bringing its proportionate share of Performance Education's net profit after tax to account in UCW's Statement of Profit or Loss.

The Board of UCW looks forward to working with the Performance Education board and management on the development of the business. Mr. Adam Davis, UCW's Chief Executive Officer, has been appointed as UCW's representative director on the board of directors of Performance Education.

About Performance Education

Established in 2006, Performance Education is a leading provider of the Professional Year program, designed to assist international graduates of Australian higher education providers in Information Technology and Accounting to gain valuable work skills and experience.

Performance Education also offers a number of work-ready and internship programs, both direct to students and under contract to other education providers.

In its audited FY16 accounts, Performance Education reported EBITDA of \$4.1m on revenue of \$30.8m. A fully franked dividend of \$1.2m was declared in June 2016.

Performance Education has operations in Sydney, Melbourne, Adelaide and Perth.

Performance Education is aligned with UCW's focus on the international student market. It services a different sector of the market to ALG and 4Life, which operate in the vocational sector. This expansion into the professional / education-to-employment sector is in keeping with UCW's strategic plan.

Capital raising




On 10 April 2017, the Company announced completion of a placement of 47m ordinary shares (at \$0.04), raising \$1.9m before costs. The Company was pleased to welcome a number of new institutional shareholders to the register.

Concurrently with the above, a non-renounceable rights issue was announced to allow existing shareholders to subscribe for new shares at the same price as the placement. The rights issue raised a further \$1.2m before costs, through the issue of 30.2m ordinary shares. Shaw and Partners Limited acted as lead manager of the placement and the rights issue.

The funds raised under the placement and rights issue were used to partially fund the Performance Education transaction, which completed on 11 July 2017 (refer above).

Further acquisitions

In line with the Company's stated strategic objectives, it continues to actively engage in discussions in relation to a number of acquisition opportunities. UCW's growth focus is depicted below.

INTERNATIONAL STUDENT MARKET		
VOCATIONAL	HIGHER EDUCATION	PROFESSIONAL
Certificate	Degree	Work-ready programs
Diploma	Masters	Placements/internships
Advanced Diploma	Doctorate	Short courses
 		
100%	100%	24.6%

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 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,163	9,911
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing	(68)	(167)
(d) leased assets		
(e) staff /supplier costs	(3,070)	(8,542)
(f) administration and corporate costs	(311)	(1,038)
1.3 Dividends received (see note 3)		
1.4 Interest received	9	113
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid / received	512	512
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	21	21
1.9 Net cash from operating activities	256	810
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(417)*	(485)
(b) businesses (see item 10)	199**	(4,585)
(c) investments		
(d) intellectual property		
(e) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$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)***	(40)	(132)
2.6 Net cash used in investing activities	(258)	(5,202)

* Largely fit out costs for new Brisbane campus

** Working capital adjustment to purchase price received from vendors of 4Life Pty Ltd (acquisition was completed 13 January 2017)

*** Investment in new student management system

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	3,089	3,089
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	(187)	(187)
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 financing activities	2,902	2,902

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	4,428	8,818
4.2 Net cash from operating activities (item 1.9 above)	256	810
4.3 Net cash used in investing activities (item 2.6 above)	(258)	(5,202)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,902	2,902
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of quarter	7,328	7,328

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	7,056	1,984
5.2 Call deposits	272	2,444
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,328	4,428

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**

(123)

0

Directors' salaries/fees and superannuation. Includes termination payment to Director that resigned prior to 30 June.

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	(50)
9.4 Leased assets	
9.5 Staff costs	(2,900)
9.6 Administration and corporate costs	(300)
9.7 Other (provide details if material)*	(3,052)
9.8 Total estimated cash outflows	(6,302)

* On 11 July 2017, the Company completed the acquisition of 24.6% of the ordinary shares in Performance Education Group Pty Ltd ACN 117 850 281. This amount represents the estimated cash (net of the loan facility) to be paid to the vendor during the quarter.

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 /(liabilities)		
10.5 Nature of business		

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:



Date: 27 July 2017

(Director/Company secretary)

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.