

## **Address to Shareholders at the 21 November 2014 Annual General Meeting by Chairman Kip McGrath**

Dear Shareholders

I would like to take this opportunity to up-grade and update the chairman's report published in the annual report..

I am pleased to report Kip McGrath Education Centres ('KME') continues to perform well, with sustained growth in our core business. Earnings before interest, tax, depreciation and amortisation (EBITDA) rose strongly, to reach \$1,625,000 compared to \$1,172,000 in the prior year, an increase of 38.6%.

We are excited about the launch of our online tutoring offering to students.

The majority of our centres are now using our software systems and have been seeing an increase in student retention levels and business performance through their use. Over 21,000 students a week are now using the Insight teaching system, and 6,500 students are using the payment gateway for student fee collections. This service has been a particular highlight with Centres, as it has reduced administration time, improved collection rates and improved student attendance rates.

Over the last 6 months we have been committed heavily to prepare our online offering to be fully scalable, and over 180 centres have received training in the new products in Australia and the United Kingdom. The system is now duplicating the teaching experience provided in face to face centres and is a viable alternative where time or distance is an issue for parents and students.

I am delighted to report that a soft launch in Australia has resulted in around 100 students being taught by Kip Online last week in Australia alone. At this time of year when most tutoring is either exam orientated or has ceased this is very encouraging. In the new school year an extended advertising campaign in Australia, UK and New Zealand should result in growing numbers of students being taught online. As I've already said the initial figures are very encouraging.

Supported by a much improved financial position, our strategy going forward will deliver increased profits through the provision of our enhanced service offerings to our global network.

Kip McGrath  
Chairman  
Newcastle