

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 2014
Previous period:	For the half-year ended 31 December 2013

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	31.4% to	7,510
Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA')	up	79.2% to	930
Profit from ordinary activities after tax attributable to the owners of Kip McGrath Education Centres Limited	up	231.5% to	474
Profit for the half-year attributable to the owners of Kip McGrath Education Centres Limited	up	231.5% to	474

Dividends

An interim dividend for the year ending 30 June 2015 of 0.5 cents per ordinary share, fully franked, with a record date of 3 March 2015 is to be paid on 20 March 2015.

Comments

The profit for the consolidated entity after providing for income tax amounted to \$474,000 (31 December 2013: \$143,000).

Refer to Chairman's report for further commentary.

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

	Consolidated 31/12/2014 \$'000	31/12/2013 \$'000
Revenue	7,510	5,714
EBITDA	930	519
Less: Depreciation and amortisation	(214)	(178)
Less: Interest expense	(61)	(113)
Add: Interest income	3	1
Profit before Income tax expense	658	229
Income tax expense	(184)	(86)
Profit after income tax expense	<u>474</u>	<u>143</u>

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(1.88)</u>	<u>(3.16)</u>

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.

An interim dividend for the year ending 30 June 2015 of 0.5 cents per ordinary share, fully franked, with a record date of 3 March 2015 is to be paid on 20 March 2015.

7. Dividend reinvestment 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 2014 is attached.

12. Signed



Signed _____

Date: 20 February 2015

Kip McGrath
Chairman
Newcastle

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Dear Shareholders,

The half-year result is a record first half profit for the company. This has been achieved with a 31 per cent increase in revenue. EBITDA rose strongly and Net profit after tax was 232 per cent above the previous corresponding period.

The three phased business plan we have been communicating with shareholders these last four years is almost complete. The final phase is currently being upgraded to use HTML5 so students can use Ipads and other such devices to use in lessons. We now have over 140 Gold Partner franchisees and this model is on track to be over 50 per cent of the network by the end of the next calendar year. Revenue from increased student numbers across the group has been proceeding well. The sale of the Middle East North Africa Master Franchise and the opening of a centre in Kuwait and shortly one in Abu Dhabi is also positive news for the company.

As previously reported the company has recently released its online tutoring program. Over 160 existing franchisees have been trained in how to deliver online lessons. From February this year we have begun to sell online licenses. These licenses allow teachers, who undergo an extensive online training programme, to deliver online lessons. We believe on-line tutoring will be a major factor in the company's profits going forward. This is because our customers expect it and our on-line software replicates a lesson in a centre. In the medium term we do not see on-line adversely affecting centre revenue - we see it as an additional flow of revenue.

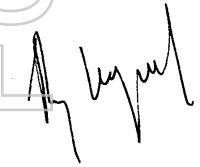
The company has been transformed from a bricks and mortar business to one that has greater appeal to students and modern young parents because of the company's investment in technology. In the last few years this transformation has been achieved through the development of:

- Modern educational computer programs;
- Increased content to broaden the customer base;
- A new franchise model that better serves franchisees their students and parents;
- A range of administration software to allow us to run the business side of a KMEC franchise;
- An enhanced payment collection systems so that all lesson payments from parents are automated and paid to franchisees weekly; and
- New training and retraining package to help franchises stay up to date.

Our sales and marketing efforts this next 12 to 18 months will be focussed on building student numbers in traditional face to face and the new online environments. The company has budgeted for an increased profit in FY 2015 compared to the prior year and we remain on track to achieve that outcome.

Today the Board determined a fully franked dividend of 0.5 cents per share payable on 20 March 2015 to those shareholders on the register at 5pm on 3 March 2015.

On behalf of the Board I would like to thank the management team and all KMEC employees for their contribution during the period.



Kip McGrath
Chairman

20 February 2015
Newcastle

Kip McGrath Education Centres Limited

ABN 73 003 415 889

Interim Report - 31 December 2014

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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 at the end of, or during, the half-year ended 31 December 2014.

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
 Trevor Folsom (appointed on 22 September 2014)
 Richard Ryan (resigned on 22 September 2014)
 Joe Ewart (resigned as Alternate director for Richard Ryan, on 22 September 2014)

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 \$474,000 (31 December 2013: \$143,000).

Refer to Chairman's report for further commentary on the results.

The earnings before interest, tax, depreciation and amortisation ('EBITDA') amounted to \$930,000 (2013: \$519,000).

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

	Consolidated	
	31/12/2014	31/12/2013
	\$'000	\$'000
Revenue	7,510	5,714
EBITDA	930	519
Less: Depreciation and amortisation	(214)	(178)
Less: Interest expense	(61)	(113)
Add: Interest income	3	1
Profit before Income tax expense	658	229
Income tax expense	(184)	(86)
Profit after income tax expense	<u>474</u>	<u>143</u>

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

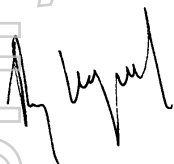
The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 follows this directors' report.

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

20 February 2015
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 2014, 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.

PKF Lawler Partners

PKF LAWLER PARTNERS
Chartered Accountants

Newcastle

Dated: 20 February 2015



Martin Matthews
Partner

PKF Lawler Partners Audit & Assurance
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General information

The financial statements cover Kip McGrath Education Centres Limited as a consolidated entity consisting of Kip McGrath Education Centres Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is Kip McGrath Education Centres Limited's functional and presentation currency.

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 statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 20 February 2015. The directors have the power to amend and reissue the financial statements.

Kip McGrath Education Centres Limited
 Statement of profit or loss and other comprehensive income
 For the half-year ended 31 December 2014



	Note	Consolidated 31/12/2014 \$'000	31/12/2013 \$'000
Revenue	3	7,510	5,714
Other income		30	14
Expenses			
Royalties, commissions and other direct expenses		(4,412)	(3,289)
Employee expenses		(1,278)	(1,084)
Marketing expenses		(85)	(62)
Administration expenses		(653)	(599)
Merchandising expenses		(179)	(174)
Depreciation and amortisation expense		(214)	(178)
Finance costs		(61)	(113)
Profit before income tax expense		658	229
Income tax expense		(184)	(86)
Profit after income tax expense for the half-year attributable to the owners of Kip McGrath Education Centres Limited		474	143
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		27	150
Other comprehensive income for the half-year, net of tax		27	150
Total comprehensive income for the half-year attributable to the owners of Kip McGrath Education Centres Limited		501	293
		Cents	Cents
Basic earnings per share	7	1.07	0.35
Diluted earnings per share	7	1.05	0.35

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

	Note	Consolidated 31/12/2014 \$'000	30/06/2014 \$'000
Assets			
Current assets			
Cash and cash equivalents	4	2,772	2,400
Trade and other receivables		547	463
Inventories		39	45
Other		61	68
Total current assets		3,419	2,976
Non-current assets			
Receivables		125	74
Property, plant and equipment		20	15
Intangibles		9,356	9,304
Deferred tax		1,276	1,445
Total non-current assets		10,777	10,838
Total assets		14,196	13,814
Liabilities			
Current liabilities			
Trade and other payables		2,296	2,295
Borrowings		350	350
Income tax		7	22
Provisions		301	262
Total current liabilities		2,954	2,929
Non-current liabilities			
Payables		173	253
Borrowings		1,300	1,400
Deferred tax		1,244	1,214
Total non-current liabilities		2,717	2,867
Total liabilities		5,671	5,796
Net assets		8,525	8,018
Equity			
Issued capital		8,774	8,774
Reserves		577	544
Accumulated losses		(826)	(1,300)
Total equity		8,525	8,018

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
For the half-year ended 31 December 2014



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
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	1,545	-	-	1,545
Balance at 31 December 2013	<u>8,774</u>	<u>717</u>	<u>(1,889)</u>	<u>7,602</u>

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2014	8,774	544	(1,300)	8,018
Profit after income tax expense for the half-year	-	-	474	474
Other comprehensive income for the half-year, net of tax	-	27	-	27
Total comprehensive income for the half-year	-	27	474	501
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	6	-	6
Balance at 31 December 2014	<u>8,774</u>	<u>577</u>	<u>(826)</u>	<u>8,525</u>

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

	Note	Consolidated	
		31/12/2014 \$'000	31/12/2013 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		7,846	6,360
Payments to suppliers and employees (inclusive of GST)		(7,080)	(5,337)
		766	1,023
Interest received		3	1
Interest and other finance costs paid		(61)	(149)
Net cash from operating activities		708	875
Cash flows from investing activities			
Payments for property, plant and equipment		(15)	(21)
Payments for intangibles		(221)	(32)
Payments for security deposits		-	(8)
Net cash used in investing activities		(236)	(61)
Cash flows from financing activities			
Repayment of borrowings		(100)	(260)
Net cash used in financing activities		(100)	(260)
Net increase in cash and cash equivalents		372	554
Cash and cash equivalents at the beginning of the financial half-year		2,400	970
Cash and cash equivalents at the end of the financial half-year	4	2,772	1,524

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 2014 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 2014 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, unless otherwise stated.

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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity during the financial half-year ended 31 December 2014 and are not expected to have any significant impact for the full financial year ending 30 June 2015. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Fair value

The carrying values of financial assets and financial liabilities presented in these financial statements represent a reasonable approximation of fair value.

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 throughout these financial statements.

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	
	31/12/2014 \$'000	31/12/2013 \$'000	31/12/2014 \$'000	30/06/2014 \$'000
Australasia	5,415	3,688	8,761	8,689
United Kingdom and Europe	1,831	1,394	740	704
Overseas other	259	607	-	-
	<u>7,505</u>	<u>5,689</u>	<u>9,501</u>	<u>9,393</u>

Note 3. Revenue

	Consolidated	
	31/12/2014	31/12/2013
	\$'000	\$'000
<i>Sales revenue</i>		
Revenue from franchise operations	6,868	5,351
Revenue from sale of master territories	209	-
Revenue from sale of franchisee centres	396	338
Revenue from direct sales	32	-
	7,505	5,689
<i>Other revenue</i>		
Interest	3	1
Other revenue	2	24
	5	25
Revenue	7,510	5,714

Note 4. Current assets - cash and cash equivalents

	Consolidated	
	31/12/2014	30/06/2014
	\$'000	\$'000
Cash at bank	1,474	1,006
Restricted cash	1,298	1,394
	2,772	2,400

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

Note 5. Equity - dividends

An interim dividend for the year ending 30 June 2015 of 0.5 cents per ordinary share, fully franked, with a record date of 3 March 2015 is to be paid on 20 March 2015.

Note 6. Events after the reporting period

Apart from the dividend declared as disclosed in note 5, no other matter or circumstance has arisen since 31 December 2014 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 7. Earnings per share

	Consolidated	
	31/12/2014 \$'000	31/12/2013 \$'000
Profit after income tax attributable to the owners of Kip McGrath Education Centres Limited	474	143
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	44,184,331	41,349,392
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	850,000	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	45,034,331	41,349,392
	Cents	Cents
Basic earnings per share	1.07	0.35
Diluted earnings per share	1.05	0.35

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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 2014 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

20 February 2015
Newcastle

**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 2014, 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.

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 as at 31 December 2014 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.

PKF Lawler Partners Audit & Assurance
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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF KIP MCGRATH EDUCATION CENTRES LIMITED

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 2014 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*.

PKF Lawler Partners

PKF LAWLER PARTNERS
Chartered Accountants

Newcastle

Dated: 20 February 2015



Martin Matthews
Partner