UCW LIMITED AND ITS CONTROLLED ENTITIES
ACN 108 962 152

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

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# CORPORATE DIRECTORY

## Directors

Gary Burg – Non-Executive Chairman
Adam Davis – Chief Executive Officer and Managing Director
Peter Mobbs – Non-Executive Director
Jonathan Pager – Non-Executive Director
Michael Pollak – Non-Executive Director
Bradley Hill – Alternate Director to Gary Burg

## Company Secretaries

Andrew Whitten
Lyndon Catzel

## Auditors

Stantons International
Level 2
1 Walker Avenue
West Perth WA 6005

## Solicitors

Whittens & McKeough
Level 29
201 Elizabeth Street
Sydney NSW 2000

## Registered Office

Level 1
225 Clarence Street
Sydney NSW 2000

## Share Registry

Link Market Services Pty Limited
Ground Floor
178 St Georges Terrace
Perth WA 6000

Investor Enquiries: 1300 554 474

## Stock Exchange Listing

Securities of UCW Limited are listed on the 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 year ended 30 June 2016.

## Directors

The names and particulars of the Directors during or since the end of the financial year are:

| Name | Particulars |
|---|---|
| Gary Burg | Non-Executive Chairman (appointed 24 March 2016) |
| Adam Davis | Chief Executive Officer and Managing Director (appointed 16 February 2015) (formerly Executive Chairman) |
| Peter Mobbs | Non-Executive Director (Independent, appointed 16 February 2015) |
| Jonathan Pager | Non-Executive Director (Independent, appointed 16 February 2015) |
| Michael Pollak | Non-Executive Director (Independent, appointed 16 February 2015) |
| Bradley Hill | Alternate Director to Gary Burg (appointed 20 May 2016) |

## Information on Directors

### GARY BURG

***Experience and Expertise***

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

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

***Other Current Directorships***

ClearView Wealth Limited (ASX:CVW)

***Former Directorships in the Last Three Years***

None

***Special Responsibilities***

Audit and Risk Committee member

Remuneration and Nomination Committee member

***Interests in Shares and Options***

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

- 108,333,333 fully paid ordinary shares; and
- 36,111,111 unlisted options exercisable at $0.06 per option on or before 30 June 2018.

## Information on Directors (continued)

### ADAM DAVIS

***Experience and Expertise***

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

***Other Current Directorships***

None

***Former Directorships in the Last Three Years***

None

***Special Responsibilities***

Managing Director and Chief Executive Officer

***Interests in Shares and Options***

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

- 25,416,667 fully paid ordinary shares;
- 7,083,334 unlisted options exercisable at $0.04 per option on or before 30 June 2018; and
- 2,500,000 unlisted options exercisable at $0.06 per option on or before 30 June 2018.

### PETER MOBBS

***Experience and Expertise***

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 is now Group CEO and is 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).

Prior to entering the education sector, Peter worked as a lawyer in both the U.K. and Australia. He holds degrees in both commerce and law and is admitted to practise in the Supreme Court of NSW. He is a member of the Law Society of NSW and the Australian Institute of Company Directors.

***Other Current Directorships***

None

***Former Directorships in the Last Three Years***

None

# DIRECTORS' REPORT (continued)

## Information on Directors (continued)

***Special Responsibilities***

None

***Interests in Shares and Options***

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

- 9,791,667 fully paid ordinary shares;
- 1,875,000 unlisted options exercisable at $0.04 per option on or before 30 June 2018; and
- 1,111,111 unlisted options exercisable at $0.06 per option on or before 30 June 2018.

**JONATHAN PAGER**

***Experience and Expertise***

Jonathan has over 20 years' experience as a management consultant across a wide range of industries in Australia and overseas, and is currently Managing Director of Pager Partners Corporate Advisory. He has a Masters of Economics and qualified as a chartered accountant with Deloitte, where he commenced his career. He has restructured a range of public companies and been a Director of publicly listed companies involved in the resources and industrial sectors.

***Other Current Directorships***

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

Noble Mineral Resources Limited (ASX: NMG) (Finance Director)

***Former Directorships in the Last Three Years***

AHAlife Holdings Limited (ASX: AHL) (Finance Director)

Rhipe Limited (ASX: RHP) (Non-Executive Director)

Prospect Resources Limited (ASX: PSC) (Non-Executive Director)

Metalicity Limited (ASX: MCT) (Non-Executive Director)

***Special Responsibilities***

Audit and Risk Committee member

Remuneration and Nomination Committee member

***Interests in Shares and Options***

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

- 4,458,334 fully paid ordinary shares;
- 1,208,333 unlisted options exercisable at $0.04 per option on or before 30 June 2018; and
- 555,555 unlisted options exercisable at $0.06 per option on or before 30 June 2018.

# DIRECTORS' REPORT (continued)

## Information on Directors (continued)

**MICHAEL POLLAK**

***Experience and Expertise***

Michael holds a Bachelor of Commerce is a chartered accountant and has an MBA in strategy from the Australian Graduate School of Management. Michael commenced his career at PricewaterhouseCoopers over 15 years ago. Michael has gained valuable experience in both Sydney and London in general management, audit, insolvency, corporate advisory and strategy across a wide range of industries, including financial services, professional services, retail, mining and manufacturing. Michael has been involved in the restructuring, recapitalisation and relisting of a number of ASX listed entities.

***Other Current Directorships***

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

HJB Corporation Limited (ASX: HJB) (Non-Executive Director)

***Former Directorships in the Last Three Years***

Disruptive Investment Group Limited (ASX: DVI) (Non-Executive Director)

Rhipe Limited (ASX: RHP) (Non-Executive Director)

Prospect Resources Limited (ASX: PSC) (Non-Executive Director)

Metalicity Limited (ASX: MCT) (Non-Executive Director)

***Special Responsibilities***

Audit and Risk Committee member

Remuneration and Nomination Committee member

***Interests in Shares and Options***

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

- 6,250,000 fully paid ordinary shares; and
- 3,000,000 unlisted options exercisable at $0.04 per option on or before 30 June 2018.

## Company Secretaries

**Joint Company Secretaries**

Andrew Whitten

Lyndon Catzel (appointed 1 August 2016)

## Environmental regulation and performance

There are no applicable environmental regulations that would have an effect on the Company.

# DIRECTORS' REPORT (continued)

## Dividends

No dividends have been paid or declared since the beginning of the financial year and none are recommended.

## Principal activities

The principal activity of the Company during the financial year was the provision of education services. Prior to the acquisition of Australian Learning Group Pty Limited, the principal activity of the Company was the distribution of apparel.

## Operating and financial review

On 24 March 2016, the Company completed a capital raising of $11.74 million under a prospectus dated 24 February 2016, issuing 195,655,674 ordinary shares at $0.06 cents per share and 65,218,561 options each exercisable at $0.06 cents per option on or before 30 June 2018. Global Capital Holdings (Australia) Pty Limited (**Global Capital**) invested $6,500,000 into the capital raising.

On the same date, the Company acquired 100% of the issued capital in Australian Learning Group Pty Limited (**ALG**) for a purchase price of $8.5 million (excluding the working capital adjustment) of which $7.5 million was payable in cash and $1 million in shares and options. This assumes that the earn-out amount payable to the vendors of ALG is equal to the minimum payment of $3.5 million (which is the case based on the information current at the date of this report).

The acquisition of ALG is UCW's first step in building and growing a private education business.

ALG (www.alg.edu.au) was founded in 2005 and is a leading provider of accredited education to the international student market in the areas of Fitness, Sport and Recreation Management, Massage Therapy and Dance Teaching. ALG is a Registered Training Organisation (**RTO**) and is a national Commonwealth Register of Institutions and Courses for Overseas Students (**CRICOS**) provider. It operates through three colleges, the Australian College of Sport & Fitness, the NSW School of Massage and the Australian College of Dance, and offers Certificate III, Certificate IV and Diploma level courses. ALG has campuses in Sydney, Melbourne, Brisbane and Perth.

The Company's strategy within the education sector is to acquire campus-based businesses with international and/or domestic students enrolling into high demand or niche accredited courses that it can add value to and grow through strategies including product expansion, geographic expansion, broadening distribution and the addition of different delivery modes such as on-line. The Board includes Directors with extensive experience and a successful track record in building private education businesses.

International and domestic enrolments are the key revenue drivers of ALG's business. FY16 international enrolments grew 27.4% against the prior year to 3,161. International enrolments account for approximately 85% of ALG's revenue. Domestic enrolments were mixed, with fitness enrolments up 12.7%, against massage therapy enrolments down 32% as a result of structural changes to the course which have allowed VET FEE-HELP providers into the market and impacted the attractiveness of the distance education format.

The rollout of existing courses across ALG's campuses continued during 2016, with massage therapy courses now offered at all campuses and dance teaching courses offered in Sydney and Melbourne. ALG is investing in developing new courses which will be introduced during calendar 2017.

Planning work has commenced on the procurement and implementation of a new student management system, which is expected to improve operational efficiency and offer enhanced functionality to students, agents and staff. It is anticipated to be implemented during H1, FY17. This is an investment which may impact earnings in the short term, but should offer significant productivity improvements once fully implemented. In addition, the new student management system is considered a key piece of infrastructure that will enable the Company to extract efficiencies as it adds scale by acquisition.

ALG's FY16 Normalised EBITDA has been determined as $1.7m (calculated in accordance with the Share Sale Agreement, which includes cash basis of recognition of international student revenue) which will result in an earn out amount of $3.5m becoming payable November 2016, taking total consideration (excluding the working capital adjustment) to $8.5m, which equals 5 x FY16 Normalised EBITDA. The FY16 Normalised EBITDA is subject to the review of the ALG vendors.

As at 30 June 2016, the Company had $2.05 million of deferred revenue, the majority of which will be recognised in FY17. The Company's cash position was $8.82 million, prior to the expected ALG earn-out amount of $3.5 million.

The Company is actively pursuing acquisition opportunities with a focus on the international student market, targetting established providers with a clear growth path.

The Company's loss after income tax for the 2016 financial year was $9,343,216 (2015: profit of $2,207,740) due primarily to the goodwill impairment of $8.95 million and the capital raising costs associated with the purchase of ALG. The results include approximately 3 months' trading (25 March 2016 to 30 June 2016) of ALG and twelve months of the UCW Limited parent company.

## Significant changes in the state of affairs

- 7 September 2015: Shareholders approved a 4:1 consolidation of the issued capital of the Company, a change to the nature and scale of activities, the future issue of consideration shares to the vendors of ALG and the future issue of shares pursuant to a capital raising.
- 17 November 2015: Execution of a subscription agreement with Global Capital Holdings (Australia) Pty Limited, whereby Global Capital committed to invest $6.5 million into the capital raising.
- 29 February 2016: Shareholders approved a change to the nature and scale of activities, the future issue of consideration shares and options to the vendors of ALG, the future issue of shares and options pursuant to a capital raising, the acquisition of a relevant interest by Global Capital and related party approval to allow Directors to participate in the proposed capital raising.
- 24 March 2016: The Company completed a capital raising of $11.74m and issued and allotted the following shares and options:
  - 195,655,674 fully paid ordinary shares at an issue price of $0.06 per share with one (1) option for every three (3) shares, issued at no consideration;
  - 16,666,666 fully paid ordinary shares to the vendors of ALG with one (1) option for every three (3) shares, issued at no consideration.
- 24 March 2016: The Company acquired 100% of the issued capital in Australian Learning Group Pty Ltd, Mr Gary Burg joined as Non-Executive Chairman and Mr Adam Davis was appointed as Chief Executive Officer and Managing Director.
- 31 March 2016: The Company was reinstated to the ASX Official List.

## Significant events after balance date

There have been no significant events after balance date.

## Likely developments and expected results

UCW proposes to build a private education business with a focus on the international student market. It intends to leverage ALG's infrastructure by adding new courses, agents and expanding its campuses and to pursue further acquisition opportunities.

# DIRECTORS' REPORT (continued)

## Indemnification and insurance of Directors and officers

On 11 May 2016 the current Directors of the Company obtained D&O insurance for $26,748 in respect of insuring the Directors of the Company, the company secretaries, and all executive officers of the Company and of any related body corporate against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the Corporations Act 2001. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Company.

The Company has entered into agreements with the Directors and company secretaries to provide access to Company records and to indemnify them. The indemnity relates to any 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.

## Options

As at 30 June 2016, there are 89,524,115 unlisted options over issued shares (2015: 75,000,000 pre-consolidation), 18,750,000 exercisable at $0.04 and expiring on 30 June 2018 and 70,774,115 exercisable at $0.06 and expiring on 30 June 2018. Refer to Note 23 and the remuneration report for further details of the options outstanding. Option holders do not have any right, by virtue of the option, to participate in any share issue of the company.

## Auditor

Stantons International Audit and Consulting Pty Limited are the appointed auditors of the Company.

The auditor has not been indemnified under any circumstance.

During the financial year $49,449 was paid or is payable for audit services provided by Stantons International Audit and Consulting Pty Ltd (2015: $20,000).

The auditor's independence declaration is included on page 52 of the financial report.

## Non-audit services

Stantons International Securities Pty Ltd prepared an Investigating Accountants Report for inclusion in the prospectus dated September 2015 for $11,086 and the prospectus dated February 2016 for $8,039 (2015: $7,500).

Stantons International Audit and Consulting Pty Ltd were engaged to audit the accounts of ALG. The Company has agreed to meet this cost for $16,741 (2015: $30,129).

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence has not been compromised.

## DIRECTORS' REPORT (continued)

### Directors' Meetings

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

| Name of Director | Meetings held | In attendance |
|---|---|---|
| Adam Davis | 5 | 5 |
| Peter Mobbs | 5 | 5 |
| Jonathan Pager | 5 | 5 |
| Michael Pollak | 5 | 5 |
| Gary Burg[(1)] | 2 | 2 |

[(1)] Gary Burg was appointed to the Board on 24 March 2016 and was only eligible to attend 2 meetings.

All other business was conducted via circular resolution.

### Incomplete records

The management and affairs of the Company and all its controlled entities were not under the control of its Directors since it entered voluntary administration on 6 March 2014 and 10 March 2014 respectively until the date the Deed of Company Arrangement (**DOCA**) was effectuated, being 16 February 2015.

The financial report was prepared by Directors who were not in office at the time the Group entered voluntary administration or for the full comparative period (30 June 2015) presented in this report. The Directors who prepared this financial report include the Directors that were appointed on 16 February 2015 as part of the recapitalisation proposal approved by the Company's creditors and shareholders.

To prepare the financial report, the Directors have reconstructed the financial records of the Company using data extracted from the Company's accounting systems and the record of receipts and payments made available by the Administrator of the Company and its subsidiaries for the period from their appointment. However, it has not been possible for the Directors to obtain all the books and records of the Company and its subsidiary for the period prior to the appointment of the Administrators.

Consequently, although the Directors have prepared this financial report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 for the comparative period in the financial report, being for the year ended 30 June 2015.

### REMUNERATION REPORT (Audited)

The remuneration report below reflects the remuneration policies that were adopted by the Directors of the Company who were in office at the date of this report.

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.

# DIRECTORS' REPORT (continued)

## REMUNERATION REPORT (Audited) (continued)

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

Fees and payments to Directors:

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

(ii) are reviewed annually by the board to ensure that Directors' fees and payments 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)

**30 June 2016**

| | Salary, fees & commissions $ | Superannuation contribution $ | Cash bonus $ | Non-monetary benefits $ | Termination Payment $ | Total $ |
|---|---|---|---|---|---|---|
| Gary Burg | 16,291 | - | - | - | - | 16,291 |
| Adam Davis | 96,667 | - | - | - | - | 96,667 |
| Peter Mobbs | 36,530 | 3,470 | - | - | - | 40,000 |
| Jonathan Pager | 50,000 | - | - | - | - | 50,000 |
| Michael Pollak | 45,662 | 4,338 | - | - | - | 50,000 |
| **Total** | **245,150** | **7,808** | **-** | **-** | **-** | **252,958** |

**30 June 2015**

| | Salary, fees & commissions $ | Superannuation contribution $ | Cash bonus $ | Non-monetary benefits $ | Termination Payment $ | Total $ |
|---|---|---|---|---|---|---|
| Adam Davis | 29,762 | - | - | - | - | 29,762 |
| Peter Mobbs | 13,590 | 1,291 | - | - | - | 14,881 |
| Jonathon Pager | 18,601 | - | - | - | | 18,601 |
| Michael Pollak | 16,987 | 1,614 | - | - | - | 18,601 |
| **Total** | **78,940** | **2,905** | **-** | **-** | **-** | **81,845** |

## 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 entered into service agreements on the following terms:

- Mr Gary Burg (Non-Executive Chairman) - base fee (including Director's fees) of $60,000 excluding GST.
- Mr Adam Davis (Chief Executive Officer and Managing Director,) - base fee (including Director's fees) of $180,000 excluding GST.
- Mr Michael Pollak (Non-Executive Director) - base salary (including Director's fees) of $50,000 (including superannuation or similar contributions).
- Mr Jonathan Pager (Non-Executive Director) - base fee (including Director's fees) of $50,000 excluding GST.
- Mr Peter Mobbs (Non-Executive Director) - base salary (including Director's fees) of $40,000 (including superannuation or similar contributions).
- If the Company terminates the agreement with reason (such as gross misconduct, conviction of a major criminal offence or misuse of price sensitive information), the Company will provide the Director with no notice and will be summarily dismissed. If the Company terminates the agreement without reason (notwithstanding any other provision of the agreement), the Company will provide the Director with 3 months' written notice or make a payment of 3 months' salary in lieu of the notice period.
- Directors, other than the Chief Executive Officer, may terminate the agreement at their sole discretion and at any time, and in doing so are entitled to payment of a fee equivalent to 3 months of their base fees/salary.

As at the date of this report, other than the Directors, the only other key management person is Lyndon Catzel, Chief Financial Officer and Joint Company Secretary, who was appointed 1 August 2016 (after the balance date).

### 4 Share-based compensation (audited)

There were no share based payments made to Directors or key management personnel for the year ended 30 June 2016 (2015: $nil).

### 5 Shareholding and option holding of Directors and other key management personnel (audited)

#### (a) Options

The number of options over 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:

| 30 June 2016 | Balance at start of the year | Granted during the year as remuneration | Received during the year on the exercise options | Other changes during the year | Balance at end of the year | Exercisable |
|---|---|---|---|---|---|---|
| *Notes* | | | | *(ii)(iii)(iv)* | | |
| Gary Burg | - | | | 36,111,111 | 36,111,111 | 36,111,111 |
| Adam Davis | 28,333,334 | - | - | (18,750,000) | 9,583,334 | 9,583,334 |
| Peter Mobbs | 7,500,000 | - | - | (4,513,889) | 2,986,111 | 2,986,111 |
| Jonathan Pager | 4,833,333 | - | - | (3,069,445) | 1,763,888 | 1,763,888 |
| Michael Pollak | 12,000,000 | - | - | (9,000,000) | 3,000,000 | 3,000,000 |
| | **52,666,667** | **-** | **-** | **777,777** | **53,444,444** | **53,444,444** |

# DIRECTORS' REPORT (continued)

## REMUNERATION REPORT (Audited) (continued)

**5 Shareholding and option holding of Directors and other key management personnel (audited) (continued)**

| 30 June 2015 | Balance at start of the year | Granted during the year as remuneration | Received during the year on the exercise options | Other changes during the year | Balance at end of the year | Exercisable |
|---|---|---|---|---|---|---|
| *Notes* | | | | *(i)* | | |
| Adam Davis | - | - | - | 28,333,334 | 28,333,334 | 28,333,334 |
| Peter Mobbs | - | - | - | 7,500,000 | 7,500,000 | 7,500,000 |
| Jonathan Pager | - | - | - | 4,833,333 | 4,833,333 | 4,833,333 |
| Michael Pollak | - | - | - | 12,000,000 | 12,000,000 | 12,000,000 |
| | **-** | **-** | **-** | **52,666,667** | **52,666,667** | **52,666,667** |

***Notes***

(i) Options acquired under the DOCA recapitalisation, being unlisted options exercisable at $0.01 per option (now exercisable at $0.04 post the 4:1 consolidation) on or before 30 June 2018.

(ii) Options acquired under the Prospectus dated 24 February 2016, being unlisted options exercisable at $0.06 per option on or before 30 June 2018. For every three (3) new shares subscribed for under the Prospectus, one (1) option was granted.

(iii) Options granted as part of the acquisition of ALG, being unlisted options exercisable at $0.06 per option on or before 30 June 2018.

(iv) On 7 September 2015, the shareholders approved the consolidation of the issued capital of the Company on the basis that every four (4) options be consolidated into one (1) option.

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)

**5 Shareholding and option holding of Directors and other key management personnel (audited) (continued)**

**(b) Shareholding**

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

| **2016** | **Balance at start of the year** | **Granted during the year as remuneration** | **Received during the year on the exercise options** | **Other changes during the year** | **Balance at end of the year or date of resignation** |
|---|---|---|---|---|---|
| *Notes* | | | | *(i)* | |
| Gary Burg | - | - | - | 108,333,333 | 108,333,333 |
| Adam Davis | 71,666,666 | - | - | (46,249,999) | 25,416,667 |
| Peter Mobbs | 22,500,000 | - | - | (12,708,333) | 9,791,667 |
| Jonathan Pager | 11,166,667 | - | - | (6,708,333) | 4,458,334 |
| Michael Pollak | 25,000,000 | - | - | (18,750,000) | 6,250,000 |
| | **130,333,333** | **-** | **-** | **23,916,668** | **154,250,001** |

| **2015** | **Balance at start of the year** | **Granted during the year as remuneration** | **Received during the year on the exercise options** | **Other changes during the year** | **Balance at end of the year or date of resignation** |
|---|---|---|---|---|---|
| *Notes* | | | | *(ii)* | |
| Adam Davis | - | - | - | 71,666,666 | 71,666,666 |
| Peter Mobbs | - | - | - | 22,500,000 | 22,500,000 |
| Jonathan Pager | - | - | - | 11,166,667 | 11,166,667 |
| Michael Pollak | - | - | - | 25,000,000 | 25,000,000 |
| Montgomery Grant | 43,200,000 | - | - | (34,560,000) | 8,640,000 |
| | **43,200,000** | **-** | **-** | **95,773,333** | **138,973,333** |

***Notes***

(i) The share movement represents the impact of the 4:1 consolidation approved by shareholders on 7 September 2015 and additional shares acquired under the prospectus dated 24 February 2016.

(ii) For Mr Grant the movement represents the impact of the 5:1 consolidation approved by shareholders on 23 December 2014. For the other Directors the movement represents shares acquired under the DOCA recapitalisation and issued on 24 April 2015.

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

# DIRECTORS' REPORT (continued)

## REMUNERATION REPORT (Audited) (continued)

**Other key management personnel transactions**

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

**Use of remuneration consultants**

No remuneration consultants were used during the year.

Signed in accordance with a resolution of the Directors.

Gary Burg

Non-Executive Chairman

31 August 2016

# STATEMENT OF CORPORATE GOVERNANCE

The Corporate Governance Statement reflects the corporate governance policies that were adopted by the Directors of the Company who were in office at the date of this report and sets out the Company's current compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Directors are committed to achieving and demonstrating the highest standards of corporate governance. As such, the Company and its controlled entities have adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council.

The Corporate Governance Statement is available on the Company's website at www.ucwlimited.com.au.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

| | Notes | Consolidated 2016 $ | Company 2015 $ |
|---|---|---|---|
| **Revenue** | 3 | 2,040,146 | 7,926 |
| **Cost of sales** | 4 | (1,010,336) | - |
| **Expenses** | | | |
| Depreciation and amortisation expense | 4 | (15,987) | - |
| Employee benefits expense | | (789,850) | (81,845) |
| Legal expense | | (64,950) | (119,906) |
| Professional fees | | (228,216) | (185,786) |
| Other expenses | | (446,273) | (33,587) |
| **Total expenses** | | **(1,545,276)** | **(421,124)** |
| **Total expenses** | | (2,555,612) | (421,124) |
| **Loss before finance costs and impairment** | | **(515,466)** | **(413,198)** |
| Impairment of goodwill | 6 | (8,948,828) | - |
| Impairment of intangibles | 4 | (5,500) | - |
| Impairment of inventories | 13 | (5,000) | (33,750) |
| **Loss before income tax expense** | | **(9,474,794)** | **(446,948)** |
| Income tax benefit | 5 | 131,578 | - |
| **Loss from continuing operations** | | **(9,343,216)** | **(446,948)** |
| **Discontinued operations** | | | |
| Profit from discontinued operations after tax | 33 | - | 2,654,688 |
| **Net (loss)/profit attributable to members of the Company** | | **(9,343,216)** | **2,207,740** |
| **Other comprehensive income for the year** | | | |
| Items that may be reclassified to the profit or loss | | - | - |
| Items that will not be reclassified subsequently to the profit or loss | | - | - |
| **Total comprehensive (loss)/profit** | | **(9,343,216)** | **2,207,740** |
| **(Loss)/profit is attributable to** | | | |
| UCW Limited | | (9,343,216) | 2,207,740 |
| | | **(9,343,216)** | **2,207,740** |

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

FOR THE YEAR ENDED 30 JUNE 2016

| | Notes | Consolidated 2016 $ | Company 2015 $ |
|---|---|---|---|
| **Total comprehensive (loss)/profit is attributable to** | | | |
| UCW Limited | | (9,343,216) | 2,207,740 |
| | | **(9,343,216)** | **2,207,740** |
| **(Loss)/profit per share from continuing operations attributable to equity holders of the parent entity** | | | |
| Basic (loss)/profit per share (cents per share) | 10 | | |
| - Continuing operations | | (4.75) | (0.59) |
| - Discontinued operations | | - | 3.49 |
| Diluted (loss)/profit per share (cents per share) | 10 | | |
| - Continuing operations | | (4.75) | (0.59) |
| - Discontinued operations | | - | 2.63 |

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

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

| | Notes | Consolidated 2016 $ | Company 2015 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 11 | 8,817,554 | 1,147,632 |
| Trade and other receivables | 12 | 473,069 | 17,072 |
| Inventories | 13 | 6,961 | 5,000 |
| Other assets | 14 | 158,758 | - |
| **Total current assets** | | **9,456,342** | **1,169,704** |
| **Non-current assets** | | | |
| Trade and other receivables | 12 | 124,363 | - |
| Deferred tax asset | 5c | 221,105 | - |
| Plant & equipment | 16 | 133,402 | - |
| Goodwill on consolidation | | - | - |
| Intangible assets | 17 | 18,514 | 5,500 |
| **Total non-current assets** | | **497,384** | **5,500** |
| **Total assets** | | **9,953,726** | **1,175,204** |
| **Current liabilities** | | | |
| Trade and other payables | 18 | 762,198 | 216,027 |
| Deferred revenue | 19 | 2,049,016 | - |
| Deferred settlement | 20 | 3,500,000 | - |
| Provisions | 21 | 91,264 | - |
| Income tax liabilities | 5 | (324,811) | - |
| **Total current liabilities** | | **6,077,667** | **216,027** |
| **Non-current liabilities** | | | |
| Provisions | 21 | 15,063 | - |
| **Total liabilities** | | **6,092,730** | **216,027** |
| **Net assets** | | **3,860,996** | **959,177** |
| **Equity** | | | |
| Issued capital | 22 | 14,172,195 | 2,075,000 |
| Reserves | 23 | 149,715 | 1,875 |
| Accumulated losses | 24 | (10,460,914) | (1,117,698) |
| | | **3,860,996** | **959,177** |

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

| | Issued Capital $ | Share Based Payments Reserve $ | Options Premium Reserve $ | Accumulated Losses $ | Total Equity $ |
|---|---|---|---|---|---|
| **Consolidated** | | | | | |
| **Balance as at 1 July 2015** | 2,075,000 | - | 1,875 | (1,117,698) | 959,177 |
| Net loss for the year | - | - | - | (9,343,216) | (9,343,216) |
| Other comprehensive income for the year | - | - | - | - | - |
| **Total comprehensive income for the year** | - | - | - | (9,343,216) | (9,343,216) |
| **Transactions with owners in their capacity as owners** | - | - | - | - | - |
| Shares issued at net cost | 12,097,195 | - | - | - | 12,097,195 |
| Options issued at fair value | - | 147,840 | - | - | 147,840 |
| **Total transactions with owners in their capacity as owners** | 12,097,195 | 147,840 | - | - | 12,245,035 |
| **Balance as at 30 June 2016** | **14,172,195** | **147,840** | **1,875** | **(10,460,914)** | **3,860,996** |
| | | | | | |
| **Company** | | | | | |
| **Balance as at 1 July 2014** | 23,241,146 | - | - | (26,566,584) | (3,325,438) |
| Net profit for the year | - | - | - | 2,207,740 | 2,207,740 |
| Other comprehensive income for the year | - | - | - | - | - |
| **Total comprehensive income for the year** | - | - | - | 2,207,740 | 2,207,740 |
| **Transactions with owners in their capacity as owners** | | | | | |
| Writeback of accumulated losses | (23,241,146) | - | - | 23,241,146 | - |
| Shares issued at net cost | 2,075,000 | - | 1,875 | - | 2,076,875 |
| **Total transactions with owners in their capacity as owners** | (21,166,146) | - | 1,875 | 23,241,146 | 2,076,875 |
| **Balance as at 30 June 2015** | **2,075,000** | **-** | **1,875** | **(1,117,698)** | **959,177** |

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

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

| | Notes | Consolidated 2016 $ | Company 2015 $ |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Receipts from customers | | 2,411,268 | 2,875 |
| Payments to suppliers and employees | | (2,841,155) | (222,170) |
| DOCA settlement | | - | (766,721) |
| Interest received | | 66,422 | 5,052 |
| Net cash used in operating activities | 28a | (363,465) | (980,964) |
| **Cash flow from investing activities** | | | |
| Acquisition of subsidiary – ALG | | (4,800,000) | - |
| Cash on acquisition of subsidiary – ALG | | 1,590,076 | - |
| Payment for property plant and equipment | | (7,278) | - |
| Net cash used in investing activities | | (3,217,202) | - |
| **Cash flow from financing activities** | | | |
| Proceeds from share issue | | 11,674,341 | 1,595,951 |
| Capital raising costs | | (423,752) | - |
| Proceeds from syndicate loan | | - | 715,000 |
| Repayment of borrowings | | - | (234,076) |
| Net cash generated by financing activities | | 11,250,589 | 2,076,875 |
| Net increase in cash and cash equivalents | | 7,669,922 | 1,095,911 |
| Cash and cash equivalents at beginning of year | | 1,147,632 | 51,721 |
| **Cash and cash equivalents at end of year** | 11 | **8,817,554** | **1,147,632** |

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

**(a) Basis of preparation of the financial report**

**Statement of Compliance**

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law where possible (refer to note 1(b) below).

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

The consolidated financial statements were authorised for issue by the Board of Directors on 31 August 2016.

**(b) Incomplete records**

The management and affairs of the Company and its controlled entities were not under the control of its Directors since it entered voluntary administration on 6 March 2014 and 10 March 2014 respectively until the date the Deed of Company Arrangement (**DOCA**) was effectuated, being 16 February 2015.

The financial report was prepared by Directors who were not in office at the time the Group entered voluntary administration or for the full comparative period (30 June 2015) presented in this report. The Directors who prepared this financial report include the Directors that were appointed on 16 February 2015 as part of the recapitalisation proposal approved by the Company's creditors and shareholders.

To prepare the financial report, the Directors have reconstructed the financial records of the Company using data extracted from the Company's accounting systems and the record of receipts and payments made available by the Administrator of the Company and its subsidiaries for the period from their appointment. However, it has not been possible for the Directors to obtain all the books and records of the Company and its subsidiaries for the period prior to the appointment of the Administrators.

Consequently, although the Directors have prepared this financial report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 for the comparative periods in the financial report, being for the year ended 30 June 2015.

**(c) Basis of preparation**

The financial report has been prepared on the historical cost basis.

**(d) Going concern**

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

For the year ended 30 June 2016 the consolidated entity incurred a net loss of $9,343,216 (2015: profit $2,207,740). This was largely due to the decision to write off $8.9 million of goodwill in relation to the acquisition of ALG. The Company had working capital of $3,378,675 (2015: $953,677). Based upon the Group's existing cash resources of $8,817,554 (2015: $1,147,632), and the ability to modify expenditure outlays if required, and to source additional funds if required, the Directors consider that there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, and therefore the going concern basis of preparation is considered to be appropriate for the financial report for the year ended 30 June 2016.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Principles of consolidation

**Subsidiaries**

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

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

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

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

### (f) Income tax

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

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

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

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

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

### (g) Business combinations

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

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

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

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) 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 diference 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.

### (h) Inventories

Inventories are measured at 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.

### (i) Plant and equipment

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

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

Depreciation is recognised so as to write 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) |
|---|---|
| Plant and equipment | 3 to13 years |
| Furniture, fittings and equipment | 4 to 13 years |
| Web development | 4 years |
| Computer software | 2 to 5 years |

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

### (j) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents include cash on hands, 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 Statement of Financial Position.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(k) Trade receivables**

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

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

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

**(l) 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 where substantially all the risks and benefits remain with the lessor are recognised on a straight line basis over the lease term, unless another systematic basis is more representative of the true pattern of the user's benefits.

**(m) Trade and other creditors**

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

**(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 publically recommended by the Directors on or before the end of the financial year but not distributed at the reporting date.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(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 Company 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) Loans and receivables**

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

**(r) Employee benefits**

**Wages and salaries, annual leave and sick leave**

Liabilities for wages and salaries, and annual leave, including non monetary benefits, expected to be settled within 12 months of the reporting date are recognised in other creditors, in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measure at the rates paid or payable.

**Profit share and bonus plans**

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

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

**Superannuation**

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

**Termination benefits**

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

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(r) Employee benefits (continued)**

**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.

**(s) Financial instruments**

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

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

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

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

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

**(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 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 to which the assets belong.

**(u) Intangible assets**

**Goodwill**

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

**Website development and course 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. Course development is amortised over five years.

**(v) 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.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(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.

**Tuition revenue**

Tuition revenue and other education related revenue such as course materials, are recognised as the service is provided. Administration fees which are non-refundable and relate to the setting up of a student's profile, and other administration fees relating to the administration of the student course, are recognised upon receipt.

**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) Segment reporting**

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

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

**(y) 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 showed 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.

**(z) Fair value of assets and liabilities**

The Company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(z) Fair value of assets and liabilities (continued)**

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets.

Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

***Valuation techniques***

In the absence of an active market for an identical asset or liability, the Company selects and uses one or more valuation techniques to measure the fair value of the asset or liability, The Company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Company are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

***Fair value hierarchy***

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

*Level 1*

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

*Level 2*

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

*Level 3*

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(z) Fair value of assets and liabilities (continued)**

These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Company would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Company recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

**(aa) New accounting standards and interpretations**

**New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- **AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)**

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

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

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

- **AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).**

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

The Directors have not considered whether the adoption of AASB 15 will have a material impact on the Group's revenue recognition and disclosures.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

**(aa) New accounting standards and interpretations (continued)**

- **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.

## NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

**Key Estimates – 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 performed in assessing recoverable amounts incorporate a number of key estimates.

## NOTE 3: REVENUE

| | Consolidated<br>2016<br>$ | Company<br>2015<br>$ |
|---|---|---|
| **Operating activities:** | | |
| Sale of goods | - | 2,874 |
| Student fee income | 1,926,753 | - |
| Other revenue | 46,971 | - |
| Interest revenue | 66,422 | 5,052 |
| **Total revenue** | **2,040,146** | **7,926** |

## NOTE 4: LOSS BEFORE INCOME TAX EXPENSE

| | | |
|---|---|---|
| Loss from continuing operations before income tax has been determined after: | | |
| Cost of sales | 1,010,336 | - |
| Commission expense | 303,295 | - |
| *Depreciation of plant and equipment* | | |
| - plant and equipment | 15,987 | - |
| *Rental expense on operating leases* | | |
| - venue and fitness | 54,160 | - |
| - printer | 10,380 | - |
| Write down of inventories to net realisable value | 5,000 | 33,750 |
| Impairment of intangibles | 5,500 | - |

## NOTE 5: INCOME TAX EXPENSE

**(a) The components of tax benefit comprise**

| | Consolidated 2016 $ | Company 2015 $ |
|---|---|---|
| Current tax | - | - |
| Deferred tax | 131,578 | - |
| | **131,578** | **-** |
| **(b) Tax expense/benefit on (loss)/profit from ordinary activities before income tax at 30%** | | |
| Loss before tax from continuing operations | (9,343,216) | (446,948) |
| Profit before tax from discontinued operations | - | 2,654,688 |
| | (9,343,216) | 2,207,740 |
| Tax at 30% | (2,802,965) | 662,322 |
| Add tax effect of | | |
| Other (non-assessable)/non-allowable items | 2,934,543 | (796,406) |
| | 131,578 | (134,084) |
| Benefit of tax loss not bought to account | - | 134,084 |
| **Income tax benefit attributable to loss** | **131,578** | **-** |
| **(c) Recognised temporary differences deferred tax assets** | | |
| Other (including tax losses carried forward) | 115,618 | - |
| Provisions | 31,897 | - |
| Accrued expenses | 69,180 | - |
| Depreciation | 4,410 | - |
| | **221,105** | |

The negative income tax liabilities on the balance sheet of $324,811 (2015: $nil) are a result of ALG paying tax on a cash basis. Given ALG will now be on an accruals basis, the Company will be due a refund for the amounts overpaid.

Tax losses relate to the entity prior to the reconstruction that were not used and have been lost. Current tax losses have been recognised as a deferred tax asset as recoupment is dependent on, amongst other matters, sufficient future assessable income being earned. The Company considers this to be likely in the foreseeable future and accordingly the deferred tax assets have been recognised. There are no deferred tax liabilities.

## NOTE 6: IMPAIRMENT

| | | |
|---|---|---|
| Impairment of goodwill | 8,948,828 | - |

The acquisition of Australian Learning Group Pty Limited (ALG) was funded by a combination of cash and the issue of shares in UCW. Goodwill was recognised on acquisition, being the excess of the cost of acquisition over the net assets acquired. The Board has taken a conservative view and decided to impair goodwill in full at the financial year end. As such the 30 June 2016 consolidated financial year loss includes impairment of goodwill totalling $8,948,828.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 7: KEY MANAGEMENT PERSONNEL COMPENSATION

| | Consolidated 2016 $ | Company 2015 $ |
|---|---|---|
| Short term employee benefits | 252,958 | 81,845 |

Further information is contained in the remuneration report.

**Shareholding and option holding of Directors and other key management personnel**

**(a) Options**

The number of options over 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:

| | Balance 30 June 2016 (i)(ii) | Balance 30 June 2015 (i) |
|---|---|---|
| Gary Burg(i)(ii) | 36,111,111 | - |
| Adam Davis(i)(ii) | 9,583,334 | 28,333,334 |
| Peter Mobbs(i)(ii) | 2,986,111 | 7,500,000 |
| Jonathan Pager(i)(ii) | 1,763,888 | 4,833,333 |
| Michael Pollak(i) | 3,000,000 | 12,000,000 |
| **Total** | **53,444,444** | **52,666,667** |

(i) Options acquired under the DOCA recapitalisation, being unlisted options exercisable at $0.01 per option (now exercisable at $0.04 post the 4:1 consolidation) on or before 30 June 2018.

(ii) Options acquired under the Prospectus dated 24 February 2016, being unlisted options exercisable at $0.06 per option on or before 30 June 2018. For every three (3) new shares subscribed for under the Prospectus, one (1) option was granted.

**(b) Shareholding**

The number of ordinary shares in the Company held during the financial year by each Director of UCW Limited and other key management personnel of the consolidated entity, including their personal related parties, are set out below:

| | Balance 30 June 2016** | Balance 30 June 2015* |
|---|---|---|
| Gary Burg | 108,333,333 | - |
| Adam Davis | 25,416,667 | 71,666,666 |
| Peter Mobbs | 9,791,667 | 22,500,000 |
| Jonathan Pager | 4,458,334 | 11,166,667 |
| Michael Pollak | 6,250,000 | 25,000,000 |
| Montgomery Grant*** | - | 8,640,000 |
| **Total** | **154,250,001** | **138,973,333** |

* Post 5:1 consolidation approved by shareholders on 23 December 2014

** Post 4:1 consolidation approved by shareholders on 7 September 2015

*** Not a key management person as at 30 June 2016

# NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 8: AUDITOR'S REMUNERATION

| | Consolidated 2016 $ | Company 2015 $ |
|---|---|---|
| Amounts paid/payable to Stantons International for audit and review work undertaken under Corporation Act 2001 | | |
| Auditing or reviewing the financial report | 40,521 | 20,000 |
| Under/over accrual | 8,928 | - |
| Other services | 16,741 | 37,706 |
| | **66,190** | **57,706** |

## NOTE 9: FRANKING CREDITS

| | 2016 $ | 2015 $ |
|---|---|---|
| Balance of franking credits at year end 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 | 2,183,628 | 2,070,474 |

## NOTE 10: EARNINGS PER SHARE

| | 2016 $ | 2015 $ |
|---|---|---|
| **(a) Basic (loss)/earnings per share (cents per share)** | | |
| From continuing operations | (4.75) | (0.59) |
| From discontinued operations | - | 3.49 |
| **(b) Diluted (loss)/earnings per share (cents per share)** | | |
| From continuing operations | (4.75) | (0.59) |
| From discontinued operations | - | 2.63 |
| **(c) Reconciliation of (loss)/profit in calculating earnings per share** | | |
| Basic and diluted loss per share | | |
| Loss from continuing operations attributable to ordinary equity holders of the Company | (9,343,216) | (446,948) |
| Profit from discontinued operations | - | 2,654,688 |
| **(d) Total shares** | | |
| Weighted average number of ordinary shares outstanding during the year used in the calculation of basic (loss)/earnings per share | 196,770,431 | 76,019,750 |
| Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share for discontinued operations | 196,770,431 | 101,019,750 |

# NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 11: CASH AND CASH EQUIVALENTS

| | Consolidated 2016 $ | Company 2015 $ |
|---|---|---|
| Cash at bank and on hand | 8,817,554 | 1,147,632 |
| Cash and cash equivalents | 8,817,554 | 1,147,632 |
| Bank overdraft | - | - |
| | **8,817,554** | **1,147,632** |

## NOTE 12: TRADE AND OTHER RECEIVABLES

| | 2016 $ | 2015 $ |
|---|---|---|
| **Current** | | |
| Trade and other receivables | 366,699 | - |
| GST receivable | 106,370 | 17,072 |
| Less: Provision for impairment of other receivables | - | - |
| | **473,069** | **17,072** |
| **Non–current** | | |
| Trade and other receivables | **124,363** | **-** |

The trade and other receivables as at 30 June 2016 are not considered past due and are fully recoverable.

## NOTE 13: INVENTORIES

| | 2016 $ | 2015 $ |
|---|---|---|
| **Current** | | |
| *At cost:* | | |
| Finished goods | 11,961 | 38,750 |
| *At net realisable value:* | | |
| Impairment | (5,000) | (33,750) |
| | **6,961** | **5,000** |

## NOTE 14: OTHER ASSETS

| | 2016 $ | 2015 $ |
|---|---|---|
| **Current** | | |
| Prepayments | 23,084 | - |
| Deposits | 15,450 | - |
| Commissions in advance | 120,224 | |
| | **158,758** | **-** |

# NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 15: CONTROLLED ENTITIES

| Entity | Country of incorporation | (%) Owned 2016 | (%) Owned 2015 |
|---|---|---|---|
| Australian Learning Group Pty Limited (i) | Australia | 100 | - |

(i) On 24 March 2016 the Company acquired 100% of the issued capital in Australian Learning Group Pty Limited (ALG).

## NOTE 16: PLANT AND EQUIPMENT

| | Office equipment $ | Property improvements $ | Motor vehicles $ | Consolidated total $ |
|---|---|---|---|---|
| **At 30 June 2016** | | | | |
| Cost | 254,437 | 25,182 | - | 279,619 |
| Accumulated depreciation | (146,217) | - | - | (146,217) |
| Disposals | - | - | - | - |
| Profit on sale of plant & equipment | - | - | - | - |
| | **108,220** | **25,182** | **-** | **133,402** |

| | Office equipment $ | Property improvements $ | Motor vehicles $ | Company total $ |
|---|---|---|---|---|
| **At 30 June 2015** | | | | |
| Cost | - | - | 14,545 | 14,545 |
| Accumulated depreciation | - | - | - | - |
| Disposals | - | - | (14,545) | (14,545) |
| Profit on sale of plant & equipment | - | - | - | - |
| | - | - | - | - |

**(a) Reconciliations**

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

| | | | | |
|---|---|---|---|---|
| At 1 July 2015 | - | - | - | - |
| Net additions/(disposals)* | 124,207 | 25,182 | - | 149,389 |
| Depreciation | (15,987) | - | - | (15,987) |
| Profit on sale of plant & equipment | - | - | - | - |
| **At 30 June 2016** | **108,220** | **25,182** | **-** | **133,402** |

* Net assets acquired as part of ALG acquisition.

| | | | | |
|---|---|---|---|---|
| At 1 July 2014 | - | - | 14,545 | 14,545 |
| Disposals | - | - | (14,545) | (14,545) |
| Depreciation | - | - | - | - |
| Profit on sale of plant & equipment | - | - | - | - |
| **At 30 June 2015** | - | - | - | - |

# NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

On 6 March 2014 the Company was placed into voluntary administration. A Creditors' Trust Deed was established pursuant to the DOCA which was used to pay the Deed Administrator's fees and costs, the Administrator's fees and costs and the Trustees' fees and costs, with the balance distributed to creditors as full and final payment of the Company's outstanding debts due and payable at the time it entered voluntary administration. All plant and equipment was transferred into the Creditors Trust at the time of effectuating the DOCA, being 16 February 2015.

## NOTE 17: INTANGIBLE ASSETS

| | Intellectual property $ | Website development $ | Course development $ | Consolidated Total $ |
|---|---|---|---|---|
| **At 30 June 2016** | | | | |
| Cost | 5,500 | 4,339 | 26,166 | 36,005 |
| Accumulated amortisation | - | (3,049) | (8,942) | (11,991) |
| Impairment | (5,500) | - | - | (5,500) |
| | **-** | **1,290** | **17,224** | **18,514** |

| | Intellectual property $ | Website development $ | Course development $ | Company Total $ |
|---|---|---|---|---|
| **At 30 June 2015** | | | | |
| Cost | 5,500 | - | - | 5,500 |
| Accumulated amortisation | - | - | - | - |
| Impairment | - | - | - | - |
| | **5,500** | **-** | **-** | **5,500** |

On 6 March 2014 the Company was placed into voluntary administration. A Creditors' Trust Deed was established pursuant to the DOCA which was used to pay the Deed Administrator's fees and costs, the Administrator's fees and costs and the Trustees' fees and costs, with the balance distributed to creditors as full and final payment of the Company's outstanding debts due and payable at the time it entered voluntary administration. The intellectual property of the Undercoverwear Unit Trust was transferred to the Company at the time of effectuating the DOCA, being 16 February 2015.

## NOTE 18: TRADE AND OTHER PAYABLES

| | 2016 $ | 2015 $ |
|---|---|---|
| **Current** | | |
| Trade creditors | 197,268 | 207,257 |
| Other payables and accrued expenses | 564,930 | 8,770 |
| | **762,198** | **216,027** |

Trade creditors at 30 June 2016 are not considered past due. On 6 March 2014 the Company was placed into voluntary administration. A Creditors' Trust Deed was established pursuant to the DOCA which was used to pay the Deed Administrator's fees and costs, the Administrator's fees and costs and the Trustees' fees and costs, with the balance distributed to creditors as full and final payment of the Company's outstanding debts due and payable at the time it entered voluntary administration. All trade and other payables were transferred into the Creditors Trust at the time of effectuating the DOCA, being 16 February 2015. The trade creditors as at 30 June 2015 relate to expenses incurred post effectuation of the DOCA.

## NOTE 19: DEFERRED REVENUE

| | Consolidated 2016 $ | Company 2015 $ |
|---|---|---|
| **Current** | | |
| Deferred income | 2,049,016 | - |
| | **2,049,016** | **-** |

Deferred revenue relates to tuition revenue 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).

## NOTE 20: DEFERRED SETTLEMENT

| | 2016 $ | 2015 $ |
|---|---|---|
| **Current** | | |
| Deferred settlement payment (i) | 3,500,000 | - |
| | **3,500,000** | **-** |

(i) Consideration payable for the acquisition of ALG in accordance with the Share Sale Agreement. See Note 26 for details of the earn out amount.

## NOTE 21: PROVISIONS

| | 2016 $ | 2015 $ |
|---|---|---|
| **Current** | | |
| Annual leave | 50,585 | - |
| Long service leave | 40,679 | - |
| | **91,264** | **-** |
| | | |
| **Non-current** | | |
| Long service leave | 15,063 | - |
| | **15,063** | **-** |

# NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 22: SHARE CAPITAL

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | **Number** | **$** | **Number** | **$** |
| Opening balance | 337,280,024 | 2,075,000 | 86,400,000 | 23,241,146 |
| Share consolidation (4:1) approved on 7 September 2015 | (252,959,968) | - | - | - |
| Issue 24 March 2016 | 212,322,340 | 12,591,502 | - | - |
| Capital raising costs | - | (494,307) | - | - |
| Share consolidation (5:1) approved on 23 December 2014 | - | - | (69,119,976) | - |
| Issued 24 April 2015 | - | - | 320,000,000 | 2,075,000 |
| Write back of accumulated losses* | - | - | - | (23,241,146) |
| **At reporting date** | **296,642,396** | **14,172,195** | **337,280,024** | **2,075,000** |

*The Directors of the Company elected to apply for relief under section 258F of the Corporations Act 2001, as the paid up share capital is considered cost or is not represented by available assets.

**(b) Issuance of ordinary shares**

The following shares were issued and allotted by the Company pursuant to the capital raising on 24 March 2016:

- 195,655,674 fully paid ordinary shares at an issue price of $0.06 per share with one (1) option for every three (3) shares, issued at no consideration;
- 16,666,666 fully paid ordinary shares to the vendors of ALG with one (1) option for every three (3) shares, issued at no consideration. As required under AASB 3, the options issued to the vendors of ALG were valued using the Black Scholes method and booked to the Option Reserve (Refer Note 23).

On 7 September 2015, the shareholders approved the consolidation of the issued capital of the Company on the basis that every four (4) Shares be consolidated into one (1) share. 252,959,968 ordinary shares were cancelled as part of the consolidation.

The following shares were issued and allotted by the Company following the completion of capital raising on 24 April 2015:

- 150,000,000 fully paid ordinary shares at an issue price of $0.0025 per share;
- 170,000,000 fully paid ordinary shares at an issue price of $0.01 per share

On 23 December 2014, the shareholders approved the consolidation of the issued capital of the Company on the basis that every five (5) ordinary shares be consolidated into one (1) ordinary share. 69,119,976 ordinary shares were cancelled as part of the consolidation .

**(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.

## NOTE 23: RESERVES

| | Consolidated 2016 | | Company 2015 | |
|---|---|---|---|---|
| | **Number** | **$** | **Number** | **$** |
| Opening balance | 75,000,000 | 1,875 | - | - |
| Options consolidation (1:4) approved on 7 September 2015 | (56,250,000) | - | - | - |
| Options issued 24 March 2016 | 65,218,561 | - | - | - |
| Options issued 24 March 2016 - ALG | 5,555,554 | 147,840 | - | - |
| Options issued 24 April 2015 | - | - | 75,000,000 | 1,875 |
| **At reporting date** | **89,524,115** | **149,715** | **75,000,000** | **1,875** |

On 7 September 2015, the shareholders approved the consolidation of the issued capital of the Company on the basis that every four (4) options be consolidated into one (1) option. 56,250,000 options were cancelled as part of the consolidation.

The following options were issued and allotted by the Company following the completion of a capital raising on 24 March 2016:

- 65,218,561 unlisted options, each exercisable at $0.06 per option on or before 30 June 2018;
- 5,555,554 unlisted options, each exercisable at $0.06 per option on or before 30 June 2018 to the vendors of ALG. These options were valued using the Black Scholes method. Inputs used in the calculation include share price of $0.06, an exercise price of $0.06, and volatility of 75%.

75,000,000 unlisted options were issued and allotted by the Company following the completion of a capital raising on 24 April 2015, with each option exercisable at $0.01 per option and expiring on 30 June 2018. Pursuant to the 4:1 consolidation approved by shareholders on 7 September 2015, the exercise price on these options is now $0.04.

## NOTE 24: ACCUMULATED LOSSES

| | 2016 | 2015 |
|---|---|---|
| | **$** | **$** |
| **Current** | | |
| Balance at beginning of the financial year | (1,117,698) | (26,566,584) |
| Net (loss)/ profit for the year | (9,343,216) | 2,207,740 |
| Write back of accumulated losses to share capital* | - | 23,241,146 |
| **Balance at the end of the financial year** | **(10,460,914)** | **(1,117,698)** |

The Directors resolved to write back accumulated losses against share capital such that share capital reflects the $2,075,000 capital injected into the Company in the recapitalisation that occurred on 24 April 2015.

*The Directors of the Company elected to apply for relief under section 258F of the Corporations Act 2001, as the paid up share capital is considered cost or is not represented by available assets.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 25: CAPITAL AND LEASING COMMITMENTS

| | Consolidated 2016 $ | Company 2015 $ |
|---|---|---|
| **Operating lease commitments** | | |
| Payable – minimum lease payments | | |
| - not later than 1 year | 10,380 | 10,380 |
| - later than 1 year and not later than 5 years | 27,825 | 38,205 |
| - later than 5 years | - | - |
| | **38,205** | **48,585** |
| **Interest bearing liabilities** | | |
| Included in the Statement of Financial Position as: | | |
| Current financial liabilities | - | - |
| Non-current financial liabilities | - | - |
| | **-** | **-** |

## NOTE 26: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The consideration payable to the ALG vendors includes an earn out amount, up to a maximum of $6 million, on the following terms:

- A minimum of $3.5 million is payable in cash (deferred cash payment which has been accrued, refer Note 20); and
- The ALG vendors and UCW may each at their discretion, elect for up to 50% of the remaining earn out amount (after paying the first $3.5 million in cash) to be paid either in cash or by the issue of shares in UCW (deferred shares). The deferred shares elected by the ALG vendors will be issued, subject to shareholder approval at a 5% discount to the 30 day VWAP as calculated over the VWAP period and the Deferred Shares elected by UCW will be issued at a 15% discount to the 30 day VWAP as calculated over the VWAP period

As at the date of this report, based on its calculations of Normalised EBITDA as defined in the Share Sale Agreement, which are still subject to the ALG vendor's review, the Company does not anticipate having to pay an amount which is in excess of the minimum amount of $3.5 million.

## NOTE 27: 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 Company operates in two business segments being international student education and domestic student education, and one geographical segment being Australia.

| | International student income $ | Domestic student income $ | Unallocated $ | Total $ |
|---|---|---|---|---|
| **Revenue from external customers** | 1,659,077 | 267,676 | 113,393 | 2,040,146 |
| Other income | - | - | - | - |
| Total reportable segment results (before impairment) | - | - | (515,466) | (515,466) |
| **Total segment assets** | - | - | 9,953,726 | 9,953,726 |
| **Total segment liabilities** | - | - | 6,092,730 | 6,092,730 |

Currently segment results, assets and liabilities have been categorised as unallocated as there is insufficient information to allocate to assets and liabilities and to assess the operating results of each segment.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 28: CASH FLOW INFORMATION

**(a) Reconciliation of cash flow from operations with (loss)/profit after income tax**

| | Consolidated 2016 $ | Company 2015 $ |
|---|---|---|
| (Loss)/profit from ordinary activities after income tax | (9,343,216) | 2,207,740 |
| *Adjustments for non-cash items* | | |
| Depreciation and amortisation expense | 15,987 | - |
| Impairment of inventories | 5,000 | - |
| Impairment of intangibles | 5,500 | 48,295 |
| Impairment of goodwill | 8,948,828 | - |
| *Changes in assets and liabilities* | | |
| Trade and other receivables | (142,977) | (8,202) |
| Other assets | (51,725) | - |
| Deferred revenue | 393,755 | - |
| Trade and other payables | (214,903) | (2,122,020) |
| Provisions | 20,286 | (547,647) |
| Financial liabilities | - | (559,130) |
| **Cash flow used in operating activities** | **(363,465)** | **(980,964)** |

## NOTE 29: EVENTS AFTER BALANCE DATE

There are no events subsequent to balance date.

## NOTE 30: RELATED PARTY TRANSACTIONS

Disclosures relating to key management personnel are set out in Note 7 and the detailed remuneration disclosures in the Directors' Report.

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

Transactions with Directors and their Director related entities:

- A commission of $265,000 was paid to Global Capital Holdings (Australia) Pty Limited, of which Gary Burg is a Director, based on the capital raising of $6.5 million dollars pursuant to the Global Capital Subscription Agreement dated 17 November 2015.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 31: FINANCIAL RISK MANAGEMENT

**FINANCIAL RISK MANAGEMENT POLICIES**

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

**Specific financial risk exposures and management**

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

**Interest rate risk**

The Company's main exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rate, is movements in market interest rates. The Company's policy is to ensure that the best interest rate is received for its short-term bank deposits.

**Credit risk**

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial statements 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**

The Company manages liquidity risk by continuously monitoring forecast and actual cash flow, matching maturity profiles of financial assets and liabilities. The Company is currently invested in cash or short term deposits.

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

**Sensitivity analysis**

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

**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 an interest bearing at call deposit of $3,525,937 (2015: $1,147,632) and a 31 Day Notice Account $3,017,904 (2015: $nil) with Westpac and other interest bearing transaction accounts with Westpac and Commonwealth Bank totalling $1,594,668 at 30 June 2016 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.

## NOTE 31: FINANCIAL RISK MANAGEMENT (continued)

| | Weighted average effective interest rate | | Fixed interest rate maturing Within 1 year | | Non-interest bearing | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | % | % | $ | $ | $ | $ | $ | $ |
| **Financial assets** | | | | | | | | |
| Cash & cash equivalents | 1.8% | 1.0% | 8,138,509 | - | 679,045 | 1,147,632 | 8,817,554 | 1,147,632 |
| Receivables | - | - | - | - | 597,432 | 17,072 | 597,432 | 17,072 |
| **Total financial assets** | **-** | **-** | **8,138,509** | **-** | **1,276,477** | **1,164,704** | **9,414,986** | **1,164,704** |
| Financial liabilities | | | | | | | | |
| Bank overdraft | - | - | - | - | - | - | - | - |
| Trade & other payables | - | - | - | - | 762,197 | 216,027 | 762,197 | 216,027 |
| Interest bearing liabilities | - | - | - | - | 3,500,000 | - | 3,500,000 | - |
| **Total financial liabilities** | **-** | **-** | **-** | **-** | **4,262,197** | **216,027** | **4,262,197** | **216,027** |

## NOTE 32: UCW LIMITED PARENT COMPANY INFORMATION

**(a) Summarised Statement of Financial Position**

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| Total assets | 6,870,981 | 1,175,204 |
| **Liabilities** | | |
| Total liabilities | 3,676,870 | 216,027 |
| **Net assets** | **3,194,111** | **959,177** |
| **Equity** | | |
| Share capital and reserves | 14,321,910 | 2,076,875 |
| Accumulated losses | (11,127,799) | (1,117,698) |
| **Total equity** | **3,194,111** | **959,177** |

**(b) Summarised Statement of Profit or Loss and other Comprehensive Income**

| | | |
|---|---|---|
| Loss for the year | (10,010,101) | (446,948) |
| Other comprehensive income for the year | - | 2,654,688 |
| **Total comprehensive (loss)/profit for the year** | **(10,010,101)** | **2,207,740** |

**Guarantees**

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 33: DISCONTINUED OPERATIONS

**(a) Details of operations disposed**

On 6 March 2014 the Company was placed into voluntary administration and the Company's operations were suspended by the Administrators. The Administrators sought expressions of interest from third parties to either acquire the assets of the Company or to reconstruct and recapitalise the Company.

The Company's creditors subsequently agreed with a proposal presented by a syndicate, headed by Pager Partners for the restructure and recapitalisation of the Company. This proposal was approved by Shareholders on 23 December 2014 and a Deed of Company Arrangement (**DOCA**) was effectuated on 16 February 2015 as follows:

1) The syndicate, headed by Pager Partners loaned $715,000 to the Deed Administrator (on behalf of the Company);
2) The Deed Administrator satisfied creditors' claims under the Creditors Trust Deed, with all other liabilities and obligations of the Company being comprised under the DOCA. The Creditors' Trust Deed established pursuant to the DOCA was used to pay the Deed Administrator's fees and costs, the Administrator's fees and costs and the Trustees' fees and costs, with the balance distributed to creditors as full and final payment of the Company's outstanding debts due and payable at the time it entered voluntary administration; and
3) The Company confirmed the retention of certain of the Company's existing business assets (unencumbered) however the termination of the DOCA was treated as a discontinuation of operations.

**(b) Financial performance of operations disposed**

| | Consolidated 2016 $ | Company 2015 $ |
|---|---|---|
| Carrying value of net liabilities | - | 3,369,688 |
| Payment to UCW Creditors Trust | - | (715,000) |
| Net result for the year | - | - |
| **Net gain on disposal of operations** | **-** | **2,654,688** |
| **(c) Assets and liabilities of discontinued operations** | | |
| Cash and cash equivalents | - | 51,721 |
| Trade and other receivables | - | 8,870 |
| Other assets | - | 14,545 |
| Trade and other payables | - | (2,338,047) |
| Provisions | - | (547,647) |
| Other liabilities | - | (559,130) |
| **Net liabilities attributable to discontinued operations** | **-** | **(3,369,688)** |
| **(d) Cash flows used in discontinued operations** | | |
| Net cash used in operating activities | - | (51,721) |
| Net cash from investing activities | - | - |
| Net cash used in financing activities | - | - |
| **Net cash outflows for the year** | **-** | **(51,721)** |

## NOTE 34: ACQUISITION OF AUSTRALIAN LEARNING GROUP PTY LIMITED

**(a) Details of operations acquired**

On 17 June 2015 the Company announced that it had entered into a binding share sale agreement to acquire 100% of the issued capital in Australian Learning Group Pty Limited (ALG), subject to a number of conditions precedent being satisfied.

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

**Details of the business combination are as follows:**

| | ALG |
|---|---|
| **Fair value of consideration for businesses acquired:** | **$** |
| Amount settled in cash, shares and options (including the working capital adjustment) | 5,855,119 |
| Deferred consideration | 3,500,000 |
| | **9,355,119** |
| **Recognised amounts of identifiable net assets** | |
| Cash and cash equivalents | 1,590,076 |
| Trade and other receivables | 481,630 |
| Inventories | 8,578 |
| Other assets | 72,676 |
| Deferred tax assets | 89,526 |
| Property, plant and equipment | 144,634 |
| **Total assets** | **2,387,120** |
| Trade and other payables | (438,265) |
| Current tax liabilities | 211,658 |
| Provisions | (98,961) |
| Deferred income | (1,655,261) |
| **Total liabilities** | **(1,980,829)** |
| **Net assets acquired** | **406,291** |
| **Goodwill on acquisition** | **8,948,828** |
| Consideration transferred settled in cash | (4,800,000) |
| Less cash and cash equivalents acquired | 1,590,076 |
| Stamp duty on acquisition | (55,120) |
| **Net cash paid relating to the acquisition** | **3,265,044** |

Acquisition costs are not included as part of consideration transferred and have been recognised as an expense in the consolidated Statement of Profit or Loss and other Comprehensive Income, as part of other expenses.

**(b) Details of the business combination contribution to profit/(loss):**

| | ALG |
|---|---|
| | **$** |
| **Financial period** | **24/03/2016 to 30/06/2016** |
| Summarised financial performance | |
| Revenue | 1,978,384 |
| Loss before tax | (94,178) |

# DIRECTORS' DECLARATION

1) Subject to the uncertainty over the completeness of source documentation and its impact on prior year comparatives, as disclosed in Note 1(b), in the opinion of the Directors of UCW Limited :

    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 2016 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

    d) the audited remuneration disclosures set out on pages 12 to 17 of the Directors' Report comply with accounting standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

2) 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 2016.

On behalf of the Directors

Gary Burg

Non-Executive Chairman

31 August 2016

Stantons International Audit and Consulting Pty Ltd
trading as
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# QUALIFIED INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UCW LIMITED

## Report on the Financial Report

We have audited the accompanying financial report of UCW Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

*Directors' responsibility 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 note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements do comply with International Financial Reporting Standards.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Because of the matter discussed in the basis of Disclaimer of Auditor's Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion for the comparative period 30 June 2015, other than the Statement of Financial Position for the year ended 30 June 2015.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*

*Basis for qualified Auditor's Opinion for the Comparative Period*

The company was placed into administration on 6 March 2014 until the date the Deed of Company Arrangement was effectuated, being 16 February 2015. Consequently, the financial information relating to the year ended 30 June 2015 was not subject to the same accounting and internal control processes, which included the implementation and maintenance of internal controls that are relevant to the preparation and fair presentation of the financial report. Whilst the books and records of the company have been reconstructed to the maximum extent possible, we were unable to satisfy ourselves as to the completeness of the general ledger and financial records as well as the relevant disclosures in the financial report for the year ended 30 June 2015.

Accordingly, we cannot opine on the result for the year ended 30 June 2015, thus we were unable to satisfy ourselves of the completeness of the Statement of Profit or Loss and other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash flows for the year ended 30 June 2015. Notwithstanding the above, we are satisfied that the statement of financial position as at 30 June 2015 is fairly stated.

As stated in Note 1(b), the current Directors are unable to state that the financial report is in accordance with all the requirements of the Corporations Act 2001 and the Australian Accounting Standards.

*Qualified Auditor's Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph;

(a) the financial report of UCW Limited is in accordance with the Corporations Act 2001,including:

(i) giving a true and fair view of the company's financial position as at 30 June 2016 and of their performance for the year ended on that date and ;

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

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in nota 1(a).

**Report on the Remuneration Report**

We have audited the remuneration report included on pages 12 to 17 of the directors' report for the year ended 30 June 2016. 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

*Disclaimer of opinion for Comparative Period*

Because of the existence of the limitation on scope of our work, as described in the Qualified Auditor's Opinion, and the effects of such adjustments, if any, as might have been determined to be necessary had the limitation not existed, we are unable to, and do not express, an opinion on the remuneration report of UCW Limited for the year ended 30 June 2015 and whether it complies with Section 300A of the Corporations Act 2001.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**
**(Trading as Stantons International)**
**(An Authorised Audit Company)**

Stantons International Audit & Consulting Pty Ltd

Martin Michalik

**Martin Michalik**
Director
West Perth, Western Australia
31 August 2016

Stantons International Audit and Consulting Pty Ltd
trading as
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31 August 2016

Board of Directors
UCW Limited
Level 1, 225 Clarence Street
Sydney NSW, 2000

Dear Directors

**RE: UCW LIMITED**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of UCW Limited.

As Audit Director for the audit of the financial statements of UCW Limited for the year ended 30 June 2016, 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.

Yours faithfully,

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**
**(Trading as Stantons International)**
**(An Authorised Audit Company)**

**Martin Michalik**
**Director**

# ASX ADDITIONAL INFORMATION

## NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 23 AUGUST 2016

### ORDINARY SHARES

There are 296,642,396 fully paid ordinary shares held by 467 individual shareholders.

All ordinary shares carry one vote per share.

### RESTRICTED SECURITIES

As at 23 August 2016, 16,666,666 ordinary shares were subject to escrow until 24 March 2018.

### UNQUOTED SECURITIES

There are 9 holders of 18,750,000 unquoted options, exercisable at $0.04 per option on or before 30 June 2018 and 183 holders of 70,774,115 unquoted options, exercisable at $0.06 per option on or before 30 June 2018.

Global Capital Holdings (Australia) Pty Limited holds 36,111,111 options or 40.34% of the options on issue.

### COMPLIANCE WITH LISTING RULE 4.10.19

The Company confirms that for the period from 31 March 2016 (the date of re-admission to the ASX) to 30 June 2016, the cash and assets have been used in a form readily convertible to cash that it had at the time of the re-admission to the ASX, in a way that was consistent with its business objectives.

## 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 | 282,527,953 | 95.24 | 169 | 36.19 |
| 10,001 to 100,000 | 13,987,541 | 4.72 | 250 | 53.53 |
| 5,001 to 10,000 | 99,850 | 0.03 | 11 | 2.36 |
| 1,001 to 5,000 | 18,917 | 0.01 | 8 | 1.71 |
| 1 to 1,000 | 8,135 | 0.00 | 29 | 6.21 |
| **Total** | **296,642,396** | **100.00** | **467** | **100.00** |

There are 48 holders of unmarketable parcels.

### TOTAL HOLDERS OF OPTIONS

| Range | Options | % | No. of holders | % |
|---|---|---|---|---|
| 100,001 and over | 85,828,223 | 95.84 | 73 | 38.02 |
| 10,001 to 100,000 | 3,723,892 | 4.16 | 119 | 61.98 |
| 5,001 to 10,000 | - | - | - | - |
| 1,001 to 5,000 | - | - | - | - |
| 1 to 1,000 | - | - | - | - |
| **Total** | **89,524,115** | **100.00** | **192** | **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 | 108,333,333 | 36.52 |
| ABD UCW PTY LTD | 25,416,667 | 8.57 |
| MATTHEW DAVID SMITH & MARGARET ELIZABETH ARMSTRONG | 16,666,666 | 5.62 |

## TOP 20 HOLDERS OF EQUITY SECURITIES AS AT 23 AUGUST 2016

| Rank | Name | Ordinary shares | % |
|---|---|---|---|
| 1 | GLOBAL UCW PTY LIMITED | 83,333,333 | 28.09 |
| 2 | ABD UCW PTY LIMITED | 25,416,667 | 8.57 |
| 3 | GLOBAL UCW NO.2 PTY LIMITED | 25,000,000 | 8.43 |
| 4 | MATTHEW SMITH | 8,333,333 | 2.81 |
| 4 | MARGARET ARMSTRONG | 8,333,333 | 2.81 |
| 5 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 7,373,109 | 2.49 |
| 6 | UNITED EQUITY PARTNERS PTY LTD | 6,250,000 | 2.11 |
| 6 | TRANSFUND PTY LTD | 6,250,000 | 2.11 |
| 7 | HOLLOWAY COVE PTY LTD | 5,500,000 | 1.85 |
| 8 | SANDHURST TRUSTEES LTD | 5,000,000 | 1.69 |
| 9 | JACOBSON FAMILY HOLDINGS PTY LTD | 4,875,000 | 1.64 |
| 10 | HOUGHTON WATERVILLE PTY LTD | 4,150,000 | 1.40 |
| 11 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2 | 3,875,000 | 1.31 |
| 12 | OCEANVIEW SUPER FUND PTY LTD | 3,583,333 | 1.21 |
| 13 | MAXIM CAPITAL PTY LTD | 3,333,333 | 1.12 |
| 14 | THE CLOTHING GROUP LIMITED | 2,160,000 | 0.73 |
| 15 | MR MARK JOFFE | 1,950,000 | 0.66 |
| 16 | MR GREGORY CHALOM | 1,921,667 | 0.65 |
| 17 | CITY ELECTRICAL SERVICES PTY LTD | 1,750,000 | 0.59 |
| 18 | POLFAM PTY LTD | 1,666,667 | 0.56 |
| 18 | KJA HOLDINGS PTY LTD | 1,666,667 | 0.56 |
| 19 | P AND N BAKARIC PTY LTD | 1,666,666 | 0.56 |
| 19 | ALNEY PTY LIMITED | 1,666,666 | 0.56 |
| 19 | BENEL HOLDINGS PTY LIMITED | 1,666,666 | 0.56 |
| 20 | SACCO DEVELOPMENTS AUSTRALIA PTY LIMITED | 1,645,129 | 0.55 |

UCW

LIMITED