HALF-YEAR REPORT

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2018

UCW LIMITED

UCW LIMITED AND ITS
CONTROLLED ENTITIES
ABN: 85 108 962 152

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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
Jonathan Pager - Non-Executive Director

Company Secretary

Lyndon Catzel

Registered Office and Principal Place of Business

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

Auditors

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

Share Registry

Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000
Investor Enquiries: +61 2 9698 5414

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 2018.

Directors

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

Gary Burg	Non-Executive Chairman (appointed 24 March 2016)
Adam Davis	Chief Executive Officer and Managing Director (appointed 16 February 2015)
Peter Mobbs	Non-Executive Director (appointed 16 February 2015)
Jonathan Pager	Non-Executive Director (appointed 16 February 2015)

Dividends

No dividends have been paid or declared during the financial half-year ended 31 December 2018 (2017: $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 tertiary education businesses, with a current focus on Health and Community Services fields of study.

The Company's strategy is to foster and support growth in its existing businesses, through initiatives such as campus and course expansion, while concurrently pursuing additional acquisition opportunities.

The Board includes directors with extensive experience in the education sector.

UCW currently has three wholly-owned subsidiaries:

- Australian Learning Group Pty Limited (**ALG**) - acquired 24 March 2016;
- Australian Health and Science Institute Pty Ltd, formerly 4Life Pty Ltd (**4Life College or 4Life**) - acquired 13 January 2017; and
- Proteus Technologies Pty Ltd, trading as Ikon Institute of Australia (**Ikon**) - acquired 4 July 2018.

ALG and 4Life College are vocational providers, primarily focussed on the international student market. The businesses have been integrated and operate from campuses in Sydney, Melbourne, Brisbane, Perth.

Ikon is both a vocational and a higher education provider, with a primary focus on higher education and the domestic student market. Ikon also has multiple campus locations across Australia, including in Adelaide, where its head office is based.

In addition to its wholly-owned subsidiaries, and outside of its current Health and Community Services focus, UCW owns 24.57% of the ordinary shares in Gradability Pty Ltd (**Gradability**) (acquired 11 July 2017), one of the leading providers of the Professional Year Program (PYP). The PYP is a work-readiness program for international student graduates in information technology, accounting and engineering, that includes an internship in an Australian workplace. Gradability also offers work-readiness training and internship placement services to universities and other education providers.

The results presented in this report include the corporate operations of UCW, the operations of its wholly-owned subsidiaries ALG, 4Life College and Ikon, together with UCW's interest in Gradability, for the half-year ended 31 December 2018. The comparative period, being the half-year ended 31 December 2017, includes the corporate operations of UCW, the operations of ALG and 4Life College, together with UCW's interest in Gradability.

The Company accounts 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. Dividends received from Gradability during the period are booked against the carrying amount of the investment in the Company's Statement of Financial Position.

UCW LIMITED

Australian Learning Group and 4Life

Overview

ALG (which now includes the business of 4Life College) provides 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 2018, ALG had 1,624 international students.

ALG's international students are recruited primarily through education agents, both onshore in Australia and offshore in source countries. As at 31 December 2018, ALG had over 250 active agents and students from more than 70 source countries.

ALG currently offers 16 qualifications in Health and Community Services related fields of study:

- Ageing Support (Certificate III and Certificate IV)
- Community Services (Diploma)
- Counselling (Diploma)
- Dance Teaching (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)
- Yoga Teaching (Certificate IV and Diploma)

All courses are structured to facilitate rolling intakes, to allow students to commence any course (subject to satisfaction of entry requirements) 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 delivery mode. Students are sourced via direct marketing, primarily online.

International Revenue

The Board is pleased to report continued strong growth in international student enrolments for the half-year ended 31 December 2018. International enrolments for the period, being the sum of enrolments in the two academic terms during the half-year, were 3,122, up 20.5% compared to the previous corresponding period. This growth was attributable to ALG's Community Services course offering, which represented 31.7% of 1H19 enrolments compared to 14.9% for the prior period.

Revenue from international students represented more than 88% of ALG's revenue during the period.

Enrolments by campus location

Campus	1H19 enrolments	1H18 enrolments	1H19/1H18 growth	Proportion of total (1H19)
Sydney	1,730	1,449	19.4%	55.4%
Melbourne	757	529	43.1%	24.3%
Perth	391	431	(9.3%)	12.5%
Brisbane	244	181	34.8%	7.8%
Total	**3,122**	**2,590**	**20.5%**	**100.0%**

Enrolments by field of study

Field of study	1H19 enrolments	1H18 enrolments	1H19/1H18 growth	Proportion of total (1H19)
Fitness, Sports & Recreation Management	1,412	1,416	(0.3%)	45.3%
Remedial Massage	575	634	(9.3%)	18.4%
Dance Teaching	144	154	(6.5%)	4.6%
Community Services*	991	386	156.7%	31.7%
Total	**3,122**	**2,590**	**20.5%**	**100.0%**

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

DIRECTORS' REPORT (continued)

ALG/4LIFE	1H19 $'000	1H18 $'000	Var $'000
Revenue			
International student revenue	6,055	5,000	1,055
Domestic student revenue	591	667	(76)
Other revenue	228	249	(21)
Total revenue	**6,874**	**5,916**	**958**
Cost of sales			
Commission	(1,294)	(949)	(345)
Venue	(866)	(657)	(209)
Teaching	(1,605)	(1,242)	(363)
Other	(189)	(137)	(52)
Total cost of sales	**(3,954)**	**(2,985)**	**(969)**
Gross profit	**2,920**	**2,931**	**(11)**
*Gross margin**	*42.5%*	*49.5%*	*(7.0%)*
Operating expenses	(2,920)	(2,365)	(555)
Operating EBITDA	**-**	**566**	**(566)**
*Operating EBITDA margin (%) **	0.0%	9.6%	(9.6%)

** Movement in % points*

International enrolments	3,122	2,590	532
Revenue per international enrolment ($)	1,939	1,931	8

ALG generated revenue of $6.9m and breakeven EBITDA for the half-year to 31 December 2018. As expected, gross margin and earnings were materially impacted during the period by various investments in growth initiatives, most notably the introduction of the full 4Life course offering in Melbourne from 1 July 2018. This required an investment in a new campus, the launch of which was supported by various marketing initiatives and in its first half-year carried full operating costs against small student numbers. The Board has been pleased by the ramp-up of enrolments at the new Melbourne campus and expect it to achieve run-rate breakeven on an EBITDA basis by the end of FY19, if not before.

Gross margins were further impacted by a declining proportion of domestic (higher margin distance-based education) to international revenue and more business being produced by the agent channel, thereby increasing commission costs. With the investment and costs of the Melbourne launch now behind us, and with increased enrolments at the new Melbourne campus and more broadly, the Board expects a materially stronger second half.

The national rollout of the full 4Life course offering continues to present a strong growth opportunity for ALG, alongside its Yoga Teaching offering, which had a positive launch in Sydney in 3Q19. ALG is exploring a number of course expansion initiatives.

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

UCW LIMITED

DIRECTORS' REPORT (continued)

Domestic revenue

ALG's domestic revenue for the half-year was relatively stable compared to 1H18. ALG's domestic revenue is principally derived from distance education courses, with a limited course offering (Fitness and Dance Teaching). Courses are either paid for upfront or by way of a fortnightly payment plan. Revenue is recognised equally over a 12-month period from and including the month of sale.

Ikon

Overview

Established in Adelaide in 2005, Ikon is both a registered training organisation (**RTO**) and a higher education provider (**HEP**). It is an approved provider of both Vocational Education and Training (**VET**) Student Loans (**VSL**) and FEE-HELP. Ikon is also registered as a Commonwealth Register of Institutions and Courses for Overseas Students (**CRICOS**) provider.

Ikon's primary focus is delivering its higher education (**HE**) courses to domestic students. Its HE courses include a bachelor degree in counselling and psychotherapy and a bachelor degree in art therapy. Each of these degree programmes include diploma and associate degree exit points.

Ikon has a national presence with campuses in Sydney, Melbourne, Brisbane, Perth and Adelaide, where its head office is based.

Results for the period

Ikon	1H19 $'000
Revenue	
International student revenue	62
Domestic student revenue	2,227
Other revenue	30
Total revenue	**2,319**
Cost of sales	
Commission	-
Venue	(220)
Teaching	(973)
Other	(15)
Total cost of sales	**(1,208)**
Gross profit	**1,111**
Gross margin	*47.9%*
Operating expenses	(1,059)
Operating EBITDA	**52**
Operating EBITDA margin (%)	2.2%

DIRECTORS' REPORT (continued)

Ikon generated income of $2.3m and EBITDA profit of $52k for the reported period, with approximately 90% of its revenue derived from its higher education offering. These results were below the UCW Board's expectations at the time of entering into the acquisition, however the shortfall is largely attributable to underperformance of Ikon's non-HE offering, which did not form part of UCW's acquisition rationale. From this perspective, the Board is not overly concerned with the shortfall.

The Board expects Ikon's revenue and profitability to increase in the second half of FY19 as a result of increased domestic higher education enrolments. Calendar 2019 will be the first year in which there will be students in each of years 1, 2 and 3 of Ikon's bachelor programmes.

As the purchase price for UCW's acquisition of Ikon is based on Ikon's FY19 results, the business operated largely stand-alone during the reported period and will continue to operate on this basis for the remainder of FY19. Integration opportunities will be pursued post 30 June 2019 and are expected to be delivered over a number of years.

Gradability

UCW's investment

UCW acquired 24.57% of the ordinary shares in Gradability Pty Ltd in July 2017, with the initial intention of this being a stepping-stone to a potential broader transaction. On completion, Adam Davis, UCW's Chief Executive Officer, joined Gradability's board of directors as a Non-Executive Director.

Overview

Gradability operates through two business units; Performance Education and ReadyGrad. Both business units operate in the education-to-employment / professional education sector.

Performance Education, which generates the majority of Gradability's revenue, is a leading provider of the Professional Year Program (PYP), a work-readiness program for international student graduates with a degree in accounting or information technology.

The PYP is a 44-week program, which includes a 12-week internship in an Australian host company, designed to provide international students the skills they need to start their career. The coursework includes subjects such as Australian work practices, work health and safety, business communications, job search skills and workplace readiness training.

Approximately 45% of Performance Education's PYP graduates achieve an employment outcome with their host company.

ReadyGrad is a more recently formed business that operates in the broader graduate employability space for international and domestic students. It provides internship placement services and work-readiness training to students, from over 15 universities, corporates and other education providers. Readygrad is aiming to benefit from the increasing pressure on graduate employability and outcomes coming from students, employers and government.

1H19 results

The trends and somewhat challenging market dynamics for Gradability that UCW reported in its 2018 Annual Report have continued to play out in 1H19.

Gradability is positioned in the market as a quality provider and is delivering against this positioning. Strong enrolment growth in the PYP has resulted in continued revenue growth, however gross margins have continued to decline as a result of lower average pricing, increased recruitment costs (commissions and marketing) and increased fees to the respective governing bodies of the PYP. Notwithstanding increased enrolments, due to the lower gross margin, the absolute value of gross profit has decreased against 1H18.

Readygrad has seen strong growth on 2H18, with more university contracts delivered and a jump in direct to student internship programs. 1H19 also included Readygrad's first step into corporate training with delivery of a contract to a major organisation, as well as introduction of a corporate service fee on internship programs, both contributing to an improved bottom line. The business unit is however, still in its infancy and has not yet provided a material level of diversification to Gradability's reliance on the PYP.

Over the past two years, Gradability has made significant investments in ReadyGrad, new campuses, and building its management team and operational capacity to service the larger volume of PYP students. This has resulted in increasing property costs, employment expenses and other operating expenses (at both the business unit and corporate overhead level).

DIRECTORS' REPORT (continued)

Earnings have consequently declined in the face of lower PYP gross margin and higher operating expenses. In addition, the company has this year adopted the new revenue accounting standard AASB 15 – Revenue from Contracts with Customers, which has impacted its 1H19 results by $60k.

UCW's equity accounted share of Gradability's net profit after tax for the reported period is $205k compared to $345k for the prior corresponding period. The Board and management of Gradability are aware of the ongoing pressure on PYP gross margins and the need to review the cost of recruitment and delivery.

During the period, UCW received an interim dividend of $128k from Gradability in relation to FY17. The Company does not anticipate receipt of further dividends during FY19.

Corporate focus

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

Results summary

The table below reconciles the underlying EBITDA of ALG, 4Life College and Ikon (UCW's wholly owned subsidiaries) and UCW's 24.57% interest in Gradability for the half-year ended 31 December 2018, to the consolidated profit reported for the period.

	1H19 $'000	1H18 $'000	Variance $'000
ALG, 4Life College and Ikon			
Total revenue	9,193	5,916	3,277
Cost of sales	(5,162)	(2,985)	2,177
Gross profit	**4,031**	**2,931**	**1,100**
Gross margin (%)	*43.9%*	*49.5%*	*(5.6%)**
Operating expenses	(3,979)	(2,365)	(1,614)
Operating EBITDA	**52**	**566**	**(514)**
Operating EBITDA margin (%)	*0.6%*	*9.6%*	*(9.0%)**
Gradability			
Equity accounted share of results	205	345	(140)
UCW			
Corporate costs	(472)	(443)	(29)
Underlying EBITDA	**(215)**	**468**	**(683)**
Profit / (loss) from discontinued 4Life Adelaide operations	2	(149)	151
Due diligence and transaction costs	(22)	(45)	23
Interest, tax, depreciation and amortisation	28	(142)	170
Net loss / (profit) after tax	**(207)**	**132**	**(339)**

** Movement in percentage points*

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, 4Life and Ikon.

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.

Profit / (loss) from discontinued 4Life Adelaide operations: Represents the profit / (loss) from 4Life's discontinued domestic operations in Adelaide, net of tax.

Due diligence and transaction costs: External due diligence and transaction costs relating to acquisition activity.

Interest, tax, depreciation and amortisation: Interest income was earned on excess cash held in the Group. Interest expense relates primarily to interest on the Company's borrowings. Depreciation relates largely to campus plant & equipment and amortisation relates to fitout, course development and software.

Net assets

The net assets of the Group as at reporting date was $13,177,670 (30 June 2018: $12,288,863).

Significant changes in the state of affairs

During the financial half-year, UCW purchased 100% of the issued shares in Ikon. There were no other significant changes in the state of affairs of the Group during the financial half-year.

Subsequent events

As described in Note 6, ordinary shares were issued to the vendors of 4Life Pty Ltd on 22 January 2019. There have been no other 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 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Notes	Consolidated 31 December 2018 $	Consolidated 31 December 2017 $
Revenue from continuing operations			
Student fee income		8,935,996	5,667,417
Other revenue		257,513	248,987
		9,193,509	5,916,404
Cost of sales		(5,162,224)	(2,985,069)
Gross profit		**4,031,285**	**2,931,335**
Other income			
Share of profits of associates accounted for using the equity method	8	205,254	344,739
Interest income		11,997	19,328
		217,251	**364,067**
Expenses			
Employee benefits expense		(2,933,091)	(1,943,609)
Advertising and marketing expenses		(340,749)	(106,042)
Depreciation and amortisation expenses		(249,714)	(76,579)
Professional fees		(153,842)	(173,687)
Cleaning expenses		(147,503)	(86,545)
Communication and IT expenses		(125,342)	(35,476)
Licence fees		(104,634)	(70,115)
Travelling expenses		(100,222)	(62,075)
Borrowing expenses		(64,247)	(54,040)
Insurance expenses		(36,460)	(27,034)
Legal expenses		(27,008)	(11,380)
Utility expenses		(15,119)	(20,268)
Administration, support and other expenses		(489,975)	(317,062)
		(4,787,906)	**(2,983,912)**
(Loss) / profit before income tax expense from continuing operations		**(539,370)**	**311,490**
Income tax benefit / (expense)		329,627	(30,602)
(Loss) / profit from continuing operations		**(209,743)**	**280,888**
Profit / (loss) from discontinued operations (net of tax)	3	2,415	(149,215)
(Loss) / profit for the period		**(207,328)**	**131,673**
Other comprehensive income for the half-year		-	-
Total comprehensive (loss) / profit		**(207,328)**	**131,673**

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

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

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Profit / (loss) per share attributable to equity holders of the parent entity	Consolidated 31 December 2018 $	Consolidated 31 December 2017 $
Basic profit / (loss) per share (cents per share)		
a) Continuing operations	(0.19)	0.36
b) Discontinued operations	0.00	(0.19)
Diluted profit / (loss) per share (cents per share)		
c) Continuing operations	(0.19)	0.35
d) Discontinued operations	0.00	(0.18)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	Consolidated 31 December 2018 $	Consolidated 30 June 2018 $
Current assets			
Cash and cash equivalents		1,597,230	6,595,135
Trade and other receivables		1,144,551	957,921
Other assets		666,466	1,030,650
Income tax receivable		99,897	91,649
Inventories		1,687	1,687
Total current assets		**3,509,831**	**8,677,042**
Non-current assets			
Investment in associates	8	6,340,518	6,273,474
Goodwill on consolidation	7	6,938,239	1,314,720
Property, plant and equipment		2,605,693	2,218,031
Intangible assets		522,461	297,438
Deferred tax asset		975,801	737,768
Trade and other receivables		210,159	285,786
Total non-current assets		**17,592,871**	**11,127,217**
Total assets		**21,102,702**	**19,804,259**
Current liabilities			
Trade and other payables		1,733,617	2,283,583
Deferred revenue		3,859,403	3,364,237
Borrowings	10	350,000	300,000
Employee benefits		499,778	247,641
Deferred settlement		200,000	200,000
Provisions		9,796	35,348
Total current liabilities		**6,652,594**	**6,430,809**
Non-current liabilities			
Borrowings	10	1,025,000	975,000
Employee benefits		77,577	39,367
Provisions		67,309	36,263
Deferred lease liability		102,552	33,957
Total non-current liabilities		**1,272,438**	**1,084,587**
Total liabilities		**7,925,032**	**7,515,396**
Net assets		**13,177,670**	**12,288,863**
Equity			
Issued capital	9	23,631,159	22,547,228
Reserves		29,522	17,318
Accumulated losses		(10,483,011)	(10,275,683)
Total equity		**13,177,670**	**12,288,863**

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 2018

Consolidated	Issued Capital $	Share Based Payments Reserve $	Options Premium Reserve $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2018	**22,547,228**	**17,318**	**-**	**(10,275,683)**	**12,288,863**
Net loss for the financial half-year				(207,328)	(207,328)
Other comprehensive income for the financial half-year	-	-	-	-	-
Total comprehensive loss for the financial half-year	**-**	**-**	**-**	**(207,328)**	**(207,328)**
Transactions with owners in their capacity as owners					
Shares issued at net cost	1,083,931	-	-	-	1,083,931
Options issued at fair value	-	12,204	-	-	12,204
Total transactions with owners in their capacity as owners	1,083,931	12,204	-	-	1,096,135
Balance as at 31 December 2018	**23,631,159**	**29,522**	**-**	**(10,483,011)**	**13,177,670**

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 loss 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**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Notes	Consolidated 31 December 2018 $	Consolidated 31 December 2017 $
Cash flows from operating activities			
Receipts from customers		9,369,463	5,508,208
Other receipts		242,270	-
Income tax received		150,827	-
Payments to suppliers and employees		(9,781,840)	(5,286,119)
Interest received		10,660	17,185
Net cash flows (used in) / provided by continuing operations		(8,620)	239,274
Net cash flows (used in) / provided by discontinued operations	3	(59,179)	35,939
Net cash flows (used in) / provided by operating activities		(67,799)	275,213
Cash flows from investing activities			
Payments for acquisitions of subsidiaries and business assets, net of cash acquired		(3,640,421)	-
Payments for investment in associates		-	(4,391,417)
Dividend income received from associates		128,006	128,006
Payments for property, plant and equipment		(1,314,194)	(475,382)
Payments for intangible assets		(92,925)	(55,464)
Net cash flows used in investing activities		(4,919,534)	(4,794,257)
Cash flows from financing activities			
Proceeds from borrowings		250,000	1,500,000
Borrowing costs		(51,728)	(80,307)
Repayment of borrowings		(150,000)	(75,000)
Capital raising costs		(58,847)	(14,574)
Net cash (used in) / provided by financing activities		(10,575)	1,330,119
Net decrease in cash and cash equivalents		(4,997,908)	(3,188,925)
Cash and cash equivalents at beginning of the financial half-year		6,595,138	7,327,872
Cash and cash equivalents at the end of the financial half-year		**1,597,230**	**4,138,947**

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 2018

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, unless otherwise stated.

(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 2018, together with any public announcements made during the half-year ended 31 December 2018.

(c) Accounting policies

The accounting policies and methods of computation adopted in the presentation of the Half-Year Report are consistent with those adopted and disclosed in the Company's 30 June 2018 Annual Report.

(d) Critical accounting estimates and judgements

Other than below, the critical estimates and judgements are consistent with those applied and disclosed in the Company's 30 June 2018 Annual Report.

Business combinations: The Company has completed a number of business combinations as contemplated in *AASB 3 Business Combinations* in the current and preceding financial years. AASB 3 requires that the identifiable assets acquired, and the liabilities assumed, are recognised at their acquisition date fair values. Accounting for an acquisition in terms of AASB 3 Business Combinations is non-routine and complex and involves judgement on the part of management and the Board with regards to the identification and valuation of both tangible and intangible assets. There is also estimation uncertainty with regards to the determination of the final purchase consideration in relation to earn-out payments and working capital adjustments. To this extent business combinations are initially accounted for on a provisional basis. Where final amounts differ to provisional amounts, the Company retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the re-measurement period, based on the new information obtained about the facts and circumstances that existed as at the acquisition date. Management have exercised their judgement in determining that the excess of the purchase consideration above the net identifiable tangible assets for the acquisition of Ikon is goodwill, for the purposes of the provisional reporting.

Performance rights: The Company has issued performance rights under the existing Employee Option Plan (**EOP**) to selected employees during the half-year ended 31 December 2018. An independent valuation of these performance rights was undertaken by an independent adviser based on a barrier pricing model.

(e) 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.

(f) Deferred revenue

Deferred revenue represents the Company's obligation to deliver course content to its students and is recognised when a student pays consideration, or when the Company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Company has delivered the course content to the student.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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 ALG & 4Life (largely VET international student education) and Ikon (largely HE domestic student education) and one geographical segment, being Australia.

For the half-year ended 31 December 2018	ALG & 4Life $	Ikon $	Unallocated $	Total $
Tuition revenue - international	6,055,093	62,307	-	6,117,400
Tuition revenue - domestic	591,545	2,227,051	-	2,818,596
Other revenue	228,022	29,491	-	257,513
Share of profits of associates	-	-	205,254	205,254
Interest income	-	-	11,997	11,997
(Loss) / profit from continuing operations	(259,637)	94,157	(44,263)	(209,743)
Profit from discontinued operations	2,415	-	-	2,415
(Loss) / profit for the period	(257,222)	94,157	(44,263)	(207,328)
Total segment assets as at 31 December 2018	-	-	21,102,702	21,102,702
Total segment liabilities as at 31 December 2018	-	-	(7,925,032)	(7,925,032)

For the half-year ended 31 December 2017	ALG & 4Life $	Ikon $	Unallocated $	Total $
Tuition revenue - international	5,000,604	-	-	5,000,604
Tuition revenue - domestic	666,813	-	-	666,813
Other revenue	248,987	-	-	248,987
Share of profits of associates	-	-	344,739	344,739
Interest income	-	-	19,328	19,328
Profit / (Loss) from continuing operations	344,582	-	(63,694)	280,888
Profit from discontinued operations	(149,215)	-	-	(149,215)
Profit / (Loss) for the period	195,367	-	(63,694)	131,673
Total segment assets as at 31 December 2017	-	-	15,083,307	15,083,307
Total segment liabilities as at 31 December 2017	-	-	(6,706,724)	(6,706,724)

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

3. DISCONTINUED OPERATIONS

The combined results of the discontinued operations included in the Consolidated Profit or Loss and Other Comprehensive Income Statement for the half-year is set out below.

	31 December 2018 $	31 December 2017 $
Profit / (loss) from discontinued operations		
Revenue	-	371,934
Expenses	3,331	(577,748)
Profit / (loss) before income tax	**3,331**	**(205,814)**
Attributable income tax (expense) / benefit	(916)	56,599
Profit / (loss) after income tax	**2,415**	**(149,215)**
Net cash (outflows) / inflows from operating activities	**(59,179)**	**35,939**

4. PROVISION FOR ONEROUS CONTRACTS

	31 December 2018 $	30 June 2018 $
Onerous contracts		
Employment costs	-	32,348
Other costs	-	3,000
Total provision for onerous contracts	**-**	**35,348**

5. DIVIDENDS

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

6. CONTROLLED ENTITIES

			Ownership interest	
Entity	**Acquired**	**Country of incorporation**	**31 December 2018 $**	**30 June 2018 $**
Australian Learning Group Pty Limited	23 March 2016	Australia	100%	100%
4Life Pty Ltd	13 January 2017	Australia	100%	100%
Proteus Technologies Pty Ltd	4 July 2018	Australia	100%	100%

On 22 January 2019, the Company issued 666,666 fully paid ordinary shares in the Company to the vendors of 4Life Pty Ltd ACN 113 249 175, in satisfaction of the retention amount held by the Company as security for any warranty or indemnity claims during the 2 years since completion of the acquisition on 13 January 2017. The retention amount formed part of the purchase price for the acquisition. No further amounts remain payable by the Company to the vendors in relation to the transaction.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

7. ACQUISITION OF SUBSIDIARIES

	31 December 2018 $	30 June 2018 $
Australian Learning Group Pty Limited / 4Life Pty Ltd	1,314,720	1,314,720
Proteus Technologies Pty Ltd [i]	5,623,519	-
Total goodwill	**6,938,239**	**1,314,720**

[i] **Proteus Technologies Pty Ltd (Ikon)**

On 4 July 2018, the Company advised that it had acquired 100% of the shares of Ikon following satisfaction or waiver of all conditions precedent.

	Fair value $
Fair value of purchase consideration:	
Amount settled in cash and shares (including working capital adjustment)	5,500,000
Contingent consideration [ii]	-
	5,500,000
Less:	
Current assets	979,665
Non-current assets	233,330
Current liabilities	(1,184,872)
Non-current liabilities	(151,642)
Identified assets acquired and liabilities assumed	(123,519)
Goodwill	**5,623,519**

The fair value of Ikon's assets and liabilities has been measured provisionally at acquisition date. If new information is obtained within a year from the date of acquisition, about facts and circumstances that existed at acquisition date, and such information identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the accounting for the acquisition will be revised. Note 1(d) to the financial statements outlines the assumptions and critical judgements made by management to determine the fair value of assets and liabilities at acquisition.

[ii] The contingent consideration payable to the Ikon vendors included an earn-out amount, up to a maximum of $6,500,000 (Earn Out Cap), on the following terms:

- If the value of the Base Amount (Base Amount = 8 x EBITDA for FY19) is less than $5.5m, the Earn Out Amount will be zero;
- If the value of the Base Amount is greater than $5.5m, the Earn Out Amount will be the Base Amount; and
- If the value of the Earn Out Amount is greater than the Earn Out Cap – the Earn Out amount will be the Earn Out Cap.

As at the date of the half-year report, the Company does not anticipate having to pay an amount which is in excess of the Completion Amount and accordingly has not recognised a contingent consideration as at 31 December 2018.

8. INVESTMENT IN ASSOCIATES

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

	Ownership interest		Equity-accounted	
Name	**31 December 2018 %**	**30 June 2018 %**	**31 December 2018 $**	**30 June 2018 $**
Gradability Pty Ltd	24.57	24.57	6,340,518	6,273,474

Reconciliation of movements	**Half-year ended 31 December 2018 $**	**Year ended 30 June 2018 $**
Balance at the beginning of the period	**6,273,474**	**-**
Investment in associates	-	5,855,222
Share of profit from associates	205,254	547,546
Elimination of intercompany transactions	(10,204)	(1,288)
Dividend received	(128,006)	(128,006)
Balance as at reporting date	**6,340,518**	**6,273,474**

9. SHARE CAPITAL

Issued capital as at 31 December 2018 amounted to $23,631,159 (110,154,583 ordinary shares).

	Consolidated 31 December 2018		Consolidated 30 June 2018	
Ordinary shares	**Number**	**$**	**Number**	**$**
Opening balance	104,654,583	22,547,228	373,876,131	17,074,124
Issue of shares	5,500,000	1,100,000	49,396,758	5,718,864
Share consolidation (1:5)	-	-	(318,618,306)	-
Capital raising costs	-	(16,069)	-	(245,760)
At reporting date	**110,154,583**	**23,631,159**	**104,654,583**	**22,547,228**

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

10. BORROWINGS

	31 December 2018 $	30 June 2018 $
Current	350,000	300,000
	350,000	**300,000**
Non-current	1,025,000	975,000
	1,025,000	**975,000**

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. This facility was subsequently extended to $2,695,000 to provide partial financing of the acquisition of Ikon and the new campus in Melbourne.

Loan Facility	**Facility Limit ($)**	**Drawdowns ($)**	**Remaining Facility ($)**
a) Market rate loan	1,525,000	(1,525,000)	-
b) Overdraft (working capital)	500,000	-	500,000
c) Bank guarantee (rental bonds)	670,000	(627,811)	42,189
Total loan facility	**2,695,000**	**(2,152,811)**	**542,189**

a) The market rate loan is being amortised in accordance with the agreed repayment schedule. $87,500 of capital is payable quarterly at each reset period. On 10 July 2020, an outstanding balance of $850,000 will be due. The loan attracts interest (referenced to Bank Bill Swap Bid Rate) a line fee of 4.00% p.a. and liquidity fee of 0.25% p.a.

b) The overdraft 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.

11. SUBSEQUENT EVENTS

As described in Note 6, ordinary shares were issued to the vendors of 4Life Pty Ltd on 22 January 2019. There have been no other 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 2019

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 2018, 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 2019

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

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 consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 2018 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 2018 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

G Sherwood GNS

Sydney, NSW
Dated: 28 February 2019

G N Sherwood
Partner

UCW

LIMITED