HALF-YEAR REPORT

FINANCIAL REPORT
FOR THE HALF-YEAR
ENDED 31 DECEMBER 2019

UCW
LIMITED

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

UCW LIMITED

TITLE

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

Auditors

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

Share Registry

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

Stock Exchange Listing

Australian Securities Exchange (ASX)
ASX Code: UCW

Website

www.ucwlimited.com.au

DIRECTORS' REPORT

Your Directors present their financial report on the consolidated entity consisting of UCW Limited (**UCW** or **the Company**) and its controlled entities (**Group**) for the half-year ended 31 December 2019.

Directors

The names of the Directors during the half-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)

Dividends

No dividends have been paid or declared during the financial half-year ended 31 December 2019 (2018: $nil).

Principal activities

The principal activity of the Company during the financial half-year was the provision of education services across both the higher education and vocational sectors.

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 - acquired 4 July 2018, trading as Ikon Institute of Australia (**Ikon**).

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, accounting and engineering, that includes an internship in an Australian workplace.

The results presented in this report include the corporate operations of UCW, the operations of its wholly-owned subsidiaries ALG and Ikon, together with UCW's interest in Gradability, for the half-year ended 31 December 2019. The comparative period, being the half-year ended 31 December 2018, includes the corporate operations of UCW, the operations of ALG and Ikon (from 5 July 2018 to 31 December 2018), together with UCW's interest in Gradability.

The Company has accounted for the investment in Gradability using the equity method per *AASB 128 Investments in Associates and Joint Ventures*, bringing its proportionate share of Gradability's net loss after tax into the Company's Statement of Profit or Loss and Other Comprehensive Income.

UCW LIMITED

DIRECTORS' REPORT (continued)

Operating and financial review (continued)

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 31 December 2019, ALG had 2,288 international students.

ALG's international students are recruited primarily through education agents, both onshore in Australia and offshore in source countries. ALG has over 250 active 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) at the commencement of each academic term, with a simultaneous timetable offered in each state. ALG operates four 10-week academic terms per annum.

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

International Revenue

The Board is pleased to report continued strong growth in international student enrolments for the half-year ended 31 December 2019. International enrolments for the period, being the sum of enrolments in the two academic terms during the half-year, were 4,405, up 41.1% compared to the previous corresponding period. A large part of this growth was attributable to ALG's Community Services course offering, which represented 47.3% of 1H20 enrolments compared to 31.7% for the prior comparative period.

Revenue from international students represented 93.8% of ALG's revenue during the period.

International enrolments by campus location*

Campus	1H20 enrolments	1H19 enrolments	1H20/1H19 growth	Proportion of total (1H20)
Sydney	2,417	1,730	39.7%	54.9%
Melbourne	1,245	757	64.5%	28.2%
Perth	347	244	42.2%	7.9%
Brisbane	396	391	1.3%	9.0%
Total	**4,405**	**3,122**	**41.1%**	**100.0%**

International enrolments by field of study*

Field of study	1H20 enrolments	1H19 enrolments	1H19/1H19 growth	Proportion of total (1H20)
Community Services**	2,082	991	110.1%	47.3%
Fitness, Sport and Recreation Management	1,424	1,412	0.8%	32.3%
Remedial Massage	459	575	(20.2%)	10.4%
Dance and Yoga Teaching	440	144	205.6%	10.0%
Total	**4,405**	**3,122**	**41.1%**	**100.0%**

* *Enrolments shown above are the sum of enrolled students in each of ALG's academic terms during the respective period*

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

DIRECTORS' REPORT (continued)

Results for the period (half-year ended 31 December 2019)

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

ALG	1H20 Statutory $'000	1H20 AASB 16 impact $'000	1H20 Pre AASB 16 $'000	1H19 Statutory $'000	Variance $'000	Variance %
Revenue						
International student revenue	8,828	-	8,828	6,055	2,773	45.8%
Domestic student revenue	407	-	407	591	(184)	(31.1%)
Other revenue	176	-	176	228	(52)	(22.8%)
Total revenue	**9,411**	**-**	**9,411**	**6,874**	**2,537**	**36.9%**
Cost of sales						
Commission	1,975	-	1,975	1,294	681	52.6%
Venue	133	883	1,016	866	150	17.3%
Teaching	2,093	-	2,093	1,605	488	30.4%
Other	262	-	262	189	73	38.6%
Total cost of sales	**4,463**	**883**	**5,346**	**3,954**	**1,392**	**35.2%**
Gross profit	**4,948**	**(883)**	**4,065**	**2,920**	**1,145**	**39.2%**
Gross margin	*52.6%*	*(9.4%)*	*43.2%*	*42.5%*	*n/a*	*0.7%**
Operating expenses	2,686	224	2,910	2,920	(10)	(0.3%)
Operating EBITDA	**2,262**	**(1,107)**	**1,155**	**-**	**1,155**	**nm**
Operating EBITDA margin	*24.0%*	*(11.7%)*	*12.3%*	*0.0%*	*n/a*	*12.3%**
International enrolments	4,405	n/a	4,405	3,122	1,283	41.1%
Revenue per international enrolment ($)	2,004	n/a	2,004	1,939	65	3.4%

* Movement in percentage points.

ALG generated revenue of $9.4m and an EBITDA of $2.3m (pre AASB 16: $1.2m) for the half-year to 31 December 2019. Notwithstanding the investment in growth initiatives, most notably the expansion of the Brisbane campus, an additional campus in the Sydney CBD and investments made in new academic, compliance and student services roles, the results were significantly stronger than the prior corresponding period. The result was driven by strong take-up of ALG's Community Services courses, particularly into its new Melbourne CBD campus.

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

Domestic revenue

ALG's domestic revenue for the half-year was down compared to 1H19, noting management's focus has been ALG's international student offer. Domestic revenue is principally derived from distance education courses, with a limited course offering in Fitness. Courses are either paid for upfront or by way of a fortnightly payment plan. Revenue is recognised equally over a 12-month period from and including the month of sale.

DIRECTORS' REPORT (continued)

Operating and financial review (continued)

Ikon

Overview

Established in Adelaide in 2005, Ikon is both a higher education and vocational provider. It is an approved provider of both VET Student Loans (**VSL**) and FEE-HELP. Ikon is also registered to offer courses to international students.

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

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

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

Given that some students in the first two trimesters attrit during the year, and that there is no intake in the third trimester, student numbers tend to fall in the second half of the calendar year, that is the first half of the financial year.

Furthermore, Ikon recognises revenue in accordance with AASB 15 Revenue from Contracts with Customers, aligning revenue to delivery on a day's elapsed basis. This generally results in a natural skew in revenue and EBITDA to the second half of the financial year. This will be partially offset in 2H20 by a wind-down in VET activities in Ikon as these are progressively reduced and transitioned (where appropriate) to ALG.

Results for the period (half-year ended 31 December 2019)

Ikon	1H20 Statutory $'000	1H20 AASB 16 impact $'000	1H20 Pre AASB 16 $'000	1H19 Statutory $'000	Variance $'000	Variance %
Revenue						
International student revenue	586	-	586	62	524	845.2%
Domestic student revenue*	2,746	-	2,746	2,227	519	23.3%
Other revenue	-	-	-	30	(30)	(100.0%)
Total revenue	**3,332**	**-**	**3,332**	**2,319**	**1,013**	**43.7%**
Cost of sales						
Commission	98	-	98	-	98	nm
Venue	134	165	299	220	79	35.9%
Teaching	1,042	-	1,042	973	69	7.1%
Other	16	-	16	15	1	6.7%
Total cost of sales	**1,290**	**165**	**1,455**	**1,208**	**247**	**20.4%**
Gross profit	**2,042**	**(165)**	**1,877**	**1,111**	**766**	**68.9%**
Gross margin	*61.3%*	*(5.0%)*	*56.3%*	*47.9%*	*n/a*	*8.4%***
Operating expenses	1,217	50	1,267	1,059	208	19.6%
Operating EBITDA	**825**	**(215)**	**610**	**52**	**558**	**1,073.1%**
Operating EBITDA margin	*24.8%*	*(6.5%)*	*18.3%*	*2.2%*	*n/a*	*16.1%***

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

** Movement in percentage points.

DIRECTORS' REPORT (continued)

Ikon has submitted its first new degree program for accreditation since UCW acquired the business and at this point anticipates that the accreditation will be received during calendar 2020. If successful, Ikon intends to launch the new degree at the beginning of the 2021 academic year.

Ikon generated revenue of $3.3m and EBITDA of $0.8m (pre AASB 16: $0.6m) for the reported period, with approximately 89% of its revenue derived from its higher education offering.

The earn-out payment to the Ikon vendors was finalised during 1H20. FY19 EBITDA exceeded the amount required to achieve the earn-out cap and the maximum earn-out amount of $6.5m was paid (less a $136k working capital adjustment). This was funded as follows: $1.7m from UCW existing cash reserves, all of which had been generated through Ikon's positive cashflow during FY19, $3.5m from an increase in the Company's existing acquisition facility with Commonwealth Bank of Australia (**CBA**) and $1.3m from proceeds of a placement to an institutional investor.

Gradability

UCW's investment

UCW acquired 24.57% of the ordinary shares in Gradability Pty Ltd 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 44-week work-readiness program for international student graduates with a degree in accounting or information technology.

The PYP 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.

ReadyGrad is a relatively new business unit that provides internship placement services and work-readiness training to a number of universities, corporates and other education providers.

Post balance date, Gradability entered into an agreement to dispose of its ReadyGrad business to a related party. UCW are supportive of the disposal as the business has been loss making and consider that the disposal will bring additional focus to the core Performance Education business unit.

Impairment of investment

At the AGM, the Board advised that due to sustained challenging market conditions and an ongoing material decline in profitability, it intended to reassess the carrying value of its investment in Gradability as part of its FY20 half-year financial reporting obligations, and that a non-cash impairment was likely. The carrying value of UCW's investment in Gradability at 30 June was $6.2m.

Post the AGM, Gradability management provided a revised full year outlook, which anticipated FY20 operating profit well below that of FY19. A more recently provided outlook now projects a loss for the year.

Given the above, the Board of UCW has taken a conservative view in assessing the carrying value and has fully impaired the Company's investment in Gradability (to $nil). The impairment charge has been recognised as an expense in the Company's Consolidated Statement of Profit or Loss for the half-year ended 31 December 2019. Importantly, the impairment is non-cash and does not affect the Company's banking covenants.

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

DIRECTORS' REPORT (continued)

Operating and financial review (continued)

Corporate focus

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

Results summary

The table below reconciles the underlying EBITDA of ALG and Ikon (UCW's wholly owned subsidiaries) for the half-year ended 31 December 2019, to the consolidated loss reported for the period.

	1H20 Statutory $'000	1H20 AASB 16 impact $'000	1H20 Pre AASB 16 $'000	1H19 Statutory $'000	Variance $'000	Variance %
ALG and Ikon						
Total revenue	12,743	-	12,743	9,193	3,550	38.6%
Cost of sales	(5,753)	(1,048)	(6,801)	(5,162)	(1,639)	(31.8%)
Gross profit	**6,990**	**(1,048)**	**5,942**	**4,031**	**1,911**	**47.4%**
Gross margin (%)	*54.9%*	*(8.3%)*	*46.6%*	*43.8%*	*n/a*	*2.8%**
Operating expenses	(3,903)	(274)	(4,177)	(3,979)	(198)	(5.0%)
Operating EBITDA	**3,087**	**(1,322)**	**1,765**	**52**	**1,713**	**nm**
Operating EBITDA margin (%)	*24.2%*	*(10.3%)*	*13.9%*	*0.6%*	*n/a*	*13.3%**
UCW						
Corporate costs	(535)	-	(535)	(472)	(63)	(13.3%)
Underlying EBITDA	**2,552**	**(1,322)**	**1,230**	**(420)**	**1,650**	**nm**
Equity accounted share of results	(12)	-	(12)	205	(217)	nm
Profit from discontinued operations	-	-	-	2	(2)	(100.0%)
Due diligence and transaction costs	(25)	-	(25)	(22)	(3)	(13.6%)
Depreciation and amortisation	(1,657)	1,244	(413)	(250)	(163)	(65.2%)
Interest and borrowing expenses	(508)	421	(87)	(52)	(35)	(67.3%)
Income tax (expense) / benefit	(129)	-	(129)	330	(459)	nm
Net profit / (loss) before impairment and gain on acquisition	**221**	**343**	**564**	**(207)**	**771**	**nm**
Gain on acquisition	136	-	136	-	136	n/a
Impairment of investment	(6,148)	-	(6,148)	-	(6,148)	n/a
Net loss for the period	**(5,791)**	**343**	**(5,448)**	**(207)**	**(5,241)**	**nm**

* Movement in percentage points.

DIRECTORS' REPORT (continued)

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

Operating EBITDA: Operating EBITDA is the EBITDA of the core operating businesses, being ALG and Ikon.

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

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

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

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

Due diligence and transaction costs: External due diligence and transaction 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. It now also includes a significant depreciation charge on its right-of-use assets.

Net assets

The net assets of the Group (having impaired the investment in Gradability in full) as at reporting date was $10,115,049 (30 June 2019: $14,581,549).

Significant changes in the state of affairs

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

Subsequent events

There have been no significant events after balance date.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 25.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

Gary Burg
Non-Executive Chair
27 February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Notes	31 December 2019 $	31 December 2018 $
Revenue from continuing operations			
Student fee income		12,566,770	8,935,996
Other revenue		175,829	257,513
		12,742,599	9,193,509
Cost of sales		(5,753,654)	(5,162,224)
Gross profit		**6,988,945**	**4,031,285**
Other income			
Share of (losses) / profits of associates accounted for using the equity method	6	(12,174)	205,254
Interest income		3,136	11,997
		(9,038)	**217,251**
Expenses			
Employee benefits expense		(3,122,372)	(2,933,091)
Depreciation of right-of-use assets	8(a)	(1,244,192)	-
Interest on lease liabilities	8(b)	(420,860)	-
Depreciation and amortisation expense		(413,028)	(249,714)
Credit losses		(276,416)	(71,065)
Communication and IT expenses		(194,772)	(125,342)
Professional fees		(135,491)	(153,842)
Cleaning expenses		(114,495)	(147,503)
Advertising and marketing expenses		(100,981)	(340,749)
Licence fees		(93,369)	(104,634)
Interest and borrowing expenses		(90,120)	(64,247)
Travelling expenses		(68,012)	(100,222)
Legal expenses		(53,312)	(27,008)
Insurance expenses		(33,950)	(36,460)
Utility expenses		(20,460)	(15,119)
Occupancy expenses		(5,473)	(130,066)
Gain on acquisition	5(c)	136,093	-
Impairment of investment in associates	6	(6,147,626)	-
Administration, support and other expenses		(242,216)	(288,844)
		(12,641,052)	**(4,787,906)**
Loss before income tax expense from continuing operations		**(5,661,145)**	**(539,370)**
Income tax (expense) / benefit		(129,368)	329,627
Loss from continuing operations		**(5,790,513)**	**(209,743)**
Profit from discontinued operations (net of tax)		-	2,415
Loss for the period		**(5,790,513)**	**(207,328)**
Other comprehensive income for the half-year		-	-
Total comprehensive loss		**(5,790,513)**	**(207,328)**

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 HALF-YEAR ENDED 31 DECEMBER 2019

Profit / (loss) per share attributable to equity holders of the parent entity	**31 December 2019 $**	**31 December 2018 $**
Basic profit / (loss) per share (**cents per share**)		
Continuing operations	(5.10)	(0.19)
Discontinued operations	-	-
Diluted profit / (loss) per share (**cents per share**)		
Continuing operations	(5.10)	(0.19)
Discontinued operations	-	-

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 31 DECEMBER 2019

	Notes	31 December 2019 $	30 June 2019 $
Current assets			
Cash and cash equivalents		3,185,663	4,688,872
Trade and other receivables		1,167,506	2,147,392
Other assets		877,224	1,094,226
Total current assets		**5,230,393**	**7,930,490**
Non-current assets			
Trade and other receivables		63,916	136,994
Other assets		34,875	-
Investment in associates	6	-	6,174,152
Plant and equipment		3,228,109	3,016,206
Intangible assets		2,019,271	2,009,876
Right-of-use assets	8	15,943,573	-
Deferred tax asset		560,248	477,720
Goodwill on consolidation	5	11,930,807	11,944,933
Total non-current assets		**33,780,799**	**23,759,881**
Total assets		**39,011,192**	**31,690,371**
Current liabilities			
Trade and other payables		2,697,633	2,907,082
Contract liabilities		4,541,267	5,488,262
Borrowings	9	1,250,000	350,000
Employee benefits		207,477	490,467
Deferred settlement		-	6,500,000
Lease liabilities	8	2,492,919	-
Other provisions		-	14,906
Income tax liabilities		148,688	56,092
Total current liabilities		**11,337,984**	**15,806,809**
Non-current liabilities			
Borrowings	9	3,250,000	850,000
Employee benefits		94,249	84,072
Contract liabilities		148,393	127,450
Lease liabilities	8	14,065,517	130,565
Provisions		-	109,926
Total non-current liabilities		**17,558,159**	**1,302,013**
Total liabilities		**28,896,143**	**17,108,822**
Net assets		**10,115,049**	**14,581,549**
Equity			
Issued capital	7	25,132,480	23,842,009
Reserves		96,511	62,969
Accumulated losses		(15,113,942)	(9,323,429)
Total equity		**10,115,049**	**14,581,549**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Issued Capital $	Share Based Payments Reserve $	Options Premium Reserve $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2019	**23,842,009**	**62,969**	**-**	**(9,323,429)**	**14,581,549**
Net loss for the half-year	-	-	-	(5,790,513)	(5,790,513)
Other comprehensive income for the half-year	-	-	-	-	-
Total comprehensive loss for the half-year	**-**	**-**	**-**	**-**	**(5,790,513)**
Transactions with owners in their capacity as owners					
Shares issued at net cost	1,290,471	-	-	-	1,290,471
Options issued at fair value	-	33,542	-	-	33,542
Total transactions with owners in their capacity as owners	1,290,471	33,542	-	-	1,324,013
Balance as at 31 December 2019	**25,132,480**	**96,511**	**-**	**(15,113,942)**	**10,115,049**

	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 loss for the half-year	-	-	-	(207,328)	(207,328)
Other comprehensive income for the half-year	-	-	-	-	-
Total comprehensive loss for the half-year	**-**	**-**	**-**	**(207,328)**	**(207,328)**
Transactions with owners in their capacity as owners					
Shares issued at net cost	1,083,931	-	-	-	1,083,931
Options issued at fair value	-	12,204	-	-	12,204
Total transactions with owners in their capacity as owners	1,083,931	12,204	-	-	1,096,135
Balance as at 31 December 2018	**23,631,159**	**29,522**	**-**	**(10,483,011)**	**13,177,670**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Notes	31 December 2019 $	31 December 2018 $
Cash flow from operating activities			
Receipts from customers		12,626,717	9,369,463
Interest received		3,023	10,660
Payments to suppliers and employees		(9,873,188)	(9,781,840)
Income tax (paid) / received		(101,560)	150,827
Net cash provided by / (used in) continuing operations		2,654,992	(250,890)
Net cash (used in) discontinued operations		-	(59,179)
Net cash provided by / (used in) operating activities		**2,654,992**	**(310,069)**
Cash flow from investing activities			
Acquisitions of subsidiaries, net of cash acquired	5(c)	(6,363,907)	(3,640,421)
Dividend received		-	128,006
Payments for plant and equipment		(802,082)	(1,314,194)
Payments for intangibles		(258,862)	(92,925)
Proceeds from term deposits		-	242,270
Net cash (used in investing activities		**(7,424,851)**	**(4,677,264)**
Cash flow from financing activities			
Proceeds from borrowings		3,475,000	250,000
Proceeds from share issues		1,300,000	-
Borrowing costs		(94,553)	(51,728)
Repayment of borrowings		(175,000)	(150,000)
Repayment of lease liabilities		(1,225,654)	-
Capital raising costs		(13,143)	(58,847)
Net cash provided by / (used in) financing activities		**3,266,650**	**(10,575)**
Net decrease in cash and cash equivalents		**(1,503,209)**	**(4,997,908)**
Cash and cash equivalents at beginning of the half-year		4,688,872	6,595,138
Cash and cash equivalents at the end of the half-year		**3,185,663**	**1,597,230**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Half-Year 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 Half-Year Report.

The following is a summary of the material accounting policies adopted by the Company in the preparation and presentation of the Half-Year Report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Statement of compliance

The Half-Year Report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and *AASB 134 Interim Financial Reporting*. Compliance with *AASB 134* ensures compliance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting*. The Half-Year Report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent Annual Report.

(b) Basis of preparation

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

The Half-Year Report is intended to provide users with an update on the latest half-year for the consolidated entity. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year with the consolidated entity. It is therefore recommended that this Half-Year Report be read in conjunction with the Annual Report for the consolidated entity for the year ended 30 June 2019, together with any public announcements made during the half-year ended 31 December 2019.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 27 February 2020. The Directors have the power to amend and reissue the financial statements.

(c) Accounting policies

The accounting policies and methods of computation adopted in the presentation of the Half-Year Report are consistent with those adopted and disclosed in the Company's 30 June 2019 Annual Report other than the newly adopted *AASB 16 Leases* (**AASB 16**) standard.

(d) Right-of-use assets and lease liabilities

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

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

The ROUA and corresponding lease liabilities have been recorded upon adoption of *AASB 16 Leases* from 1 July 2019. AASB 16 eliminates the distinction between operating and finance leases and brings all leases (other than short term and low value leases) onto the balance sheet. The Group recognises ROUA, representing its right to use the underlying assets and a corresponding lease liability representing its obligation to make unavoidable future lease payments. The Group recognises ROUA and lease liabilities at the commencement date of the lease.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Right-of-use assets and lease liabilities (continued)

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

(e) Critical accounting estimates and judgements

The critical estimates and judgements are consistent with those applied and disclosed in the Company's 30 June 2019 Annual Report except for AASB 16 and impairment of assets. For AASB 16, please refer to Note 1(d) and Note 9 for further details.

Impairment: As disclosed in Note 6, the Group has impaired its investment in associates (Gradability) to $nil, resulting in an impairment expense of approximately $6.1m. There is significant judgement and estimation uncertainty in relation to the ability to accurately estimate the fair value of the investment in Gradability. Management have taken into account a number of factors in exercising this judgment, the most significant of which is the reliability of historical budgets and forecasts and the uncertainty in relation to future cashflow projections, together with the most recently available forecast financial information. To this extent, management have adopted a prudent approach and impaired the investment to $nil in the half-year period ended 31 December 2019.

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

The Group entered into a four year lease in January 2018 at 333 Kent St, Sydney. The lease contains a six month demolition clause, with no option to renew. Management currently expect to occupy until December 2022.

(f) New and revised accounting requirements applicable to the current half-year reporting period

The consolidated entity has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) that are mandatory for the current reporting period.

2. 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 half-year ended 31 December 2019	ALG $	Ikon $	Unallocated $	Total $
Tuition revenue – international	8,827,727	586,183	-	9,413,910
Tuition revenue - domestic	406,528	2,746,332	-	3,152,860
Other revenue	175,829	-	-	175,829
Share of losses of associates	-	-	(12,174)	(12,174)
Gain on acquisition	-	-	136,093	136,093
Impairment of investments	-	-	(6,147,626)	(6,147,626)
Interest income	1,305	587	1,244	3,136
Profit / (loss) for the period	373,325	387,896	(6,551,734)	(5,790,513)

As at 31 December 2019	ALG $	Ikon $	Unallocated $	Total $
Total segment assets	23,384,271	4,641,206	10,985,715	39,011,192
Total segment liabilities	(20,889,460)	(3,230,191)	(4,776,492)	(28,896,143)

For the half-year ended 31 December 2018	ALG $	Ikon $	Unallocated $	Total $
Tuition revenue - international	6,055,093	62,307	-	6,117,400
Tuition revenue - domestic	591,545	2,227,051	-	2,818,596
Other revenue	228,022	29,491	-	257,513
Share of profit of associates	-	-	205,254	205,254
Interest income	2,143	3,268	6,586	11,997
Profit / (loss) from continuing operations	(259,637)	94,157	(44,263)	(209,743)
Profit from discontinued operations	2,415	-	-	2,415
Profit / (loss) for the period	(257,222)	94,157	(44,263)	(207,328)

As at 31 December 2018	ALG $	Ikon $	Unallocated $	Total $
Total segment assets	5,862,852	1,418,263	13,821,587	21,102,702
Total segment liabilities	(4,746,162)	(1,447,625)	(1,731,245)	(7,925,032)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

3. DIVIDENDS

There were no dividends paid or declared during the current or previous half-year.

4. CONTROLLED ENTITIES

Entity	Acquired	Disposed	Country of incorporation	Ownership interest 31 December 2019	Ownership interest 30 June 2019
Australian Learning Group Pty Limited	23 March 2016	-	Australia	100%	100%
Hydaspes Investments Pty Ltd	11 July 2017	-	Australia	100%	100%
Proteus Technologies Pty Ltd [i]	4 July 2018	-	Australia	100%	100%

[i] On 18 October 2019, the Company settled the earn-out payment of $6.5m to the Ikon vendors. No further amounts remain payable to the vendors in relation to the transaction.

5. ACQUISITION OF SUBSIDIARIES

a) Goodwill on consolidation	31 December 2019 $	30 June 2019 $
Australian Learning Group Pty Limited	1,314,720	1,314,720
Proteus Technologies Pty Ltd (Ikon)[i]	10,616,087	10,630,213
Total goodwill	**11,930,807**	**11,944,933**

b) Goodwill on acquisition of Ikon	Fair value $
Fair value of purchase consideration:	
Amount settled in cash and shares	5,500,000
Earn-out payment	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)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

5. ACQUISITION OF SUBSIDIARIES (continued)

b) Goodwill on acquisition of Ikon (continued)	**Fair value $**
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.

c) Cash flow on acquisition of Ikon	**Half-year ended 31 December 2019 $**	**Half-year ended 31 December 2018 $**
Initial cash consideration**	-	(3,900,000)
Earn-out payment	(6,500,000)	-
Cash acquired	-	259,579
Working capital adjustment received from the vendors of Ikon***	136,093	-
Net cash flow on acquisition	**(6,363,907)**	**(3,640,421)**

** An initial cash deposit of $500,000 was paid during the period ended 30 June 2018.

*** The working capital adjustment has been taken through the Consolidated Statement of Profit or Loss and Other Comprehensive Income as more than 12 months have passed between the acquisition date and the final determination of the working capital adjustment.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

6. INVESTMENT IN ASSOCIATES

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

	Ownership interest		Equity-accounted	
Name	**31 December 2019 %**	**30 June 2019 %**	**31 December 2019 $**	**30 June 2019 $**
Gradability Pty Ltd (held through 100% of Hydaspes Investments Pty Ltd)	24.57	24.57	-	6,174,152

Reconciliation of movements	**Half-year ended 31 December 2019 $**	**Year ended 30 June 2019 $**
Balance at the beginning of the period	**6,174,152**	**6,273,474**
Share of (loss) / profit from associates	(12,174)	49,360
Elimination of intercompany transactions	(14,352)	(20,676)
Dividend received	-	(128,006)
Impairment of carrying value	(6,147,626)	-
Balance as at reporting date	**-**	**6,174,152**

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

7. SHARE CAPITAL

Issued capital as at 31 December 2019 amounted to $25,128,866 (117,514,448 ordinary shares).

Ordinary shares

	Consolidated 31 December 2019		Consolidated 30 June 2019	
	Number	**$**	**Number**	**$**
Opening balance	110,821,249	23,842,009	104,654,583	22,547,228
Issue of shares	6,693,199	1,300,000	6,166,666	1,300,000
Capital raising costs	-	(13,143)	-	(18,491)
Deferred tax credit recognised in equity	-	3,614	-	13,272
At reporting date	**117,514,448**	**25,132,480**	**110,821,249**	**23,842,009**

During the half-year ended 31 December 2019, the Company issued and allotted 6,693,199 of ordinary shares in UCW via a placement to an institutional shareholder. The institutional placement was undertaken under UCW's 7.1A placement capacity, at $0.194227 per share, being the 20-day volume weighted average price of UCW shares up to and including 16 October 2019.

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

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

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

a) ROUA	**Property 31 December 2019 $**	**Equipment Hire 31 December 2019 $**	**Total 31 December 2019 $**
Right-of-use assets	17,076,173	111,592	17,187,765
Less: Accumulated depreciation	(1,233,055)	(11,137)	(1,244,192)
	15,843,118	**100,455**	**15,943,573**
<u>*Reconciliation*</u>			
Opening balance at 1 July 2019 (upon adoption of *AASB 16 Leases*)	17,076,173	97,233	17,173,406
Additions	-	14,359	14,359
Depreciation	(1,233,055)	(11,137)	(1,244,192)
	15,843,118	**100,455**	**15,943,573**

b) Lease liabilities

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

	31 December 2019 $
Current	2,492,919
Non-current	14,065,517
Total lease liabilities	**16,558,436**

Reconciliation of operating lease commitments as at 30 June 2019 to lease liability recognised as at 1 July 2019:

Operating lease commitments disclosed as at 30 June 2019	10,573,324
Short term and low-value lease commitments as at 30 June 2019	(286,472)
Further terms reasonably certain to exercise	11,151,612
Discounted using the Group's incremental borrowing rate on 1 July 2019	(4,582,906)
Make good provision	317,847
Lease liability recognised as at 1 July 2019	**17,173,405**

Reconciliation of movement in lease liabilities:

Lease liability recognised as at 1 July 2019	17,173,405
Make good provision	175,466
Additions	14,359
Interest expense	420,860
Repayment of lease liabilities	(1,225,654)
Total lease liabilities as at 31 December 2019	**16,558,436**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

9. BORROWINGS

	31 December 2019 $	30 June 2019 $
Current	1,250,000	350,000
Non-current	3,250,000	850,000
	4,500,000	**1,200,000**

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

Loan Facility	**Facility Limit ($)**	**Drawn ($)**	**Undrawn ($)**
a) Market rate loan	4,500,000	(4,500,000)	-
b) Overdraft (working capital)	500,000	-	500,000
c) Bank guarantee (rental bonds)	1,050,000	(1,000,695)	49,305
Total loan facility	**6,050,000**	**(5,500,695)**	**549,305**

a) The market rate loan is being amortised quarterly in accordance with the agreed capital repayment schedule as follows:

- $333,333 paid in January 2020
- $333,333 payable in April 2020
- $333,334 payable in July 2020
- quarterly payments of $250,000 payable from October 2020 to July 2022

On 11 July 2022, an outstanding balance of $1,500,000 will be due. The loan attracts interest (referenced to the Bank Bill Swap Bid Rate), a line fee of 3.50% 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 6.75% p.a. and an overdraft line fee of 1.12% p.a. is payable.

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

Reconciliation of movements

	31 December 2019 $	30 June 2019 $
Opening balance	1,200,000	1,275,000
Proceeds from loan facility	3,475,000	250,000
Repayment of loan	**(175,000)**	**(325,000)**
Closing balance	**4,500,000**	**1,200,000**

10. SUBSEQUENT EVENTS

There have been no significant events after balance date.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with *Accounting Standard AASB 134 Interim Financial Reportin*g and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors

Gary Burg
Non-Executive Chair
27 February 2020

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of UCW Limited and its controlled entities for the half year ended 31 December 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 review; and

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

RSM

RSM AUSTRALIA PARTNERS

GNS

G N Sherwood
Partner

Sydney, NSW
Dated: 27 February 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

UCW LIMITED AND ITS CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of UCW Limited which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The Directors of the consolidated entities are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of UCW Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations act 2001*, which has been given to the Directors of UCW Limited and its controlled entities, would be in the same terms if given to the Directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of UCW Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS

GNS

Sydney, NSW
Dated: 27 February 2020

G N Sherwood
Partner

UCW LIMITED