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The Board of Directors of KLE Group Ltd. releases its Unaudited Financial Statements for the Quarter ended September 30, 2015.

## **Overview**

KLE Group Ltd. 2015 Q3 revenues have remained flat compared with Q3 2014. As was previously reported, margin erosion have continued as a result of devaluation and cost increases. Thus far prices have been maintained; however adjustments will be reflected in Q4. The target is a further 4-5% reduction of cost of sales through greater operational efficiency.

Usain Bolt's Tracks and Records Marketplace revenue continues to improve. Revenues at the restaurant are up 6% over 2014. This is in large part due to the increased focus placed on the Tracks and Records concept as we prepare for expansion through franchising.

KLE Group Ltd. has continued its restructuring exercise from 2014 with base operating costs reduced to reflect the leaner organization. Further changes will be made to ensure total alignment with the company's portfolio and its strategic direction. The Famous operating model was changed in August from a weekly 3 night/week club to a promoter model which saw the location being marketed to promoters as a venue. This has allowed for significant reduction in operating costs with a major shift from fixed to variable expenses.

In this quarter FranJam was established as the Franchisor company developed specifically to recruit franchisees and support them in their development through operations. The company has signed its first franchise agreement. The franchise will be a Usain Bolt's Tracks and Records located in the North Coast tourist destination of Ocho Rios. It will be easily accessible to cruise ship passengers from Falmouth and Ocho Rios as well as the North Coast hotels and tour operators along the corridor. This location will be the company's first franchise to open and will benefit from access to the international clientele which the concept was built to serve. In addition, the foreign exchange earned from this market will alleviate much of the economic strain experienced in the Kingston location.



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We remain steadfast on our financial objectives for 2015 which are:

- (1) Launch Jamaican franchise of Tracks and Records,
- (2) Increase revenues from core operations and other operating streams. New Menu Offerings, Tracks on the Go, Online ordering and maximizing Event/Corporate Rentals,
- (3) Further reduce Cost of Sales as a percentage of Sales,
- (4) Reduce Admin and Other expenses. Review organizational efficiency through sharing of resources and expenses.

### **Outlook**

KLE Group Ltd. continues to improve operationally with costs and efficiency showing significant improvements. It is however accepted that the desired financial outcomes will only be realized with the introduction of additional revenue streams. The investment in the franchising model has positioned us well to expand into additional business units with new revenue streams which forms the next tier of growth for the company. As such and in keeping with KLE's strategic programme, we have successfully prepared ourselves for the expansion through a franchising model. The culmination of 4 years of development has resulted in franchise documentation that can rival the best in the business on a global scale.

We are in positive discussions with existing leads and have embarked on a recruitment process to ensure we sign franchisees aligned with our desired profile. In addition to working with JAMPRO's UK Office the company has also engaged franchise brokers in key global markets.

A handwritten signature in blue ink, appearing to read 'G. Matalon', written over a horizontal line.

Gary Matalon