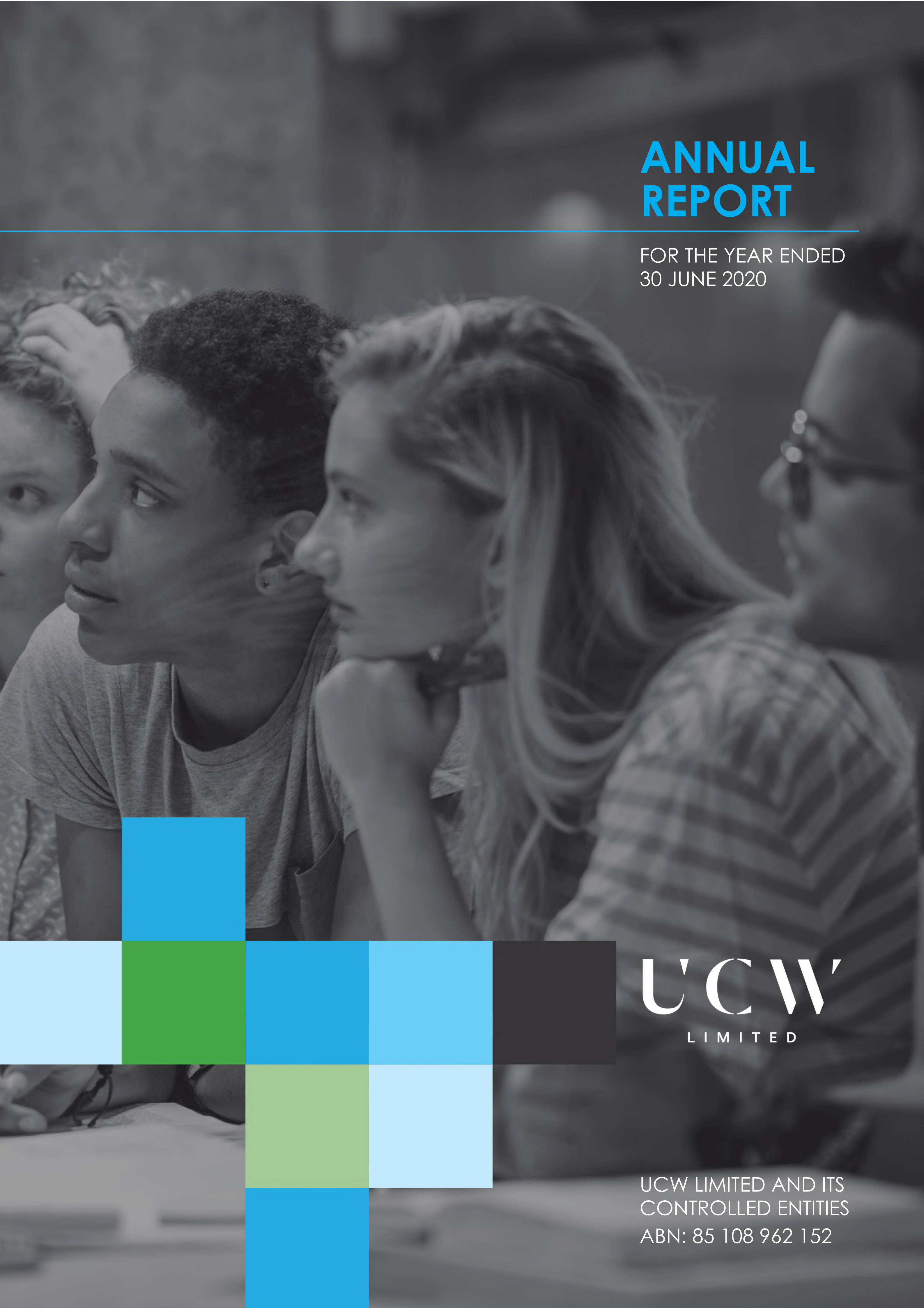
ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



UCW LIMITED

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

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CORPORATE DIRECTORY

Directors

Gary Burg: Non-Executive Chair
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

Auditor

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

Share Registry

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

Stock Exchange Listing

Australian Securities Exchange (ASX)
ASX Code: UCW

Website

www.ucwlimited.com.au

DIRECTORS' REPORT

Your Directors present their 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 2020.

Directors

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

Gary Burg: Non-Executive Chair (non-independent) (appointed 24 March 2016)
Adam Davis: Chief Executive Officer and Managing Director (non-independent) (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, BAcc (Wits), MBA (Wits)

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 investment manager of Global Capital Principal Investment business in Australia.

He is a former Director of (and investor in) 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 ASX Directorships

ClearView Wealth Limited (ASX: CVW)

Former ASX Directorships in the Last Three Years

None

Special Responsibilities

- Audit and Finance Committee member
- Risk and Compliance 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

Contractual rights to shares: None

DIRECTORS' REPORT (CONT.)

Information on Directors (cont.)

ADAM DAVIS, BAppFin (Macquarie University)

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 ASX Directorships

None

Former ASX 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:

- 8,000,000 fully paid ordinary shares;
- 800,000 unlisted and unvested zero-priced options (**Performance Rights**), exercisable if the 90-day volume weighted average price (**VWAP**) of UCW ordinary shares at 22 November 2021, is equal to or greater than $0.30; and
- 750,000 unlisted and unvested zero-priced options (**Performance Rights**), exercisable if the 30-day volume weighted average price (**VWAP**) of UCW ordinary shares at 5 December 2022, is equal to or greater than $0.42.

Contractual rights to shares: None

DIRECTORS' REPORT (CONT.)

Information on Directors (cont.)

PETER MOBBS, B.Com, LL.B (WSU), Grad Dip Legal Practice (College of Law), GAICD

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 and is admitted to practise in the Supreme Court of NSW, is a member of YPO Sydney and is a graduate of the Australian Institute of Company Directors course.

Other Current ASX Directorships

None

Former ASX Directorships in the Last Three Years

None

Special Responsibilities

- Audit and Finance Committee member
- Risk and Compliance Committee Chair
- 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:

- 4,326,151 fully paid ordinary shares

Contractual rights to shares: None

DIRECTORS' REPORT (CONT.)

Information on Directors (cont.)

JONATHAN PAGER, MEc (Macquarie University)

Experience and Expertise

Jonathan has over 25 years' experience as a management consultant and corporate adviser 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 ASX Directorships

None

Former ASX Directorships in the Last Three Years

- Acrow Formwork & Scaffolding Limited (ASX: ACF) (Finance Director)
- Holista CollTech Limited (ASX: HCT) (Non-Executive Director)

Special Responsibilities

- Audit and Finance Committee Chair
- Risk and Compliance Committee member
- Remuneration and Nomination Committee Chair

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

Contractual rights to shares: None

DIRECTORS' REPORT (CONT.)

Information on Company Secretary

LYNDON CATZEL, BEc (Sydney University), CA

Experience and Expertise

Lyndon has over 25 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.

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

- 850,000 fully paid ordinary shares;
- 400,000 unlisted and vested options, exercisable at $0.29620 per option on or before 31 July 2021;
- 400,000 unlisted and vested options, exercisable at $0.39620 per option on or before 31 July 2021;
- 800,000 unlisted and unvested zero-priced options (**Performance Rights**), exercisable if the 90-day volume weighted average price (**VWAP**) of UCW ordinary shares at 22 November 2021, is equal to or greater than $0.30; and
- 500,000 unlisted and unvested zero-priced options (**Performance Rights**), exercisable if the 30-day volume weighted average price (**VWAP**) of UCW ordinary shares at 5 December 2022, is equal to or greater than $0.42.

Contractual rights to shares: None

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 2020 (2019: $nil).

Principal activities

The principal activity of the Company during the financial year was the provision of tertiary education services.

DIRECTORS' REPORT (CONT.)

Operating and Financial Review

UCW owns and operates tertiary education businesses, with a current focus on Health and Community Services fields of study.

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

The Board includes directors with extensive experience in for-profit education.

UCW currently has two wholly-owned subsidiaries:

- Australian Learning Group Pty Limited (**ALG**) - acquired 24 March 2016; and
- Proteus Technologies Pty Ltd trading as Ikon Institute of Australia (**Ikon**) - acquired 4 July 2018.

ALG is a vocational education and training (**VET**) provider, primarily focussed on the international student market. The business operates from campuses in Sydney, Melbourne, Brisbane and Perth.

Ikon is both a VET and a higher education (**HE**) provider, with a primary focus on higher education and the domestic student market. Ikon also operates nationally, including in Adelaide, where its head office is based.

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

The results presented in this report include the corporate operations of UCW, the operations of its wholly-owned subsidiaries ALG and Ikon, together with UCW's interest in Gradability, for the year ended 30 June 2020 and the comparative period.

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 net loss after tax into the Company's Statement of Profit or Loss and Other Comprehensive Income. The results for the financial year also include the impairment loss on the carrying value of the investment, written down as at 31 December 2019.

DIRECTORS' REPORT (CONT.)

Operating and Financial Review (cont.)

ALG

Overview

ALG offers vocational courses, primarily to international students, delivered from campuses in Sydney, Melbourne, Brisbane and Perth. It operates a central administration function in Sydney. As at 30 June 2020, ALG had 2,149 international students studying at its various campus locations.

ALG's international students are recruited primarily through education agents, both onshore in Australia and offshore in source countries. ALG has over 300 active education agents and students currently studying from more than 75 source countries.

ALG currently offers 16 qualifications, all of which are in Health and Community Services related fields of study:

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

* In teach-out

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

ALG also has a small self-paced, distance-education offering. Currently only its Fitness courses are offered in this delivery mode. Students are sourced via direct marketing, primarily online.

International revenue

The Board is pleased to report continued strong growth in international student enrolments for the financial year ended 30 June 2020, notwithstanding a decline from 2,458 student enrolments in 3Q20 to 2,149 in 4Q20, due to COVID-19. International enrolments for the period, being the sum of enrolments in the four academic terms during the financial year, were 9,012, up 29.0% compared to the previous corresponding period (**PCP**). This growth was largely attributable to ALG's Community Services course offering, which represented 48.5% of FY20 enrolments, compared to 36.3% for the prior period.

Revenue from international students represented 94.3% of ALG's revenue during the period.

DIRECTORS' REPORT (CONT.)

Operating and Financial Review (cont.)
ALG (cont.)

International enrolments by campus location*

Campus location	FY20 enrolments	FY19 enrolments	FY20/FY19 growth	Proportion of total (FY20)
Sydney	4,799	3,857	24.4%	53.2%
Melbourne	2,719	1,747	55.6%	30.2%
Brisbane	712	558	27.6%	7.9%
Perth	782	825	(5.2)%	8.7%
Total	**9,012**	**6,987**	**29.0%**	**100.0%**

International enrolments by field of study

Field of study	FY20 enrolments	FY19 enrolments	FY20/FY19 growth	Proportion of total (FY20)
Fitness, Sport & Recreation Management	2,728	2,935	(7.1)%	30.2%
Remedial Massage	898	1,100	(18.4)%	10.0%
Dance Teaching, Yoga Teaching	1,018	418	143.5%	11.3%
Community Services**	4,368	2,534	72.4%	48.5%
Total	**9,012**	**6,987**	**29.0%**	**100.0%**

* Enrolments shown are the sum of enrolled students in each of ALG's academic terms during the respective period
** Community Services includes: Ageing Support, Community Services, Counselling, Early Childhood Education and Care and Mental Health

Domestic revenue

Domestic revenue is principally derived from distance education courses, with a limited course offering in Fitness. Courses are either paid for upfront or by way of a regular payment plan. Revenue is recognised equally over a 12-month period from and including the month of sale.

Operating and Financial Review (cont.)
ALG (cont.)

Results for the period (year ended 30 June)

Following the adoption of *AASB 16 Leases* (**AASB 16**) from 1 July 2019, the Directors provide the following tables reflecting the AASB 16 adjustments for ALG, Ikon and the Group so as to provide more useful and meaningful comparative information to the Company's stakeholders. Note, this is non-IFRS information and is unaudited.

ALG	FY20 Statutory $'000	FY20 AASB 16 impact $'000	FY20 Pre AASB 16 $'000	FY19 Statutory $'000	Variance $'000	Variance %
Revenue						
International student revenue	17,969	-	17,969	13,569	4,400	32.4%
Domestic student revenue	719	-	719	1,139	(420)	(36.9%)
Other revenue	369	-	369	407	(38)	(9.3%)
Total revenue	**19,057**	**-**	**19,057**	**15,115**	**3,942**	**26.1%**
Cost of sales						
Commission	4,012	-	4,012	2,916	1,096	37.6%
Venue	170	1,754	1,924	1,665	259	15.6%
Teaching	3,980	-	3,980	3,307	673	20.4%
Other	580	-	580	359	221	61.6%
Total cost of sales	**8,742**	**1,754**	**10,496**	**8,247**	**2,249**	**27.3%**
Gross profit	**10,315**	**(1,754)**	**8,561**	**6,868**	**1,693**	24.7%
*Gross margin**	*54.1%*	*(9.2%)*	*44.9%*	*45.4%*	*n/a*	*(0.5%)*
Operating expenses	5,022	440	5,462	5,770	(308)	(5.3%)
Operating EBITDA	**5,293**	**(2,194)**	**3,099**	**1,098**	**2,001**	**182.2%**
*Operating EBITDA margin**	*27.8%*	*(11.5%)*	*16.3%*	*7.3%*	*n/a*	*9.0%*
International enrolments	9,012	n/a	9,012	6,987	2,025	29.0%
Revenue per international enrolment ($)	1,994	n/a	1,994	1,942	52	2.7%

* Movement in percentage points.

DIRECTORS' REPORT (CONT.)

Operating and Financial Review (cont.)
ALG (cont.)

ALG generated revenue of $19.1m, an increase of 26.1% on PCP. International revenue increased 32.4% to $18.0m, reflecting the 28.0% increase in student numbers, selective price increases, and a greater contribution from higher fee courses, partly offset by fee discounts and waivers in 4Q20, to assist students affected by the impact of COVID-19.

ALG's domestic revenue for the financial year was down compared to FY19, noting management's focus on its core international student offering. Domestic revenue now comprises less than 4% of ALG's revenue.

ALG reported EBITDA of $5.3m (pre AASB 16: $3.1m) for the year ended 30 June 2020, up 182% on PCP (pre AASB 16). Notwithstanding the strong results, margins and margin growth were dampened by a higher cost base associated with earlier organic growth initiatives, including the expansion of the Brisbane campus, an additional campus in the Sydney CBD and investments made in new academic, compliance and student services roles.

These cost increases were partly offset in 4Q20 by government and other relief programs, rent relief, and the transition to online course delivery, associated with COVID-19 mitigation measures. An analysis of the mitigation initiatives and impact of COVID-19 on ALG is presented on page 20 of this report.

ALG continues to explore a number of additional course expansion initiatives and will continue to invest in compliance and its academic quality, alongside growth initiatives to scale-up the business, noting these will impact short-term earnings during the periods in which such investments are made.

DIRECTORS' REPORT (CONT.)

Operating and Financial Review (cont.)

Ikon

Overview

Established in Adelaide in 2005, Ikon is both a higher education and vocational provider. It is an approved provider of both VET Student Loans (**VSL**) and FEE-HELP, both of which are government loan schemes enabling students to fund their tuition via a loan from the Australian government. Ikon is also registered to offer courses to international students.

Ikon's primary focus is delivering its higher education (**HE**) courses to domestic students. Its current HE courses include a Bachelor of Counselling and Psychotherapy and a Bachelor of Arts Therapy, each of which have a nested diploma and associate degree.

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

As is typical in domestic higher education, most student commencements occur in the first intake in late February/early March, with the mid-year intake in late May / early June typically considerably smaller.

Given that some students in the first two trimesters attrit (drop out) during the year, and that there has historically been no intake in the third trimester, student numbers tend to fall in the second half of the calendar year (i.e. the first half of the financial year).

During calendar 2020, a clean-up of intake and term dates was undertaken and multiple census dates were aligned to streamline the administration of the business.

Due to higher than expected attrition and deferrals of study during COVID-19, together with its ongoing wind-down of VET activities, Ikon recorded a decline in revenue of 5.7% against the prior year. Despite the fall in revenue, through various measures including a focus on core HE activities, assistance from JobKeeper and other COVID-19 relief, Ikon's FY20 EBITDA (pre AASB 16) was up 4.1% on FY19. An analysis of the mitigation initiatives and impact of COVID-19 on the Ikon business is presented on page 21 of this report

Ikon generated revenue of $6.5m and EBITDA of $2.0m (pre AASB 16: $1.6m) for the reported period, with approximately 89% of its revenue derived from its higher education offering.

During the year, Ikon gained accreditation of a new degree program, a Bachelor of Early Childhood Education and nested diploma; its first new program accreditation since being acquired by UCW in 2018. Ikon intends to launch the program at the beginning of the 2021 academic year.

Operating and Financial Review (cont.)
Ikon (cont.)

Results for the period (year ended 30 June)

Ikon	FY20 Statutory $'000	FY20 AASB 16 impact $'000	FY20 Pre AASB 16 $'000	FY19 Statutory $'000	Variance $'000	Variance %
Revenue						
International student revenue	985	-	985	454	531	117.0%
Domestic student revenue*	5,438	-	5,438	6,395	(957)	(15.0%)
Other revenue	52	-	52	21	31	147.6%
Total revenue	**6,475**	**-**	**6,475**	**6,870**	**(395)**	**(5.7%)**
Cost of sales						
Commission	169	-	169	77	92	119.5%
Venue	232	370	602	476	126	26.5%
Teaching	1,935	-	1,935	2,695	(760)	(28.2%)
Other	24	-	24	19	5	26.3%
Total cost of sales	**2,360**	**370**	**2,730**	**3,267**	**(537)**	**(16.4%)**
Gross profit	**4,115**	**(370)**	**3,745**	**3,603**	**142**	3.9%
*Gross margin ***	*63.6%*	*(5.7%)*	*57.8%*	*52.4%*		*5.4%*
Operating expenses	2,115	45	2,160	2,080	80	3.8%
Operating EBITDA	**2,000**	**(415)**	**1,585**	**1,523**	**62**	**4.1%**
*Operating EBITDA margin ***	*30.9%*	*(6.4%)*	*24.5%*	*22.2%*		*2.3%*

* Almost all domestic students pay their tuition fees via FEE-HELP, a federal government loan scheme, and are recruited directly, not through agents

** Movement in percentage points

DIRECTORS' REPORT (CONT.)

Operating and Financial Review (cont.)

Gradability

UCW acquired 24.57% of the ordinary shares in Gradability in July 2017, with the initial intention of this being a stepping-stone to a potential broader transaction.

Gradability is a leading provider of the Professional Year Program (PYP), a work-readiness program for international student graduates with a degree in Accounting or Information Technology.

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

As detailed in the Half-Year Report, the Board advised that due to sustained challenging market conditions and an ongoing material decline in profitability, UCW took a conservative view in assessing the carrying value and fully impaired the Company's investment in Gradability (to $nil). The $6.1m impairment charge has been recognised as an expense in the Company's Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020. Importantly, the impairment is non-cash and does not affect the Company's banking covenants.

The UCW Board once again acknowledges the poor outcome for UCW shareholders concerning the Company's investment in Gradability. While UCW remains supportive of Gradability's management team, as they attempt to steer the business through this challenging period, it will continue to review and consider alternatives for the investment.

Corporate focus

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

DIRECTORS' REPORT (CONT.)

Operating and Financial Review (cont.)

Results summary

The table below reconciles the underlying EBITDA of ALG and Ikon (UCW's wholly-owned subsidiaries) for the year ended 30 June 2020, to the consolidated loss reported for the period.

Group	FY20 Statutory $'000	FY20 AASB 16 impact $'000	FY20 Pre AASB 16 $'000	FY19 Statutory $'000	Variance $'000	Variance %
ALG and Ikon						
Total revenue	25,532	-	25,532	21,985	3,547	16.1%
Cost of sales	(11,102)	(2,124)	(13,226)	(11,514)	(1,712)	(14.9%)
Gross profit	**14,430**	**(2,124)**	**12,306**	**10,471**	**1,835**	**17.5%**
*Gross margin (%)**	*56.5%*	*(8.3%)*	*48.2%*	*47.6%*	*n/a*	*0.6%*
Operating expenses	(7,137)	(485)	(7,622)	(7,850)	228	2.9%
Operating EBITDA	**7,293**	**(2,609)**	**4,684**	**2,621**	**2,063**	**78.7%**
*Operating EBITDA margin (%)**	*28.6%*	*(10.3%)*	*18.3%*	*11.9%*	*n/a*	*6.4%*
UCW						
Corporate costs (net of other income)	(997)	-	(997)	(999)	3	0.3%
Underlying EBITDA	**6,296**	**(2,609)**	**3,687**	**1,622**	**2,065**	**127.3%**
*Underlying EBITDA margin (%)**	*24.7%*	*(10.3%)*	*14.4%*	*7.4%*	*n/a*	*7.0%*
Equity accounted share of results	(12)	-	(12)	49	(61)	n/a
Profit from discontinued operations	-	-	-	2	(2)	(100.0%)
Gain on disposal of surplus entity	-	-	-	289	(289)	(100.0%)
Due diligence and transaction costs	(81)	-	(81)	(26)	(55)	(211.5%)
Depreciation and amortisation	(3,298)	2,428	(870)	(662)	(208)	(31.4%)
Interest and borrowing expenses	(1,039)	826	(213)	(101)	(112)	(110.9%)
Income tax expense	(441)	-	(441)	(221)	(220)	(99.5%)
Net profit before impairment and gain on acquisition	**1,425**	**645**	**2,070**	**952**	**1,118**	**117.4%**
Gain on acquisition	136	-	136	-	136	n/a
Impairment of investments	(6,148)	-	(6,148)	-	(6,148)	n/a
Net loss for the period	**(4,587)**	**645**	**(3,942)**	**952**	**(4,894)**	**n/a**

*Movement in percentage points.

DIRECTORS' REPORT (CONT.)

Operating and Financial Review (cont.)

Results summary (cont.)

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 UCW's operating businesses, being ALG and Ikon.

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

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

Equity accounted share of results: Represents UCW's 24.57% share of the loss after tax of Gradability, not considered part of underlying EBITDA. The investment has now been fully impaired.

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

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

Interest: Interest income was earned on excess cash held in the Group. Interest expense relates primarily to interest on the Company's borrowings.

Depreciation and amortisation: Depreciation relates largely to campus plant & equipment and right-of-use assets. Amortisation relates to fitout, course development, licences and software.

DIRECTORS' REPORT (CONT.)

Operating and Financial Review (cont.)
COVID-19 Impact

The global pandemic has impacted UCW's two operating businesses differently and accordingly business continuity procedures and mitigation actions have varied considerably for each business.

During the early days of the pandemic in Australia, both ALG and Ikon moved to online delivery, with most staff working remotely in accordance with government guidelines.

ALG

In June, following an easing of the pandemic, staff in ALG started returning to working from its campuses, where it was deemed safe to do so. ALG's third academic term of calendar 2020, Term 3 (beginning 13 July) is largely being delivered face-to-face with teaching having resumed in all states other than Victoria. Face-to-face teaching will resume in Victoria when the Company determines it is safe and appropriate to do so.

International student enrolments declined in Term 2, largely as a result of cancellations and deferrals directly attributed to the pandemic. Understandably, many international students chose to defer their studies or were unable to commence their studies due to global travel bans. Enrolments for Term 2 landed at 2,149 students (vs 2,458 in Term 1 and 2,001 in the PCP).

With the Australian border remaining closed to non-citizens and non-residents, and therefore no new international students entering the country, the Board anticipates new student commencements to decline during the remainder of the 2020 calendar year and into the 2021 calendar year, noting that traditionally ALG has recruited over 80% of its students onshore in Australia.

Responding to the high levels of unemployment of temporary visa holders as a result of business closures in response to social distancing measures, ALG implemented a 10% discount on Term 2 and 3 tuition fees as part of a financial support package for its international students. ALG's other financial support initiatives included:

- Extended tuition payment dates for Terms 2 and 3;
- $50 Coles or Woolworths gift cards to assist with purchases of food and essential items;
- Waiving of Term 1 late fees; and
- A waiver of the $595 joining fee for new students commencing in Terms 2 or 3, to assist in attracting new students.

While there were a number of additional costs in moving to online delivery (including implementing a new learning management system) overall cost savings were achieved in this delivery mode.

Operating and Financial Review (cont.)
COVID-19 Impact (cont.)

Given the decline in revenue, ALG implemented a number of cost saving initiatives. These initiatives included:

- Reducing the size of its non-academic workforce by approximately 25%;
- Moving all remaining non-academic staff to a 4-day week with a commensurate 20% decrease in remuneration;
- Exiting of excess temporary leased and licensed premises;
- Entering into commercial negotiations with landlords for rental abatements and deferrals on ALG's permanent leased premises;
- Participating in JobKeeper and other government COVID-19 relief programs; and
- Pausing other campus related operating costs where appropriate and available.

Total savings during FY20 from JobKeeper, rent relief, ASQA licence fee waivers, cashflow boost and payroll tax government initiatives amounted to $0.7m.

Ikon

Ikon's intake of new students into its higher education programs for the first academic term of calendar 2020 (Trimester 1) was at a similar level to PCP, noting this intake occurred before the onset of the pandemic in Australia.

A total of 398 higher education students passed a census date in Trimester 1. This compares to 316 students that passed a census date in Trimester 3, 2019 and 430 in the PCP.

Following the completion of a non-scheduled two-week recess period during Trimester 1, Ikon re-commenced teaching, online.

Ikon's mid-year intake was in line with the PCP for domestic students. However, its international student intake was materially down (noting that international students only comprise around 10% of the total Ikon student base) and were offered tuition fee discounts if they qualified for financial hardship requests. Attrition has been higher than expected, likely attributable to the pandemic and change in delivery mode.

A total of 379 higher education students passed a census date in Trimester 2, compared with 401 in the PCP.

There has been no change to Ikon's workforce at this stage, however several planned hires were deferred for a number of months and Ikon is participating in JobKeeper and other COVID-19 relief initiatives.

Total savings during FY20 from JobKeeper, rent relief, cashflow boost and payroll tax government initiatives amounted to $0.4m.

Group

CBA agreed to defer the scheduled amortisation payments of the Company's finance facility for the period from April 2020 to January 2021 ($917k). A 'balloon payment' of $2.25m will now be due in October 2022, compared to $1.5m prior.

Acknowledging the significant overall impact of the pandemic on the Company, effective 1 April until 30 September:

- The Board of UCW is foregoing all Board fees; and
- The CEO and CFO have agreed to a 20% reduction in their respective remuneration and have waived their short-term incentive entitlements in respect of FY20, notwithstanding partial achievement of same.

DIRECTORS' REPORT (CONT.)

Operating and Financial Review (cont.)

Net assets

The net assets of the Group as at reporting date was $11,377,056 (30 June 2019: $14,581,549).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Significant events after balance date

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.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

Unissued shares under option

Details of unissued ordinary shares of UCW 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 Feb 2017	400,000	Ordinary	$0.29620	31 Jul 2021[a]
1 Feb 2017	400,000	Ordinary	$0.39620	31 Jul 2021[a]
22 Nov 2018	1,600,000	Ordinary	$nil	21 Dec 2021[b]
5 Dec 2019	1,250,000	Ordinary	$nil	4 Jan 2023[c]
	3,650,000			

a Vested on 31 July 2019.

b Performance rights, exercisable if the 90-day volume weighted average price (VWAP) of UCW ordinary shares as at 22 November 2021, is equal to or greater than $0.30.

c Performance rights, exercisable if the 30-day volume weighted average price (VWAP) of UCW ordinary shares as at 5 December 2022, is equal to or greater than $0.42.

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

DIRECTORS' REPORT (CONT.)

Operating and Financial Review (cont.)

Auditor

The auditor of the Group for the financial year ended 30 June 2020 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 9 to the Annual Report.

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 2001.

The Auditor's Independence Declaration is included on page 90 of the Annual Report.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 & Finance Committee		Risk & Compliance Committee		Remuneration & Nomination Committee	
Name of Director	Meetings held	In attendance	Meetings held	In attendance	Meetings held	In attendance	Meetings held	In attendance
Gary Burg	9	9	2	2	1	1	3	3
Adam Davis	9	9	-	-	-	-	-	-
Peter Mobbs	9	9	2	2	1	1	3	3
Jonathan Pager	9	9	2	2	1	1	3	2

DIRECTORS' REPORT (CONT.)

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.

Remuneration Report (Audited) (cont.)

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		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	2020	256,500	-	-	-	-	-	49,384	305,884	16.1%
(Managing Director and CEO)	2019	240,000	26,869	-	-	-	-	16,701	283,570	15.4%
Lyndon Catzel	2020	195,206	-	-	20,672	-	-	43,198	259,076	16.7%
(CFO and Company Secretary)	2019	179,839	22,391		17,085	-	-	28,950	248,265	20.7%
Non-Executive Directors										
Gary Burg	2020	45,000	-	-	-	-	-	-	45,000	-
(Chair)	2019	60,000	-		-	-	-	-	60,000	-
Peter Mobbs	2020	45,904	-	-	4,361	-	-	-	50,265	-
	2019	36,530	-		3,470	-	-	-	40,000	-
Jonathan Pager	2020	37,512							37,512	-
	2019	50,000	-		-	-	-	-	50,000	-
Total	**2020**	**580,122**	**-**	**-**	**25,033**	**-**	**-**	**92,582**	**697,737**	**13.3%**
Total	**2019**	**566,369**	**49,260**	**-**	**20,555**	**-**	**-**	**45,651**	**681,835**	**13.9%**

DIRECTORS' REPORT (CONT.)

Remuneration Report (Audited) (cont.)

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 Chair) - base fee (including Director's fees) of $60,000 per annum excluding GST. Since 1 April 2020 (until 30 September 2020) Mr Burg has been foregoing 100% of this amount.
- Mr Adam Davis (Chief Executive Officer and Managing Director) - base fee (including Director's fees) of $270,000 per annum excluding GST. During the year ended 30 June 2020, Mr Davis was eligible to receive up to 30% of the base fee in the form of a short-term incentive (STI), subject to the achievement of performance objectives determined by the Board. The STI was weighted 50% to financial objectives and 50% to compliance, strategic and operational objectives. During FY20 at the onset of the pandemic, Mr Davis agreed to forego all FY20 STIs, notwithstanding partial achievement of same. Effective 1 July 2020, Mr Davis' base fee remains at $270,000 per annum excluding GST, noting that since 1 April 2020 (until 30 September 2020) he has been foregoing 20% of this amount, and for the year ending 30 June 2021, STIs have not yet been agreed. Mr Davis' FY20 remuneration included a long-term incentive (LTI) of 750,000 Performance Rights, issued under the Company's Employee Option Plan, as approved by shareholders at the AGM on 8 November 2019 (refer below for further details).
- Mr Jonathan Pager (Non-Executive Director) - base fee (including Director's fees) of $50,000 per annum excluding GST. Since 1 April 2020 (until 30 September 2020) Mr Pager has been foregoing 100% of this amount.
- Mr Peter Mobbs (Non-Executive Director) - base salary (including Director's fees) of $50,000 per annum (including superannuation) for the period to 29 October 2019. Effective 30 October 2019, Mr Mobbs assumed the additional role of Chair of the Ikon Board and his base salary was increased to $80,000 per annum (including superannuation). Since 1 April 2020 (until 30 September 2020) Mr Mobbs has been foregoing 100% of this amount.
- If the Company terminates the agreement with a cause (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. During the year ended 30 June 2020, Mr Catzel was paid a base salary of $225,000 (including superannuation) and he was eligible to receive up to 30% of his base salary in the form of an STI, subject to the achievement of performance objectives determined by the Board. The STI was weighted 50% to financial objectives and 50% to compliance, strategic and operational objectives. During FY20 at the onset of the pandemic, Mr Catzel agreed to forego all FY20 STIs, notwithstanding partial achievement of same. Effective 1 July 2020, Mr Catzel's base salary remains at $225,000 per annum, noting that since 1 April 2020 (until 30 September 2020) he has been foregoing 20% of this amount, and for the year ending 30 June 2021, STIs have not yet been agreed. Mr Catzel's FY20 remuneration included an LTI of 500,000 Performance Rights, issued under the Company's Employee Option Plan (refer below for further details).

Remuneration Report (Audited) (cont.)

4. Share-based compensation (Audited)

The Company has granted performance rights over ordinary shares in the Company to its Chief Executive Officer, Adam Davis and Chief Financial Officer and Company Secretary, Lyndon Catzel, in accordance with the Company's Employee Option Plan and as approved by shareholders at the AGM on 8 November 2019.

There were no other share-based payments made to the Directors or Key Management Personnel for the year ended 30 June 2020. The total of share-based payments was $92,582 (2019: $45,651).

4.1 Options

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	400,000	0.29620	1 Aug 2019	31 Jul 2021
(CFO and Company Secretary)	400,000	1 Feb 2017	0.02926	11,702	400,000	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.

4.2 Performance rights

Executive	Number of options granted	Grant date	Value per option at grant date	Value of options at grant date	Number Vested	Exercise price $	Vesting and first exercise date	Last exercise date
Adam Davis	800,000	22 Nov 2018	0.1035	82,825	-	$nil	22 Nov 2021	21 Dec 2021
(Managing Director and CEO)	750,000	5 Dec 2019	0.1518	113,822	-	$nil	5 Dec 2022	4 Jan 2023
Lyndon Catzel	800,000	22 Nov 2018	0.1035	82,825	-	$nil	22 Nov 2021	21 Dec 2021
(CFO and Company Secretary)	500,000	5 Dec 2019	0.1518	75,881	-	$nil	5 Dec 2022	4 Jan 2023

The performance rights were provided at no cost to the recipients and have the following principle terms:

- Vesting condition: three (3) years of continuous employment or office with the Company from the date of issue;
- Exercise condition: for the performance rights issued on 22 November 2018, at 22 November 2021 (being three years from the date of issue) the UCW share price (90-day VWAP of shares traded on the ASX) must be no less than $0.30. For the performance rights issued on 5 December 2019, at 5 December 2022 (being three years from the date of issue) the UCW share price (30-day VWAP of shares traded on the ASX) must be no less than $0.42; and
- Expiry: 1 month after the vesting date.

Remuneration Report (Audited) (cont.)

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

(a) Options and performance rights

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 2020	Balance at start of the year	Granted as remuneration	Other changes during the year	Expired	Vested and exercisable at the end of the year	Unvested and not exercisable at the end of the year
Gary Burg	-	-	-	-	-	-
Adam Davis (ii)	800,000	750,000	-	-	-	1,550,000
Peter Mobbs	-	-	-	-	-	-
Jonathan Pager	-	-	-	-	-	-
Lyndon Catzel (i)(ii)	1,600,000	500,000	-	-	800,000	1,300,000
	2,400,000	**1,250,000**	**-**	**-**	**800,000**	**2,850,000**

Year ended 30 June 2019	Balance at start of the year	Granted as remuneration	Other changes during the year	Expired	Vested and exercisable at the end of the year	Unvested and not exercisable at the end of the year
Gary Burg	-	-	-	-	-	-
Adam Davis (ii)	-	800,000	-	-	-	800,000
Peter Mobbs	-	-	-	-	-	-
Jonathan Pager	-	-	-	-	-	-
Lyndon Catzel (i)(ii)	800,000	800,000	-	-	800,000	800,000
	800,000	**1,600,000**	**-**	**-**	**800,000**	**1,600,000**

Notes:

(i) 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) vested 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) vested on 31 July 2019 and expiring on 31 July 2021, exercisable at $0.39620

(ii) Performance rights issued under the Company's Employee Option Plan: 1,600,000 performance rights issued on 22 November 2018 and 1,250,000 performance rights issued on 5 December 2019, vesting on 22 November 2021 and 5 December 2022 respectively, exercisable at $nil and expiring on 21 December 2021 and 4 January 2023 respectively. The performance rights may only be exercised if the 90-day volume weighted average price (VWAP) of UCW ordinary shares at 22 November 2021 is equal to or greater than $0.30 and if the 30-day volume weighted average price (VWAP) of UCW ordinary shares at 5 December 2022 is equal to or greater than $0.42, respectively

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.

Remuneration Report (Audited) (cont.)

5. Shareholding and option holding of Directors and other Key Management Personnel (Audited) (cont.)

(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 2020	Balance at start of the year	Shares acquired[i]	Balance at end of the year
Gary Burg	32,608,791	-	32,608,791
Adam Davis	8,000,000	-	8,000,000
Peter Mobbs	4,326,151	-	4,326,151
Jonathan Pager	1,356,605	-	1,356,605
Lyndon Catzel	700,000	150,000	850,000
	46,991,547	**150,000**	**47,141,547**

Year ended 30 June 2019	Balance at start of the year	Shares acquired[i]	Balance at end of the year
Gary Burg	32,608,791	-	32,608,791
Adam Davis	7,693,965	306,035	8,000,000
Peter Mobbs	3,726,151	600,000	4,326,151
Jonathan Pager	1,356,605	-	1,356,605
Lyndon Catzel	572,514	127,486	700,000
	45,958,026	**1,033,521**	**46,991,547**

Notes:

[i] Shares acquired on market

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 (CONT.)

Remuneration Report (Audited) (cont.)

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 to provide remuneration recommendations during the year.

Signed in accordance with a resolution of the Directors.

Gary Burg
Non-Executive Chair
25 August 2020

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 2020

	Notes	2020 $	2019 $
Revenue from continuing operations			
Revenue from contracts with customers	4	25,114,034	21,580,533
Other revenue	4	186,053	343,931
		25,300,087	21,924,464
Cost of sales		(11,100,870)	(11,513,955)
Gross profit		**14,199,217**	**10,410,509**
Other income			
Gain from disposal of surplus entity		-	288,678
Share of (loss) / profits of associates accounted for using the equity method	6	(12,174)	49,360
Other income	4	267,757	60,218
Interest income		4,926	18,219
		260,509	**416,475**
Expenses			
Employee benefits expense		(5,641,292)	(5,687,432)
Depreciation of right-of-use assets	16	(2,427,608)	-
Depreciation and amortisation expense	14-15	(869,913)	(661,963)
Interest on lease liabilities	16	(825,656)	-
Communication and IT expenses		(483,522)	(320,285)
Professional fees		(461,701)	(271,115)
Credit losses		(409,397)	(343,366)
Advertising, marketing and promotion expenses		(285,919)	(613,913)
Cleaning, utility and occupancy expenses		(222,009)	(554,646)
Interest and borrowing expenses		(218,063)	(119,323)
Licence fees		(186,621)	(226,701)
Travelling expense		(96,518)	(192,414)
Recruitment expenses		(67,932)	(29,474)
Insurance expenses		(60,388)	(71,944)
Gain on acquisition	7	136,093	-
Impairment of investment in associates	6	(6,147,626)	-
Administration, support and other expenses		(337,885)	(564,000)
Total expenses		**(18,605,957)**	**(9,656,576)**
(Loss) / profit before income tax expense from continuing operations		**(4,146,231)**	**1,170,408**
Income tax expense	2	(441,315)	(220,569)
(Loss) / profit from continuing operations		**(4,587,546)**	**949,839**
Profit from discontinued operations (net of tax)	17	-	2,415
(Loss) / profit for the period		**(4,587,546)**	**952,254**
Other comprehensive income for the year		-	-
Total comprehensive (loss) / profit for the year (net of tax)		**(4,587,546)**	**952,254**

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 (CONT.)

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $	2019 $
Profit per share attributable to equity holders of the parent entity			
Basic (loss) / profit per share (cents per share)			
Continuing operations	11	(3.97)	0.86
Discontinued operations	11	0.00	0.00
Diluted (loss) / profit per share (cents per share)			
Continuing operations	11	(3.97)	0.86
Discontinued operations	11	0.00	0.00

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 2020

	Notes	2020 $	2019 $
Current assets			
Cash and cash equivalents	27	6,621,152	4,688,872
Trade and other receivables	12	1,039,920	2,147,392
Other assets	13	607,386	1,094,226
Total current assets		**8,268,458**	**7,930,490**
Non-current assets			
Trade and other receivables	12	71,663	136,994
Other assets	13	41,562	-
Investment in associates	6	-	6,174,152
Plant and equipment	14	3,367,348	3,016,206
Intangible assets	15	1,955,311	2,009,876
Right-of-use assets	16	14,467,780	-
Deferred tax asset	3	592,145	477,720
Goodwill on consolidation	7	11,918,078	11,944,933
Total non-current assets		**32,413,887**	**23,759,881**
Total assets		**40,682,345**	**31,690,371**
Current liabilities			
Trade and other payables	18	3,249,491	2,907,082
Contract liabilities	19	5,372,606	5,488,262
Borrowings	31	666,667	350,000
Employee benefits	21	314,775	490,467
Deferred settlement	20	-	6,500,000
Deferred lease liability	16	2,152,549	-
Other provisions	22	-	14,906
Income tax liabilities	2	529,827	56,092
Total current liabilities		**12,285,915**	**15,806,809**
Non-current liabilities			
Borrowings	31	3,500,000	850,000
Employee benefits	21	99,872	84,072
Contract liabilities	19	129,688	127,450
Deferred lease liability	16	13,289,814	130,565
Other provisions	22	-	109,926
Total non-current liabilities		**17,019,374**	**1,302,013**
Total liabilities		**29,305,289**	**17,108,822**
Net assets		**11,377,056**	**14,581,549**
Equity			
Issued capital	23	25,132,480	23,842,009
Reserves		155,551	62,969
Accumulated losses		(13,910,975)	(9,323,429)
		11,377,056	**14,581,549**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Issued Capital $	Share Based Payments Reserve $	Options Premium Reserve $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2019	**23,842,009**	**62,969**	**-**	**(9,323,429)**	**14,581,549**
Net loss for the year	-	-	-	(4,587,546)	(4,547,546)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**-**	**(4,587,546)**	**(4,587,546)**
Transactions with owners in their capacity as owners					
Shares issued at net cost	1,290,471	-	-	-	1,290,471
Options issued at fair value	-	92,582	-	-	92,582
Total transactions with owners in their capacity as owners	1,290,471	92,582	-	-	1,383,053
Balance as at 30 June 2020	**25,132,480**	**155,551**	**-**	**(13,910,975)**	**11,377,056**

	Issued Capital $	Share Based Payments Reserve $	Options Premium Reserve $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2018	**22,547,228**	**17,318**	**-**	**(10,275,683)**	**12,288,863**
Net profit for the year	-	-	-	952,254	952,254
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	952,254	952,254
Transactions with owners in their capacity as owners					
Shares issued at net cost	1,294,781	-	-	-	1,294,781
Options expired			-	-	-
Options issued at fair value	-	45,651	-	-	45,651
Total transactions with owners in their capacity as owners	1,294,781	45,651	-	-	1,340,432
Balance as at 30 June 2019	**23,842,009**	**62,969**	**-**	**(9,323,429)**	**14,581,549**

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 2020

	Notes	2020 $	2019 $
Cash flow from operating activities			
Receipts from customers and other income		27,118,921	23,264,876
Interest received		4,820	16,765
Income taxes (paid) / refunds received		(51,536)	150,827
Payments to suppliers and employees		(19,287,682)	(20,129,214)
Net cash provided by continuing operations		**7,784,523**	**3,303,254**
Net cash used in discontinued operations	17	-	(59,179)
Net cash provided by operating activities	27(b)	**7,784,523**	**3,244,075**
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash acquired	7(b)	(6,363,907)	(3,640,421)
Dividend income	6	-	128,006
Net receipts from disposal of subsidiaries		162,500	126,178
Proceeds from term deposits		13,886	264,633
Payments for plant and equipment		(1,220,040)	(1,577,586)
Payments for intangibles		(377,496)	(193,688)
Net cash used in investing activities		**(7,785,057)**	**(4,892,878)**
Cash flow from financing activities			
Proceeds from share issues	23	1,300,000	-
Proceeds from borrowings	31	3,475,000	250,000
Borrowing costs		(207,289)	(121,191)
Repayment of borrowings	31	(508,333)	(325,000)
Repayment of lease liabilities		(2,113,421)	-
Capital raising costs		(13,143)	(61,269)
Net cash provided by / (used in) financing activities		**1,932,814**	**(257,460)**
Net increase / (decrease) in cash and cash equivalents		1,932,280	(1,906,263)
Cash and cash equivalents at beginning of year		4,688,872	6,595,135
Cash and cash equivalents at end of year	27(a)	**6,621,152**	**4,688,872**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Report covers UCW and its controlled entities. UCW is a listed public company, incorporated and domiciled in Australia. Its registered office and principal place of business is Level 1, 333 Kent Street Sydney NSW 2000. UCW is a for-profit company for the purposes of preparing this Annual Report.

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity. Following is a summary of the material accounting policies adopted by the Company in the preparation and presentation of the Annual Report. The accounting policies have been consistently applied, unless otherwise stated.

(a) New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

AASB 16 Leases

The Company has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). 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 improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted using the simplified modified retrospective approach and as such the comparatives have not been restated. The Company has elected to recognise a lease liability and a right-of-use asset of equal value on the initial application for leases, as permitted on adoption of the standard. Therefore, there is no impact on opening retained earnings.

(b) Basis of preparation of the Annual Report

Statement of compliance

The Annual Report is a general purpose financial report prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies 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 financial statements were authorised for issue, in accordance with a resolution of Directors, on 25 August 2020. The Directors have the power to amend and reissue the financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(c) Basis of preparation

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

(d) Principles of consolidation

Subsidiaries

The Annual Report incorporates 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 aligned 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 that control ceased.

Investments in subsidiaries are accounted for at cost, less any impairment.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(e) Income tax

The income tax expense for the year comprises of 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 in addition to 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 comprise 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(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 acquiree 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(g) Government grants

Government grants, including non-monetary grants at fair value, are only recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. If the Government grant cannot be determined with reasonable certainty, then the grant is only recognised on receipt.

COVID-19 relief is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income either through offsetting the expense to which it relates (where the relief provided can be directly attributed to that expense) or to other income where such direct link is not clearly evidenced.

JobKeeper payments, payroll tax waivers and regulatory fee waivers (such as from ASQA) have been recognised as a credit against the corresponding matching expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, specifically in cost of sales (teaching expense), payroll and licence fees.

Cashflow boosts received have been recognised as other income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on receipt.

(h) Plant and equipment

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is recognised so as to write off 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)
Office equipment	3 to 20 years
Leasehold improvements	3 to 10 years

Leasehold improvements are depreciated over the unexpired period of the lease (including any option period, to the extent that it is reasonably certain that the option will be exercised) or their estimated useful life, whichever is shorter.

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

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(i) Right-of use assets and lease liabilities

The Company has adopted *AASB 16 Leases* using the modified retrospective approach from 1 July 2019, recognising right-of-use assets (**ROUA**) equivalent to the lease liability at transition. Under this approach, the ROUA relating to the operating lease and the lease liability is measured as the present value of the remaining unavoidable future lease payments and discounted using the Group's incremental borrowing rate at the date of initial application. In applying the modified retrospective approach, there is no requirement to restate either retained earnings or prior period comparatives.

The expensing of lease payments evenly over the lease period has been replaced with a depreciation charge against the leased ROUA and an interest expense against the recognised lease liability. In accordance with AASB 16, lease payments are no longer recognised as operating cash flows, but as financing cash flows in the Statement of Cash Flows.

The ROUA and corresponding lease liabilities have been recorded upon adoption of AASB 16. AASB 16 eliminates the distinction between operating and finance leases and brings all leases (other than short term and low value leases) onto the balance sheet. The Group recognises ROUA, representing its right to use the underlying assets and a corresponding lease liability representing its obligation to make unavoidable future lease payments. The Group recognises ROUA and lease liabilities at the commencement date of the lease.

ROUA are initially measured at cost (present value of the lease liability plus deemed cost of acquiring the underlying asset and the cost of restoring the underlying asset less any lease incentives received), and subsequently at cost less any accumulated depreciation, impairment losses and adjusted for remeasurement of the lease liability. The ROUA are depreciated using the straight-line method from the commencement date to the end of the lease term.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to the profit or loss as incurred.

The lease liabilities are initially measured as the present value of the unavoidable future lease payments expected to be paid over the lease term, discounted using the Group's incremental borrowing rate as the interest rate implicit in the leases are not readily determinable. The lease liability is further re-measured if the estimated future lease payments change as a result of index or rate changes, residual value guarantees or likelihood of exercise of purchase, extension or termination options. The lease liabilities are subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

The Group has applied some judgement in determining whether the lease term for specific lease contracts should include renewal options. This involved an assessment of whether the Group is reasonably certain to exercise such options and thus the impact on the lease terms, thereby affecting the measurement of lease liabilities and ROUA recognised.

(j) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(k) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

A number of methods have been applied to measure expected credit losses including lifetime expected loss allowance, assessment of failed fee collection patterns and of days overdue. The outstanding trade receivables balance is compared to both the revenue recognised and recognisable balances recorded under contract liabilities as at the reporting date.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(l) Comparative figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by Accounting Standard or to achieve consistency in disclosure with current financial amounts and other disclosures.

(m) 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.

(n) 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 CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(o) Trade and other payables

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.

(p) 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.

(q) 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.

(r) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(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.

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 Annual 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(s) Employee benefits (cont.)

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.

Performance rights: The Company has issued performance rights under the existing EOP to selected employees during the financial year ended 30 June 2020. An independent valuation of these performance rights was undertaken by an independent adviser based on a barrier pricing model.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(t) Financial instruments

Classification

The Group classifies its financial assets under the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income (**OCI**) or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (**FVOCI**).

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (**FVPL**), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Impairment

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Refer to Note 1(k) for details on the policy in relation to the allowance for expected credit losses.

(u) Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(v) 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, right-of-use assets 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. Refer to Note 1(z) for further details.

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 the date of acquisition.

Computer software

Significant external costs associated with the implementation of the 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.

Course development and licences

Course development costs 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 four years.

Licences include the higher education registration acquired during the year and independently valued. This cost is amortised from the date of acquisition for the reminder of the registration period and plus an estimate of one re-registration period.

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.

(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) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received. They are subsequently measured at amortised cost using the effective interest method.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(y) Revenue recognition

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received, that are subject to the constraining principle, are recognised as a refund liability.

Tuition revenue

Tuition revenue and other education related revenue such as course materials, are recognised as the service is provided. Application fees, which are non-refundable and relate to the enrolment application process, are recognised over the duration of the course of study, 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. Other administration fees relating to tuition (such as late fees) are recognised at the time they are invoiced.

Contract liabilities

Contract liabilities represent the Company’s obligation to deliver course content to its students and are recognised when a student pays consideration, or when the Company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Company has delivered the course content to the student.

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.

(z) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the Annual 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(z) Critical accounting estimates and judgements (cont.)

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 indicator 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). Given the uncertainty surrounding the global pandemic, an additional risk factor of 2% was added to its WACC in order to derive a more appropriate discount factor to discount future cashflows for the purposes of impairment testing. As disclosed in Note 6, during the half-year ended 31 December 2019, the Group impaired its investment in associates (Gradability) to $nil, resulting in an impairment expense of approximately $6.1m. There is significant judgement and estimation uncertainty in relation to the ability to accurately estimate the fair value of the investment in Gradability. Management have taken into account a number of factors in exercising this judgment, the most significant of which is the reliability of historical budgets and forecasts and the uncertainty in relation to future cashflow projections, together with the most recently available forecast financial information. To this extent, management have adopted a prudent approach and impaired the investment fully.

Performance rights: The Company has issued performance rights under the existing Employee Option Plan (EOP) to selected employees during the year ended 30 June 2020. A valuation of these performance rights was undertaken by an independent adviser based on a barrier pricing model.

Recovery of deferred tax assets: Deferred tax assets are recognised for deductible temporary differences only if the Group considers that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Allowances for expected credit losses: The allowance for expected credit losses assessment requires a degree of estimation and judgement. A number of methods have been applied to measure expected credit losses including lifetime expected loss allowance, assessment of failed fee collection patterns and of days overdue. Due to the pandemic, allowances for expected credit losses have been increased to account for the increased uncertainty around collection of receivables.

Lease renewal options: The Group has applied some judgement in determining whether the lease term for specific lease contracts should include renewal options. This involved an assessment of whether the Group is reasonably certain to exercise such options and thus the impact on the lease terms, thereby affecting the measurement of lease liabilities and ROUA recognised.

The Group entered into a four year lease in January 2018 at 333 Kent Street, Sydney. The lease contains a six month demolition clause and no option to renew. Management currently expect to occupy until December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(aa) Segment reporting

The Group has applied *AASB8 Operating Segments*. AASB8 requires a '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 and domestic student income and between higher education and vocational student income. As such, segment reporting has been provided in relation to a split between international and domestic business and between higher education and vocational 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.

(bb) 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.

(cc) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(dd) New accounting standards and interpretations

New standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020.

The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Company may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Group's financial statements.

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. INCOME TAX EXPENSE

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

	2020 $	2019 $
Adjustment recognised for prior periods	(116,378)	(112,572)
Current tax	641,649	87,592
Deferred tax - origination and reversal of temporary differences	(83,956)	246,465
	441,315	**221,485**

	2020 $	2019 $
Income tax expense on continuing operations	441,315	220,569
Income tax expense on discontinued operations	-	916
	441,315	**221,485**

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

	2020 $	2019 $
(Loss) / profit before tax from continuing operations	(4,146,231)	1,170,408
Profit before tax from discontinued operations	-	3,331
	(4,146,231)	**1,173,739**
Tax (benefit) / expense at 27.5%	(1,140,214)	322,778
(Deduct) / add tax effect of:		
Income tax (benefit) for prior years	(116,378)	(112,572)
Impairment of investment in associates	1,690,597	-
Working capital adjustment on acquisitions	(37,426)	-
Share based payments	25,460	12,554
Share of loss / (profit) of associates accounted for using the equity method	7,295	(7,888)
Other assessable / non-allowable items	11,981	6,613
	441,315	**221,485**
Benefit of tax loss not brought to account	-	-
Income tax expense attributable to profit	**441,315**	**221,485**

The Company has recognised deferred tax assets on the tax losses acquired 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 deferred tax assets. There are no deferred tax liabilities.

Income tax payable of $529,827 (2019: $56,092) represents the amount payable to ATO.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

3. DEFERRED TAX

Deferred tax assets comprise temporary differences attributable to:

	2020 $	2019 $
Amounts recognised in profit or loss:		
Provisions for employee entitlements	165,395	213,167
Accrued expenses and other provisions	175,690	293,847
Plant, equipment and intangibles	135,118	56,291
Leases	268,010	-
Estimated assessed tax losses	9,955	53,819
Prepayments and other receivables	(220,149)	(231,686)
Other	14,842	25,078
	548,861	**410,516**
Amounts recognised in equity and goodwill:		
Equity raising costs and 'blackhole' expenditure	43,284	94,059
Goodwill	-	(26,855)
	43,284	**67,204**
Deferred tax asset	**592,145**	**477,720**
Movements:		
Opening balance	477,720	737,768
Credited / (charged) to profit or loss	83,956	(246,465)
Credited to equity	3,614	13,272
Credited / (charged) to goodwill	26,855	(26,855)
	592,145	**477,720**

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2020 $	2019 $
Revenue from contracts with customers:		
Tuition related revenue	25,114,034	21,580,533
	25,114,034	**21,580,533**
Other revenue:		
Student clinic revenue	179,728	339,854
Dance performance revenue	6,325	4,077
	186,053	**343,931**
Other income:		
Cashflow boost	136,257	-
Export market development and other grants	131,500	60,218
	267,757	**60,218**

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	2020 $	2019 $
Timing of revenue recognition from contracts with customers:		
Services transferred over time	24,843,602	21,330,235
Services transferred at a point in time	270,432	250,298
	25,114,034	**21,580,533**

All revenue has been derived in Australia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

5. CONTROLLED ENTITIES

				Ownership interest	
Entity	**Acquired**	**Disposed**	**Country of incorporation**	**2020**	**2019**
Australian Learning Group Pty Limited	23 March 2016	-	Australia	100%	100%
4Life Pty Ltd	13 January 2017	6 March 2019	Australia	-	-
Tasman Institute Pty Limited (previously Hydaspes Investments Pty Ltd)	11 July 2017	-	Australia	100%	100%
Proteus Technologies Pty Ltd	5 July 2018	-	Australia	100%	100%

6. INVESTMENT IN ASSOCIATES

Investment in associates is accounted for using the equity method of accounting.

	Ownership interest		Equity-accounted	
	2020	**2019**	**2020**	**2019**
Name	**%**	**%**	**$**	**$**
Gradability Pty Ltd	24.57	24.57		6,174,152

	2020	**2019**
Reconciliation of movements	**$**	**$**
Balance at the beginning of the period	6,174,152	6,273,474
Share of (loss) / profit from associates	(12,174)	49,360
Elimination of intercompany transactions	(14,352)	(20,676)
Dividend received	-	(128,006)
Impairment of investments	(6,147,626)	-
Balance at reporting date	**-**	**6,174,152**

Due to sustained challenging market conditions and an ongoing material decline in profitability, the Board resolved to fully impair the carrying amount of the investment in Gradability (to $nil) as at 31 December 2019.

7. ACQUISITION OF SUBSIDIARIES

(a) Goodwill on consolidation

	2020 $	2019 $
Australian Learning Group Pty Limited (Vocational Education and Training (**VET**))	1,314,720	1,314,720
Proteus Technologies Pty Ltd (Higher Education (**HE**))	10,603,358	10,630,213
Total goodwill	**11,918,078**	**11,944,933**

The recoverable amount of the Group's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 5 year projection period approved by management, together with a terminal value in year 5.

Key assumptions are those to which the recoverable amount of cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for both the VET and HE segments:

- 10.4% (2019: 9.4% for VET and 8.9% for HE) post-tax discount rate (including an additional risk factor of 2% due to the uncertainty surrounding the global pandemic); and
- Terminal growth rate of 3% (2019: 3% for VET and 4% for HE).

The post-tax discount rate of 10.4% reflects management's estimate of the time value of money and the Company's weighted average cost of capital, adjusted for the risk free rate and the volatility of the share price relative to other businesses in the same industry.

Impact of possible changes in key assumptions

Management have carried out sensitivity analysis on the recoverable amounts based on a change in both the discount rate and the terminal growth rate of +/- 3.0%.

Management consider that there is no impairment required as at 30 June 2020 (2019: $nil).

7. ACQUISITION OF SUBSIDIARIES (CONT.)

(b) Cash flow on acquisition of Ikon

	2020 $	2019 $
Initial cash consideration*	-	(3,900,000)
Earn-out payment	(6,500,000)	-
Cash acquired	-	259,579
Working capital adjustment received from the vendors of Ikon**	136,093	-
Net cash flow on acquisition	**(6,363,907)**	**(3,640,421)**

* An initial cash deposit of $500,000 was paid during the year ended 30 June 2018.
** The working capital adjustment has been taken through the Consolidated Statement of Profit and Loss and Other Comprehensive Income as more than 12 months have passed between the acquisition date and the final determination of the working capital adjustment.

The earn-out payment to the Ikon vendors was finalised during the half-year ended 31 December 2019. FY19 EBITDA exceeded the amount required to achieve the earn-out cap and the maximum earn-out amount of $6.5m was paid (less a $136k working capital adjustment).

This was funded as follows: $1.7m from UCW existing cash reserves, all of which had been generated through Ikon's positive cashflow during FY19, $3.5m from an increase in the Company's existing acquisition facility with Commonwealth Bank of Australia (CBA) and $1.3m from proceeds of a placement to an institutional investor.

8. KEY MANAGEMENT PERSONNEL COMPENSATION

	2020 $	2019 $
Total remuneration - fixed	605,155	586,924
Total remuneration - at risk	92,582	94,911
	697,737	**681,835**

Further information is contained in the remuneration report.

8. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT.)

Shareholding and option holding of Directors and other Key Management Personnel

(a) Options and performance rights

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 2020	Balance at start of the year	Granted as remuneration	Other changes during the year	Expired	Vested and exercisable at the end of the year	Unvested and not exercisable at the end of the year
Gary Burg	-	-	-	-	-	-
Adam Davis (ii)	800,000	750,000	-	-	-	1,550,000
Peter Mobbs	-	-	-	-	-	-
Jonathan Pager	-	-	-	-	-	-
Lyndon Catzel (i)(ii)	1,600,000	500,000	-	-	800,000	1,300,000
	2,400,000	**1,250,000**	**-**	**-**	**800,000**	**2,850,000**

Year ended 30 June 2019	Balance at start of the year	Granted as remuneration	Other changes during the year	Expired	Vested and exercisable at the end of the year	Unvested and not exercisable at the end of the year
Gary Burg	-	-	-	-	-	-
Adam Davis (ii)	-	800,000	-	-	-	800,000
Peter Mobbs	-	-	-	-	-	-
Jonathan Pager	-	-	-	-	-	-
Lyndon Catzel (i)(ii)	800,000	800,000	-	-	800,000	800,000
	800,000	**1,600,000**	**-**	**-**	**800,000**	**1,600,000**

Notes:

(i) 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) vested 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) vested on 31 July 2019 and expiring on 31 July 2021, exercisable at $0.39620

(ii) Performance rights issued under the Company's Employee Option Plan: 1,600,000 performance rights issued on 22 November 2018 and 1,250,000 performance rights issued on 5 December 2019, vesting on 22 November 2021 and 5 December 2022 respectively, exercisable at $nil and expiring on 21 December 2021 and 4 January 2023 respectively. The performance rights may only be exercised if the 90-day volume weighted average price (VWAP) of UCW ordinary shares at 22 November 2021 is equal to or greater than $0.30 and if the 30-day volume weighted average price (VWAP) of UCW ordinary shares at 5 December 2022 is equal to or greater than $0.42, respectively

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

8. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT.)

Shareholding and option holding of Directors and other Key Management Personnel (cont.)

(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 2020	Balance at start of the year	Shares acquired(i)	Balance at end of the year
Gary Burg	32,608,791	-	32,608,791
Adam Davis	8,000,000	-	8,000,000
Peter Mobbs	4,326,151	-	4,326,151
Jonathan Pager	1,356,605	-	1,356,605
Lyndon Catzel	700,000	150,000	850,000
	46,991,547	**150,000**	**47,141,547**

Year ended 30 June 2019	Balance at start of the year	Shares acquired(i)	Balance at end of the year
Gary Burg	32,608,791	-	32,608,791
Adam Davis	7,693,965	306,035	8,000,000
Peter Mobbs	3,726,151	600,000	4,326,151
Jonathan Pager	1,356,605	-	1,356,605
Lyndon Catzel	572,514	127,486	700,000
	45,958,026	**1,033,521**	**46,991,547**

Notes:

(i) Shares acquired on market.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

9. AUDITOR'S REMUNERATION

	2020 $	2019 $
Audit and review of financial statements		
- current Group auditors - RSM Australia Partners	72,849	61,807
- current auditors of ALG and Ikon - Allen and Wolfe[(i)]	25,000	-
- prior auditors of Ikon - PKF Kennedy (prior year)	4,000	7,800
Other services		
- RSM Australia Partners for taxation compliance (including prior years)	27,067	15,700
Total auditor's remuneration	**128,916**	**85,307**

Notes:

(i) ALG accounts are being audited for 2018, 2019 and 2020 in relation to a potential VET student loans application.

10. FRANKING CREDITS

	2020 $	2019 $
Franking credits	3,230,205	2,970,933
	3,230,205	**2,970,933**

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.

11.EARNINGS PER SHARE

	2020 $	2019 $
(a) Basic (loss) / earnings per share (cents per share)		
From continuing operations	(3.97)	0.86
From discontinued operations	-	-
(b) Diluted (loss) / earnings per share (cents per share)		
From continuing operations	(3.97)	0.86
From discontinued operations	-	-
(c) Reconciliation of (loss) / profit in calculating earnings per share		
Basic and diluted (loss) / profit per share		
(Loss) / profit from continuing operations attributable to ordinary equity holders of the Company	(4,587,546)	949,839
Profit from discontinued operations	-	2,415
	(4,587,546)	952,254
(d) Total shares		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic (loss) / profit per share	115,521,118	110,384,720
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted (loss) / profit per share	115,521,118	110,384,720

12.TRADE AND OTHER RECEIVABLES

	2020 $	2019 $
Current		
Trade receivables	597,881	1,764,768
GST receivable	244,596	306,941
Other receivables	365,400	229,150
Less: allowance for expected credit losses	(167,957)	(153,467)
	1,039,920	**2,147,392**
Non-current		
Trade and other receivables	71,663	136,994
	71,663	**136,994**

Details in respect of debtors as at reporting date that are considered past due and are not considered fully recoverable are reflected below.

The Group has recognised a loss of $409,397 in the Consolidated Profit or Loss and Other Comprehensive Income in respect of the expected credit losses for the year ended 30 June 2020.

The ageing of the receivables and allowance for expected credit losses provided for current trade receivables above as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2020 %	2019 %	2020 $	2019 $	2020 $	2019 $
Not yet overdue	2%	2%	307,628	1,586,074	7,074	24,159
0 to 3 months overdue	53%	57%	244,324	107,654	129,795	61,387
3 to 6 months overdue	62%	95%	38,922	56,832	24,081	53,713
Over 6 months overdue	100%	100%	7,007	14,208	7,007	14,208
			597,881	**1,764,768**	**167,957**	**153,467**

Movements in the allowance for expected credit losses are as follows:

	2020 $	2019 $
Opening balance	153,467	30,278
Additional allowance recognised	392,436	343,366
Receivables written off during the year as uncollectable	(377,946)	(220,177)
	167,957	**153,467**

13. OTHER ASSETS

	2020 $	2019 $
Current		
Prepayments	161,845	262,435
Deposits	12,839	82,830
Commissions in advance	432,702	748,961
	607,386	**1,094,226**

	2020 $	2019 $
Non-current		
Prepayments	39,792	-
Deposits	1,770	-
	41,562	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

14.PLANT AND EQUIPMENT

	Office equipment $	Leasehold improvements $	Total $
At 30 June 2020			
Cost	1,828,451	2,892,020	4,720,471
Accumulated depreciation	(634,408)	(718,715)	(1,353,123)
	1,194,043	**2,173,305**	**3,367,348**
At 30 June 2019			
Cost	1,411,039	2,427,246	3,838,285
Accumulated depreciation	(428,282)	(393,797)	(822,079)
	982,757	**2,033,449**	**3,016,206**

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 2019	982,757	2,033,449	3,016,206
Additions	417,412	464,774	882,186
Depreciation	(206,126)	(324,918)	(531,044)
At 30 June 2020	**1,194,043**	**2,173,305**	**3,367,348**
At 1 July 2018	541,855	1,676,176	2,218,031
Additions	531,124	625,314	1,156,438
Additions through business combinations	29,328	14,562	43,890
Depreciation	(119,550)	(282,603)	(402,153)
At 30 June 2019	**982,757**	**2,033,449**	**3,016,206**

15. INTANGIBLE ASSETS

	Computer software $	Website development $	Course development and licences $	Total $
At 30 June 2020				
Cost	407,509	4,339	2,255,567	2,667,415
Accumulated amortisation	(196,647)	(4,204)	(511,253)	(712,104)
Impairment	-	-	-	-
	210,862	**135**	**1,744,314**	**1,955,311**
At 30 June 2019				
Cost	339,894	4,339	2,038,878	2,383,111
Accumulated amortisation	(115,993)	(4,004)	(253,238)	(373,235)
Impairment	-	-	-	-
	223,901	**335**	**1,785,640**	**2,009,876**

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 and licences $	Total $
At 1 July 2019	223,901	335	1,785,640	2,009,876
Additions	67,615	-	216,689	284,304
Amortisation	(80,654)	(200)	(258,015)	(338,869)
Impairment	-	-	-	-
At 30 June 2020	**210,862**	**135**	**1,744,314**	**1,955,311**
At 1 July 2018	147,686	535	149,217	297,438
Additions	128,280	-	134,367	262,647
Additions through business combinations	-	-	1,709,601	1,709,601
Amortisation	(52,065)	(200)	(207,545)	(259,810)
Impairment	-	-	-	-
At 30 June 2019	**223,901**	**335**	**1,785,640**	**2,009,876**

16.RIGHT-OF-USE ASSETS (ROUA) AND LEASE LIABILITIES

The ROUA and lease liabilities have arisen upon adoption of *AASB 16 Leases* from 1 July 2019. Refer to Note 1(i) for further details.

(a) ROUA

	Property 2020 $	Equipment hire 2020 $	Total 2020 $
Right-of use assets	16,783,424	111,964	16,895,388
Less: Accumulated depreciation	(2,404,746)	(22,862)	(2,427,608)
	14,378,678	**89,102**	**14,467,780**
Reconciliation			
Opening balance at 1/7/2019 (upon adoption of *AASB 16 Leases*)	17,076,173	97,233	17,173,406
Additions	-	14,359	14,359
Modification to lease	201,251	-	201,251
Disposals	(544,111)	-	(544,111)
Reassessment of lease liabilities	50,111	372	50,483
Depreciation	(2,404,746)	(22,862)	(2,427,608)
	14,378,678	**89,102**	**14,467,780**

(b) Lease Liabilities

Upon adoption of *AASB 16 Leases*, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of *AASB 117 Leases*. These liabilities have been brought to account as the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rates as of 1 July 2019. The discount rates applied range between 4.81% and 5.36%.

16. RIGHT-OF-USE ASSETS (ROUA) AND LEASE LIABILITIES (CONT.)

	2020 $
Current	2,152,549
Non-current	13,289,814
Total lease liabilities	**15,442,363**
Reconciliation of operating lease commitments as at 30 June 2019 to lease liability recognised as at 1 July 2019:	
Operating lease commitments disclosed as at 30 June 2019	10,573,324
Short term and low-value lease commitments as at 30 June 2019	(286,472)
Further terms reasonably certain to exercise	11,151,612
Discounted using the Group's incremental borrowing rate on 1 July 2019	(4,582,906)
Make good provision	317,847
Lease liability recognised as at 1 July 2019	**17,173,405**
Reconciliation of movement in lease liabilities:	
Lease liability recognised as at 1 July 2019	17,173,405
Make good provision	175,466
Additions	14,359
Interest expense	825,656
Modification to lease	201,251
Reassessment of lease liabilities	66,193
Surrender of lease	(571,135)
Lease liabilities accrued, not yet paid	(329,411)
Repayment of lease liabilities	(2,113,421)
Total lease liabilities as at 30 June 2020	**15,442,363**

17.DISCONTINUED OPERATIONS

4Life had operations in Adelaide, which (as distinct from its Sydney international student operation, which has been integrated into ALG) were focused on the domestic, government-funded and corporate training markets. The Adelaide operations were unprofitable and management considered the business to be non-core to the Company's strategic focus. 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.

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

	2020 $	2019 $
Revenue	-	3,331
Expenses	-	-
Profit before income tax	-	3,331
Attributable income tax expense	-	(916)
Profit after income tax	**-**	**2,415**
Net cash inflows from operating activities	**-**	**(59,179)**

18.TRADE AND OTHER PAYABLES

	2020 $	2019 $
Current		
Trade creditors	1,184,547	1,530,899
Other payables and accrued expenses	2,064,944	1,376,183
	3,249,491	**2,907,082**

Trade creditors at 30 June 2020 are not considered past due.

Refer to Note 30 for further information on financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

19. CONTRACT LIABILITIES

	2020 $	2019 $
Current		
Contract liabilities	5,372,606	5,488,262
	5,372,606	**5,488,262**
Non-current		
Contract liabilities	129,688	127,450
	129,688	**127,450**

Contract liabilities relate 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. The duration of study is used to measure the progress of the performance obligation to determine how much revenue should be recognised, and that revenue is recognised as the performance obligation is satisfied. See further Note 1(y).

Unsatisfied performance obligations

The aggregate amount of the performance obligations that remains unsatisfied at year-end was $5,502,294 (2019: $5,615,712) and is expected to be recognised as revenue in future periods as follows:

	2020 $	2019 $
Within 6 months	4,654,542	4,754,740
6 to 12 months	718,064	733,522
More than 12 months	129,688	127,450
	5,502,294	**5,615,712**

20. DEFERRED SETTLEMENT

	2020 $	2019 $
Current		
Deferred settlement payment	-	6,500,000
	-	**6,500,000**

The earn-out payment to the Ikon vendors was finalised during 1H20. FY19 EBITDA exceeded the amount required to achieve the earn-out cap and the maximum earn-out amount of $6.5m was paid (less a $136k working capital adjustment).

This was funded as follows: $1.7m from UCW existing cash reserves, all of which had been generated through Ikon's positive cashflow during FY19, $3.5m from an increase in the Company's existing acquisition facility with Commonwealth Bank of Australia (CBA) and $1.3m from proceeds of a placement to an institutional investor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

21.EMPLOYEE BENEFITS

	2020 $	2019 $
Current liabilities		
Annual leave	290,737	379,086
Long service leave	24,038	111,381
	314,775	**490,467**
Non-current liabilities		
Long service leave	99,872	84,072
	99,872	**84,072**

Reconciliation of movements

	2020 $	2019 $
Annual leave		
Opening balance	379,086	191,617
Additions through business combinations	-	238,626
Reversals	(88,349)	(51,157)
Closing balance	**290,737**	**379,086**
Current long service leave		
Opening balance	111,381	56,024
Additions through business combinations	-	72,569
Reversals	(87,343)	(17,212)
Closing balance	**24,038**	**111,381**
Non-current long service leave		
Opening balance	84,072	39,367
Additions through business combinations	-	33,462
Additions	15,800	11,243
Closing balance	**99,872**	**84,072**

21. EMPLOYEE BENEFITS (CONT.)

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take their full entitlement of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	2020 $	2019 $
Current liabilities		
Employee benefits obligation expected to be settled after 12 months	60,877	63,394
	60,877	**63,394**

22. PROVISIONS

	2020 $	2019 $
Current		
Make-good provision	-	14,906
	-	**14,906**
Non-current		
Make-good provision	-	109,926
	-	**109,926**

Reconciliation of provisions

(a) Current

	2020 $	2019 $
Carrying amount at the start of the year	14,906	-
Additional provisions recognised	-	14,906
Amounts used or reversed	(14,906)	-
Carrying amount at the end of the year	**-**	**14,906**

(b) Non-current

	2020 $	2019 $
Carrying amount at the start of the year	109,926	36,263
Additional provisions recognised	-	54,829
Additions through business combinations	-	18,834
Amounts used or reversed	(109,926)	-
Carrying amount at the end of the year	**-**	**109,926**

Lease make-good provisions have been included in Lease Liabilities following the implementation of *AASB 16 Leases* as at 1 July 2019. Refer to Note 1(l) for further details.

23.SHARE CAPITAL

Issued capital as at 30 June 2020 amounted to $25,132,480 (117,514,448 ordinary shares).

(a) Ordinary shares

	2020		2019	
	Number	$	Number	$
Opening balance	110,821,249	23,842,009	104,654,583	22,547,228
Issued shares net of tax	6,693,199	1,300,000	6,166,666	1,300,000
Capital raising costs	-	(13,143)	-	(18,491)
Deferred tax credit recognised directly in equity	-	3,614	-	13,272
At reporting date	**117,514,448**	**25,132,480**	**110,821,249**	**23,842,009**

(b) Issuance of ordinary shares

During the year ended 30 June 2020, the Company issued and allotted 6,693,199 of ordinary shares in UCW via a placement to an institutional shareholder. The institutional placement was undertaken under UCW's 7.1A placement capacity, at $0.194227 per share, being the 20-day volume weighted average price of UCW shares up to and including 16 October 2019.

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

(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.

24. OPTIONS AND PERFORMANCE RIGHTS RESERVES

	2020		2019	
	Number	$	Number	$
Opening balance	2,400,000	62,969	800,000	17,318
Options issued – vesting expense	-	59,180	-	12,249
Performance rights issued	1,250,000	33,402	1,600,000	33,402
At reporting date	**3,650,000**	**155,551**	**2,400,000**	**62,969**

Refer to Note 1(r) and Note 8 for further details in respect of the options.

25. ACCUMULATED LOSSES

	2020	2019
	$	$
Balance at the beginning of the financial year	(9,323,429)	(10,275,683)
Net (loss) / profit for the year	(4,587,546)	952,254
	(13,910,975)	**(9,323,429)**

26.SEGMENT REPORTING

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

For the year ended 30 June 2020	ALG $	Ikon $	Unallocated $	Total $
Total revenue - international	17,971,109	985,407	-	18,956,516
Total revenue - domestic	719,233	5,438,285	-	6,157,518
Other revenue	186,053	-	-	186,053
Share of losses of associates accounted for using the equity method	-	-	(12,174)	(12,174)
Gain on acquisition	-	-	136,093	136,093
Other income	180,000	51,500	36,257	267,757
Impairment of investments	-	-	(6,147,626)	(6,147,626)
Interest income	1,668	774	2,484	4,926
Profit / (loss) for the period	1,342,315	1,173,178	(7,103,039)	(4,587,546)

As at 30 June 2020	ALG	Ikon	Unallocated	Total
Total segment assets	23,867,413	6,181,718	10,633,214	40,682,345
Total segment liabilities	(20,403,611)	(3,985,421)	(4,916,257)	(29,305,289)

For the year ended 30 June 2019	ALG $	Ikon $	Unallocated $	Total $
Total revenue - international	13,579,511	453,805	-	14,033,316
Total revenue - domestic	1,138,951	6,408,266	-	7,547,217
Other revenue	343,931	-	-	343,931
Gain or loss from the disposal of assets	-		288,678	288,678
Share of profits of associates accounted for using the equity method	-	-	49,360	49,360
Other income	52,718	7,500	-	60,218
Interest income	4,233	4,480	9,506	18,219
(Loss) /profit from continued operations	430,731	1,146,638	(627,530)	949,839
Profit from discontinued operations	2,415	-	-	2,415
Profit / (loss) for the period	433,146	1,146,638	(627,530)	952,254

As at 30 June 2019	ALG	Ikon	Unallocated	Total
Total segment assets	8,596,518	4,013,575	19,080,279	31,690,372
Total segment liabilities	(6,475,030)	(2,990,455)	(7,643,339)	(17,108,824)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

27.CASH FLOW INFORMATION

(a) Cash and cash equivalents

	2020 $	2019 $
Cash at bank and on hand	6,621,152	4,688,872
	6,621,152	**4,688,872**

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

	2020 $	2019 $
Profit from ordinary activities after income tax	**(4,587,546)**	**952,254**
Adjustments for non-cash items		
Share of (loss) / profit of associates using equity method	12,174	(49,360)
Gain on disposal of assets	-	(288,678)
Depreciation and amortisation expense	869,913	661,963
Employee share-based expenses	92,582	45,651
Borrowing costs classified as financing activity	207,289	134,584
AASB 16 Leases movement (interest, depreciation, straight-line and other)	2,832,604	-
Impairment of investment in associates and gain on acquisition	6,011,533	-
Other	(6,731)	(33,040)
Ikon - net assets (opening balances)	-	(796,857)
Changes in assets and liabilities		
Trade and other receivables	1,172,803	(949,030)
Inventory and other assets	445,278	(61,889)
Deferred tax asset	(114,425)	260,048
Plant and equipment and intangible assets	431,047	-
Trade and other payables	342,409	623,499
Contract liabilities	(113,418)	2,262,948
Employee benefit and other liabilities	189,011	481,982
	7,784,523	**3,244,075**

(c) Reconciliation of liabilities arising from financing activities

	2020 $	2019 $
Borrowing		
Opening balance	1,200,000	1,275,000
Proceeds from loan facility	3,475,000	250,000
Repayment of loan	(508,333)	(325,000)
Closing balance	**4,166,667**	**1,200,000**

Refer to Note 31 for details.

28. EVENTS AFTER BALANCE DATE

There have been no significant events after balance date.

29. RELATED PARTY TRANSACTIONS

Disclosures relating to Key Management Personnel are set out in Note 8 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.

30. 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 31. 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.

30.FINANCIAL RISK MANAGEMENT (CONT.)

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

The Company maintains 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, and 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.

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 transaction accounts with Commonwealth Bank of Australia (CBA) and Bendigo and Adelaide Bank of $6,621,152 at 30 June 2020 (2019: $4,688,872), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

30.FINANCIAL RISK MANAGEMENT (CONT.)

Financial instruments composition and maturity analysis (cont.)

Consolidated - 2020	Weighted average effective interest rate	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Remaining contractual maturities
Financial assets						
Interest-bearing						
Cash & cash equivalents	0.09%	6,467,977	-	-		6,467,977
Non-interest bearing						
Cash & cash equivalents		153,175	-	-		153,175
Receivables		843,508	196,412	71,663	-	1,111,583
Total financial assets		**7,464,660**	**196,412**	**71,663**	**-**	**7,732,735**
Financial liabilities						
Interest-bearing						
Borrowings	4.98%	-	666,667	3,500,000	-	4,166,667
Non-interest bearing						
Trade and other payables		2,096,052	1,153,439	-	-	3,249,491
Total financial liabilities		**2,096,052**	**1,820,106**	**3,500,000**	**-**	**7,416,158**

Consolidated - 2019	Weighted average effective interest rate	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Remaining contractual maturities
Financial assets						
Interest-bearing						
Cash & cash equivalents	0.33%	4,599,106	-	-	-	4,599,106
Non-interest bearing						
Cash & cash equivalents		89,766	-	-		89,766
Receivables		476,117	1,671,275	136,994		2,284,386
Total financial assets		**5,164,989**	**1,671,275**	**136,994**	**-**	**6,973,258**
Financial liabilities						
Interest-bearing						
Borrowings	6.51%	87,500	262,500	850,000	-	1,200,000
Non-interest bearing						
Trade and other payables		2,907,082	-	-	-	2,907,082
Deferred settlement		-	6,500,000		-	6,500,000
Total financial liabilities		**2,994,582**	**6,762,500**	**850,000**	**-**	**10,607,082**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

31.BORROWINGS

	30 June 2020 $	30 June 2019 $
Current	666,667	350,000
	666,667	**350,000**
Non-current	3,500,000	850,000
	3,500,000	**850,000**

A total loan facility (secured by a first ranking charge over all present and after acquired property of the Group) was first entered into with Commonwealth Bank of Australia (CBA) in relation to the acquisition of Gradability on 11 July 2017. This facility was subsequently extended to $4,500,000. The proceeds have been used to partially finance the acquisition of Ikon and some of the fitout of the campus in Melbourne in mid-2018.

Loan Facility	Facility limit ($)	Withdrawn ($)	Undrawn ($)
a) Market rate loan	4,166,667	(4,166,667)	-
b) Overdraft (working capital)	500,000	-	500,000
c) Bank guarantee (rental bonds)	1,050,000	(875,255)	174,745
Total loan facility	**5,716,667**	**(5,041,922)**	**674,745**

a. The market rate loan is being amortised quarterly in accordance with the agreed capital repayment schedule as follows:
   - $333,333 paid in January 2021
   - $333,334 payable in April 2021
   - quarterly payments of $250,000 payable from July 2021 to July 2022

On 14 October 2022, an outstanding balance of $2,250,000 will be due. The loan attracts interest (referenced to the Bank Bill Swap Bid Rate), and has a line fee of 3.50% p.a. and a liquidity fee of 0.25% p.a.

b. The overdraft facility has an indefinite revolving term and is subject to annual review. The interest rate is currently 6.75% 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.

Reconciliation of movements

	2020 $	2019 $
Opening balance	1,200,000	1,275,000
Proceeds from loan facility	3,475,000	250,000
Repayment of loan	(508,333)	(325,000)
Closing balance	**4,166,667**	**1,200,000**

In relation to the market rate loan, $666,667 is considered current and repayable within 12 months and the remaining balance of $3,500,000 is non-current and has been classified accordingly in the Consolidated Statement of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

32.UCW LIMITED PARENT COMPANY INFORMATION

	2020 $	2019 $
(a) Summarised Statement of Financial Position		
Assets		
Total assets	10,518,919	19,281,265
Liabilities		
Total liabilities	4,925,480	7,967,841
Net assets	**5,593,439**	**11,313,424**
Equity		
Share capital and reserves	25,288,031	23,904,978
Accumulated losses	(19,694,592)	(12,591,554)
Total equity	**5,593,439**	**11,313,424**
(b) Summarised Statement of Profit or Loss and other Comprehensive Income		
Loss for the year	(7,103,038)	(627,530)
Total comprehensive loss for the year	**(7,103,038)**	**(627,530)**

The loss for the year included $12,174 share of losses of associates (2019: $49,360 profit).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 (2019: $nil).

Capital commitments – plant and equipment

The parent entity had no capital commitments for plant and equipment as at 30 June 2020 (2019: $nil).

Guarantees

In lieu of providing a bank guarantee or other form of security, the parent entity has guaranteed the obligations of ALG under a lease entered into during the year ended 30 June 2020 for premises at 225 Clarence Street Sydney, NSW 2000.

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 2020 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; and
c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

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 2020.

On behalf of the Directors

Gary Burg
Non-Executive Chair
25 August 2020

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

UCW LIMITED

Opinion

We have audited the financial report of UCW Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 2020 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 1y in the financial statements	
Revenue from contracts with customers for the year ended 30 June 2020 was $25,114,034. The primary revenue stream is tuition related revenue. Revenue is considered to be a Key Audit Matter because the application of AASB 15 Revenue from Contracts with Customers requires a significant number of assessments, judgements, and estimates by management, around the determination and allocation of the transaction price across the performance obligations given 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: • Obtaining an understanding of the systems and procedures put in place by management in adopting AASB 15, and evaluating their effectiveness; • Obtaining a detailed understanding of each of the revenue streams and the process for calculating and recording revenue under AASB 15; • Assessing whether the Company's revenue recognition policies were in compliance with Australian Accounting Standards. • Carrying out tests of controls over occurrence, accuracy and completeness of revenue, to test the effectiveness of the controls; • Performing substantive analytical procedures on tuition related revenue. The substantive analytical review involved setting expectations of revenue by using the reports generated from the Company's student management database; • Performing tests of detail on each revenue stream on a sample basis to test the occurrence and accuracy of revenue. The detailed testing included: agreeing transactions to invoices issued by the Company, agreeing the receipt of cash to bank statements, agreeing course details from the letter of offer to the reports from the Company's student management database; • Assessing the appropriateness of the disclosures in the financial report.
Implementation of AASB 16 Leases Refer to Note 1(a) for the impact of the adoption of the new standard, Note 1(i) for the accounting policy and Note 16 for related disclosures in the accompanying financial statements	
The Company adopted AASB 16 Leases ("AASB16") on 1 July 2019, using simplified modified retrospective approach, which has resulted in changes to accounting policies. The Company has elected not to restate comparative information as permitted by the transitional provisions of AASB 16.	Our audit procedures included: • Obtaining an understanding of the processes undertaken and controls implemented in adopting the standard, including the transitional decisions made and practical expedients selected on adoption,

At 30 June 2020, the Company recognised in the Consolidated Statement of Financial Position a Right of Use asset of $14,467,780 and an associated lease liability of $15,442,363. We determined the adoption of this standard to be a key audit matter because of: • the complexity of the standard and the significance of the differences to the previous standard; • the degree of manual involvement required in identifying lease contracts and contract terms; • the extent of judgment required in determining the inputs into the calculations of the lease liability and right of use asset, including the applicable discount rate, the likelihood of exercise of options to extend or terminate early a lease, and the measurement of estimated costs of making good the premises at the end of the lease; • the length and complexity of disclosures required including those required on initial adoption; • the determination of the accounting treatment of rent concessions as a result of COVID-19	• Obtaining the Company's leasing model used by the Company for lease management, and, on a sample basis: ➢ Reviewing the contracts of the selected leases, and ensuring that lease and non-lease components have been identified appropriately; ➢ Reviewing the allocation of the consideration in the contracts across lease components and non-lease components; ➢ Corroborating key inputs, including the inception date, commencement date, and initial contractual expense to underlying lease documentation; • Critically evaluating the key assumptions made in the judgmental inputs, including the likelihood of exercise of options to extend, the discount rate used for calculation of the lease liability, and obtaining the evidence supporting the basis on which management have made their estimate; • Verifying the mathematical accuracy of the underlying model by recalculating the resulting lease liability and right of use asset initially recognised, and the interest and depreciation charges recognised in the statement of profit and loss in the period; • Reviewing the adequacy of the relevant disclosures in the financial statements, including those relating to the initial transition, and to the key estimates and judgments made.
Recoverability of goodwill and other intangible assets Refer to Note 7 in the financial statements	
At 30 June 2020, the Company's Statement of Financial Position reflected goodwill with a carrying amount of $11,918,078, which represents approximately 29% of the Company's total assets. As required under AASB 136, management have tested goodwill for impairment. As goodwill does not generate cashflows that are largely independent from other assets, its recoverable amount was determined by calculating the recoverable amount of the cash generating unit ("CGU") to which it belongs. This recoverable amount was then compared to the CGU's carrying amount. In this instance, the	Our audit procedures included: • Updating our understanding of management's annual impairment testing process; • Holding discussions with senior management, reviewing the Company's ASX announcement and reading minutes of the directors' meetings to gather sufficient information regarding the operations of the current reporting period, as well as the expectations going forward; • Assessing the reasonableness of management's determination that the goodwill should be allocated to a single CGU in accordance with AASB 136 Impairment of Assets, based on the nature of the Company's business;

recoverable amount was determined to be its value in use. The carrying value of the Company's non-current assets, which includes Plant and equipment at 3,367,348, other Intangible assets at 1,955,311 and Right-of-use assets at 14,467,780. In addition to the requirements to test goodwill for impairment, the current COVID environment pose a risk of impairment associated with the Company's non-current assets; so the directors have identified that impairment indicators existed at the reporting date which required that the impairment testing be extended to other non-current assets. We determined the impairment review of goodwill and other non-current assets to be a Key Audit Matter because of the materiality of the assets' balances, and because of the significant management judgements and assumptions used to determine the value in use of the CGU which contains them. Namely, the calculation of the recoverable amount of the CGU involves judgements about the future underlying cashflows of the CGU, estimated growth rates for the CGU for the next 5 years as well as in perpetuity, and judgements of an appropriate discount rate to apply to the estimated cashflows. The uncertainty in relation to the COVID19 environment and the short, medium, and long terms effect of the pandemic on student numbers remains uncertain. The current circumstances are considered to increase the risk in relation to the carrying value of the goodwill and other non-current assets are potentially impaired.	• Assessing the valuation methodology used to determine the recoverable amount of the Goodwill and other non-current assets associated to the CGUs; • Evaluating the methods and assumptions used to estimate the present value of future cash inflows of the Company, including an challenging the reasonableness of the following: ➢ Future growth rates; ➢ Discount rates; ➢ Terminal value methodology; ➢ The nature and quantum of cashflows included in the model; • Reviewing management's sensitivity analysis over the key assumptions used in the models, including the consideration of the available headroom and assessing whether the assumptions had been applied on a consistent basis across each scenario; • Checking the mathematical accuracy of the cashflow model and reconciling input data to supporting evidence, such as approved budgets, and considering the reasonableness of the evidence (such as budgets); and • Reviewing the completeness and accuracy of the disclosures included in the financial report to ensure compliance with Australian Accounting Standards.

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 2020, 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 24 to 30 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of UCW Limited, for the year ended 30 June 2020, 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.

Yours faithfully

RSM

RSM AUSTRALIA PARTNERS

GNS

G N SHERWOOD
Partner

Sydney, NSW
Dated: 25 August 2020

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of UCW Limited for the year ended 30 June 2020, 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: 25 August 2020

ASX ADDITIONAL INFORMATION

AS AT 3 AUGUST 2020

ORDINARY SHARES

117,514,448 fully paid ordinary shares, held by 361 individual shareholders. All ordinary shares carry one vote per share.

RESTRICTED SECURITIES

None.

UNQUOTED SECURITIES

400,000 options, exercisable on or before 31 July 2021 at $0.29620 per option, held by Mr Lyndon Catzel.

400,000 options, exercisable on or before 31 July 2021 at $0.39620 per option, held by Mr Lyndon Catzel.

1,600,000 performance rights (zero exercise price options) vesting on 22 November 2021 and exercisable before 21 December 2021, held by Mr Adam Davis and Mr Lyndon Catzel. The performance rights are exercisable if the 90-day volume weighted average price (VWAP) of UCW ordinary shares at 22 November 2021 is equal to or greater than $0.30.

1,250,000 performance rights (zero exercise price options) vesting on 5 December 2022 and exercisable before 4 January 2023, held by Mr Adam Davis and Mr Lyndon Catzel. The performance rights are exercisable if the 30-day volume weighted average price (VWAP) of UCW ordinary shares at 5 December 2022 is equal to or greater than $0.42.

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	111,977,051	95.29	82	22.71
10,001 to 100,000	4,850,346	4.13	145	40.17
5,001 to 10,000	564,409	0.48	59	16.34
1,001 to 5,000	118,579	0.10	34	9.42
1 to 1,000	4,063	0.00	41	11.36
Total	**117,514,448**	**100.00**	**361**	**100.00**

UNMARKETABLE PARCELS

There are 61 holders of unmarketable parcels of shares (being less than $500) at the share price as at 3 August 2020 of $0.105.

ASX ADDITIONAL INFORMATION (CONT.)

TOTAL HOLDERS OF OPTIONS

Range	Ordinary shares	%	No. of holders	%
100,001 and Over	3,650,000	100.00	2	100.00
10,001 to 100,000	-	-	-	-
5,001 to 10,000	-	-	-	-
1,001 to 5,000	-	-	-	-
1 to 1,000	-	-	-	-
Total	**3,650,000**	**100.00**	**2**	**100.00**

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	27.75
VIBURNUM FUNDS PTY LTD	12,737,507	10.84
ABD HOLDINGS PTY LIMITED	8,000,000	6.81
MICROEQUITIES ASSET MANAGEMENT PTY LIMITED	7,262,199	6.18
MR MATTHEW CRAWFORD REEDE	6,410,761	5.46

ASX ADDITIONAL INFORMATION (CONT.)

TOP 20 HOLDERS OF EQUITY SECURITIES AS AT 3 AUGUST 2020:

Rank	Name	Ordinary Shares	%
1	GLOBAL UCW PTY LIMITED	25,083,686	21.35
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	18,163,766	15.46
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,224,919	7.00
4	ABD HOLDINGS PTY LIMITED	8,000,000	6.81
5	GLOBAL UCW NO 2 PTY LIMITED	7,525,105	6.40
6	MR MATTHEW REEDE	6,410,761	5.46
7	SIMON PAUL & REBECCA JANE PAUL	2,750,000	2.34
7	BRAD RICHARD SEAMAN	2,750,000	2.34
8	MARGARET ARMSTRONG	1,666,667	1.42
8	MATTHEW SMITH	1,666,667	1.42
9	HOLLOWAY COVE PTY LTD	1,655,523	1.41
10	DMX CAPITAL PARTNERS LIMITED	1,450,000	1.23
11	UNITED EQUITY PARTNERS PTY LTD	1,375,000	1.17
12	JD LIPMAN PTY LTD	1,313,855	1.12
13	DIXSON TRUST PTY LIMITED	1,247,110	1.06
14	OCEANVIEW SUPER FUND PTY LTD	1,078,598	0.92
15	RAMBUTAN ENTERPRISES LTD	1,000,000	0.85
16	JACOBSON FAMILY HOLDINGS PTY LTD	975,000	0.83
17	MR LYNDON CATZEL	850,000	0.72
18	MR KEVIN BERKOWITZ	805,000	0.69
19	MONICA GINSBERG SUPER PTY LTD	788,313	0.67
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	775,000	0.66


UCW
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