ANNUAL REPORT

FOR THE YEAR ENDED
30 JUNE 2018

UCW
LIMITED

UCW LIMITED AND ITS
CONTROLLED ENTITIES
ACN 108 962 152

UCW
LIMITED

TABLE OF CONTENTS

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 Street
Sydney NSW 2000

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 Annual Report on the consolidated entity consisting of UCW Limited (**UCW** or **the Company**) and its controlled entities (**Group**) for the year ended 30 June 2018.

Directors

The names of the Directors during the financial 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 (Independent) (appointed 16 February 2015)
Jonathan Pager	Non-Executive Director (Independent) (appointed 16 February 2015)

Information on Directors

GARY BURG

Experience and Expertise

Gary has been involved with the broader Global Capital Group since 1995 in South Africa and in Australia since 2001. In Australia, Gary has been involved in a number of businesses across a range of sectors including life insurance, financial services and education. Gary is currently a Director of ClearView Limited, Alinta Energy Limited and Global Capital Holdings (Australia) Pty Ltd, which is the investments manager of Global Capital Principal Investment business in Australia.

He is a former Director of (and investor in) 3Q Holdings Limited and South African listed Capital Alliance Holdings Limited which owned Capital Alliance Life Limited and Capital Alliance Bank Limited. Gary is also a former Director and investor in Prefsure Life Limited and Insurance Line.

Other Current Directorships

ClearView Wealth Limited (ASX: CVW)

Former Directorships in the Last Three Years

None

Special Responsibilities

- Audit and Risk Committee member
- Remuneration and Nomination Committee member

Interests in Shares and Options

As at the date of this report, Gary Burg has the following direct or indirect interest in the Company:

- 32,608,791 fully paid ordinary shares

DIRECTORS' REPORT (continued)

Information on Directors (continued)

ADAM DAVIS

Experience and Expertise

Adam has extensive experience in the education sector, having founded and then acted as Chief Executive Officer and Managing Director of ASX-listed Tribeca Learning Limited (Tribeca). The company was acquired in 2006 by Kaplan, Inc., a division of NYSE-listed Graham Holdings Company (formerly The Washington Post Company), to form the foundation of its Australian operations.

Under Adam's stewardship, Tribeca acquired and integrated numerous education businesses servicing the Australian financial services sector, consolidating a fragmented market and creating the leading national provider. Tribeca offered a broad range of accredited courses and continuing education programs and its customers included most of the major financial institutions in Australia. Adam holds a Bachelor of Applied Finance degree from Macquarie University.

Other Current Directorships

None

Former Directorships in the Last Three Years

None

Special Responsibilities

- Chief Executive Officer & Managing Director

Interests in Shares and Options

As at the date of this report, Adam Davis has the following direct or indirect interest in the Company:

- 7,693,965 fully paid ordinary shares

PETER MOBBS

Experience and Expertise

Peter is Managing Director of Greyrock, a private investment company with a focus on education and technology. Prior to establishing Greyrock, Peter was an entrepreneur and executive within the private education industry, where he holds 15+ years' experience across higher education, vocational and corporate training sectors.

Peter led the private equity-backed merger of his company, Ivy College, with the education arm of the Australian Institute of Management (AIM) – a 75 year old brand. Peter was Group CEO and is now a Director and shareholder of the merged group – Scentia.

In previous roles, Peter was the Director of Operations, Career Education within Study Group – a global education provider – and held the role of Managing Director, Martin College, also a Study Group business.

In earlier years, Peter established real estate education business, Agency Training Australia, which in 2006 was acquired by Kaplan Inc., a division of NYSE listed Graham Holdings Company (formerly The Washington Post Company).

He holds degrees in commerce and law, is admitted to practise in the Supreme Court of NSW, is a member of YPO Sydney and a graduate member of the Australian Institute of Company Directors.

Other Current Directorships

None

Former Directorships in the Last Three Years

None

DIRECTORS' REPORT (continued)

Information on Directors (continued)

Special Responsibilities

- Audit and Risk Committee member
- Remuneration and Nomination Committee member

Interests in Shares and Options

As at the date of this report, Peter Mobbs has the following direct or indirect interest in the Company:

- 3,726,151 fully paid ordinary shares

JONATHAN PAGER

Experience and Expertise

Jonathan has over 25 years' experience as a management consultant across a wide range of industries in Australia and overseas, and is currently Managing Director of Pager Partners Corporate Advisory. He has a Masters of Economics and qualified as a chartered accountant with Deloitte, where he commenced his career. He has restructured and listed a range of public companies and been a director of publicly listed companies in the resources and industrial sectors.

Other Current Directorships

None

Former Directorships in the Last Three Years

NMG Corporation Limited (ASX: NMG) (Finance Director)

MOQ Limited (ASX: MOQ) (Non-Executive Director)

Special Responsibilities

- Audit and Risk Committee member
- Remuneration and Nomination Committee member

Interests in Shares and Options

As at the date of this report, Jonathan Pager has the following direct or indirect interest in the Company:

- 1,356,605 fully paid ordinary shares

LYNDON CATZEL

Experience and Expertise

Lyndon has over 20 years' financial, operational and strategic experience as a CEO, CFO and COO across numerous private businesses in funds administration, financial services, healthcare, software and wholesale distribution. He has a proven track record of financial management, capital raising, development of management teams and strategy execution.

Lyndon started his career in Deloitte's Assurance and Advisory Division before moving to its Corporate Finance Division. He then worked for SG Hambros (the Mergers & Acquisitions Division of Societe Generale). Lyndon is a Chartered Accountant and holds a Bachelor of Economics (Finance and Accounting) from the University of Sydney.

DIRECTORS' REPORT (continued)

Information on Directors (continued)

As at the date of this report, Lyndon Catzel has the following direct or indirect interest in the Company:

- 572,514 fully paid ordinary shares;
- 400,000 unlisted and unvested options exercisable at $0.29620 per option on or before 31 July 2021, vesting on 31 July 2019; and
- 400,000 unlisted and unvested options exercisable at $0.39620 per option on or before 31 July 2021, vesting on 31 July 2019.

Environmental regulation and performance

The Company's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Dividends

No dividends have been paid or declared during the financial year ended 30 June 2018 (2017: $nil).

Principal activities

The principal activity of the Company during the financial 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 related fields of study in both the international and domestic 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.

For the financial year ended 30 June 2018, UCW had two wholly-owned subsidiaries, Australian Learning Group Pty Limited (**ALG**) (acquired 24 March 2016) and 4Life Pty Ltd (**4Life**) (acquired 13 January 2017), which offer accredited vocational qualifications, primarily to international students, from campuses in Sydney, Melbourne, Brisbane and Perth. ALG and 4Life have been integrated and operate as a single business.

UCW also owns 24.57% 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 both classroom training and work-integrated learning, 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, and UCW's interest in Gradability, for the financial year ended 30 June 2018. The comparative period, being the financial year ended 30 June 2017, comprises the results of UCW as a parent entity and the operations of ALG for the full year and operations of 4Life from 13 January 2017 to 30 June 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.

DIRECTORS' REPORT (continued)

Operating and financial review (continued)

On 29 May 2018, the Company announced that it had entered into an option agreement to acquire 100% of the issued equity capital of Proteus Technologies Pty Ltd which owns and operates IKON Institute of Australia (**IKON**). The transaction was completed on 4 July 2018. On completion, UCW paid the IKON vendors $5.5 million, which comprised $4.4 million in cash and $1.1 million in UCW shares at an issue price of $0.20 per share. The UCW shares issued on completion are subject to a voluntary 12-month escrow period.

A deferred payment equal to 8 x FY19 EBITDA less the $5.5 million that has already been paid, capped at $6.5 million, will be paid in September 2019. Up to 20% of the deferred payment is payable in UCW shares, subject to a maximum of 9.5 million shares, which will be issued at the 20-day volume weighted average price at the time of payment and subject to a voluntary 12-month escrow period.

The share sale agreement contains a typical working capital adjustment as well as warranties and indemnities that are customary for a transaction of this nature. The working capital adjustment is expected to be completed shortly.

Australian Learning Group Pty Limited and 4Life Pty Limited

Overview

ALG (including the recently integrated business of 4Life) 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 30 June 2018, ALG had 1,456 international students.

International students are recruited primarily through education agents, both onshore in Australia and offshore in source countries. As at 30 June 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)
- 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 limited self-paced, distance-education offering. Currently only the certificate-level Fitness and Dance Teaching qualifications are offered in this format. 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 financial year ended 30 June 2018. International enrolments for the period, being the sum of enrolments in the four academic terms during the financial year, were 5,495 up 28.1% compared to the previous corresponding 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 was phased in during the financial year ended 30 June 2018 (**FY18**) and will be partially phased in throughout the financial year ending 30 June 2019 (**FY19**).

DIRECTORS' REPORT (continued)

Operating and financial review (continued)

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

Enrolments by campus

Campus	FY18 enrolments	FY17 enrolments	FY18/FY17 growth	Proportion of total (FY18)
Sydney	3,105	2,282	36.1%	56.5%
Melbourne	1,118	964	16.0%	20.4%
Perth	863	781	10.5%	15.7%
Brisbane	409	261	56.7%	7.4%
Total	**5,495**	**4,288**	**28.1%**	**100.0%**

Enrolments by field of study

Field of study	FY18 enrolments	FY17 enrolments	FY18/FY17 growth	Proportion of total (FY18)
Fitness	2,405	2,511	(4.2%)	43.8%
Sports & Recreation Management	514	426	20.7%	9.3%
Remedial Massage	1,302	949	37.2%	23.7%
Dance Teaching	296	183	61.7%	5.4%
Community Services*	978	219	346.6%	17.8%
Total	**5,495**	**4,288**	**28.1%**	**100.0%**

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

ALG generated sales and other revenue of $12,519,213 and EBITDA of $1,016,282 for the financial year ended 30 June 2018, representing an EBITDA margin of 8.2%. As in the financial year ended 30 June 2017 (**FY17**), earnings were subdued during the period by various investments in growth initiatives which are expected to deliver benefits in future periods as the Company attains scale.

During the period, the integration of 4Life into ALG was completed and the national rollout of the 4Life course offering commenced. The Early Childhood Education and Care offering was rolled out in Brisbane and Perth and the full 4Life course offering commenced in Melbourne from 1 July 2018 (post year-end). Enrolment growth in these courses in Sydney has remained encouraging and the national rollout presents a strong growth opportunity for ALG.

Other recent and ongoing growth initiatives include:

- A new Melbourne campus was secured and fitted out during the second half of FY18 (**2H18**) to facilitate the introduction of the 4Life courses to Melbourne, beginning in the first quarter of FY19 (**1Q19**)
- Investment in building the sales team including the recruitment of state-based sales managers in Melbourne and Brisbane to supplement the regional managers (Europe, Asia, America) based in Sydney
- Increased offshore sales activity was undertaken during FY18 to establish new and strengthen agency relationships
- The ongoing development of and implementation of features of the student management system
- Writing of new courses, including the Yoga teaching qualifications which were accredited during FY18

The Company intends to continue to invest in growth initiatives to scale-up the business, noting this will impact earnings in the short term. The board is conscious of maintaining a balance between delivering current year earnings and scaling up the Company.

DIRECTORS' REPORT (continued)

Operating and financial review (continued)

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

Domestic revenue

Excluding 4Life, ALG's domestic revenue for FY18 was stable relative to FY17. ALG's domestic revenue is principally derived from distance education courses, with a limited course offering (currently only Certificate III and Certificate IV in the fields of Fitness and Dance Teaching). These are either paid for upfront or by way of regular payments. Revenue is recognised equally over a 12-month period from and including the month of sale.

Gradability Pty Ltd

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.

Results for the period

Strong enrolment growth continued in the Professional Year Program, from both Information Technology and Accounting graduates. Gross margin declined as a result of a change in the student mix (between IT and Accounting) and pricing pressures in the marketplace. Notwithstanding, the overall quantum of gross profit was up in FY18 on FY17.

A significant investment was made in establishing the ReadyGrad 'university partnerships' business during FY18. The business secured its first major contract from a university partner in FY18 and is in advanced discussions with several others which it anticipates signing during FY19. In addition to university partnerships, Readygrad offers internship placement services direct to both domestic and international students. Continued volume and revenue growth from same is expected in FY19.

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. Operating expenses were up as a result of increased property costs and head office employment costs.

Operations were commenced in Brisbane during the year, following on from the Perth expansion in 2017. Gradability now operates in Sydney, Melbourne, Adelaide, Perth and Brisbane.

UCW received an interim dividend of $128,006 in November 2017 from Gradability, in relation to FY17. An equal amount was received in July 2018.

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 considered non-core to the Company's current focus. Onerous contracts were brought to account at 31 December 2017. Refer to Note 16 for further details of the discontinued operations.

DIRECTORS' REPORT (continued)

Operating and financial review (continued)

Discontinued operations (continued)

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.

Results summary

The table below reconciles the underlying EBITDA of ALG, 4Life and UCW's interest in Gradability for the financial year ended 30 June 2018, to the consolidated profit reported for the Group for the period.

	30 June 2018 $'000	30 June 2017 $'000	Variance $'000
ALG / 4Life			
Revenue	12,519	9,887	2,632
Cost of sales	(6,455)	(4,690)	(1,765)
Gross profit	6,064	5,197	867
Gross margin (%)	*48.4%*	*52.6%*	*(4.2%)*
Operating expenses	(5,048)	(4,036)	(1,012)
Operating EBITDA	**1,016**	**1,161**	**(145)**
Operating EBITDA margin (%)	*8.1%*	*11.7%*	*(3.6%)*
Gradability			
Equity accounted share of results	548	-	548
Group			
Underlying EBITDA pre corporate costs	**1,564**	**1,161**	**403**
Corporate costs	(883)	(835)	(48)
Underlying EBITDA	**681**	**326**	**355**
Loss from discontinued 4Life Adelaide operations	(139)	-	(139)
Due diligence and transaction costs	(248)	(189)	(59)
Interest, tax, depreciation and amortisation	(269)	34	(303)
Net profit after tax	**25**	**171**	**(146)**

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 Group's 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.

DIRECTORS' REPORT (continued)

Results summary (continued)

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 underlying earnings of the Group.

Loss from discontinued 4Life Adelaide operations: Represents the loss from 4Life's discontinued domestic operations in Adelaide, net of tax. Refer to Note 16 for further details.

Due diligence and transaction costs: External due diligence and transaction costs relating to the ALG, 4Life, Gradability and IKON acquisitions and review of other potential acquisition opportunities. FY18 includes property transaction costs associated with the new Melbourne campus (tenant representative fees and test fits).

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 $12,288,863 (30 June 2017: $6,827,594).

Significant changes in the state of affairs

During the financial year, UCW purchased a 24.57% share in Gradability Pty Ltd. There were no other significant changes in the state of affairs of the Group during the financial year.

Significant events after balance date

On 4 July 2018, the Company completed the acquisition of 100% of the ordinary shares in IKON Institute of Australia (**IKON**).

Overview

Established in Adelaide in 2005, IKON operates as 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 offers accredited vocational and higher education (**HE**) courses in the field of Community Services to the domestic and, more recently, international student markets. Its course offering includes Counselling, Psychotherapy, Youth Work, Mental Health and Community Services.

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

Historically focussed on the domestic VET sector, IKON was registered as a higher education provider in 2016 and its HE offer now constitutes its primary focus. IKON currently has six accredited HE qualifications in the field of Psychotherapy (akin to Counselling), which are targeted primarily at domestic students. The courses include a Diploma, Associate Degree and Bachelor Degree in Integrative Psychotherapy and a Diploma, Associate Degree and Bachelor Degree in Arts Psychotherapy. IKON has more than 250 students enrolled in its HE programs.

Strategic rationale

The acquisition of IKON is in line with UCW's strategic growth plan to offer education services across the student lifecycle. UCW currently has operations in the VET sector, through its wholly owned subsidiaries ALG and 4Life, and a strategic 24.57% interest in Gradability, which operates in the professional education sector. IKON extends UCW's reach into the HE sector and broadens its VET offering.

IKON has a strong record of compliance and student outcomes. This positioning as a high-quality provider is common to ALG and 4Life.

DIRECTORS' REPORT (continued)

Significant events after balance date (continued)

Strategic rationale (continued)

The acquisition provides UCW with additional scale and there are numerous revenue and cost synergies the combined Group will look to achieve over the medium-term. These include:

- Leveraging the respective student recruitment strengths of IKON (domestic students) and ALG/4Life (international students) to support growth.
- Developing additional HE programs (subject to approval by IKON's Board of Governors) to extend the period of study and lifetime customer value of ALG's current vocational students.
- Sharing of campus infrastructure and certain operational functions such as student services, sales and marketing, compliance, finance and human resources (again subject to approval by IKON's Board of Governors).
- Extending IKON's VET funding approval (i.e. VET Student Loans) to include courses currently offered by ALG.

There have been no other significant events after balance date.

Indemnification of officers and auditor

During the financial year, the Company paid a premium in respect of an insurance contract insuring the Directors of the Company, the Company Secretary and all executive officers of the Company and of any related body corporate against liability incurred in the fulfilment of such positions, to the extent permitted by the Corporations Act. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has entered into agreements with the Directors to provide access to company records and to indemnify them in certain circumstances. The indemnity relates to liability as a result of being, or acting in their capacity as, an officer of the Company to the maximum extent permitted by law, and for legal costs incurred in successfully defending civil or criminal proceedings. No liability has arisen under these indemnities as at the date of this report.

Unissued shares under option

Details of unissued ordinary shares of UCW Limited under option as at the date of this report are:

Date options granted	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
1 February 2017	400,000	Ordinary	$0.29620	31 July 2021*
1 February 2017	400,000	Ordinary	$0.39620	31 July 2021*
	800,000			

* These options vest on 31 July 2019.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

Auditor

The auditor of the Group for the financial year ended 30 June 2018 was RSM Australia Partners (**RSM**). Details of the amounts paid to the auditors of the Group for audit and non-audit services provided during the year are set out in Note 8 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the financial year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The auditor has not been indemnified under any circumstance.

The Auditor's Independence Declaration is included on page 62 of the Annual Report.

DIRECTORS' REPORT (continued)

Directors' Meetings

The following table sets out the number of Directors' Meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were in office):

	Directors' Meetings		Audit & Risk Committee		Nomination & Remuneration Committee	
Name of Director	**Meetings held**	**In attendance**	**Meetings held**	**In attendance**	**Meetings held**	**In attendance**
Gary Burg	6	6	2	2	1	1
Adam Davis	6	6	-	-	-	-
Peter Mobbs	6	6	2	2	1	1
Jonathan Pager	6	6	2	2	1	1

REMUNERATION REPORT (audited)

The Directors present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

The Remuneration Report is set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration;
2. Details of remuneration;
3. Service agreements;
4. Share-based compensation; and
5. Shareholding and option holding of Directors and other Key Management Personnel.

The information provided under headings 1 to 5 below in the Remuneration Report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

1 Principles used to determine the nature and amount of remuneration (audited)

The Board has established a Remuneration and Nomination Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the Directors and Key Management Personnel.

The Company's Constitution specifies that subject to the initial fixed annual aggregate sum of $500,000, the aggregate remuneration of non-executive Directors shall not exceed the sum determined by the shareholders of the Company in general meeting.

Fees and payments to Directors and Key Management Personnel:

(i) are to reflect the demands which are made on, and the responsibilities of, the Directors and Key Management Personnel; and

(ii) are reviewed annually by the Board to ensure that Directors' fees and payments to Key Management Personnel are appropriate and in line with the market.

Retirement allowances and benefits for Directors

There are no retirement allowances or other benefits paid to Directors.

Directors' fees

The amount of remuneration of the Directors of the Company (as defined in AASB 124 *Related Party Disclosures*) is set out in the following table. There was no remuneration of any type paid to the Directors, other than as reported below for the provision of Director and professional services.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (audited) (continued)

2 Details of remuneration (audited)

Directors and other Key Management Personnel		Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments		
Employee	Year	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Superannuation $	Long service leave $	Termination benefits $	Options $	Total $	Performance based % of remuneration %
Executive Director and Key Management Personnel										
Adam Davis Managing Director and CEO	2018 2017	210,000 180,000	- -	- -	- -	- -	- -	- -	210,000 180,000	- -
Lyndon Catzel CFO and Company Secretary[1]	2018 2017	158,588 125,570	- -	- -	15,066 11,929	- -	- -	6,227 11,091	179,881 148,590	3.5% 7.5%
Non-Executive Directors										
Gary Burg Chairman	2018 2017	60,000 60,000	- -	- -	- -	- -	- -	- -	60,000 60,000	- -
Peter Mobbs	2018 2017	36,530 36,530	- -	- -	3,470 3,470	- -	- -	- -	40,000 40,000	- -
Jonathan Pager	2018 2017	50,000 50,000	- -	- -	- -	- -	- -	- -	50,000 50,000	- -
Michael Pollak[2]	2018 2017	- 45,662	- -	- -	- 4,338	- -	- 12,500	- -	- 62,500	- -
Total	**2018**	**515,118**	**-**	**-**	**18,536**	**-**	**-**	**6,227**	**539,881**	**1.2%**
Total	**2017**	**497,762**	**-**	**-**	**19,737**	**-**	**12,500**	**11,091**	**541,090**	**2.0%**

[1] Commenced 1 August 2016

[2] Resigned 19 June 2017

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (audited) (continued)

3 Service agreements (audited)

The Directors serve until they resign, are removed, cease to be a Director or are prohibited from being a Director under the provisions of the Corporations Act 2001, or are not re-elected to office.

The Directors and Key Management Personnel have entered into service agreements on the following terms:

- Mr Gary Burg (Non-Executive Chairman) - base fee (including Director's fees) of $60,000 per annum excluding GST.
- Mr Adam Davis (Chief Executive Officer and Managing Director) - base fee (including Director's fees) of $210,000 per annum (excluding GST). Mr Davis was eligible for a performance-based bonus of up to 15% of the base fee however none was granted for the 2018 financial year. Effective 1 July 2018, the base fee has been increased to $240,000 per annum (excluding GST) and Mr Davis is eligible for a performance-based bonus of up to 25% of the base fee.
- Mr Jonathan Pager (Non-Executive Director) - base fee (including Director's fees) of $50,000 per annum (excluding GST).
- Mr Peter Mobbs (Non-Executive Director) - base salary (including Director's fees) of $40,000 per annum (including superannuation).
- If the Company terminates the agreement with reason (such as gross misconduct, conviction of a major criminal offence or misuse of price sensitive information), the Company will provide the Director with no notice and will be summarily dismissed. If the Company terminates the agreement without reason (notwithstanding any other provision of the agreement), the Company will provide the Director with three months' written notice or make a payment of three months' salary in lieu of the notice period.
- Directors, other than the Chief Executive Officer, may terminate their respective agreements at their sole discretion and at any time, and in doing so are entitled to payment of a fee equivalent to three months of their base fees/salary.
- Other than the Directors, the only Key Management Person is Lyndon Catzel, Chief Financial Officer and Company Secretary, on a base salary of $175,000 (including superannuation or similar contributions). Mr Catzel was eligible for a performance-based bonus of up to 15% of the base salary however none was granted for the 2018 financial year. Effective 1 July 2018, the base salary has been increased to $200,000 (including superannuation) and Mr Catzel is eligible for a performance-based bonus of up to 25% of the base fee.

4 Share-based compensation (audited)

The Company has granted options over ordinary shares in the Company to its Chief Financial Officer and Company Secretary, Lyndon Catzel, in accordance with the Company's Employee Option Plan and the terms of his employment agreement.

Other than disclosed above, there were no other share-based payments made to the Directors or Key Management Personnel for the year ended 30 June 2018 (2017: Nil).

Executive	Number of options[1] granted	Grant date	Value per option[1] at grant date $	Value of options[1] at grant date $	Number vested	Exercise price $	Vesting and first exercise date	Last exercise date
Lyndon Catzel	400,000	1 Feb 2017	0.04730	18,919	-	0.29620	1 Aug 2019	31 Jul 2021
CFO and Company Secretary	400,000	1 Feb 2017	0.02926	11,702	-	0.39620	1 Aug 2019	31 Jul 2021

[1] Options have been adjusted to reflect the 1:5 share consolidation on 22 November 2017

The options were provided at no cost to the recipient. All options expire on the earlier of their expiry date or termination of the individual's employment, subject to the terms of the Employee Option Plan.

REMUNERATION REPORT (audited) (continued)

5 Shareholding and option holding of Directors and other Key Management Personnel (audited)

(a) Options

The number of options to acquire ordinary shares in the Company held during the financial year by each Director and other Key Management Personnel, including their personal related parties, are set out below:

Year ended 30 June 2018	Balance at start of the year	Granted as remuneration	Other changes during the year (iv)	Expired	Vested and exercisable	Unvested and not exercisable at the end of the year
Gary Burg (ii)	36,111,111	-	(28,888,888)	(7,222,223)	-	-
Adam Davis (i)(ii)	9,583,334	-	(7,666,667)	(1,916,667)	-	-
Peter Mobbs (i)(ii)	2,986,111	-	(2,388,889)	(597,222)	-	-
Jonathan Pager (i)(ii)	1,763,888	-	(1,411,110)	(352,778)	-	-
Lyndon Catzel (iii)	4,000,000	-	(3,200,000)	-	-	800,000
	54,444,444	**-**	**(43,555,554)**	**(10,088,890)**	**-**	**800,000**

Year ended 30 June 2017	Balance at start of the year	Granted as remuneration	Other changes during the year	Expired	Vested and exercisable	Unvested and not exercisable at the end of the year
Gary Burg (ii)	36,111,111	-	-	-	36,111,111	-
Adam Davis (i)(ii)	9,583,334	-	-	-	9,583,334	-
Peter Mobbs (i)(ii)	2,986,111	-	-	-	2,986,111	-
Jonathan Pager (i)(ii)	1,763,888	-	-	-	1,763,888	-
Michael Pollak (i)(v)	3,000,000	-	-	-	3,000,000	-
Lyndon Catzel (iii)	-	4,000,000	-	-	-	4,000,000
	53,444,444	**4,000,000**	**-**	**-**	**53,444,444**	**4,000,000**

Notes

(i) Options acquired under the Prospectus dated 25 March 2015, being unlisted options exercisable at $0.19620 (after adjusting for the 1:5 consolidation approved by shareholders on 9 November 2017) per option on or before 30 June 2018

(ii) Options acquired under the Prospectus dated 24 February 2016, being unlisted options exercisable at $0.29620 (after adjusting for the 1:5 consolidation approved by shareholders on 9 November 2017) per option on or before 30 June 2018

(iii) Options issued under the Company's Employee Option Plan: 400,000 options (after adjusting for the 1:5 consolidation approved by shareholders on 9 November 2017) vesting on 31 July 2019 and expiring on 31 July 2021, exercisable at $0.29620 and 400,000 options (after adjusting for the 1:5 consolidation approved by shareholders on 9 November 2017) vesting on 31 July 2019 and expiring on 31 July 2021, exercisable at $0.39620

(iv) Reduction due to 1:5 consolidation approved by shareholders on 9 November 2017

(v) Resigned 19 June 2017, therefore excluded from the balance at the start of the year in 2018

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

No option holder has any right under the options to participate in any other share issue of the Company.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (audited) (continued)

5 Shareholding and option holding of Directors and other Key Management Personnel (audited) (continued)

(b) Shareholding

The number of ordinary shares in the Company held during the financial year by each Director and other Key Management Personnel, including their personal related parties, are set out below:

Year ended 30 June 2018	Balance at start of the year	Reduction due to share consolidation (i)	Shares acquired (ii)	Balance at end of the year
Gary Burg	124,095,842	(99,276,674)	7,789,623	32,608,791
Adam Davis	29,114,794	(23,291,835)	1,871,006	7,693,965
Peter Mobbs	11,216,354	(8,973,084)	1,482,881	3,726,151
Jonathan Pager	5,107,020	(4,085,616)	335,201	1,356,605
Lyndon Catzel (iii)	1,400,000	(1,120,000)	292,514	572,514
	170,934,010	**(136,747,209)**	**11,771,225**	**45,958,026**

Year ended 30 June 2017	Balance at start of the year	Reduction due to share consolidation	Shares acquired (iv)	Balance at end of the year or date of resignation
Gary Burg	108,333,333	-	15,762,509	124,095,842
Adam Davis	25,416,667	-	3,698,127	29,114,794
Peter Mobbs	9,791,667	-	1,424,687	11,216,354
Jonathan Pager	4,458,334	-	648,686	5,107,020
Michael Pollak (v)	6,250,000	-	625,000	6,875,000
Lyndon Catzel (vi)	-	-	1,400,000	1,400,000
	154,250,001	**-**	**23,559,009**	**177,809,010**

Notes

(i) Reduction due to 1:5 consolidation approved by shareholders on 9 November 2017
(ii) Shares acquired under the non-renounceable underwritten rights issue dated 8 June 2018
(iii) Includes 49,980 shares acquired on market
(iv) Shares acquired under the non-renounceable non-underwritten rights issue dated 10 April 2017
(v) Resigned 19 June 2017, therefore excluded from the balance at the start of the year in 2018
(vi) Includes 900,000 shares acquired on market prior to commencement of employment

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (audited) (continued)

Other Key Management Personnel transactions

There have been no other transactions other than those described in the tables above.

Use of remuneration consultants

No remuneration consultants were used during the year.

Signed in accordance with a resolution of the Directors.

Gary Burg
Non-Executive Chairman
31 August 2018

STATEMENT OF CORPORATE GOVERNANCE

The Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Corporate Governance Statement is available on the Company's website at www.ucwlimited.com.au and a copy has been lodged with the ASX.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $	2017 $
Revenue from continuing operations			
Student fee income		12,006,828	9,353,776
Other revenue		512,385	533,413
		12,519,213	9,887,189
Cost of sales		(6,455,039)	(4,689,879)
Gross profit		**6,064,174**	**5,197,310**
Other income			
Share of profits of associates accounted for using the equity method	5	547,546	-
Interest income		32,806	137,686
		580,352	**137,686**
Expenses			
Employee benefits expense		(4,064,237)	(3,270,995)
Professional fees		(415,229)	(411,531)
Advertising and marketing expenses		(263,371)	(173,912)
Cleaning expenses		(226,116)	(133,629)
Depreciation and amortisation expense		(211,628)	(73,815)
Licence fees		(135,522)	(63,590)
Travelling expense		(139,197)	(78,515)
Borrowing expense		(108,702)	-
Communication and IT expenses		(93,528)	(114,355)
Insurance expense		(55,866)	(39,859)
Utility expense		(33,030)	(25,611)
Legal expense		(37,399)	(35,797)
Administration, support and other expenses		(715,312)	(713,138)
Total expenses		**(6,499,137)**	**(5,134,747)**
Profit before income tax expense from continuing operations		**145,389**	**200,249**
Income tax benefit / (expense)	3	18,145	(29,364)
Profit from continuing operations		**163,534**	**170,885**
Loss from discontinued operations (net of tax)	16	(138,598)	-
Profit for the period		**24,936**	**170,885**
Other comprehensive income for the year		-	-
Total comprehensive profit		**24,936**	**170,885**

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 YEAR ENDED 30 JUNE 2018

	Notes	2018 $	2017 $
Profit per share attributable to equity holders of the parent entity			
Basic profit / (loss) per share (cents per share)			
a) Continuing operations	10	0.20	0.28
b) Discontinued operations	10	(0.17)	-
Diluted profit / (loss) per share (cents per share)			
c) Continuing operations	10	0.20	0.28
d) Discontinued operations	10	(0.17)	-

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 30 JUNE 2018

	Notes	2018 $	2017 $
Current assets			
Cash and cash equivalents	28	6,595,135	7,327,872
Trade and other receivables	11	957,921	1,089,381
Other assets	12	1,030,650	434,652
Income tax receivable	3	91,649	-
Inventories	13	1,687	6,190
Total current assets		**8,677,042**	**8,858,095**
Non-current assets			
Investment in associates	5	6,273,474	-
Goodwill on consolidation	6	1,314,720	1,314,720
Property, plant and equipment	14	2,218,031	575,591
Intangible assets	15	297,438	238,002
Deferred tax asset	3	737,768	404,305
Trade and other receivables	11	285,786	154,530
Total non-current assets		**11,127,217**	**2,687,148**
Total assets		**19,804,259**	**11,545,243**
Current liabilities			
Trade and other payables	18	2,283,583	1,059,473
Deferred revenue	19	3,364,237	3,013,729
Borrowings	32	300,000	-
Employee benefits	21	247,641	169,835
Deferred settlement	20	200,000	-
Provisions for onerous contracts	17	35,348	-
Other provisions	22	-	30,225
Income tax liabilities	3	-	188,157
Total current liabilities		**6,430,809**	**4,461,419**
Non-current liabilities			
Borrowings	32	975,000	-
Employee benefits	21	39,367	23,778
Deferred settlement	20	-	200,000
Other provisions	22	36,263	25,384
Deferred lease liability		33,957	7,068
Total non-current liabilities		**1,084,587**	**256,230**
Total liabilities		**7,515,396**	**4,717,649**
Net assets		**12,288,863**	**6,827,594**
Equity			
Issued capital	23	22,547,228	17,074,124
Reserves	24	17,318	160,806
Accumulated losses	25	(10,275,683)	(10,407,336)
		12,288,863	**6,827,594**

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

UCW LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	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 year	-	-	-	24,936	24,936
Cumulative adjustment to equity per AASB 15 Revenue from Contracts with Customers (Note 1(x))	-	-	-	(42,998)	(42,998)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive profit for the year	**-**	**-**	**-**	**(18,062)**	**(18,062)**
Transactions with owners in their capacity as owners					
Shares issued at net cost	5,473,104	-	-	-	5,473,104
Options issued at fair value	-	6,227	-	-	6,227
Options expired	-	(147,840)	(1,875)	149,715	-
Total transactions with owners in their capacity as owners	5,473,104	(141,613)	(1,875)	149,715	5,479,331
Balance as at 30 June 2018	**22,547,228**	**17,318**	**-**	**(10,275,683)**	**12,288,863**

	Issued Capital $	Share Based Payments Reserve $	Options Premium Reserve $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2016	**14,172,195**	**147,840**	**1,875**	**(10,578,221)**	**3,743,689**
Net profit for the year	-	-	-	170,885	170,885
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**170,885**	**170,885**
Transactions with owners in their capacity as owners					
Shares issued at net cost	2,901,929	-	-	-	2,901,929
Options issued at fair value	-	11,091	-	-	11,091
Total transactions with owners in their capacity as owners	2,901,929	11,091	-	-	2,913,020
Balance as at 30 June 2017	**17,074,124**	**158,931**	**1,875**	**(10,407,336)**	**6,827,594**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $	2017 $
Cash flow from operating activities			
Receipts from customers and other income		12,429,368	10,443,222
Interest received		45,702	113,130
Income taxes paid		(287,493)	-
Payments to suppliers and employees		(11,852,284)	(9,746,721)
Net cash flows from continuing operations		335,293	809,631
Net cash flows from discontinued operations	16	(90,647)	-
Net cash flows from operating activities	28(b)	244,646	809,631
Cash flow from investing activities			
Acquisition of subsidiaries – ALG		-	(3,729,149)
Acquisition of subsidiaries – 4Life		-	(800,288)
Cash on acquisition of subsidiaries		-	59,829
Payments for stamp duty – ALG		-	(55,119)
Investment in associates	5	(4,391,417)	-
Deposits paid		(500,000)	-
Dividend income	5	128,006	-
Payments for property plant and equipment		(995,267)	(484,875)
Payments for intangibles		(162,711)	(191,851)
Net cash used in investing activities		(5,921,389)	(5,201,453)
Cash flow from financing activities			
Proceeds from share issues	23	4,000,000	3,089,349
Proceeds from borrowings	32	1,500,000	-
Borrowing costs		(128,011)	-
Repayment of loan	32	(225,000)	-
Capital raising costs		(202,983)	(187,209)
Net cash provided by financing activities		4,944,006	2,902,140
Net decrease in cash and cash equivalents		(732,737)	(1,489,682)
Cash and cash equivalents at beginning of year		7,327,872	8,817,554
Cash and cash equivalents at end of year	28(a)	**6,595,135**	**7,327,872**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements comprise UCW Limited (**UCW or the Company**) and its controlled entities (**Group**). UCW is a listed public company, incorporated and domiciled in Australia. The Company is a for-profit company for the purposes of preparing these annual financial statements.

The following is a summary of the material accounting policies adopted by the Group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law where possible.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards (**IFRS**).

The consolidated financial statements were authorised for issue by the Board on 31 August 2018.

(b) Basis of preparation

The financial report has been prepared on the historical cost and accruals basis except where stated otherwise.

(c) Going concern

The financial report has been prepared on a going concern basis that contemplates the continuity of normal business activities and the realisation and extinguishment of liabilities in the ordinary courses of business.

(d) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by UCW as at the end of the reporting period.

A controlled entity is any entity over which UCW has the power to govern the financial and operating policies so as to obtain benefits from its activities. All controlled entities have a June financial year end.

All intercompany balances and transactions (if any) between entities in the Group, including any unrealised profits or losses have been eliminated on consolidation. Accounting policies of subsidiaries have been changed were necessary to ensure consistency with those policies adopted by the parent entity.

Where controlled entities have entered or left the Group during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(d) Principles of consolidation (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income tax

The income tax expense for the year comprises current tax expense and deferred tax expense. The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date. Current tax liabilities are measured at the amounts expected to be paid to the relevant tax authority. Deferred income tax expense reflects movements in deferred tax asset (**DTA**) and deferred tax liability (**DTL**) balances during the year as well as unused tax losses.

Deferred tax is accounted for using the balance liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Profit or Loss and Other Comprehensive Income, except where it relates to items that may be credited directly to equity, in which case the deferred tax asset is adjusted directly against equity.

Deferred income tax assets are recognised only to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefit brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax Consolidation

The Company and its wholly-owned subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity within the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities/(assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.

The Group notified the Australian Taxation Office (**ATO**) that it had formed an income tax consolidated group consisting of UCW and ALG, to apply from 24 March 2016. 4Life subsequently joined the income tax consolidated group, effective from 14 January 2017.

(f) Business combinations

The acquisition method is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity interests issued or liabilities incurred by the acquirer to former owners of the acquire and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Where the business combination is achieved in stages, the consolidated entity re-measures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Business combinations (continued)

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset is recognised in profit or loss. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

The difference between the acquisition date fair value acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a re-assessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer 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 at the acquisition date. The re-measurement period ends on either the earlier of:

- 12 months from the date of the acquisition; or
- When the acquirer receives all the information possible to determine fair value.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. The cost of purchased goods includes purchase price, import and other taxes, transport and handling costs directly attributable to the acquisition of the inventories.

(h) Plant and equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and accumulated impairment losses.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write of the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight – line method so as to generally write off the cost of each fixed asset over its estimated useful life on the following basis:

Class of fixed assets	Depreciation rate (useful life)
Plant and equipment	3 to 13 years
Furniture, fittings and equipment	4 to 13 years
Web development	4 years
Computer software	2 to 5 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

(i) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand, deposits at call with financial institutions, and other highly liquid investments with short periods to maturity (less than three months) which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Consolidated Statement of Financial Position.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Trade receivables

Trade receivables are recognised at fair value, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation, and the default or delinquency in payment are considered indicators that the trade receivables are impaired. The amount of the impairment provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment provision is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within other expenses. When a trade receivable for which an impairment provision had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(k) Leases

Lease of fixed assets where substantially all the risks and rewards incidental to the ownership of the asset, but not the legal ownership, are transferred to the entities in the Company, are classified as finance leases. Finance lease are capitalised by recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Lease assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Lease payments for operating leases (net of any incentives received from the lessor) where substantially all the risks and benefits remain with the lessor are recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the true pattern of the user's benefits.

The rental expense for leases with scheduled rent increases and inclusive of rental concessions, has been recognised on a straight-line basis over the life of the lease beginning upon the commencement date of the lease. The deferred lease liability presented on the consolidated statement of financial position represents the difference between cash lease payments and accounting operating lease payments which are recognised on a straight-line basis over the life of the lease. In the early years of the lease, the cash outflow is less than the accounting operating lease payment giving rise to a deferred lease liability.

(l) 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.

(m) 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 and the Consolidated Statement of Cash Flows.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which remain unpaid. The amounts are unsecured and are usually settled within 30 days of recognition.

(o) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are recognised as a deduction from equity, net of any tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business, are not included in the cost of acquisition as part of the purchase consideration.

(p) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at the reporting date.

(q) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing the operating profit after tax attributable to members of the Group by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income-tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Trade and other receivables are included in Note 11.

(s) Employee benefits

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which employees render the related service. Examples of such benefits include wages and salaries and annual leave, including non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Long-term employee benefits

Long-term employee benefits not expected to be settled within 12 months of the reporting date, are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

The Group presents employee benefit obligations as current liabilities in the Statement of Financial Position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, irrespective of when the actual settlement is expected to take place.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Employee benefits (continued)

Profit share and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Superannuation

The consolidated entity participates in a defined contribution plan. The amount charged to the Statement of Profit or Loss and Other Comprehensive Income in respect of superannuation represents the contributions paid or payable by the consolidated entity to the superannuation fund during the reporting period.

Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when the Company is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payment is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits include payments as a consequence of termination or those that are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, where the effect of discounting is material.

Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employees' benefits to which they relate are recognised as liabilities.

Share-based employee remuneration

The Company operates an Employee Option Plan (**EOP**). The purpose of the EOP is to provide eligible employees with an opportunity to acquire options over ordinary shares in the Company. By doing so, the EOP seeks to provide eligible employees with an opportunity to share in the growth in value of the Company and to encourage them to improve the longer-term performance of the Company and its return to shareholders.

The cost of the share-based payments is measured at fair value (determined using the Black-Scholes option pricing model) indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Financial instruments

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Interests in controlled entities are brought to account at cost and dividend distributions are recognised in the Statement of Profit or Loss and Other Comprehensive Income of the Company when receivable.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised costs using the effective interest rate method.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payment and amortisation.

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(u) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that individual assets are impaired. Where impairment indicators exist, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and its value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the assets belong.

(v) Intangible assets

Goodwill

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition.

Computer software

Significant external costs associated with the implementation of the new student management system have been deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of five years.

Copyrights and licences

Course development expenditure includes copyrights and licences. These are recognised as an asset and measured at cost less any impairment. Once delivery of the course to which the costs relate, has commenced, the associated costs are then amortised over the life of the accreditation, being their finite useful life.

Website development

Website development has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the asset over its estimated useful life, which is four years.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Foreign currency transactions and balances

Foreign currency transactions during the year are translated to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at the balance date are converted at the rates of exchange ruling at the date. The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit or loss.

(x) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

The Company early 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 Half-Year Report for the period ended 31 December 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 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.

UCW LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Revenue recognition (continued)

Tuition revenue

Tuition revenue and other education related revenue such as course materials, are recognised as the service is provided. Enrolment fees which are non-refundable and relate to the enrolment application process, and other administration fees relating to tuition, are now recognised over the duration of the course of study and in line with the performance obligations. All revenue in relation to course tuition is initially recorded in deferred revenue and released into income over the period of the related course

Interest revenue

Interest revenue is recognised using the effective interest method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised at the effective interest rate.

(y) Segment reporting

The Group has applied AASB8 Operating Segments from 1 July 2009. AASB8 requires 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The consolidated entity operates in one industry segment being the education industry but for internal purposes, differentiates between international student income and domestic student income. As such segment reporting has been provided in relation to a split between international and domestic business.

Operating segments are now reported in a manner with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board.

(z) Goods and service tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. The GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are shown inclusive of GST. Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(aa) Current and non-current classification

Assets and liabilities are presented in the Statement of Financial Position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(bb) New accounting standards and interpretations

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(bb) New accounting standards and interpretations (continued)

Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- **AASB 16: Leases (applicable for the financial year commencing 1 July 2019)**

When effective, this Standard will replace the current lease standard - AASB 117.

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Subject to exceptions, a 'right-of-use' asset will be capitalised in the Statement of Financial Position, measured as the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. A lessee measures right-to-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities.

Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component.

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will improve as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16.

AASB 16 contains disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.

The Company intends to apply the short-term and low value recognition exemptions available and also intends to apply the modified retrospective approach on transition. The modified retrospective approach does not require comparative financial information to be restated.

Based on the operating lease commitments as at 30 June 2018, under the modified retrospective approach, the Company would have recognised a lease liability of approximately $5m measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date of initial application and would have also recognised a corresponding right-of-use asset of approximately $5m in its Consolidated Statement of Financial Position.

At the initial application of the above option, the Company expects to have increases in intangible assets and the corresponding lease liabilities, a front-loaded lease expense comprising interest and depreciation expenses and reclassification of cash flows in the Consolidated Statement of Cash Flows.

The Company does not intend to adopt the standard before its effective date of 1 July 2019.

- **AASB 9: Financial Instruments and associated Amending Standards (applicable for the financial year commencing 1 July 2019)**

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(bb) New accounting standards and interpretations (continued)

The Directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial instrument disclosures.

- **Other standards not yet applicable**

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assumed a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates and judgements

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 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 4Life is goodwill and have determined there are no other identifiable intangible assets.

Impairment: The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations have been performed in assessing recoverable amounts. These incorporate a number of key estimates. To determine value-in-use, management has estimated expected future cash flows from each asset or CGU and also determined a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget. Discount factors are determined individually for each asset or CGU and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors. The discount rate calculation is based upon the specific circumstances of the Company and its CGUs and is derived from its weighted average cost of capital (WACC).

Provision for onerous contracts: As noted in the Directors' Report, the operations in Adelaide were discontinued during the 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.

Other receivables: As stated in the 30 June 2017 Annual Report, the Company had paid a total amount of $138,908 in relation to a payroll tax review undertaken by the Office of State Revenue and an employment law issue that pre-dated UCW's acquisition of ALG.

Under the terms of the share sale agreement concerning the acquisition of ALG by UCW, the Company has recovered $116,077 of $138,908 under the warranty and indemnity provisions from the previous owners. The remaining amount of $22,831 was written off in the Consolidated Profit or Loss and Other Comprehensive Income for the financial year ended 30 June 2018.

3. INCOME TAX EXPENSE

(a) The components of tax (benefit) / expense comprise

	2018 $	2017 $
Prior year under-provision	7,687	-
Current tax	171,254	492,526
Deferred tax – origination and reversal of temporary differences	(249,658)	(463,162)
	(70,717)	**29,364**

	Note	2018 $	2017 $
Income tax (benefit) / expense on continuing operations		(18,145)	29,364
Income tax (benefit) on discontinued operations	16	(52,572)	-
		(70,717)	**29,364**

(b) Tax (benefit) / expense on profit / (loss) from ordinary activities before income tax

	2018 $	2017 $
Profit before tax from continuing operations	145,389	200,249
Profit before tax from discontinued operations	(191,169)	-
	(45,780)	200,249
Tax (benefit) / expense at 27.5% (2017: 30%)	(12,590)	60,075
(Deduct) / add tax effect of:		
Additional income tax expense per FY17 lodged income tax return	7,687	-
Other assessable / allowable items	(65,814)	(30,711)
	(70,717)	29,364
Benefit of tax loss not brought to account	-	-
Income tax (benefit) / expense attributable to profit / (loss)	**(70,717)**	**29,364**

(c) Recognised temporary differences deferred tax assets

	2018 $	2017 $
Provisions for employee entitlements	118,169	58,084
Accrued expenses and other provisions	191,062	149,068
Depreciation	32,228	58,051
Estimated assessed tax losses	297,242	28,065
Other	99,067	111,037
	737,768	**404,305**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

3. INCOME TAX EXPENSE (continued)

Tax losses related to the entity prior to the Group restructure in 2016 that were not used and have been lost.

The Company has recognised a DTA on the tax losses prior to the acquisitions based on the available fraction rule.

Forecast profit before income tax for the three financial years following reporting date was assessed and the Company expects to generate sufficient future assessable income to utilise the recognised DTA. There are no deferred tax liabilities.

Income tax receivable of $91,649 (2017: $188,157 payable) represents the amount receivable from ATO.

4. CONTROLLED ENTITIES

Entity	Acquired	Country of incorporation	Ownership interest 2018	Ownership interest 2017
Australian Learning Group Pty Limited	23 March 2016	Australia	100%	100%
4Life Pty Ltd	13 January 2017	Australia	100%	100%

5. INVESTMENTS IN ASSOCIATES

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

Name	Ownership interest 2018 %	Ownership interest 2017 %	Equity-accounted 2018 $	Equity-accounted 2017 $
Gradability Pty Ltd (i)	24.57	-	6,273,474	-

(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	2018 $	2017 $
Balance at the beginning of the period	**-**	**-**
Acquisition of associates at cost	5,855,222	-
Share of profit from associates	547,546	-
Elimination of intercompany transactions	(1,288)	
Dividend received	(128,006)	-
Balance at reporting date	**6,273,474**	**-**

6. ACQUISITION OF SUBSIDIARIES AND IMPAIRMENT OF GOODWILL

4Life Pty Ltd

On 13 January 2017 the Company advised that it had acquired 100% of the shares of 4Life following a satisfaction or waiver of all conditions precedent.

	Fair value $
Fair value of purchase consideration:	
Amount settled in cash (including working capital adjustment)	800,288
Deferred consideration (i)	200,000
	1,000,288
Less:	
Current assets	213,693
Non-current assets	27,048
Current liabilities	(555,173)
Identified assets acquired and liabilities assumed	(314,432)
Goodwill (ii)	**1,314,720**

Notes

(i) Per the Share Sale Agreement, $200,000 in fully paid ordinary shares in the Company are to be issued 2 years after Completion Date (13 January 2017) at $0.06 per share, subject to any reduction resulting from warranty claims.

(ii) The Company has allocated the goodwill of $1,314,720 to the vocational education CGU, being ALG and 4Life, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises. The recoverable amount of the CGU is assessed annually based on a value-in-use calculation. This method uses cash flow projections for the next financial year based on the budget prepared by management and approved by the board of directors, a forward projection of cashflows with a 5% growth rate up until Year 5 and an assessment of its terminal value using the perpetual growth method (with a 3% growth rate). In assessing value-in-use, the estimated future cash flows have been discounted to their present value using a post-tax discount rate (WACC) of 9.5% (2017: 8.9%).

The value-in-use was calculated to be in excess of the carrying amount of goodwill per the Consolidated Statement of Financial Position, hence no impairment of goodwill was required as at 30 June 2018 (2017: $nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

6. ACQUISITION OF SUBSIDIARIES AND IMPAIRMENT OF GOODWILL (continued)

Australian Learning Group Pty Limited

On 24 March 2016, the Company advised that it had acquired 100% of the shares of ALG following completion of a capital raising and satisfaction or waiver of all conditions precedent.

	Fair value **$**
Fair value of purchase consideration:	
Amount settled in cash, shares and options (including the working capital adjustments)	5,855,119
Deferred consideration (i)	3,729,149
	9,584,268
Less:	
Current assets	2,472,042
Non-current assets	234,160
Current liabilities	(2,184,828)
Identified assets acquired and liabilities assumed	521,374
Goodwill (ii)	9,062,894
Historical impairment	(9,062,894)
	-

Notes

(i) The deferred settlement amount of $3,729,149 consisted of a minimum cash payment of $3,500,000 and an earn-out amount of $229,149 due to outperformance of the normalised EBITDA hurdle contained in the Share Sale Agreement.

(ii) Goodwill was recognised on acquisition, being the excess of the cost of acquisition over the net assets acquired. The Board has taken a conservative view and decided to impair goodwill in full as at 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

7. KEY MANAGEMENT PERSONNEL COMPENSATION

	2018 $	2017 $
Total remuneration	539,881	541,090
	539,881	**541,090**

Further information is contained in the remuneration report.

Shareholding and option holding of Directors and other Key Management Personnel

(a) Options

The number of options to acquire ordinary shares in the Company held during the financial year by each Director and other Key Management Personnel, including their personal related parties, are set out below:

Year ended 30 June 2018	Balance at start of the year	Granted as remuneration	Other changes during the year (iv)	Expired	Vested and exercisable	Unvested and not exercisable at the end of the year
Gary Burg (ii)	36,111,111	-	(28,888,888)	(7,222,223)	-	-
Adam Davis (i)(ii)	9,583,334	-	(7,666,667)	(1,916,667)	-	-
Peter Mobbs (i)(ii)	2,986,111	-	(2,388,889)	(597,222)	-	-
Jonathan Pager (i)(ii)	1,763,888	-	(1,411,110)	(352,778)	-	-
Lyndon Catzel (iii)	4,000,000	-	(3,200,000)	-	-	800,000
	54,444,444	**-**	**(43,555,554)**	**(10,088,890)**	**-**	**800,000**

Year ended 30 June 2017	Balance at start of the year	Granted as remuneration	Other changes during the year	Expired	Vested and exercisable	Unvested and not exercisable at the end of the year
Gary Burg (ii)	36,111,111	-	-	-	36,111,111	-
Adam Davis (i)(ii)	9,583,334	-	-	-	9,583,334	-
Peter Mobbs (i)(ii)	2,986,111	-	-	-	2,986,111	-
Jonathan Pager (i)(ii)	1,763,888	-	-	-	1,763,888	-
Michael Pollak (i)(v)	3,000,000	-	-	-	3,000,000	-
Lyndon Catzel (iii)	-	4,000,000	-	-	-	4,000,000
	53,444,444	**4,000,000**	**-**	**-**	**53,444,444**	**4,000,000**

Notes

(i) Options acquired under the Prospectus dated 25 March 2015, being unlisted options exercisable at $0.19620 (after adjusting for the 1:5 consolidation approved by shareholders on 9 November 2017) per option on or before 30 June 2018

(ii) Options acquired under the Prospectus dated 24 February 2016, being unlisted options exercisable at $0.29620 (after adjusting for the 1:5 consolidation approved by shareholders on 9 November 2017) per option on or before 30 June 2018

(iii) Options issued under the Company's Employee Option Plan: 400,000 options (after adjusting for the 1:5 consolidation approved by shareholders on 9 November 2017) vesting on 31 July 2019 and expiring on 31 July 2021, exercisable at $0.29620 and 400,000 options (after adjusting for the 1:5 consolidation approved by shareholders on 9 November 2017) vesting on 31 July 2019 and expiring on 31 July 2021, exercisable at $0.39620

(iv) Reduction due to 1:5 consolidation approved by shareholders on 9 November 2017

(v) Resigned 19 June 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

7. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

(b) Shareholding

The number of ordinary shares in the Company held during the financial year by each Director and other Key Management Personnel), including their personal related parties, are set out below:

Year ended 30 June 2018	Balance at start of the year	Reduction due to share consolidation (i)	Shares acquired (ii)	Balance at end of the year
Gary Burg	124,095,842	(99,276,674)	7,789,623	32,608,791
Adam Davis	29,114,794	(23,291,835)	1,871,006	7,693,965
Peter Mobbs	11,216,354	(8,973,084)	1,482,881	3,726,151
Jonathan Pager	5,107,020	(4,085,616)	335,201	1,356,605
Lyndon Catzel (iii)	1,400,000	(1,120,000)	292,514	572,514
	170,934,010	**(136,747,209)**	**11,771,225**	**45,958,026**

Year ended 30 June 2017	Balance at start of the year	Reduction due to share consolidation	Shares acquired (iv)	Balance at end of the year or date of resignation
Gary Burg	108,333,333	-	15,762,509	124,095,842
Adam Davis	25,416,667	-	3,698,127	29,114,794
Peter Mobbs	9,791,667	-	1,424,687	11,216,354
Jonathan Pager	4,458,334	-	648,686	5,107,020
Michael Pollak (v)	6,250,000	-	625,000	6,875,000
Lyndon Catzel (vi)	-	-	1,400,000	1,400,000
	154,250,001	**-**	**23,559,009**	**177,809,010**

Notes

(i) Reduction due to 1:5 consolidation approved by shareholders on 9 November 2017
(ii) Shares acquired under the non-renounceable underwritten rights issue dated 8 June 2018
(iii) Includes 49,980 shares acquired on market
(iv) Shares acquired under the non-renounceable non-underwritten rights issue dated 10 April 2017
(v) Resigned 19 June 2017, therefore excluded from the balance at the start of the year in 2018
(vi) Includes 900,000 shares acquired on market prior to commencement of employment

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

8. AUDITOR'S REMUNERATION

	2018 $	2017 $
Audit and review of financial statements		
- current auditors - RSM Australia Partners	56,910	35,000
- prior auditors - Stantons International	-	23,678
Other services		
- RSM Australia Partners for taxation compliance (including prior years)	35,000	41,770
Total auditor's remuneration	**91,910**	**100,448**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

9. FRANKING CREDITS

	2018 $	2017 $
Audit and review of financial statements		
Franking credits	2,982,040	2,694,547
	2,982,040	**2,694,547**

The balance of franking credits has been adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years.

10. EARNINGS PER SHARE

	2018 $	2017 $
(a) Basic earnings / (loss) per share (cents)		
From continuing operations	0.20	0.28
From discontinued operations	(0.17)	-
(b) Diluted earnings / (loss) per share (cents)		
From continuing operations	0.20	0.28
From discontinued operations	(0.17)	-
(c) Reconciliation of profit / (loss) in calculating earnings per share		
Basic and diluted loss per share		
Profit from continuing operations attributable to ordinary equity holders of the Company	163,534	170,885
Loss from discontinued operations	(138,598)	-
	24,936	**170,885**
(d) Total shares		
Weighted average number of ordinary shares (adjusted for the 1:5 share consolidation in November 2017) outstanding during the year used in the calculation of basic profit / (loss) per share	79,786,724	62,036,801
Weighted average number of ordinary shares (adjusted for the 1:5 share consolidation in November 2017) outstanding during the year used in the calculation of diluted profit / (loss) per share	79,786,724	63,078,480

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

11. TRADE AND OTHER RECEIVABLES

	2018 $	2017 $
Current		
Trade and other receivables	712,297	758,578
GST receivable	275,902	355,997
Less: Provision for impairment of other receivables	(30,278)	(25,194)
	957,921	**1,089,381**
Non-current		
Trade and other receivables	285,786	154,530
	285,786	**154,530**

Debtors at reporting date are not considered past due and are considered fully recoverable.

12. OTHER ASSETS

	2018 $	2017 $
Current		
Prepayments	248,024	214,460
Deposits [(i)]	541,764	17,780
Commissions in advance	240,862	202,412
	1,030,650	**434,652**

(i) Included in deposits is $500,000 paid in relation to the acquisition of IKON Institute of Australia as reflected in Note 28.

13. INVENTORIES

	2018 $	2017 $
Current		
At cost:		
Finished goods	1,687	6,190

14. PLANT AND EQUIPMENT

	Office equipment $	Leasehold improvements $	Total $
At 30 June 2018			
Cost	777,556	1,770,702	2,548,258
Accumulated depreciation	(248,343)	(81,884)	(330,227)
	529,213	**1,688,818**	**2,218,031**
At 30 June 2017			
Cost	403,150	361,344	764,494
Accumulated depreciation	(176,262)	(12,641)	(188,903)
	226,888	**348,703**	**575,591**

Reconciliations

Movement in the carrying amounts of each class of plant and equipment at the beginning and end of the year:

	Office equipment $	Leasehold improvements $	Total $
At 1 July 2017	226,888	348,703	575,591
Additions	374,406	1,409,358	1,783,764
Depreciation	(72,081)	(69,243)	(141,324)
At 30 June 2018	**529,213**	**1,688,818**	**2,218,031**
At 1 July 2016	108,220	25,182	133,402
Additions	148,713	336,162	484,875
Depreciation	(30,045)	(12,641)	(42,686)
At 30 June 2017	**226,888**	**348,703**	**575,591**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

15. INTANGIBLE ASSETS

	Computer software $	Website development $	Course development $	Total $
At 30 June 2018				
Cost	211,614	4,339	194,910	410,863
Accumulated amortisation	(63,928)	(3,804)	(45,693)	(113,425)
	147,686	**535**	**149,217**	**297,438**
At 30 June 2017				
Cost	165,933	4,339	110,850	281,122
Accumulated amortisation	(18,237)	(3,262)	(21,621)	(43,120)
	147,696	**1,077**	**89,229**	**238,002**

Reconciliations

Movement in the carrying amounts of each class of intangible assets at the beginning and end of the year:

	Computer software $	Website development $	Course development $	Total $
At 1 July 2017	147,696	1,077	89,229	238,002
Additions	45,680	-	84,060	129,740
Amortisation	(45,690)	(542)	(24,072)	(70,304)
At 30 June 2018	**147,686**	**535**	**149,217**	**297,438**
At 1 July 2016	-	1,290	17,224	18,514
Additions	165,933	-	84,684	250,617
Amortisation	(18,237)	(213)	(12,679)	(31,129)
At 30 June 2017	**147,696**	**1,077**	**89,229**	**238,002**

16. 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 not profitable 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 financial year ended 30 June 2018. The assets and resources of the business have ceased to be used and onerous contract provisions raised for the ongoing leases and employment contracts, which ended 30 June 2018.

16. DISCONTINUED OPERATIONS (continued)

The combined results of the discontinued operation included in the profit and loss and cashflows for the year is set out below.

	2018 $	2017 $
Loss from discontinued operations		
Revenue	373,125	-
Expenses	(564,295)	-
Loss before income tax	**(191,170)**	**-**
Attributable income tax benefit	52,572	-
Loss after income tax	**138,598**	**-**
Net cash outflows from operating activities	**(90,647)**	**-**

17. PROVISION FOR ONEROUS CONTRACTS

	2018 $	2017 $
Onerous contracts		
Employment costs	32,348	-
Other costs	3,000	-
Total provision for onerous contracts	**35,348**	**-**

18. TRADE AND OTHER PAYABLES

	2018 $	2017 $
Current		
Trade creditors	1,162,128	221,764
Other payables and accrued expenses	1,121,455	837,709
	2,283,583	**1,059,473**

Trade creditors at 30 June 2018 are not considered past due.

19. DEFERRED REVENUE

	2018 $	2017 $
Current		
Deferred income	3,364,237	3,013,729
	3,364,237	**3,013,729**

Deferred revenue relates to tuition revenue, enrolment fees and course materials which have been received in advance of the tuition beginning or the materials being provided to students. These are deferred and then recognised in accordance with the provision of the tuition and course materials. See further Note 1(x).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

20. DEFERRED SETTLEMENT

	2018 $	2017 $
Current	200,000	-
	200,000	**-**
Non-current	-	200,000
	-	**200,000**

The deferred settlement payment as at 30 June 2018 relates to the acquisition of 4Life. Per the Share Sale Agreement, $200,000 in fully paid ordinary shares in the Company are to be issued 2 years after Completion Date (13 January 2017) at $0.30 per share, subject to any reduction resulting from warranty claims.

21. EMPLOYEE BENEFITS

	2018 $	2017 $
Current liabilities		
Annual leave	191,617	133,511
Long service leave	56,024	36,324
	247,641	**169,835**
Non-current liabilities		
Long service leave	39,367	23,778
	39,367	**23,778**

22. PROVISIONS

	2018 $	2017 $
Current liabilities		
Make-good	-	30,225
	-	**30,225**
Non-current liabilities		
Make-good	36,263	25,384
	36,263	**25,384**

Make-good: Under the terms of its lease agreements the Company must restore certain leased premises to their condition as at the commencement of the lease.

The Company's make-good provisions decreased during the year due to the relocation to new leased offices (which are not subject to make-good provisions) in Sydney.

23. SHARE CAPITAL

(a) Ordinary shares

	2018		2017	
	Number	$	Number	$
Opening balance	373,876,131	17,074,124	296,642,396	14,172,195
Issue of shares	49,396,758	5,473,104	77,233,735	2,901,929
Share consolidation (1:5) approved on 9 November 2017	(318,618,306)	-	-	-
At reporting date	**104,654,583**	**22,547,228**	**373,876,131**	**17,074,124**

(b) Issuance of ordinary shares

The following shares were issued and allotted by the Company during the financial year ended 30 June 2018:

- On 11 July 2017, 19,734,258 fully paid ordinary shares were issued to the vendor of shares in Gradability, under Listing Rule 7.1 and Listing rule 7.1A at an issue price of $0.06 per share
- On 10 August 2017, 4,662,500 fully paid ordinary shares were issued to the vendor of shares in Gradability, under LR 7.1A at an issue price of $0.06 per share.
- On 9 November 2017, the shareholders approved the consolidation of the issued capital of the Company on the basis that every five (5) shares be consolidated into one (1) share. As a result, 318,618,306 ordinary shares were cancelled.
- On 26 June 2018, 25,000,000 fully paid ordinary shares were issued at an issue price of $0.16 per share.

(c) Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(d) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure in order to minimise the cost of capital.

To manage the above or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, take on borrowings or sell assets to reduce debt.

Capital is regarded as total equity, as recognised in the Statement of Financial Position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

Should an opportunity to invest in a business or company that was seen as value accretive relative to the Company's share price at the time of the investment, the Company would look to raise capital either by way of issuing equity or taking on debt or a combination of both. The Company is actively pursuing additional investments in the short and medium term whilst it seeks to extract synergies and grow its existing business.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

24. OPTIONS AND RESERVES

	2018		2017	
	Number	**$**	**Number**	**$**
Opening balance	93,524,115	160,806	89,524,115	149,715
Options issued	-	6,227	4,000,000	11,091
Options expired on 30 June 2018	(17,904,823)	(149,715)	-	-
Options consolidation (1:5) approved on 9 November 2017	(74,819,292)	-	-	-
At reporting date	**800,000**	**17,318**	**93,524,115**	**160,806**

Refer to Note 1(s) and Note 7 for further details in respect of the options.

25. ACCUMULATED LOSSES

	2018 $	2017 $
Balance at the beginning of the financial year	(10,407,336)	(10,578,221)
Cumulative adjustment to equity per AASB 15 Revenue from Contracts with Customers - Note 1(x)	(42,998)	-
Options expired	149,715	-
Net profit / (loss) for the year	24,936	170,885
Balance at the end of the financial year	**(10,275,683)**	**(10,407,336)**

26. OPERATING LEASE COMMITMENTS

Operating lease commitments

	2018 $	2017 $
Payable – minimum lease payments		
- not later than 1 year	1,465,329	816,148
- later than 1 year but not later than 5 years	3,522,629	693,591
- later than 5 years	-	-
	4,987,958	**1,509,739**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

27. SEGMENT REPORTING

The Company has identified its operating segments based on internal reports that are reviewed and used by the Board (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 year ended 30 June 2018	International student income $	Domestic student income $	Unallocated $	Total $
Revenue from external customers	10,654,387	1,352,441	512,385	12,519,213
Share of profits of associates	-	-	547,546	547,546
Interest income	-	-	32,806	32,806
Employee benefits expense	-	-	(4,064,237)	(4,064,237)
Depreciation and amortisation	-	-	(211,628)	(211,628)
Borrowing expenses	-	-	(108,702)	(108,702)
Income tax expense	-	-	18,145	18,145
Profit from continuing operations	-	-	163,534	163,534
Loss from discontinued operations	-	-	(138,598)	(138,598)
Profit for the period	**-**	**-**	**24,936**	**24,936**
Total segment assets	**-**	**-**	**19,804,259**	**19,804,259**
Total segment liabilities	**-**	**-**	**7,515,396**	**7,515,396**

For the year ended 30 June 207	International student income $	Domestic student income $	Unallocated $	Total $
Revenue from external customers	7,983,140	1,370,635	533,413	9,887,188
Interest income	-	-	137,686	137,686
Employee benefits expense	-	-	(3,270,995)	(3,270,995)
Depreciation and amortisation	-	-	(73,815)	(73,815)
Income tax expense	-	-	(29,364)	(29,364)
Profit from continuing operations	-	-	170,885	170,885
Profit for the period	**-**	**-**	**170,885**	**170,885**
Total segment assets	**-**	**-**	**11,545,243**	**11,545,243**
Total segment liabilities	**-**	**-**	**4,717,649**	**4,717,649**

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) and there is insufficient information to allocate the assets and liabilities and to assess the operating results of each segment. The Group is focused on the development of both the domestic and international student markets and the revenue is reported on that basis. There are however no means to allocate the assets and liabilities separately due to the fact that both segments are effectively serviced by the same resources.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

28. CASH FLOW INFORMATION

a) Cash and cash equivalents

	2018 $	2017 $
Cash at bank and on hand	6,595,135	7,055,772
Short term deposits	-	272,100
	6,595,135	**7,327,872**

b) Reconciliation of cash flow from operations with profit after income tax

	2018 $	2017 $
Profit from ordinary activities after income tax	**24,936**	**170,885**
Adjustments for non-cash items		
Share of profit of associates using equity method	(547,546)	-
Depreciation and amortisation expense	223,649	73,815
Reclassification of stamp duty	-	55,119
4Life – net liabilities (opening balance)	-	(401,307)
Cumulative adjustment to retained earnings per AASB 15	(42,998)	-
Borrowing costs classified as financing activity	84,011	-
Equity raising costs paid in July 2018	(42,778)	-
Tax adjustment to issued capital	255,059	-
Elimination of intercompany transactions	1,288	-
Accrued fixed and intangible assets	(753,267)	(31,931)
Employee share based expenses	6,227	11,091
Changes in assets and liabilities		
Trade and other receivables	(88,408)	(177,762)
Other assets	(386,721)	(275,123)
Trade and other payables	1,511,194	1,384,844
Cash flow provided by operating activities	**244,646**	**809,631**

c) Reconciliation of liabilities arising from financing activities

	1 July 2017	Cash flows	Non-cash acquisition	30 June 2018
Borrowings	-	(225,000)	1,500,000	1,275,000
Total liabilities from financing activities		**(225,000)**	**1,500,000**	**1,275,000**

Refer to Note 32 for details.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

29. EVENTS AFTER BALANCE DATE

On 29 May 2018, the Company announced that it had entered into an option agreement to acquire 100% of the issued equity capital of Proteus Technologies Pty Ltd which owns and operates IKON Institute of Australia (IKON). The transaction was completed on 4 July 2018. On completion, UCW paid the IKON vendors $5.5 million, which comprised $4.4 million in cash and $1.1 million in UCW shares at an issue price of $0.20 per share. The UCW shares issued on completion are subject to a voluntary 12-month escrow period.

30. RELATED PARTY TRANSACTIONS

Disclosures relating to Key Management Personnel are set out in Note 7 and the detailed remuneration disclosures in the Directors' Report.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

31. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT POLICIES

The financial instruments of the Company consist of cash, receivables and payables. The Company did not use derivative financial instruments during the year.

Specific financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are interest rate risk, credit risk, foreign currency risk and liquidity risk.

Interest rate risk

The Company's main exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rate. The Company's policy is to ensure that the best interest rate is received for the short-term deposits. Borrowings obtained at variable rates expose the Company to interest rate risk. Details of the Company's bank loans outstanding are disclosed in Note 32. The Company's policy is to ensure that the best interest rate is paid on borrowings.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial arrangements entered into by the Company.

Foreign currency risk

The Company is currently not exposed to fluctuations in foreign currencies arising from the purchase of goods in currencies other than the Company's measurement currency.

Liquidity risk

Vigilant liquidity risk management requires the Company to maintain sufficient liquid assets and available borrowing facilities to be able to pay its debts as and when they become due and payable. The Company manages liquidity risk by continuously monitoring forecast and actual cash flow, matching maturity profiles of financial assets and liabilities. The Company is currently invested in cash or short-term deposits.

The material liquidity risk for the Company is the ability to raise equity in the future.

Sensitivity analysis

The Company has not performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date as the effect on profit or loss is not considered material.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

31. FINANCIAL RISK MANAGEMENT (continued)

Net fair values

The net fair value of cash, non-interest bearing monetary assets and financial liabilities approximate their carrying value.

Financial instruments composition and maturity analysis

The Company held interest bearing, at-call deposits and other interest bearing transaction accounts with Westpac Bank and Commonwealth Bank of Australia (**CBA**) of $6,595,135 (2017: $6,803,474) and a 31 Day Notice Account of $nil (2017: $272,100) at 30 June 2018, which have been disclosed as current in the Statement of Financial Position.

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the Statements of Financial Position.

	Weighted average effective interest rate		Fixed interest rate maturing					
			Within 1 year		Non-interest bearing		Total	
	2018 %	2017 %	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $
Financial assets								
Cash & cash equivalents	0.48%	1.81%	6,509,278	7,075,574	85,858	252,298	6,595,135	7,327,872
Current and non-current receivables	-	-	-	-	1,243,707	1,243,911	1,243,707	1,243,911
Total financial assets	**-**	**-**	**6,509,278**	**7,075,574**	**1,329,565**	**1,496,209**	**7,838,842**	**8,571,783**
Financial liabilities								
Trade & other payables	-	-	-	-	2,283,583	1,115,082	2,283,583	1,115,082
Borrowings	6.32%	-	300,000	-	-	-	300,000	-
Deferred settlement	-	-	-	-	200,000	200,000	200,000	200,000
Total financial liabilities	**-**	**-**	**300,000**	**-**	**2,483,583**	**1,315,082**	**2,783,583**	**1,315,082**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

32. BORROWINGS

A total loan facility of $2,400,000 was secured by a first ranking charge over all present and acquired property of the Group with CBA in relation to the acquisition of shares in 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)	400,000	(389,928)	10,072
Total loan facility	**2,400,000**	**(1,889,928)**	**510,072**

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 Bank Bill Swap Bid Rate), 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.

d) Reconciliation of movements

	2018 $	**2017 $**
Balance at the beginning of the period	-	-
Proceeds from loan facility	1,500,000	-
Repayment of loan	(225,000)	-
Balance as at reporting date	**1,275,000**	**-**

In relation to the market rate loan, $300,000 is considered current and repayable within 12 months and the remaining balance of $975,000 is non-current and has been classified accordingly in the Consolidated Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

33. UCW LIMITED PARENT COMPANY INFORMATION

	2018 $	2017 $
(a) Summarised Statement of Financial Position		
Assets		
Total assets	12,242,876	5,782,996
Liabilities		
Total liabilities	1,642,354	313,763
Net assets	**10,600,522**	**5,469,233**
Equity		
Share capital and reserves	22,564,546	17,234,930
Options expired	149,715	-
Accumulated losses	(12,113,739)	(11,765,697)
Total equity	**10,600,522**	**5,469,233**
(b) Summarised Statement of Profit or Loss and other Comprehensive Income		
Loss for the year	(348,042)	(581,534)
Total comprehensive loss for the year	**(348,042)**	**(581,534)**

Guarantees

There are no guarantees entered into by the parent entity in relation to the debts of the subsidiary.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

a) the accompanying financial statements, notes and the additional disclosures are in accordance with the Corporations Act 2001 including:

   i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year then ended; and

   ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2018.

On behalf of the Directors

Gary Burg
Non-Executive Chairman
31 August 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

INDEPENDENT AUDITOR'S REPORT
To the Members of UCW Limited

Opinion

We have audited the financial report of UCW Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
Recognition of Revenue / Deferred Revenue Refer to Note 1(x) in the in the Notes to the Financial Statements.	
Revenue recognition was considered a key audit matter. Risk in relation to revenue recognition is increased at UCW due to the nature of the business and fees being routinely received in advance of the courses being delivered.	Our audit procedures in relation to the recognition of revenue included: • Assessing whether the Group's revenue recognition policies were in compliance with Australian Accounting Standards. • Evaluating, and testing the operating effectiveness, of management's controls related to revenue recognition. • Inspection of student agreements, course fee structure and other enrolment documentation, and review of the allocation of revenue to various elements in the agreements. • Testing of sales transactions including the release of deferred revenue into revenue to obtain assurance that revenue has been correctly accounted for in the appropriate periods
Accounting for an investment in an associated company Refer to Note 5 in the Notes to the Financial Statements	
The Group owns 100% of the shares in Hydaspes Investments Pty Ltd, a special purpose vehicle which holds 24.6% of ordinary shares in Gradability Pty Ltd (formerly Performance Education Group Pty Ltd). This investment is accounted for under the equity method in accordance with AASB 128 Investments in Associates and Joint Ventures Accounting for the investment in Gradability is considered a key audit matter due to proportion of the Group's net assets it represents, the judgment involved in determining the correct accounting treatment, and whether there are any impairment indicators.	Our audit procedures in relation to the acquisition of Hydaspes Pty Ltd included: • Obtaining the Share Sale Agreement, and other related documents and ensuring that the transaction met the requirements of AASB 128 Investments in Associates and Joint Ventures to be classified as an Associate. • Reviewed the accounting entries in relation to the acquisition and determined that they were in accordance with the Share Sale Agreement. • Discussed the valuation methodology used by management to determine the original purchase price and evaluated whether there were any potential impairment indicators. • Obtained the financial information in relation to the share of Associates Profits/Losses since acquisition and determined that they were not material to the group for the year ended 30 June 2018. • Review the disclosures in Note 5 to the financial statements to assess compliance with the disclosure requirements of AASB 128.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/Pronouncements/Australian-Auditing-Standards/Auditors-Responsibilities.aspx. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 19 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of UCW Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM

RSM AUSTRALIA PARTNERS

GNS

G N SHERWOOD
Partner

Sydney, NSW
Dated: 31 August 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 audit of the financial report of UCW Limited for the year ended 30 June 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 audit; and

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

RSM

RSM AUSTRALIA PARTNERS

GNS

G N Sherwood
Partner

Sydney, NSW
Dated: 31 August 2018

ASX ADDITIONAL INFORMATION

AS AT 15 AUGUST 2018

ORDINARY SHARES

110,154,583 fully paid ordinary shares, held by 387 individual shareholders.

All ordinary shares carry one vote per share.

RESTRICTED SECURITIES

5,500,000 ordinary shares, subject to escrow until 4 July 2019, held by 2 individual shareholders.

UNQUOTED SECURITIES

400,000 options, exercisable at $0.29620 per option, vesting on 31 July 2019 and exercisable on or before 31 July 2021, held by 1 optionholder.

400,000 options, exercisable at $0.39620 per option, vesting on 31 July 2019 and exercisable on or before 31 July 2021, held by 1 optionholder.

DISTRIBUTION OF HOLDERS IN EACH CLASS OF EQUITY SECURITIES:

TOTAL HOLDERS OF FULLY PAID ORDINARY SHARES

Range	Ordinary shares	%	No. of holders	%
100,001 and Over	104,455,852	94.83	98	25.32
10,001 to 100,000	4,946,678	4.49	153	39.53
5,001 to 10,000	633,379	0.57	68	17.57
1,001 to 5,000	114,579	0.10	33	8.53
1 to 1,000	4,095	0.00	35	9.04
Total	**110,154,583**	**100.00**	**387**	**100.00**

There are 46 holders of unmarketable parcels.

TOTAL HOLDERS OF OPTIONS

Range	Options	%	No. of holders	%
100,001 and over	800,000	100.00	1	100.00
10,001 to 100,000	-	-	-	-
5,001 to 10,000	-	-	-	-
1,001 to 5,000	-	-	-	-
1 to 1,000	-	-	-	-
Total	**800,000**	**100.00**	**1**	**100.00**

ASX ADDITIONAL INFORMATION (continued)

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with Section 671B of the Corporations Act are:

Name	Ordinary Shares	%
GLOBAL CAPITAL HOLDINGS (AUSTRALIA) PTY LTD	32,608,791	29.60
ABD UCW PTY LTD	7,693,965	6.98
MR MATTHEW CRAWFORD REEDE	6,663,762	6.05

TOP 20 HOLDERS OF EQUITY SECURITIES AS AT 15 AUGUST 2018:

Rank	Name	Ordinary shares	%
1	GLOBAL UCW PTY LIMITED	25,083,686	22.77
2	ABD UCW PTY LTD	7,693,965	6.98
3	GLOBAL UCW NO.2 PTY LIMITED	7,525,105	6.83
4	MR MATTHEW CRAWFORD REEDE	6,410,761	5.82
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,003,525	5.45
6	J P MORGAN NOMINEES AUSTRALIA LIMITED	3,553,521	3.23
7	SIMON PAUL & REBECCA JANE PAUL	2,750,000	2.50
7	BRAD RICHARD SEAMAN	2,750,000	2.50
8	QUIXLEY FINANCE PTY LIMITED	1,814,770	1.65
9	KJA HOLDINGS PTY LTD	1,813,708	1.65
10	MATTHEW SMITH	1,666,667	1.51
10	MARGARET ARMSTRONG	1,666,667	1.51
11	HOLLOWAY COVE PTY LTD	1,655,523	1.50
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,643,554	1.49
13	UNITED EQUITY PARTNERS PTY LTD	1,375,000	1.25
14	DMX CAPITAL PARTNERS LIMITED	1,348,764	1.22
15	JD LIPMAN PTY LTD	1,313,855	1.19
16	TRANSFUND PTY LTD	1,250,000	1.13
17	DIXSON TRUST PTY LIMITED	1,247,110	1.13
18	HOUGHTON WATERVILLE PTY LTD	1,200,000	1.09
19	OCEANVIEW SUPER FUND PTY LTD	1,078,598	0.98
20	RAMBUTAN ENTERPRISES LTD	1,000,000	0.91

This page has been left blank Intentionally

UCW

LIMITED