

APPENDIX 4D | HALF-YEAR FINANCIAL REPORT

Reporting Period

Current reporting period: Half-year ended 31 December 2016 (Consolidated)

Previous corresponding period: Half-year ended 31 December 2015 (Company)

Key results for announcement to the market

| | Half-year ended 31 December 2016 \$ | Half-year ended 31 December 2015 \$ | Increase / (decrease) % |
|--|---|---|-------------------------------|
| Revenue from ordinary activities | 4,233,301 | 5,454 | 77,518.3% |
| Loss from continuing operations after tax attributable to members | (100,645) | (339,613) | 70.4% |
| Total comprehensive loss attributable to members | (100,645) | (339,613) | 70.4% |
| Net tangible assets per ordinary share (cents) | 1.24 | 0.73 | 69.9% |

Operating and financial review

On 24 March 2016, UCW acquired 100% of the issued capital in Australian Learning Group Pty Limited (**ALG**). The results presented in this financial report represent the Group's performance including the operations of ALG. The results for the comparative period, which pre-dates the acquisition of ALG, reflect the operations of the Company only.

A share sale agreement was executed for the acquisition of 4Life Pty Limited (**4Life**) during the reporting period but did not complete until 13 January 2017. Accordingly, 4Life did not form part of the Group during the reporting period.

UCW's focus within the education sector is the international student market. The Company's strategy is to acquire established businesses that it can add value to and grow through strategies including product expansion, geographic expansion and broadening distribution, and through integration. The Board includes Directors with extensive experience and a successful track record in building both private and listed education businesses.

Australian Learning Group Pty Limited

The Board is pleased to report strong underlying performance of ALG for the half-year to 31 December 2016, driven by continued growth in international student enrolments. Revenue from international students represented more than 85% of ALG's course revenue during the period and is the key growth driver of the ALG business. International enrolments grew 25.8% against the previous corresponding period (**PCP**) to 1,841. Enrolment growth was recorded across all campuses and in all fields of study, as reflected in the tables below for the half-year ended 31 December 2016 (**H1, FY17**):

Enrolments by campus (H1, FY17)

| Campus | Enrolments | Growth on PCP | Proportion of total |
|--------------|--------------|---------------|---------------------|
| Sydney | 954 | 12.6% | 51.8% |
| Melbourne | 431 | 38.6% | 23.4% |
| Brisbane | 109 | 172.5% | 5.9% |
| Perth | 347 | 30.5% | 18.9% |
| Total | 1,841 | 25.8% | 100.0% |

APPENDIX 4D | HALF-YEAR FINANCIAL REPORT (continued)

Enrolments by field of study (H1, FY17)

| Field of study | Enrolments | Growth on PCP | Proportion of total |
|--------------------------------|--------------|---------------|---------------------|
| Fitness | 1,240 | 9.7% | 67.3% |
| Sports & Recreation Management | 182 | 48.0% | 9.9% |
| Massage Therapy | 359 | 70.1% | 19.5% |
| Dance Teaching | 60 | n/a | 3.3% |
| Total | 1,841 | 25.8% | 100.0% |

ALG generated \$654,915 EBITDA on \$4,138,178 revenue for the reported period, representing an EBITDA margin of 15.8%. Earnings and EBITDA margin growth were subdued as a result of continued investment during the period, including:

- new course development;
- rollout of existing courses across campuses (resulting in commencing cohort sizes that are not profitable);
- the operation of the Brisbane campus (opened 2015), which recorded another period of strong enrolment growth (up 172.5%) but has not yet attained profitability; and
- implementation of a new student management system.

These items are discussed below.

During the period, work continued on implementation of a new student management system, which went live in February 2017 and is being implemented on a progressive basis. The system is expected to improve operational efficiency and provide enhanced functionality to students, agents and staff. The new student management system is considered a key piece of infrastructure that will enable the Company to extract efficiencies as it adds scale by acquisition, such as the add-on acquisition of 4Life, discussed below.

In terms of course rollout and development, ALG's current courses are progressively being introduced across all campuses (Sydney, Melbourne, Brisbane and Perth). The national rollout of ALG's Massage Therapy course offering was a significant driver of enrolment growth during the period. ALG is also currently investing in developing a number of complementary new courses to broaden its product offering.

4Life Pty Limited

The acquisition of 4Life Pty Limited (**4Life**) was announced during the reporting period but did not complete until 13 January 2017. Accordingly, 4Life did not form part of the Group during the reporting period.

Established in Adelaide in 2005, 4Life is a Registered Training Organisation (**RTO**) and Commonwealth Register of Institutions and Courses for Overseas Students (**CRICOS**) provider that offers certificate and diploma level courses in the field of Community Services to international and domestic students.

4Life is a complementary add-on acquisition for ALG, bringing a suite of courses which ALG can deliver through its national campus footprint and agent network. Its courses include: Early Childhood Education & Care, Individual Support, Disability, Ageing Support, Mental Health, Counselling and Community Services. Similarly, 4Life expands ALG's geographical reach with the addition of a CRICOS-approved Adelaide campus to deliver its Fitness, Massage Therapy, Sports & Recreation Management and Dance Teaching courses.

4Life adds approximately 100 international students to ALG's international student base and brings a new competence in work-integrated learning.

4Life's FY16 revenue was approximately \$1.5m¹. Management intend to fully integrate the operations of 4Life into ALG.

¹ Based on management accounts provided by 4Life to UCW, which have not been independently audited by UCW. 4Life's revenue recognition policies differ from UCW's.

APPENDIX 4D | HALF-YEAR FINANCIAL REPORT (continued)

Corporate focus

As noted above, UCW's strategy is to undertake further acquisitions with a focus on the international student market. A number of acquisition opportunities were assessed during the period. UCW management are also playing an active role in the operations of ALG.

The Board acknowledges that notwithstanding that UCW corporate costs are considered low by listed company standards, they are high relative to the scale of the Group's current operations. The Board anticipates that this impact will reduce as additional scale is attained through a combination of further acquisitions and organic growth.

Results summary

The table below outlines the underlying EBITDA of ALG and the Group for the half-year ended 31 December 2016, reconciled to the consolidated loss reported for the period.

| | Half-year ended 31 December 2016 | Half-year ended 31 December 2015 |
|---|-------------------------------------|-------------------------------------|
| | \$ | \$ |
| ALG | | |
| Revenue | 4,138,178 | |
| Cost of goods sold (COGS) | (1,906,513) | |
| Gross profit | 2,231,665 | |
| Gross margin (%) | 53.9% | |
| Operating expenditure | (1,576,750) | |
| EBITDA | 654,915 | |
| EBITDA margin (%) | 15.8% | |
| UCW | | |
| Corporate costs ¹ | (390,925) | |
| GROUP | | |
| Underlying EBITDA | 263,990 | |
| External due diligence and transaction costs ² | (106,367) | |
| Non-recurring items relating to the acquisition of ALG ³ | (246,272) | |
| Interest, tax, depreciation and amortisation ⁴ | (11,996) | |
| Consolidated net loss attributable to members of the Company | (100,645) | (339,613) |

¹ Costs related to the UCW corporate function and operation of the listed entity, including ASX listing fees, share registry fees, the remuneration of the Board and UCW executives.

² External due diligence and documentation costs relating to the ALG and 4Life transactions and review of other potential acquisition opportunities.

³ The final earn-out amount for the acquisition of ALG was \$3,729,149. This exceeded the amount accrued at 30 June 2016 by \$229,149 and as goodwill was written off at the time of acquisition, this amount was recognised as an expense in the current period. A further goodwill write off of \$17,123 also occurred during the period. This amount resulted from finalisation of a number of items on ALG's balance sheet at the time of acquisition, allowable under AASB 3.

⁴ Interest was earned on excess cash held in the Group. Depreciation relates largely to campus plant & equipment and amortisation represents external consultant costs in relation to the student management system (amortised over the life of the software licence) and course development costs amortised over four years.

APPENDIX 4D | HALF-YEAR FINANCIAL REPORT (continued)

Outlook

As advised in the December 2016 Quarter Update released to ASX on 31 January 2017, growth in ALG's international student enrolments has continued into Q3, FY17, with enrolments up circa 27.9% on the PCP, to 1,101 enrolments.

Net assets

The net assets of the Group as at reporting date was \$3,760,351 (30 June 2016: \$3,860,996).

Dividends

No dividend was paid or proposed during the period.

Subsequent events

As announced to the ASX on 12 December 2016, UCW entered into a share sale agreement to acquire 100% of the issued capital of 4Life Pty Limited (**4Life**). 4Life was established in Adelaide in 2005 and is a RTO and CRICOS provider that offers certificate and diploma level courses in the field of Community Services to international and domestic students.

4Life is a complementary add-on acquisition for ALG, bringing a suite of courses which ALG can deliver through its national campus footprint and agent network. The transaction, which was subject to the satisfaction of a number of conditions precedent, was completed on 13 January 2017.

The total purchase price is \$1.2m. An amount of \$0.9m (being the \$1.0m cash component of the purchase price less a \$0.1m deposit paid during the half-year ended 31 December 2016) was paid in cash. \$0.2m of the consideration will be satisfied through an issue of shares in UCW at a price of 6 cents per share, at the end of a 2 year warranty period.

Control gained or lost over entities

Control was not gained or lost over any entities during the half-year or the previous corresponding period.

Details of associates and joint arrangements

There were no associates or joint arrangements during the half-year or the previous corresponding period.

Audit

The consolidated entity's half-year accounts contain an independent audit review report that is not subject to a modified opinion, emphasis of matter or other matter paragraph.

Additional information required by Listing Rule 4.2A

Additional information requiring disclosure to comply with Listing Rule 4.2A, is contained in the Directors' Report and the Financial Report for the half-year ended 31 December 2016.