

26 November 2003

Dear Shareholder

Your company held its first Annual General Meeting as a listed company today. At the meeting the Chief Executive Officer outlined some of the exciting things that have happened for Kip McGrath Education Centres since 30 June this year.

Growth of Centres in U.K.

The number of centres in the U.K. is growing very rapidly. At 30 June there were 38 centres in U.K. Since then we have established, or are in the process of establishing, 30 new centres. In addition there have been deposits taken in the U.K. for a further 22. This is 52 new centres, making our projection in the prospectus of 45 for the whole financial, year look very good.

Success of Prototype Centre in China

The Chief Executive Officer said this news was the most significant in his address. When you read this you'll see why.

K.M.E.C. established a prototype centre as a joint venture in China less than one year ago. That centre has been enormously successful, with significant enrolments and good profits. The China centre has:-

- (a) shown that there is a market for Kip McGrath English centres in China;
- (b) shown that we have a niche in the market;
- (c) shown that the programs, being written by K.M.E.C., work and are popular with our students and the parents who pay for the lessons; and
- (d) shown that the prototype centre can operate profitably enough for us to go into the market and sell franchises.

Kip McGrath Education Centres Limited has signed a Heads of Agreement with a China company to sell franchises in China. We are currently working on:-

- (a) developing the curriculum to fine tune, it to exactly what the teachers in China have told us the market requires;
- (b) designing sales materials (in Chinese);
- (c) developing manuals and translating them into Chinese;
- (d) developing training courses; and
- (e) fine tuning the agreement with the Chinese company.

We expect to being selling franchises as early as this financial year.

The success in China of our prototype centre has created a huge market in this country. To give you an idea, a McDonald's executive has been quoted as saying that there can be more centres in China than McDonald's currently has in the rest of the world.

Once the work mentioned above is complete we will be targeting other Asian countries to find a Master Franchisees to establish further prototype centres in these countries.

Yours sincerely,

Storm McGrath
Company Secretary