ANNUAL REPORT

FOR THE YEAR ENDED
30 JUNE 2019

UCW
LIMITED

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

UCW
LIMITED

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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

UCW LIMITED

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 2019.

Directors

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

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

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 investments manager of Global Capital Principal Investment business in Australia.

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

Other Current 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

Information on Directors (continued)

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; and
- 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.

Contractual rights to shares: None

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 a graduate member of the Australian Institute of Company Directors.

DIRECTORS' REPORT (continued)

Information on Directors (continued)

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

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

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

MOQ Limited (ASX: MOQ) (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

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:

- 700,000 fully paid ordinary shares;
- 400,000 unlisted and vested options, exercisable at $0.29620 per option on or before 31 July 2021; and
- 400,000 unlisted and vested options, exercisable at $0.39620 per option on or before 31 July 2021; and
- 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.

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 2019 (2018: $nil).

Principal activities

The principal activity of the Company during the financial year was the provision of education services across both the vocational and higher education sectors, servicing international and domestic students.

Operating and financial review

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

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

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

UCW currently has two wholly-owned subsidiaries:

- Australian Learning Group Pty Limited (**ALG**) - acquired 24 March 2016, trading as 4Life College, Australian College of Dance, Australian College of Sport and Fitness and NSW School of Massage; and
- Proteus Technologies Pty Ltd, trading as Ikon Institute of Australia (**Ikon**) - acquired 4 July 2018.

DIRECTORS' REPORT (continued)

Operating and financial review (continued)

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 has multiple campus locations across Australia, including in Adelaide, where its head office is based.

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

The results presented in this report include the corporate operations of UCW, the operations of its wholly-owned subsidiaries ALG and Ikon (from 5 July 2018 to 30 June 2019), together with UCW's interest in Gradability, for the year ended 30 June 2019. The comparative period, being the financial year ended 30 June 2018, comprised the corporate operations of UCW, the operations of ALG and 4Life (now merged fully into ALG), together with UCW's interest in Gradability (from 11 July 2017 to 30 June 2018).

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 profit after tax into the Company's Statement of Profit or Loss and Other Comprehensive Income. The dividend received from Gradability during the period has been offset against the carrying amount of the investment in the Company's Statement of Financial Position.

ALG

Overview

ALG provides vocational qualifications, primarily to international students, from campuses in Sydney, Melbourne, Brisbane and Perth. It operates a central administration function in Sydney. As at 30 June 2019, ALG had 2,001 international students enrolled.

ALG's international students are recruited primarily through education agents, both onshore in Australia and offshore in source countries. ALG has over 250 active education agents and students from more than 75 source countries.

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

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

All courses are structured to facilitate rolling intakes, to allow students to commence any course (subject to satisfaction of entry requirements) 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. Only the Fitness and Dance Teaching qualifications are currently offered in this delivery mode. Domestic distance-education 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 2019. International enrolments for the period, being the sum of enrolments in the four academic terms during the financial year, were 6,987, up 27.2% compared to the previous corresponding period. This growth was largely attributable to ALG's Community Services course offering, which represented 36.3% of FY19 enrolments, compared to 17.8% for the prior period.

Revenue from international students represented 89.8% of ALG's revenue during the period.

Operating and financial review (continued)

ALG (continued)

International enrolments by campus location*

Campus	FY19 enrolments	FY18 enrolments	FY19/FY18 Growth	Proportion of total (FY19)
Sydney	3,857	3,105	24.2%	55.2%
Melbourne	1,747	1,118	56.3%	25.0%
Brisbane	558	409	36.4%	8.0%
Perth	825	863	(4.4%)	11.8%
Total	**6,987**	**5,495**	**27.2%**	**100.0%**

International enrolments by field of study*

Field of study	FY19 enrolments	FY18 enrolments	FY19/FY18 Growth	Proportion of total (FY19)
Fitness, Sport and Recreation Management	2,935	2,919	0.5%	42.0%
Remedial Massage	1,100	1,302	(15.5%)	15.7%
Dance and Yoga Teaching	418	296	41.2%	6.0%
Community Services**	2,534	978	159.1%	36.3%
Total	**6,987**	**5,495**	**27.2%**	**100.0%**

** Enrolments shown for FY18 and FY19 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, Disability (recently discontinued), Early Childhood Education and Care and Mental Health*

DIRECTORS' REPORT (continued)

Operating and financial review (continued)

ALG (continued)

Results for the period (year ended 30 June)

ALG	FY19 $'000	FY18 $'000	Variance $'000	Variance %
Revenue				
International student revenue	13,569	10,655	*2,914*	*27.3%*
Domestic student revenue	1,139	1,352	(213)	(15.8%)
Other revenue	407	512	(105)	(20.5%)
Total revenue	**15,115**	**12,519**	**2,596**	**20.7%**
Cost of sales				
Commission	2,916	2,078	838	40.3%
Venue	1,665	1,383	282	20.4%
Teaching	3,307	2,673	634	23.7%
Other	359	321	38	11.8%
Total cost of sales	**8,247**	**6,455**	**1,792**	**27.8%**
Gross profit	**6,868**	**6,064**	**804**	**13.3%**
Gross margin	*45.4%*	*48.4%*	*n/a*	*(3.0%)**
Operating expenses	5,770	5,048	722	14.3%
Operating EBITDA	**1,098**	**1,016**	**82**	**8.1%**
Operating EBITDA margin	*7.3%*	*8.1%*	*n/a*	*(0.9%)**
International enrolments	6,987	5,495	1,492	27.2%
Revenue per international enrolment ($)	1,942	1,939	3	0.2%

* Movement in percentage points

ALG generated revenue of $15.1m and EBITDA of $1.1m for the year ended 30 June 2019. As expected, gross margin and earnings were materially impacted during 1H19 by various growth initiatives, most notably the introduction of the full Community Services course offering in Melbourne from 1 July 2018. This required an investment in a new campus, the launch of which was supported by various marketing initiatives and in its first half-year carried full operating costs against small student numbers. The Board has been pleased by the ramp-up of enrolments at the new Melbourne campus and it achieved run-rate breakeven on an EBITDA basis ahead of initial expectations. Further growth in enrolments, implementation of price increases, improvements in class sizes and containment of cost growth, resulted in a much improved second half. 2H19 revenue was $8.2m and EBITDA was $1.1m, compared to revenue of $6.9m and breakeven EBITDA in 1H19.

The national rollout of the full Community Services course offering continues to present a strong growth opportunity for ALG, alongside its Yoga Teaching offering, which had a positive launch in Sydney in 3Q19 and in Melbourne in 4Q19. International student enrolments in 1Q20 were 2,117, up 43.1% on the previous corresponding period. To accommodate expected growth, ALG has recently leased and commenced operating in a new campus in Sydney's CBD (providing an additional eight training rooms) and has also recently leased and fitted-out additional floor space to expand its existing Brisbane campus (providing an additional three training rooms). Capex on these new campuses was in the order of $0.6m. The earnings impact will be lower than our expansion in Melbourne in July 2018 as there are no marketing incentives planned and Ikon have relocated to the Sydney campus.

ALG is also exploring a number of additional course expansion initiatives.

The Company intends to continue to invest in growth initiatives to scale-up the business, noting this will impact earnings in the short term during the periods in which such investments are made.

Operating and financial review (continued)

ALG (continued)

Domestic revenue

ALG's domestic revenue for FY19 was relatively stable compared to FY18. ALG's domestic revenue is principally derived from distance education courses, with a limited course offering (Fitness and Dance Teaching). Courses are either paid for upfront or, more typically, by way of a fortnightly payment plan. Revenue is recognised equally over a 12-month period, from and including the month of sale.

Ikon

Overview

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

Ikon's primary focus is delivering its higher education (**HE**) courses to domestic students. Ikon's HE courses include a Bachelor Degree in Counselling and Psychotherapy and a Bachelor Degree in Arts Therapy. Each of these degree programmes include diploma and associate degree exit points.

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

Results for the period (from 5 July 2018 to 30 June 2019)

Ikon	**FY19 $'000**
Revenue	
International student revenue	454
Domestic student revenue	6,395
Other revenue	21
Total revenue	**6,870**
Cost of sales	
Commission	77
Venue	476
Teaching	2,695
Other	19
Total cost of sales	**3,267**
Gross profit	**3,603**
Gross margin	*52.4%*
Operating expenses	2,080
Operating EBITDA	**1,523**
Operating EBITDA margin	*22.2%*

DIRECTORS' REPORT (continued)

Operating and financial review (continued)

Ikon (continued)

Ikon generated revenue of $6.9m and EBITDA of $1.5m for the year ended 30 June 2019, with approximately 90% of its revenue derived from its higher education offering. Ikon recorded a healthy mid-year intake of approximately 80 students, adding to the approximately 200 that commenced at the beginning of the calendar year, and has enjoyed reduced withdrawal rates in 2H19. Importantly, 2H19 was the first time that Ikon had students in all three years of its degree programs, with the first cohort of students due to graduate later this calendar year. Whilst most students are domestic, Ikon has also had some early success in recruiting international students to its HE programs. 2H19 revenue was $6.9m and EBITDA was $1.5m, compared to revenue of $2.3m and EBITDA of $52k in 1H19.

Under the terms of the Ikon share sale agreement (**SSA**), an earn-out payment equal to 8 x FY19 EBITDA (as defined and calculated in accordance with the SSA and which might differ to the accounting EBITDA above) less the upfront payment of $5.5m (which has already been paid to the vendors), is payable to the vendors of Ikon. The earn-out payment (expected to be made in 1H20) is capped at $6.5m, up to 20% of which is payable in UCW shares (to be issued at the 20-day VWAP prior to payment and subject to a 12-month escrow) with the balance payable in cash. The Company intends to fund the cash portion of the earn-out payment from existing cash reserves and an increase to its existing debt facilities with CBA. The number of UCW shares to be issued to the vendors will be disclosed once the amount of the final earn-out payment (and the weighted average issue price for the shares) is determined.

Given we have come to the end of the earn-out period, we have commenced bringing the operations of Ikon and ALG together. We have started combining certain support functions and are turning our focus to enhancing revenue opportunities between the businesses.

We intend to increase our investment in Ikon as we move into FY20, including strengthening the academic team, on compliance and on program development.

In this regard, we are close to submitting for accreditation the first of what we anticipate will be a number of new bachelor degree programs in Ikon, which will provide opportunities for ALG students to further extend their studies within the UCW group, noting there is a lead-in time in the order of 24 months from inception to commencing delivery of a new higher education course.

Gradability

UCW's investment

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. On completion, Adam Davis, UCW's Chief Executive Officer, joined Gradability's board of directors as a Non-Executive Director.

Overview

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

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

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.

PYP students obtain five migration points towards their permanent residency application and approximately 45% of Performance Education's PYP graduates achieve an employment outcome with their host company

ReadyGrad is a more recently formed business unit that provides internship placement services and work-readiness training to a number of Universities, corporates and other education providers.

Operating and financial review (continued)

Gradability (continued)

Results for the period (year ended 30 June)

The trends and somewhat challenging market dynamics for Gradability that UCW reported in its 2018 Annual Report have continued to play out in FY19.

Gradability is positioned in the market as a quality provider and is delivering against this positioning. Strong enrolment growth in the PYP has resulted in continued revenue growth, however gross margins have continued to decline as a result of a shift in the student mix from accounting to IT students (delivery of the IT program having a higher cost structure), lower average pricing, increased recruitment costs (commissions and marketing) and increased fees to the respective governing bodies of the PYP. Notwithstanding increased enrolments, due to the lower gross margin, the absolute value of gross profit has decreased against 2018.

While ReadyGrad has made some positive early inroads with a number of University and corporate partners, the business unit is still in its infancy and has not yet provided a material level of diversification to Gradability's reliance on the PYP and has negatively impacted Gradability's operating earnings.

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

Earnings have consequently declined as a result of lower PYP gross margins, higher operating expenses and investment in ReadyGrad. In addition, Gradability has this year adopted the new revenue accounting standard AASB 15 – Revenue from Contracts with Customers, which impacted its FY19 results.

Gradability management have effected a significant restructure of the business and have budgeted for a reduced level of costs and improved operating margins in FY20.

UCW's equity accounted share of Gradability's net profit after tax for the year ended 30 June 2019 was $49,360 compared to $547,546 for the prior period.

Disposal of Surplus Entity

Following completion of the full integration of the 4Life College business into ALG, the Board considered the 4Life College legal entity as surplus to UCW's requirements.

Having maintained its RTO and CRICOS registrations, it was determined that the legal entity may be of value to third party interests. As such, management pursued a sale rather than deregistration.

A sale transaction was completed on 6 March 2019 for a consideration of $325,000, with 50% paid on completion and the balance payable in 12 months from that date.

The 4Life College brand and all intellectual property has been retained by the UCW group.

Corporate focus

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

DIRECTORS' REPORT (continued)

Operating and financial review (continued)

Results summary

The table below reconciles the underlying EBITDA of ALG and Ikon (from 5 July 2018 to 30 June 2019) (UCW's wholly owned subsidiaries) and UCW's 24.57% interest in Gradability for the year ended 30 June 2019, to the consolidated profit reported for the period.

	FY19 $'000	FY18 $'000	Variance $'000	Variance %
ALG and Ikon				
Total revenue	21,985	12,519	9,466	75.6%
Cost of sales	(11,514)	(6,455)	(5,059)	(78.4%)
Gross profit	**10,471**	**6,064**	**4,407**	**72.7%**
*Gross margin (%)**	*47.6%*	*48.4%*	*n/a*	*(0.8%)*
Operating expenses	(7,850)	(5,048)	(2,802)	(55.5%)
Operating EBITDA	**2,621**	**1,016**	**1,605**	**158.0%**
*Operating EBITDA margin (%)**	*11.9%*	*8.1%*	*n/a*	*3.8%*
UCW				
Corporate costs	(999)	(883)	(116)	(13.1%)
Underlying EBITDA	**1,622**	**133**	**1,489**	**1,119.5%**
Equity accounted share of results	49	548	(499)	(91.1%)
Profit / (loss) from discontinued operations	2	(139)	141	(101.4%)
Gain on disposal of surplus entity	289	-	289	n/a
Due diligence and transaction costs	(26)	(248)	222	89.5%
Depreciation and amortisation	(662)	(211)	(451)	(213.7%)
Interest expense	(101)	(76)	(25)	(32.9%)
Income tax (expense) / benefit	(221)	18	(239)	(1,327.8%)
Net profit after tax	**952**	**25**	**927**	**3,708.0%**

* Movement in percentage points

EBITDA: EBITDA is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit under Australian Accounting Standards, adjusted for specific non-cash and significant items. The above table summarises reconciling items between statutory net profit after tax attributable to the shareholders of UCW and EBITDA.

Operating EBITDA: Operating EBITDA is the EBITDA of 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 profit after tax of Gradability, no longer considered part of underlying EBITDA.

Profit / (loss) from discontinued operations: Represents the profit / (loss) 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 amortisation relates to fitout, course development, licences and software.

Operating and financial review (continued)

Net assets

The net assets of the Group as at reporting date was $14,581,549 (30 June 2018: $12,288,863).

Significant changes in the state of affairs

During the financial year, UCW purchased 100% of the issued shares in Ikon and has disposed of the surplus legal entity of 4Life Pty Ltd.

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

Significant events after balance date

The CBA amortising market rate loan facility, which was due to expire in July 2020, with an $850,000 principal repayment due at that time, has been replaced with a new $4,500,000 3-year amortising market rate loan facility to assist with the funding of the upcoming earn-out payment due to the vendors of Ikon under the terms of the share sale agreement. In addition, the overdraft facility has been extended to $500,000.

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 Limited under option as at the date of this report are:

Date options granted	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
1 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]
	2,400,000			

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.

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

DIRECTORS' REPORT (continued)

Operating and financial review (continued)

Auditor

The auditor of the Group for the financial year ended 30 June 2019 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 7 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 69 of the Annual Report.

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	8	8	2	2	1	1	1	1
Adam Davis	8	8	-	-	-	-	-	-
Peter Mobbs	8	8	2	2	1	1	1	1
Jonathan Pager	8	8	2	2	1	1	1	1

Remuneration Report (audited)

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

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

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

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

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

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

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

Remuneration Report (audited) continued)

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.

2 Details of remuneration (audited)

Directors and other Key Management Personnel		Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments		
Employee	**Year**	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Superannuation $**	**Long service leave $**	**Termination benefits $**	**Options $**	**Total $**	**Performance based % of remuneration %**
Executive Director and Key Management Personnel										
Adam Davis	2019	240,000	26,869	-	-	-	-	16,701	283,570	15.4%
Managing Director and CEO	2018	210,000	-	-	-	-	-	-	210,000	-
Lyndon Catzel	2019	179,839	22,391	-	17,085	-	-	28,950	248,265	20.7%
CFO and Company Secretary	2018	158,588	-	-	15,066	-	-	6,227	179,881	3.5%
Non-Executive Directors										
Gary Burg	2019	60,000	-	-	-	-	-	-	60,000	-
Chair	2018	60,000	-	-	-	-	-	-	60,000	-
Peter Mobbs	2019	36,530	-	-	3,470	-	-	-	40,000	-
	2018	36,530	-	-	3,470	-	-	-	40,000	-
Jonathan Pager	2019	50,000	-	-	-	-	-	-	50,000	-
	2018	50,000	-	-	-	-	-	-	50,000	-
Total	**2019**	**566,369**	**49,260**	**-**	**20,555**	**-**	**-**	**45,651**	**681,835**	**13.9%**
Total	**2018**	**515,118**	**-**	**-**	**18,536**	**-**	**-**	**6,227**	**539,881**	**1.2%**

DIRECTORS' REPORT (continued)

Remuneration Report (audited) (continued)

3 Service agreements (audited)

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

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

- Mr Gary Burg (Non-Executive Chair) - base fee (including Director's fees) of $60,000 per annum excluding GST.
- Mr Adam Davis (Chief Executive Officer and Managing Director) - base fee (including Director's fees) of $240,000 per annum excluding GST. During the year ended 30 June 2019, Mr Davis was eligible to receive up to 25% 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 60% to financial objectives and 40% to strategic and operational objectives. For the year ended 30 June 2019, a total STI of $26,869 (2018: $nil) was achieved (representing 45% of the maximum STI achievable). Effective 1 July 2019, Mr Davis' base fee was increased to $270,000 per annum excluding GST and for the year ending 30 June 2020, the maximum STI potential was increased to 30% of his base fee. The STI for FY20 is weighted 50% to financial objectives and 50% to strategic and operational objectives. Mr Davis' FY19 remuneration included a long-term incentive (LTI) of 800,000 Performance Rights, issued under the Company's Employee Option Plan, as approved by shareholders at the AGM on 9 November 2018 (refer below for further details).
- Mr Jonathan Pager (Non-Executive Director) - base fee (including Director's fees) of $50,000 per annum excluding GST.
- Mr Peter Mobbs (Non-Executive Director) - base salary (including Director's fees) of $40,000 per annum (including superannuation). Effective 1 July 2019, Mr Mobbs' base salary was increased to $50,000 per annum (including superannuation).
- If the Company terminates the agreement with 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 2019, Mr Catzel was paid a base salary of $200,000 (including superannuation) and he was eligible to receive up to 25% 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 60% to financial objectives and 40% to strategic and operational objectives. For the year ended 30 June 2019, a total STI of $22,391 (2018: $nil) was achieved (representing 45% of the maximum STI achievable). Effective 1 July 2019, Mr Catzel's base salary was increased to $225,000 per annum (including superannuation) and for the year ending 30 June 2020, the maximum STI potential was increased to 30% of his base salary. The STI for FY20 is weighted 50% to financial objectives and 50% to strategic and operational objectives. Mr Catzel's FY19 remuneration included an LTI of 800,000 Performance Rights, issued under the Company's Employee Option Plan (refer below for further details).

4 Share-based compensation (audited)

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

The Company has also 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 9 November 2018.

Other than disclosed above, there were no other share-based payments made to the Directors or Key Management Personnel for the year ended 30 June 2019 (2018: $nil).

Remuneration Report (audited) (continued)

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

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 **Managing Director and CEO**	800,000	22 Nov 2018	0.1035	82,825	-	$nil	22 Nov 2021	21 Dec 2021
Lyndon Catzel **CFO and Company Secretary**	800,000	22 Nov 2018	0.1035	82,825	-	$nil	22 Nov 2021	21 Dec 2021

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

- Vesting condition: 3 years of continuous employment or office with the Company from the date of issue;
- Exercise condition: 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; and
- Expiry: 1 month after the vesting date.

DIRECTORS' REPORT (continued)

Remuneration Report (audited) (continued)

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 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 [v]	-	800,000	-	-	-	800,000
Peter Mobbs	-	-	-	-	-	-
Jonathan Pager	-	-	-	-	-	-
Lyndon Catzel [iii][v]	800,000	800,000	-	-	800,000	800,000
	800,000	**1,600,000**	**-**	**-**	**800,000**	**1,600,000**

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

Notes

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

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

(iii) Options issued under the Company's Employee Option Plan: 400,000 options (after adjusting for the 1:5 consolidation approved by shareholders on 9 November 2017) 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

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

(v) Performance rights issued under the Company's Employee Option Plan: 1,600,000 performance rights issued on 22 November 2018, vesting on 22 November 2021, exercisable at $nil and expiring on 21 December 2021. 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

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) (continued)

(b) Shareholding

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

Year ended 30 June 2019	Balance at start of the year	Reduction due to share consolidation	Shares acquired [iv]	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**

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

Notes

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

(ii) Shares acquired under the non-renounceable underwritten rights issue dated 8 June 2018

(iii) Includes 49,980 shares acquired on market

(iv) Shares acquired 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 (continued)

Remuneration Report (audited) (continued)

Other Key Management Personnel transactions

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

Use of remuneration consultants

No remuneration consultants were used to provide remuneration recommendations during the year.

Signed in accordance with a resolution of the Directors.

Gary Burg
Non-Executive Chair
30 August 2019

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.

UCW LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $	2018 $
Revenue from continuing operations			
Student fee income		21,556,509	12,006,828
Other revenue		428,173	512,385
		21,984,682	12,519,213
Cost of sales		(11,513,955)	(6,455,039)
Gross profit		**10,470,727**	**6,064,174**
Other income			
Gain from disposal of surplus entity		288,678	-
Share of profits of associates accounted for using the equity method	4	49,360	547,546
Interest income		18,219	32,806
		356,257	**580,352**
Expenses			
Employee benefits expense		(5,687,432)	(4,064,237)
Depreciation and amortisation expense		(661,963)	(211,628)
Advertising and marketing expenses		(602,841)	(263,371)
Credit losses		(343,366)	(175,811)
Professional fees		(207,433)	(415,229)
Communication and IT expenses		(285,921)	(93,528)
Occupancy expenses		(262,872)	(109,310)
Cleaning expenses		(259,391)	(226,116)
Licence fees		(226,701)	(135,522)
Travelling expense		(192,414)	(139,197)
Borrowing expense		(119,323)	(108,702)
Insurance expense		(71,944)	(55,866)
Legal expense		(63,683)	(37,399)
Utility expense		(32,382)	(33,030)
Administration, support and other expenses		(638,910)	(430,191)
Total expenses		**(9,656,576)**	**(6,499,137)**
Profit before income tax expense from continuing operations		**1,170,408**	**145,389**
Income tax (expense) / benefit	2	(220,569)	18,145
Profit from continuing operations		**949,839**	**163,534**
Profit / (loss) from discontinued operations (net of tax)	14	2,415	(138,598)
Profit for the period		**952,254**	**24,936**
Other comprehensive income for the year		-	-
Total comprehensive income for the year (net of tax)		**952,254**	**24,936**

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

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

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $	2018 $
Profit per share attributable to equity holders of the parent entity			
Basic profit / (loss) per share (cents per share)			
Continuing operations	9	0.86	0.20
Discontinued operations	9	-	(0.17)
Diluted profit / (loss) per share (cents per share)			
Continuing operations	9	0.86	0.20
Discontinued operations	9	-	(0.17)

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

UCW LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	2019 $	2018 $
Current assets			
Cash and cash equivalents	26a	4,688,872	6,595,135
Trade and other receivables	10	2,147,392	957,921
Other assets	11	1,094,226	1,030,650
Income tax receivable	2	-	91,649
Inventories		-	1,687
Total current assets		**7,930,490**	**8,677,042**
Non-current assets			
Trade and other receivables	10	136,994	285,786
Investment in associates	4	6,174,152	6,273,474
Plant and equipment	12	3,016,206	2,218,031
Intangible assets	13	2,009,876	297,438
Deferred tax asset	2	477,720	737,768
Goodwill on consolidation	5	11,944,933	1,314,720
Total non-current assets		**23,759,881**	**11,127,217**
Total assets		**31,690,371**	**19,804,259**
Current liabilities			
Trade and other payables	16	2,907,082	2,283,583
Contract liabilities	17	5,488,262	3,315,175
Borrowings	30	350,000	300,000
Employee benefits	19	490,467	247,641
Deferred settlement	18	6,500,000	200,000
Provisions for onerous contracts	15	-	35,348
Other provisions	20	14,906	-
Income tax liabilities	2	56,092	-
Total current liabilities		**15,806,809**	**6,381,747**
Non-current liabilities			
Borrowings	30	850,000	975,000
Employee benefits	19	84,072	39,367
Contract liabilities	17	127,450	49,062
Other provisions	20	109,926	36,263
Deferred lease liability		130,565	33,957
Total non-current liabilities		**1,302,013**	**1,133,649**
Total liabilities		**17,108,822**	**7,515,396**
Net assets		**14,581,549**	**12,288,863**
Equity			
Issued capital	21	23,842,009	22,547,228
Reserves	22	62,969	17,318
Accumulated losses	23	(9,323,429)	(10,275,683)
		14,581,549	**12,288,863**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	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	21	1,294,781	-	-	-	1,294,781
Options issued at fair value	22	-	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**

		Issued Capital $	Share Based Payments Reserve $	Options Premium Reserve $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2017		**17,074,124**	**158,931**	**1,875**	**(10,407,336)**	**6,827,594**
Net profit for the year		-	-	-	24,936	24,936
Cumulative adjustment to equity per *AASB 15 Revenue from Contracts with Customers (Note 1(w))*		-	-	-	(42,998)	(42,998)
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		**-**	**-**	**-**	**(18,062)**	**(18,062)**
Transactions with owners in their capacity as owners						
Shares issued at net cost	21	5,473,104	-	-	-	5,473,104
Options issued at fair value	22	-	6,227	-	-	6,227
Options expired	22	-	(147,840)	(1,875)	149,715	-
Total transactions with owners in their capacity as owners		5,473,104	(141,613)	(1,875)	149,715	5,479,331
Balance as at 30 June 2018		**22,547,228**	**17,318**	**-**	**(10,275,683)**	**12,288,863**

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

UCW LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $	2018 $
Cash flow from operating activities			
Receipts from customers and other income		23,264,876	12,429,368
Interest received		16,765	45,702
Income taxes received / (paid)		150,827	(287,493)
Payments to suppliers and employees		(20,129,214)	(11,852,284)
Net cash provided by continuing operations		**3,303,254**	**335,293**
Net cash used in discontinued operations	14	(59,179)	(90,647)
Net cash provided by operating activities	26(b)	**3,244,075**	**244,646**
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash acquired	5c	(3,640,421)	(500,000)
Investment in associates	4	-	(4,391,417)
Dividend income	4	128,006	128,006
Net receipts from disposal of subsidiaries		126,178	-
Proceeds from term deposits		264,633	-
Payments for plant and equipment		(1,577,586)	(995,267)
Payments for intangibles		(193,688)	(162,711)
Net cash used in investing activities		**(4,892,878)**	**(5,921,389)**
Cash flow from financing activities			
Proceeds from share issues	21	-	4,000,000
Proceeds from borrowings	30	250,000	1,500,000
Borrowing costs		(121,191)	(128,011)
Repayment of borrowings	30	(325,000)	(225,000)
Capital raising costs		(61,269)	(202,983)
Net cash (used) / provided by financing activities		**(257,460)**	**4,944,006**
Net decrease in cash and cash equivalents		(1,906,263)	(732,737)
Cash and cash equivalents at beginning of year		6,595,135	7,327,872
Cash and cash equivalents at end of year	26(a)	**4,688,872**	**6,595,135**

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 2019

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 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) 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 30 August 2019. The Directors have the power to amend and reissue the financial statements.

(b) Basis of preparation

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

(c) 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 (continued)

(d) 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.

Ikon joined the income tax consolidated group (effective from 5 July 2018) and 4Life Pty Ltd (which was disposed of during the financial year) left the income tax consolidated group effective from 6 March 2019.

(e) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Business combinations (continued)

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

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

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the re-measurement period, based on the new information obtained about the facts and circumstances that existed at the acquisition date. The re-measurement period ends on either the earlier of:

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

(f) Inventories

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

(g) 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.

(h) Cash and cash equivalents

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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.

(j) Leases

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

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

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

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

(k) 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.

(l) 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.

(m) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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.

(o) 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.

(p) 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.

(q) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employee benefits (continued)

Superannuation

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

Termination benefits

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

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

Employee benefit on-costs

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

Share-based employee remuneration

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

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

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

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

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

Performance rights: The Company has issued performance rights under the existing Employee Option Plan (**EOP**) to selected employees during the financial year ended 30 June 2019. 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 (continued)

(r) Financial instruments

Classification

From 1 July 2018, 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

From 1 July 2018, 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(i) for details on the policy in relation to the allowance for expected credit losses.

(s) 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 (continued)

(t) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that individual assets are impaired. Where impairment indicators exist, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and its value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (**CGU**) to which the assets belong. Refer to Note 1(x) 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 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.

(u) 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.

(v) 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.

(w) Revenue recognition

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Revenue recognition (continued)

Tuition revenue

Tuition revenue and other education related revenue such as course materials, are recognised as the service is provided. Enrolment fees, which are non-refundable and relate to the enrolment application process, 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.

(x) 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.

Business combinations: The Company has completed a number of business combinations as contemplated in AASB 3 Business Combinations in the current and preceding financial years. AASB 3 requires that the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. Accounting for an acquisition in terms of AASB 3 is non-routine and complex and involves judgement on the part of management and the Board with regards to the identification and valuation of both tangible and intangible assets. There is also estimation uncertainty with regards to the determination of the final purchase consideration in relation to earn-out payments and working capital adjustments. To this extent business combinations are initially accounted for on a provisional basis. Where final amounts differ to provisional amounts, the Company retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the re-measurement period, based on the new information obtained about the facts and circumstances that existed as at the acquisition date. In relation to the acquisition of Ikon, an independent purchase price allocation was undertaken by an independent adviser. It was determined that a portion of the purchase price ($1,520,161) related to the higher education registration and the excess of the purchase consideration above the net identifiable tangible assets for Ikon is goodwill and together with management, have determined there are no other identifiable intangible assets.

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Critical accounting estimates and judgements (continued)

Performance rights: The Company has issued performance rights under the existing Employee Option Plan (**EOP**) to selected employees during the year ended 30 June 2019. 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.

(y) 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.

(z) Goods and service tax (GST)

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

(aa) Current and non-current classification

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

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

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(bb) New accounting standards and interpretations

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing the Annual Report. Those which may be relevant to the Group are set out below.

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

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

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

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

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

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

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

The Company intends to apply the short-term and low value recognition exemptions available and also intends to apply the modified retrospective approach on transition. The modified retrospective approach does not require comparative financial information to be restated. Based on the operating lease commitments as at 30 June 2019, under the modified retrospective approach, the Company would have recognised a lease liability of approximately $16.3m measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date of initial application and would have also recognised a corresponding right-of-use asset of approximately $16.3m in its Consolidated Statement of Financial Position.

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

The Company has not chosen to adopt the standard prior to its effective date of 1 July 2019.

• 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

	Note	2019 $	2018 $
Prior year (over) / under provision		(112,572)	7,687
Current tax		595,581	171,254
Deferred tax – origination and reversal of temporary differences		(261,524)	(249,658)
		221,485	**(70,717)**

		2019 $	2018 $
Income tax expense / (benefit) on continuing operations		220,569	(18,145)
Income tax expense / (benefit) on discontinued operations	14	916	(52,572)
		221,485	**(70,717)**

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

	2019 $	2018 $
Profit before tax from continuing operations	1,170,408	145,389
Profit before tax from discontinued operations	3,331	(191,169)
	1,173,739	(45,780)
Tax expense / (benefit) at 27.5%	322,778	(12,590)
(Deduct) / add tax effect of:		
Income tax (benefit) / expense from prior years	(112,572)	7,687
Other assessable / allowable items	11,279	(65,814)
	221,485	(70,717)
Benefit of tax loss not brought to account	-	-
Income tax expense / (benefit) attributable to profit / (loss)	**221,485**	**(70,717)**

(c) Recognised temporary differences deferred tax assets

	2019 $	2018 $
Provisions for employee entitlements	213,167	118,169
Accrued expenses and other provisions	293,847	191,062
Depreciation / amortisation	56,291	32,228
Estimated assessed tax losses	53,836	297,242
Equity raising costs and 'blackhole' expenditure	119,119	205,763
Prepaid commission and teaching fees	(205,964)	(66,237)
Other	(52,576)	(40,459)
	477,720	**737,768**

2. INCOME TAX EXPENSE (continued)

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

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

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

Income tax payable of $56,092 (2018: $91,649 receivable) represents the amount payable to ATO.

3. CONTROLLED ENTITIES

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

4. INVESTMENT IN ASSOCIATES

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

Name	Ownership interest 2019 %	Ownership interest 2018 %	Equity-accounted 2019 $	Equity-accounted 2018 $
Gradability Pty Ltd	24.57	24.57	6,174,152	6,273,474

Reconciliation of movements	2019 $	2018 $
Balance at the beginning of the period	6,273,474	-
Acquisition of associates at cost	-	5,855,222
Share of profit from associates	49,360	547,546
Elimination of intercompany transactions	(20,676)	(1,288)
Dividend received	(128,006)	(128,006)
Balance at reporting date	**6,174,152**	**6,273,474**

4. INVESTMENT IN ASSOCIATES (continued)

Summarised financial information

	Gradability	
Summarised statement of financial position	**Unaudited 2019 $'000**	**Audited 2018 $'000**
Current assets	25,286	26,107
Non-current assets	4,107	2,496
Total assets	**29,393**	**28,603**
Current liabilities	20,342	19,541
Non-current liabilities	1,601	1,847
Total liabilities	**21,943**	**21,388**
Net assets	**7,450**	**7,215**

	Gradability	
Summarised statement of profit or loss and other comprehensive income	**Unaudited 2019 $'000**	**Audited 2018 $'000**
Revenue	52,395	46,214
Expenses	(52,108)	(43,284)
Profit before income tax	**287**	**2,930**
Income tax expense	(86)	(828)
Profit after income tax	**201**	**2,102**
Other comprehensive income	-	-
Total comprehensive income	**201**	**2,102**

Gradability's accounts are audited around October each year. Accordingly, the Group has presented unaudited amounts for the current financial year.

5. ACQUISITION OF SUBSIDIARIES

a) Goodwill on consolidation

	30 June 2019 $	30 June 2018 $
Australian Learning Group Pty Limited	1,314,720	1,314,720
Proteus Technologies Pty Ltd (Ikon) (i)	10,630,213	-
Total goodwill	**11,944,933**	**1,314,720**

b) Goodwill on acquisition of Ikon

	Fair value $
Fair value of purchase consideration:	
Amount settled in cash and shares (including working capital adjustment)	5,500,000
Contingent consideration (ii)	6,500,000
	12,000,000
Less:	
Current assets	**979,665**
Non-current assets	
Plant and equipment	43,890
Intangible assets (other than higher education licence)*	189,440
Total non-current assets	**233,330**
Current liabilities	
Current employee benefits	(311,195)
Other current liabilities	(873,677)
Total current liabilities	**(1,184,872)**
Non-current liabilities	
Non-current employee benefits	(33,462)
Other non-current liabilities	(118,180)
Total non-current liabilities	**(151,642)**
Identified assets acquired and liabilities assumed	**(123,519)**
Intangible asset acquired - higher education registration*	1,520,161
Deferred tax liability booked against goodwill	(26,855)
Goodwill	**10,630,213**

* Total intangible assets acquired is $1,709,601.

5. ACQUISITION OF SUBSIDIARIES (continued)

c) Cash flow on acquisition of Ikon

	Fair value $
Total consideration	12,000,000
Contingent consideration (ii) (iii)	(6,500,000)
Share based payment (5,500,000 shares issued at $0.20 per share)	(1,100,000)
Deposit paid in prior year	(500,000)
Cash acquired	(259,579)
Net cash flow on acquisition	**3,640,421**

(i) On 4 July 2018, the Company acquired 100% of the shares of Ikon, following satisfaction or waiver of all conditions precedent.

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

- If the value of the Base Amount (Base Amount = 8 x EBITDA (as defined and calculated in accordance with the SSA, which might differ to accounting EBITDA) for FY19) is less than $5.5m, the Earn Out Amount will be zero;
- If the value of the Base Amount is greater than $5.5m, the Earn Out Amount will be the Base Amount; and
- If the value of the Earn Out Amount is greater than the Earn Out Cap, the Earn Out amount will be the Earn Out Cap.

(iii) The earn-out payment (expected to be made in 1H20) is capped at $6.5m, up to 20% of which is payable in UCW shares (to be issued at the 20-day VWAP prior to payment and subject to a 12-month escrow) with the balance payable in cash.

Notes 1(e) and 1(x) to the Annual Report outline the assumptions and critical judgements made by management to determine the fair value of assets and liabilities at acquisition. Given the strong performance (particularly in 2H19), the Company has prudently resolved to recognise the maximum earn-out amount of $6.5m. Management expect to finalise the earn-out calculation under the SSA and settle the contingent consideration in 1H20. Up to 20% of the earn-out payment is payable in UCW shares (to be issued at the 20-day VWAP prior to payment and subject to a 12-month escrow) with the balance payable in cash. The Company intends to fund the cash portion of the earn-out payment from existing cash reserves and an increase to its existing debt facilities with CBA. The number of UCW shares to be issued to the vendors will be disclosed once the amount of the final earn-out payment (and the weighted average issue price for the shares) is determined.

6. KEY MANAGEMENT PERSONNEL COMPENSATION

	2019 $	2018 $
Total remuneration – fixed	586,924	533,654
Total remuneration – at risk	94,911	6,227
	681,835	**539,881**

Further information is contained in the remuneration report.

6. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

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 2019	Balance at start of the year	Granted as remuneration	Other changes during the year [iv]	Expired	Vested and exercisable at the end of the year	Unvested and not exercisable at the end of the year
Gary Burg	-	-	-	-	-	-
Adam Davis [v]	-	800,000	-	-	-	800,000
Peter Mobbs	-	-	-	-	-	-
Jonathan Pager	-	-	-	-	-	-
Lyndon Catzel [iii][v]	800,000	800,000	-	-	800,000	800,000
	800,000	**1,600,000**	**-**	**-**	**800,000**	**1,600,000**

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

Notes

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

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

(iii) Options issued under the Company's Employee Option Plan: 400,000 options (after adjusting for the 1:5 consolidation approved by shareholders on 9 November 2017) 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

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

(v) Performance rights issued under the Company's Employee Option Plan: 1,600,000 performance rights issued on 22 November 2018, vesting on 22 November 2021, exercisable at $nil and expiring on 21 December 2021. 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

6. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

(b) Shareholding

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

Year ended 30 June 2019	Balance at start of the year	Reduction due to share consolidation	Shares acquired (iv)	Balance at end of the year or date of resignation
Gary Burg	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**

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

Notes

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

(ii) Shares acquired under the non-renounceable underwritten rights issue dated 8 June 2018

(iii) Includes 49,980 shares acquired on market

(iv) Shares acquired 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.

7. AUDITOR'S REMUNERATION

	2019 $	2018 $
Audit and review of financial statements		
- current Group auditors - RSM Australia Partners	61,807	56,910
- current Ikon auditors - PKF Kennedy	7,800	-
Other services		
- RSM Australia Partners for taxation compliance (including prior years)	15,700	35,000
Total auditor's remuneration	**85,307**	**91,910**

8. FRANKING CREDITS

	2019 $	2018 $
Franking credits	2,970,933	2,982,040
	2,970,933	**2,982,040**

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.

9. EARNINGS PER SHARE

	2019 $	2018 $
(a) Basic earnings / (loss) per share (cents)		
From continuing operations	0.86	0.20
From discontinued operations	-	(0.17)
(b) Diluted earnings / (loss) per share (cents)		
From continuing operations	0.86	0.20
From discontinued operations	-	(0.17)
(c) Reconciliation of profit / (loss) in calculating earnings per share		
Basic and diluted loss per share		
Profit from continuing operations attributable to ordinary equity holders of the Company	949,839	163,534
Loss from discontinued operations (net of tax)	2,415	(138,598)
	952,254	24,936
(d) Total shares		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic profit / (loss) per share (i)	110,384,720	79,786,724
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted profit / (loss) per share	110,384,720	79,786,724

(i) adjusted for the 1:5 share consolidation in November 2017

10. TRADE AND OTHER RECEIVABLES

	2019 $	2018 $
Current		
Trade and other receivables	1,993,918	712,297
GST receivable	306,941	275,902
Less: allowance for expected credit losses	(153,467)	(30,278)
	2,147,392	**957,921**
Non-current		
Trade and other receivables	136,994	285,786
	136,994	**285,786**

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

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

	2019 $	2018 $
Opening balance	30,278	25,194
Additional allowance recognised	343,366	175,811
Receivables written off during the year as uncollectable	(220,177)	(170,727)
	153,467	**30,278**

11. OTHER ASSETS

	2019 $	2018 $
Current		
Prepayments	262,435	248,024
Deposits	82,830	541,764
Commissions in advance	748,961	240,862
	1,094,226	**1,030,650**

Deposits as at 30 June 2018 included a $500,000 deposit in relation to the acquisition of Ikon. This deposit was applied to the completion payment made on 4 July 2018.

12. PLANT AND EQUIPMENT

	Office equipment $	Leasehold improvements $	Total $
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**
At 30 June 2018			
Cost	777,556	1,770,702	2,548,258
Accumulated depreciation	(235,701)	(94,526)	(330,227)
	541,855	**1,676,176**	**2,218,031**

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 2018	541,855	1,676,176	2,218,031
Additions	531,124	625,314	1,156,438
Additions through business combinations (refer to Note 5)	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**
At 1 July 2017	226,888	348,703	575,591
Additions	374,406	1,409,358	1,783,764
Re-classification of depreciation expense	12,642	(12,642)	-
Depreciation	(72,081)	(69,243)	(141,324)
At 30 June 2018	**541,855**	**1,676,176**	**2,218,031**

13. INTANGIBLE ASSETS

	Computer software $	Website development $	Course development and licences $	Total $
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)
	223,901	**335**	**1,785,640**	**2,009,876**
At 30 June 2018				
Cost	211,614	4,339	194,910	410,863
Accumulated amortisation	(63,928)	(3,804)	(45,693)	(113,425)
	147,686	**535**	**149,217**	**297,438**

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 2018	147,686	535	149,217	297,438
Additions	128,280	-	134,367	262,647
Additions through business combinations (refer to Note 5)	-	-	1,709,601	1,709,601
Amortisation	(52,065)	(200)	(207,545)	(259,810)
At 30 June 2019	**223,901**	**335**	**1,785,640**	**2,009,876**
At 1 July 2017	147,696	1,077	89,229	238,002
Additions	45,680	-	84,060	129,740
Amortisation	(45,690)	(542)	(24,072)	(70,304)
At 30 June 2018	**147,686**	**535**	**149,217**	**297,438**

14. 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.

	2019 $	2018 $
Revenue	3,331	373,125
Expenses	-	(564,295)
Profit / (loss) before income tax	**3,331**	**(191,170)**
Attributable income tax (expense) / benefit	(916)	52,572
Profit / (loss) after income tax	**2,415**	**(138,598)**
Net cash outflows from operating activities	**(59,179)**	**(90,647)**

15. PROVISION FOR ONEROUS CONTRACTS

	2019 $	2018 $
Onerous contracts		
Employment costs	-	32,348
Other costs	-	3,000
Total provision for onerous contracts	**-**	**35,348**

16. TRADE AND OTHER PAYABLES

	2019 $	2018 $
Current		
Trade creditors	1,530,899	1,162,128
Other payables and accrued expenses	1,376,183	1,121,455
	2,907,082	**2,283,583**

Trade creditors at 30 June 2019 are not considered past due.

Refer to Note 29 for further information on financial instruments.

17. CONTRACT LIABILITIES

	2019 $	2018 $
Current		
Contract liabilities	5,488,262	3,315,175
	5,488,262	**3,315,175**
Non-current		
Contract liabilities	127,450	49,062
	127,450	**49,062**

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. These are deferred and then recognised in accordance with the provision of the tuition and course materials. See further Note 1(w).

18. DEFERRED SETTLEMENT

	2019 $	2018 $
Current	6,500,000	200,000
	6,500,000	**200,000**

The deferred settlement payment as at 30 June 2019 represents the maximum amount due to the vendors of Ikon. The earn-out payment (expected to be made in 1H20) is capped at $6.5m, up to 20% of which is payable in UCW shares (to be issued at the 20-day VWAP prior to payment and subject to a 12-month escrow) with the balance payable in cash. The liability will be partially funded through the issue of shares and through cash and an extension of debt facilities with CBA (which when drawn, will attract interest charges). Refer to Note 27 for further details.

The deferred settlement payment as at 30 June 2018 related to the acquisition of 4Life Pty Ltd. Fully paid ordinary shares in the Company were issued to the vendors during the year in satisfaction of the settlement.

19. EMPLOYEE BENEFITS

	2019 $	2018 $
Current liabilities		
Annual leave	379,086	191,617
Long service leave	111,381	56,024
	490,467	**247,641**
Non-current liabilities		
Long service leave	84,072	39,367
	84,072	**39,367**

19. EMPLOYEE BENEFITS (continued)

Reconciliation of movements

	2019 $	2018 $
Annual leave		
Opening balance	191,617	133,511
Additions through business combinations (refer to Note 5)	238,626	-
(Reversals) / additions	(51,157)	58,106
Closing balance	**379,086**	**191,617**
Long service leave current		
Opening balance	56,024	36,324
Additions through business combinations (refer to Note 5)	72,569	-
(Reversals) / additions	(17,212)	19,700
Closing balance	**111,381**	**56,024**
Long service leave non-current		
Opening balance	39,367	23,778
Additions through business combinations (refer to Note 5)	33,462	-
Additions	11,243	15,589
Closing balance	**84,072**	**39,367**

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 to 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:

	2019 $	2018 $
Current liabilities		
Employee benefits obligation expected to be settled after 12 months	63,394	38,458
	63,394	**38,458**

20. PROVISIONS

	2019 $	2018 $
Current		
Make-good provision	14,906	-
	14,906	**-**
Non-current		
Make-good provision	109,926	36,263
	109,926	**36,263**

Reconciliation of provisions

a) Current

	2019 $	2018 $
Opening balance	-	30,225
Additional provisions recognised	14,906	-
Amounts used or reversed	-	(30,225)
Closing balance	**14,906**	**-**

b) Non-current

	2019 $	2018 $
Opening balance	36,263	25,384
Additional provisions recognised	54,829	10,879
Additions through business combinations	18,834	-
Amounts used or reversed	-	-
Closing balance	**109,926**	**36,263**

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

21. SHARE CAPITAL

(a) Ordinary shares

	2019		2018	
	Number	$	Number	$
Opening balance	104,654,583	22,547,228	373,876,131	17,074,124
Issue of shares	6,166,666	1,294,781	49,396,758	5,473,104
Share consolidation (1:5) approved on 9 November 2017	-	-	(318,618,306)	-
Closing balance	**110,821,249**	**23,842,009**	**104,654,583**	**22,547,228**

(b) Issuance of ordinary shares

The following shares were issued and allotted by the Company during the financial year ended 30 June 2019:

- On 4 July 2018, 5,500,000 fully paid ordinary shares were issued to the vendors of Ikon, under Listing Rule 7.1 and Listing rule 7.1A at an issue price of $0.20 per share.
- On 22 January 2019, 666,666 fully paid ordinary shares were issued to the vendors of 4Life Pty Ltd, under Listing Rule 7.1A at an issue price of $0.30 per share.

(c) Rights of each type of share

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

(d) Capital risk management

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

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

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

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

22. OPTIONS AND PERFORMANCE RIGHTS RESERVES

	2019		2018	
	Number	$	Number	$
Opening balance	800,000	17,318	93,524,115	160,806
Options issued	-	12,249	-	6,227
Performance rights issued	1,600,000	33,402	-	-
Options expired	-	-	(17,904,823)	(149,715)
Options consolidation (1:5) approved on 9 November 2017	-	-	(74,819,292)	-
Closing balance	**2,400,000**	**62,969**	**800,000**	**17,318**

Refer to Note 1(q) and Note 6 for further details in respect of the options.

23. ACCUMULATED LOSSES

	2019 $	2018 $
Opening balance	(10,275,683)	(10,407,336)
Cumulative adjustment to equity per AASB 15 Revenue from Contracts with Customers - Note 1(w)	-	(42,998)
Options expired	-	149,715
Net profit for the year	952,254	24,936
Closing balance	**(9,323,429)**	**(10,275,683)**

24. OPERATING LEASE COMMITMENTS

	2019 $	2018 $
Payable – minimum lease payments	2,830,536	1,465,329
- not later than 1 year	7,742,788	3,522,629
- later than 1 year but not later than 5 years	**10,573,324**	**4,987,958**

Note that the lease liability, as calculated under AASB 16, includes the present value of lease commitments, including any option which is deemed to be reasonably certain of being exercised. That amount (estimated to be $16.3m) is greater than the operating lease commitments shown above, as these do not take account of the option periods in relation to the leases.

25. 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 2019	ALG $	Ikon $	Unallocated $	Total $
Tuition revenue - international	13,569,203	453,805	-	14,023,008
Tuition revenue - domestic	1,138,951	6,394,550	-	7,533,501
Other revenue	406,957	21,216	-	428,173
Gain or loss from the disposal of assets	-	-	288,678	288,678
Share of profit of associates	-	-	49,360	49,360
Interest income	4,233	4,480	9,506	18,219
Profit / (loss) from continuing 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				
Total segment assets	8,596,518	4,013,575	19,080,278	31,690,371
Total segment liabilities	(6,475,030)	(2,990,455)	(7,643,337)	(17,108,822)

For the year ended 30 June 2018	ALG $	Ikon $	Unallocated $	Total $
Tuition revenue - international	10,654,387	-	-	10,654,387
Tuition revenue - domestic	1,352,441	-	-	1,352,441
Other revenue	512,385	-	-	512,385
Share of profit of associates	-	-	547,546	547,546
Interest income	8,128	-	24,678	32,806
Profit / (loss) from continuing operations	511,574	-	(348,040)	163,534
Loss from discontinued operations	(138,598)	-	-	(138,598)
Profit / (loss) for the period	372,976	-	(348,040)	24,936
As at 30 June 2018				
Total segment assets	7,155,304	-	12,648,955	19,804,259
Total segment liabilities	(5,781,394)	-	13,296,790	7,515,396

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).

26. CASH FLOW INFORMATION

a) Cash and cash equivalents

	2019 $	2018 $
Cash at bank and on hand	4,688,872	6,595,135
	4,688,872	**6,595,135**

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

	2019 $	2018 $
Profit from ordinary activities after income tax	**952,254**	**24,936**
Adjustments for non-cash items		
Share of profit of associates using equity method	(49,360)	(547,546)
Gain on disposal of assets	(288,678)	-
Depreciation and amortisation expense	661,963	223,649
Employee share based expenses	45,651	6,227
Borrowing costs classified as financing activity	134,584	84,011
Cumulative adjustment to retained earnings per AASB 15	-	(42,998)
Other	(33,040)	(9,977)
Ikon – net assets (opening balances)	(796,857)	-
Changes in assets and liabilities		
Trade and other receivables	(949,030)	(91,445)
Inventory	1,687	4,503
Other assets	(63,576)	(595,998)
Deferred tax asset	260,048	(333,463)
Trade and other payables	623,499	1,168,501
Contract liabilities	2,251,475	350,508
Provisions and other liabilities	493,452	3,738
Cash flow provided by operating activities	**3,244,072**	**244,646**

c) Reconciliation of liabilities arising from financing activities

	2019 $	2018 $
Borrowings		
Opening balance	1,275,000	-
Proceeds from loan facility	250,000	1,500,000
Repayment of loan	(325,000)	(225,000)
Closing balance	**1,200,000**	**1,275,000**

Refer to Note 30 for details.

27. EVENTS AFTER BALANCE DATE

The CBA amortising market rate loan facility, which was due to expire in July 2020, with an $850,000 principal repayment due at that time, has been approved and will be replaced with a new $4,500,000 3-year amortising market rate loan facility to assist with the funding of the upcoming earn-out payment due to the vendors of Ikon under the terms of the share sale agreement. In addition, the overdraft facility will be extended to $500,000.

There have been no other significant events after balance date.

28. RELATED PARTY TRANSACTIONS

Disclosures relating to Key Management Personnel are set out in Note 6 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.

29. 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 30. The Company's policy is to ensure that the best interest rate is paid on borrowings.

Credit risk

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

Foreign currency risk

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

Liquidity risk

Vigilant liquidity risk management requires the Company to maintain sufficient liquid assets and available borrowing facilities to be able to pay its debts as and when they become due and payable. The Company manages liquidity risk by continuously monitoring forecast and actual cash flow 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.

29. FINANCIAL RISK MANAGEMENT (continued)

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 $4,688,872 at 30 June 2019 (2018: $6,595,135), 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.

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 and cash equivalents	0.33%	4,599,106	-	-	-	4,599,106
Non-interest bearing						
Cash and 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**

* The deferred settlement payment as at 30 June 2019 represents the maximum amount due to the vendors of Ikon. The earn-out payment (expected to be made in 1H20) is capped at $6.5m, up to 20% of which is payable in UCW shares (to be issued at the 20-day VWAP prior to payment and subject to a 12-month escrow) with the balance payable in cash. The liability will be partially funded through the issue of shares and through cash and an extension of debt facilities with CBA (which when drawn, will attract interest charges). Refer to Note 27 for further details.

29. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments composition and maturity analysis (continued)

Consolidated - 2018	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 and cash equivalents	0.48%	6,509,278	-	-	-	6,509,278
Non-interest bearing						
Cash and cash equivalents	-	85,857	-	-	-	85,857
Receivables	-	219,645	738,276	285,786	-	1,243,707
Total financial assets		**6,814,780**	**738,276**	**285,786**	**-**	**7,838,842**
Financial liabilities						
Interest-bearing						
Borrowings	6.32%	75,000	225,000	975,000	-	1,275,000
Non-interest bearing						
Trade and other payables	-	2,283,583	-	-	-	2,283,583
Deferred settlement*	-	-	200,000	-	-	200,000
Total financial liabilities		**2,358,583**	**425,000**	**975,000**	**-**	**3,758,583**

30. BORROWINGS

	30 June 2019 $	30 June 2018 $
Current	350,000	300,000
	350,000	**300,000**
Non-current	850,000	975,000
	850,000	**975,000**

A total loan facility (secured by a first ranking charge over all present and after acquired property of the Group) of $2,200,000 was 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 $2,400,000 to provide partial financing of the acquisition of Ikon and fitout of the new campus in Melbourne.

Refer to Note 27 for further details on the refinancing of this loan, which occurred after year end.

Loan Facility	Facility Limit ($)	Drawn ($)	Undrawn ($)
a) Market rate loan	1,200,000	(1,200,000)	-
b) Overdraft (working capital)	150,000	-	150,000
c) Bank guarantee (rental bonds)	1,050,000	(1,000,695)	49,305
Total loan facility	**2,400,000**	**(2,200,695)**	**199,305**

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

b) The overdraft facility has an indefinite revolving term and is subject to annual review. The interest rate is currently 7.00% p.a. and an overdraft line fee of 1.12% p.a. is payable.

c) A bank guarantee fee of 3.50% p.a. is payable half-yearly in advance.

Reconciliation of movements

	2019 $	2018 $
Opening balance	1,275,000	-
Proceeds from loan facility	250,000	1,500,000
Repayment of loan	(325,000)	(225,000)
Closing balance	**1,200,000**	**1,275,000**

In relation to the market rate loan, $350,000 is considered current and repayable within 12 months and the remaining balance of $850,000 is non-current and has been classified accordingly in the Consolidated Statement of Financial Position.

31. UCW LIMITED PARENT COMPANY INFORMATION

	2019 $	2018 $
(a) Summarised Statement of Financial Position		
Assets		
Total assets	19,281,265	12,242,876
Liabilities		
Total liabilities	7,967,841	1,642,354
Net assets	**11,313,424**	**10,600,522**
Equity		
Share capital and reserves	23,904,978	22,564,546
Options expired	-	149,715
Accumulated losses	(12,591,554)	(12,113,739)
Total equity	**11,313,424**	**10,600,522**
(b) Summarised Statement of Profit or Loss and other Comprehensive Income		
Loss for the year	(627,530)	(348,042)
Total comprehensive loss for the year	**(627,530)**	**(348,042)**

The loss for the year included $49,360 share of profits of associates (2018: $547,546).

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 2019 (2018: $nil).

Capital commitments – plant and equipment

The parent entity had no capital commitments for plant and equipment as at 30 June 2019 (2018: $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 2019 for premises at 225 Clarence St, Sydney, NSW 2000.

UCW
LIMITED

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 2019 and of its performance for the year then ended; and

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

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

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

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

On behalf of the Directors

Gary Burg
Non-Executive Chair
30 August 2019

RSM

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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 2019, 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 2019 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.

RSM

Key Audit Matter	How our audit addressed this matter
Recognition of Revenue / Deferred Revenue Refer to Note 1w in the financial statements	
• Revenue recognition was considered a key audit matter. Risk in relation to revenue recognition is increased at UCW due to the nature of the business and fees being routinely received in advance of the courses being delivered.	Our audit procedures in relation to the recognition of revenue included: • Assessing whether the Group's revenue recognition policies were in compliance with Australian Accounting Standards. • Evaluating and testing the effectiveness, of management's controls in relation to revenue, deferred revenue, and revenue recognition. • Various substantive analytical review procedures. • Testing a sample of enrollments to supporting documentation and evaluating the appropriateness of the accounting treatment in this regard including the timing of the recognition of the revenue in this regard.
Business Combination of Proteus Technologies Pty Ltd Refer to Note 5 in the financial statements	
On 4 July 2018 the group acquired Proteus Technologies Pty Ltd (trading as IKON Institute of Australia) for a consideration of $12m including contingent consideration of $6.5m, the calculation of which remains subject to agreement in accordance with the terms of the Share Sale Agreement. This was considered a key audit matter because the accounting for the transaction is complex, non-routine, and involves significant judgment in applying the accounting standards. These include the assumptions around the identification and quantification of the fair values of both the tangible and intangible assets acquired. In addition the assumption used in the quantification and recognition of the contingent consideration was considered to be risk from an audit perspective.	Our audit procedures in relation to accounting for the acquisitions included the following: • Reviewing the Share Sale Agreement in order to obtain an understanding of the transaction and the related accounting considerations. • Critically evaluating the key assumptions used by management in determining the proposed accounting treatment having consideration of the various related documents and agreements as well as the requirements of the Australian Accounting Standards. • Obtaining the valuation reports and related clients models provided to support the fair values of the assets and liabilities acquired as part of the transactions and testing the reasonableness of the assumptions and inputs used as well as testing the appropriateness of the valuation methodology applied. • Reviewing the work performed by Management's Experts with regards to the valuation reports in respect of the intangible assets identified in each of the acquisitions. • Reviewing and evaluating the appropriateness of the related financial statement disclosures.

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 2019, 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 16 to 22 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of UCW Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

RSM

RSM AUSTRALIA PARTNERS

GNS

G N SHERWOOD
Partner

Sydney, NSW
Dated: 30 August 2019

RSM

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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 2019, 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: 30 August 2019

UCW LIMITED

ASX ADDITIONAL INFORMATION

AS AT 12 AUGUST 2019

ORDINARY SHARES

110,821,249 fully paid ordinary shares, held by 362 individual shareholders.

All ordinary shares carry one vote per share.

RESTRICTED SECURITIES

None.

UNQUOTED SECURITIES

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

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

1,600,000 performance rights (zero-priced options), vesting on 22 November 2021 and exercisable before 21 December 2021, held by 2 optionholders.

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	105,105,510	94.84	88	24.31
10,001 to 100,000	5,011,227	4.52	144	39.78
5,001 to 10,000	603,511	0.55	64	17.68
1,001 to 5,000	97,439	0.09	28	7.73
1 to 1,000	3,562	0.00	38	10.50
Total	**110,821,249**	**100.00**	**362**	**100.00**

There are 37 holders of unmarketable parcels.

TOTAL HOLDERS OF OPTIONS

Range	Options	%	No. of holders	%
100,001 and over	2,400,000	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	**2,400,000**	**100.00**	**2**	**100.00**

ASX ADDITIONAL INFORMATION (continued)

SUBSTANTIAL SHAREHOLDERS

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

Name	Ordinary shares	%
GLOBAL CAPITAL HOLDINGS (AUSTRALIA) PTY LTD	32,608,791	29.42
ABD HOLDINGS PTY LIMITED	8,000,000	7.22
MR MATTHEW CRAWFORD REEDE	6,717,762	6.06
MICROEQUITIES ASSET MANAGEMENT PTY LIMITED	5,814,718	5.25

TOP 20 HOLDERS OF EQUITY SECURITIES AS AT 12 AUGUST 2019:

Rank	Name	Ordinary shares	%
1	GLOBAL UCW PTY LIMITED	25,083,686	22.63
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	9,698,193	8.75
3	ABD HOLDINGS PTY LIMITED	8,000,000	7.22
4	GLOBAL UCW NO 2 PTY LIMITED	7,525,105	6.79
5	MR MATTHEW CRAWFORD REEDE	6,410,761	5.78
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,097,044	5.50
7	BRAD RICHARD SEAMAN	2,750,000	2.48
7	SIMON PAUL & REBECCA JANE PAUL	2,750,000	2.48
8	KJA HOLDINGS PTY LTD	1,813,708	1.64
9	MATTHEW SMITH	1,666,667	1.50
9	MARGARET ARMSTRONG	1,666,667	1.50
10	HOLLOWAY COVE PTY LTD	1,655,523	1.49
11	DMX CAPITAL PARTNERS LIMITED	1,500,000	1.35
12	UNITED EQUITY PARTNERS PTY LTD	1,375,000	1.24
13	JD LIPMAN PTY LTD	1,313,855	1.19
14	TRANSFUND PTY LTD	1,250,000	1.13
15	DIXSON TRUST PTY LIMITED	1,247,110	1.13
16	OCEANVIEW SUPER FUND PTY LTD	1,078,598	0.97
17	RAMBUTAN ENTERPRISES LTD	1,000,000	0.90
18	JACOBSON FAMILY HOLDINGS PTY LTD	975,000	0.88
19	MONICA GINSBERG SUPER PTY LTD	788,313	0.71
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	775,000	0.70

UCW

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