

# PROSPECTUS

Dated: September 7<sup>th</sup>, 2012

A copy of this Prospectus was delivered to the Registrar of Companies for registration pursuant to Section 40(2) of the Companies Act 2004 and was so registered on September 17<sup>th</sup>, 2012. The Registrar of Companies accepts no responsibility whatsoever for the contents of this Prospectus.

A copy of this Prospectus was also delivered to the Financial Services Commission for registration pursuant to section 26 of the Securities Act and was so registered on September 20<sup>th</sup>, 2012. The Financial Services Commission has not approved the Shares for which subscription is invited nor has the Commission passed upon the accuracy or adequacy of this Prospectus.



## Invitation for Subscription

**Up to 27,000,000 Ordinary Shares  
at the Subscription Price of \$3.70  
per Share  
Payable in Full on Application**

## **K.L.E. GROUP LIMITED**

**Head Office: 67 Constant Spring Road, Kingston 10, Jamaica, West Indies**  
**Telephone: (876)-920-4823 OR (876)-631-7368 ♦ Facsimile: (876)-920-4373**  
**Website: [www.klegroupltd.com](http://www.klegroupltd.com)**

The Company has made 13,578,623 Shares available for subscription by the general public at the Subscription Price, and additionally, up to another 13,421,377 Shares in the Invitation (**"the Reserved Shares"**) are initially reserved for priority application from, and subscription by, the following persons:

- (a) 1,800,000 Shares (**"the Key Partner Shares"**) for companies and persons with whom the Company has done business on a continuous and sustained basis, and whom the Company considers to be critical to its business (**"the Key Partners"**) at the Subscription Price;
- (b) 500,000 Shares (**"the Neustone Shares"**) for Neustone Limited, a limited liability company duly incorporated under the Laws of Jamaica and whose registered office is situated at Unit #43, The Trade Centre, 30-32 Red Hills Road, Kingston 10 (**"Neustone"**)<sup>1</sup>, that provides management, administrative, business process outsourcing and project management services to the Company, which are germane and material to the Company's general operations, at a discounted price of \$0.10 per Share;
- (c) 3,243,000 Shares (**"the Bolt Shares"**) for Sherwood Holdings Limited, a limited liability company duly incorporated under the Laws of Jamaica and whose registered office is situated at Townhouse #16, Springvale Court, 6-8 Springvale Avenue, Kingston 10 (**"Bolt"**) pursuant to a Sub-Licence Agreement dated May 5<sup>th</sup>, 2011 (as amended). Bolt will be offered shares at a discounted price of \$2.77 per Share;
- (d) 500,000 Shares (**"the Employee Shares"**) for all of the employees of the Company (**"the Employees"**). All employees will be given an equal opportunity to purchase an equal amount of Shares (approximately 5,000 Shares each) at a discounted price of \$2.77 per share;

<sup>1</sup> Mr. Gary Matalon (director and shareholder of the Company) has declared his interest as a director and shareholder of Neustone

- (e) 3,000,000 Shares (“**the Associate Shares**”) for the family, close associates of the Directors and/or the Directors themselves (“**the Associates**”). Given that there are ten (10) directors of the Company, 300,000 Shares shall be reserved for subscription by each set of Associates at the Subscription Price;
- (f) 810,810 Shares (“**the CSI Shares**”) for Construction Systems International Limited, a limited liability company duly incorporated under the Laws of Jamaica and whose registered office is situated at Unit #43 Trade Centre, 30-32 Red Hills Road, Kingston 10 (“**CSI**”)<sup>2</sup>, that has agreed with the Company to convert a portion of a receivable owed to it by the Company in the amount of \$3,000,000 into Shares at the Subscription Price; and
- (g) 3,567,567 Shares (“**the Debt Conversion Shares**”) for the conversion of the debts owed to the following persons (“**the Creditors**”) pursuant to the Promissory Notes stated below, at the Subscription Price:
- A. Gary and Tina Matalon in respect of a Promissory Note dated May 30<sup>th</sup>, 2012 in the amount of US\$100,000.00 or approximately J\$8,800,000.00; and
  - B. Andrew and Coleen Phillipps in respect of a Promissory Note dated May 30<sup>th</sup>, 2012 in the amount of US\$50,000.00 or J\$4,400,000.00.

If any of the Reserved Shares are not subscribed for by the persons entitled to them they will become available for subscription by the general public at the Subscription Price. This policy will be applied absolutely across all categories of Reserved Shares as set out in paragraphs (a) to (g) above. See Section 6.5 of this Prospectus for the terms and conditions of the Invitation.

An Application Form for use by both applicants for Reserved Shares and the general public in respect of the Shares is provided at the end of this Prospectus (Appendix 1), together with notes on how to complete it. The subscription list for the Shares will open at 9:00 a.m. on October 9<sup>th</sup>, 2012. Applications submitted prior to the Opening Date will be received, but not processed until the Opening Date. The subscription list for the Shares will close at 4:30 p.m. on the Closing Date, October 16<sup>th</sup>, 2012, subject to the right of the Company to (a) close the subscription list at any time after it opens on 9:00 a.m. on the Opening Date once the issue is fully subscribed and (b) extend the Closing Date for any reason, subject to the provisions of section 48 of the Companies Act.

In the event of an early closing of the subscription list, or an extension of the Closing Date, notice will be posted on the website of the Jamaica Stock Exchange ([www.jamstockex.com](http://www.jamstockex.com)). It is the intention of the Company to apply to the JSE for admission of the Shares to the Junior Market. The application to the JSE is dependent upon the Company’s ability to: (i) raise \$94.6 million as a result of the Invitation; and (ii) meet the criteria for admission. Please note that this statement of the Company’s intention is not a guarantee that the Shares will in fact be admitted to trading on the Junior Market. If, however, the Invitation is not fully subscribed and the Company does not raise \$94.6 million as a result of it, the Company will not make an application for the Shares to be admitted to the Junior Market and all applications will be returned to the persons making them, along with any payments made pursuant thereto.

#### SHARE CAPITAL

Authorised Share Capital	100,000,000
Maximum to be issued fully paid assuming:	27,000,000
a. all 13,578,623 Shares are subscribed by the general public at the Subscription Price	\$ 50,240,905.10
b. all Reserved Shares are subscribed by all parties stated and set out below:	
i. 1,800,000 of the Key Partner Shares at the Subscription Price;	\$6,660,000.00
ii. 500,000 of the Neustone Shares, at the discounted price of \$0.10;	\$50,000.00
iii. 3,243,000 of the Bolt Shares, at a discounted price of \$2.77;	\$8,983,100.00

<sup>2</sup> Mr. Gary Matalon (director and shareholder of the Company) has declared his interest as a director and shareholder of CSI

iv.	500,000 of the Employee Shares, at a discounted price of \$2.77;	\$1,385,000.00
v.	3,000,000 of the Associate Shares at the Subscription Price;	\$11,100,000.00
vi.	810,810 of the CSI Shares at the Subscription Price;	\$3,000,000.00
vii.	<u>3,567,567 of the Debt Conversion Shares at the Subscription Price</u>	<u>\$13,200,000.00</u>

**TOTAL CONSIDERATION****\$94,619,005.10**

Details of the issued share capital of the Company prior to and after the Invitation, assuming that it is fully subscribed, are set out in Section 7.5 of this Prospectus.

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## **Section 1**

## **Important Disclaimers**

### **Responsibility for the Contents of this Prospectus**

This Prospectus has been reviewed and approved by the Board of Directors of the Company. The Directors of the Company whose names appear in Section 8 of this Prospectus are the persons responsible (both individually and collectively) for the information contained in it. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and no information has been omitted which is likely to materially affect the import of information contained herein.

Neither the FSC nor any Government agency or regulatory authority in Jamaica has made any determination on the accuracy or adequacy of the matters contained in the Prospectus.

### **Contents of the Prospectus**

**This Prospectus contains important information for prospective investors in the Company. All prospective investors should read the Prospectus carefully in its entirety before submitting an Application Form.**

This Prospectus also contains summaries of certain documents which the Board of Directors of the Company believe are accurate. Prospective investors may wish to inspect the actual documents that are summarized, copies of which will be available for inspection as described in Section 15. Any summaries of such documents appearing in this Prospectus are qualified in their entirety by reference to the complete document.

The publication of this Prospectus shall not imply that there has been no change in the business, results of operations, financial condition or prospects of the Company since the date of this Prospectus.

No person is authorised to provide information or to make any representation whatsoever in connection with this Prospectus, which is not contained in this Prospectus.

### **The Invitation is made to Jamaican Residents in Jamaica Only**

This Prospectus (the "Prospectus") is intended for use in Jamaica only and is not to be construed as making an invitation to persons outside of Jamaica to subscribe for any Shares. The distribution or publication of this Prospectus and the making of the invitation in certain jurisdictions outside of Jamaica is prohibited by law.

### **Application to Subscribe for Shares**

This Prospectus is not a recommendation by the Company that prospective investors should submit Application Forms to subscribe for Shares in the Company. Prospective investors in the Company are expected to make their own assessment of the Company, and the merits and risks of subscribing for Shares. Prospective investors are also expected to seek appropriate advice on the financial and legal implications of subscribing for Shares, including but not limited to any tax implications.

Each Applicant who submits an Application Form acknowledges and agrees that:

- (i) He/she has been afforded a meaningful opportunity to review the Prospectus (including the terms and conditions in section 6.5), and to gather and review all additional information considered by him/her to be necessary to verify the accuracy of the information contained in this Prospectus;
- (ii) He/she has not relied on the Company or any other persons in connection with his/her investigation of the accuracy of such information or his/her investment decision; and
- (iii) no person connected with the Company has made any representation concerning the Company or this Prospectus not contained in this Prospectus, on which the Applicant has relied in submitting his/her Application Form.

## **Section 2 Summary of Key Information on the Invitation**

<b>Issuer:</b>	K.L.E. Group Limited
<b>Securities:</b>	Up to 27,000,000 Shares, inclusive of 13,421,377 Reserved Shares*
<b>Subscription Price:</b>	\$3.70 per Share payable in full on application
<b>Application Form:</b>	See Appendix 1 of the Prospectus
<b>Terms and Conditions:</b>	See Section 6.5 of the Prospectus
<b>Acceptable Payment Method:</b>	Either: (1) Manager's Cheque payable to " <b>PanCaribbean Financial Services Limited</b> " or (2) cleared funds held in a PanCaribbean account. Absolutely no cash payments will be accepted.
<b>Timetable of Key Dates:</b>	<p><b>Registration of Prospectus at the Companies Office:</b> September 17<sup>th</sup>, 2012</p> <p><b>Registration of Prospectus at the FSC:</b> September 20<sup>th</sup>, 2012</p> <p><b>Publication of Prospectus:</b> October 2<sup>nd</sup>, 2012</p> <p><b>Opening Date</b> 9:00 A.M. October 9<sup>th</sup>, 2012</p> <p><b>Closing Date</b> 4:30 P.M. October 16<sup>th</sup>, 2012 See ** below</p>
<b>Early Applications:</b>	All application forms must be submitted to PanCaribbean, along with the requisite payment, in immediately available funds, at the locations set out in Section 6.5. Early applications may be submitted to PanCaribbean. Any such applications will be received, but not processed until the Opening Date. All early applications will be treated as having been received at the same time, being 9:00 a.m. on the Opening Date, and shall be allotted <i>pro rata</i> . All other applications (that is, not early applications) will be received and processed on a first come, first served basis.**
<b>Confirmation of Share Allotments:</b>	All Applicants may refer to the confirmation instructions that will be posted on the website of the Jamaica Stock Exchange ( <a href="http://www.jamstockex.com">www.jamstockex.com</a> ) after the Closing Date (or the extended Closing Date, as the case may be)
<b>Returned Applications / Refunds</b>	Available for collection where originally submitted (PanCaribbean) within twenty (20) working days of the Closing Date (or the extended Closing Date, as the case may be)
<b>Final Allotment and Admission of Shares to Junior Market</b>	Within three (3) to four (4) weeks of the Closing Date. ***

\*Up to 13,421,377 Reserved Shares in the Invitation are reserved for priority application from, and subscription by, the Reserved Share Applicants at the prices set out on pages 1-2 herein. If any of the Reserved Shares are not absolutely subscribed by the Key Partners, Neustone, Bolt, the Company's Employees, the Associates, CSI and/or the Creditors, then they will become available for subscription by the general public at the Subscription Price.

\*\*The subscription list will close at 4:30 p.m. on the Closing Date October 16<sup>th</sup>, 2012 subject to the right of the Company to (a) close it at any time after 9:00 a.m. on the Opening Date October 9<sup>th</sup>, 2012 once the issue is fully sold and subscribed and (b) extend the Closing Date for any reason, subject to the provisions of section 48 of the Companies Act. In either case, notice will be posted on the website of the JSE ([www.jamstockex.com](http://www.jamstockex.com)).

\*\*\*It is the intention of the Company to apply to the Board of the JSE for admission of the Shares to trading on the Junior Market. The application for admission is dependent on the Company's ability to (i) raise \$94.6 million as a result of the Invitation made in the Prospectus and (ii) meet the criteria for admission set out in the Junior Market Rules. Please note that

this statement of the Company's intention is not a guarantee that the Shares will in fact be admitted to trading on the Junior Market. If, however, the Invitation is not fully subscribed and the Company does not raise \$94.6 million as a result of it, the Company will not make an application for the Shares to be admitted to the Junior Market and all applications will be returned to the persons who made them, along with any payments made in relation thereto.

## Section 3

## Letter to Prospective Investors



### K.L.E. GROUP LIMITED

Head Office: 67 Constant Spring Road, Kingston 10,  
Jamaica, West Indies  
Telephone: (876)- 631-8038 ◊ Facsimile: (876)-620-5562  
Website: [www.klegroupltd.com](http://www.klegroupltd.com)

Dear Prospective Investors,

The Directors of the Company are pleased to invite you to subscribe and purchase 27,000,000 Shares in the capital of the Company on the terms and conditions set out in this Prospectus.

### The Company

The Company, whose registered name is an acronym for “Kingston Live Entertainment”, was incorporated on September 8<sup>th</sup>, 2008 and established by its directors and shareholders who recognized that entertainment and lifestyle oriented products and services are amongst the most consistently highly demanded products and services in Jamaica, and worldwide. It was with this in mind that the Company spawned its first brand, “Fiction Lounge” in December of 2008, which immediately became one of the most successful and consistently patronised entertainment locations in Jamaica. The success of Fiction Lounge prompted the Company to conceptualise a casual dining restaurant and bar to be located beside Fiction Lounge, which would be associated with and branded by, in the first instance, arguably the world’s most famous athlete, The Honourable Usain St. Leo Bolt (**“Usain Bolt”**). After successful negotiations with Sherwood Holdings Limited, the entity holding the rights to sub-license the use and exploitation of Usain’s name and likeness, “Usain Bolt’s Tracks & Records” commenced operations in May 2011, a deal which led to Sherwood Holdings Limited becoming a shareholder of the Company. Usain Bolt’s Tracks & Records is a sports-themed attraction whose motif is drawn from Usain Bolt and Brand Jamaica where visitors are able to experience the best of Jamaican music, food, sports and culture.

The Company had initially incorporated and established a wholly-owned subsidiary, “Usain Bolts Tracks and Records Limited” a limited liability company having its registered office situated at 67 Constant Spring Road, Kingston 10 (defined as “TRL” herein) on or about August 13<sup>th</sup>, 2010, to function as the operating entity for the restaurant. On October 3<sup>rd</sup>, 2011, TRL changed its registered name to T&R Entertainment Limited. Pursuant to the Company’s intention to list on the Junior Market, the Company underwent a Scheme of Amalgamation with TRL on or about November 30<sup>th</sup>, 2011, whereby all of the business and assets of TR were transferred to the Company, in exchange for the Company’s assumption of TRL’s liabilities. TRL is therefore no longer an operating entity, and is slated to be liquidated in due course. On May 18<sup>th</sup>, 2012, the Company registered the business name “Usain Bolt’s Tracks & Records” under the Registration of Business Names Act.

The Company now readies itself to expand its business interests and asset base with new business ventures. These include: (a) establishing another Usain Bolt’s Tracks & Records outlet in Falmouth to take advantage of the cruise passenger traffic that is currently being enjoyed at that port, for which negotiations to secure an already-identified location are in an advanced state; (b) a collaboration with Prime Sports Limited (a subsidiary of Supreme Ventures Limited) to assist them in establishing a high-end gaming facility to be located between Fiction Lounge and Usain Bolt’s Tracks & Records; (c) a planned partnership with one of Jamaica’s leading life insurance and property development giants to establish a lifestyle-themed resort in Oracabessa, Saint Ann (referred to herein as the “Bessa partnership”) and (d) plans to open a new nightclub and lounge to be located in Portmore called “Famous”. See Information About the Company in Section 7 for more details about the Company’s capabilities, products and customers.

You are invited to review the Management Discussion and Analysis in Section 9, the Financial Highlights in Section 10, and the Auditor’s Report and Historical Financial Data in Section 11 for more information on the Company and its performance to date.



## **The Invitation**

In order to meet its obligations in respect of the Bessa partnership, the cost of establishing the new “Famous” nightclub and lounge, the anticipated preliminary expenses associated with establishing the new Usain Bolt’s Tracks & Records (if negotiations are successfully concluded for the location currently identified), to inject additional working capital into its operations and to liquidate some of the debt currently existing on its balance sheet, the Company is seeking to raise approximately \$94.6 million by inviting subscriptions for up to 27,000,000 Shares from the general public and the Reserved Share Applicants. The Company estimates that the expenses in the Invitation will not exceed \$7.3 million (inclusive of financial advisory fees, brokerage fees, legal fees, auditor’s fees, statutory fees (including Registrar’s fees), initial listing fees and General Consumption Tax.

The subscription list opens at 9:00 a.m. on the Opening Date: October 9<sup>th</sup>, 2012 and closes at 4:30 p.m. on the Closing Date: October 16<sup>th</sup>, 2012, subject to the right of the Company to shorten or extend the time for closing of the subscription list in the circumstances specified in this Prospectus. If the Invitation is fully subscribed and is successful in raising \$94.6 million, the Company will make an application to the JSE for the Shares to be admitted to the Junior Market within three (3) to four (4) weeks of the Closing Date (or the extended Closing Date, as the case may be). Please note that this statement of the Company’s intention is not a guarantee that the Shares will in fact be admitted to trading on the Junior Market.

The Invitation represents an opportunity for prospective investors to partake in the success of the Company. The Company is also pleased to announce the recent appointments of Mr. Joseph M. Matalon Ms. Audrey Marks and Mr. N. Patrick McDonald to the Board of Directors, as non-executive Directors. Mr. Matalon will also serve as the Company’s Chairman and will therefore lead its corporate governance strategy as a listed company. Mr. Matalon will also act as the Chairman of the Company’s Remuneration Committee and a member of its Audit Committee as well. In light of the qualifications and vast corporate regulatory and compliance experience that the most recent appointed directors import to the Board of Directors, the Jamaica Stock Exchange has waived the requirement of the Company to appoint a Mentor pursuant to Rule 503(1)(a) of the Junior Market Rules. Mr. McDonald will serve as Chairman of the Company’s Audit Committee and a member of the Company’s Remuneration Committee. Ms. Marks will serve as a member of both the Audit and the Remuneration Committee as well.

If, however, the Invitation is not fully subscribed and the Company does not raise \$94.6 million as a result, the Company will not make an application for the Shares to be admitted to the Junior Market and all Applications will be returned to the persons who made them, along with any payments made in relation thereto. Similarly, if after application for listing the Shares are not admitted to trading all Applications will be returned in accordance with the terms and conditions set out in Section 6.5.

## **Benefits of Listing on the Junior Market of the Jamaica Stock Exchange**

The Company believes that listing on the Junior Market will raise its profile while allowing it to raise funds in order to embark upon new business ventures, inject additional working capital into its businesses and also allow it to liquidate a portion of its existing debt. This will allow the Company to expand its revenue-earning asset base and will also allow it to realise its strategic objective of expansion and the possibility of franchising its business model.

In addition, the Company believes that the funds raised from the Invitation, if successful, will enable it to improve both its balance sheet and its capacity to take on debt in future, if required.

The Company further believes that listing will enable it to take advantage of a special concessionary tax regime for Junior Market companies provided that the Company remains listed for fifteen (15) years. In its first five (5) years on the Junior Market, the Company will not be liable to pay any corporate income tax. In years five (5) to ten (10) on the Junior Market, the Company will only be liable to pay corporate income tax at half the usual rate. Furthermore, dividends paid by the Company to its Shareholders are only subject to a nominal 5% withholding tax (effective June 1<sup>st</sup>, 2012), and Shareholders who sell their Shares via the JSE will not be liable to pay transfer tax in respect of such sales. See Section 14.2 of this Prospectus for further details of the concessionary tax regime for Junior Market Companies.

## Use of Proceeds

It is the Company's intention to use the proceeds of the public offering in order to meet its obligations in respect of the Bessa partnership, the cost of establishing the new "Famous" nightclub and lounge, the anticipated preliminary expenses associated with establishing the new Usain Bolt's Tracks & Records (if negotiations are successfully concluded for the location currently identified), to inject additional working capital into its operations and to liquidate some of the debt currently existing on its balance sheet..

The Company also intends to use a part of the proceeds of the fundraising to pay the expenses of the Invitation which, the Company estimates will not exceed \$7.3million (inclusive of financial advisory fees, brokerage fees, legal fees, auditor's fees, statutory fees (including Registrar's fees), initial listing fees and General Consumption Tax.

## Future Prospects

The Directors believe that this capital injection into the Company will afford it the opportunity to create an increased share value for its shareholders primarily via the planned expansion of the Usain Bolt's Tracks & Records brand to Falmouth, and, in time, overseas, by investing in collaborations with two (2) well-established and successful companies that are currently listed on the Main Exchange of the Jamaica Stock Exchange and by opening a new brand of night club and lounge in Portmore called "Famous".

## Dividend Policy

If the Company is admitted to the Junior Market, the Directors intend to pursue a liberal dividend policy that projects an annual dividend of forty percent (40%) of net profits available for distribution, subject to the need for reinvestment in the Company from time to time.

## How to Subscribe for Shares

Those investors who are interested in subscribing for Shares should read the Prospectus in its entirety and the terms and conditions of the Invitation set out in Section 6.5, and then complete the Application Form set out in Appendix 1 hereof.

The Directors hope that prospective investors will join the Company in this exciting new phase of its development.

Yours sincerely,  
For and on behalf of the Company,



GARY C. MATALON

**Gary Matalon**  
**Chief Executive Officer**

## Section 4

## Definitions Used in This Prospectus

<b>Act</b>	means the Companies Act, 2004
<b>Allotment</b>	means the allotment of the Shares to successful Applicants by PanCaribbeanBank Limited, in its capacity as registrar and transfer agent of the Company, on its behalf
<b>Applicant</b>	means a person (being an individual or a body corporate resident in Jamaica, whether a Reserved Share Applicant, or a member of the general public) who submits an Application in accordance with the terms and conditions of this Prospectus
<b>Application Form</b>	means the Application Form to be completed by Applicants who wish to make an offer to subscribe for Shares in the Invitation which is set out in Appendix 1 hereof
<b>Articles of Incorporation</b>	means the Articles of Incorporation of the Company adopted on July 24 <sup>th</sup> , 2012 (as they may be amended by the shareholders of the Company from time to time)
<b>Audit Committee</b>	means the audit committee required to be constituted by both rules 503 and 504, and which is required to have a majority of independent non-executive Directors as members
<b>Auditor's Report</b>	means the report of BDO, Chartered Accountants set out in Section 11 that precedes the Historical Financial Data
<b>Board of Directors</b>	means the Board of Directors of the Company, details of which are set out in Section 8 of the Prospectus
<b>Company</b>	Means K.L.E. Group Limited, a company duly incorporated under the Laws of Jamaica, bearing company number: 76837, and whose registered office is located at 67 Constant Spring Road, Kingston 10
<b>Closing Date</b>	means the date on which the subscription list in respect of the Invitation closes, being 4:30 p.m. on October 16 <sup>th</sup> , 2012 subject to the right of the Company to either shorten or extend the subscription period in the circumstances set out in the Prospectus
<b>Director</b>	means a director of the Company
<b>Forward Looking Statements</b>	means the forward looking statements referred to in Section 5 of the Prospectus, which are disclaimed by the Company on the terms and for the reasons set out therein
<b>FSC</b>	means the Financial Services Commission in Jamaica
<b>Historical Financial Data</b>	means the figures set out in Section 11, including those extracted from the audited financial statements of the Company for each of the financial reporting periods ended December 31 <sup>st</sup> in the years 2009 to 2011, the audited financial statements of TRL and the Company for the financial reporting period ended December 31 <sup>st</sup> , 2011 and also the Unaudited Financial Statements of the Company in respect of the period of January 1 <sup>st</sup> , 2012 to June 30 <sup>th</sup> , 2012
<b>Invitation</b>	means the invitation to subscribe for 27,000,000 Shares on the terms and conditions set out in Section 6.5 of the Prospectus
<b>JSE</b>	means the Jamaica Stock Exchange
<b>Junior Market</b>	means the Junior Market of the JSE
<b>Key Partner</b>	means such persons (being either an individual or a body corporate) with whom the Company conducts business and whose products and/or services are deemed by the Company to be critical to its business
<b>Opening Date</b>	means the date on which the subscription list in respect of the Invitation opens, being 9:00 a.m. on October 9 <sup>th</sup> , 2012
<b>PanCaribbean</b>	means Pan Caribbean Financial Services Limited, a company duly incorporated under the Laws of Jamaica, bearing company number: 24204, and whose registered office is located at The Pan Caribbean Building, 60 Knutsford Boulevard, Kingston 5, and being the financial adviser and sole broker to the Company for the purposes of the Invitation

<b>Prospectus</b>	means this document, which constitutes a prospectus for the purposes of the Companies Act, 2004 and the Securities Act
<b>RTGS</b>	means the Real Time Gross Settlement System implemented by the Bank of Jamaica
<b>Registrar</b>	means the PanCaribbeanBank Limited
<b>Remuneration Committee</b>	means the remuneration committee required to be constituted by both rules 503 and 504, and which is required to have a majority of independent non-executive Directors as members
<b>Reserved Shares</b>	means up to 13,421,377 Shares in the Invitation which are specifically reserved for application from, and subscription by, the Reserved Share Applicants at the Subscription Price, or at the designated applicable discounted price(s).
<b>Reserved Share Applicants</b>	means the persons (as referred to herein) who are entitled to subscribe for Reserved Shares in their respective categories, namely: the Key Partners, Neustone, Bolt, the Employees, the Associates, CSI and the Creditors.
<b>Shares</b>	Means the ordinary shares of no par value in the capital of the Company, inclusive of the 27,000,000 Shares that are offered for subscription in the Invitation on the terms and conditions set out in this Prospectus, and the expression “Shares” shall include the Reserved Shares where the context permits.
<b>Shareholders</b>	means the holders of Shares
<b>Subscription Price</b>	means \$3.70 per Share or Reserved Share, as applicable
<b>Terms and Conditions of the Invitation</b>	means the terms and conditions for Applicants set out in Sections 6.5 of the Prospectus
<b>TRL</b>	means T&R Entertainment Limited (formerly, “Usain Bolts Tracks and Records Limited”), a limited liability company having its registered office situated at 67 Constant Spring Road, Kingston 10
<b>Usain Bolt’s Tracks &amp; Records/The Restaurant</b>	means specifically the sports-themed restaurant and bar operated under the name “Usain Bolt’s Tracks & Records” at its present location at The Market Place, and at any other location from which the Company may operate a similarly sports-themed restaurant and bar under the same name in the future
<b>Unaudited Financial Statements</b>	means the unaudited financial statements of the Company for the six (6) month period ended June 30 <sup>th</sup> , 2012 that are set out in Section 10 of the Prospectus
<b>\$</b>	means Jamaican Dollars, unless otherwise indicated

## **Section 5** **Disclaimer - Forward Looking Statements**

Save for the Historical Financial Data concerning the Company contained in this Prospectus, certain matters discussed in this Prospectus, including without limitation, statements of expectations, the discussions of future plans and financial projections, contain forward-looking statements. Forward-looking statements are statements that are not about historical facts and speak only as of the date they are made. Although the Directors believe that in making any such statements its expectations are based on reasonable assumptions, such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Prospective investors in the Company are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they have been made. Future events or circumstances could cause actual results to differ materially from historical or anticipated results.

When used in this Prospectus, the words “anticipates”, “believes”, “expects”, “intends” and similar expressions, as they relate to the Company, are intended to identify those forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties. Once this Prospectus has been signed by or on behalf of the Company, and prior to the admission of the Company to the Junior Market, the Company undertakes no obligation to update publicly or revise any of the forward-looking statements in light of new information or future events, including changes in the Company’s financial or regulatory position, or to reflect the occurrence of unanticipated events (subject to any legal or regulatory requirements for such disclosure to be made). There are important factors that could cause actual results to differ materially from those in forward-looking statements, certain of which are beyond the Company’s control. These factors include, without limitation, the following:

- economic, social and other conditions prevailing both within and outside of Jamaica, including actual rates of growth of the Jamaican and regional economies, instability, high domestic interest rates or exchange rate volatility
- adverse climatic events and natural disasters
- unfavourable market receptiveness to any of the Company’s new products
- changes in any legislation or policy adversely affecting the revenues or expenses of the Company
- any other factor negatively impacting on the realisation of the assumptions on which the Company’s financial projections are based
- other factors identified in this Prospectus
- other factors not yet known to the Company

**Neither the FSC, nor any Government agency or regulatory authority in Jamaica, has made any determination on the accuracy or adequacy of the matters contained in this Prospectus.**

## Section 6

## The Invitation

### 6.1 General Information

The Company is seeking to raise \$94.6 million from subscriptions for the 27,000,000 Shares in the Invitation at the Subscription Price of \$3.70 per Share (subject to discounts, where applicable). Up to 13,421,377 of the aforementioned Shares are Reserved Shares that are specifically reserved for application from, and subscription by, the Reserved Share Applicants. Any Reserved Shares not taken up by the Reserved Share Applicants shall be made available for application from, and subscription by, the general public.

Assuming that all of the 27,000,000 Shares are subscribed for and taken up by both the Reserved Share Applicants and the general public in the Invitation, the Company will make application to the JSE for the Shares to be admitted to the Junior Market. If the application is successful, it is anticipated that the Shares will be admitted to trading within three (3) to four (4) weeks of the Closing Date (or the extended Closing Date, as the case may be). In the event that the Company does not raise \$94.6 million, and/or the Shares are not admitted to trade on the Junior Market, all Applications will be returned to Applicants, along with any payments made in relation thereto.

**Prospective investors should read all of the sections referred to carefully together with the remainder of this document. Those prospective investors who wish to subscribe for Shares should also refer to the full terms and conditions set out in Section 6.5 before completing the Application Form set out in Appendix 1.**

### 6.2 Minimum Fundraising

For the purposes of section 48 of the Companies Act the minimum amount which, in the opinion of the Directors, must be raised as a result of the Invitation and received by the Company as a result of the subscription of its Shares in the Invitation in order to provide for the matters set out in paragraph two of the Third Schedule to the Act is \$94.6 million.

### 6.3 Use of Proceeds

It is the Company's intention to use the proceeds of the public offering in order to meet its obligations in respect of the Bessa partnership, the cost of establishing the new "Famous" nightclub and lounge, the anticipated preliminary expenses associated with establishing the new Usain Bolt's Tracks & Records (if negotiations are successfully concluded for the location currently identified), to inject additional working capital into its operations and to liquidate some of the debt currently existing on its balance sheet.

The Company also intends to pay the expenses associated with the Invitation out of the fundraising proceeds. Such expenses are not expected to exceed \$7.3 million, which is inclusive of financial advisory fees, brokerage fees, legal fees, auditor's fees and disbursements, statutory fees (including Registrar's fees), initial listing fees and General Consumption Tax.

### 6.4 Key Dates

An Application Form for use by all Applicants is provided at Appendix 1 at the end of this Prospectus, together with notes on how to complete it. The subscription list for the Shares will open at 9:00 a.m. on the Opening Date: October 9<sup>th</sup>, 2012 and will close at 4:30 p.m. on the Closing Date October 16<sup>th</sup>, 2012, subject to the right of the Company to (a) close the subscription list at any time after 9:00 a.m. on the Opening Date: October 9<sup>th</sup>, 2012 on the Opening Date once the issue is fully subscribed and (b) extend the Closing Date for any reason. In either case, the Company will arrange for an informational notice to be posted on the website of the JSE ([www.jamstockex.com](http://www.jamstockex.com)). It is the intention of the Company to apply to the JSE for admission of the Shares to the Junior Market. The application is dependent on the Company's ability to (i) raise \$94.6 million as a result of the Invitation and (ii) meet the criteria for admission. If such application is made and it is successful the Company expects the Shares to be admitted to trading on the Junior Market within three (3) to four (4) weeks of the Closing Date (or the extended Closing Date, as the case may be) and for dealings to commence on that date. In the event that the Shares are not admitted to trading on the Junior Market all Applications received by the Company will be returned to Applicants as set out in Section 6.5.

## 6.5 Terms and Conditions for Applicants

1. All Applicants (whether Reserved Share Applicants or members of the general public) must submit an Application Form as provided at Appendix 1 to this Prospectus. Reserved Share Applicants must specify their status on the Application Form and verifiable proof of such status must be presented.
2. All Applicants will be deemed to have accepted the terms and conditions of the Invitation and any other terms and conditions set out in this Prospectus, including any terms and conditions set out in this Section 6 and Appendix 1.
3. Each Applicant acknowledges and agrees that:
  - (a) he/she has been afforded a meaningful opportunity to review the Prospectus (including the terms and conditions set out in this section 6.5), and to gather and review all additional information considered by him/her to be necessary to verify the accuracy of the information contained in this Prospectus;
  - (b) he/she has not relied on the Company or any other connected persons in connection with his/her investigation of the accuracy of such information or his/her investment decision; and
  - (c) no person connected with the Company has made any representation concerning the Company or this Prospectus not contained in this Prospectus, on which the Applicant has relied in submitting his/her Application Form.
4. Application Forms from the general public must request a minimum of 5,000 Shares and shall be made in multiples of 1,000. Application Forms from the general public in other denominations will not be processed or accepted.
5. All Application Forms must be submitted together with payment for the Shares in the form of either:
  - (a) a manager's cheque made payable to "**Pan Caribbean Financial Services Limited**"; or
  - (b) authorization from the Applicant on the Application Form, instructing PanCaribbean to make payment from cleared funds held with PanCaribbean in an investment account in the Applicant's name; or
  - (c) where applicable, proof of payment to **K.L.E. Group Limited** made electronically using either the RTGS payment system **or** by wire transfer.

All completed Application Forms must be delivered to PanCaribbean at any of the following locations:

<b>KINGSTON</b> The Pan Caribbean Building 60 Knutsford Boulevard Kingston 5 Telephone: (876)-929-5583/4	<b>SAVANNA-LA-MAR</b> Hendon Mall Hendon Circle Beckford Street Telephone: (876)-955-4153
<b>MANDEVILLE</b> 3A Caledonia Road Telephone: (876)-961-1210	<b>OCHO RIOS</b> 24 Main Street Telephone: (876)-974-8833
<b>MONTEGO BAY</b> Shop #7 Montego Bay Shopping Centre Telephone: (876)-940-0652	<b>OR TO:</b> Mr. Douglas Robinson Investment Analyst Pan Caribbean Financial Services Limited The Pan Caribbean Building 60 Knutsford Boulevard Kingston 5 Telephone: (876)-929-5583/4

6. All Shares in the Invitation are priced at the Subscription Price of \$3.70 per Share (subject to discounts, where applicable).
7. **Application Forms submitted to PanCaribbean in advance of the Opening Date (early applications) will be received but not processed until the Opening Date. All advance applications will be treated as having been received at 9:00 a.m. on the Opening Date, October 9<sup>th</sup>, 2012, and shall be allotted *pro rata*. All Application Forms received from 9:00 a.m. onwards on the Opening Date will be time stamped for processing in the order in which they were received. That is, the Application Forms will be processed on a first come, first served basis. Application Forms that meet the requirements set out in this Section 6.5 will be processed.**
8. For the purposes of paragraph 7. above the Directors of the Company, in their sole discretion, may:
  - (a) accept or reject any Application Form in whole or part without giving reasons, and neither the Company nor the Directors shall be liable to any Applicant or any other person for doing so; and
  - (b) allot Shares to Applicants on a basis to be determined by it in its sole discretion. Multiple applications by any person (whether in individual or joint names) may be treated as a single application.
9. Neither the submission of an Application Form by an Applicant nor its receipt by the Company will result in a binding contract between the Applicant and the Company. Only the allotment of Shares by the Registrar on behalf of the Company to an Applicant (whether such Shares represent all or part of those specified by the Applicant in his/her Application Form) will result in a binding contract under which the Applicant will be deemed to have agreed to subscribe for the number of allotted Shares at the Subscription Price, subject to the Articles of Incorporation and these terms and conditions set out in Section 6.5.
10. If the Invitation is successful in raising \$94.6 million, and the Shares are admitted to trade on the Junior Market, successful Applicants will be allotted Shares for credit to their account at the Registrar specified in their Application Forms. Applicants may refer to the informational notice that will be posted on the website of the Jamaica Stock Exchange ([www.jamstockex.com](http://www.jamstockex.com)) after the Closing Date. Applicants who wish to receive share certificates must make a specific request to the Registrar.
11. With respect to refunds that are less than the RTGS threshold of \$3Million, the Company will endeavour to return cheques for the amounts refundable to Applicants whose applications are not accepted, or whose application are only accepted in part, to PanCaribbean within ten (10) working days after the Closing Date (or the extended Closing Date, as the case may be) or as soon as practicable thereafter. Each refund cheque will be sent to PanCaribbean for collection by the Applicant (or the first-named joint Applicant) stated in the Application Form. Any other persons purporting to collect a cheque on behalf of the Applicant must be authorised in writing by the Applicant(s) to do so. All refunds of a quantum greater than the RTGS threshold of \$3Million, will be refunded via RTGS to the account of origin.
12. Applicants must be at least eighteen (18) years old. However, Applicants who have not yet attained the age of eighteen (18) years, may apply jointly with Applicants who are at least eighteen (18) years of age.



## Section 7

## Information about the Company

### 7.1 The Company and its History

The Company was incorporated and established on September 8<sup>th</sup>, 2008 as an entertainment and lifestyle services company, whose registered office is located at 67 Constant Spring Road, Kingston 10. Each of the founding directors' own unique skill set has contributed to the establishment of the Company, and thereafter, its strategic direction. . Together, this management team has assisted the Company in its evolution and metamorphosis thereby creating two (2) of the most exciting and successful entertainment locations and brands in Kingston at "The Marketplace", being "**Fiction**" lounge and "**Usain Bolt's Tracks & Records**". Testament to the aforementioned representation is the fact that the Company was one of the select few recipients of the "The Jamaica 50 Award" at the 2012 staging of The Jamaica Observer Food Awards held on May 31<sup>st</sup>, 2012. The Jamaica Observer's publication on Sunday, June 3<sup>rd</sup>, 2012 stated: "**Each winner of the Jamaica 50 Award is focused on establishing a commanding platform for their brand, and for the much touted Brand Jamaica.**"

#### Fiction Lounge

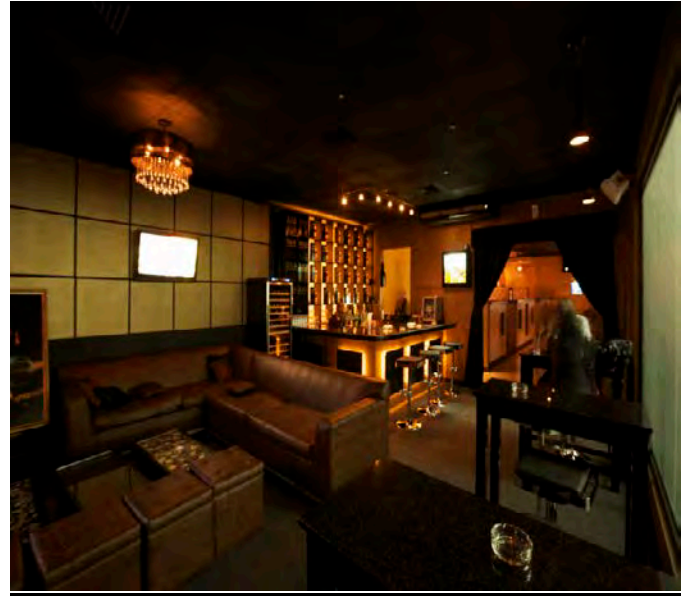
Fiction Lounge continues to enjoy a consistently high level of success in the night-time entertainment industry in Jamaica. Through its innovative marketing efforts, the Company has developed a database of over 14,000 patrons in over twelve (12) countries for Fiction Lounge, with whom the Company communicates directly with on a continuous basis. Additionally, the Company continues to build and maintain its relationship with hotels and tour companies in order to maintain and augment the traffic that Fiction Lounge receives from visitors to the island. Currently, approximately 2000 patrons visit Fiction Lounge on a weekly basis, and this number is only expected to increase as management seeks to continually enhance the entertainment packages and facilities available at Fiction Lounge. Presently, Fiction Lounge is a sought-after location for the hosting of product launches, parties, castings, corporate functions and networking events, outside of normal club operating hours. Fiction Lounge is therefore very dynamic insofar as its service offerings are concerned, which go far and beyond night-time entertainment services.



FICTION LOUNGE VIP BOOTH



**FICTION LOUNGE DANCE FLOOR**



**FICTION LOUNGE – JOHNNIE WALKER LOUNGE**

### **Usain Bolt's Tracks & Records**

In the first quarter of 2011, Usain Bolt's Tracks & Records, a sports-themed attraction whose motif is drawn from two (2) of the most high-profile brands in the World, "Usain Bolt" and "Brand Jamaica", opened its doors to the public at unit # 8 in the Market Place (two (2) units and doors down from Fiction Lounge). Usain Bolt's Facebook page has more than eight million fans worldwide and he has more than 1,500,000 followers on Twitter. According to an article posted on CNN.com on August 13, 2012, (<http://edition.cnn.com/2012/08/13/sport/bolt-social-media-king/>), "...figures released by Twitter and Facebook have confirmed that Usain Bolt was the most talked about athlete at the [London 2012] Olympics". Usain Bolt's Tracks & Records is the Company's second brand and venture, which attracted Sherwood Holdings Limited and Supreme Ventures Limited to seek to invest via equity positions.

The vision of Usain Bolt's Tracks & Records was clearly shared by its key sponsors, which include: Digicel (Jamaica) Limited, Stewart's Auto Sales Limited, The Gleaner Company Limited, Diageo Jamaica Limited and Wisynco Group Limited.

Usain Bolt's Tracks & Records at The Market Place occupies 7,514 square feet of space and boasts the latest in available audio/video and touch-screen technology. For the first time in the region, patrons are able to place food and beverage orders and access the internet and multimedia directly from their interactive booths. The technology is so revolutionary that after it was implemented at Usain Bolt's Tracks & Records at The Market Place, the Company entered into an agreement with the supplier to be its agent and distributor in the region.

Apart from its food and beverage offerings, Usain Bolt's Tracks & Records, like Fiction Lounge, also hosts many corporate and other events, including sports-related events and live performances. Usain Bolt's Tracks & Records also has a merchandise store that sells and promotes its two (2) key brands, "Usain Bolt" and "Brand Jamaica".

All of the above certainly came to bear when Usain Bolt's Tracks & Records copped the award for "Coolest Bar" at the 2012 staging on The Jamaica Observer Food Awards held on May 31<sup>st</sup>, 2012.

Usain Bolt's Tracks & Records is also a popular location for the viewing of various major sporting events, including most recently, the London 2012 Olympics.



**USAIN BOLT'S TRACKS & RECORDS – GROUND FLOOR**



**USAIN BOLT'S TRACKS & RECORDS – VIEW FROM THE MEZZANINE**



**USAIN BOLT'S TRACKS & RECORDS – ENTRANCE**

## **7.2 Systems and Operational Structure**

The Company currently collectively employs one hundred and five (105) employees between the operations of its two (2) brands/lines of business. The Company has also outsourced some of its core management and administrative functions to Neustone, which provides CEO, Procurement, Human Resources, Finance and Administration, Project Management, Facilities Maintenance and Management and ICT Management Services to the Company. The utilization of Neustone's aforementioned services allows the Company to realize economies of scale by outsourcing the aforementioned management and administrative functions. It also allows the Company's employees to focus primarily on the service side of its business.

The Company's systems infrastructure utilizes the "best of breed" point of sale technology available for the hospitality industry integrated with industry leading enterprise software, that allows it to standardize its sales, management and quality control functions in a fully scalable manner. This allows the Company to track every process in its businesses real-time, including: sales volumes specific to each sales area within each location, monitor the use of inputs in order to facilitate efficient procurement and stock management and thereby minimize wastage and over-stocking, monitor the demand for specific services and products and detect irregularities very quickly. The aforementioned capabilities allow the Company to be continuously responsive to its and its customers' needs, and to thereby minimize costs and generate higher revenues.

The Company's systems and organizational structure is so fine-tuned that its business-model lends itself to repetition in other locations, as well as the possibility of offering franchises to other companies.

## **7.3 The Company's Strategic Goals**

### *Usain Bolt's Tracks & Records - Falmouth*

The Company is presently negotiating with the Port Authority of Jamaica in order to lease premises in Falmouth, Trelawny, home parish of Usain Bolt, with the intention of opening another outlet of "Usain Bolt's Tracks & Records".

According to an advertisement published jointly by the Port Authority of Jamaica and Royal Caribbean Cruise Lines in the Jamaica Observer on Thursday, March 22<sup>nd</sup>, 2012, the following statistics have been recorded as at, March 22<sup>nd</sup>, 2012, which is the first anniversary of the inception of the Falmouth Port:

- The port hosted 640,477 passengers, which is a record for any Jamaican port; and
- The port has been conferred with the following international awards:
  - ❖ World Travel Awards 2011 – Caribbean’s Leading Tourism Development Project
  - ❖ Sea Trade Insider 2011 – Port of the Year
  - ❖ World Travel Awards 2011 – World’s Leading Tourism Development Project
  - ❖ Cruise Insight 2011 – Award for Best Local Initiative

In light of the abovementioned statistics and the fact that the Falmouth Port is the largest regional themed port and that it was specifically designed to accommodate the largest cruise ships in the world, this outlet will enjoy a captive market from the guaranteed foot-traffic when ships are in port. By virtue of the passengers’ choice of itinerary, they are all clearly interested in Brand Jamaica, and by extension Usain Bolt, and both of these interests can be satisfied simultaneously at this outlet. It is expected that apart from the other services and products offered by Usain Bolt’s Tracks & Records, that the Usain Bolt and other Jamaican-themed merchandise sales will be especially robust at this outlet.

#### “The Secret Room”

“The Secret Room” is a collaboration between the Company and Prime Sports Limited (a subsidiary of Supreme Ventures Limited) expected to be operated under the name “The Secret Room” (though this name is subject to change), which will be a high-end 125 seat gaming lounge with high stakes gaming on the mezzanine level, that will be open 365 days of the year.

“The Secret Room” will be located at unit #7 at the “Market Place”, which is directly in-between Usain Bolt’s Tracks & Records and Fiction Lounge. The physical build-out of “The Secret Room” has already commenced, with CSI as the contractor. The planned-layout of “The Secret Room” will have access doors on either side in order to allow patrons access to both Usain Bolt’s Tracks & Records and Fiction Lounge. This will afford “The Secret Room” the possibility of the benefit of patronage from the patrons of both Usain Bolt’s Tracks & Records and Fiction Lounge (and vice-versa), in addition to the other foot-traffic at the “Market Place”. Adjoining Marketplace’s secure 368 space parking lot is a private 32 space lot to be used exclusively by “The Secret Room” for their VIP customers.

Prime Sports Limited has leased the premises at which the Secret Room is to be located, and will operate and manage the Secret Room at its cost. The Company is to provide food and beverage and marketing and public relations services to “The Secret Room”. Further, the Company, via one of the director’s companies, Zuar Limited<sup>3</sup>, has also provided the design for “The Secret Room”, in conjunction with Peter Jervis and Associates.

#### The “Bessa” Partnership

“Bessa” will be a lifestyle-themed boutique resort located in Oracabessa less than 2 miles from the International Airport, neighbouring the famous GoldenEye Hotel & Resort. “Bessa” will be an 8.14 acre development, with a river running through the property, and also featuring:

- Twelve (12) River Front Villas – Four (4) of which will be three (3) bedroom villas and eight(8) of which will be two (2) bedroom villas
- Eight (8) Private Beach Villas
- Twelve (12) Swim-Up Suites
- Twelve (12) Ocean View Suites
- Ten (10) Top Side River Condominiums
- Four (4) Floating Suites in the Caribbean Sea

<sup>3</sup> Zuar Ard Jarrett, a director of the Company, is also a director and shareholder of Zuar Limited.

- An infinity jetty pool, with private cabanas
- The jetty will lead to an open pavilion with panoramic views of the Caribbean Sea
- The main pool will run along the common area and suites allowing guests access to the suites directly from the pool
- Exquisitely designed Japanese Water and Rock Gardens
- Comfortable open spaces in order to accommodate a wide variety of leisure activities

This project will be a partnership between the Company and a leading Jamaican life insurance company (“the Partner”). A synopsis of the structure of the partnership is set out below:

- The project cost is approximately US\$7.6 Million
- Equity financing will be approximately US\$2.2 Million, with the Company contributing 25% or US\$550,000.00 of the equity (inclusive of “sweat equity”) and the Partner contributing 75% or US\$1.65 Million
- The Partner is to provide debt financing of approximately US\$4.4 Million
- The Partner has acquired the property on behalf of the partnership for the purposes of development
- The Partner is to handle the project management for the development and act as property manager from the construction stage until there is a complete take up of all units for sale
- The Company shall provide marketing services for the development and will manage the property on completion.

Zuar Limited is to be paid a fee for arranging this project for the Company.<sup>4</sup>

#### “Famous” Nightclub

“Famous” is to be opened in the last quarter of 2012 in Portmore to take advantage of the need in Saint Catherine for a higher standard of entertainment services. The parish of Saint Catherine is currently home to eighteen percent (18%) of Jamaica’s population, and its demand for premium entertainment services is grossly under-serviced.

The Company has secured an exclusive option to lease premises in Portmore which is to be the home of “Famous”, and which will feature:

- 6,500 square feet & 20ft high ceilings
- Large premium bars
- Multiple VIP destinations
- Unparalleled audio visual technology
- A Coliseum-style setting surrounding the dance floor
- A stage for live entertainment

#### **7.4 Incorporation and Structure**

The Company was incorporated on Monday, September 8<sup>th</sup>, 2008. The Company has no parent company. However, the Company does have two (2) dormant subsidiaries. These are T&R Entertainment Limited (TRL), that ceased trading pursuant to the scheme of amalgamation referred to in Section 3 herein, and Fiction Lounge Limited, that has never traded. T&R Entertainment Limited (TRL) was originally incorporated with the Company as its sole shareholder in order to carry on the business of operating Usain Bolt’s Tracks & Records. However, as previously disclosed in Section 3 in this Prospectus, by virtue of a Scheme of Amalgamation on or about November 30<sup>th</sup>, 2011 entered into between TRL and the Company, all of the business and assets of TRL were transferred to the Company in consideration for the Company assuming its liabilities. Since the date of the Scheme of Amalgamation, TRL ceased trading, and is to be de-registered for tax purposes.

The shareholders of the Company have approved and adopted new Articles of Incorporation with effect from July 24<sup>th</sup>, 2012 and the re-registration of the Company as a public company.

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<sup>4</sup> Zuar Ard Jarrett, a director of the Company, is also a director and shareholder of Zuar Limited.

## 7.5 Details of Authorised and Issued Share Capital and the Shares in the Invitation

### Capital Structure of the Company

As at September 7<sup>th</sup>, 2012, being the latest practicable date prior to publication of the Prospectus, the authorised and issued share capital of the Company was as follows:

**Authorised:** 100,000,000

**Issued:** 73,000,000

The Shares in the Invitation will be newly issued Shares of the Company.

### Recent Capital Reorganisation

Following a Directors' meeting held on July 23<sup>rd</sup>, 2012 and an extraordinary general meeting of the Company held on July 24<sup>th</sup>, 2012, the following steps were approved in respect of the capital structure of the Company:

- Each share comprising the share capital of the Company (whether authorized, issued or outstanding) was split pro-rata into 200 shares. Therefore, the Company's authorized share capital increased from 500,000 ordinary shares to 100,000,000 ordinary shares, and the existing issued and outstanding ordinary shares increased from 116,441 ordinary shares to 23,288,200 ordinary shares (see illustrative Share Restructuring Table below).
- The Shareholders were thereafter allotted an additional 49,211,800 Shares pro-rata in order to preserve their respective percentage shareholdings before the IPO, and before the Company discharged its obligations to Neustone, as set out below in the illustrative Share Restructuring Table.
- Neustone was then allotted 500,000 Shares (or 0.50% of the authorized share capital of the Company) pursuant to the provisions of an Outsourcing Agreement dated April 4<sup>th</sup>, 2012. A copy of the aforementioned agreement will be available for inspection as described in Section 15.
- The remaining 27,000,000 Shares are all being offered to the general public and/or the Reserved Share Applicants in the Invitation.
- The re-registration of the Company as a public company under the provisions of the Companies Act, 2004.
- The adoption of new Articles of Incorporation, which are available for inspection as set out in Section 15 herein.

### **ILLUSTRATIVE SHARE RESTRUCTURING TABLE**

<b><u>Name</u></b>	<b><u>Shares Before Share Split</u></b>	<b><u>Shares After Share Split</u></b>	<b><u>Shares to be Allotted to Maintain Percentages</u></b>	<b><u>Shares After Split and Further Allotments</u></b>	<b><u>Percentage Held</u></b>
Craig Powell	17,171	3,434,200	7,259,550	10,693,750	14.75
Gary Matalon	22,000	4,400,000	9,295,250	13,695,250	18.89
David Shirley	10,000	2,000,000	4,227,750	6,227,750	8.59
Stephen Shirley	16,000	3,200,000	6,761,500	9,961,500	13.74
Zuar Jarrett	16,000	3,200,000	6,761,500	9,961,500	13.74
Kevin Bourke	16,500	3,300,000	6,973,250	10,273,250	14.17
Sherwood Holdings Limited	10,852	2,170,400	4,586,600	6,757,000	9.32
Highbourne Limited	2,329	465,800	984,200	1,450,000	2.00
Supreme Ventures Limited	5,589	1,117,800	2,362,200	3,480,000	4.80
<b>Total shares:</b>	<b>116,441</b>	<b>23,288,200</b>	<b>49,211,800</b>	<b>72,500,000</b>	<b>100.00</b>

## 7.6 Shareholdings

As at September 7<sup>th</sup>, 2012, being the latest practicable date prior to publication of the Prospectus, the complete holdings of Shares in the capital of the Company were as follows:

Name of Shareholder	Number of Shares before Opening Date	Percentage of Issued Share Capital before Opening Date
Craig Powell	10,693,750	14.64
Gary Matalon	13,695,250	18.76
David Shirley	6,227,750	8.53
Stephen Shirley	9,961,500	13.65
Zuar Jarrett	9,961,500	13.65
Kevin Bourke	10,273,250	14.10
Sherwood Holdings Limited	6,757,000	9.25
Highbourne Limited	1,450,000	1.99
Supreme Ventures Limited	3,480,000	4.76
Neustone Limited	500,000	0.68
<b>TOTALS</b>	<b>73,000,000</b>	<b>100.00</b>

After the subscription lists for the Invitation are closed, and assuming that the Invitation for the public and the Reserved Share Applicants to subscribe to for up to 27,000,000 Shares is taken up in full, the percentage shareholdings in the Company will be as follows:

Name of Shareholder	Number of Shares after Opening Date	Percentage of Issued Share Capital after Opening Date
Craig Powell	10,693,750	10.70
Gary Matalon	13,695,250	13.69
David Shirley	6,227,750	6.23
Stephen Shirley	9,961,500	9.96
Zuar Jarrett	9,961,500	9.96
Kevin Bourke	10,273,250	10.27
Sherwood Holdings Limited	10,000,000	10.00
Highbourne Limited	1,450,000	1.45
Supreme Ventures Limited	3,480,000	3.48
Key Partners	1,800,000	1.80
Neustone	1,000,000	1.00
Employees	500,000	0.50
Associates	3,000,000	3.00
CSI	810,810	0.81
Debt Conversion	3,567,567	3.57
General Public	13,578,623	13.58
<b>TOTALS</b>	<b>100,000,000</b>	<b>100.00</b>

## 7.7 Applicable Regulatory Regime

The current business of the Company does not require it to be regulated as a bank, financial institution, insurer or otherwise as a regulated entity. The regulatory regime of the Company is set out below, as both Fiction Lounge and Usain Bolt's Tracks & Records, respectively, require the following in order to operate:



1. Places of Amusement Licences issued by the Kingston and Saint Andrew Corporation in respect of Night Club activities, pursuant to the provisions of the Kingston and Saint Andrew Corporation (Places of Amusement) Regulations 1999;
2. Registration as proprietary clubs under the Registration of Clubs Act;
3. Proprietary Club Spirit Licences issued by the Resident Magistrate’s Court (Civil Division) pursuant to the provisions of the Spirits Licence Act;
4. Food Handler’s Permit/Health Certificates issued by the Public Health Department of the Ministry of Health pursuant to the Public Health (Food Handling) Regulations 1998; and
5. Fire Safety Certificates issued by the Jamaica Fire Brigade pursuant to the Fire Safety Provisions of Jamaica.

The regulatory information referred to in this section will be available for inspection as described in Section 15.

### **7.8 Intellectual and Real Property and Business Name**

As at September 7<sup>th</sup>, 2012, being the latest practicable date prior to the publication of this Prospectus, the Company has the following interests in intellectual and real property and business names:

#### Intellectual Property

The Company has registered the following at the Jamaica Intellectual Property Office in classes 16, 25, 41 and 43:

1. The Fiction logo as a device mark on July 25<sup>th</sup>, 2011, which bears Trademark No. 55584, and is valid until May 6<sup>th</sup>, 2020, and is renewable for successive ten (10) year periods; and
2. The words “TRACKS & RECORDS” as a word mark on April 13<sup>th</sup>, 2011, which bears Trademark No. 55581, and is valid until May 5<sup>th</sup>, 2020, and is renewable for successive ten (10) year periods.



The Company has also made an application to register:

1. its logo as a device mark in classes 25, 41 and 43, in respect of which an Acknowledgement of Reception letter dated April 11<sup>th</sup>, 2012 has been received by the Company from the Jamaica Intellectual Property Office; and
2. the logo for “Famous” nightclub as a device mark in classes 41 and 43 in respect of which an Acknowledgement of Reception letter dated June 1<sup>st</sup>, 2012 has been received by the Company from the Jamaica Intellectual Property Office.

The registration process is expected to be completed by the end of 2012, or early 2013.

Also, pursuant to a Sub-Licence Agreement dated May 5<sup>th</sup>, 2011 (as amended by Agreement dated June 11<sup>th</sup>, 2012) by and between Sherwood Holdings Limited and the Company, the Company has been granted the right to use certain intellectual property relating to Usain Bolt for the purposes of its business associated with Usain Bolt’s Tracks & Records. This includes the right to use the logo below, which is the official logo of Usain Bolt’s Tracks & Records.



Copies of the abovementioned Certificates of Registration of Trademark, the Acknowledgement of Reception letters and the Sub-Licence Agreement (as amended) will be available for inspection as described in Section 15.

#### Real Property

The Company rents both premises that it currently occupies at Shops 6 and 8, 67 Constant Spring Road, Kingston 10, pursuant to Lease Agreements by and between the Company and Worman Limited (the owner/landlord) dated August 1<sup>st</sup>, 2008 and July 18<sup>th</sup>, 2010, respectively, which are both for terms of five (5) years each, and both contain options to renew exercisable by the Company (as tenant). Worman Limited has by letter dated November 11<sup>th</sup>, 2011 confirmed that it is prepared to renew the aforementioned Lease Agreements when the respective terms expire, subject to the negotiation of the terms and conditions of renewal. Copies of the aforementioned Lease Agreements and letter will be available for inspection as described in Section 15.

#### Business Name

The Company has registered the Business Name “Usain Bolt’s Tracks & Records” at the Office of the Registrar of Companies on May 18<sup>th</sup>, 2012. A copy of the Certificate of Registration of Business Name will be available for inspection as described in Section 15.

### **7.9 Material Contracts**

Given the nature of its business, most of the Company’s contractual arrangements relate to its employees and food and beverage supply, and are therefore deemed to be on-going dealings in the ordinary course of business.

The following material contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company with the following persons (“**Counterparties**”) in the three (3) years preceding September 7<sup>th</sup>, 2012, being the last practicable date prior to the publication of this Prospectus, and earlier (as the case may be):

	<u>Date</u>	<u>Counterparty</u>	<u>Brief Description</u>
1.	September 21 <sup>st</sup> , 2011	The Gleaner Company Limited <b>("the Gleaner")</b>	The parties have agreed that the Gleaner will assist the Company to purchase a LED screen with a ticker via sponsorship and an interest free loan of US\$15,000.00 in return for the Company, <i>inter alia</i> , placing a minimum annual level of US\$4,000.00 in print and online advertising with the Gleaner.
2.	July 11 <sup>th</sup> , 2012	PanCaribbeanBank Limited <b>("PCB")</b>	<p>a. An amortized loan facility was granted by the PanCaribbeanBank Limited <b>("the Bank")</b> to TRL pursuant to a letter of commitment dated October 28<sup>th</sup>, 2010 and loan documents respectively dated December 8<sup>th</sup>, 2010 <b>("the 2010 Facility" and the "2010 Facility Documents")</b>.</p> <p>b. Subsequently, TRL and the Bank executed a Letter of Commitment dated March 21<sup>st</sup>, 2011 <b>("the Second Letter of Commitment")</b> pursuant to which TRL was granted an increase of Five Million Dollars (J\$5,000,000.00) on the 2010 Facility by the Bank, as set out in the Second Letter of Commitment, thus making the total aggregate of the amortized loan facility equal to Thirty-Nine Million Four Hundred and Eighty Thousand Dollars (J\$39,480,000.00) <b>("the Aggregate Loan Facility")</b>. Pursuant to the terms and conditions of the Second Letter of Commitment, TRL and the Bank executed a Loan Agreement dated June 2<sup>nd</sup>, 2011 and other attendant security documentation of even date (the <b>"2011 Facility Documents"</b>).</p> <p>c. Effective 11:59 pm on November 30<sup>th</sup>, 2011 (the <b>"Effective Date"</b>), and pursuant to an Agreement for Transfer of Business Pursuant to a Scheme of Amalgamation entered into by and between TRL and the Company of the same date (the <b>"Amalgamation Agreement"</b>), all of the assets of TRL were transferred to the Company in consideration of the Company assuming all of TRL's obligations and liabilities, including (with the consent of the Bank) all of TRL's obligations and liabilities arising from the Aggregate Loan Facility and as set out in the 2010 Facility Documents and the 2011 Facility Documents (the <b>"Assumed Obligations"</b>). Pursuant to the Amalgamation Agreement, as at the Effective Date, the Company assumed and has been performing the Assumed Obligations.</p>

			<p>d. The Company has by Deed of Novation dated July 11<sup>th</sup>, 2012 formally assumed the Assumed Obligations, which have been secured by a Debenture and a Promissory Note also dated July 11<sup>th</sup>, 2012. The Bank has cancelled both the 2010 Facility Documents and the 2011 Facility Documents, insofar as TRL is concerned, and has taken all steps required in order to reflect the Company's assumption of the Assumed Obligations.</p>
3.	May 30 <sup>th</sup> , 2012	Duane Marzouca	Promissory Note to secure a loan from Duane Marzouca in the amount of US\$125,000.00 to be repaid on an amortized basis with the final payment being due and payable on September 16 <sup>th</sup> , 2014 (the maturity date).
4.	May 30 <sup>th</sup> , 2012	Gary and Tina Matalon	Promissory Note to secure a loan from Gary and Tina Matalon in the amount of US\$100,000.00 to be repaid on March 1 <sup>st</sup> , 2013 (the maturity date). The Matalons have an option to convert this debt into equity by subscribing for the Conversion Shares.
5.	May 30 <sup>th</sup> , 2012	Andrew and Coleen Phillipps	Promissory Note to secure a loan from Andrew and Coleen Phillipps in the amount of US\$50,000.00 to be repaid on March 1 <sup>st</sup> , 2013 (the maturity date). The Phillipps have an option to convert this debt into equity by subscribing for the Conversion Shares.
6.	May 5 <sup>th</sup> , 2011 and June 11 <sup>th</sup> , 2011	Sherwood Holdings Limited (" <b>SHL</b> ")	This agreement (originally entered into on May 5, 2011 and amended on June 11, 2012) sets out the respective rights and obligations of the Company <i>viz-a-vis</i> SHL (which is the company entitled to sub-license Usain Bolt's name and likeness). This includes the sub-license granted to the Company giving it the right to use Usain Bolt's name and likeness as it relates to Usain Bolt's Tracks & Records, and SHL's equity and compensation rights in respect of the grant of the sub-license.
7.	November 1 <sup>st</sup> , 2011	Stewart's Auto Sales Limited (" <b>Stewart's</b> ")	This agreement permits Stewart's to brand specific parts of Usain Bolt's Tracks & Records in order to promote BMW motor vehicles in exchange for a fee payable to the Company.
8.	January 4 <sup>th</sup> , 2012	Wisynco Group Limited (" <b>Wisynco</b> ")	This agreement follows a Sponsorship Agreement that commenced on July 1 <sup>st</sup> , 2010 (which was subsequently terminated) and gives Wisynco the exclusive right to supply certain products at both Fiction Lounge and Usain Bolt's Tracks & Records, with a few exceptions.
9.	September 27 <sup>th</sup> , 2011	T1 Visions LLC (" <b>T1</b> ")	T1 is a provider of specialty hardware, including touch screens, digital signage and related custom software, and has granted the Company the rights to distribute its products exclusively in Jamaica and the Bahamas, and non-exclusively in the remaining CARICOM member states and associate member

			states. T1 supplied the touch screen technology currently being used at Usain Bolt's Tracks & Records.
10.	April 4 <sup>th</sup> , 2012	Neustone Limited ("Neustone")	Effective June 1 <sup>st</sup> , 2010 the Company outsourced some of its core management and administrative functions to Neustone, which provides CEO, Procurement, Human Resources, Finance and Administration, Project Management, Facilities Maintenance and Management and ICT Management Services to the Company.

The material contracts set out above will be available for inspection as described in Section 15.

### 7.10 Litigation

As at September 7<sup>th</sup>, 2012, being the latest practicable date prior to the publication of this Prospectus, the Company is not involved in any litigation, arbitration or similar proceedings pending and/or threatened against the Company.

### 7.11 Dividend Policy

Historically, the Company has not paid dividends, as it has chosen to maintain healthy liquidity ratios in order to mitigate against liquidity risks and also to reinvest its profits for the purposes of contributing to the financing of its expansion and growth. The Directors expect the Company's investments and proposed ventures slated for the short to medium term, will result in growth of its profits, subject to any adverse changes in the local and regional economic climate. Accordingly, the Directors anticipate a payment of an annual dividend of up to 40% of the annual profits after tax, where such profits are available for distribution, and subject to the Company's need for reinvestment of some or all of its profits from time to time in order to finance its further growth and development.

### 7.12 Insurance Arrangements

The Company has procured sufficient insurance cover for all major risks that relate to its business, at both Fiction Lounge and Usain Bolt's Tracks & Records. This includes:

- a. Fire and Allied Perils on its stock and contents;
- b. Fire and Allied Perils on its premises;
- c. Public Liability;
- d. Employer's Liability;
- e. Loss of Money;
- f. Burglary; and
- g. Consequential Loss (standing charges, wages and salaries and auditor's fees).

All of the abovementioned policies of insurance are valid through December 5<sup>th</sup>, 2012.

Confirmation of the insurance arrangements referred to in this section will be available for inspection as described in Section 15.

### 7.13 Charges Registered Against the Assets of the Company

As at September 7<sup>th</sup>, 2012, being the latest practicable date prior to the publication of this Prospectus, the following charges were registered against the assets of the Company:

1. Debenture dated July 11<sup>th</sup>, 2012 conferring upon PanCaribbeanBank Limited a fixed and floating charge over the assets of the Company, save and except the Permitted Security Interests, as set out and defined in the relevant Loan Agreement.

## **Section 8 Directors and Senior Officers and their Interests**

### **8.1 Biographical Details of the Directors and Senior Managers of the Company**

Brief biographical details of the Directors and Senior Managers of the Company are set out below. The Directors' residential addresses are set out in Section 14 hereto, and all of them may be contacted for business purposes c/o the registered office of the Company, K.L.E. Group Limited, 67 Constant Spring Road, Kingston 10, Saint Andrew, Telephone : (876)-920-4823 or (876)-631-7368 ; Facsimile: (876)-920-4373 and website: [www.klegroupltd.com](http://www.klegroupltd.com)

#### **Mr. Joseph M. Matalon, C.D., B.Sc. (Hons.) Econ. (appointed May 24<sup>th</sup>, 2012) Chairman of the Board of Directors and Non-Executive Director**

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Mr. Matalon is Chairman of ICD Group Limited and its subsidiaries CGM Gallagher Group Limited and British Caribbean Insurance Company Limited.

He holds directorships on a number of other boards including The Gleaner Company Limited, West Indies Home Contractors Limited, WIHCON Properties Limited, Prime Asset Management Limited, Matalon Homes Limited and The Tony Thwaites Wing of the University Hospital of the West Indies. Mr. Matalon serves as Honorary Chairman of St. Patrick's Foundation, which supports charitable activities in inner-city communities, is Chairman of the Board of Governors of Hillel Academy in Kingston Jamaica, is a member of the regional Investment Advisory Committee of the University of the West Indies, and was recently appointed to the Board of the US based International Youth Foundation and Scotiabank Group Jamaica.

Mr. Matalon is immediate past-president of the Private Sector Organisation of Jamaica (PSOJ), to which post he was elected in 2009, and has also served on a number of special national committees established to advise the Government on financial and economic matters.

Since 2007 he has also served as Chairman of the Development Bank of Jamaica, the Government of Jamaica's principal development finance institution.

In 2010 Mr. Matalon was appointed, by the Government of Jamaica, to the Order of Distinction in the Rank of Commander (C.D.), in recognition of his contribution to the Public and Private Sectors, and to community service.

**Mr. Matalon has also been appointed as the Chairman of the Company's Board of Directors, Chairman of the Remuneration Committee and is a member of the Audit Committee of the Company's Board of Directors.**

#### **N. Patrick McDonald, LL.B. (Hons.) (appointed May 24<sup>th</sup>, 2012) Non-Executive Director**

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Mr. McDonald is an Attorney-at-Law and partner in the law firm Hart Muirhead Fatta (HMF). He was educated at the University of the West Indies (1987-1991) and the Norman Manley Law School (1991-1993), and was admitted to practice in Jamaica in 1993 and in the British Virgin Islands in 1998.

Before joining HMF, Mr. McDonald was a senior executive at FINSAC Limited in a supporting and advisory role to the Managing Director. While at FINSAC, his responsibilities included monitoring operations of Jamaica's largest life insurer and two (2) of the three (3) largest commercial banks, and co-ordinating activities for divestment of the state's majority stake in all. Mr. McDonald also served as FINSAC's representative on a number of boards of directors of entities in receipt of state financial assistance. Following FINSAC's substantial completion of rehabilitative and divestment activities in the financial sector, Mr. McDonald resumed private practice in 2002 specialising in general commercial practice; corporate law; financial services and regulation and real estate.

Prior to joining FINSAC, he practised law at Myers, Fletcher & Gordon (Kingston, Jamaica) between 1993-1999, specialising in commercial litigation.

Mr. McDonald currently serves as a director of First Global Financial Services Limited, Independent Radio Company Limited and the Postal Corporation of Jamaica Limited.

He has also served on the Caribbean Technical Working Group on Corporate Governance, set up in 2003 after the Eastern Caribbean Central Bank – sponsored 1<sup>st</sup> Caribbean Forum on Corporate Governance in St. Kitts, which was responsible for preparing the Caribbean Principles of Corporate Governance in 2005. He has been a featured speaker at both the 1<sup>st</sup> Forum in 2003 and the 2<sup>nd</sup> Forum in 2005. He is also a Member of the Corporate Governance Committee of the Private Sector Organisation of Jamaica (PSOJ) and the Best Practices Awards Committee of the Jamaica Stock Exchange, and regularly carries out public-sector corporate governance training in Jamaica.

Mr. McDonald is an Associate Tutor, Norman Manley Law School.

**Mr. McDonald has also been appointed as a Chairman of the Audit Committee and as a member of the Remuneration Committee of the Company's Board of Directors.**

**Audrey P. Marks, B.A., M.B.A. (appointed July 23<sup>rd</sup>, 2012)**  
**Non-Executive Director**

Audrey Patrice Marks served as Jamaica's tenth and first female Ambassador to the United States and Permanent Representative to the Organization of American States (OAS) in March 2010.

During her tenure, Ambassador Marks initiated a partnership with the World Bank to create Jamaica's first Diaspora Development Bond for an initial tranche of USD 1 Billion Dollars. Negotiations are well advanced and the projected date for the launch of the bond is August 2012, to coincide with Jamaica's 50th Anniversary of Independence and 50 years of diplomatic relations with the USA, UK and Canada. Ambassador Marks also initiated an investment outreach campaign to engage major investors in a public/private sector partnership project for the redevelopment and revitalization of Kingston, Jamaica's capital city. Another of Ambassador Marks' initiatives was the design of a USA/Diaspora database of an estimated 3.2 million Jamaican-Americans.

A career entrepreneur, Ambassador Marks started and operated six previous businesses, including the cultivation of banana for export, commercial transportation, real estate sales and development. She has also operated a Venture Capital Company with investments in a range of enterprises including manufacturing, travel and entertainment. Prior to her entrepreneurial endeavours, Ambassador Marks spent twelve years in management capacities in the airline and telecommunications industry at Air Jamaica Ltd. and Cable & Wireless Ltd., respectively.

Ambassador Marks' last major business venture is Paymaster (Jamaica) Limited, a multi-transaction company which she conceptualized and started in 1997. Paymaster operates payment agencies from which all types of bill payments and remittances can be made. The company operates from 150 locations throughout Jamaica, providing services to over 1.4 million customers and employment for over 400 persons. It is the first multi-transaction agency in the Caribbean.

Prior to her appointment as Ambassador, Ms. Marks chaired several private and public sector Boards, including the Tourism Product Development Company Ltd., the Central Wastewater Treatment Company Limited (CWTC). She also served as Deputy Chairman of the Urban Development Corporation (UDC), Director of the Board of Royal Bank of Trinidad & Tobago Securities Jamaica Limited, Jamaica Trade and Invest Ltd., National Health Fund and the University of the West Indies (Mona School of Business).

She also holds the distinction of being the first female President of the American Chamber of Commerce of Jamaica (AMCHAM). During her tenure, Ms. Marks gave singular focus to increasing investment and trade between the United States of America and Jamaica. Of note was her introduction of the American company, *Tavistock Group*, to the Government of Jamaica facilitating a significant foreign direct investment to create Jamaica's first golf resort.

Ambassador Marks holds both Bachelor and Masters degrees in Business administration from the University of the West Indies, Mona, Jamaica, and Nova South Eastern University (School of Business & Entrepreneurship), Florida, USA, respectively.

Ambassador Marks has been publicly recognized for her pioneering work, entrepreneurial endeavours and commitment to social causes. She is the recipient of numerous awards and citations from her peers and various organizations. These include: Ernst & Young Nominee for the “Caribbean Entrepreneur of the Year 2000”; the Jamaica Observer Business Leader of the Year Award nominee for 2000; the Florida International University Business Leader of the Year Award for 2003 and 2010.

**Ms. Marks is also a member of both the Audit and the Remuneration Committees of the Company’s Board of Directors.**

**Gary C. Matalon, MBA, PMP (appointed September 8<sup>th</sup>, 2008)**

**Director and CEO**

Mr. Matalon is director of Neustone Ltd, a project management and business process outsourcing company, founded in 2006. Mr. Matalon is also a director of Construction Systems International Limited, a company specializing in construction and development.

Upon returning to Jamaica in 1992, Mr. Matalon joined his family’s group of companies as a project supervisor to multiple affordable housing development projects at West Indies Home Contractors Ltd (WIHCON). After gaining invaluable experience with the group, including Operations Manager at Redimix Concrete Limited and the return to project management for WIHCON, Mr. Matalon took the bold step in leaving the group to pursue his own ventures in project management and business development.

After achieving his Bachelor of Arts degree in Business Management and Entrepreneurship from Lynn University in Florida, Mr. Matalon went on to complete his Master’s degree in Business from The University of Liverpool. Mr. Matalon has also continued to specialize in the field of project management as he completed training with the Project Management Institute (PMI) at Boston University and has achieved the Project Management Professional (PMP) credential from PMI, which is the highest credential offered in the field of project management.

**Mr. Matalon is also a member of the Audit Committee of the Company’s Board of Directors.**

**Zuar Ard Jarrett, M. Arch. (appointed September 8<sup>th</sup>, 2008)**

**Non- Executive Director**

Zuar Ard Jarrett is one of the founders of the Company. His main responsibilities within the group include marketing, new business development, architectural and interior design. Mr. Jarrett is also the founder and Managing Director of Zuar Limited, a premier architectural, planning and interior design firm. Founded in 2004, Zuar Limited’s portfolio spans government, corporate and a host of well-appointed residences. His extensive portfolio of work include the Company’s very own Fiction Lounge as well as forming part of the senior design team for Usain Bolt’s Tracks & Records. Mr. Jarrett brings tremendous experience in the entertainment industry, being a founder/director of DNA entertainment since 2004, an entity instrumental in the hosting and execution of the ATI Negril weekend and a host of other premium events. Over the last eight (8) years DNA entertainment has hosted over 80,000 local and international patrons.

Mr. Jarrett received various certifications in business from the Institute of Management and Production in Jamaica. He then received qualifications as a designer in the areas of Architecture, Planning and Interior design from the Caribbean School of Architecture, where he was awarded a Bachelor of Arts in Architectural Studies with second class honours in 2000. He further received the European Union scholarship to pursue a Masters of Architecture which was completed in 2004.

**Mr. Jarrett is also a member of the Audit Committee of the Company’s Board of Directors.**



**Stephen Orlando Shirley, A.S. (appointed September 8<sup>th</sup>, 2008)****Non-Executive Director**

Mr. Shirley is one of the founding directors of the Company, and has served as its chairman for the past two (2) years. Mr. Shirley is also CEO of StoneLeigh Coffee Processors Limited, which processes high quality blue mountain coffee for both export and local consumption.

Mr. Shirley has been the managing director of CELLI-SHAC LIMITED for the past twelve (12) years, which operates three (3) branches of Digicel Stores (two (2) of which are officially “branded” stores,) and a subsidiary Movie-Shac (DVD rentals).

Mr. Shirley is also a founder and director of:

- Velle Sports Limited
- Locker Room Sports Limited; and
- Jamaica Coffee Limited

Mr. Shirley was conferred with an Associate’s degree in Business Management from Miami Dade Community College.

**Mr. Shirley is also a member of the Remuneration Committee of the Company’s Board of Directors.**

**David Alexander Shirley, B.A. (appointed September 8<sup>th</sup>, 2008)****Non-Executive Director**

Mr. Shirley is a businessman who, in addition to his role as director of the Company, also holds the following posts:

- Locker Room Sports - Founder and Chairman
- Velle Sport International - Founder and Director
- Jamaica Coffee Corporation - Director
- Stoneleigh Coffee Processors Limited – Director
- Road Maintenance Fund – Director
- Tennis Jamaica - Director

Mr. Shirley was conferred with a Bachelors of Arts degree in Business Administration and Marketing from Florida International University.

Mr. Shirley is also Treasurer of the Barbican Football Club, a member of Tennis Jamaica and The Jamaica Boxing Board.

**Mr. Shirley is also a member of the Audit Committee of the Company’s Board of Directors.**

**Kevin Sean Bourke, B.A. (appointed September 8<sup>th</sup>, 2008)****Non-Executive Director**

Mr. Bourke is a marketing executive with over twelve (12) years’ experience in marketing and building brands through calculated above the line and below the line campaigns. Mr. Bourke also possesses multi-faceted management experience in planning, executing and reviewing management plans and enhancing the culture and increasing the profitability of companies.

Mr. Bourke is currently responsible for Marketing and Brand Development for the Company.

Mr. Bourke’s work experience includes, Marketing Manager at Island Jamaica Ltd., Brand Manager at J. Wray & Nephew Ltd. and Head of Sales and Marketing for the Multimedia Division at The Gleaner Company Limited.

Mr. Bourke was conferred with a Bachelor's degree in International Development Studies (Business/Marketing) Economics from Dalhousie University (BA) Halifax, Nova Scotia, Canada.

**Mr. Bourke is also a member of the Remuneration Committee of the Company's Board of Directors.**

**Craig Anthony Powell (appointed September 8<sup>th</sup>, 2008)**

**Non-Executive Director**

Mr. Powell has over twenty-four (24) years' experience in management and event marketing and promotions. Mr. Powell's work experience spans operations management at the Sunset Jamaica Grande Hotel, regional sales and marketing at Amalgamated Distributors Limited and management at Midel Distributors Limited.

Mr. Powell also has a wealth of experience in the event-planning and entertainment industry, having been a principal in many of Jamaica's premier entertainment attractions and events, such as The Appleton Estate All-Jamaica Grill-Off, which is perhaps the only event of its kind in Jamaica.

Mr. Powell also has substantial agricultural investments, which includes the production and export of produce and has an interest in Jamaica Hydroponics Ltd., a company that grows and distributes vegetables to hotels and retail outlets. Jamaica Hydroponics Limited owns and operates the largest hydroponics farm in Jamaica.

**Garfield M. Coke (appointed October 20<sup>th</sup>, 2011)**

**Non-Executive Director**

Mr. Coke has over twenty four (24) years' service in the financial industry, and therefore has extensive experience in managing investment and insurance portfolios of both high net worth and other clients. He also successfully manages the affairs of elite athletes.

Mr. Coke is an Executive Agent at Sagikor Life Jamaica. During his time as a Financial Manager he has copped several top awards including Rookie Manager of the Year. He is also the Financial Manager for Usain Bolt since 2006, guiding this legendary athlete in making sound business decisions and ensures his wealth preservation. Mr. Coke is also a Director and the C.E.O. of Island Dew Manufacturing & Distribution Limited, as well as C.E.O. of GCMC Limited, a management company.

**Mr. Coke is also a member of the Audit Committee of the Company's Board of Directors.**

**8.2 Directors' and Senior Managers' Interests in Ordinary Shares**

No senior managers hold any Shares. The Directors' interests in the Shares (including legal and beneficial holdings) as at September 7<sup>th</sup>, 2012, being the latest practicable date prior to the publication of the Prospectus are set out below:

<b><u>Name of Director</u></b>	<b><u>Number of Shares</u></b>	<b><u>Approximate Percentage of Issued Share Capital Prior to Invitation</u></b>
Gary Matalon <sup>5</sup>	15,145,250	20.75
David Shirley	6,227,750	8.53
Stephen Shirley	9,961,500	13.65
Zuar Jarrett	9,961,500	13.65
Kevin Bourke	10,273,250	14.10
Craig Powell	10,693,750	14.64

<sup>5</sup> 1,450,000, of the 15,145,250 Shares stated as being held by Mr. Gary Matalon are held by Highbourne Limited, a company in respect of which Mr. Gary Matalon is both a director and shareholder.

No Director or senior manager receives Shares, or options in respect of Shares in consideration of the services rendered by him or her to the Company.

### 8.3 Corporate Governance and Accountability

The Board has established the formation of two (2) committees, namely the Audit Committee and the Remuneration Committee, as required pursuant to the provisions of the Junior Market Rules. The members of each committee include a majority of independent non-executive Directors, as required by Rule 504(2)(b) of the Junior Market Rules, and are as follows:

<u>Audit Committee</u>	<u>Remuneration Committee</u>
Mr. N. Patrick McDonald, Committee Chairman	Mr. Joseph M. Matalon, Committee Chairman
Mr. Joseph M. Matalon	Mr. N. Patrick McDonald
Mr. Garfield Coke	Ms. Audrey Marks
Mr. Gary Matalon	Mr. Stephen Shirley
Mr. David Shirley	Mr. Kevin Bourke
Mr. Zuar Jarrett	
Ms. Audrey Marks	

In addition, the Company has appointed BDO to provide it with external audit services.

### 8.4 Directors' Fees and Executive Emoluments

The Remuneration Committee will be meeting to recommend appropriate compensation for, amongst others, executive Directors effective January 1<sup>st</sup>, 2013. In light of the fact that none of the directors of the Company were employed to the Company, nor provided any services to the Company on a full-time basis, during the fiscal year ended December 31<sup>st</sup>, 2011, no executive remuneration was paid by the Company for the said fiscal year.

Effective January 1<sup>st</sup>, 2012, the Company has fixed the non-executive Directors' fees, inclusive of attendance at Board of Directors and committee meetings, in respect of each non-executive director, as follows: (1) a \$100,000.00 retainer payable annually, in advance; and (2) \$50,000.00 per meeting. The directors are to meet on a quarterly basis.

## Section 9

## Management Discussion and Analysis

### About the Company

The Company's first venture, Fiction Lounge, was established as a result of the recognition of the high and consistent demand for entertainment, lifestyle-related products and services in Jamaica. After detailed and thorough market research and study, the Company adopted an empirical approach to the establishment and launch of Fiction Lounge. This approach immediately paid off and has manifested itself in the instant success that the Company has enjoyed with Fiction Lounge from its inception.

Without losing sight of its formula for success, the Company continuously and systematically keeps its finger on the pulse of the on-going and inevitable changes in demand for entertainment and lifestyle services. This is achieved through continuous market research and keeping in-tune with demographical demand changes of current patrons.

The Company's success with Fiction Lounge inspired the establishment of its second venture, "Usain Bolt's Tracks & Records" .

The Company's business model has now become distinctively refined and systems-oriented. Such efficient transformations are achieved by utilising information technology, management systems and by taking advantage of the economies of scale accruing from outsourcing its core management and administrative functions. With this structure in place, the Company's staff is able to focus primarily on its customers' experience.

The Company's collaborations with major public companies in Jamaica as disclosed earlier in this Prospectus, which are expected to come on-stream in the near-future, as well as the plethora of sponsorship and business arrangements that the Company has been able to attract, are indicative of how it is perceived by much larger and established companies.

### Current Operating Environment

In recent times businesses have felt the negative impact of a tightening Jamaican economy. In particular, 2011 was a difficult year with a number of events occurring locally, such as general elections, increased macro-economic uncertainty and overall reduction in aggregate demand. These were coupled with continued volatility in global markets, as the major economies tried to work their way from widespread recession. Despite the uncertain operating environment experienced during this time, the Company managed to grow its revenue.

Additionally, the Company continues to enjoy a consistently high level of patronage.

### Financial Performance

Audited annual financial statements for the year ended December 2011 showed that the Company was able to generate \$139.4 million in revenue of which \$124.8 million was attributable to Fiction Lounge. This represents a marginal growth in Fiction Lounge's top line of 3.1% over 2010.

During the six (6) months to June 2012 consolidated revenue increased even further to \$139.7 million versus \$113.7 million during the same period of 2011, a 22.8% improvement. This growth is mainly due to the Restaurant which operated throughout the full six (6) months of 2012. In contrast, the Restaurant commenced operating in April 2011 resulting in approximately three (3) months of operations during the same period in 2011. It is for this reason that the analysis below excludes the first quarter of 2011 and 2012 as the two (2) periods are not truly comparable.

Despite the revenue growth in 2012, the interim net profit of the group was negatively affected by the following:

- the Restaurant business line incurred a loss during the first six (6) months of 2012
- the Company's enterprise management costs increased during the period

The Restaurant's first year's performance, as with many start-up businesses, has been affected by initial costs related to growing its sales and market appeal coupled with the difficult operating environment previously discussed. However, results for the first six (6) months of 2012 show that management has been able to both grow sales as well as contain costs which it believes will enable the Restaurant to become profitable before the end of the year.

While the unaudited consolidated interim financial statements for the Company to June 2012 are presented otherwise in this prospectus, a more detailed breakdown of the business units is shown below:

J\$ '000	3 mths to June 2011				3 mths to June 2012			
	Restaurant	Fiction	Corporate	Consolidated	Restaurant	Fiction	Corporate	Consolidated
Revenue	40,271	29,853		<b>70,124</b>	43,228	31,385		<b>74,613</b>
Cost of Sales	15,744	7,652		<b>23,397</b>	14,108	8,877		<b>22,985</b>
<b>Gross Profit</b>	<b>24,527</b>	<b>22,200</b>	-	<b>46,727</b>	<b>29,120</b>	<b>22,508</b>	-	<b>51,628</b>
Other Income	80	391		<b>472</b>	257	15		<b>272</b>
Operating Expenses	30,679	18,970	668	<b>50,317</b>	30,433	18,831	2,401	<b>51,666</b>
Finance Costs	1,635	0		<b>1,635</b>	1,624	0		<b>1,624</b>
<b>Pre-Tax Net Profit</b>	<b>(7,707)</b>	<b>3,622</b>	<b>(668)</b>	<b>(4,753)</b>	<b>(2,680)</b>	<b>3,692</b>	<b>(2,401)</b>	<b>(1,389)</b>

The table above shows that the performance of the Fiction Lounge has remained fairly stable, with this business unit experiencing a pre-tax net profit from \$3.6 million in both periods under review.

The main driver of the improvement of the Company's quarterly profits is the performance of the Restaurant. The Restaurant has been able to improve its performance significantly when compared with the June quarter of 2011:

- Revenue has increased by 7%
- Gross margin (gross profit / revenue) has increased from 61% to 67%
- Operating Efficiency (operating expenses / revenue) has decreased from 76% to 70%

The result is that the Restaurant made a loss of only \$2.7 million for the quarter when compared to the \$7.7 million loss during the same quarter in 2011. It should also be noted that when combined the operating business units of Fiction Lounge and the Restaurant collectively made a profit of approximately \$1 million during the June quarter of 2012.

It should also be noted that a large portion of the Company's expenses is non-cash depreciation. As shown below, if depreciation is excluded the Company earned a pre-tax cash profit of \$3.5 million in the second quarter of 2012 versus a pre-tax cash loss of \$0.5 million during the same period of 2011.

J\$ '000	3 mths to June 2011				3 mths to June 2012			
	Restaurant	Fiction	Corporate	Consolidated	Restaurant	Fiction	Corporate	Consolidated
Pre-Tax Net Profit	(7,707)	3,622	(668)	<b>(4,753)</b>	(2,680)	3,692	(2,401)	<b>(1,389)</b>
Depreciation	3,733	472	-	<b>4,205</b>	4,051	827	-	<b>4,878</b>
<b>Earnings before Taxation and Depreciation</b>	<b>(3,974)</b>	<b>4,094</b>	<b>(668)</b>	<b>(548)</b>	<b>1,370</b>	<b>4,519</b>	<b>(2,401)</b>	<b>3,489</b>

In addition to income and expenses attributable to the Restaurant and Fiction Lounge, the Company also recognizes additional corporate expenses that are not directly related to either the Restaurant or Fiction Lounge. These expenses consist of professional fees (categorized as enterprise management expenses) paid to Neustone in exchange for, in addition to other services, business development in relation to new and existing business opportunities for the Company. As shown in the previous table, the Company has been spending much more aggressively on this area. However, this increased expenditure has already resulted in the identification of three potentially lucrative ventures that the Directors expect to generate value for the Company.

Based on the above, the Directors are of the opinion that the Company has positioned itself to benefit from not only a return to profitability for the 2012 financial year, but should also be able to grow its earnings thereafter.

#### Future Outlook

It is the view of the Directors that the performance displayed by the Company in the 2011 financial year is not only sustainable but also that there is significant potential for growth in the near term. There are a number of large projects which the Company has slated to come to fruition within the next year, which include the partnerships and collaborations referred to herein.

In addition to the above, the Directors are of the view that the Company's performance will continue due to strengthening of gross margins as it continues to optimise its cost-efficiency, whilst increasing revenues.

With the funds raised in the Invitation, the Company plans to use same in order to meet its obligations in respect of the Bessa partnership, the cost of establishing the new "Famous" nightclub and lounge, the anticipated preliminary expenses associated with establishing the new Usain Bolt's Tracks & Records (if negotiations are successfully concluded for the location currently identified), to inject additional working capital into its operations and to liquidate some of the debt currently existing on its balance sheet.

The Company now embarks upon a new and exciting phase in its history as it metamorphosizes from an entertainment and lifestyle services company into an entertainment, tourism, lifestyle and property-development company.

## Section 10

## Financial Highlights

### KLE Group Limited

The Company currently owns and operates the following establishments within the entertainment industry:

1. ***Fiction Lounge***

Fiction Lounge is a premier night club in the corporate area catering to young professionals and since its establishment in December 2008 has consistently generated positive profitability for the Company.

2. ***Usain Bolt's Tracks and Records***

The Restaurant opened its doors in April 2011. As is customary with businesses of this kind in their start-up phase, the restaurant generated a loss during its first year of operations. However, its most recent in-house financials show more positive results over the six (6) month period ended June 30<sup>th</sup>, 2012.

### Basis for Separation of Operating Results

The audited financial statements for K.L.E. Group Limited have been used as a base in order to analyse the financial performance of the Fiction Lounge night club's operations. However, the following must be taken into consideration in order to arrive at the operating results for Fiction:

- During 2011 the Restaurant commenced operations and in November of that year TRL and the Company were amalgamated. As such, the audited income statement for the Company includes income and expenses attributable to the Restaurant from its amalgamation to the end of the year.
- The Company's structure is such that the Restaurant and Fiction are managed centrally by Neustone which has also been actively seeking additional business opportunities for the Company. This additional role that Neustone plays has resulted in additional expenses being incurred by the Company but these expenses are not directly related to the operations of Fiction Lounge.

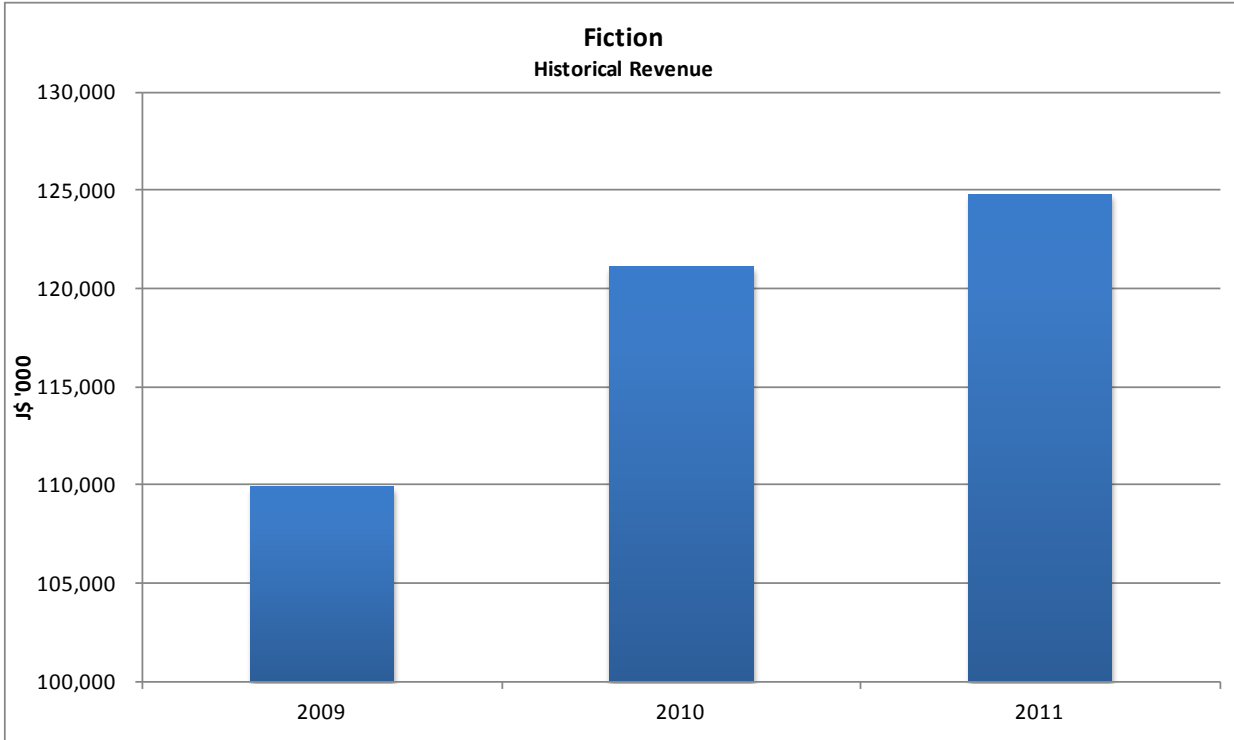
Based on the above, all income and expenses that were incurred by the Company in 2010 and 2011 but unrelated to Fiction's operations have been excluded from the analysis of Fiction's financial performance. This results in the following income statement for Fiction as a standalone line of business.

	Audited KLE Group		Adjustments				Adjusted Position Fiction	
	2010	2011	The Restaurant 2010	2011	Corporate Expenses 2010	2011	2010	2011
<b>J\$ '000</b>								
Revenue	121,091	139,410	-	14,614	-	-	121,091	124,796
Cost of Sales	31,474	38,237	-	4,860	-	-	31,474	33,376
<b>Gross Profit</b>	<b>89,617</b>	<b>101,173</b>	<b>-</b>	<b>9,753</b>	<b>-</b>	<b>-</b>	<b>89,617</b>	<b>91,420</b>
Other Income	292	184	-	(103)	-	-	292	287
Operating Expenses								
Admin & General Expenses	69,418	79,476	-	9,644	-	-	69,418	69,832
Enterprise Management	4,740	10,895	-	222	2,071	8,005	2,668	2,668
IPO Costs	-	1,011	-	-	-	1,011	-	-
Depreciation	1,887	4,701	-	1,774	-	-	1,887	2,927
	76,044	96,083	-	11,641	2,071	9,015	73,972	75,427
Finance Costs	-	476	-	546	-	-	-	(70)
<b>Net Profit before Taxation</b>	<b>13,865</b>	<b>4,798</b>	<b>-</b>	<b>(2,536)</b>	<b>(2,071)</b>	<b>(9,015)</b>	<b>15,936</b>	<b>16,349</b>

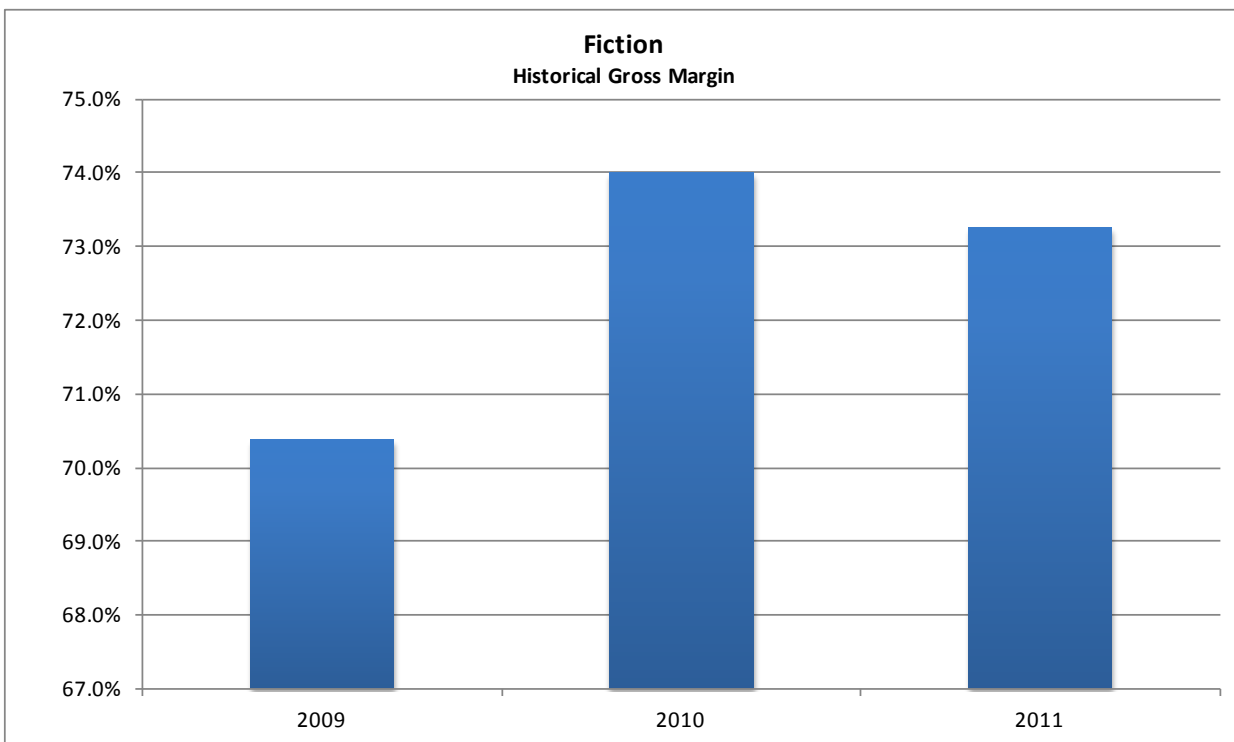
## Income and Profitability

### Fiction Lounge

Fiction Lounge has shown steady growth in its revenue year over year from \$109.9 million in 2009 to \$124.8 million in 2011 as represented in the graph below. This results in a compound average growth rate (“CAGR”) of 6.6% per annum.

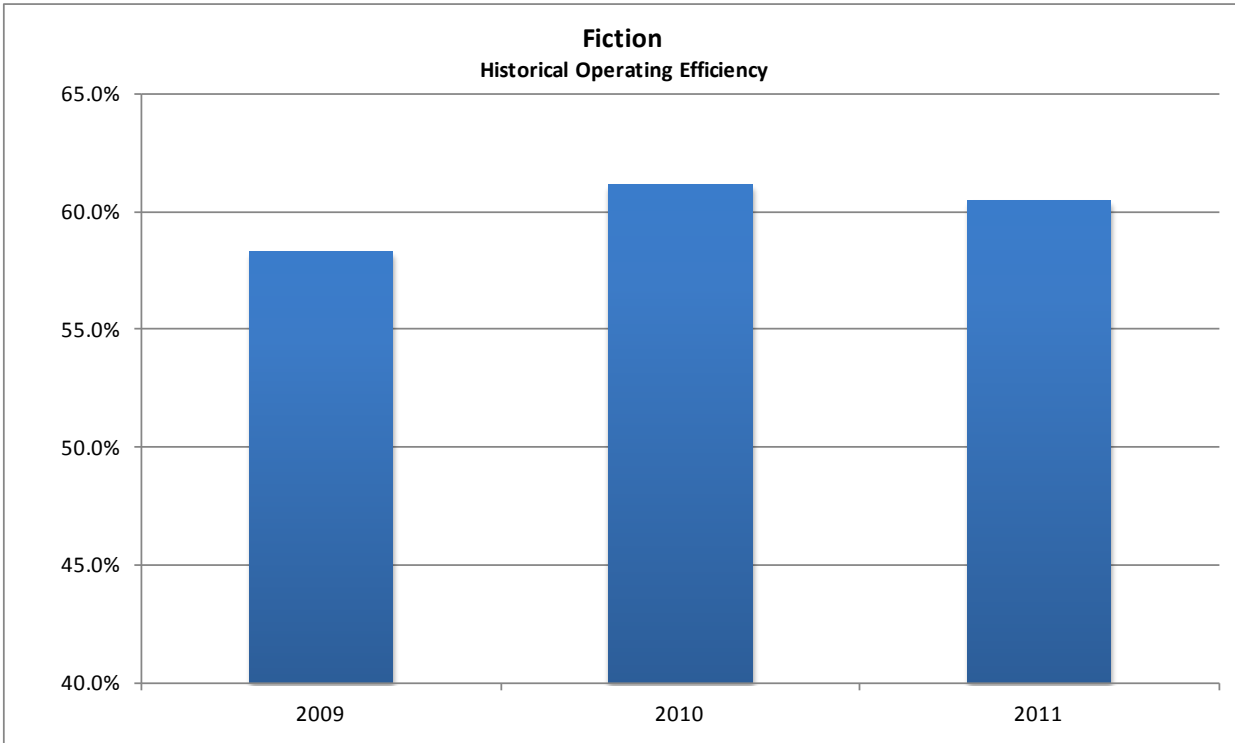


In addition to a positive performance in its top line, Fiction Lounge has benefitted from growth in its gross margin which has increased from 70.4% in 2009 to 73.3% in 2011. This has contributed to Fiction Lounge’s gross profit increasing from \$77.3 million to \$91.4 million over the same period, a CAGR of 8.7%.

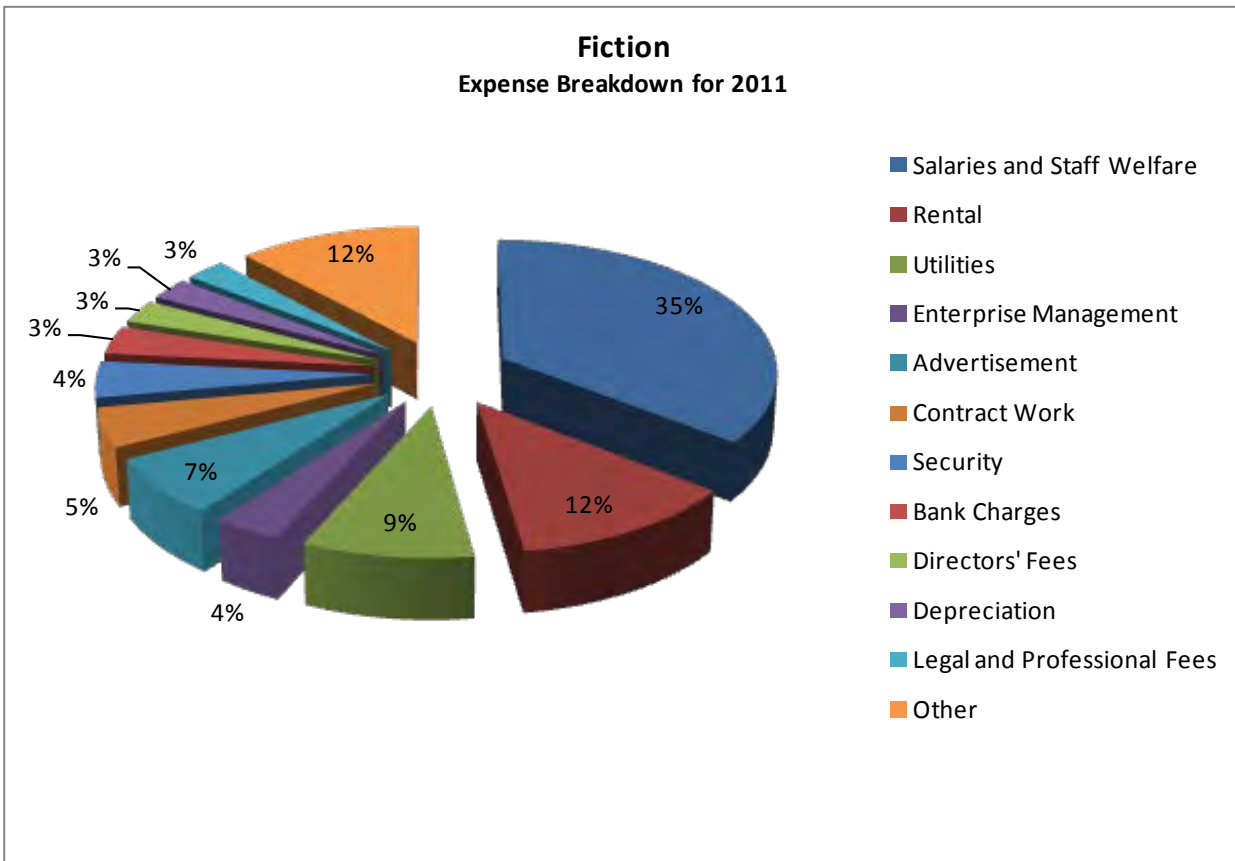




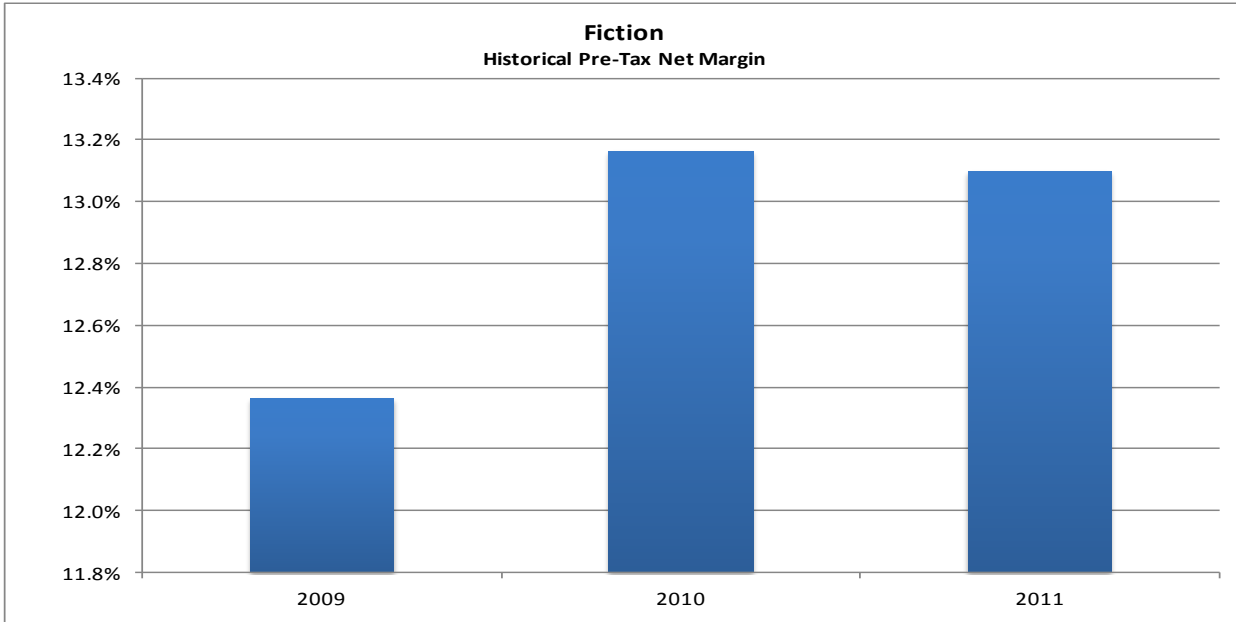
Fiction’s operating efficiency has remained fairly flat over the period under review, ranging from 58.3% in 2009 to 61.1% in 2010.



Further analysis of the 2011 operating expenses shows that staff related expenses, rental and utilities account for approximately 56% of total expenditure.



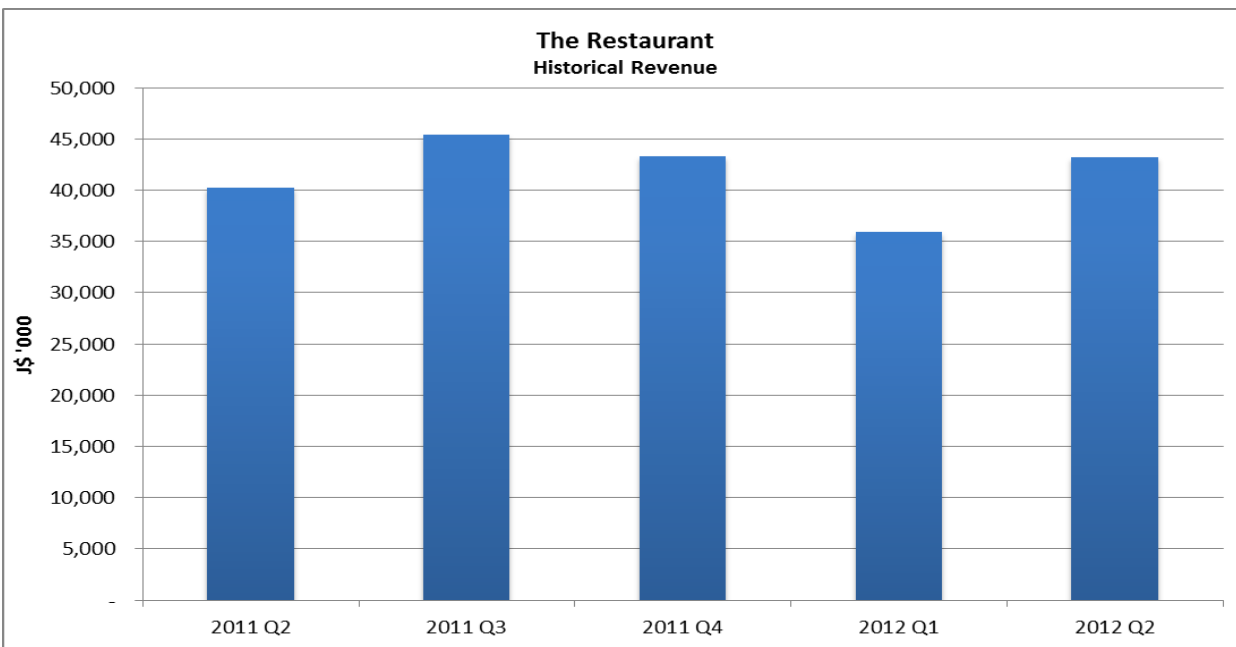
Management has been able to successfully grow Fiction’s pre-tax net profit from \$13.6 million in 2009 to \$16.3 million in 2011, a CAGR of 9.7%. As a result, the pre-tax net margin (pre-tax net profit / revenue) has also increased from 12.4% in 2009 to 13.1% in 2011.



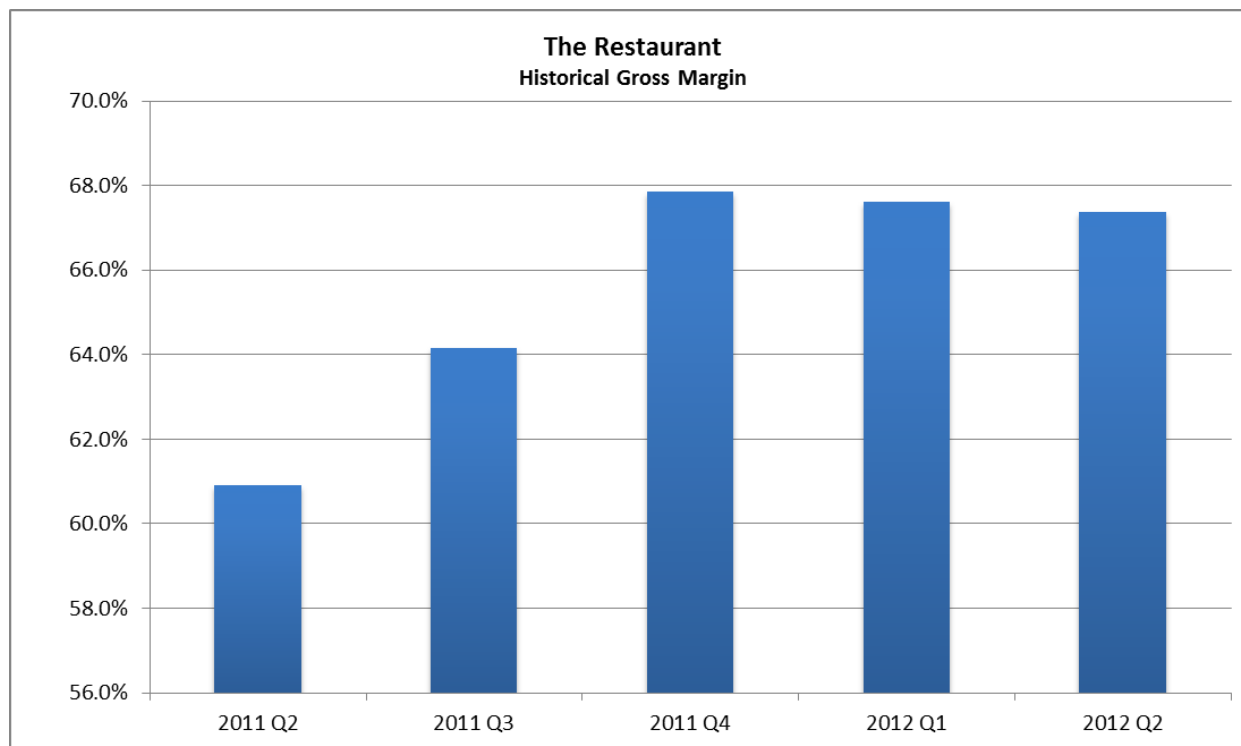
**Usain Bolt’s Tracks and Records**

As previously mentioned, the Restaurant commenced its operations in April 2011 (during the second quarter of the Company’s fiscal year). As such, it has just over one year’s worth of financial history. While this means that no year-over-year analysis is possible, the financial data has been broken out and analysed on a quarterly basis.

The graph below shows historical revenue for the Restaurant since commencing operations. The restaurant industry generally experiences seasonality in that the summer and Christmas months tend to see higher business volumes. Late 2011, however, proved to be an exception with the general elections held locally resulting in an industry-wide slowdown in business. This general weakness in industry activity continued through the first quarter of this year. However, a rebound in business has been seen during the second quarter of 2012.



Management has been able to efficiently manage its direct costs, driving its gross margin up to a level of between 67% and 68% over the last three quarters of operation.

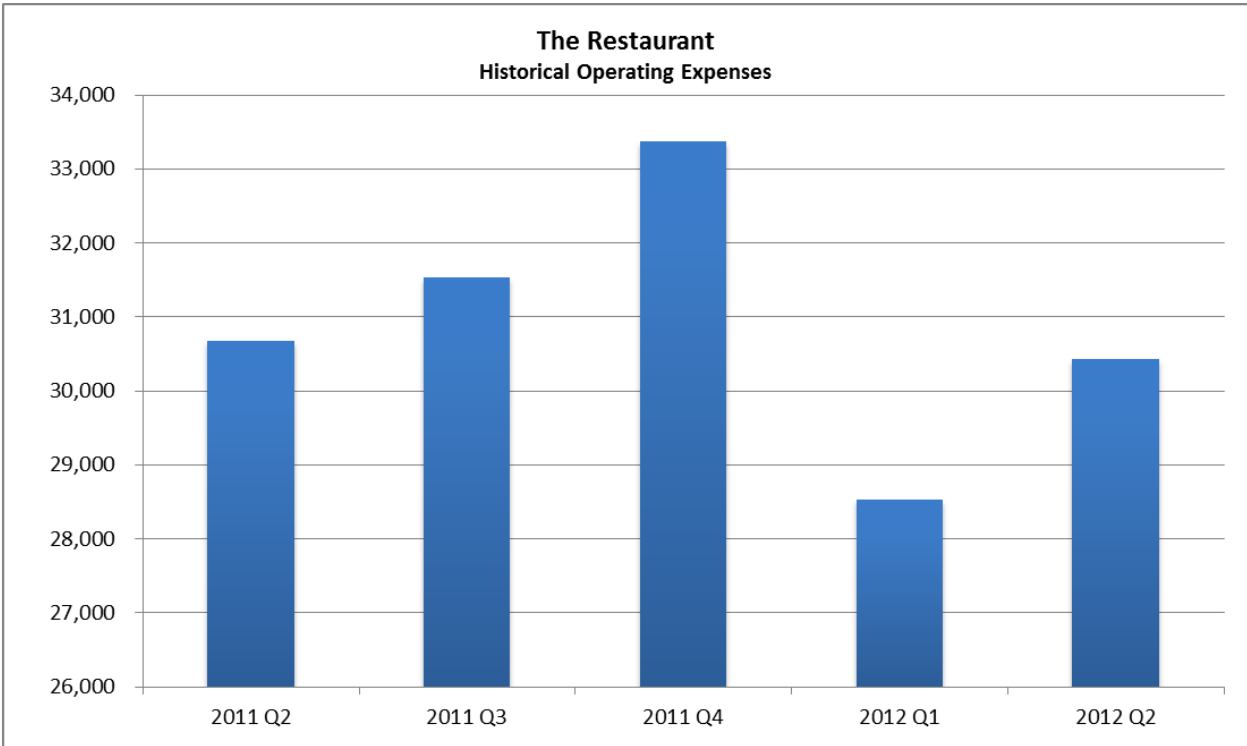


Operating expenses, as reported in the Restaurant's income statement, have varied from quarter to quarter with a high of \$33.4 million in the fourth quarter of 2011 and a low of \$28.5 million in the first quarter of 2012. It should be noted that the spike in expenses in the fourth quarter of 2011 was largely attributable to two factors:

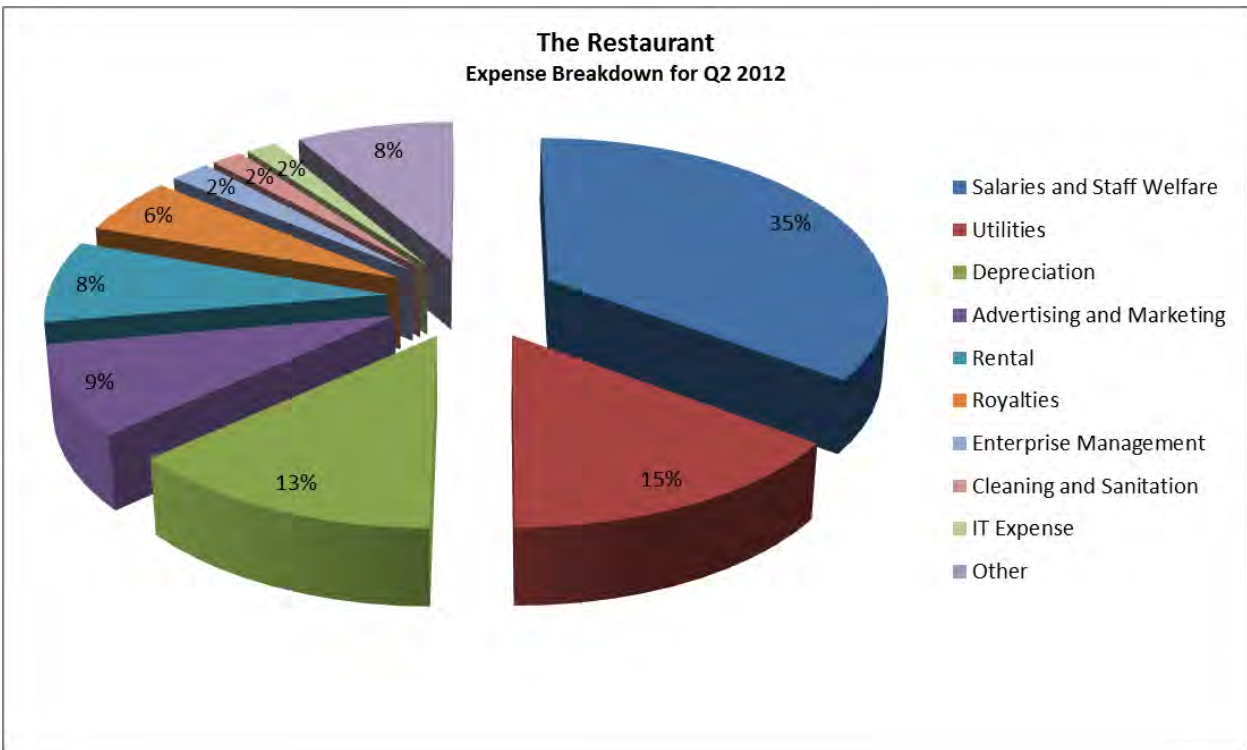
- a. A number of accounting adjustments (see below); and
- b. An aggressive marketing spend (\$3.6 million in the fourth quarter of 2011 versus \$2.0 million in the previous quarter)

Specifically, the accounting adjustments were as follows:

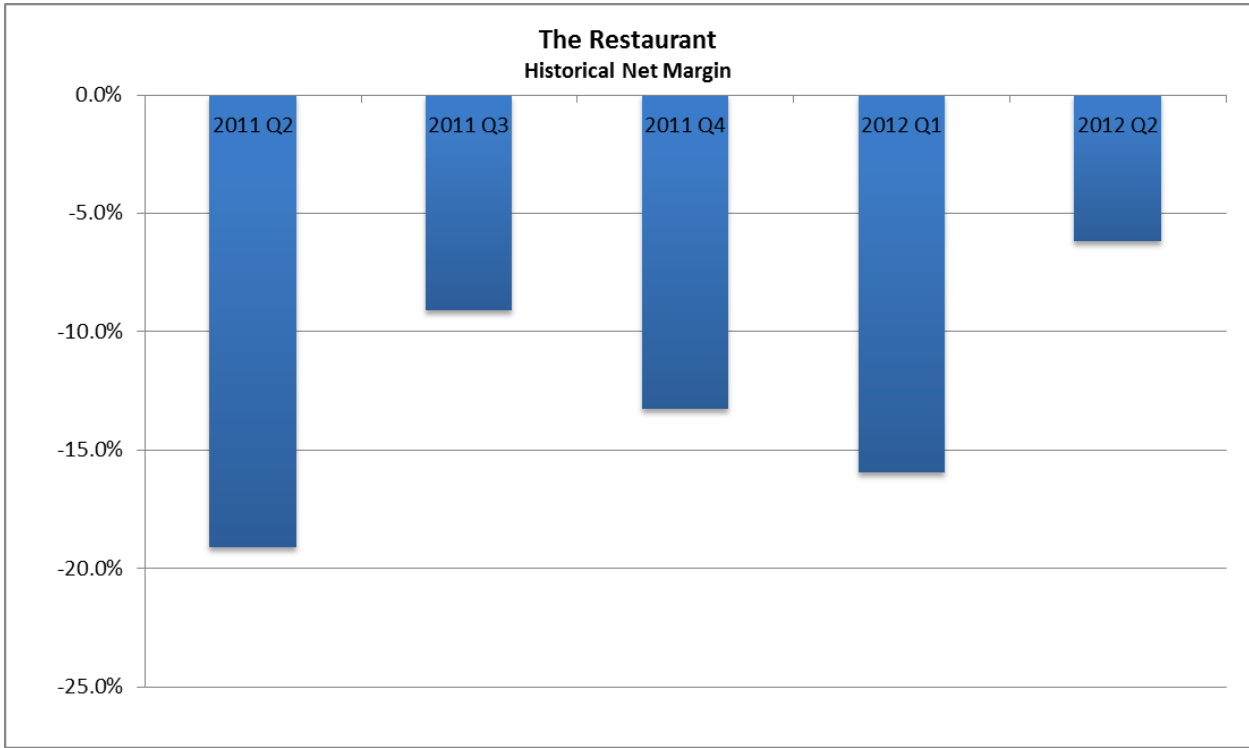
- a. **Staff Welfare and Benefits** – In the fourth quarter of 2011 management decided to change the way that the cost of meals provided to its employees was recognized. In prior periods this expense was recorded in cost of sales and has since been shown in the staff welfare expense item. As such, this item will continue to be higher in comparison to historical levels but it should be noted that this does not represent an increase in the total expenses incurred by the Restaurant.
- b. **Water Rates** – In the fourth quarter of 2011 the Restaurant was billed retroactively for water usage during prior months of that year. The issue that led to this uneven billing has since been rectified.



Further analysis of operating expenses shows that the Restaurant spends the most on staff related expenses at 35% of total expenses. This is followed by utilities and non-cash depreciation at 15% and 13% of expenses respectively. The Company has been able to actively manage its staff costs on a monthly basis, employing staff during any given period based on the needs of the business. Throughout the period under review, staff costs have ranged from \$9.6 million in the second quarter of 2011 to \$12.1 million in the fourth quarter of 2011.



The Restaurant has operated at a loss throughout its first year of operations with its pre-tax net margin ranging between -19.1% in the second quarter of 2011 and -6.2% in the second quarter of 2012.



The Restaurant’s third largest expense is non-cash depreciation, therefore it is important to look at EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortization) over the period. The graph below shows that the Restaurant’s EBITDA margin (EBITDA / revenue) has ranged from -5.8% in the second quarter of 2011 to 6.9% in the second quarter of 2012.

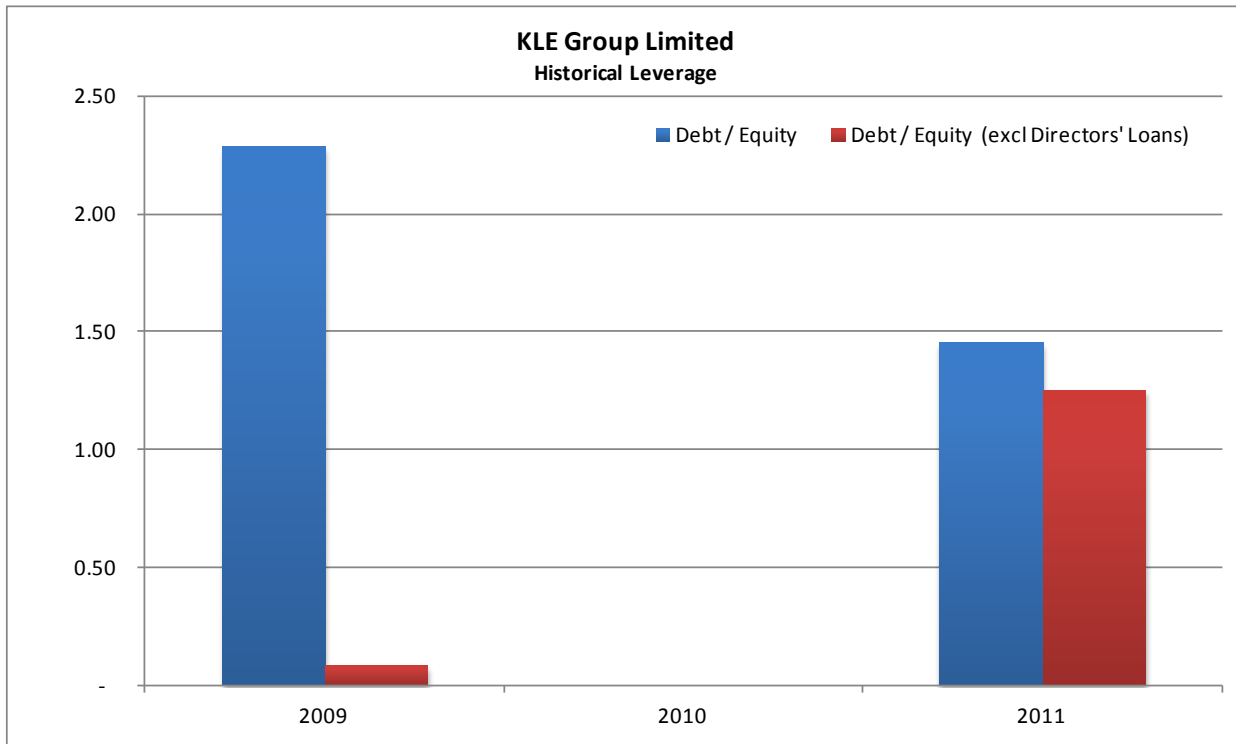


## K.L.E. Group Limited

### Leverage

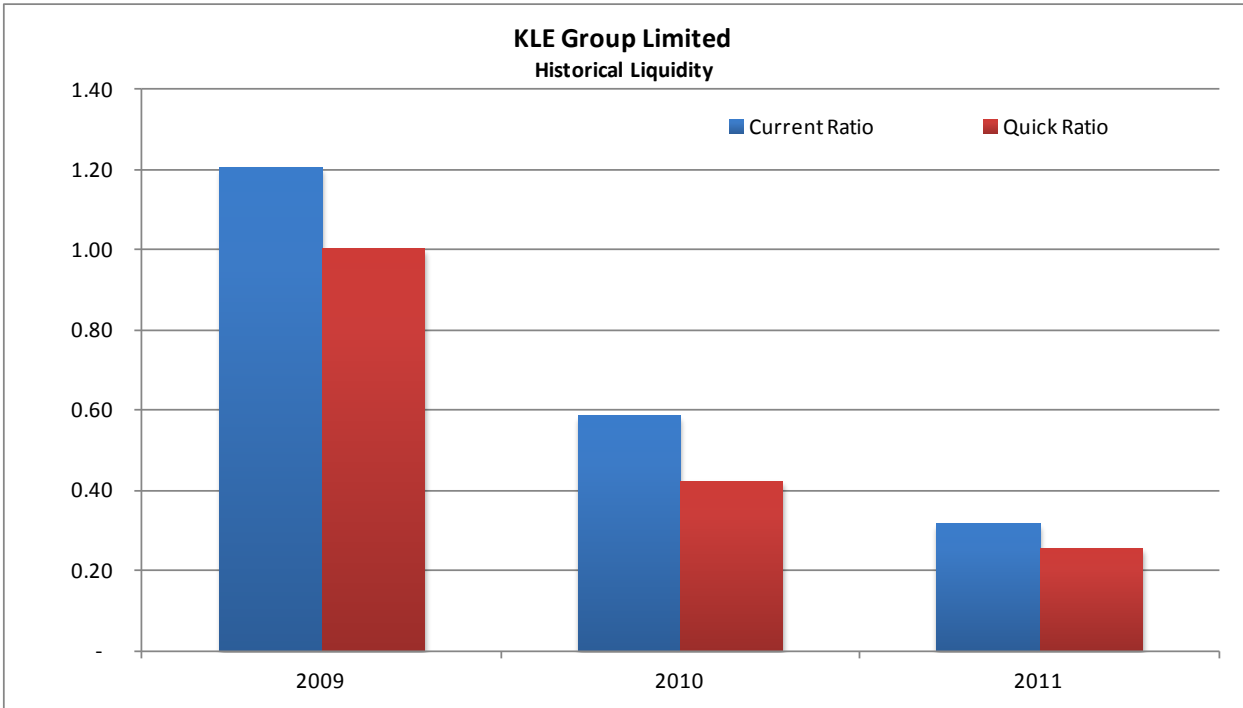
Historically, the Company has been able to manage its leverage fairly well with a minimal amount of bank debt. This is clearly evident in the graph below which shows a debt: equity ratio (debt / total shareholders' equity) excluding Directors' loans of 0.1 and nil in 2009 and 2010 respectively. This ratio increased to 1.3 in 2011 as the Company funded a portion of the start-up costs of the Restaurant via debt financing.

It should be noted that the 2009 audited financial statements show a balance of \$20.0 million in Directors' loans as at December 31. This amount actually represents the equity injected into the Company by its shareholders and was incorrectly accounted for as a loan from its Directors. This was corrected in the subsequent year's financial statements.



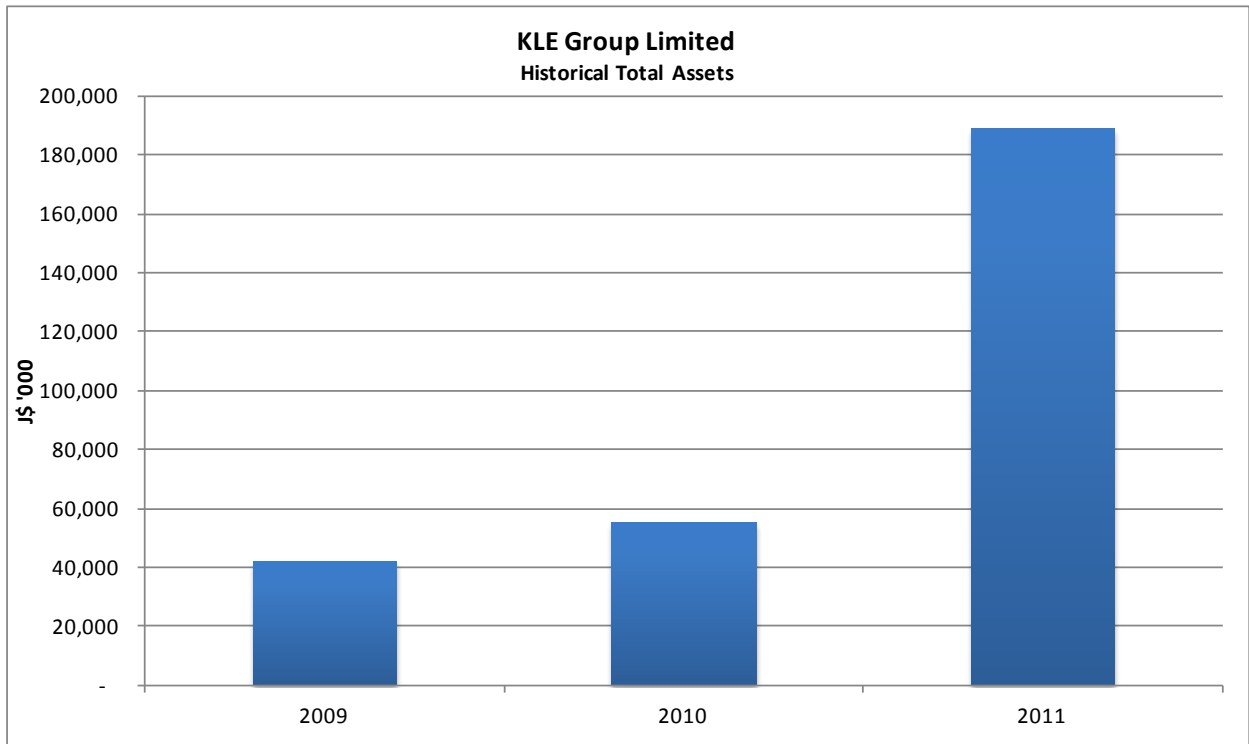
### Liquidity

The Company's liquidity ratios shown in the graph below are the current ratio (current assets / current liabilities) and the quick ratio (current assets excluding inventories / current liabilities). These metrics have weakened over the period mainly due to the on-going funding requirements related to the costs of establishing the Restaurant. The Company should see an improvement in its liquidity position after the capital injection that will flow into the Company from a successful initial public offering, pursuant to its decision to list on the Junior Market ("IPO").

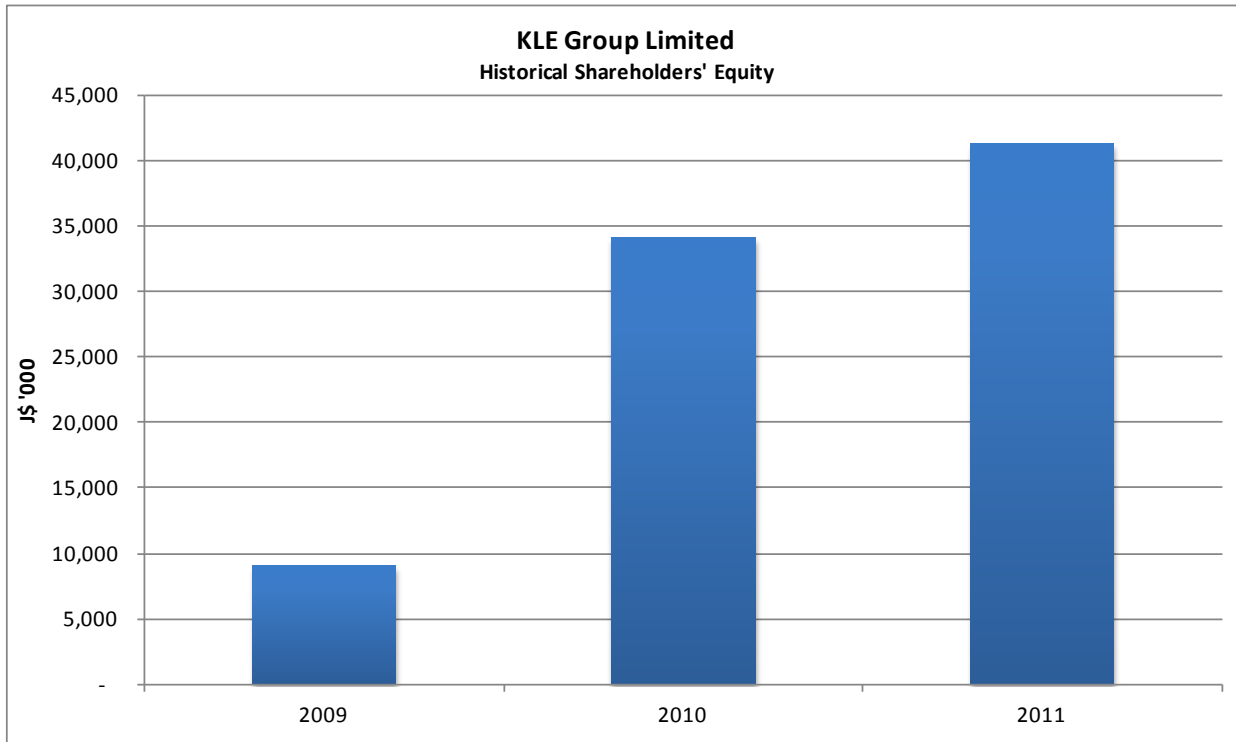


**Other Balance Sheet Metrics**

Total assets have grown from \$41.9 million in 2009 to \$188.8 million in 2011. Much of this growth is associated with the establishment of the Restaurant in 2011.



Shareholders' equity experienced a similar trend, growing from \$9.1 million in 2009 to \$41.3 million in 2011.

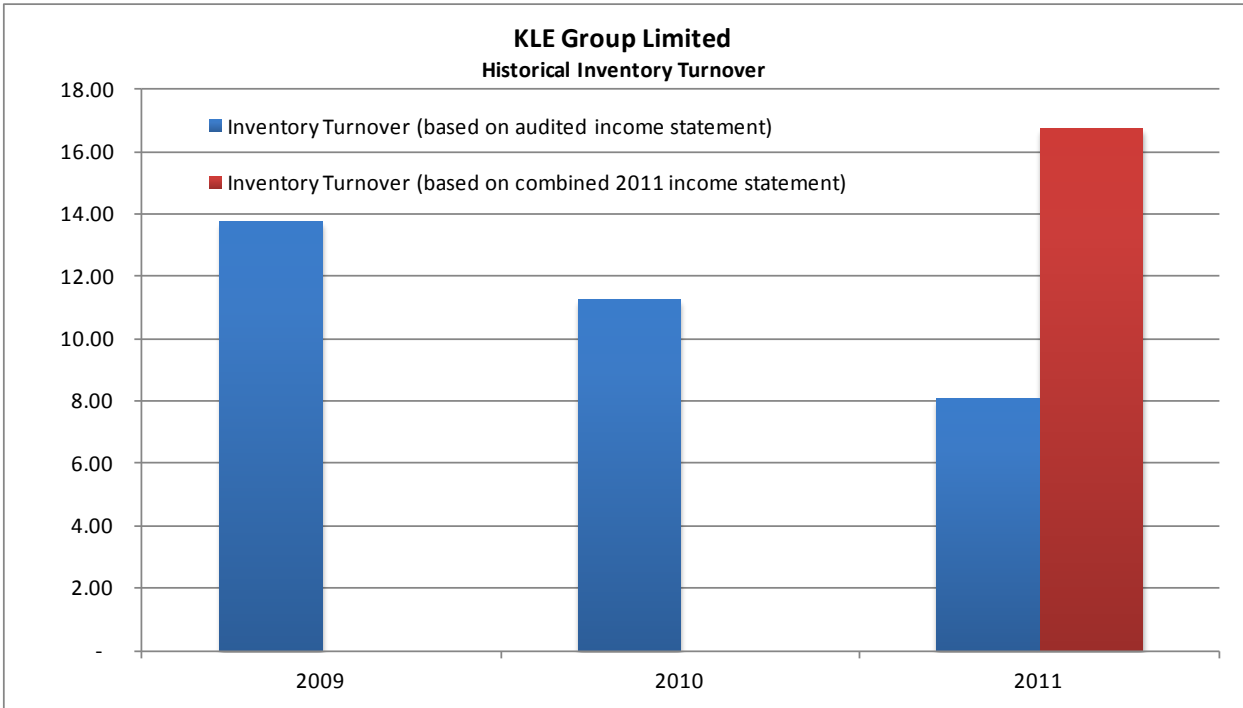


### Turnover Ratios

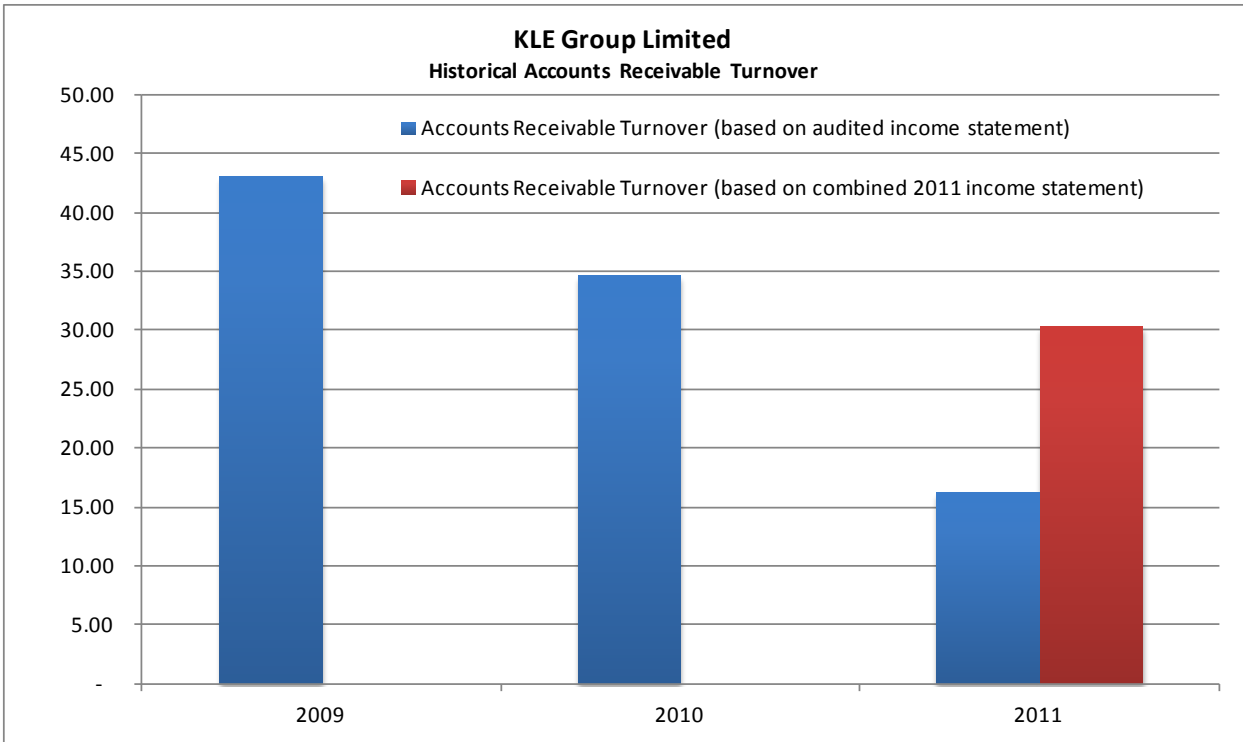
The ratios in this section of the financial analysis attempt to compare items on the Company's audited balance sheet with those on its income statement. As such, it is important to note that the Company's balance sheet as at December 31, 2011 includes the assets and liabilities of the Restaurant due to the amalgamation that took place in that year. However, its audited income statement only includes approximately one month's worth of income and expenses related to the Restaurant. This means that the results of these turnover ratios will be misleading if they are presented based on the audited income statement for 2011. It is for this reason that the ratios below have been presented based on the combined income statement that can be found in the second note to the 2011 audited financial statements.

Inventory turnover (cost of sales / average inventory) has grown from 13.7 in 2009 to 16.8 in 2011. These values are fairly high, which is consistent with this type of business where inventory is not generally held over a long period of time.

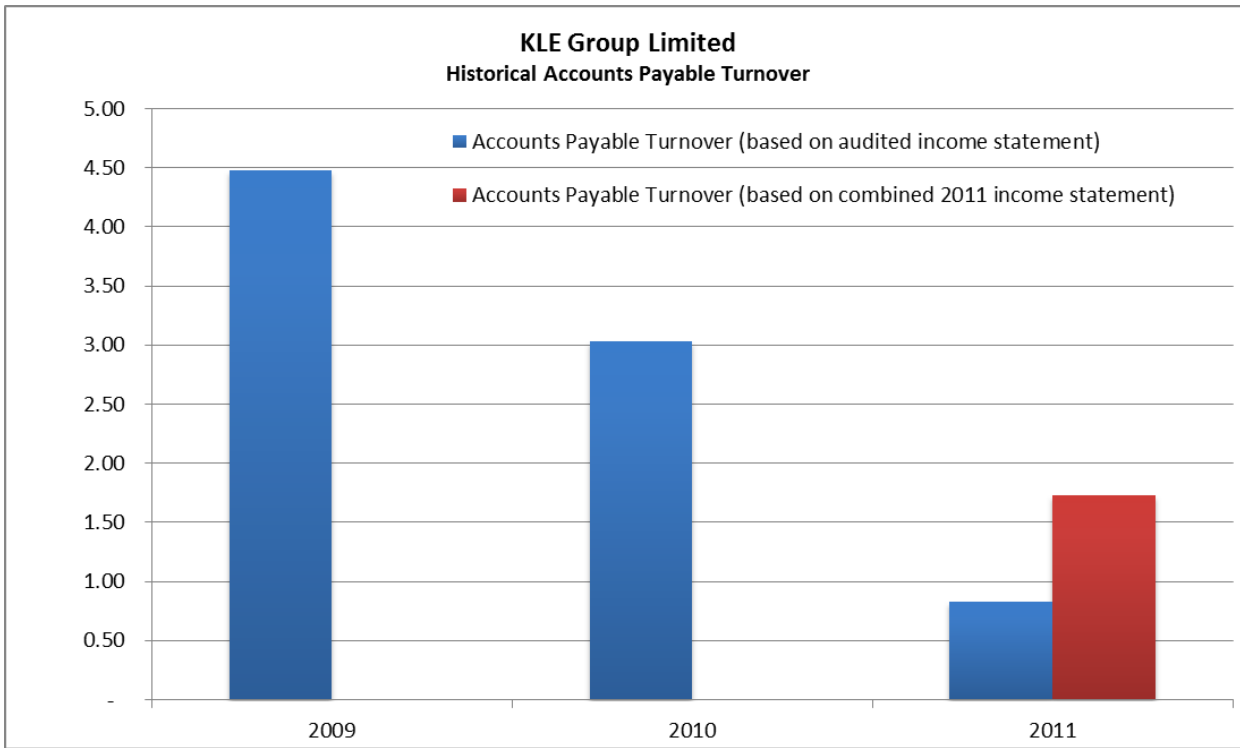




Despite a reduction from 42.9 to 30.3, accounts receivable turnover (revenue / average accounts receivable) remain fairly strong. This shows that the Company has succeeded in managing its credit exposure.



Accounts payable turnover (cost of sales / average accounts payable) have been fairly low over the three year period under review. This metric is expected to improve going forward as payables related to the Restaurant are to be settled post-IPO.



## HISTORICAL FINANCIAL DATA: STATEMENT OF COMPREHENSIVE INCOME

	31 December <u>2011</u> \$	31 December <u>2010</u> \$	(16Months Ended ) 31 December <u>2009</u> \$
REVENUE	139,409,921	121,090,703	109,822,915
Cost of sales	<u>(38,236,787)</u>	<u>(31,473,788)</u>	<u>(32,474,291)</u>
GROSS PROFIT	101,173,134	89,616,915	77,348,624
Other operating income	184,142	291,749	375,468
Administrative and other expenses	<u>(91,382,075)</u>	<u>(74,157,187)</u>	<u>(62,539,942)</u>
PROFIT FROM OPERATION	9,975,201	15,751,477	15,184,150
Finance cost	(475,963)	-	(66,323)
Depreciation	<u>(4,701,282)</u>	<u>(1,886,551)</u>	<u>(1,531,783)</u>
Profit before taxation	4,797,956	13,864,926	13,586,044
Taxation	<u>2,599,361</u>	<u>(6,212,723)</u>	<u>( 4,582,858)</u>
NET PROFIT FOR THE YEAR/PERIOD	7,397,317	7,652,203	9,003,186
Other Comprehensive Income:			
Deficit arising on amalgamation transfer	<u>(15,171,729)</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD	<u>(7,774,412)</u>	<u>7,652,203</u>	<u>9,003,186</u>

**Section 11****Auditor's Report and Historical Financial Data**

THE FOLLOWING IS ANNEXED HERETO:

1. UNAUDITED MANAGEMENT ACCOUNTS IN RESPECT OF THE COMPANY FOR THE PERIOD JANUARY 1<sup>ST</sup>, 2012 TO JUNE 30<sup>TH</sup>, 2012;
2. COMPARATIVE ANALYSIS OF THE COMPANY'S THREE (3) YEARS OF AUDITED FINANCIALS;
3. AUDITED FINANCIALS IN RESPECT OF BOTH THE COMPANY AND TRL FOR FISCAL YEARS ENDED DECEMBER 31<sup>ST</sup>, 2012 (WITH THE RESPECTIVE AUDITOR'S REPORTS CONTAINED THEREIN); AND
4. THE FOLLOWING FROM BDO, CHARTERED ACCOUNTANTS, ALL DATED JULY 30<sup>TH</sup>, 2012:
  - a. ACCOUNTANT'S REPORT WITH RESPECT TO THE UNAUDITED FINANCIALS OF THE COMPANY FOR THE PERIOD JANUARY 1<sup>ST</sup>, 2012 TO JUNE 30<sup>TH</sup>, 2012;
  - b. CONSENT ADDRESSED TO THE COMPANY;
  - c. CONSENT ADDRESSED TO TRL;
  - d. AUDITOR'S COVER LETTER TO THE COMPANY WITH RESPECT TO THE THREE (3) FISCAL YEARS ENDED DECEMBER 31<sup>ST</sup>, 2011; AND
  - e. AUDITOR'S COVER LETTER TO TRL WITH RESPECT TO THE FISCAL YEAR ENDED DECEMBER 31<sup>ST</sup>, 2011.



Tel: (876) 926-1616/7, 926-4421  
Fax: (876) 926-7580  
www.bdo.com.jm

Chartered Accountants  
26 Beechwood Avenue  
P.O. Box 351  
Kingston 5, Jamaica

30 July 2012

The Board of Directors  
K.L.E. Group Limited  
Unit 6, 67 Constant Spring Road  
Kingston 10

Dear Sirs:

### Accountants' Report

BDO has been engaged by K.L.E. Group Limited (K.L.E.) to prepare this report on the attached pro-forma Statement of Comprehensive Income and Statement of Financial Position as at 30 June 2012 for inclusion in the prospectus issued by K.L.E. dated 30 July 2012 in respect of the proposed reorganization of K.L.E. Group and T & R Entertainment Limited (formerly Usain Bolt's Track and Records Limited).

The directors of K.L.E. are responsible for the preparation and presentation of the pro-forma Statement of Comprehensive Income and Statement of Financial Position. It has been prepared by the directors to provide investors with additional information on the financial position of the combined entities after the amalgamation.

The directors' pro-forma Statement of Comprehensive Income and Statement of Financial Position is presented in an abbreviated form and does not include all of the disclosures required by International Financial Reporting Standards applicable to annual financial reports prepared in accordance with the Jamaican Companies Act.

Based on our examination of evidence supporting the pro-forma Statement of Comprehensive Income and Statement of Financial Position, which is not an audit, nothing has come to our attention which causes us to believe that:

- the directors' assumptions, do not provide a reasonable basis for the preparation of the pro-forma Statement of Comprehensive Income and Statement of Financial Position; and that
- the directors' pro-forma Statement of Comprehensive Income and Statement of Financial Position is not properly prepared on the basis of the directors' assumptions or presented fairly in accordance with the recognition and measurement principles prescribed in International Financial Reporting Standards.

BDO does not have any interest in the outcome of this issue, other than in connection with the preparation of this report and other professional services for which normal professional fees are received.

BDO has consented to the inclusion of this Accountant's Report in the prospectus in the form and context in which it is so included, but has not authorized the issue of the prospectus.

This report has been prepared, and included in the prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Yours faithfully,

**Chartered Accountants**

Partners: R.L. McFarlane, K.A. Wilson, S.M. McFarlane  
Offices in Montego Bay, Mandeville and Ocho Rios

BDO is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

**K.L.E. GROUP LIMITED**  
**UNAUDITED FINANCIAL STATEMENTS**  
**SIX (6) MONTHS ENDED JUNE 30, 2012**

**K.L.E. GROUP LIMITED**  
**UNAUDITED FINANCIAL STATEMENTS**  
**SIX (6) MONTHS ENDED JUNE 30, 2012**

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**K.L.E. GROUP LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2012**

	Unaudited Six months as at June 30, 2012 £	Unaudited Six months as at June 30, 2011 £
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Property, plant and equipment	144,228,178	155,308,774
Investment in subsidiary	51,000	-
	<u>144,279,178</u>	<u>155,308,774</u>
<b>Current Assets</b>		
Inventory	5,408,434	6,592,995
Trade and other receivables	9,379,136	10,037,897
Cash and cash equivalents	15,984,189	10,848,836
	<u>30,771,759</u>	<u>27,479,728</u>
<b>Total Assets</b>	<u><u>175,050,937</u></u>	<u><u>182,788,502</u></u>
<b>EQUITY and LIABILITIES</b>		
Share capital	32,417,993	32,417,993
Retained Earnings	1,769,307	26,123,856
	<u>34,187,300</u>	<u>58,541,849</u>
<b>Non-current Liabilities</b>		
Deferred tax liability	2,599,797	1,847,241
Directors loan	8,580,000	8,793,292
Notes payable	12,116,000	-
Bank loan	31,846,518	36,938,274
	<u>55,142,315</u>	<u>47,578,807</u>
<b>Current Liabilities</b>		
Taxation	1,246,444	1,246,444
Bank overdraft	-	805,813
Trade and other payables	80,218,922	59,614,526
Directors current account	1,063	1,063
Notes payable	4,254,893	15,000,000
	<u>85,721,322</u>	<u>76,667,846</u>
<b>Total Equity and Liabilities</b>	<u><u>175,050,937</u></u>	<u><u>182,788,502</u></u>

The accompanying notes form an integral part of the financial statements



**K.L.E. GROUP LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**PERIOD ENDED JUNE 30, 2012**

	<b>Unaudited Three months ended June 30, 2012</b>	<b>Unaudited Six months ended June 30, 2012</b>	<b>Unaudited Three months ended June 30, 2011</b>	<b>Unaudited Six months ended June 30, 2011</b>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Income	74,612,795	139,668,032	70,124,016	113,690,854
Other income	<u>272,298</u>	<u>659,039</u>	<u>471,595</u>	<u>441,760</u>
Operating income	74,885,093	140,327,071	70,595,611	114,132,614
Cost of Sales	<u>22,984,581</u>	<u>41,944,602</u>	<u>23,396,891</u>	<u>31,667,361</u>
<b>Gross Profit</b>	<b>51,900,512</b>	<b>98,382,469</b>	47,198,720	82,465,253
<b>Expenses</b>				
Administrative and general expenses	<u>47,826,230</u>	<u>94,762,131</u>	<u>47,786,478</u>	<u>76,464,457</u>
Selling and promotion expenses	<u>3,839,342</u>	<u>7,444,681</u>	<u>2,530,374</u>	<u>4,180,581</u>
Finance charge	<u>1,624,354</u>	<u>3,287,362</u>	<u>1,634,973</u>	<u>3,531,210</u>
	<u>53,289,926</u>	<u>105,494,174</u>	<u>51,951,825</u>	<u>84,176,248</u>
<b>Net loss being total comprehensive expense for the period</b>	<u><u>(1,389,414)</u></u>	<u><u>(7,111,705)</u></u>	<u><u>(4,753,105)</u></u>	<u><u>(1,710,995)</u></u>

**The accompanying notes form an integral part of the financial statements**

**K.L.E. GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD ENDED JUNE 30, 2012**

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**1. IDENTIFICATION**

K.L.E. Group (the "Company") was incorporated under the Jamaican Companies Act (the "Act") on September 8, 2008.

The Company is domiciled in Jamaica, with its registered office at Unit 6, 67 Constant Spring Road Kingston 8.

The principal activity of the Company is the provision of live entertainment.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The Company's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and the relevant requirements of the Jamaican Companies Act ("the Act").

The financial statements have been prepared under the historical cost basis and are expressed in Jamaican dollars, unless otherwise indicated.

The accounting policies followed in these interim financial statements are consistent with those used in the audited financial statements for the year ended December 31, 2011.

**Statement of Comprehensive Income**

The 2012 balances reflect the operations of K.L.E. Group Limited, which include the operations of the former K.L.E. Group Limited and T&R Entertainment Limited, whose operations were amalgamated effective November 30, 2011.

The 2011 six months and three months balances include the operations of K.L.E. Group for the respective periods and the operations of the then T&R Entertainment Limited's operations for the period April to June 2011.

**Statement of Financial Position**

The 2012 balances reflect the financial position of K.L.E. Group Limited, while the 2011 balances reflect the financial position of K.L.E Group Limited and T & R Entertainment Limited as at June 2011.

**K.L.E. GROUP LIMITED**  
**HISTORICAL FINANCIAL DATA**

**K.L.E. GROUP LIMITED**  
**HISTORICAL FINANCIAL DATA**

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## K.L.E. GROUP LIMITED

## HISTORICAL FINANCIAL DATA: STATEMENT OF COMPREHENSIVE INCOME

	31 December <u>2011</u> ₤	31 December <u>2010</u> ₤	(16Months Ended ) 31 December <u>2009</u> ₤
REVENUE	139,409,921	121,090,703	109,822,915
Cost of sales	( 38,236,787)	( 31,473,788)	( 32,474,291)
GROSS PROFIT	101,173,134	89,616,915	77,348,624
Other operating income	184,142	291,749	375,468
Administrative and other expenses	( 91,382,075)	( 74,157,187)	( 62,539,942)
PROFIT FROM OPERATION	9,975,201	15,751,477	15,184,150
Finance cost	( 475,963)	-	( 66,323)
Depreciation	( 4,701,282)	( 1,886,551)	( 1,531,783)
Profit before taxation	4,797,956	13,864,926	13,586,044
Taxation	<u>2,599,361</u>	<u>( 6,212,723)</u>	<u>( 4,582,858)</u>
NET PROFIT FOR THE YEAR/PERIOD	7,397,317	7,652,203	9,003,186
<b>Other Comprehensive Income:</b>			
Deficit arising on amalgamation transfer	( 15,171,729)	-	-
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD</b>	<u>( 7,774,412)</u>	<u>7,652,203</u>	<u>9,003,186</u>

## K.L.E. GROUP LIMITED

## HISTORICAL FINANCIAL DATA: STATEMENT OF FINANCIAL POSITION

	31 December <u>2011</u> \$	31 December <u>2010</u> \$	31 December <u>2009</u> \$
<b><u>ASSETS</u></b>			
NON-CURRENT ASSETS:			
Property, plant and equipment	151,730,612	28,209,652	27,267,886
Investment in subsidiary	51,000	15,812,314	-
Deferred tax assets	<u>4,814,265</u>	-	-
	<u>156,595,877</u>	<u>44,021,966</u>	<u>27,267,886</u>
CURRENT ASSETS:			
Inventories	6,294,758	3,176,034	2,421,516
Receivables	12,846,780	4,414,042	2,573,827
Cash and cash equivalents	<u>13,053,813</u>	<u>3,836,894</u>	<u>9,613,218</u>
	<u>32,195,351</u>	<u>11,426,970</u>	<u>14,608,561</u>
<b>TOTAL ASSETS</b>	<u>188,791,228</u>	<u>55,448,936</u>	<u>41,876,447</u>
<b><u>EQUITY AND LIABILITIES</u></b>			
SHAREHOLDERS' EQUITY:			
Share capital	32,417,993	17,417,993*	100,000
Retained earnings	<u>8,880,977</u>	<u>16,655,389</u>	<u>9,003,186</u>
	<u>41,298,970</u>	<u>34,073,382</u>	<u>9,103,186</u>
NON-CURRENT LIABILITIES:			
Deferred tax liabilities	7,414,062	1,847,241	673,253
Long term loans	29,265,956	-	-
Directors' loans	<u>8,580,000</u>	-	<u>19,969,946</u>
	<u>45,260,018</u>	<u>1,847,241</u>	<u>20,643,199</u>
CURRENT LIABILITIES:			
Payables	78,636,595	13,313,922	7,425,223
Directors' current account	1,063	1,063*	-
Bank overdraft	-	-	797,589
Taxation	1,237,525	6,213,328	3,907,250
Short term loans	<u>22,357,057</u>	-	-
	<u>102,232,240</u>	<u>19,528,313</u>	<u>12,130,062</u>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<u>188,791,228</u>	<u>55,448,936</u>	<u>41,876,447</u>

\*Restated

The 2009 and 2010 financial statements disclosed the value of the 100,000 issued shares as \$100,000. The \$100,000 agreed with the value reflected on the company's annual return as at that date. Amended returns relating to the year ended 31 December 2009 were filed on 17 July 2012 to reflect the value of \$17,417,993. The figures for 2010 were restated on the 2011 financial statements to reflect the value of \$17,417,993, as disclosed above, the directors' current account balances were adjusted accordingly.



Tel: (876) 926-1616/7, 926-4421  
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Chartered Accountants  
26 Beechwood Avenue  
P.O. Box 351  
Kingston 5, Jamaica

30 July 2012

The Board of Directors  
K.L.E. Group Limited  
Unit 6, 67 Constant Spring Road  
Kingston 10

Dear Sirs:

BDO has given and has not withdrawn its consent to the issue of the prospectus with its name in the form and context in which it is included.

A handwritten signature in black ink, appearing to be 'BDO' written in a stylized, cursive script.

Chartered Accountants



Tel: (876) 926-1616/7, 926-4421  
Fax: (876) 926-7580  
www.bdo.com.jm

Chartered Accountants  
26 Beechwood Avenue  
P.O. Box 351  
Kingston 5, Jamaica

30 July 2012

The Board of Directors  
K.L.E. Group Limited  
Unit 6, 67 Constant Spring Road  
Kingston 10

Dear Sirs:

We have audited, in accordance with International Standards on Auditing, the financial statements of K.L.E. Group Limited as at December 31, 2009 through 2011 and for each of the three period/years ended on those dates, and in our reports dated 7 February 2012 and 25 July 2012 respectively, we expressed an unqualified opinion on those financial statements.

In our opinion, the extracted statements of financial position and statements of comprehensive income set out in Section 11 of the prospectus are consistent, in all material respects, with the financial statements referred to above, from which they were derived.

For a better understanding of the company's financial position at the end of the reporting periods referred to above, the results of its operations for each of the period/years ended on those dates, and the scope of our audit, the extracted balance sheet / statement of financial position and profit and loss account/ statement of comprehensive income should be read in conjunction with the financial statements from which they were derived and our audit reports thereon.

Chartered Accountants



**K.L.E. GROUP LIMITED**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2011**

**K.L.E. GROUP LIMITED**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2011**

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## INDEPENDENT AUDITORS' REPORT

To the Members of  
K.L.E. Group Limited

### **Report on the Financial Statements**

We have audited the financial statements of K.L.E. Group Limited set out on pages 3 to 29, which comprise the statement of financial position as at 31 December 2011 and the statement of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITORS' REPORT (CONT'D)**

To the Members of  
K.L.E. Group Limited

*Opinion*

In our opinion, the financial statements give a true and fair view of the company's financial position as at 31 December 2011, and of its financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act.

**Report on additional requirements of the Jamaican Companies Act**

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept and the financial statements are in agreement therewith, and give the information required by the Act, in the manner so required.

A handwritten signature in black ink, appearing to be the initials 'BDO'.

Chartered Accountants

25 July 2012

**K.L.E. GROUP LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**YEAR ENDED 31 DECEMBER 2011**

	<u>Note</u>	<u>2011</u> \$	<u>2010</u> \$
REVENUE	6	139,409,921	121,090,703
Cost of sales		( 38,236,787)	( 31,473,788)
GROSS PROFIT		101,173,134	89,616,915
Other operating income	7	184,142	291,749
Administrative and other expenses		( 91,382,075)	( 74,157,187)
PROFIT FROM OPERATION		9,975,201	15,751,477
Finance cost	8	( 475,963)	-
Depreciation		( 4,701,282)	( 1,886,551)
Profit before taxation	9	4,797,956	13,864,926
Taxation	10	2,599,361	( 6,212,723)
NET PROFIT FOR THE YEAR		7,397,317	7,652,203
<b>Other Comprehensive Income:</b>			
Deficit arising on amalgamation transfer	11	( 15,171,729)	-
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		<u>( 7,774,412)</u>	<u>7,652,203</u>

## K.L.E. GROUP LIMITED

## STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2011

	<u>Note</u>	<u>2011</u> £	<u>2010</u> £
<b><u>ASSETS</u></b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	12	151,730,612	28,209,652
Investment in subsidiary	13	51,000	15,812,314
Deferred tax assets	14	<u>4,814,265</u>	-
		<u>156,595,877</u>	<u>44,021,966</u>
<b>CURRENT ASSETS:</b>			
Inventories	15	6,294,758	3,176,034
Receivables	16	12,846,780	4,414,042
Cash and cash equivalents	17	<u>13,053,813</u>	<u>3,836,894</u>
		<u>32,195,351</u>	<u>11,426,970</u>
		<u>188,791,228</u>	<u>55,448,936</u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital	18	32,417,993	17,417,993*
Retained earnings		<u>8,880,977</u>	<u>16,655,389</u>
		<u>41,298,970</u>	<u>34,073,382</u>
<b>NON-CURRENT LIABILITIES:</b>			
Deferred tax liabilities	14	7,414,062	1,847,241
Long term loans	19	29,265,956	-
Directors' loans	20	<u>8,580,000</u>	-
		<u>45,260,018</u>	<u>1,847,241</u>
<b>CURRENT LIABILITIES:</b>			
Payables	21	78,636,595	13,313,922
Directors' current account		1,063	1,063*
Taxation		1,237,525	6,213,328
Short term loans	22	<u>22,357,057</u>	-
		<u>102,232,240</u>	<u>19,528,313</u>
		<u>188,791,228</u>	<u>55,448,936</u>

Approved for issue by the Board of Directors on 25 July 2012 and signed on its behalf by:

  
 Gary Matalon - Director

  
 David Shirley - Director

\*Restated

## K.L.E. GROUP LIMITED

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

## YEAR ENDED 31 DECEMBER 2011

	<u>Note</u>	<u>Share Capital</u> ₤	<u>Retained Earnings</u> ₤	<u>Total</u> ₤
Balance at 1 January 2010	18	17,417,993*	9,003,186	26,421,179*
Total comprehensive income for the year		<u>-</u>	<u>7,652,203</u>	<u>7,652,203</u>
Balance at 31 December 2010		17,417,993	16,655,389	34,073,382*
Total comprehensive loss for the year		-	( 7,774,412)	( 7,774,412)
Ordinary shares to be allocated		<u>15,000,000</u>	<u>-</u>	<u>15,000,000</u>
Balance at 31 December 2011		<u>32,417,993</u>	<u>8,880,977</u>	<u>41,298,970</u>

\*Restated

## K.L.E. GROUP LIMITED

## STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2011

	<u>2011</u> ₤	<u>2010</u> ₤
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net profit	7,397,317	7,652,203
Adjustments for:		
Deficit arising on transfer	( 15,171,729)	-
Depreciation	4,701,282	1,886,551
Interest income	( 9,492)	( 102,570)
Property, plant and equipment written off	22,626	-
Taxation expense	( 2,599,361)	<u>6,212,723</u>
Operating cash flows before movements in working capital	( 5,659,357)	15,648,907
Changes in operating assets and liabilities:		
Inventories	( 3,118,724)	( 754,518)
Receivables	( 8,432,738)	( 1,840,215)
Directors' current account	-	( 2,650,890)*
Payables	<u>65,322,673</u>	<u>5,888,699</u>
	48,111,854	16,291,983
Taxation paid	( 1,623,886)	( 2,732,657)
Net cash provided by operating activities	<u>46,487,968</u>	<u>13,559,326</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	9,492	102,570
Purchase of property, plant and equipment transferred on amalgamation	(126,783,363)	-
Purchase of property, plant and equipment	( 1,461,505)	( 2,828,317)
Investment in subsidiary	<u>15,761,314</u>	<u>(15,812,314)</u>
Net cash used in investing activities	<u>(112,474,062)</u>	<u>(18,538,061)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Directors' loans	8,580,000	-
Proceeds for shares to be allotted	15,000,000	-
Proceeds from loans	55,556,854	-
Loan repayments	( 3,933,841)	-
Net cash provided by financing activities	<u>75,203,013</u>	<u>-</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	9,216,919	( 4,978,735)
Cash and cash equivalents at beginning of year	<u>3,836,894</u>	<u>8,815,629</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)</b>	<u>13,053,813</u>	<u>3,836,894</u>

\*Restated



## K.L.E. GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

## 1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:

- (a) K.L.E. GROUP LIMITED is a limited liability company incorporated and domiciled in Jamaica. The registered office of the company is Unit 6, 67 Constant Spring Road, Kingston 8.
- (b) The principal activity of the company is the provision of live entertainment.
- (c) T & R Entertainment Limited (formerly Usain Bolt's Tracks and Records Limited) is a fully owned subsidiary of the company. The company is now dormant and hence is no longer trading.

## 2. AMALGAMATION:

K.L.E. Group Limited and T & R Entertainment Limited (formerly Usain Bolt's Tracks and Records Limited) took the decision to simplify their corporate structure and reduce the attendant costs of operating two companies. Accordingly, the parties agreed to transfer all the assets, liabilities and business of T & R Entertainment Limited into K.L.E. Group Limited as a single entity as at 30 November 2011 and this was effected by way of an agreement for the transfer of business pursuant to a scheme of amalgamation.

For comparative purposes only, the combined results of the amalgamated entities are as follows:

	K.L.E. Group Limited \$	T&R Entertainment Limited \$	Total \$
REVENUE	139,409,921	122,138,367	261,548,288
Cost of sales	( 38,236,787)	( 41,096,926)	( 79,333,713)
	101,173,134	81,041,441	182,214,575
Other operating income	<u>184,142</u>	<u>22,472</u>	<u>206,614</u>
	101,357,276	81,063,913	182,421,189
Expenses	( 96,083,357)	( 98,099,675)	(194,183,032)
PROFIT/(LOSS) FROM OPERATIONS	5,273,919	( 17,035,762)	( 11,761,843)
Finance costs	( 475,963)	( 5,642,155)	( 6,118,118)
PROFIT/(LOSS) BEFORE TAXATION	<u>4,797,956</u>	<u>( 22,677,917)</u>	<u>( 17,879,961)</u>

**K.L.E. GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

**3. REPORTING CURRENCY:**

These financial statements are presented using the Jamaican dollars which is considered the currency of the primary economic environment in which the company operates (“the functional currency”).

**4. SIGNIFICANT ACCOUNTING POLICIES:**

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation.

(a) Basis of preparation -

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board, and have been prepared under the historical cost convention. They are also prepared in accordance with provisions of the Jamaican Companies Act.

The preparation of financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and contingent liabilities at the end of the reporting period and the total comprehensive income during the reporting period. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the period in which actual results are known. The areas involving a higher degree of judgment in complexity or areas where assumptions or estimates are significant to the financial statements are discussed below:

(i) Allowance for impairment losses on receivables

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be measurable decrease in estimated future cash flows from receivables, for example, through unfavourable economic conditions and default. Management will apply historical loss experience to individually significant receivables with similar characteristics such as credit risk where impairment indicators are not observable in their respect.

**K.L.E. GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2011****4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(a) Basis of preparation (cont'd) -****(ii) Net realizable value of inventories**

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amounts the inventories are expected to realise. These estimates take into consideration fluctuations of price or costs directly relating to events occurring after the end of the year to the extent that such events confirm conditions existing at the end of the year.

**(iii) Income taxes**

Estimates are required in determining the provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain. The company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**(iv) Expected useful life and residual value of property, plant and equipment**

The expected useful life and residual value of an asset are reviewed at least at each financial year end. Useful life of an asset is defined in terms of the asset's expected utility to the company.

**(v) Fair value of financial assets**

The management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets adopting valuation techniques commonly used by market practitioners supported by appropriate assumptions.

**Standards, Interpretations and amendments to published standards effective in the reporting period**

During the reporting period, the following standards, amendments and interpretations became effective. Those considered relevant to the company are as follows:

**K.L.E. GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) Basis of preparation (cont'd) -

**Standards, Interpretations and amendments to published standards effective in the reporting period (cont'd)**

IAS 1 (Amended) Presentation of Financial Statements - IAS 1 (effective for annual periods beginning in or after 1 January 2011), is amended to state that for each component of equity a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity, showing separately changes arising from items recognized in profit or loss, in other comprehensive income and from transactions with owners acting in their capacity as owners.

IAS 24 (Revised) Related Party Disclosures (effective for annual periods beginning in or after 1 January 2011), introduces changes to the related party disclosure requirements for government related entities and amends the definition of a related party. The standard also expands the list of transactions that require disclosure.

IFRS 7 (Amended) Financial Instruments: Disclosures - (effective for annual periods beginning on or after 1 January 2011

**Standards, interpretations and amendments to published standards that are not yet effective.**

At the date of authorization of these financial statements, there were certain new standards, amendments and interpretations to existing standards which were in issue but which were not yet effective. Those which are considered relevant to the company are as follows:

IAS 1 (Amended) Presentation of Financial Statements (effective for annual reporting periods beginning on or after 1 July 2012), amendments to revise the way other comprehensive income is presented.

## K.L.E. GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

## (a) Basis of preparation (cont'd) -

**Standards, interpretations and amendments to published standards that are not yet effective (cont'd).**

IAS 32 (Amended) Financial Instruments: Presentation (effective for annual reporting periods beginning on or after 1 January 2014), amendments to application guidance on the off-settling of financial assets and financial liabilities.

IFRS 7 (Amended) Financial Instruments: Disclosures (effective for annual reporting periods beginning on or after 1 January 2015), requires additional disclosures for transfers of financial assets. It lists transferred assets that are derecognised in their entirety and those not derecognised in their entirety.

IFRS 9 Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2015), introduces new requirements for classifying and measuring financial assets. It also includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss. The standard also amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments designated as fair value through other comprehensive income.

IFRS 13 Fair Value Measurement (effective for annual reporting periods beginning on or after 1 January 2013), defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements.

The directors anticipate that the adoption of the standards, amendments and interpretations, which are relevant in future periods, is unlikely to have any material impact on the financial statements.

## K.L.E. GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

## (b) Foreign currency translation -

Transactions in foreign currencies are converted at the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currency are translated using the exchange rate ruling at that date. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the statement of comprehensive income.

Exchange differences on non-monetary financial assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, exchange differences are either recognized in the statement of comprehensive income (applicable for financial assets fair valued through profit or loss), or within other comprehensive income if the non-monetary financial assets are equity instruments which are designated as fair valued through other comprehensive income.

## (c) Property, plant and equipment -

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Depreciation is calculated on the straight-line basis at annual rates estimated to write off the carrying value of the assets over the period of their estimated useful lives. Annual rates are as follows:

Equipment	10%
Furniture and fixtures	10%
Leasehold improvement	25%
Security system	10%

Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

## (d) Financial instruments -

A financial instrument is any contract that gives rise to both a financial asset for one entity and a financial liability or equity of another entity.

**K.L.E. GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(d) Financial instruments (cont'd) -

Financial assets

The company classifies its financial assets in the following category: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Financial liabilities

The company's financial liabilities are initially measured at fair value, and are subsequently measured at amortized cost using the effective interest method. These liabilities are classified as payables and short term loans and included in current liabilities on the statement of financial position.

(e) Impairment -

The carrying amounts of the company's assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognized in the statement of revenue and expenses.

**K.L.E. GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

**(f) Inventories -**

Inventories are stated at the lower of cost and net realisable value.

**(g) Cash and cash equivalents -**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank, in hand, deposits and short term highly liquid investments with original maturities of three months or less.

**(h) Trade and other receivables -**

Trade receivables are carried at amortised cost less provision made for impairment losses. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Other receivables are stated at amortized cost less impairment losses.

**(i) Trade and other payables -**

Trade and other payables are stated at amortized cost.

**(j) Borrowings and borrowing costs -**

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between proceeds and the redemption value is recognised in the statement of income over the period of the borrowings. Borrowing costs are recognized as expense in the period in which they are incurred.

**(k) Related party identification -**

A party is related to the company if:

**(i) directly or indirectly the party -**

- controls, is controlled by, or is under common control with the company;



**K.L.E. GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(k) Related party identification -

- has an interest in the company that gives it significant influence over the company; or
  - has joint control over the company.
- (ii) the party is an associate of the company;
- (iii) the party is a joint venture in which the company is a venture;
- (iv) the party is a member of the key management personnel of the company;
- (v) the party is a close member of the family of an individual referred to in (i) or (iv) above;
- (vi) the party is an entity that it controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v) above; and
- (vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any company that is a related party of the company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(l) Taxation -

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges. Current and deferred taxes are recognised as income tax expense or benefit in the statement of comprehensive income except where they relate to items recorded in equity, in which case, they are also charged or credited to equity.

(i) Current income taxes

Current income tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the year end date, and any adjustment to tax payable and tax losses in respect of previous years.

**K.L.E. GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(l) Taxation (cont'd) -

(ii) Deferred income taxes

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

(m) Revenue recognition -

Revenue is recognized in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods. Revenue from the provision of entertainment is measured at the fair value of the consideration received or receivable, net of returns and allowances and discounts.

Interest income is recognised in the income statement for all interest bearing instruments on an accrual basis unless collectibility is doubtful.

**5. FINANCIAL AND CAPITAL RISK MANAGEMENT:**

(a) Financial risk factors -

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Currency risk
- Liquidity risk
- Operational risk
- Interest rate risk

## K.L.E. GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

## 5. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):

## (a) Financial risk factors (cont'd) -

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

## (i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company's principal financial assets are cash and bank deposits and accounts receivables. The credit risk on cash and bank deposits is limited as they are held with financial institutions with high credit ratings.

The company's credit risk is primary attributable to its trade receivables. The book value of receivables is stated after allowance for likely losses estimated by the company's management based on prior experience and their assessment of the current economic environment. The company's credit risk exposure is mitigated as the amount due from each customer is not significant.

## (ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company incurs foreign currency risks on transactions that are denominated in currencies other than the Jamaican dollar.

Cash and bank deposits and accounts payable at the statement of financial position date include aggregate net foreign currency liabilities as indicated below in respect of transactions arising in the ordinary course of business.

The exposure to foreign currency risk at the reporting date was as follows:

	<u>2011</u> <u>US\$</u>	<u>2010</u> <u>US\$</u>
Cash and cash equivalents	<u>902,947</u>	<u>1,135,851</u>

**K.L.E. GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

**5. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):**

(a) Financial risk factors (cont'd) -

(iii) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed facilities. Due to the dynamic nature of the underlying business, the management of the company maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the company's processes, personnel, technology and external factors, other than financial risks, such as generally accepted standards of corporate behaviour. The company manages operational risk so as to avoid financial loss and damage to its reputation.

(v) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the company has no significant interest bearing assets or liabilities, the company's income and operating cash flows are substantially independent of changes in market interest rates. The company's interest rate risk arises from deposits and short term instruments, bank overdraft and long-term borrowings.

## K.L.E. GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

## 5. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):

## (b) Fair value of Financial Instruments -

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following methods and assumptions have been used in determining fair values for instruments not re-measured at their fair value after initial recognition;

- (i) The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair value. These financial assets and liabilities include cash and bank balances and trade receivables and payables.
- (ii) The carrying values of long term loans approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.
- (iii) The fair values of the loans from related parties could not be reliably determined as these instruments were granted under special terms and are not likely to be traded in fair market exchange.

## 6. REVENUE:

	<u>2011</u>	<u>2010</u>
	\$	\$
Bar income	89,177,719	94,834,290
Rental and gate income	41,915,091	21,416,858
Sponsorship income	<u>8,317,111</u>	<u>4,839,555</u>
	<u>139,409,921</u>	<u>121,090,703</u>

## 7. OTHER OPERATING INCOME:

	<u>2011</u>	<u>2010</u>
	\$	\$
Interest income	9,492	102,570
Exchange gain	174,650	87,995
Other income	<u>-</u>	<u>101,184</u>
	<u>184,142</u>	<u>291,749</u>

The comparatives do not reflect the amalgamated position

## K.L.E. GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

## 8. FINANCE COST:

	<u>2011</u>	<u>2010</u>
	\$	\$
Loan interest	<u>475,963</u>	<u>-</u>

## 9. PROFIT BEFORE TAXATION:

Profit before taxation is stated after charging-

	<u>2011</u>	<u>2010</u>
	\$	\$
Directors' emoluments:		
Fees	2,003,000	-
Auditors' remuneration	550,000	400,000
Staff costs (note 24)	32,978,867	22,632,615
Depreciation	<u>4,701,282</u>	<u>1,886,551</u>

## 10. TAXATION:

(a) Taxation is based on the profit for the year, adjusted for taxation purposes and comprises:-

	<u>2011</u>	<u>2010</u>
	\$	\$
Income tax 33 1/3%	-	5,038,735
Prior year overprovision	(3,351,917)	-
Deferred tax (Note 14)	<u>752,556</u>	<u>1,173,988</u>
Taxation (credited)/charge in statement of comprehensive income	<u>(2,599,361)</u>	<u>6,212,723</u>

## K.L.E. GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

## 10. TAXATION (CONT'D):

- (b) Subject to the agreement of the Commissioner, Taxpayer Audit and Assessment, at the statement of financial position date the company has tax loss of approximately \$19,257,061 available for set-off against future profits. A deferred tax asset has been recognized in respect of this loss.

Reconciliation of theoretical tax charge that would arise on profit before tax using the applicable tax rate to actual tax charge.

	<u>2011</u> \$	<u>2010</u> \$
Profit before taxation	<u>4,797,956</u>	<u>13,864,926</u>
Tax calculated at 33 1/3%	1,599,319	4,621,642
Adjusted for the effects of:		
Prior year overprovision	(3,351,917)	-
Expenses not deducted for tax purposes	1,636,234	985,736
Net effect of other charges and allowances	<u>(2,482,997)</u>	<u>605,345</u>
Taxation (credited)/charge in statement of comprehensive income	<u>(2,599,361)</u>	<u>6,212,723</u>

## K.L.E. GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

## 11. DEFICIT ARISING ON AMALGAMATION TRANSFERS:

Below is a list of all assets and liabilities and the cost at which they were transferred:

	\$
<b>Non-Current Assets</b>	
Property, plant and equipment	<u>126,783,511</u>
<b>Current Assets</b>	
Trade and other receivables	3,827,997
Inventories	3,436,265
Due from related company	4,567,532
Cash and cash equivalents	<u>3,660,507</u>
	<u>15,492,301</u>
Total Assets	<u>142,275,812</u>
<b>Non-Current Liabilities</b>	
Notes payable	1,266,000
Bank loan	<u>28,586,328</u>
	<u>29,852,328</u>
<b>Current Liabilities</b>	
Director's loan	8,580,000
Notes payable	15,012,813
Related party payables	126,180
Trade and other payables	50,918,846
Current portion of bank loans	<u>7,458,414</u>
	<u>82,096,253</u>
<b>Other Liabilities</b>	
Supreme Ventures	15,000,000
Additional amounts paid in by K.L.E. Group Limited	<u>30,498,960</u>
	<u>45,498,960</u>
Total Liabilities	<u>157,447,541</u>
Deficit on amalgamation	<u>( 15,171,729)</u>



## K.L.E. GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2011

12. PROPERTY, PLANT AND EQUIPMENT:	Leasehold Improvement	Equipment	Furniture & Fixtures	Security System	Computer	Total
	₤	₤	₤	₤	₤	₤
At cost or valuation:						
1 January 2010	16,087,173	5,545,985	5,630,587	1,535,924	-	28,799,669
Additions	<u>986,500</u>	<u>513,947</u>	<u>790,099</u>	<u>304,539</u>	<u>233,232</u>	<u>2,828,317</u>
At 31 December 2010	17,073,673	6,059,932	6,420,686	1,840,463	233,232	31,627,986
Additions	834,975	126,320	389,443	15,647	95,120	1,461,505
Transferred on amalgamation	76,097,730	17,955,308	38,274,036	115,118	4,630,162	137,072,354
Assets written off	<u>-</u>	<u>-</u>	<u>( 22,626)</u>	<u>-</u>	<u>-</u>	<u>( 22,626)</u>
At 31 December 2011	<u>94,006,378</u>	<u>24,141,560</u>	<u>45,061,539</u>	<u>1,971,228</u>	<u>4,958,514</u>	<u>170,139,219</u>
Accumulated Depreciation:						
1 January 2010	386,751	480,615	516,263	148,154	-	1,531,783
Charge for the year	<u>653,813</u>	<u>557,099</u>	<u>522,047</u>	<u>153,592</u>	<u>-</u>	<u>1,886,551</u>
At 31 December 2010	1,040,564	1,037,714	1,038,310	301,746	-	3,418,334
Charge for the year	2,688,001	759,831	938,566	185,527	129,357	4,701,282
Transferred on amalgamation	<u>6,141,784</u>	<u>1,145,847</u>	<u>2,376,865</u>	<u>7,675</u>	<u>616,820</u>	<u>10,288,991</u>
At 31 December 2011	<u>9,870,349</u>	<u>2,943,392</u>	<u>4,353,741</u>	<u>494,948</u>	<u>746,177</u>	<u>18,408,607</u>
Net Book Value:						
31 December 2011	<u>84,136,029</u>	<u>21,198,168</u>	<u>40,707,798</u>	<u>1,476,280</u>	<u>4,212,337</u>	<u>151,730,612</u>
31 December 2010	<u>16,033,109</u>	<u>5,022,218</u>	<u>5,382,376</u>	<u>1,538,717</u>	<u>233,232</u>	<u>28,209,652</u>

The comparatives do not reflect the amalgamated position

## K.L.E. GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

## 13. INVESTMENT IN SUBSIDIARY:

	<u>2011</u>	<u>2010</u>
	\$	\$
T & R Entertainment Limited (formerly Usain Bolt's Tracks and Records Limited) - At cost	<u>51,000</u>	<u>15,812,314</u>

Prior year amount included payments made by K.L.E. Group Limited on behalf of T & R Entertainment Limited (formerly Usain Bolt's Tracks and Records Limited) for construction development and other activities. Effective 30 November 2011, amounts in excess of payments for shares were eliminated on amalgamation, by way of the scheme of amalgamation.

## 14. DEFERRED TAXATION:

Deferred income taxes are calculated in full on all temporary differences under the liability method using a principal tax rate of 33 1/3%.

The movement in deferred tax assets/liabilities is as follows:

	<u>Tax Losses</u>	<u>Accelerated Tax Depreciation</u>	<u>2011 Total</u>	<u>2010 Total</u>
	\$	\$	\$	\$
Liability at beginning of year	-	1,847,241	1,847,241	673,253
Tax (credited)/charged to statement of comprehensive income	<u>(4,814,265)</u>	<u>5,566,821</u>	<u>752,556</u>	<u>1,173,988</u>
(Asset)/liability at end of year	<u>(4,814,265)</u>	<u>7,414,062</u>	<u>2,599,797</u>	<u>1,847,241</u>

## 15. INVENTORIES:

	<u>2011</u>	<u>2010</u>
	\$	\$
Beer	197,488	181,459
Beverage - non-alcoholic	193,861	88,230
Champagne/wine	606,207	1,006,268
Cigarette	130,797	123,527
Liquor	2,126,246	1,776,550
Other inventory items	<u>3,040,159</u>	<u>-</u>
	<u>6,294,758</u>	<u>3,176,034</u>

The comparatives do not reflect the amalgamated position

## K.L.E. GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

## 16. RECEIVABLES:

	<u>2011</u> ₹	<u>2010</u> ₹
Trade receivables	7,531,464	3,034,053
Staff recoverable	1,208,392	795,229
Deposits	1,212,260	582,260
Other	<u>2,894,664</u>	<u>2,500</u>
	<u>12,846,780</u>	<u>4,414,042</u>

The aging of trade receivables is as follows:

	<u>2011</u> ₹	<u>2010</u> ₹
0-30 days	2,463,851	707,506
31-60 days	856,204	1,472,225
61-90 days	651,446	572,925
90 days and over	<u>3,559,963</u>	<u>281,397</u>
	<u>7,531,464</u>	<u>3,034,053</u>

## 17. CASH AND CASH EQUIVALENTS:

	<u>2011</u> ₹	<u>2010</u> ₹
Cash at bank and in hand	13,053,813	3,836,691
Deposit and short-term instruments	<u>-</u>	<u>203</u>
	<u>13,053,813</u>	<u>3,836,894</u>

Interest rate exposure -

The weighted average effective interest rates at the year end were as follows:

	<u>2011</u> %	<u>2010</u> %
Cash at bank (US\$ account)	0.06-0.45	0.06-0.45
Deposit and short term instruments - US\$	<u>1.5-5</u>	<u>1.5-5</u>

The comparatives do not reflect the amalgamated position

## K.L.E. GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

## 18. SHARE CAPITAL:

	<u>2011</u>	<u>2010</u>
Authorised -		
500,000 Ordinary shares of no par value	<u>500,000</u>	<u>500,000</u>
	<u>2011</u>	<u>2010</u>
	\$	\$
Stated capital -		
Issued and fully paid -		
100,000 ordinary shares of no par value	17,417,993*	17,417,993*
Shares to be allotted to Supreme Ventures Limited	<u>15,000,000</u>	<u>-</u>
	<u>32,417,993</u>	<u>17,417,993</u>

It was agreed that shares be allocated to Supreme Ventures Limited for a consideration of \$15,000,000 By way of subscription agreement dated 1 February 2012. This replaces subscription agreement dated 7 December 2010 between T & R Entertainment Limited (Usain Bolt's Tracks & Records Limited) and Supreme Ventures Limited, wherein it was agreed that shares be allotted to Supreme Ventures Limited for a consideration as stated above.

The value of shares issued was reflected on the company's annual return as \$100,000. Amended returns were filed on 17 July 2012 to reflect the value of \$17,417,993 disclosed in the financial statements, which represents shares issued to directors.

Prior year figures has been restated to reflect the actual shares issued by the company and directors current account adjusted accordingly

## 19. LONG TERM LOANS:

	<u>2011</u>	<u>2010</u>
	\$	\$
Pan Caribbean Bank Limited -		
(i) \$34,480,000 loan	31,040,090	-
(ii) \$ 3,000,000 loan	2,690,539	-
(iii) \$ 992,778 loan	889,146	-
(iv) \$ 919,433 loan	838,595	-
Gleaner Company Limited - (US\$15,000)	<u>1,266,000</u>	<u>-</u>
	36,724,370	-
Less current portion (note 22)	( 7,458,414)	-
	<u>29,265,956</u>	<u>-</u>

\*Restated

The comparatives do not reflect the amalgamated position

## K.L.E. GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

## 19. LONG TERM LOANS (CONT'D):

The Pan Caribbean Bank Limited loans were originally negotiated in the name of Usain Bolt's Tracks and Records Limited. Consequent to the decision to transfer the assets, liabilities and business of T & R Entertainment Limited (formerly Usain Bolt's Tracks and Records Limited) into K.L.E. Group Limited (see note 2) K.L.E Group Limited has assumed all of the obligations and liabilities arising from the aggregate loan facility. This was effected by way of a deed of novation dated 11 July 2012.

- (i) The loan attracts interest rate of 12.45% per annum and is for a period of 1,645 days
- (ii) The loan attracts interest rate of 12.45% per annum and is for a period of 1,634 days.
- (iii) The loan attracts interest rate of 12.45% per annum and is for a period of 1,630 days.
- (iv) The loan attracts interest rate of 12.45% per annum and is for a period of 1,612 days.

The Pan Caribbean Bank Limited loans are secured by a promissory note executed by the company along with a borrowing resolution as supported by debenture over fixed and floating assets of the company.

The loan from Gleaner Company Limited is interest free and is for a period of five years. It was used to purchase capital equipment.

## 20. RELATED PARTY BALANCES AND TRANSACTIONS:

The following transactions were carried out with related parties:

	<u>2011</u>	<u>2010</u>
	\$	\$
(a) Key management compensation -		
Directors' fees	2,003,000	-
Salaries	<u>10,650,677</u>	<u>4,178,491</u>
(b) Directors' loans	<u>8,580,000</u>	<u>-</u>

Directors' loan of \$8,580,000 is secured by a promissory note. The loan attracts interest at a rate of 10% per annum and is repayable on 16 March 2012.

The comparatives do not reflect the amalgamated position

## K.L.E. GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

## 21. PAYABLES:

	<u>2011</u> ₹	<u>2010</u> ₹
Trade payables	59,966,379	5,431,009
Accruals	1,903,122	1,787,691
Statutory payables	1,528,968	713,123
Credit cards	2,304,184	1,116,764
GCT	3,131,683	3,819,687
Other	<u>9,802,259</u>	<u>445,648</u>
	<u>78,636,595</u>	<u>13,313,922</u>

The credit period on purchases of goods from the company's major suppliers range from 30 - 60 days. The company has financial risk management procedures in place to ensure that all payables are paid within the credit period.

The aging of trade payables is as follows:

	<u>2011</u> ₹	<u>2010</u> ₹
0-30 days	19,527,477	3,919,557
31-60 days	5,610,428	119,420
61-90 days	10,453,887	-
Over 90 days	<u>24,374,587</u>	<u>1,392,032</u>
	<u>59,966,379</u>	<u>5,431,009</u>

## 22. SHORT TERM LOANS:

	<u>2011</u> ₹	<u>2010</u> ₹
Promissory note (i) (US\$125,000)	10,641,888	-
Promissory note (ii) US\$50,000)	4,256,755	-
Current portion of long term loans (note 19)	<u>7,458,414</u>	<u>-</u>
	<u>22,357,057</u>	<u>-</u>

Promissory note (i) attracts interest rate of 8% per annum and is repayable on 9 February 2012.  
Promissory note (ii) attracts interest rate of 8% per annum and is repayable on 1 March 2012.

The promissory notes are due to individuals.

The comparatives do not reflect the amalgamated position

## K.L.E. GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

## 23. EXPENSES BY NATURE:

Total direct, selling, administration and other operating expenses:

	<u>2011</u>	<u>2010</u>
	\$	\$
Advertising	6,300,668	3,258,628
Auditors' remuneration	550,000	400,000
Cost of inventory recognized as expense	38,236,787	31,473,788
Depreciation	4,701,282	1,886,551
Director's fees	2,003,000	-
Insurance	1,279,022	1,020,035
Legal and professional fees	12,321,264	8,847,951
Office expenses	263,985	460,490
Repairs and maintenance	1,988,260	1,682,544
Staff costs (note 24)	32,978,867	22,632,615
Security	3,360,061	3,840,832
Utilities	8,342,565	6,331,293
Transportation	2,173,165	1,648,183
Bank charges	2,777,154	1,795,714
Rent	9,909,158	8,138,983
Other expenses	<u>7,610,869</u>	<u>14,099,919</u>
	<u>134,796,107</u>	<u>107,517,526</u>

## 24. STAFF COSTS:

	<u>2011</u>	<u>2010</u>
	\$	\$
Wages and salaries	26,615,932	19,834,595
Statutory contributions	5,242,392	2,390,778
Staff welfare	1,120,543	381,672
Uniform	<u>-</u>	<u>25,570</u>
	<u>32,978,867</u>	<u>22,632,615</u>

The comparatives do not reflect the amalgamated position

**INDEPENDENT AUDITORS' REPORT**

To the Directors of  
K.L.E. Group Limited

The supplementary information presented on pages 31 and 32 has been taken from the accounting records of the company and has been subjected to the tests and other auditing procedures applied in our examination of the financial statements of the company for the period ended 31 December 2011.

In our opinion, this information, although not necessary for a fair presentation of the company's state of affairs, results of operations, changes in equity or cash flows is fairly presented in all material respects in relation to the financial statements taken as a whole.

**Chartered Accountants**

25 July 2012



## K.L.E. GROUP LIMITED

## DETAILED STATEMENT OF INCOME

YEAR ENDED 31 DECEMBER 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
SALES	<u>139,409,921</u>	<u>121,090,703</u>
COST OF SALES -		
Opening inventories	3,176,034	2,421,516
Purchases	<u>41,355,511</u>	<u>32,228,306</u>
	44,531,545	34,649,822
Less closing inventories	<u>( 6,294,758)</u>	<u>( 3,176,034)</u>
	<u>38,236,787</u>	<u>31,473,788</u>
GROSS PROFIT	<u>101,173,134</u>	<u>89,616,915</u>
Other income -		
Interest income	9,492	102,570
Exchange gain	174,650	87,995
Miscellaneous income	<u>-</u>	<u>101,184</u>
	<u>184,142</u>	<u>291,749</u>
	<u>101,357,276</u>	<u>89,908,664</u>
EXPENSES:		
Administrative and other expenses (page 32)	91,382,075	74,157,187
Finance and policy (page 32)	<u>5,177,245</u>	<u>1,886,551</u>
	<u>96,559,320</u>	<u>76,043,738</u>
PROFIT BEFORE TAXATION	<u>4,797,956</u>	<u>13,864,926</u>

The comparatives do not reflect the amalgamated position

## K.L.E. GROUP LIMITED

## SCHEDULE OF EXPENSES

YEAR ENDED 31 DECEMBER 2011

	<u>2011</u> ₤	<u>2010</u> ₤
<b>ADMINISTRATIVE AND OTHER EXPENSES:</b>		
Salaries, wages and statutory contributions	29,618,807	22,632,615
Directors' fees	2,003,000	-
Auditors' remuneration	550,000	400,000
Bank charges	2,777,154	1,795,714
Janitorial expense	557,367	915,671
Electricity	6,303,203	4,852,869
Telephone	524,773	532,881
Travelling and entertainment	1,205,749	2,814,624
Insurance	1,279,022	1,020,035
Legal and professional fees	12,321,264	8,847,951
Bathroom supplies	84,759	93,225
Miscellaneous	150,736	412,802
Printing and stationery	145,786	24,514
Advertisement	6,300,668	3,258,628
Repair and maintenance	1,988,260	1,682,544
Sales commission	-	217,000
Membership and license	-	700
Security	3,360,061	3,840,832
Contract work	3,698,363	6,052,460
Couriers	518,618	355,372
Water rates	1,132,060	945,543
Credit card charge back	2,350	-
Decoration	-	81,627
Equipment rental and charges	124,000	233,368
IT expenses	1,400,327	1,159,959
Licenses and permits	99,000	238,597
Rent	9,909,158	8,138,983
Staff welfare	1,120,543	-
Transportation	2,173,165	1,648,183
Office supplies	263,985	460,490
Dues and subscription	78,590	-
Exchange loss	872,261	-
Tips	1,800	-
Penalty and interest	93,729	1,500,000
Asset tax	50,000	-
Bad debt	16,850	-
Freight and shipping	27,507	-
Sponsorship	123,932	-
Royalties	505,228	-
	<u>91,382,075</u>	<u>74,157,187</u>
<b>FINANCE AND POLICY:</b>		
Depreciation	4,701,282	1,886,551
Interest expense	475,963	-
	<u>5,177,245</u>	<u>1,886,551</u>

The comparatives do not reflect the amalgamated position



Tel: (876) 926-1616/7, 926-4421  
Fax: (876) 926-7580  
www.bdo.com.jm

Chartered Accountants  
26 Beechwood Avenue  
P.O. Box 351  
Kingston 5, Jamaica

30 July 2012

The Board of Directors  
T & R Entertainment Limited (formerly)  
Usain Bolt's Tracks and Records Limited  
Unit 6, 67 Constant Spring Road  
Kingston 10

Dear Sirs:

BDO has given and has not withdrawn its consent to the issue of the prospectus with its name in the form and context in which it is included.

A handwritten signature in black ink, appearing to be 'BDO' written in a stylized, cursive script.

Chartered Accountants



Tel: (876) 926-1616/7, 926-4421  
Fax: (876) 926-7580  
www.bdo.com.jm

Chartered Accountants  
26 Beechwood Avenue  
P.O. Box 351  
Kingston 5, Jamaica

30 July 2012

The Board of Directors  
T & R Entertainment Limited (formerly)  
Usain Bolt's Tracks and Records Limited  
Unit 6, 67 Constant Spring Road  
Kingston 10

Dear Sirs:

We have audited, in accordance with International Standards on Auditing, the financial statements of T & R Entertainment Limited (formerly) Usain Bolt's Tracks and Records Limited as at 31 December 2011 and in our report dated 25 July 2012, we expressed an unqualified opinion on those financial statements.

In our opinion, the extracted statements of financial position and statements of comprehensive income set out in Section 11 of the prospectus are consistent, in all material respects, with the financial statements referred to above, from which they were derived.

For a better understanding of the company's financial position at the end of the reporting period referred to above, the results of its operations for the period ended 31 December 2011, and the scope of our audit, the extracted statement of financial position and statement of comprehensive income should be read in conjunction with the financial statements from which they were derived and our audit reports thereon.

Chartered Accountants

**T & R ENTERTAINMENT LIMITED**  
**(formerly)**

**USAIN BOLT'S TRACKS AND RECORDS LIMITED**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

**T & R ENTERTAINMENT LIMITED**  
**(formerly)**  
**USAIN BOLT'S TRACKS AND RECORDS LIMITED**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2011**

I N D E X

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## INDEPENDENT AUDITORS' REPORT

To the Members of  
T & R entertainment limited (formerly)  
Usain Bolt's Tracks and Records Limited

### **Report on the Financial Statements**

We have audited the financial statements of T & R entertainment limited (formerly) Usain Bolt's Tracks and Records Limited set out on pages 3 to 14, which comprise the statement of financial position as at 31 December 2011 and the statement of comprehensive income, changes in equity and cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITORS' REPORT (CONT'D)**

To the Members of  
T & R entertainment limited (formerly)  
Usain Bolt's Tracks and Records Limited

*Opinion*

In our opinion, the financial statements give a true and fair view of the company's financial position as at 31 December 2011, and of its financial performance, changes in equity and cash flows for the period then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act.

**Report on additional requirements of the Jamaican Companies Act**

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept and the financial statements are in agreement therewith, and give the information required by the Act, in the manner so required.

A handwritten signature in black ink, appearing to be 'BDO'.

**Chartered Accountants**

25 July 2012



**T & R ENTERTAINMENT LIMITED**  
**(formerly)**  
**USAIN BOLT'S TRACKS AND RECORDS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**SEVENTEEN MONTHS ENDED 31 DECEMBER 2011**

	<u>Note</u>	<u>2011</u> \$
REVENUE	4	140,838,367
Cost of sales		( 41,096,926)
GROSS PROFIT		99,741,441
Other operating income	5	23,591
Administrative and other expenses		( 98,829,820)
PROFIT FROM OPERATION		935,212
Finance cost	6	( 5,866,222)
Depreciation		( 10,291,719)
Loss before taxation	7	( 15,222,729)
Taxation		-
NET LOSS FOR THE YEAR		(15,222,729)
Other comprehensive income:		
Excess arising on amalgamation	8	<u>15,171,729</u>
NET LOSS, BEING TOTAL COMPREHENSIVE LOSS		<u>( 51,000)</u>

T & R ENTERTAINMENT LIMITED  
(formerly)

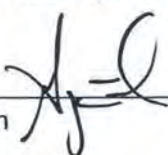
## USAIN BOLT'S TRACKS AND RECORDS LIMITED

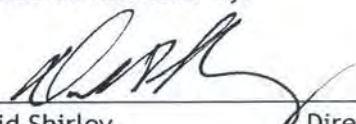
## STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2011

	<u>Note</u>	<u>2011</u> <u>£</u>
<b><u>EQUITY AND LIABILITIES</u></b>		
<b><u>SHAREHOLDERS' EQUITY:</u></b>		
Share capital	9	51,000
Accumulated deficit		<u>(51,000)</u>
		<u>          </u>

Approved for issue by the Board of Directors on 25 July 2012 and signed on its behalf by:

Gary Matalon  Director

David Shirley  Director

**T & R ENTERTAINMENT LIMITED**  
(formerly)

**USAIN BOLT'S TRACKS AND RECORDS LIMITED**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**SEVENTEEN MONTHS ENDED 31 DECEMBER 2011**

	<u>Number of Shares</u>	<u>Share Capital</u> ₤	<u>Accumulated Deficit</u> ₤	<u>Total</u> ₤
Share capital	51,000	51,000	-	51,000
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>(51,000)</u>	<u>(51,000)</u>
Balance at 31 December 2011	<u>51,000</u>	<u>51,000</u>	<u>(51,000)</u>	<u>-</u>

**T & R ENTERTAINMENT LIMITED**  
**(formerly)**  
**USAIN BOLT'S TRACKS AND RECORDS LIMITED**  
**STATEMENT OF CASH FLOWS**  
**SEVENTEEN MONTHS ENDED 31 DECEMBER 2011**

	<u>2011</u> <u>£</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net loss	(15,222,729)
Excess arising on transfer	<u>15,171,729</u>
Operating cash flows before movements in working capital	( 51,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Shares issued	<u>51,000</u>
Net cash provided by financing activities	<u>51,000</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>-</u></u>

**T & R ENTERTAINMENT LIMITED  
(formerly)**

**USAIN BOLT'S TRACKS AND RECORDS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

**1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:**

- (a) T & R entertainment limited (formerly) Usain Bolt's Tracks and Records Limited is a limited liability company incorporated and domiciled in Jamaica on 13 August 2010. The company started trading on 11 April 2011. The registered office of the company is Unit 6, 67 Constant Spring Road, Kingston 8. The company's name was changed to T & R Entertainment Limited effective 3 October 2011.
- (b) The principal activity of the company is the provision of entertainment.
- (c) The company is a fully owned subsidiary of KLE Group Limited.
- (d) The company ceased trading on 30 November 2011.

**2. REPORTING CURRENCY:**

- (a) These financial statements are presented using the Jamaican dollars which is considered the currency of the primary economic environment in which the company operates ("the functional currency").
- (b) **AMALGAMATION:**

K.L.E. Group Limited and T & R Entertainment Limited (formerly Usain Bolt's Tracks and Records Limited) took the decision to simplify their corporate structure and reduce the attendant costs of operating two companies. Accordingly, the parties agreed to transfer all the assets, liabilities and business of T & R Entertainment Limited into K.L.E. Group Limited as a single entity as at 30 November 2011 and this was effected by way of an agreement for the transfer of business pursuant to a scheme of amalgamation.

**3. SIGNIFICANT ACCOUNTING POLICIES:**

The principal accounting policies applied in the preparation of these financial statements are set out below.

**T & R ENTERTAINMENT LIMITED  
(formerly)**

**USAIN BOLT'S TRACKS AND RECORDS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

**(a) Basis of preparation -**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board, and have been prepared under the historical cost convention. They are also prepared in accordance with provisions of the Jamaican Companies Act.

The preparation of financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and contingent liabilities at the end of the reporting period and the total comprehensive income during the reporting period. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the year in which actual results are known. The areas involving a higher degree of judgment in complexity or areas where assumptions or estimates are significant to the financial statements are discussed below:

**Fair value of financial assets**

The management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets adopting valuation techniques commonly used by market practitioners supported by appropriate assumptions.

**Standards, Interpretations and amendments to published standards effective in the reporting period**

During the reporting period, the following standards, amendments and interpretations became effective. Those considered relevant to the company are as follows:

IAS 1 (Amended)	Presentation of Financial Statements - amendments resulting from April 2009 annual improvements (effective for annual periods beginning on or after 1 January 2010)
-----------------	---

**T & R ENTERTAINMENT LIMITED  
(formerly)**

**USAIN BOLT'S TRACKS AND RECORDS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) Basis of preparation (cont'd) -

**Standards, Interpretations and amendments to published standards effective in the reporting period (cont'd).**

IAS 7 (Amended) Statement of Cash Flows - amendments resulting from April 2009 annual improvements (effective for annual periods beginning on or after 1 January 2010)

IAS 36 (Amended) Impairment of Assets - amendments resulting from April 2009 annual improvements (effective for annual periods beginning on or after 1 January 2010)

IAS 39 (Amended) Financial Instruments: Recognition and Measurement - amendments resulting from April 2009 annual improvements (effective for annual periods beginning on or after 1 January 2010)

(b) Related party identification -

A party is related to the company if:

(i) directly or indirectly the party -

- controls, is controlled by, or is under common control with the company;
- has an interest in the company that gives it significant influence over the company; or
- has joint control over the company.

(ii) the party is an associate of the company;

(iii) the party is a joint venture in which the company is a venturer;

**T & R ENTERTAINMENT LIMITED  
(formerly)**

**USAIN BOLT'S TRACKS AND RECORDS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(b) Related party identification (cont'd) -

- (iv) the party is a member of the key management personnel of the company;
- (v) the party is a close member of the family of an individual referred to in (i) or (iv) above;
- (vi) the party is an entity that it controlled, jointly controlled or significantly influenced by, or for which significant costing power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v) above; and
- (vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any company that is a related party of the company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(c) Taxation -

No taxation is charged in these financial statements. The company has a tax loss but has ceased trading effective 30 November 2011. Additionally no deferred tax asset was recognized in the financial statements.

(d) Revenue recognition -

Revenue is recognized in the statement of comprehensive income upon performance of services. Revenue from the provision of entertainment is measured at the fair value of the consideration received or receivable, net of allowances and discounts.

Interest income is recognised in the income statement for all interest bearing instruments on an accrual basis unless collectibility is doubtful.



**T & R ENTERTAINMENT LIMITED  
(formerly)**

**USAIN BOLT'S TRACKS AND RECORDS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(d) Fair value of financial instruments -

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following methods and assumptions have been used in determining fair values for instruments not re-measured at their fair value after initial recognition:

- (i) The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair value. These financial assets and liabilities include cash and bank balances and trade receivables and payables.
- (ii) The carrying values of long term loans approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.
- (iii) The fair values of the loans from related parties could not be reliably determined as these instruments were granted under special terms and are not likely to be traded in fair market exchange.

**4. REVENUE:**

	<u>2011</u> \$
Sponsorship income	29,283,775
Venue rental	2,266,204
Food and bar	107,720,960
Merchandise	<u>1,567,428</u>
	<u>140,838,367</u>

**T & R ENTERTAINMENT LIMITED**  
(formerly)

**USAIN BOLT'S TRACKS AND RECORDS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

5.	<b>OTHER OPERATING INCOME:</b>	<u>2011</u> \$
	Interest income	<u>23,591</u>
6.	<b>FINANCE COST:</b>	<u>2011</u> \$
	Loan interest	<u>5,866,222</u>
7.	<b>LOSS BEFORE TAXATION:</b>	
	Loss before taxation is stated after charging -	<u>2011</u> \$
	Auditors' remuneration	280,000
	Staff costs (Note 11)	30,963,997
	Depreciation	<u>10,291,719</u>

**T & R ENTERTAINMENT LIMITED**  
(formerly)

**USAIN BOLT'S TRACKS AND RECORDS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

**8. EXCESS ARISING ON AMALGAMATION TRANSFERS:**

Below is a list of all assets and liabilities and the cost at which they were transferred:

	<u>₹</u>
<b>Non-Current Assets</b>	
Property, plant and equipment	<u>126,783,511</u>
<b>Current Assets</b>	
Trade and other receivables	3,827,997
Inventories	3,436,265
Due from related company	4,567,532
Cash and cash equivalents	<u>3,660,507</u>
	<u>15,492,301</u>
<b>Total Assets</b>	<u>142,275,812</u>
<b>Non-Current Liabilities</b>	
Notes payable	1,266,000
Bank loan	<u>28,586,328</u>
	<u>29,852,328</u>
<b>Current Liabilities</b>	
Director loan	8,580,000
Notes payable	15,012,813
Related party payables	126,180
Trade and other payables	50,918,846
Current portion of bank loans	<u>7,458,414</u>
	<u>82,096,253</u>
<b>Other Liabilities</b>	
Supreme Ventures	15,000,000
Additional amounts paid in by K.L.E. Group Limited	<u>30,498,960</u>
	<u>45,498,960</u>
<b>Total Liabilities</b>	<u>157,447,541</u>
<b>Excess on amalgamation</b>	<u>15,171,729</u>

**T & R ENTERTAINMENT LIMITED**  
(formerly)

**USAIN BOLT'S TRACKS AND RECORDS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

**9. SHARE CAPITAL:**

Authorised -

100,000 Ordinary shares of no par value

2011

₹

Issued and fully paid -

51,000 Ordinary shares of no par value

51,000

**10. EXPENSES BY NATURE:**

Total direct, selling, administration and other operating expenses:

2011

₹

Cost of sales	41,096,926
Advertising and promotion	9,169,114
Auditors' remuneration	280,000
Depreciation	10,291,719
Royalties	4,810,839
Legal and professional fees	15,984,622
Office expenses	645,836
Repairs and maintenance	787,351
Security costs	420,000
Staff costs (Note 11)	30,963,997
Utilities	14,169,147
Bank service charges	2,035,353
Finance expense	5,866,222
Other expenses	<u>19,563,561</u>

156,084,687

**11. STAFF COSTS:**

2011

₹

Wages and salaries	23,394,262
Statutory contributions	3,240,659
Other	<u>4,329,076</u>

30,963,997

The number of persons employed by the company at the end of the period was 66.



Tel: (876) 926-1616/7, 926-4421  
Fax: (876) 926-7580  
www.bdo.com.jm

Chartered Accountants  
26 Beechwood Avenue  
P.O. Box 351  
Kingston 5, Jamaica

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## INDEPENDENT AUDITORS' REPORT

To the Directors of  
T & R entertainment limited (formerly)  
Usain Bolt's Tracks and Records Limited

The supplementary information presented on pages 16 and 17 has been taken from the accounting records of the company and has been subjected to the tests and other auditing procedures applied in our examination of the financial statements of the company for the period ended 31 December 2011.

In our opinion, this information, although not necessary for a fair presentation of the company's state of affairs, results of operations, changes in equity or cash flows is fairly presented in all material respects in relation to the financial statements taken as a whole.

Chartered Accountants

25 July 2012

**T & R ENTERTAINMENT LIMITED**  
**(formerly)**  
**USAIN BOLT'S TRACKS AND RECORDS LIMITED**  
**DETAILED STATEMENT OF INCOME**  
**SEVENTEEN MONTHS ENDED 31 DECEMBER 2011**

	<u>2011</u> \$
SALES	<u>140,838,367</u>
COST OF SALES -	
Purchases	44,533,191
Less - closing inventories	<u>( 3,436,265)</u>
	<u>41,096,926</u>
GROSS PROFIT	99,741,441
Other income -	
Interest income	<u>23,591</u>
	<u>99,765,032</u>
EXPENSES:	
Administrative and other expenses (page 17)	98,829,820
Finance and policy (page 17)	<u>16,157,941</u>
	<u>114,987,761</u>
LOSS BEFORE TAXATION	<u>( 15,222,729)</u>

**T & R ENTERTAINMENT LIMITED  
(formerly)**

**USAIN BOLT'S TRACKS AND RECORDS LIMITED**

**SCHEDULE OF EXPENSES**

**SEVENTEEN MONTHS ENDED 31 DECEMBER 2011**

	<u>2011</u>
	\$
<b>ADMINISTRATIVE AND OTHER EXPENSES:</b>	
Salaries, wages and related costs	26,634,921
Bar, bathroom and kitchen supplies	548,629
Exchange loss	79,193
Advertising and promotion	9,169,114
Staff welfare	4,329,076
Rent	11,141,334
Utilities	14,169,147
Licenses and permit	292,700
Printing and reproduction	1,114,212
Repair and maintenance	787,351
Travel and accommodation	436,850
Cleaning and sanitation	1,982,846
Legal and professional fees	15,984,622
Audit fee	280,000
IT expenses	1,348,259
Office supplies	645,836
Royalties	4,810,839
Security	420,000
Music and entertainment	480,710
Bank charges	2,035,353
Casual labour	253,160
Interest & penalties	39,821
Postage and delivery	500,008
Equipment rental	200,268
Insurance	938,967
Health insurance	23,892
Freight and shipping	<u>182,712</u>
	<u>98,829,820</u>
<b>FINANCE AND POLICY:</b>	
Loan interest	5,866,222
Depreciation expense	<u>10,291,719</u>
	<u>16,157,941</u>

## Section 12

## Risk Factors

### Macro Economic Policies

Changes in fiscal and monetary policies introduced by the Government of Jamaica may affect the behaviour of capital markets including the Junior Market. Such changes in policies may create opportunities as well as challenges for the Company. This is a risk that is not faced by the Company alone but also, by any trading business, although the risk could have particular impact on its particular business model.

### Operational Risk

The Company is subject to the risk of loss resulting from disruptions to its business, inadequate or failed internal processes, people and systems, or from external events (including severe weather, other Acts of God, social unrest or insurrection). This definition also includes systemic risk (including the risk of accounting errors, failure to procure appropriate insurance coverage, and compliance failures), legal risk and reputation risk. This catch-all category of risks also includes employee errors, computer and manual systems failures, security failures, fire, floods or other losses to physical assets, and fraud or other criminal activity or any other risk that affects the volume of visitor arrivals to the island. The Company is prudent and therefore, it insures itself against some (but not all) of these risks: for instance, the Company is insured in respect of damage to its business by fire, flood or other physical damage. It may not be feasible for the Company to insure itself in respect of all of the risks mentioned, because no coverage may be available or it may not be economical to do so.

### New Accounting Rules or Standards

The Company may become subject to new accounting rules or standards that differ from those that are presently applicable. Such new accounting rules or standards could require significant changes in the way the Company currently reports its financial position, operating results or cash flows. Such changes could be applied retrospectively. This is a risk that is not faced by the Company alone but also, by any trading business.

### Admission of the Shares to the Junior Market

After the Closing Date, and assuming that the Company is able to raise \$94.6 million as a result of the Invitation by the Closing Date, the Company will make application to the JSE to admit the Shares to the Junior Market. However, the Company is not able to guarantee the full subscription of the Shares in the Invitation or the admission of the Shares to the Junior Market.

### Volatility in Price of Shares

Following their proposed admission to trading on the Junior Market, the Shares may experience volatility in their market price which may extend beyond the short term and which may be dependent on the Company's financial performance, as well as on investors' confidence and other factors over which the Company has no control.

### Revocation of Tax Concessions Risk

If the Invitation is successful in raising \$94.6 million by the Closing Date, and the Company is admitted to the Junior Market, it must remain listed on the JSE trading platforms for a period of fifteen (15) years in order to be eligible for the concessionary tax regime described in Section 14.2.

The instrument governing the concessionary tax regime is the Income Tax Act (Jamaica Stock Exchange Junior Market) (Remittance) Notice dated 13 August 2009, which was made by the Minister of Finance under section 86 of the Income Tax Act. The instrument provides that if the Company is de-listed at any time during the fifteen (15) year period, it will become retrospectively liable to pay corporate income tax at the rate that would otherwise have been applicable to it during the concessionary period.



**Key Personnel**

It is important that the Company attracts and retains appropriately skilled personnel, including the Directors of the Company, who specialize in distinct areas of the Company's management. It is also important for the Company to replace personnel whose employment may be terminated for any reason within a reasonable time. In Jamaica, there are a limited number of persons with the requisite skills, knowledge and experience required by the Company. The Company will need to attract and retain honest qualified personnel, and failure to do so could have a material adverse impact on the Company's future prospects.

**Key Partners**

The Company relies on its key and on-going business relationships with sponsors and suppliers. If the Company's relationship with any of these parties is disrupted or terminated for any reason, the Company would have to identify new sponsors and suppliers. However, this risk may be mitigated against by the Company's policy of creating and maintaining symbiotic relationships with its key partners.

**Uninsured Risks**

The Company has procured insurance in respect of certain risks facing its business, as described in Section 7.11 of this Prospectus. If the Company suffered loss or damage to its property or facilities or as a result of a claim by a third party and was not able to claim successfully under its policies of insurance for that purpose its finances could suffer and its operations could be disrupted temporarily or permanently. The Company does however have consequential loss insurance which would allow it to mitigate against losses occasioned by an interruption of business.

**Regulatory Compliance**

As the Company owns and operates a nightclub and lounge, bars and restaurants, and it is subject to a certain degree of regulation in respect of its business, which includes health and safety regulations. Failure to comply with any such regulations may affect the Company's profitability and ability to operate.

## **Section 13**

## **Professional Advisers to the Company**

---

### **Principal Stockbrokers and Financial Advisers**

PanCaribbean Financial Services Limited  
PanCaribbean Building  
60 Knutsford Boulevard  
Kingston 5

### **Auditors and Reporting Accountants**

BDO  
Chartered Accountants  
26 Beechwood Avenue  
Kingston 5

### **Attorneys to the Company in the Invitation**

Wilmot Hogarth & Co.  
7 Barbados Avenue (Second Floor)  
Kingston 5

### **Registrars and Transfer Agents**

PanCaribbeanBank Limited  
60 Knutsford Boulevard  
Kingston 5

## Section 14

## Statutory and General Information

### 14.1 Statutory Information required to be set out in this Prospectus by section 42 and the Third Schedule to the Companies Act

1. The Company has no founders' or management or deferred shares.
2. The Articles of Incorporation fix no shareholding qualification for Directors (Article 83) and none has been otherwise fixed by the Company in general meeting.
3. The Articles of Incorporation contain the following provisions with respect to the remuneration of Directors:
  - a. The remuneration of the directors shall from time to time be determined by the Company in general meeting. Such remuneration shall be deemed to accrue from day to day. The directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings or any committee of the directors or general meetings of the Company in connection with the business of the Company. (Article 82);
  - b. A director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs. (Article 84);
  - c. A director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the directors may determine and no director or intending director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or management entered into by or on behalf of the Company in which any director is in any way interested, be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason of such director holding that office or of the fiduciary relation thereby established. (Article 94(3));
  - d. Any director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a director, provided that nothing herein contained shall authorize a director or his firm to act as auditor to the Company. (Article 94(5));
  - e. The Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance. (Article 99); and
  - f. The Chief Executive Officer shall receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the directors may determine. (Article 123)

4. The names and addresses of the Directors appear in Section 8 of this Prospectus. The residential addresses of the respective directors are as follows:

<u>Name of Director</u>	<u>Residential Address</u>
Joseph M. Matalon	15 Hyperion Avenue, Kingston 6
N. Patrick McDonald	"Malabar", Jacks Hill Road, Jacks Hill, P.A.
Audrey Marks	13a Norbrook Road, Kingston 8
Gary Matalon	10a Broadway Road, Kingston 8
David Shirley	1 Carmel Way, Kingston 8
Stephen Shirley	15 Graham Heights, Kingston 8
Zuar Jarrett	Windlair, Cityview Road, Jacks Hill, Kingston 6
Kevin Bourke	4F Manor Court Apartments, Kingston 8
Craig Powell	3 Glenalmond Drive, Kingston 8
Garfield Coke	40 Tom Cringle Drive, Plantation Heights, Kingston 19

5. The minimum amount required to be raised out of the proceeds of the Invitation to provide for the matters set out in paragraph 2 of Part 1 of the Third Schedule to the Companies Act (the "minimum subscription") is \$94.6 million. The Company also intends to pay the expenses associated with the Invitation out of the proceeds, which it estimates will not exceed \$7.3 million (inclusive of financial advisory fees, principal brokerage fees, legal fees, auditor's fees, statutory fees (including Registrar's fees), initial listing fees, and General Consumption Tax).
6. The Invitation will open for subscription at 9:00 a.m. on October 9<sup>th</sup>, 2012 and will close at 4:30 pm on the Closing Date, October 16<sup>th</sup>, 2012, subject to the Company's right to close the application list at any time after 9:00 a.m. on the Opening Date if Applications have been received for an amount in excess of the Shares offered under this Prospectus, or to extend the Closing Date for any reason whatsoever.
7. All Applicants (including Reserved Share Applicants) will be required to pay in full the Subscription Price of \$3.70 per Share, subject to discounts, where applicable. No further sum will be payable on allotment.
8. No previous offer of Shares has been made to the public.
9. Save for the entitlement of the Reserved Share Applicants, no person has, or is entitled to be given, any option to subscribe for any shares in, or debentures of, the Company.
10. As at September 7<sup>th</sup>, 2012, being the latest practicable date prior to the publication of this Prospectus, the Company held no trade investments, quoted investments other than trade investments nor any unquoted investments other than trade investments.
11. There is no amount for goodwill, patent, or trade marks shown in the financial statements of the Company and there is no contract for sale and purchase which would involve any goodwill, patent or trade marks.
12. As at September 7<sup>th</sup>, 2012, being the latest practicable date prior to the publication of this Prospectus, the aggregate principal amount of indebtedness of the Company is \$31,846,518 consisting of outstanding bank loans owed by the Company (see the Material Contracts in Section 7.9 for further information).
13. No amount is currently recommended for distribution by way of dividend. The Company's dividend history, and its dividend policy following admission to the Junior Market, is described in Section 7.10.
14. As at the date of this Prospectus, no negotiations to purchase any properties, which are to be paid for wholly or partly out of the proceeds of this Invitation, have been entered into, and accordingly, paragraphs 6 to 9 (inclusive) of Part 1 of the Third Schedule of the Companies Act do not apply.

15. Within the two (2) preceding years, no commissions have been paid, nor will any be payable to anyone for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any Shares or debentures of the Company.
16. The Company expects to pay the expenses of the Invitation out of the proceeds of its fundraising, and the Company estimates that such expenses will not exceed \$7.3million (inclusive of brokerage and financial advisory fees, legal fees, auditors' fees, statutory fees (including Registrar's fees), initial fees and General Consumption Tax). See paragraph 17 below for further details.
17. Within the last two (2) years preceding the date of this Prospectus, no amount or benefit has been paid or given or is intended to be paid or given to any promoter, save for PanCaribbean, for financial advisory and brokerage services associated with the Invitation and listing on the Junior Market under an agreement dated June 4<sup>th</sup>, 2010. The agreement provides for PanCaribbean to act as lead broker and financial adviser to the Invitation, for which PanCaribbean will receive financial advisory fees equivalent to 4% of the funds raised in the Invitation (inclusive of valuation services, lead brokerage, and the development of a marketing strategy for the purposes of the Invitation).
18. The issue is not underwritten.
19. The material contracts of the Company are set out in Section 7.8.
20. The name and address of the auditors to the Company is BDO, Chartered Accountants of 26 Beechwood Avenue, Kingston 5.
21. BDO, Chartered Accountants, have given and have not withdrawn their consent to the issue of this Prospectus with the inclusion of the Auditors' Report and Historical Financial Information, and their name in the form and context in which it is included.
22. The Company was incorporated on September 8<sup>th</sup>, 2008, and it has carried on business since that date. The Company has two (2) dormant subsidiaries. These are T&R Entertainment Limited (TRL), that ceased trading pursuant to the scheme of amalgamation referred to in Section 3 herein, and Fiction Lounge Limited, that has never traded.

#### **14.2 Taxation of Junior Market Companies: Concessionary Regime**

Companies that successfully apply for admission to the Junior Market of the JSE will benefit from a concessionary tax regime, details of which are set out below:

- On August 13<sup>th</sup>, 2009 the Minister of Finance issued the Income Tax Act (Jamaica Stock Exchange Junior Market) (Remission) Notice 2009 under section 86 of the Income Tax Act. The Remission Notice provides that Jamaican Junior Market companies are not liable to pay corporate income tax in the first five (5) years after listing (e.g. they will benefit from a full income tax exemption). The Remission Notice also provides that in years six (6) to ten (10) of listing, Jamaican Junior Market companies are liable to pay corporate income tax at half of the normal rate (e.g. they will benefit from a 50% income tax exemption). The tax concessions require Jamaican Junior Market companies to maintain their listing on the JSE (on either or both of the Main or Junior Markets) for a period of fifteen (15) years. If such a Company is de-listed at any time during the fifteen (15) year period, it will become retrospectively liable to pay corporate income tax at the rate that would otherwise have been applicable to it during the concessionary period.
- Section 17(1)(d) of the Transfer Tax Act provides that transfers of shares made in the ordinary course of business on the JSE will not attract transfer tax.
- The Schedule to the Stamp Duty Act provides that transfers of shares in the ordinary course of business on the JSE will not attract Stamp Duty.

- Section 12(v) of the Income Tax Act provides that profits or gains from transactions in shares carried out on the JSE that accrue to an individual that does not hold himself out as a dealer are exempt from income tax, where such profits or gains do not exceed one half of that person's statutory income from all other sources for the year of assessment, or (where the person so elects) those profits or gains which, taken with profits or gains (or losses) on such transactions by him/her in the two (2) immediately preceding years of assessment, do not exceed one half of that persons statutory income from all other sources for the year of assessment and those two (2) preceding years.
- Section 34(1) paragraph 6 of the Income Tax Act provides that payments of interest or other payments made to holders of shares out of the assets of a company that is quoted on a recognized stock exchange, including the JSE, are exempt from income tax.
- Prospective investors should seek advice on the taxation of Junior Market companies and their prospective investment in the Company from a professional adviser, and should not rely on the summary set out above.


**Section 15****Documents Available for Inspection**

Copies of the following documents may be inspected at the law offices Wilmot Hogarth & Co. between the hours of 9:00 a.m. and 4:00 p.m. on Monday to Friday, up to and including the Closing Date (or the extended Closing Date, as the case may be):

1. The Articles of Incorporation of the Company adopted on July 24<sup>th</sup>, 2012.
2. The Auditor's Report and audited financial statements of the Company for the three (3) fiscal years ended 2012 and the fiscal year ended 2012 in respect of T&R Entertainment Limited. The unaudited financial statements of the Company for the period January 1<sup>st</sup>, 2012 to June 30<sup>th</sup>, 2012.
3. The consents of the auditors of the Company and TRL, respectively both dated July 30<sup>th</sup>, 2012, referred to in paragraph 21 of Section 14.1.
4. The documents referred to in Section 7.6 (Regulation).
5. Copy of the Certificates of Registration of Trademark, Letters of Acceptance and the Sub-Licence Agreement (as amended) referred to in Section 7.7.
6. The material contracts referred to in Section 7.8.
7. Confirmation of the insurance arrangements referred to in Section 7.11.

Section 16

Directors' Signatures



JOSEPH M. MATALON




AUDREY P. MARKS



N. PATRICK MCDONALD



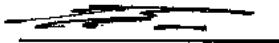
GARY C. MATALON



STEPHEN O. SHIRLEY



DAVID A. SHIRLEY



CRAIG A. POWELL



ZUAR A. JARRETT



KEVIN S. BOURKE



GARFIELD M. COKE





## Appendix 1 :SUBSCRIPTION FORM

**PLEASE READ CAREFULLY BEFORE COMPLETING THIS FORM**

To: KLE GROUP LIMITED

Re: Invitation for Subscription for up to 27,000,000 ordinary shares made pursuant to the Prospectus dated the \_\_\_\_\_ day of \_\_\_\_\_ 2012.

I/We confirm that I/we have read and understood and hereby agree to be bound by the terms and conditions contained in the Prospectus, all of which are incorporated in this Application Form by Reference.

I/We hereby apply for \_\_\_\_\_ ordinary shares in KLE Group Limited on and subject to the terms and conditions of the Invitation set out in the Prospectus at the price of J\$ \_\_\_\_\_ each and I/we attach my/our cheque for J\$ \_\_\_\_\_ or request Pan Caribbean Financial Services Limited to make payment on my behalf from cleared funds held in my name in account numbered \_\_\_\_\_. I/We hereby instruct Pan Caribbean Financial Services Limited to debit my/our account with the sum of J\$ \_\_\_\_\_ for the purposes of my/our purchase of ordinary shares as indicated above.

I/We agree to accept the same or any smaller number of Shares in respect of which this application may be accepted, subject to the terms and conditions in the Prospectus and the Articles of Incorporation of KLE Group Limited, by which I/We agree to be bound. I/We request you to sell and transfer to me/us the number of shares which may be allocated to me/us at the close of the said Invitation the terms and conditions governing applications, as set forth in the Prospectus. I/We hereby agree to accept the shares that may be allocated to me/us to be credited to an account in my/our name(s) in the Jamaica Central Securities Depository.

Instructions to completing application form: All fields are relevant and must be completed. If you already have an account with the JCSD, please ensure that you indicate your JCSD Account number.

Type of Reserve Shares (If applicable, see overleaf & the Prospectus)					<input type="radio"/> Key Partner Shares					<input type="radio"/> Employee Shares					<input type="radio"/> Associate Shares					<input type="radio"/> Other (specify) _____				
<b>PRIMARY HOLDER</b>																								
Full Name of Applicant (Individual or Company)																								
TRN					Occupation/ Line of Business																			
Address																								
Nationality or Incorporation Country					Telephone (Home)																			
Telephone (Work)					Telephone (Cellular)					Facsimile														
Email Address										Broker Code					Client Type					Account Type				
Account Number					Broker Customer Number																			
Applicant's Bank										Bank Account Number														
Bank Branch					Bank Account Type					<input type="radio"/> Savings					<input type="radio"/> Chequing					Date of Application				
Signatures (Company)										_____														
										<b>DIRECTOR</b>					<b>DIRECTOR/SECRETARY</b>									
Signature (individual)										_____														
										<b>SEAL OR STAMP REQUIRED FOR COMPANIES</b>														

<b>SECONDARY HOLDERS</b>																			
Full Name (First Joint Holder)																			
TRN					Occupation														
Signature (individual)										Date									
Full Name (Second Joint Holder)																			
TRN					Occupation														
Signature (individual)										Date									
Full Name (Third Joint Holder)																			
TRN					Occupation														
Signature (individual)										Date									

**ALL APPLICANTS MUST INPUT THEIR TRN NUMBERS.  
THIS OFFER IS NOT MADE TO PERSONS RESIDENT OUTSIDE JAMAICA**

## **ADDITIONAL INFORMATION**

1. Applicants who are not applying for Reserve Shares must apply for a minimum of 5000 Shares with increments in multiples of 1,000. Applications in other denominations will not be processed or accepted.
2. If you are not a Reserve Share Applicant you must attach your payment for the specified number of Shares you have applied for, in the form of either:
  - a. Manager's cheque made payable to Pan Caribbean Financial Services Limited ("Pan Caribbean"), or
  - b. A letter of authorization from the Applicant instructing Pan Caribbean to make payment from cleared funds held with Pan Caribbean in an investment account in the Applicant's name.
3. Shares are priced at the invitation prices as follows (see Prospectus for additional information):

Shares	Price
Non Reserve Shares (for the general public)	\$3.70
Key Partner Shares	\$3.70
Employee Shares	\$2.77
Associate Shares	\$3.70
Other (see Prospectus)	

4. If you are a Reserve Share Applicant please so specify at the top of the Application Form. You must attach payment for the specified number of Reserve Shares you are applying for.
5. If you are applying jointly with any other person you must complete the Joint Holder Information and each joint holder must sign the Application Form at the place indicated.
6. All Applicants must be at least 18 years old.
7. Share certificates will not be issued unless specifically requested. Instead the shares allotted to a successful applicant will be credited to his account at the Jamaica Central Securities Depository. If the applicant does not have a JCSD account, one will be created and the allotted shares deposited to that account. Applicants may refer to the notice posted on the JSE website ([www.jamstockex.com](http://www.jamstockex.com)) for instructions on confirming Share allotments.
8. Applicants who do not have a broker account must provide valid identification, proof of address, proof of source of funds and satisfy Pan Caribbean's customer acceptance requirements for account opening.
9. All Applicants are deemed to have accepted the terms and conditions set out in the Prospectus generally.

### FOR USE BY BROKER ONLY

Date Application Received	<input type="text"/>	Time Received	<input type="text"/>
Payment Method	<input type="radio"/> Cheque <input type="radio"/> Authorisation Letter		Date of Cheque/Letter
Payment Amount	<input type="text"/>	Pool	<input type="text"/>

\_\_\_\_\_  
Broker Authorised Signatory & Stamp