UCW LIMITED AND ITS CONTROLLED ENTITIES
ABN 85 108 962 152

UCW
LIMITED

HALF-YEAR REPORT

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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CORPORATE DIRECTORY

Directors

Gary Burg – Non-Executive Chairman
Adam Davis – Chief Executive Officer and Managing Director
Peter Mobbs - Non-Executive Director (Independent)
Jonathan Pager – Non-Executive Direc tor (Independent)

Company Secretary

Lyndon Catzel

Auditors

RSM Australia Partners
Level 13, 60 Castlereagh St
Sydney NSW 2000

Registered Office and Principal Place of Business

Level 1
333 Kent Street
Sydney NSW 2000
Phone: +61 2 9112 4540

Share Registry

Link Market Services Limited
QV1, Level 12
250 St Georges Terrace
Perth WA 6000
Investor Enquiries: 1300 554 474

Stock Exchange Listing

Australian Securities Exchange (ASX)
ASX Code: UCW

Website

www.ucwlimited.com.au

DIRECTORS' REPORT

Your Directors present their financial report on the consolidated entity consisting of UCW Limited (**UCW** or **the Company**) and its controlled entities (**Group**) for the half-year ended 31 December 2017.

Directors

The names of the Directors during the half-year and up to the date of this report are;

Gary Burg	Non-Executive Chairman
Adam Davis	Chief Executive Officer and Managing Director
Peter Mobbs	Non-Executive Director (Independent)
Jonathan Pager	Non-Executive Director (Independent)

Dividends

No dividends have been paid or declared during the financial half-year ended 31 December 2017 (2016: $nil)

Principal activities

The principal activity of the Company during the half-year was the provision of education services.

Operating and financial review

UCW Limited owns and invests in education businesses, with a current focus on the international student market.

The Company's strategy is to invest in the growth of its existing businesses, through initiatives such as campus and course expansion, while concurrently pursuing the acquisition of aligned education businesses.

The Board includes directors with extensive corporate experience and a successful track record in the education sector.

UCW currently has two wholly-owned subsidiaries, Australian Learning Group Pty Limited (**ALG**) (acquired 24 March 2016) and 4Life Pty Ltd (**4Life College**) (acquired 13 January 2017), which offer accredited vocational qualifications, primarily to international students, from campuses in Sydney, Melbourne, Brisbane and Perth. ALG and 4Life College have been integrated and now effectively operate as a single business.

UCW also owns 24.6% of the ordinary shares in Gradability Pty Ltd (formerly Performance Education Group Pty Ltd) (**Gradability**) (acquired 11 July 2017), one of the leading providers of the Professional Year Program, which is a work-readiness program for international student graduates in Information Technology or Accounting. The program comprises 28 weeks of classroom training, followed by a 12-week internship, whereby students gain relevant work experience at an Australian host company. Through its ReadyGrad business unit, Gradability offers similar work-readiness training and internship placement services to Universities and other Higher Education Providers.

The results presented in this report include the corporate operations of UCW as a parent-entity, the operations of its wholly-owned subsidiaries, ALG and 4Life College, and UCW's interest in Gradability, for the half-year ended 31 December 2017.

The Company has accounted for the investment in Gradability using the equity method per *AASB 128 Investments in Associates and Joint Ventures*, bringing its proportionate share of Gradability's post acquisition net profit after tax into the Company's Statement of Profit or Loss and Other Comprehensive Income. The dividend received from Gradability during the period has been booked against the carrying amount of the investment in the Company's Statement of Financial Position.

The comparative period, being the half-year ended 31 December 2016, comprises the results of UCW as a parent-entity and the operations of ALG only.

DIRECTORS' REPORT (continued)

Australian Learning Group Pty Limited and 4Life Pty Limited

Overview

ALG (including the recently integrated business of 4Life College) provides accredited vocational qualifications, primarily to international students, from campuses in Sydney, Melbourne, Brisbane and Perth. It operates a central administration function in Sydney. As at 31 December 2017, ALG had 1,329 international students.

International students are recruited primarily through education agents, both onshore in Australia and offshore in source countries. As at 31 December 2017, ALG had over 250 active agents and students from more than 60 source countries.

ALG currently offers 16 qualifications in "Allied Health" and related fields of study:

- Ageing Support (Certificate III and Certificate IV)
- Community Services (Diploma)
- Counselling (Diploma)
- Dance Teaching (Certificate III and Certificate IV)
- Disability (Certificate III and Certificate IV)
- Early Childhood Education and Care (Certificate III and Diploma)
- Fitness (Certificate III and Certificate IV)
- Mental Health (Diploma)
- Remedial Massage (Certificate IV and Diploma)
- Sport and Recreation Management (Diploma)

All courses are structured to facilitate rolling intakes, to allow students to commence any course (subject to satisfaction of pre-requisites) at the commencement of each academic term, with a simultaneous timetable offered in each state. ALG operates four 10-week academic terms per annum.

ALG also has a small self-paced, distance-education offering. Currently only the Fitness and Dance Teaching qualifications are offered in this format. Students are sourced via direct marketing, primarily online.

Results for the period

The Board is pleased to report continued strong growth in international student enrolments for the half-year to 31 December 2017. International enrolments for the period, being the sum of enrolments in the two academic terms during the half-year, were 2,590 up 40.7% compared to the previous corresponding period (**PCP**). This was boosted by the contribution from 4Life College, which was not owned during the comparative period.

Revenue from international students represented more than 85% of ALG's revenue during the period and is its key growth driver. Course prices were increased, effective 1 July 2017 by an average of 6.7% for all commencing students, and all courses were grouped into three price points with a common fee structure. As the price increase did not apply to existing students, the impact will continue to phase in throughout FY18 and FY19.

Enrolments by campus

Campus	H1, FY18 enrolments	Growth on PCP	Proportion of total
Sydney	1,449	51.9%	56.0%
Melbourne	529	22.7%	20.4%
Perth	431	24.2%	16.6%
Brisbane	181	66.1%	7.0%
Total	**2,590**	**40.7%**	**100.0%**

DIRECTORS' REPORT (continued)

Australian Learning Group Pty Limited and 4Life Pty Limited (continued)

Enrolments by field of study

Field of study	H1, FY18 enrolments	Growth on PCP	Proportion of total
Fitness	1,163	(6.2%)	44.9%
Sport and Recreation Management	253	39.0%	9.8%
Remedial Massage	634	76.6%	24.5%
Dance Teaching	154	156.7%	5.9%
Community Services *	386	n/a	14.9%
Total	**2,590**	**40.7%**	**100.0%**

** Community Services includes Early Childhood Education and Care, Ageing Support, Disability, Counselling, Mental Health and Community Services*

ALG generated sales revenue of $5.9m and EBITDA of $566k for the half-year to 31 December 2017, representing an EBITDA margin of 9.6%. Earnings were subdued during the period by various investments in growth initiatives.

During the period, the integration of 4Life College into ALG was completed and planning work commenced on the national rollout of the 4Life course offering. These courses, currently offered in Sydney-only, will be progressively rolled-out in Brisbane, Perth and Melbourne during the second half of FY18 and throughout FY19. Enrolment growth in these courses in Sydney has been robust and the national rollout presents a strong growth opportunity for ALG.

Other recent and ongoing growth initiatives include:

- a new Brisbane campus was opened in April 2017 and a new Sydney campus was opened in December 2017, providing increased student capacity
- investment in building the sales team and undertaking increased offshore sales activity, to establish and strengthen relationships with offshore agents
- the ongoing customisation and implementation of features of its student management system, to improve administrative efficiency
- development of new courses, a number of which are currently in the accreditation process

The Company intends to continue to invest in growth initiatives to scale-up the business, noting this will impact earnings in the short term.

Gradability Pty Ltd (Gradability)

Overview

Gradability, a newly-created brand and company name to reflect its now broader focus, operates through two business units; Performance Education and ReadyGrad. Both business units operate in the education-to-employment / professional education sector.

Performance Education is a leading provider of the Professional Year Program, which assists international student graduates in Information Technology or Accounting from an Australian Higher Education Provider gain valuable work skills and experience. The program includes classroom training in critical work-readiness skills and an internship component, whereby students undertake relevant work experience in an Australian host company. Over 50% of Performance Education students achieve an employment outcome with their host company. Students also gain five points towards their skilled-migration permanent residency application.

ReadyGrad provides training and internship placement services to Universities and other Higher Education Providers.

Gradability operates in Sydney, Melbourne, Adelaide and Perth.

DIRECTORS' REPORT (continued)

Gradability Pty Ltd (Gradability) (continued)

Results for the period

Strong enrolment growth continued in the Professional Year Program, from both Information Technology and Accounting graduates.

During the period, the Sydney campus and head office was relocated, concurrent with the rebranding and change of company name. The new premises provide increased student capacity and improved amenity for staff.

A Perth operation commenced in 2017 and is performing in line with expectations.

During the period, UCW received an interim dividend of $128k from Gradability in relation to FY17, with an equal amount expected to be received in the second half of FY18.

Discontinued operations

As foreshadowed in the Annual Report for the year ended 30 June 2017, 4Life's Adelaide operations (as distinct from its Sydney-based international student operation, that has been integrated into ALG) were wound-down during the period and have been closed. The Adelaide operations were unprofitable and non-core to the Company's current focus. Onerous contracts have been brought to account at 31 December 2017. Refer to Note 3 for further details of the discontinued operations.

Results for the discontinued operations have been separately disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and the summary presented below.

Corporate focus

UCW's strategy is to invest in the growth of its existing businesses, while concurrently pursuing acquisition opportunities.

UCW continues to actively engage in discussions in relation to a number of acquisition opportunities.

Results summary

The table below reconciles the underlying EBITDA of ALG, 4Life and UCW's interest in Gradability for the half-year ended 31 December 2017, to the consolidated profit reported for the period.

	31 December 2017* $'000	Restated[1] 31 December 2016 $'000	Variance
ALG and 4Life			
Total revenue	5,916	4,138	43.0%
Cost of sales	(2,985)	(1,906)	(56.6%)
Gross profit	2,931	2,232	31.3%
Gross margin (%)	49.5%	53.9%	(8.2%)
Operating expenses	(2,365)	(1,577)	(50.0%)
Operating EBITDA	**566**	**655**	**(13.6%)**
Operating EBITDA margin (%)	9.6%	15.8%	(39.2%)
Gradability			
Equity accounted share of results	345	-	nm
UCW			
Corporate costs	(443)	(391)	(13.3%)
Underlying EBITDA	**468**	**264**	**77.3%**
Loss from discontinued 4Life Adelaide operations	(149)	-	nm
Due diligence and transaction costs	(45)	(106)	57.5%
Interest, tax, depreciation and amortisation	(142)	(12)	nm
Net profit after tax	**132**	**146**	**(9.6%)**

*Results include 4Life (acquired 13 January 2017) and UCW's 24.6% share of Gradability's net profit after tax for the half-year ended 31 December 2017 from date of acquisition (11 July 2017).

EBITDA: EBITDA is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit under Australian Accounting Standards, adjusted for specific non-cash and significant items. The above table summarises reconciling items between statutory net profit after tax attributable to the shareholders of UCW and EBITDA.

Operating EBITDA: Operating EBITDA is the EBITDA of the core operating businesses, being ALG and 4Life.

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

Underlying EBITDA: Underlying EBITDA is a financial measure representing Operating EBITDA and including UCW corporate costs and the equity accounted share of net profit after tax of Gradability. Underlying EBITDA has been adjusted for once-off due diligence and transaction costs relating to the acquisition of investments. The Directors consider Underlying EBITDA to reflect the core earnings of the Group.

[1]Refer to Note 9 for the restatement details.

DIRECTORS' REPORT (continued)

Results summary (continued)

Loss from discontinued 4Life Adelaide operations: Represents the loss from 4Life's discontinued domestic operations in Adelaide, net of tax. Refer to Note 3 for further details.

Due diligence and transaction costs: External due diligence and transaction costs relating to the ALG, 4Life and Gradability acquisitions and review of other potential acquisition opportunities.

Interest, tax, depreciation and amortisation: Interest was earned on excess cash held in the Group. Depreciation relates largely to campus plant & equipment and amortisation relates to fitout, course development and the recently implemented student management system.

Net assets

The net assets of the Group as at reporting date was $8,376,683 (30 June 2017: $6,827,594).

Significant changes in the state of affairs

During the financial half-year, UCW purchased a 24.6% share in Gradability Pty Ltd. There were no other significant changes in the state of affairs of the Group during the financial half-year.

Subsequent events

There have been no significant events after balance date.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under s.307C of the Corporations Act 2001 is set out on page 23.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

Gary Burg

Non-Executive Chairman

28 February 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Notes	31 December 2017 $	Restated[1] 31 December 2016 $
Revenue from continuing operations			
Student fee income		5,667,417	3,999,099
Other revenue		248,987	139,079
		5,916,404	4,138,178
Cost of sales		(2,985,069)	(1,906,513)
Gross profit		**2,931,335**	**2,231,665**
Other income			
Share of profits of associates accounted for using the equity method	6	344,739	-
Interest income		19,328	95,123
		364,067	**95,123**
Expenses			
Employee benefits expense		(1,943,609)	(1,252,793)
Professional fees		(173,687)	(205,724)
Advertising and marketing expenses		(106,042)	(81,533)
Cleaning expenses		(86,545)	(62,025)
Depreciation and amortisation expenses		(76,579)	(34,661)
Licence fees		(70,115)	(12,157)
Travelling expenses		(62,075)	(34,975)
Borrowing expenses		(54,040)	-
Communication and IT expenses		(35,476)	(43,439)
Insurance expenses		(27,034)	(13,738)
Utility expenses		(20,268)	(7,058)
Legal expenses		(11,380)	(28,140)
Administration, support and other expenses		(317,062)	(332,459)
		(2,983,912)	**(2,108,702)**
Profit before income tax expense from continuing operations		**311,490**	**218,086**
Income tax expense		(30,602)	(72,459)
Profit from continuing operations		**280,888**	**145,627**
Loss from discontinued operations (net of tax)	3	(149,215)	-
Profit for the period		**131,673**	**145,627**
Other comprehensive income for the half-year		-	-
Total comprehensive profit		**131,673**	**145,627**

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

[1]Refer to Note 9 for the restatement details.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Profit / (loss) per share attributable to equity holders of the parent entity	**31 December 2017 $**	**Restated[1] 31 December 2016 $**
Basic profit / (loss) per share (cents per share)		
a) Continuing operations	0.36	0.25
b) Discontinued operations	(0.19)	-
Diluted profit / (loss) per share (cents per share)		
c) Continuing operations	0.35	0.23
d) Discontinued operations	(0.18)	-

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

[1]Refer to Note 9 for the restatement details.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	31 December 2017 $	30 June 2017 $
Current assets			
Cash and cash equivalents		4,138,947	7,327,872
Trade and other receivables		1,128,714	1,089,381
Inventories		6,190	6,190
Other assets		411,056	434,652
Total current assets		**5,684,907**	**8,858,095**
Non-current assets			
Trade and other receivables		241,446	154,530
Property, plant and equipment		1,020,348	575,591
Intangible assets		288,103	238,002
Deferred tax asset		461,828	404,305
Investment in associates	6	6,071,955	-
Goodwill on consolidation		1,314,720	1,314,720
Total non-current assets		**9,398,400**	**2,687,148**
Total assets		**15,083,307**	**11,545,243**
Current liabilities			
Deferred revenue		3,175,423	3,013,729
Trade and other payables		1,284,389	1,115,082
Provision for onerous contracts	4	219,136	-
Provisions for employee entitlements		179,004	169,835
Income tax liabilities		177,533	188,157
Total current liabilities		**5,035,485**	**4,486,803**
Non-current liabilities			
Borrowings	8	1,425,000	-
Deferred settlement		200,000	200,000
Provisions for employee entitlements		31,974	23,778
Deferred lease liability		14,165	7,068
Total non-current liabilities		**1,671,139**	**230,846**
Total liabilities		**6,706,624**	**4,717,649**
Net assets		**8,376,683**	**6,827,594**
Equity			
Issued capital	7	18,523,356	17,074,124
Reserves		171,988	160,806
Accumulated losses		(10,318,661)	(10,407,336)
		8,376,683	**6,827,594**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Consolidated	Issued Capital $	Share Based Payments Reserve $	Options Premium Reserve $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2017	**17,074,124**	**158,931**	**1,875**	**(10,407,336)**	**6,827,594**
Net profit for the financial half-year				131,673	131,673
Cumulative adjustment to equity per *AASB 15 Revenue from Contracts with Customers*	-	-	-	(42,998)	(42,998)
Other comprehensive income for the financial half-year	-	-	-	-	-
Total comprehensive profit for the financial half-year	**-**	**-**	**-**	**88,675**	**88,675**
Transactions with owners in their capacity as owners					
Shares issued at net cost	1,449,232	-	-	-	1,449,232
Options issued at fair value	-	11,182	-	-	11,182
Total transactions with owners in their capacity as owners	1,449,232	11,182	-	-	1,460,414
Balance as at 31 December 2017	**18,523,356**	**170,113**	**1,875**	**(10,318,661)**	**8,376,683**
Consolidated (Restated[1])					
Balance as at 1 July 2016	**14,172,195**	**147,840**	**1,875**	**(10,578,221)**	**3,743,689**
Net profit for the financial half-year	-	-	-	145,627	145,627
Other comprehensive income for the financial half-year	-	-	-	-	-
Total comprehensive loss for the financial half-year	**-**	**-**	**-**	**145,627**	**145,627**
Transactions with owners in their capacity as owners					
Shares issued at net cost	-	-	-	-	-
Options issued at fair value	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	-	-
Balance as at 31 December 2016	**14,172,195**	**147,840**	**1,875**	**(10,432,594)**	**3,889,316**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

[1]Refer to Note 9 for the restatement details.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Notes	31 December 2017 $	31 December 2016 $
Cash flows from operating activities			
Receipts from customers		5,508,208	3,798,174
Payments to suppliers and employees		(5,286,119)	(3,866,158)
Interest received		17,185	93,806
Net cash flows from continuing operations		239,274	25,822
Net cash flows from discontinued operations	3	35,939	-
Net cash flows from operating activities		275,213	25,822
Cash flows from investing activities			
Payments for acquisitions of subsidiaries and business assets, net of cash acquired		-	(3,784,269)
Payments for investments in associates		(4,391,417)	-
Dividend income received from associates		128,006	-
Deposit payments		-	(100,000)
Payments for property plant and equipment		(475,382)	(20,650)
Payments for intangible assets		(55,464)	(85,006)
Net cash flows used in investing activities		(4,794,257)	(3,989,925)
Cash flows from financing activities			
Proceeds from borrowings		1,500,000	-
Borrowing costs		(80,307)	-
Repayment of loan		(75,000)	-
Capital raising costs		(14,574)	-
Net cash generated by financing activities		1,330,119	-
Net decrease in cash and cash equivalents		(3,188,925)	(3,964,103)
Cash and cash equivalents at beginning of the financial half-year		7,327,872	8,817,554
Cash and cash equivalents at the end of the financial half-year		**4,138,947**	**4,853,451**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Half-Year Report covers UCW and its controlled entities. UCW is a listed public company, incorporated and domiciled in Australia. UCW is a for-profit company for the purposes of preparing this Half-Year Report.

The following is a summary of the material accounting policies adopted by the Company in the preparation and presentation of the half-year report. The accounting policies have been consistently applied except in the case of the Company's early adoption of AASB 15 'Revenue from Contracts with Customers', which represents a change to policy with respect to revenue recognition and is referenced in more detail below in Note 1(e).

(a) Statement of compliance

The Half-Year Report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and *AASB 134 Interim Financial Reporting. Compliance with AASB 134* ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The Half-Year Report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent Annual Report.

(b) Basis of preparation

The Half-Year Report has been prepared on the historical cost and accruals basis except where stated otherwise.

The Half-Year Report is intended to provide users with an update on the latest half-year for the consolidated entity. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year with the consolidated entity. It is therefore recommended that this Half-Year Report be read in conjunction with the Annual Report for the consolidated entity for the year ended 30 June 2017, together with any public announcements made during the half-year ended 31 December 2017.

(c) Accounting policies

In addition to the accounting policies adopted and disclosed in the Company's 30 June 2017 Annual Report, which have been applied consistently for the half-year ended 31 December 2017 (other than *AASB 15 'Revenue from Contracts with Customers' (1(e))*, the Company has also adopted the following policies.

Interests in Associates

Associates are those entities over which the Group has significant influence, but not control or joint control over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Interests in associates are accounted for using the equity method. They are initially recognised at cost. Subsequent to initial recognition, the Group's share of the profit or loss of associates is included in the Group's profit or loss.

The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, and decreased to recognise any dividend received from the associate and adjusted where necessary to ensure consistency with the accounting policies of the Group.

Onerous contracts

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Discontinued operations

A discontinued operation is a component of the Group that represents a separate major line of business that is part of a disposal plan. The results of discontinued operations are presented separately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Critical accounting estimates and judgements

The critical estimates and judgements are consistent with those applied and disclosed in the Company's 30 June 2017 Annual Report. Further to those estimates and judgements applied, the Group has also applied the following estimates / judgements for the half-year ended 31 December 2017.

Provision for onerous contracts

As noted in the Directors' Report, the operations in Adelaide were discontinued during the half-year and the office shut down in December 2017. In relation to the closure of the Adelaide office, the Group has recognised a provision for the onerous contracts. The provision for the onerous contracts is the best estimation of the expenditure required to settle all present obligations. The provision is based on the lower of the estimated unavoidable costs of meeting all obligations under the associated contracts and is largely related to a rental agreement and executive salaries up until 30 June 2018.

(e) Revenue recognition

The Company has adopted the new revenue standard '*AASB 15: Revenue from Contracts with Customers*' with effect from 1 July 2017.

In line with the disclosure in the Annual Report for the period ended 30 June 2017, the Directors of the Company have assessed that the enrolment fees paid by students represent a performance obligation for the Company in that these would not have been paid without an expectation from students that they would then undertake a course of study.

Accordingly, the Company now recognises enrolment fee revenue over the duration of the course of study and in line with the performance obligations. This is the same treatment as the Company's current accounting policy in relation to course materials provided.

Impact of early adoption of AASB 15

The adoption of the new standard has not had a material impact on the Group's revenue, including the comparatives against the previous financial year. Accordingly, the Directors have elected to apply the 'cumulative adjustment to equity method'. In accordance with this approach, the consolidated revenue for periods prior to 1 July 2017 has not been revised and the cumulative adjustment ($42,998 loss) has been brought to account against the opening balances of deferred revenue and retained earnings (accumulated losses) as outlined below.

	Unadjusted 30 June 2017 $	Cumulative adjustment to equity for early adoption of AASB 15 1 July 2017 $	Adjusted for early adoption of AASB 15 1 July 2017 $
Total liabilities			
Deferred revenue	3,013,729	42,998	3,056,727
Equity			
Accumulated losses	(10,407,336)	(42,998)	(10,450,334)

Electing to early adopt *AASB 15* had no effect on the Consolidated Statement of Cash Flows.

(f) New and revised accounting requirements applicable to the current half-year reporting period

The consolidated entity has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) that are mandatory for the current reporting period.

Other than AASB 15 Revenue from Contracts with Customers, any other new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any material impact on the financial performance or position of the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

2. SEGMENT REPORTING

The Company has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group operates in two industry segments being international student education and domestic student education, and one geographical segment, being Australia.

For the half-year ended 31 December 2017	**International student income $**	**Domestic student income $**	**Unallocated $**	**Total $**
Revenue from external customers	5,000,604	666,813	248,987	5,916,404
Share of profits of associates	-	-	344,739	344,739
Interest income	-	-	19,328	19,328
Profit from continuing operations	-	-	280,888	280,888
Loss from discontinued operations	-	-	(149,215)	(149,215)
Profit for the period	-	-	131,673	131,673
Total segment assets as at 31 December 2017	-	-	15,083,307	15,083,307
Total segment liabilities as at 31 December 2017	-	-	(6,706,624)	(6,706,624)

For the half-year ended 31 December 2016 Restated[1]	**International student income $**	**Domestic student income $**	**Unallocated $**	**Total $**
Revenue from external customers	3,411,730	587,369	139,079	4,138,178
Interest income	-	-	95,123	95,123
Total reportable segment results	-	-	145,627	145,627
Total segment assets as at 30 June 2017	-	-	11,545,243	11,545,243
Total segment liabilities as at 30 June 2017	-	-	(4,717,649)	(4,717,649)

Per *AASB 134.16A(g)(iv)*, segment results, assets and liabilities have been categorised as unallocated as such segment amounts are not regularly reported to the chief operating decision maker (the Board).

[1]Refer to Note 9 for the restatement details.

3. DISCONTINUED OPERATIONS

4Life had operations in Adelaide, which (as distinct from its Sydney international student operation, which has been integrated into ALG) were focused on the domestic, government-funded and corporate training markets. The Adelaide operations were unprofitable and management considered the business to be non-core to the Company's strategic focus. As foreshadowed in the Annual Report for the year ended 30 June 2017, management closed the Adelaide operations during the half-year ended 31 December 2017. The assets and resources of the business have ceased to be used and onerous contract provisions raised for the ongoing leases and employment contracts.

The combined results of the discontinued operation included in the profit and loss for the year is set out below. The comparative profit and cash flows from discontinued operations have not been presented as the 4Life business was only acquired by UCW on 13 January 2017.

	31 December 2017 $	31 December 2016 $
Loss from discontinued operations		
Revenue	371,934	-
Expenses	(577,748)	-
Loss before income tax	**(205,814)**	-
Attributable income tax benefit	56,599	-
Loss after income tax	**(149,215)**	-
Net cash inflows from operating activities	**35,939**	**-**

4. PROVISION FOR ONEROUS CONTRACTS

	31 December 2017 $	30 June 2017 $
Onerous contracts		
Lease commitments	114,695	-
Employment costs	78,599	-
Other costs	25,842	-
Total provision for onerous contracts	**219,136**	**-**

5. DIVIDENDS

There were no dividends paid or declared during the current or previous financial half-year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

6. INVESTMENT IN ASSOCIATES

Interest in associates are accounted for using the equity method of accounting.

	Ownership interest		Equity-accounted	
Name	**31 December 2017 %**	**30 June 2016 %**	**31 December 2017 $**	**30 June 2016 $**
Gradability Pty Ltd (i)	24.57	-	6,071,955	-

i) On 11 July 2017 the Company acquired 24.57% of the issued capital in Gradability Pty Ltd (formerly Performance Education Group Pty Ltd) (ACN 117 850 281) (Gradability).

Reconciliation of movements	**31 December 2017 $**	**30 June 2017 $**
Balance at the beginning of the period	-	-
Acquisition of associates	5,855,222	-
Share of profit from associates	344,739	-
Dividend received	(128,006)	-
Balance as at reporting date	**6,071,955**	**-**

7. SHARE CAPITAL

Issued capital as at 31 December 2017 amounted to $18,523,356 (79,654,583 ordinary shares).

	Consolidated 31 December 2017		Consolidated 30 June 2017	
Ordinary shares	**Number**	**$**	**Number**	**$**
Opening balance	373,876,131	17,074,124	296,642,396	14,172,195
Issue of shares	24,396,758	1,463,805	77,233,735	3,089,349
Share consolidation (1:5)	(318,618,306)	-	-	-
Capital raising costs	-	(14,573)	-	(187,420)
At reporting date	**79,654,583**	**18,523,356**	**373,876,131**	**17,074,124**

Other than as noted above, there were no movements in the issued capital of the Company.

8. BORROWINGS

A total loan facility of $2,200,000 was secured by a first ranking charge over all present and after acquired property of the Group with Commonwealth Bank of Australia (CBA) in relation to the acquisition of Gradability on 11 July 2017.

Loan Facility	Facility Limit ($)	Withdrawn ($)	Remaining Facility ($)
a) Market rate loan	1,500,000	(1,500,000)	-
b) Working capital (overdraft)	500,000	-	500,000
c) Bank guarantee (rental bond)	200,000	(158,654)	41,346
Total loan facility	**2,200,000**	**(1,658,654)**	**541,346**

a) The market rate loan is being amortised in accordance with the agreed repayment schedule. $75,000 of capital is payable quarterly at each reset period, beginning 11 October 2017. On 10 July 2020, an outstanding balance of $600,000 will be due. The loan attracts interest (referenced to BBSY), a line fee of 4.00% p.a., liquidity fee of 0.25% p.a. and reset fee of 0.21% p.a.

b) The working capital facility has an indefinite revolving term and is subject to annual review. The interest rate is currently 7.00% p.a. and an overdraft line fee of 1.12% p.a. is payable.

c) A bank guarantee fee of 3.50% p.a. is payable half yearly in advance.

9. RESTATEMENTS

As disclosed in the 30 June 2017 Annual Report, AASB 3 Business Combinations allows a measurement period after a business combination to provide the acquirer a reasonable time to obtain the information necessary to identify and measure all of the various components of the business combinations as of the acquisition date. Accordingly, the following amendments were recorded in the accounts as a restatement in relation to the half-year ended 31 December 2016 and the financial year ended 30 June 2016 in relation to the acquisition of ALG and show the impact on the comparatives for both the Consolidated Statement of Profit or Loss and Other Comprehensive Income and the Consolidated Statement of Financial Position.

Consolidated Statement of Profit or Loss and Other Comprehensive Income	31 December 2016 $	Restated 31 December 2016 $	Variance $
Impairment of goodwill	(17,123)	-	17,123
Fair value adjustment to contingent consideration	(229,149)	-	229,149
Increase to net profit for the period			**246,272**

Impairment of goodwill and fair value adjustment to contingent consideration have been removed from the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2016 as these adjustments were included in the restated figures for the financial year ended 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

9. RESTATEMENTS (continued)

Consolidated Statement of Financial Position	**31 December 2016 $**	**Restated 31 December 2016 $**	**Variance $**
Assets			
Trade and other receivables	402,187	518,008	115,821
Deferred tax asset	246,169	270,578	24,409
Liabilities			
Trade and other payables	647,841	659,106	11,265
Increase to net assets			**128,965**

Consolidated Statement of Changes in Equity	**31 December 2016 $**	**Restated 31 December 2016 $**	**Variance $**
Total comprehensive income for the period ended	(100,645)	145,627	246,272
Accumulated losses*	10,460,914	10,578,221	(117,307)
Increase to equity			**128,965**

*Refer to Note 32 of the Annual Report for the year ended 30 June 2017 for further details in relation to the 30 June 2016 restated figures and its effect on the Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity.

10. SUBSEQUENT EVENTS

There have been no significant events after balance date.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with *Accounting Standard AASB 134 Interim Financial Reporting* and giving a true and fair view of the financial position and performance of the consolidated entity

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

Gary Burg
Non-Executive Chairman
28 February 2018

RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500
F +61 (0) 2 8226 4501

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of UCW Limited and its controlled entities for the half year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

RSM

RSM AUSTRALIA PARTNERS

GNS

G N Sherwood
Partner

Sydney, NSW
Dated: 28 February 2018

RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

UCW LIMITED AND ITS CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of UCW Limited which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The Directors of the consolidated entities are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of UCW Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations act 2001*, which has been given to the Directors of UCW Limited and its controlled entities, would be in the same terms if given to the Directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of UCW Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS

Sherwood GNS

Sydney, NSW
Dated: 28 February 2018

G N Sherwood
Partner

UCW

LIMITED