Kip McGrath Education Centres Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Kip McGrath Education Centres Limited
ABN:	73 003 415 889
Reporting period:	For the half-year ended 31 December 2013
Previous period:	For the half-year ended 31 December 2012

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	29.2%	to	5,714
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	up	74.7%	to	519
Profit from ordinary activities after tax attributable to the owners of Kip McGrath Education Centres Limited	up	1091.7%	to	143
Profit for the half-year attributable to the owners of Kip McGrath Education Centres Limited	up	1091.7%	to	143

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The profit for the consolidated entity after providing for income tax amounted to $143,000 (31 December 2012: $12,000).

See attached shareholder update for further information.

The following table summarises key reconciling items between statutory profit after tax attributable to the owners of Kip McGrath Education Centres and EBITDA.

	Consolidated	
	31/12/2013 $'000	31/12/2012 $'000
Revenue	5,714	4,422
EBITDA	519	297
Less: Depreciation and amortisation	(178)	(42)
Less: Interest expense	(113)	(239)
Add: Interest income	1	1
Profit before Income tax expense	229	17
Income tax expense	(86)	(5)
Profit after income tax expense	143	12

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(3.16)	(13.69)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The last date(s) for receipt of election notices for the dividend or distribution plans: Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Kip McGrath Education Centres Limited for the half-year ended 31 December 2013 is attached.

12. Signed

Signed __________________________ Date: 13 February 2014

Kip McGrath
Chairman
Newcastle

Kip McGrath
Leaders In Learning

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PO Box 480
Newcastle, NSW 2300, Australia
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www.kipmcgrath.com
Kip McGrath Education Centres Limited
ABN: 73 003 415 889

Dear Shareholders,

Kip McGrath Education Centres ('KME') has performed strongly in the last 6 months, with growth in our core business as well as solid progress in the development of our on-line tutoring software.

The level of take up of our software systems continues to rise, with the transition to a cloud platform in mid 2013 underpinning higher global take up rates. We have now over 286 centres globally using the software, with over 17,000 students enrolled at those centres for weekly lessons.

Centre numbers have remained broadly level across the period, with the continued conversion of Centres to the new revenue contracts. We now have 94 centres globally on the full service franchise model, including 50% of Australian centres and 13% of the UK centres. In November we partnered with Google in the launch of its 'Google Helpouts" product, while in December we executed an agreement with PayPal to enhance our payment gateway capability internationally - which will further improve services for our centres.

However it is our progress in the delivery of our on-line capability which has the company most excited, with the delivery of our first paid lessons using voice and video between the tutor and up to three students simultaneously. With our tutors based in the eastern states of Australia, we have been successfully delivering lessons into both Western Australia and internationally. We expect to further invest in this technology over the coming 6 months to develop the capacity of the system and roll out to all franchise centres that wish to be involved.

Our financial performance has been robust during the 6 month period, with revenue growing by 29% to $5.714 million and EBITDA improving to $519,000, up nearly 75% on the same period last year. As indicated in the last Annual Report, the company has budgeted for an increased profit in FY 2014 compared to the prior year and we remain on track to achieve that outcome.

Kip McGrath
Chairman

13 February 2014
Newcastle

Kip McGrath Education Centres Limited

ABN 73 003 415 889

Interim Report - 31 December 2013

Kip McGrath Education Centres Limited
Directors' report
31 December 2013

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Kip McGrath Education Centres Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2013.

Directors

The following persons were directors of Kip McGrath Education Centres Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Kip McGrath - Chairman
Ian Campbell
Richard Ryan
Joe Ewart
Nick Grogan (Alternate director)

Principal activities

The principal activities of the consolidated entity during the course of the financial half-year continued to be the sale of franchises and providing services to franchisees in the education field. The consolidated entity does this in Australia and overseas, principally in the United Kingdom and New Zealand.

Review of operations

The profit for the consolidated entity after providing for income tax amounted to $143,000 (31 December 2012: $12,000).

See attached shareholder update for further information.

The earnings before interest, tax, depreciation and amortisation ('EBITDA') amounted to $519,000 (2012: $297,000).

The following table summarises key reconciling items between statutory profit after tax attributable to the owners of Kip McGrath Education Centres and EBITDA.

	Consolidated	
	31/12/2013 $'000	31/12/2012 $'000
Revenue	5,714	4,422
EBITDA	519	297
Less: Depreciation and amortisation	(178)	(42)
Less: Interest expense	(113)	(239)
Add: Interest income	1	1
Profit before Income tax expense	229	17
Income tax expense	(86)	(5)
Profit after income tax expense	143	12

Significant changes in the state of affairs

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

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

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

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

On behalf of the directors

Kip McGrath
Chairman

13 February 2014
Newcastle

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF KIP MCGRATH EDUCATION CENTRES 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 Kip McGrath Education Centres Limited.

As lead audit partner for the review of the financial statements of Kip McGrath Education Centres Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

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

Nexia Forsythes

NEXIA FORSYTHES

M Matthews

Martin Matthews
Partner

Newcastle, 13 February 2014

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Kip McGrath Education Centres Limited
Financial report
31 December 2013

Contents

General information

The financial report covers Kip McGrath Education Centres Limited as a consolidated entity consisting of Kip McGrath Education Centres Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Kip McGrath Education Centres Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Kip McGrath Education Centres Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 3
6 Newcomen Street
Newcastle NSW 2300

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 13 February 2014. The directors have the power to amend and reissue the financial report.

Kip McGrath Education Centres Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2013

	Note	Consolidated 31/12/2013 $'000	Consolidated 31/12/2012 $'000
Revenue	3	5,714	4,422
Other income		14	1
Expenses			
Royalties, commissions and other direct expenses		(3,289)	(2,330)
Employee expenses		(1,084)	(908)
Marketing expenses		(62)	(47)
Administration expenses		(599)	(590)
Merchandising expenses		(174)	(250)
Depreciation and amortisation expense		(178)	(42)
Finance costs		(113)	(239)
Profit before income tax expense		229	17
Income tax expense		(86)	(5)
Profit after income tax expense for the half-year attributable to the owners of Kip McGrath Education Centres Limited		143	12
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		150	(3)
Other comprehensive income for the half-year, net of tax		150	(3)
Total comprehensive income for the half-year attributable to the owners of Kip McGrath Education Centres Limited		293	9
		Cents	**Cents**
Basic earnings per share	8	0.35	0.04
Diluted earnings per share	8	0.35	0.04

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Kip McGrath Education Centres Limited
Statement of financial position
As at 31 December 2013

	Note	Consolidated 31/12/2013 $'000	Consolidated 30/06/2013 $'000
Assets			
Current assets			
Cash and cash equivalents	4	1,524	970
Trade and other receivables		240	552
Inventories		44	50
Other		58	32
Total current assets		1,866	1,604
Non-current assets			
Property, plant and equipment		18	3
Intangibles		8,997	9,004
Deferred tax		1,679	1,808
Total non-current assets		10,694	10,815
Total assets		12,560	12,419
Liabilities			
Current liabilities			
Trade and other payables		1,436	1,317
Borrowings		2,015	3,811
Income tax		12	10
Provisions		274	251
Total current liabilities		3,737	5,389
Non-current liabilities			
Deferred tax		1,221	1,266
Total non-current liabilities		1,221	1,266
Total liabilities		4,958	6,655
Net assets		7,602	5,764
Equity			
Issued capital	5	8,774	7,229
Reserves		717	567
Accumulated losses		(1,889)	(2,032)
Total equity		7,602	5,764

The above statement of financial position should be read in conjunction with the accompanying notes

Kip McGrath Education Centres Limited
Statement of changes in equity
As at 31 December 2013

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2012	7,229	561	(2,406)	5,384
Profit after income tax expense for the half-year	-	-	12	12
Other comprehensive income for the half-year, net of tax	-	(3)	-	(3)
Total comprehensive income for the half-year	-	(3)	12	9
Balance at 31 December 2012	7,229	558	(2,394)	5,393

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2013	7,229	567	(2,032)	5,764
Profit after income tax expense for the half-year	-	-	143	143
Other comprehensive income for the half-year, net of tax	-	150	-	150
Total comprehensive income for the half-year	-	150	143	293
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 5)	1,545	-	-	1,545
Balance at 31 December 2013	8,774	717	(1,889)	7,602

The above statement of changes in equity should be read in conjunction with the accompanying notes

Kip McGrath Education Centres Limited
Statement of cash flows
For the half-year ended 31 December 2013

	Note	Consolidated 31/12/2013 $'000	Consolidated 31/12/2012 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		6,360	4,958
Payments to suppliers and employees (inclusive of GST)		(5,337)	(4,445)
		1,023	513
Interest received		1	1
Interest and other finance costs paid		(149)	(158)
Net cash from operating activities		875	356
Cash flows from investing activities			
Payments for property, plant and equipment		(21)	-
Payments for intangibles		(32)	(196)
Payments for security deposits		(8)	-
Net cash used in investing activities		(61)	(196)
Cash flows from financing activities			
Repayment of borrowings		(260)	(228)
Net cash used in financing activities		(260)	(228)
Net increase/(decrease) in cash and cash equivalents		554	(68)
Cash and cash equivalents at the beginning of the financial half-year		970	806
Cash and cash equivalents at the end of the financial half-year	4	1,524	738

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2013 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

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

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements
The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee’s returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 11 Joint Arrangements
The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for the assets, liabilities, revenues and expenses in accordance with the standards applicable to the particular asset, liability, revenue or expense.

AASB 12 Disclosure of Interests in Other Entities
The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with interests in other entities: subsidiaries, joint arrangements (joint operations or joint ventures), associates and unconsolidated structured entities. It has significantly enhanced the disclosure requirements, when compared to the standards that have been replaced.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

Note 1. Significant accounting policies (continued)

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standard
The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities
The consolidated entity has applied AASB 2012-2 amendments from 1 July 2013. The amendments enhances AASB 7 'Financial Instruments: Disclosures' and requires entities to disclose information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments
The consolidated entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

Going concern
The financial statements have been prepared on a going concern basis.

The consolidated entity recorded a post-tax profit of $143,000 (2012: profit of $12,000 for the half year ended 31 December 2012) and has a net current asset deficiency of $1,871,000 (June 2013: $3,785,000). In the same period, the consolidated entity generated net operating cash inflows of $875,000 (2012: $356,000).

The directors consider that the preparation of the financial statements on a going concern basis to be appropriate as a result of consideration of the following matters:

(i) On 5 February 2014, the consolidated entity completed a new 3 year funding agreement with the Commonwealth Bank of Australia for $2,000,000, to replace the facilities with the National Australia Bank. Refer to note 7 for further details.

Note 1. Significant accounting policies (continued)

(ii) The consolidated entity has prepared cash flow forecasts for the period ending 28 February 2015. Based on these forecasts, the directors are confident that the consolidated entity and company will be able to meet their cash flow obligations.

The financial statements have been prepared on the going concern basis for the above reasons. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Note 2. Operating segments

Identification of reportable operating segments
The consolidated entity has only one operating segment based on the internal reports that are reviewed and used by the Chief Executive Officer and the Board of Directors (collectively referred to as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The operating segment information is as disclosed in the statements and notes to the financial statements throughout the report.

The information reported to the CODM is on at least a monthly basis.

Geographical information
The geographical information of non-current assets below is exclusive of financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

Geographical information

	Sales to external customers		Geographical non-current assets	
	31/12/2013 $'000	31/12/2012 $'000	31/12/2013 $'000	30/06/2013 $'000
Australasia	3,688	2,116	8,197	8,357
United Kingdom and Europe	1,394	1,405	818	650
Overseas other	607	876	-	-
	5,689	4,397	9,015	9,007

Note 3. Revenue

	Consolidated	
	31/12/2013 $'000	31/12/2012 $'000
Sales revenue		
Revenue from franchise operations	5,351	3,945
Revenue from sale of franchisee centres	338	450
Revenue from direct sales	-	2
	5,689	4,397
Other revenue		
Interest	1	1
Other revenue	24	24
	25	25
Revenue	5,714	4,422

Note 4. Current assets - cash and cash equivalents

	Consolidated	
	31/12/2013 $'000	30/06/2013 $'000
Cash at bank	739	396
Restricted cash	785	574
	1,524	970

Restricted cash represents amounts held on behalf of franchisees and is not available for use by the consolidated entity. The corresponding liability is recognised in trade payables.

Note 5. Equity - issued capital

	Consolidated			
	31/12/2013 Shares	30/06/2013 Shares	31/12/2013 $'000	30/06/2013 $'000
Ordinary shares - fully paid	44,184,331	26,796,706	8,774	7,229

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$'000
Balance	1 July 2013	26,796,706		7,229
Conversion of convertibles notes issued to Editure on 4 November 2011	31 July 2013	7,322,142	$0.087	639
Conversion of convertibles notes issued to Editure on 15 May 2012	31 July 2013	3,466,177	$0.090	312
Conversion of convertibles notes issued to Kip and Danija McGrath on 8 November 2011	31 July 2013	6,599,306	$0.090	594
Balance	31 December 2013	44,184,331		8,774

There was no cash transferred as part of the conversion.

Note 6. Equity - dividends

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

Note 7. Events after the reporting period

On 5 February 2014, the consolidated entity completed a new 3 year funding agreement with the Commonwealth Bank of Australia for $2,000,000, to replace the facilities with the National Australia Bank ('NAB') which were due to expire in November 2014. Principal repayments are $250,000 in June and $100,000 in November of each year of the facility, with the residual balance of $950,000 due on 4 January 2017. The facility with the NAB was repaid on 5 February 2014.

No other matter or circumstance has arisen since 31 December 2013 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 8. Earnings per share

	Consolidated	
	31/12/2013	31/12/2012
	$'000	$'000
Profit after income tax attributable to the owners of Kip McGrath Education Centres Limited	143	12
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	41,349,392	26,796,706
Weighted average number of ordinary shares used in calculating diluted earnings per share	41,349,392	26,796,706
	Cents	Cents
Basic earnings per share	0.35	0.04
Diluted earnings per share	0.35	0.04

Kip McGrath Education Centres Limited
Directors' declaration
31 December 2013

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Kip McGrath
Chairman

13 February 2014
Newcastle

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF KIP MCGRATH EDUCATION CENTRES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kip McGrath Education Centres Limited, which comprises the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year period.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 Review of Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position at 31 December 2013 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. As the auditor of Kip McGrath Education Centres Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kip McGrath Education Centres Limited is not in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Nexia Forsythes

NEXIA FORSYTHES

M Matthews

Martin Matthews
Partner

Newcastle, 13 February 2014

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