

## **Address to Shareholders at the 20 November 2015 Annual General Meeting by Chairman Kip McGrath**

Dear Stakeholders,

I would like to take this opportunity to update you about the company and where we are heading.

KME has continued to invest considerable time and money developing new software and channels to market our remedial methodologies. We believe these will transform the business.

### **In-Centre Tutoring**

The new software provides students with programs that not only teach them well, but are enjoyed by the students. This has resulted in higher average in-centre student numbers, subsequently returning very pleasing above budget results for the core business.

In addition, the uptake of the 'Gold Partner' model has been strong and we now have 176 Gold Partners. Again this has contributed to the positive results for the core business.

### **Online**

A key component of the software development is that KME will be able to offer true online tutoring that mirrors the student in-centre experience. This has not been done before and will add a new dimension to the company's tutoring business. In the annual report, the CEO stated expectations of online student numbers and revenue increasing rapidly as the technical issues associated with the internet quality in much of Australia, including the quality of the computer in student's houses were overcome. While progress has been made in developing our programs to overcome these shortcomings; it is now obvious that HTML5 is the only real solution. We have been rewriting our online software in this platform and will be completed and fully tested by the end of the calendar year.

The acceptance of online tutoring by students and their parents has made us very optimistic about the future of online tutoring and what it will mean to the company once it is fully operational.

## Licensing

The educational programs we have written have also allowed us to move into licensing of content. Essentially, we train teachers to use our educational content. This allows the company to use the same product and license it to large users. We can now license in areas that would never have access to a Kip McGrath centre. We have successfully trialled the license model in underprivileged schools in South Africa. Our CEO and licensing sales executive have been invited by UNESCO to meet in Paris in the next few weeks to discuss funding for the KMEC product and teacher training in schools in other underdeveloped countries. Discussions are underway with a number of governments and becoming a preferred supplier through UNESCO would greatly enhance this strategy. We have also begun a trial in a college in England where our product is being used to teach literacy and numeracy to disadvantaged school leavers. Success in this trial would lead to several other colleges coming on board.

The licensing business is attractive because it is very similar to the franchising business in the way we supply the content. The difference is that each license is much larger in revenue than a franchise and we are also supplying to markets that won't affect the franchise business. The company is investing resources into this sector as it is potentially very profitable.

In summary the core business is performing well. We're optimistic for the online business and the licensing opportunity is real.

I'll keep you informed as we go forward.

Kip McGrath  
Executive Chairman