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31 January 2017

The Manager
Company Announcements
Australian Securities Exchange

By electronic lodgement

December 2016 Quarter Update

Highlights

- Q2, FY17 international enrolments of 971, up 26.6% on the previous corresponding period (**PCP**)
- Last 12 Months (**LTM**) to Q2, FY17 international enrolments of 3,538, up 25.7% on the PCP
- Q3, FY17 international enrolments expected to be circa 1,100, up circa 27.9% on the PCP
- Earn-out payment of \$3.7m to vendors of Australian Learning Group Pty Limited (**ALG**) finalised during quarter
- Acquisition of 4Life Pty Ltd (**4Life**) adds suite of courses in field of Community Services, circa 100 international students and an Adelaide campus
- Investment in business continuing with development of new courses and implementation of a new student management system from Q3, FY17
- Actively pursuing additional acquisition opportunities in line with stated strategy

Cash position

As at 31 December 2016 the Company had cash of \$4.9m, compared to \$9.1m as at 30 September 2016.

Operating cash flow for the consolidated entity for the quarter was (\$432k), compared to \$458k in the prior quarter¹.

ALG's international students pay in advance of term commencement, generally by way of 2 payments. In the June 2016 and September 2016 quarters, both payment dates for the following term fell within a reported quarter. This contrasts to December, where there was only one payment date within the quarter, with the second payment date falling within the subsequent quarter. Accordingly, comparisons are not entirely meaningful.

¹ Previously reported as \$403k as a \$55k investment cashflow was incorrectly classified as an operating cashflow. This has been corrected in the current Appendix 4C "Year to Date" figures.

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A deferred consideration payment of \$3.7m for the acquisition of ALG was paid to the vendors in December 2016. This was \$229k in excess of the expected payment as a result of Normalised EBITDA (as defined in the share sale agreement) exceeding the minimum earn-out hurdle.

During the quarter the Company continued to invest in the implementation of a new student management system and other initiatives aimed at building a robust platform to support future growth. The Company is also investing in developing new courses, which will be introduced during calendar 2017.

ALG performance

Acquired by the Company in March 2016, ALG is a national provider of accredited vocational education with a focus on the international student market.

ALG offers certificate and diploma level courses in Fitness, Sport and Recreation Management, Massage Therapy and Dance Teaching and has campuses in Sydney, Melbourne, Brisbane and Perth.

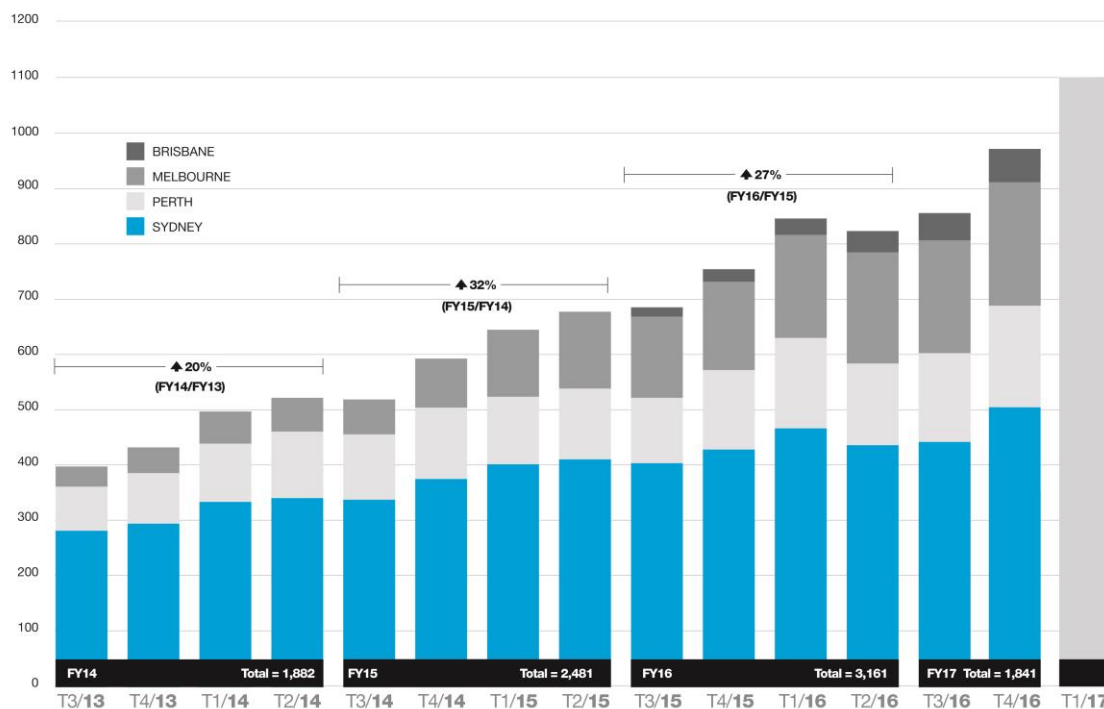
International enrolments

International enrolments continued to perform well with Q2, FY17 enrolments of 971, up 26.6% on the PCP.

Last 12 Months (LTM) to Q2, FY17 enrolments were 3,538 up 25.7% on the PCP.

Q3, FY17 enrolments are expected to be circa 1,100, up circa 27.9% on the PCP.

Enrolments by term, by campus



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Domestic enrolments

Domestic revenue (unaudited) for Q2, FY17 was \$0.3m against full year FY16 revenue of \$1.3m. ALG's domestic revenue is principally derived from distance education courses. These are either paid for upfront or by way of fortnightly payment plans. Revenue is recognised equally over a 12-month period from and including the month of sale.

Enrolment numbers are not considered a strong stand-alone indicator of performance due to the significant variance in pricing between courses offered.

ALG is currently reviewing its domestic sales channel for its distance education courses, with a view to improving sales conversions.

Growth initiatives

The Company intends to continue to invest in growth initiatives (such as developing new courses and expanding its campus infrastructure) and building a platform to scale up the business. This will impact earnings in the short term as the payback on such investments may not be immediate.

A new student management system is being implemented in Q3, FY17. This is expected to improve operational efficiency and offer enhanced functionality to students, agents and staff. Management consider that the new student management system is a key piece of infrastructure that will enable the Company to extract efficiencies as it adds scale by acquisition.

Acquisitions

The Company completed the acquisition of 4Life on 13 January 2017. 4Life is a complementary add-on acquisition for ALG, bringing a suite of courses in the field of Community Services, which ALG can deliver through its national campus footprint and agent network.

4Life's courses, offered to both international and domestic students, include Early Childhood Education and Care, Individual Support, Disability, Ageing Support, Mental Health, Counselling and Community Services, most of which include a work-integrated learning / work placement component.

In addition, 4Life will expand ALG's geographical reach with the addition of a CRICOS-approved Adelaide campus to deliver its Fitness, Massage Therapy, Sport & Recreation Management and Dance Teaching courses.

4Life adds approximately 100 international students to ALG's growing student population. FY16 revenue was approximately \$1.5m².

Further acquisitions

In line with the Company's stated strategic objectives, it continues to actively engage in discussions and undertake due diligence in relation to a number of acquisition opportunities.

² Based on management accounts provided by 4Life to UCW, which have not been independently audited by UCW. 4Life's revenue recognition policies differ from UCW's.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

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

Name of entity

UCW Limited

ABN

85 108 962 152

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,324	3,798
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing	(36)	(82)
(d) leased assets		
(e) staff /supplier costs	(1,611)	(3,352)
(f) administration and corporate costs	(151)	(432)
1.3 Dividends received (see note 3)		
1.4 Interest received	42	94
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash (used in) from operating activities	(432)	26
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(21)	(21)
(b) businesses (see item 10)	(3,729)*	(3,784)**
(c) investments		
(d) intellectual property		
(e) other non-current assets		

+ See chapter 19 for defined terms
1 September 2016

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)***	(46)	(185)
2.6	Net cash used in investing activities	(3,796)	(3,990)

* This amount represents the final earn-out amount paid for the acquisition of ALG.

** In the September quarter, an amount of \$55k paid as stamp duty on the purchase of ALG was incorrectly recorded as a payment to suppliers and has been adjusted subsequently.

*** Amount reflects a \$100k refundable deposit for 4Life business acquired and completed in January 2017 (which will be reclassified to investments in the next quarter) and \$46k (Sep: \$39k) investment in the new student management system

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	0	0

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	9,082	8,818
4.2	Net cash (used in) / from operating activities (item 1.9 above)	(432)	26
4.3	Net cash used in investing activities (item 2.6 above)	(3,796)	(3,990)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	0

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of quarter	4,854	4,854

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,171	5,529
5.2	Call deposits	3,683	3,553
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	0
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,854	9,082

6. Payments to directors of the entity and their associates

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

**Current quarter
\$A'000**

(102)

0

Directors' salaries/fees and superannuation.

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

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

**Current quarter
\$A'000**

0

0

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

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	
9.2 Product manufacturing and operating costs	
9.3 Advertising and marketing	(60)
9.4 Leased assets	
9.5 Staff costs	(2,030)
9.6 Administration and corporate costs	(270)
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	(2,360)

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

*See Note against 2.1(b).

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Compliance statement

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

Sign here:



Date: 31 January 2017

(Director/Company secretary)

Print name: Lyndon Catzel

Notes

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