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23 January 2018

The Manager  
Company Announcements  
Australian Securities Exchange

By electronic lodgment

UCW Limited (**UCW** or **the Company**), a fee-for-service education provider focused on the international student market, submits the following Quarterly Report and Appendix 4C Cash Flow Statement for the quarter ended 31 December 2017 (**Q2 FY18**).

### Key highlights

- Australian Learning Group Pty Limited (**ALG**) international student enrolments<sup>1</sup> increased to 1,329 in Q2 FY18, up 36.9% on the previous corresponding period (3-year CAGR of 32.4%)
- In the 12 months to Q2 FY18, international student enrolments surpassed 5,000 for the first time, with enrolments up 42.4% on the previous corresponding period
- New Sydney campus opened to consolidate existing premises and provide additional capacity for growth
- Receipt of first dividend payment from Gradability Pty Ltd (formerly Performance Education Pty Ltd) (**Gradability**)

### Cash position

UCW had a healthy cash balance of \$4.1m as at 31 December 2017, compared to \$4.6m as at 30 September 2017. Drawn debt (excluding bank guarantees) stood at \$1.4m as at 31 December 2017, compared to \$1.5m at 30 September 2017.

During the quarter, operating cash flow significantly improved to \$36k, compared to the previous corresponding period of negative \$432k. This is largely due to increased student numbers and strong tuition fee receipts. The December quarter is typically the weakest quarter for the Company as a larger proportion of tuition fees are received after the end of the quarter (in January), given the extended December study break. Against this backdrop, the Company is pleased to be reporting positive operating cashflow for Q2 FY18.

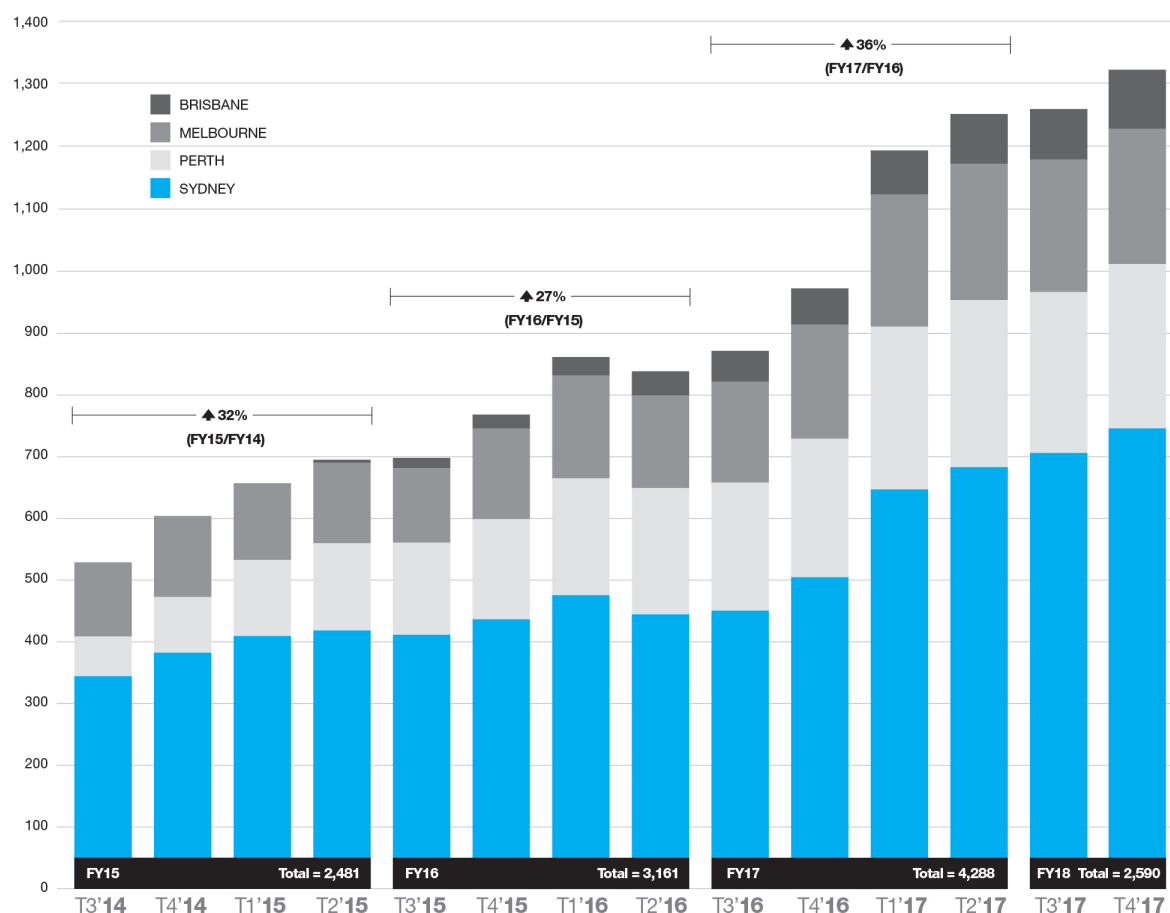
### Implementation of strategic plan

#### *Strong growth in international student numbers*

ALG's international student enrolment numbers continued its strong growth trend. International student enrolments increased to 1,329 in Q2 FY18, up 36.9% on the previous corresponding period.

As a result of broadening its course offering, expanding courses to interstate campuses and the acquisition of 4Life, enrolments for the 12 months to Q2 FY18 were 5,037, up 42.4% on the previous corresponding period.

## Enrolments by term, by state



## Domestic offering

Revenue from ALG's domestic enrolments (unaudited) for Q2 FY18 was \$0.3m against full year FY17 revenue of \$1.1m. ALG's domestic revenue is principally derived from distance education courses.

## Integration and national rollout of 4Life

The integration of 4Life College, acquired in January 2017, into ALG is now largely complete:

- All 4Life staff are co-located with ALG staff in the new Sydney campus and have been integrated into a common organisational structure
- The 4Life scope and CRICOS registration has been replicated in ALG
- The 4Life College business name has been transferred to ALG. 4Life is now a trading name of ALG alongside Australian College of Sport and Fitness and Australian College of Dance
- Existing students of the 4Life entity have or are being transitioned to ALG. All new students into 4Life courses are being enrolled directly into ALG
- The Adelaide operation of 4Life, which was non-core and loss-making, has been closed

The Company intends to complete a national rollout of 4Life's courses to leverage ALG's interstate footprint, commencing with Early Childhood Education and Care in Brisbane from Q3 FY18, in Perth from Q4 FY18, and in Melbourne (with the full 4Life course offering) from Q1 FY19. The strategy remains to have all courses available in all campuses.

### *Investing for future growth*

UCW continues to invest in initiatives that will deliver growth in student numbers and earnings. ALG has CRICOS capacity for c. 2,400 international students, and with enrolments currently at 1,329 in Q2 FY18, there is significant scope to accommodate further growth.

Initiatives over the December quarter included:

- Consolidation of multiple Sydney ALG and 4Life premises into a single campus location, with one other premise retained. The new Sydney campus, which is broadly cost-neutral, provides additional capacity for growth and operational benefits
- Commenced search for new premises in Melbourne to enable rollout of the 4Life course offering
- Application lodged for the accreditation of two new qualifications with ASQA (the national regulator), representing a new curriculum area for ALG, aligned to its existing course offering

### *Gradability update (formerly Performance Education)*

UCW acquired 24.6% of the ordinary shares in Gradability in July 2017, with the acquisition expanding UCW into the education-to-employment sector. Adam Davis, UCW's Chief Executive Officer, concurrently joined the board of directors of Gradability.

Gradability's new branding and name change, aligned to its future strategic direction, went live during November 2017. The '*Performance Education*' brand now sits alongside '*Readygrad*' as business units of Gradability. Performance Education offers the Professional Year program to international students and Readygrad offers employability training to graduate and undergraduate students with a focus on University partnerships.

Concurrent with the brand refresh, Gradability has relocated to new premises in Sydney during the quarter, with the new campus providing increased capacity and improved amenity for staff.

Gradability performed well during the reported period. Commentary on its trading will be included with UCW's H1 FY18 results.

During the quarter, UCW received an interim dividend of \$128k from Gradability in relation to FY17, with an equal amount expected to be received in the first quarter of 2018.

### *Future strategic opportunities*

The Company continues to actively pursue acquisition and strategic opportunities.

<sup>1</sup> International student enrolments is a sum of the enrolments in each term during the period being referred to e.g. if referring to a single term, it is the enrolments for that term, if referring to a 12-month period, it is the sum of the enrolments in each of the 4 terms during that 12-month period.

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

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

**Name of entity**

UCW Limited

**ABN**

85 108 962 152

**Quarter ended ("current quarter")**

31 December 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,791	5,908
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing	(53)	(128)
(d) leased assets		
(e) staff /supplier costs	(2,420)	(4,973)
(f) administration and corporate costs	(249)	(507)
1.3 Dividends received		
1.4 Interest received	9	17
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid / received	(42)	(42)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from operating activities</b>	<b>36</b>	<b>275</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(452)	(474)
(b) businesses (see item 10)		
(c) investments		(4,391)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received *	128	128
2.5 Other (provide details if material)	(35)	(55)
<b>2.6 Net cash used in investing activities</b>	<b>(359)</b>	<b>(4,792)</b>

\* On 11 July 2017, the Company completed the acquisition of 24.6% of the ordinary shares in Gradability Pty Ltd ACN 117 850 281 (formerly Performance Education Group Pty Ltd) (**Gradability**). An interim dividend in relation to FY17 was received in November 2017, with an equal amount expected to be received in the first quarter of 2018.

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	(2)	(17)
3.5 Proceeds from borrowings		1,500
3.6 Repayment of borrowings	(75)	(75)
3.7 Transaction costs related to loans and borrowings	(23)	(80)
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash (used in) / from financing activities</b>	<b>(100)</b>	<b>1,328</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	4,562	7,328
4.2 Net cash from operating activities (item 1.9 above)	36	275
4.3 Net cash used in investing activities (item 2.6 above)	(359)	(4,792)
4.4 Net cash (used in) / from financing activities (item 3.10 above)	(100)	1,328

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date \$A'000</b>
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>4,139</b>	<b>4,139</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	4,139	4,562
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,139</b>	<b>4,562</b>

**6. Payments to directors of the entity and their associates**

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

**Current quarter  
\$A'000**

(101)

0

Directors' salaries/fees and superannuation.

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

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

**Current quarter  
\$A'000**

0

0

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	2,200	1,584
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

CBA Market Rate Loan - \$1.5m (drawn as to \$1.425m as at 31 December 2017). This facility was utilised to fund a portion of the acquisition of 24.6% of the ordinary shares in Gradability (as detailed in the September 2017 Quarterly Update).

CBA Overdraft - \$0.5m (undrawn as at 31 December 2017)

CBA Bank Guarantee Facility - \$0.2m (drawn to \$159k as at 31 December 2017). This facility is utilised to provide bank guarantees for leased premises.

The above loan facilities from CBA are at competitive market interest rates and are secured by a First Ranking General Security over all assets and undertakings of the Company.

<b>9. Estimated cash outflows for next quarter*</b>	<b>\$A'000</b>
9.1 Research and development	
9.2 Product manufacturing and operating costs	
9.3 Advertising and marketing	(75)
9.4 Leased assets	
9.5 Staff/supplier costs	(2,550)
9.6 Administration and corporate costs	(275)
9.7 Other (provide details if material)	(75)
<b>9.8 Total estimated cash outflows</b>	<b>(2,975)</b>

\* Cash receipts are expected to be in excess of cash outflows for the next quarter.

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

**Compliance statement**

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

Sign here:



Date: 23 January 2018

(Director/Company secretary)

Print name: Lyndon Catzel

**Notes**

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