Kip McGrath Education Centres Limited
Joint Managing Director's Address to AGM #1
31 October 2006

Good morning Ladies and Gentlemen,

We were very pleased that the company continued to increase its number of franchises during the year from 584 to 648.

As our income is essentially an annuity income once a franchise is sold, the more franchises we have the greater the company's continuing income.

We are proud of what we do for the children of the world. We believe that what Kip McGrath Education Centres does is important work. As shareholders we should all be proud of the good work being done.

Kip McGrath Education Centres teach what we call "Kip Kids". These children are defined simply as "children who without our help would do much worse at school."

These children would include:

1. Kids who are getting 20% and would really like to get 50%.
2. Kids who are getting 40% and would like to get 50%.
3. Kids who are getting 50% and who could get 60-65%.
4. Kids who are getting 60% but are finding it really difficult.

Kip Kids are not kids who are getting 90% and their parents would like them to get 95%.

Kip Kids are not kids who are getting 85% and their parents would like them to get 95%.

There are plenty of tutors who will squeeze a few extra marks out of students. There are plenty because it is easy work. You simply have kids do practice papers often enough so they get used to doing that type of question.

Teaching Kip Kids is hard. That's why nobody else specialises in it. It is hard because it requires tutors to find out exactly what it is that the child doesn't know, so they can teach it to the child in step-by-step pieces. It usually requires motivating the child so s/he wants to try again.

What we do is difficult, but it is very rewarding. The good thing from a business perspective is that we have little or no competition in the market we are in.

This need only be the beginning.

We have centres in 20 countries. Only Australia, New Zealand, Samoa and Fiji are full or almost full. UK with 253 centres is half full.

In the USA we haven't begun to fulfil the potential. In the countries where we have a presence there is a market for 1000's more centres. Then there are another 100 countries where we could open centres.

This potential is the reason we spend a good part of our income in further development of curriculum and expanding into these markets. Without this expenditure to create growth for our future our profits could be much higher. However, it is our belief that when the future has as much potential as our future does, we should be investing to see it fulfilled.

The future for organic growth looks good. At the same time, we believe we should not discount strategic acquisitions which fit into the culture of the business and provide profit to our shareholders. We have attempted to do some start-up type acquisitions and have lost money. We have learned our lesson. Any future acquisition will have to significantly lift the company's profit.

Storm will be talking about our UK acquisition.

I would like to thank all our franchisees, our master franchisees, our office staff in various countries and all the wonderful teachers who tutor our kids, for their work this past year.

Kip McGrath
Joint Managing Director

Kip McGrath Education Centres Limited
Joint Managing Director's Address to AGM #2
31 October 2006

Good morning shareholders,

I am happy to be addressing you for the first time as Joint Managing Director. It has been a great year and I have enjoyed the new responsibility and work that goes with this role. Kip and I have been working together now for over six years. Before that time I have always run my own businesses. People often ask how Kip, Dug and I all work together and it is very simple. We have different tasks within the company. Kip and you have seen from his speech is focused on the educational outcomes and Dug is focused on the writing and development of materials. I now have the responsibility of the accounts, business plan, audit and the business going forward. It gives me a great opportunity to look into the future for 10 plus years as to where I would like the company to be. I have been involved in the company for 30 years and have a great working knowledge of the company.

Looking forward the company believes the global language for people will be English. The company is making investments in non-English speaking countries to take advantage of this. The pre-uni program is another product which will take advantage of this company belief. The company invests a significant proportion of its cash flow into growing the company and global expansion. The company is now represented in over 20 countries and the revenue from overseas has now overtaken Australia which makes KMEC a truly global company.

During the past twelve months we have added South Korea and India with centres starting in both countries before the end of the year.
We have also had success in Kenya and Mexico with the approval of the pilot centres and franchise sales starting in these countries during the year.
The UK has also become our most successful country with over 250 centres in operation.

This year we are continuing our investment into China and the head office and a new co-branded pilot centre will be open for operation in two weeks. The EFL program is being adjusted from our four years experience in China and to fit in with the pre-uni materials.

There are still 11 franchisees in Beijing and most are running successfully. The company still believes China to be a huge opportunity and we are confident this year will prove more successful.

The company will also be targeting two strategic areas in the world this year. They are the Middle East and the USA. We are in the final stages of appointing a master franchisee for the Middle East and we are active in USA as we speak.

KMEC will be acquiring the National Master Franchise from the UK in September next year. We believe this will cost $1M and the company will use some of its cash reserves to purchase this business. It is estimated that this will add pre tax profit of $0.5M per annum.

In summary
The company believes it has skills in the following areas:

1. Franchising and franchise systems and sales
2. Education and selling to parents and children
3. High moral value – which means that demand for the product is always strong as the world will be a better place because you use this service.

An investment in KME is a moral investment as well as a very rewarding financial investment. KMEC has helped around one million children during the past thirty years.
We plan to grow KMEC to both protect and enhance shareholders' long term value. If an opportunity arises within this scope the board will certainly consider it.

Outlook
The company is projecting a NPAT of $1.4M for the current year and significant growth going forward.

Storm McGrath
Joint Managing Director