



KINGSTON  
LIVE ENTERTAINMENT

GROUP LTD

*Annual Report 2014*

## Our Vision

To be the premier entertainment and lifestyle group in Jamaica and beyond.

The KLE Group is now pursuing exciting new projects in franchising, entertainment, tourism and real estate development.

## Our Mission

Building dynamic lifestyle brands that will evolve the landscape of entertainment, satisfy our customers, inspire our team, enhance our community and deliver exceptional shareholder value.

## Our Brands



### FICTION LOUNGE

Jamaica's Premier Nightlife Destination.  
Kingston, Jamaica



### USAIN BOLT'S TRACKS & RECORDS

Jamaican Sports Bar and Eatery.  
Kingston, Jamaica



### ODYSSEY GAMING LOUNGE

Sophisticated Gaming.  
Managed and operated by Prime Sports (Jamaica) Limited, a member of the Supreme Ventures group.  
Kingston, Jamaica



### FAMOUS NIGHTCLUB

Portmore's Pulsating High Energy Club.  
St. Catherine, Jamaica



### BESSA

Lifestyle Themed Boutique Villa Community.  
(Joint venture with Sagico Life)  
St. Mary, Jamaica

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# Board of Directors

## BOARD OF DIRECTORS

The K.L.E. Group Board of Directors is a group of individuals with the knowledge, experience and expertise required to maintain and grow a successful business. Comprised of some of Jamaica's top business leaders and entrepreneurs, the K.L.E. Group Board is dedicated to driving financial growth and delivering exceptional shareholder value. The Board will achieve the highest standards of corporate governance and be responsible for the effectiveness of the business entities, ensuring proper controls, monitoring performance, and directing management towards growth and success with the utmost integrity.

## CORPORATE GOVERNANCE

As part of the governance framework, The Board is guided by The Private Sector Organisation of Jamaica's (PSOJ) Corporate Governance Code, adopted in a properly constituted Board Meeting held on January 30, 2013. The Board will implement many of the best practice recommendations as set out by the PSOJ Governance code. The Board's role is also to ensure transparency in achieving the goals of the business. A procurement policy was put in place by the Board to ensure transparency in the procurement of goods and services. It outlines a set of general principles and procurement procedures that should be adhered to in the procurement of all materials, goods and services.



**GARY C. MATALON, M.B.A., P.M.P.**  
Director and CEO



**AMBASSADOR AUDREY P. MARKS, BSc., M.B.A.**  
Chairman of the Board of Directors  
Non-Executive Director



**CHRIS DEHRING, BSc.**  
Non-Executive Director



**DAVID ALEXANDER SHIRLEY, B.A.**  
Executive Director



**JOE BOGDANOVICH**  
Non-Executive Director



**MARLON A. HILL, ESQ**  
Non-Executive Director



**STEPHEN ORLANDO SHIRLEY, A.S.**  
Non-Executive Director



**ZUAR ARD JARRETT, B.A., M. Arch.**  
Non-Executive Director



**NORMAN PEART**  
Non-Executive Director

## BOARD COMMITTEES

The Board's function is to monitor the business systems, review business processes, make decisions, and set policy accordingly to drive the business forward, drive shareholder value, and achieve success. The Board has initially established two committees with clearly defined responsibilities:

### Audit Committee

The Audit Committee monitors and reviews the objectivity and effectiveness of all business systems. The committee also monitors and reviews the financial health of the business and approves all budgets, internal audit functions and external financial statements.

As at the date of this Annual Report, the Members of the Audit Committee, as appointed by the Board of Directors are: ["I" denotes Independent Director]

|                   |            |
|-------------------|------------|
| Stephen Shirley   | Chairman   |
| Norman Peart      | Member [I] |
| Amb. Audrey Marks | Member [I] |

### Remuneration Committee

The Remuneration Committee reviews and approves all policies related to compensation and incentives of all board members and senior management of the company.

As at the date of this Annual Report, the Members of the Remuneration Committee as appointed by the Board of Directors are:

|                   |            |
|-------------------|------------|
| Amb. Audrey Marks | Member [I] |
| Stephen Shirley   | Member     |
| Marlon Hill       | Member [I] |

# Chairman's Report

As we close out another year we are reminded of just how important it is to build a foundation that can withstand any challenges that may come our way. 2014 has presented us with opportunities for growth as well as hurdles to overcome. Although there were some areas that underperformed during this period, we were able to reach a milestone in our journey towards franchising the Tracks and Records brand. We are now ready to move on to the next phase of expansion which will be supported by our board of directors who are resolute in their commitment to achieving this goal.

## CHANGES TO THE BOARD

I would like to take this opportunity to welcome a new member to the board, Mr. Joseph Bogdanovich, Chairman and CEO of Downsound records, who has more than forty years of experience in the entertainment industry. We look forward to his invaluable contribution to the KLE group as we extend our reach into the global market.

I would also like to express my gratitude to those members that have relinquished their positions over the past year. Mr. Kevin Bourke and Mr. Craig Powell each served on the board of directors for six years. We are thankful for their outstanding contribution to the group and its unique brands and wish them great success in their future endeavours.

## BUSINESS AWARD

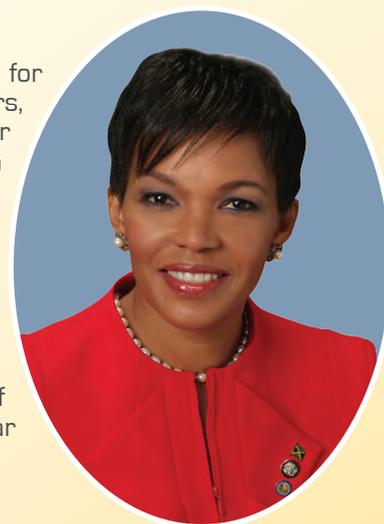
I am proud to announce that we received a runner-up award from the JSE Junior Market. This award was presented to us for implementing best practices in the creation of the 2013 annual report. This reflects our dedication to employing the highest standards no matter the task at hand and our remarkable professionalism.

## THE WAY FORWARD

I cannot overstate my overwhelming appreciation for our capable Board of Directors, loyal shareholders, employees and customers. Thank you all for your continued show of support as we travel the path towards further success.

The KLE group remains on solid ground backed by a team of highly qualified and motivated professionals who are dedicated to the company's vision. We have strategically aligned ourselves with our ultimate goal of expanding our brand beyond the local market. We are now beginning to see the results after years of careful planning and expect great things in the near future.

AMBASSADOR AUDREY MARKS  
Chairman



AMBASSADOR AUDREY P. MARKS,  
B.A., M.B.A.

# CEO's Message

The 2014 financial year was a defining one for the KLE Group. The company underwent several changes which were executed to accommodate the growth of our Tracks and Records brand. We have now completed the final stage of the franchise development process and look forward to selecting our first set of franchisees.

Despite the economic challenges which persisted throughout this period the restaurant division recorded positive growth in revenue, which cements a four year trend. The nightclub division fared less better after a decline in revenue that is largely explained by the divestment of Fiction. However, we do believe that the Famous Night Club still has the potential to meet or exceed our expectations. We have already undertaken a community based marketing strategy which will allow us to solidify our presence in the Portmore area and better promote the club as a premium venue.

Our restructuring efforts continued into the 2014 calendar year yielding a 30% reduction in expenses. Although we have had to sacrifice some revenue streams in an effort to reduce expenditure we believe that we are now strategically aligned to better allocate resources towards the franchising process. We are excited to embark on this new path which has the potential to generate additional income in more stable foreign markets.

## A BRIGHT FUTURE

The outlook for KLE is reassuringly positive. We have now reached a critical juncture which will define the future of our company. We are pleased with the progress that has been made and expect to achieve our ultimate goal of going global with the Tracks and Records brand.

We are thankful for the continued support of our Board of Directors, shareholders, employees and customers and cannot wait to seize the fantastic opportunities that lie ahead of us!

GARY C. MATALON  
CEO



GARY C. MATALON, M.B.A., P.M.P.

# Overview

## MANAGEMENT DISCUSSION AND ANALYSIS

KLE has established itself as a premium Jamaican Entertainment Brand which continues to revolutionize the industry through innovation, exceptional service and customer prioritization.

### Overview

Financial year 2014 brought with it new opportunities as well as challenges. The devaluation of the Jamaican dollar and the current economic situation has negatively impacted the overall performance of the company. Despite this KLE has made significant strides in a number of areas.

### Foundation

The seven visionary and dynamic Jamaican entrepreneurs who embarked on the mission of redefining premium entertainment in Jamaica and, in the process, present revolutionary new dimensions to the contemporary lifestyle in Jamaica, have remained steadfast in their resolve to achieve success, beyond that which was earlier envisioned.

### Restructuring Efforts

Our restructuring efforts have been largely successful and have led to reduced expenditure, improved financial performance and a decrease in losses.

### Franchising Rights

The undertaking to franchise the Tracks and Records Brand has now reached a pivotal stage with the completion of legal, training and operational documentation. Once franchising has been fully realized, a steady revenue stream will be established in high potential markets.

### Divestment of Fiction Night Club

Fiction Night Club, which has been a part of the KLE brand since its inception, was sold to accommodate further cost reduction measures. The sale of Fiction has allowed the company to better allocate its resources towards expansion of the Tracks and Records brand through franchising.

### Challenges

Our greatest challenge to date has been maximizing our growth potential with limited financial resources. The nightclub business continues to underperform because of the current economic situation. This has restricted our ability to adequately realize all our objectives. However, we have been exploring other options to increase the working capital needed to fulfill the company's agenda.

## Consumer Spending Potential

The local economic climate continues to affect consumer spending habits. Subsequently we were unable to pass on increased costs to consumers resulting in a lowered gross margin.

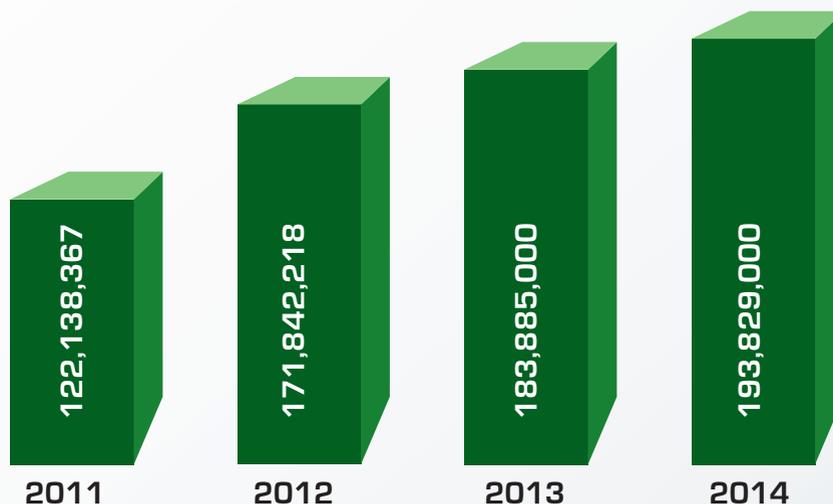
## Financial Highlights

Total revenue for the 2014 period was \$218,745,000.00. Operating loss amounted to \$6,481,000.00, a reduction of more than 73% when compared to the previous year's total of \$24,268,000.00. Efforts to reduce expenditure have had a positive impact on our ability to lower operational costs and reduce net losses.

## Restaurant Division

Revenue for Usain Bolt's Tracks and Records compared favourably to the 2013 period. The restaurant registered a \$10 million dollar increase in revenue despite the closure of the Odyssey Gaming Lounge in 2014. This increase solidifies a four year trend that has consistently reflected positive growth in the flagship brand's revenue.

### Usain Bolt's Tracks and Records Revenue 2011 – 2014



## Night Club Division

The night club division performed less favourably over the course of the 2014 period. Revenue decreased from \$164,072,00 in 2013 to \$63,184,00 in 2014. This reduction was primarily as result of the loss of revenue from Fiction which was divested in the second quarter.

Famous Night Club continues to show potential. On the ground marketing strategies have already been implemented to maximize the club's revenues and increase its visibility in the Portmore area.

## **Cost Reduction Strategies**

Restructuring efforts have allowed us to cut administrative costs by 29%. Administrative costs amounted to \$175,311,000.00 at the end of the 2014 period which represented a reduction of \$71,580,000.00 when compared to the previous year's total of \$218,745,000.00.

## **Outlook**

KLE continues on its trajectory of expansion and financial prudence. Efforts to propel the brand in a number of areas are now being realized with our franchising initiative and real estate development. The company has already laid the foundation for tapping into the North American market which promises increased profits and stronger returns on shareholder investment.

## **Expansion into Foreign Markets**

We are now on the cusp of expanding the Tracks and Records brand internationally. Once the final phase of the process has been completed we will be able to recruit the first set of franchisees. Each franchisee will benefit from operations documentation which meticulously outlines every aspect of the business and training material and programs to give the franchisees the best chance for success. We have already been approached with offers to franchise the Tracks and Records brand and expect that the first set of agreements will be signed in 2015.

## **Real Estate Development**

The Bessa Lifestyle themed boutique villa community is a joint venture with Sagicor Life Jamaica which promises to revolutionize the leisure time experience. The luxury real estate development is expected to entice tourists and locals with its breathtaking view of the island's vistas, state of the art architectural details and exclusive offerings.

## **The Road Ahead**

We are extremely appreciative of the continued loyalty of our stakeholders, employees and customers. While the road ahead will be paved with obstacles we look forward to overcoming each new challenge with unshakable determination and diligence.

# Corporate Social Responsibility

KLE is committed to giving back to the community through our philanthropic endeavours. Over the course of the 2014 period we became involved with several charitable causes, community activities and a summer internship programme. Each activity has been a truly gratifying experience that placed us in a position to fulfil needs that may not have otherwise been met.

## GENESIS TRAINING PROGRAMME

We partnered with the Genesis Academy to offer training to three students over a two week period. Students who attend the Genesis Academy are often afflicted with moderate learning disabilities which impede their chances of progressing in the standard school system. Subsequently the institution offers programmes that allow them to learn valuable skills that they can use to secure jobs within several industries.

We were pleased to accommodate a few students who were interested in pursuing careers in the restaurant industry. This was particularly rewarding for the students involved and the wonderful staff members who provided exceptional instruction to their young trainees. 2014's aspiring chefs included Jordan, Tasheanna and Kristina. They were instructed by our masterful Sous Chef Lawrence Lowther.



Pictured from left to right: Jordan, Tasheanna, Chef Lawrence (Our Sous Chef) and Kristina.

## SPECIAL OLYMPICS FOOTBALL COMPETITION CHEESECAKE TREAT

The Special Olympics Jamaica Football Competition was held on November 22, 2014. We were proud to be involved in this admirable event which gave youths with special needs an outlet for physical activity and healthy competition.

We were responsible for providing an after competition treat that the participants could thoroughly enjoy. We chose to donate 12 delectable cheese cakes baked by our distinguished chefs at Usain Bolt's Tracks and Records. The children were delighted to receive this treat and we were certainly thrilled to provide this worthwhile donation.



Participants of the Special Olympics Football Competition being presented with our scrumptious cheesecakes.

## SUMMER INTERNSHIP PROGRAMME

Our annual Tracks and Records Summer Internship Programme was once again a great success. The restaurant has offered this programme every year since its inception and continues to do so unflinchingly. The internship programme extends from June to August and provides aspiring students with much needed work experience and additional on the job training. After the completion of the internship these students are better equipped for the incredibly competitive local job market.

## PORTMORE'S CHRISTMAS TREE LIGHTING

This year we sponsored Portmore's Christmas Tree lighting in partnership with LIME at a total cost of \$200,000. This provided us with a significant opportunity to better connect with the Portmore community which is home to the Famous Night Club. Our CEO Gary Matalon and Director Joseph Bogdanovich, along with the Mayor, MP and other dignitaries attended the event which was a phenomenal success.



Gary Matalon (4th person from the right) and Joseph Bogdanovich (5th person from the right) partake in the ceremonial Christmas tree lighting at the Edgewater roundabout in Portmore.

# Shareholdings

## TEN LARGEST SHAREHOLDERS | AT QUARTER 31 DECEMBER 2014

| NAMES   | CONNECTED<br>SHARES               | PERSONAL<br>SHARES | PERCENTAGE<br>OWNERSHIP |
|---|-----------------------------------|--------------------|-------------------------|
| 1 Bogdanovich, Joseph   |                                   | 23,168,835         | 23.17%                  |
| 2 Matalon, Gary<br>(Neustone Ltd. - connected company)<br>(Highbourne Ltd.- connected company)<br>(Construction Systems International<br>- connected company) | 1,000,000<br>1,450,000<br>405,405 | 16,073,628         | 16.07%                  |
| 3 Shirley, Stephen  |                                   | 10,111,500         | 10%                     |
| 4 Sherwood Holdings Limited   |                                   | 6,757,000          | 6.76%                   |
| 5 Shirley, David<br>(Shani McGraham-Shirley - connected party)  | 150,000                           | 6,227,750          | 6.23%                   |
| 6 The Gleaner Company Limited   |                                   | 4,971,526          | 4.97%                   |
| 7 Jarrett, Zuar   |                                   | 4,200,000          | 4.20%                   |
| 8 Supreme Ventrues Limited  |                                   | 3,480,000          | 3.48%                   |
| 9 Powell, Craig   |                                   | 3,201,343          | 3.20%                   |
| 10 Bourke, Kevin  |                                   | 2,335,250          | 2.34%                   |
| <b>Total</b>  |                                   | 80,526,832         | 80.53%                  |
| <b>Others</b>   |                                   | 19,473,168         | 19.47%                  |
| <b>Total Issued Shares</b>  |                                   | 100,000,000        | 100.00%                 |

## SHAREHOLDINGS OF DIRECTORS | AT QUARTER 31 DECEMBER 2014

| NAMES  | CONNECTED SHARES                  | NO. OF SHARES |
|--|-----------------------------------|---------------|
| 1 Joseph Bogdanovich   |                                   | 23,168,835    |
| 2 Gary Matalon<br>(Neustone Ltd. - connected company)<br>(Highbourne Ltd.- connected company)<br>(Construction Systems International<br>- connected company) | 1,000,000<br>1,450,000<br>405,405 | 16,073,628    |
| 3 David Shirley<br>(Shani McGraham-Shirley<br>- connected party)   | 150,000                           | 6,227,750     |
| 4 Stephen Shirley  |                                   | 10,111,500    |
| 5 Zuar Jarrett   |                                   | 4,200,000     |
| 6 Audrey Marks (Chairperson)   |                                   | Nil           |
| 7 Norman Peart   |                                   | Nil           |
| 8 Marlon Hill  |                                   | Nil           |
| 9 Christopher Dehring  |                                   | Nil           |

## SHAREHOLDINGS OF EXECUTIVE MANAGEMENT | AT QUARTER 31 DECEMBER 2014

| NAMES  | CONNECTED SHARES                  | NO. OF SHARES |
|--|-----------------------------------|---------------|
| 1 Gary Matalon<br>(Neustone Ltd. - connected company)<br>(Highbourne Ltd.- connected company)<br>(Construction Systems International -<br>connected company) | 1,000,000<br>1,450,000<br>405,405 | 16,073,628    |
| 2 Nicholas K. Taylor   |                                   | 18,182        |
| 3 Herms Stanley  |                                   | Nil           |
| 4 Kevin Seaga  |                                   | Nil           |
| 5 Kevin Robinson   |                                   | Nil           |
| 6 Kemoi Burke  |                                   | Nil           |

## KLE GROUP LIMITED

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### **FINANCIAL STATEMENTS**

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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 36, which comprise the statement of financial position as at 31 December 2014 and the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### *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, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### *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 control 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 control. 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 2014, and of its financial performance, 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 that reads 'BDO'.

**Chartered Accountants**

27 February 2015

**KLE GROUP LIMITED****STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
YEAR ENDED 31 DECEMBER 2014**

|   | <u>Note</u> | <u>2014</u><br><u>\$'000</u> | <u>2013</u><br><u>\$'000</u> |
|---|-------------|------------------------------|------------------------------|
| REVENUE   | 7(a)        | 218,745                      | 333,875                      |
| Cost of sales   |             | ( 90,281)                    | (127,913)                    |
| GROSS PROFIT  |             | 128,464                      | 205,962                      |
| Other operating income  | 7(b)        | 40,366                       | 16,661                       |
| Administrative and other expenses                                     |             | (175,311)                    | (246,891)                    |
| OPERATING LOSS  |             | ( 6,481)                     | ( 24,268)                    |
| Finance costs   | 8           | ( 6,403)                     | ( 5,930)                     |
| Depreciation  |             | ( 26,004)                    | ( 25,668)                    |
| Loss before taxation  |             | ( 38,888)                    | ( 55,866)                    |
| Taxation  | 11          | -                            | -                            |
| NET LOSS FOR THE YEAR BEING, TOTAL<br>COMPREHENSIVE LOSS FOR THE YEAR |             | ( 38,888)                    | ( 55,866)                    |
| Loss per stock unit   | 12          | ( 0.39)                      | ( 0.56)                      |



**KLE GROUP LIMITED****STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
YEAR ENDED 31 DECEMBER 2014**

|                                       | <u>Share<br/>Capital<br/>\$'000</u> | <u>Accumulated<br/>Deficit<br/>\$'000</u> | <u>Total<br/>\$'000</u> |
|---------------------------------------|-------------------------------------|---|-------------------------|
| <b>BALANCE AT 1 JANUARY 2013</b>      | 122,903                             | ( 4,148)                                  | 118,755                 |
| Total comprehensive loss for the year | <u>-</u>                            | <u>(55,866)</u>                           | <u>( 55,866)</u>        |
| <b>BALANCE AT 31 DECEMBER 2013</b>    | 122,903                             | (60,014)                                  | 62,889                  |
| Total comprehensive loss for the year | <u>-</u>                            | <u>(38,888)</u>                           | <u>( 38,888)</u>        |
| <b>BALANCE AT 31 DECEMBER 2014</b>    | <u>122,903</u>                      | <u>(98,902)</u>                           | <u>24,001</u>           |

**KLE GROUP LIMITED****STATEMENT OF CASH FLOWS  
YEAR ENDED 31 DECEMBER 2014**

|  | <u>2014</u><br><u>\$'000</u> | <u>2013</u><br><u>\$'000</u> |
|--|------------------------------|------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>           |                              |                              |
| Net loss   | (38,888)                     | (55,866)                     |
| Items not affecting cash resources -                   |                              |                              |
| Depreciation   | 26,004                       | 25,668                       |
| Interest income  | ( 19)                        | ( 1,121)                     |
| Adjustment to property, plant and equipment            | 4,272                        | -                            |
| Unrealized gain on investment                          | ( 1,713)                     | -                            |
| Gain on disposal of property, plant and equipment      | (16,686)                     | -                            |
| Interest expense                                       | <u>6,403</u>                 | <u>5,930</u>                 |
|  | (20,627)                     | (25,389)                     |
| Changes in operating assets and liabilities -          |                              |                              |
| Inventories  | 2,498                        | ( 3,105)                     |
| Receivables  | (22,666)                     | 7,795                        |
| Related parties  | ( 2,437)                     | ( 230)                       |
| Payables   | <u>(17,862)</u>              | <u>42,125</u>                |
| Taxation paid  | (61,094)                     | 21,196                       |
|  | <u>( 7)</u>                  | <u>( 242)</u>                |
| Net cash (used in)/provided by operating activities    | <u>(61,101)</u>              | <u>20,954</u>                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>           |                              |                              |
| Interest received                                      | 19                           | 1,121                        |
| Long term investment                                   | -                            | ( 9,704)                     |
| Purchase of property, plant and equipment              | ( 1,155)                     | (74,879)                     |
| Proceed from disposal of property, plant and equipment | <u>36,594</u>                | <u>-</u>                     |
| Net cash provided by/(used in) investing activities    | <u>35,458</u>                | <u>(83,462)</u>              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>           |                              |                              |
| Proceeds from loans                                    | 72,928                       | 14,043                       |
| Interest expense                                       | ( 6,403)                     | ( 5,930)                     |
| Loan repayments  | <u>(22,690)</u>              | <u>(14,308)</u>              |
| Net cash provided by/(used in) financing activities    | <u>43,835</u>                | <u>( 6,195)</u>              |
| Net increase/(decrease) in cash and cash equivalents   | 18,192                       | (68,703)                     |
| Cash and cash equivalents at beginning of year         | <u>12,016</u>                | <u>80,719</u>                |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>        | <u>30,208</u>                | <u>12,016</u>                |

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****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 10.
- (b) The principal activity of the company is the provision of live entertainment. It operates Famous Night Club and a restaurant under the brand of Tracks and Records.
- (c) On 12 March 2014, K.L.E. Group Limited sold all the assets of one of its night clubs, Fiction Lounge, which ceased operations.

**2. REPORTING CURRENCY:**

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). These financial statements are presented in Jamaican dollars, which is considered the company's functional and presentation currency.

**3. 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. Amounts are rounded to the nearest thousand, unless otherwise stated.

**(a) Basis of preparation -**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), 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 in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(a) Basis of preparation (cont'd) -**

**Amendments to published standards effective in the current year that are relevant to the company's operations**

**IAS 32 (Amendment), 'Financial instruments: Presentation' (effective for annual periods beginning on or after 1 January 2014).** Amendments relating to the offsetting of assets and liabilities. This amendment has no significant impact on the company's financial statements.

**IAS 36, 'Impairment of Assets' (effective for annual periods beginning on or after 1 January 2014).** Amendments arising from *Recoverable Amount Disclosures for Non-Financial Assets*. This amendment has no significant impact on the company's financial statements.

**Standards and amendments to published standards that are not yet effective and have not been early adopted by the company**

**IAS 16 'Property, plant and equipment' (effective for annual periods beginning on or after 1 January 2016).** Amendments relating to clarification of acceptable method of depreciation and amortisation.

**IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after 1 January 2018).** IFRS 9 addresses classification and measurement of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification of financial assets under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9 also removes the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortised cost or fair value.

For financial liabilities IFRS 9 retains most of the IAS 39 requirements including amortised cost accounting for most financial liabilities and the requirement to separate embedded derivatives. The main change is where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(a) Basis of preparation (cont'd) -**

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company

IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2017). IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Management is currently assessing the impact on the company's financial statements.

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.

**(b) Foreign currency translation -**

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated to Jamaican dollars using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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 recognized in profit or loss.

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(c) Property, plant and equipment -**

Items of property, plant and equipment are recorded at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on the straight-line basis at such rates as will 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 improvements | 25% |
| Security system        | 10% |
| Computers              | 20% |

**(d) Impairment of non-current assets -**

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows.

**(e) Financial instruments -**

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

**Financial assets****(i) Classification**

The company classifies its financial assets as 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.

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(e) Financial instruments (cont'd) -****Financial assets (cont'd)****(i) Classification (cont'd)****Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The company's loans and receivables comprise trade and other receivables and cash and bank balances and amounts due from related party.

**(ii) Recognition and Measurement**

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. The company assesses at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in note 3(g).

**Financial liabilities**

The company's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the reporting date, the following items were classified as financial liabilities: long term liabilities, due to related party, trade and other payables and bank overdraft.

**(f) Inventories -**

Inventories are stated at the lower of cost and fair value less costs to sell, cost being determined on the average cost basis. Fair value less costs to sell is the estimated selling price in the ordinary course of business, less selling expenses.

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(g) Trade receivables -**

Trade receivables are carried at original invoiced amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the company will not collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the expected cash flows discounted at the market rate of interest for similar borrowings. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

**(h) 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 and in hand and short term deposits with original maturity of 90 days or less, net of bank overdraft.

**(i) Borrowings -**

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in profit or loss over the period of the borrowings.

**(j) Current and deferred income taxes -**

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(j) Current and deferred income taxes (cont'd) -**

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

**(k) Provisions -**

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

**(l) Revenue recognition -**

The company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the entity and when specific criteria have been met.

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.

**(m) Segment reporting -**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Operating segments are reported in a manner consistent with internal reporting to the company's chief operating decision maker.

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(n) Dividend distribution -**

Dividend distribution to the company's shareholders is recognized as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:**

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**(a) Critical judgements in applying the company's accounting policies -**

In the process of applying the company's accounting policies, management has not made any judgements that it believes would cause a significant impact on the amounts recognized in the financial statements.

**(b) Key sources of estimation uncertainty -**

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 assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**(i) Fair value estimation**

A number of assets and liabilities included in the company's financial statements require measurement at, and/or disclosure of, at fair value.

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. Market price is used to determine fair value where an active market (such as a recognized stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

The fair value measurement of the company's financial and non financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized.

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D):****(b) Key sources of estimation uncertainty (cont'd) -****(i) Fair value estimation (cont'd)**

The standard requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

- (i) Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- (iii) Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair values of financial instruments that are not traded in an active market are deemed to be determined as follows:

- (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 values. These financial assets and liabilities include cash and bank balances, receivables, payables, related party balances and bank overdraft.
- (ii) The carrying values of long term liabilities 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.

**(ii) Depreciable assets**

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

No impairment charge was recorded in the current or prior year.

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****5. FINANCIAL RISK MANAGEMENT:**

The company is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price, and
- Liquidity risk

In common with all other businesses, the company's activities expose it to a variety of risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks to minimize potential adverse effects on the financial performance of the company and the methods used to measure them.

The Board provides principles for overall risk management, as well as policies covering specific areas. There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

**(i) Principal financial instruments**

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

- Receivables
- Cash and cash equivalents
- Payables
- Related parties
- Long term liabilities

**(ii) Financial instruments by category****Financial assets**

|                               | <b>Loans and<br/>Receivables</b> |               |
|-------------------------------|----------------------------------|---------------|
|                               | <u>2014</u>                      | <u>2013</u>   |
|                               | <u>\$'000</u>                    | <u>\$'000</u> |
| Cash and bank balances        | 38,359                           | 21,472        |
| Due from related parties      | -                                | 519           |
| Receivables                   | <u>35,273</u>                    | <u>12,607</u> |
| <b>Total financial assets</b> | <u>73,632</u>                    | <u>34,598</u> |

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****5. FINANCIAL RISK MANAGEMENT (CONT'D):****(ii) Financial instruments by category (cont'd)****Financial liabilities**

|                                    | <b>Financial liabilities<br/>at amortised cost</b> |                       |
|------------------------------------|--|-----------------------|
|                                    | <u>2014</u>  | <u>2013</u>           |
|                                    | <u>\$'000</u>                                      | <u>\$'000</u>         |
| Bank overdraft                     | 8,151  | 9,456                 |
| Payables                           | 104,219  | 122,081               |
| Due to related parties             | 952  | 3,908                 |
| Long term liabilities              | <u>89,660</u>                                      | <u>39,422</u>         |
| <b>Total financial liabilities</b> | <u><b>202,982</b></u>                              | <u><b>174,867</b></u> |

**(iii) Financial instruments not measured at fair value**

Financial instruments not measured at fair value includes cash and cash equivalents, receivables, payables and long term liabilities.

Due to their short-term nature, the carrying value of cash and cash equivalents, receivables and payables approximates their fair value.

Long term liabilities reflect the company's contractual obligations and are carried at amortised cost, which is deemed to approximate fair value.

**(iv) Financial instruments measured at fair value**

There were no financial instruments held by the company in this category.

**(v) Financial risk factors**

The Board of directors has overall responsibility for the determination of the company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance function.

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****5. FINANCIAL RISK MANAGEMENT (CONT'D):****(v) Financial risk factors (cont'd)**

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

**(i) Market risk****Currency risk**

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

Currency risk arises from transactions that are denominated in currency other than the Jamaican dollar. The company manages this risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions.

**Concentration of currency risk**

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

|                        | <u>2014</u><br><u>\$'000</u> | <u>2013</u><br><u>\$'000</u> |
|------------------------|------------------------------|------------------------------|
| Long term investment   | 11,417                       | 9,704                        |
| Cash and bank balances | 30,980                       | 4,973                        |
| Receivables            | 24,228                       | 2,759                        |
| Payables               | ( 7,397)                     | (2,112)                      |
| Long term liabilities  | <u>(74,883)</u>              | <u>(6,895)</u>               |
|                        | <u>(15,655)</u>              | <u>(8,429)</u>               |

**Foreign currency sensitivity**

The following table indicates the sensitivity of loss before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and bank balances, receivables, payables and long term liabilities, and adjusts their translation at the year-end for 10% (2013 - 15%) depreciation and a 1% (2013 - 1%) appreciation of the Jamaican dollar against the US dollar.

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****5. FINANCIAL RISK MANAGEMENT (CONT'D):****(v) Financial risk factors (cont'd)****(i) Market risk (cont'd)****Currency risk (cont'd)**

The changes below would have no impact on other components of equity.

|           | % Change in<br>Currency Rate<br><u>2014</u> | Effect on<br>Loss before<br>Tax<br>31 December<br><u>2014</u><br><u>\$'000</u> | % Change in<br>Currency Rate<br><u>2013</u> | Effect on<br>Loss before<br>Tax<br>31 December<br><u>2013</u><br><u>\$'000</u> |
|-----------|---|--|---|--|
| Currency: |   |  |   |  |
| USD       | -10   | 1,567  | -15   | 546  |
| USD       | <u>+1</u>                                   | <u>( 157)</u>  | <u>+1</u>                                   | <u>( 36)</u>   |

**Price risk**

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. As the company does not have a significant exposure, market price fluctuations are not expected to have a material effect on the net results or stockholders' equity.

**Cash flow and fair value 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.

Floating rate instruments expose the company to cash flow interest rate risk, whereas fixed rate instruments expose the company to fair value interest rate risk.

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****5. FINANCIAL RISK MANAGEMENT (CONT'D):****(v) Financial risk factors (cont'd)****(i) Market risk (cont'd)****Cash flow and fair value interest rate risk (cont'd)**

The company is primarily exposed to cash flow interest rate risk on its variable rate borrowings. The company analyses its interest rate exposure arising from borrowings on an ongoing basis, taking into consideration the options of refinancing, renewal of existing positions and alternative financing.

Short term deposits and borrowings are the only interest bearing assets and liabilities respectively, within the company. The company's short term deposits and borrowings are due to mature and re-price respectively, within 3 months of the reporting date.

**Interest rate sensitivity**

There is no significant exposure to interest rate risk on short term deposits, as these deposits have a short term to maturity and are constantly reinvested at current market rates.

There is no significant exposure to interest rate risk on borrowings. A 2.5% increase/1% decrease (2013 - 2.5% increase/1% decrease) in interest rates on Jamaican dollar borrowings would result in a \$154,102 decrease/\$385,255 increase (2013 - \$853,044 decrease/\$341,218 increase) in loss before tax for the company.

A 2% increase/0.5% decrease (2013 - 2% increase/0.5% decrease) in interest rates on US dollar borrowings would result in a \$374,418 decrease/\$1,497,672 increase (2013 - \$34,474 increase/\$137,896 decrease) in loss before tax for the company.

**(ii) 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. Credit risk arises from receivables, due from related parties and cash and bank balances.

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****5. FINANCIAL RISK MANAGEMENT (CONT'D):****(v) Financial risk factors (cont'd)****(ii) Credit risk (cont'd)****Trade receivables**

Revenue transactions in respect of the company's primary operations are settled either in cash or by using major credit cards. For its operations done on a credit basis, the company has policies in place to ensure that sales of services are made to customers with an appropriate credit history.

**Cash and bank balances**

Cash transactions are limited to high credit quality financial institutions. The company has policies that limit the amount of credit exposure to any one financial institution.

**Maximum exposure to credit risk**

The maximum exposure to credit risk is equal to the carrying amount of trade and other receivables and cash and cash equivalents in the statement of financial position.

**Trade receivables that are past due but not impaired**

As at 31 December 2014, trade receivables of \$2,549,798 (2013 - \$2,743,613) were past due but not impaired. These relate to independent customers for whom there is no recent history of default.

**Trade receivables that are past due and impaired**

As of 31 December 2014, the company had trade receivables of \$5,359,591 (2013 - 4,354,019) that were impaired. The amount of the provision was \$5,359,591 (2013 - 4,354,019). These receivables were aged over 90 days.

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****5. FINANCIAL RISK MANAGEMENT (CONT'D):****(v) Financial risk factors (cont'd) -****(ii) Credit risk (cont'd)****Trade receivables that are past due and impaired (continued)**

Movements on the provision for impairment of trade receivables are as follows:

|                                      | <u>2014</u>  | <u>2013</u>  |
|--------------------------------------|--------------|--------------|
|                                      | \$           | \$           |
| At 1 January                         | 4,354        | -            |
| Provision for receivables impairment | <u>1,006</u> | <u>4,354</u> |
| At 31 December                       | <u>5,360</u> | <u>4,354</u> |

The creation and release of provision for impaired receivables have been included in expenses in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. Impairment estimates have been adjusted based on actual collection patterns.

**Concentration of risk - trade receivables**

The following table summarises the company's credit exposure for trade receivables at their carrying amounts, as categorized by the customer sector:

|   | <u>2014</u>    | <u>2013</u>    |
|---|----------------|----------------|
|   | \$'000         | \$'000         |
| Corporate customers                           | 6,408          | 8,887          |
| Walk in customers                             | 351            | 329            |
| Other   | <u>4,381</u>   | <u>1,830</u>   |
|   | 11,140         | 11,046         |
| Less: Provision for impairment of receivables | <u>(5,360)</u> | <u>(4,354)</u> |
|   | <u>5,780</u>   | <u>6,692</u>   |

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****5. FINANCIAL RISK MANAGEMENT (CONT'D):****(v) Financial risk factors (cont'd) -****(iii) Liquidity risk**

Liquidity risk is the risk that the company will be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

The company's liquidity management process, as carried out within the company and monitored by the Directors, includes:

- (i) monitoring future cash flows and liquidity;
- (ii) maintaining a portfolio of short term deposit balances that can easily be liquidated as protection against any unforeseen interruption to cash flow; and
- (iii) maintaining committed lines of credit.

Cash flows of financial liabilities

The maturity profile of the company's financial liabilities, based on contractual undiscounted payments, is as follows:

|   | Within 1<br>Year<br><u>\$'000</u> | 1 to 2<br>Years<br><u>\$'000</u> | 2 to 5<br>Years<br><u>\$'000</u> | Over 5<br>Years<br><u>\$'000</u> | Total<br><u>\$'000</u> |
|---|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|------------------------|
| <b>31 December 2014</b>   |                                   |                                  |                                  |                                  |                        |
| Trade payables  | 51,680                            | -                                | -                                | -                                | 51,680                 |
| Accruals and other<br>payables  | 52,539                            | -                                | -                                | -                                | 52,539                 |
| Related party   | 952                               | -                                | -                                | -                                | 952                    |
| Long term liabilities   | <u>28,609</u>                     | <u>17,702</u>                    | <u>43,349</u>                    | <u>-</u>                         | <u>89,660</u>          |
| <b>Total financial<br/>liabilities (contractual<br/>maturity dates)</b> | <u>133,780</u>                    | <u>17,702</u>                    | <u>43,349</u>                    | <u>-</u>                         | <u>194,831</u>         |

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****5. FINANCIAL RISK MANAGEMENT (CONT'D):****(v) Financial risk factors (cont'd) -****(iii) Liquidity risk (cont'd)**

Cash flows of financial liabilities (cont'd)

|   | Within 1<br>Year<br><u>\$'000</u> | 1 to 2<br>Years<br><u>\$'000</u> | 2 to 5<br>Years<br><u>\$'000</u> | Over 5<br>Years<br><u>\$'000</u> | Total<br><u>\$'000</u> |
|---|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|------------------------|
| <b>As at 31 December 2013</b>   |                                   |                                  |                                  |                                  |                        |
| Trade payables  | 60,145                            | -                                | -                                | -                                | 60,145                 |
| Accruals and other<br>payables  | 61,936                            | -                                | -                                | -                                | 61,936                 |
| Related parties   | 3,908                             | -                                | -                                | -                                | 3,908                  |
| Long term liabilities   | <u>24,746</u>                     | <u>14,676</u>                    | <u>-</u>                         | <u>-</u>                         | <u>39,422</u>          |
| <b>Total financial<br/>liabilities (contractual<br/>maturity dates)</b> | <u>150,735</u>                    | <u>14,676</u>                    | <u>-</u>                         | <u>-</u>                         | <u>165,411</u>         |

**(vi) Capital management -**

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders. The Board of Directors monitors the return on capital, which the company defines as net operating income, excluding non-recurring items, divided by total stockholders' equity.

There are no particular strategies to determine the optimal capital structure. There are also no external capital maintenance requirements to which the company is subject.

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****6. SEGMENT REPORTING:**

The company is managed in three main business segments based on business activities. The designated segments are as follows:

- (i) Restaurant division - this division is involved in the provision of entertainment;
- (ii) Night club division - this division is involved in the provision of live entertainment; and
- (iii) Corporate division - this division incorporates activities that do not fit in (i) or (ii) above.

|                     | <b>2014</b>                        |                                       |  |                 |
|---------------------|------------------------------------|---------------------------------------|--|-----------------|
|                     | Restaurant<br>Activities<br>\$'000 | Night<br>Club<br>Activities<br>\$'000 | Corporate<br>(Head Office)<br>Activities<br>\$'000 | Total<br>\$'000 |
| Revenue             | <u>193,829</u>                     | <u>63,184</u>                         | <u>2,098</u>                                       | <u>259,111</u>  |
| Assets              | <u>90,472</u>                      | <u>91,196</u>                         | <u>46,187</u>                                      | <u>227,855</u>  |
| Liabilities         | <u>71,844</u>                      | <u>58,251</u>                         | <u>73,759</u>                                      | <u>203,854</u>  |
| <b>Other items</b>  |                                    |                                       |  |                 |
| Capital expenditure | <u>406</u>                         | <u>305</u>                            | <u>444</u>   | <u>1,155</u>    |
| Depreciation        | <u>17,059</u>                      | <u>8,746</u>                          | <u>199</u>   | <u>26,004</u>   |
| Interest expense    | <u>4,125</u>                       | <u>143</u>                            | <u>2,135</u>                                       | <u>6,403</u>    |

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****6. SEGMENT REPORTING (CONT'D):**

|                     | <b>2013</b>                        |                                       |  |                 |
|---------------------|------------------------------------|---------------------------------------|--|-----------------|
|                     | Restaurant<br>Activities<br>\$'000 | Night<br>Club<br>Activities<br>\$'000 | Corporate<br>(Head Office)<br>Activities<br>\$'000 | Total<br>\$'000 |
| Revenue             | <u>183,885</u>                     | <u>164,072</u>                        | <u>2,579</u>                                       | <u>350,536</u>  |
| Assets              | <u>120,393</u>                     | <u>108,721</u>                        | <u>9,521</u>                                       | <u>238,635</u>  |
| Liabilities         | <u>84,613</u>                      | <u>36,765</u>                         | <u>54,368</u>                                      | <u>175,746</u>  |
| <b>Other items</b>  |                                    |                                       |  |                 |
| Capital expenditure | 5,518                              | 68,240                                | 1,121  | 74,879          |
| Depreciation        | <u>16,492</u>                      | <u>9,093</u>                          | <u>83</u>  | <u>25,668</u>   |
| Interest expense    | <u>3,903</u>                       | <u>-</u>                              | <u>2,027</u>                                       | <u>5,930</u>    |

**7(a). REVENUE:**

Revenue represents the price of goods and services sold after discounts and allowances.

**7(b). OTHER OPERATING INCOME:**

|   | <u>2014</u><br><u>\$'000</u> | <u>2013</u><br><u>\$'000</u> |
|---|------------------------------|------------------------------|
| Sponsorship income                                | 21,173                       | 11,838                       |
| Interest income                                   | 19                           | 1,121                        |
| Gain on disposal of property, plant and equipment | 16,686                       | -                            |
| Other income                                      | <u>2,488</u>                 | <u>3,702</u>                 |
|   | <u>40,366</u>                | <u>16,661</u>                |

**8. FINANCE COSTS:**

|                   | <u>2014</u><br><u>\$'000</u> | <u>2013</u><br><u>\$'000</u> |
|-------------------|------------------------------|------------------------------|
| Interest on loans | <u>6,403</u>                 | <u>5,930</u>                 |

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

Total direct, selling, administration and other operating expenses:

|   | <u>2014</u><br><u>\$'000</u> | <u>2013</u><br><u>\$'000</u> |
|---|------------------------------|------------------------------|
| Director's fees - prior year over provision | ( 26)                        | -                            |
| Auditors' remuneration - current year       | 1,200                        | 675                          |
| - prior year under provision                | 675                          | -                            |
| Depreciation - current year                 | 26,004                       | 25,668                       |
| - adjustment                                | ( 3,769)                     | -                            |
| Staff costs (note 10)                       | 71,589                       | 90,078                       |
| Advertising                                 | 10,379                       | 18,088                       |
| Cost of inventory recognized as expense     | 90,281                       | 127,913                      |
| Insurance                                   | 2,205                        | 3,818                        |
| Management fees                             | -                            | 17,341                       |
| - prior year over provision                 | ( 585)                       | -                            |
| Legal and professional fees                 | 2,668                        | 6,159                        |
| Repairs and maintenance                     | 1,689                        | 4,031                        |
| Security                                    | 5,453                        | 6,449                        |
| Utilities                                   | 25,185                       | 30,527                       |
| Bank charges                                | 7,696                        | 6,104                        |
| Rent  | 28,745                       | 33,839                       |
| Janitorial expense                          | 3,298                        | 4,934                        |
| Music and entertainment                     | 3,541                        | 4,692                        |
| Couriers                                    | 1,986                        | 1,922                        |
| IT expenses                                 | 1,602                        | 2,036                        |
| Travel and entertainment                    | 2,564                        | 2,093                        |
| Royalties                                   | 5,864                        | 6,348                        |
| Bad debts                                   | 2,292                        | 3,160                        |
| Loan interest                               | 5,865                        | 5,930                        |
| Other expenses                              | <u>1,598</u>                 | <u>4,597</u>                 |
|   | <u>297,999</u>               | <u>406,402</u>               |

**10. STAFF COSTS:**

|                         | <u>2014</u><br><u>\$'000</u> | <u>2013</u><br><u>\$'000</u> |
|-------------------------|------------------------------|------------------------------|
| Wages and salaries      | 64,542                       | 78,738                       |
| Statutory contributions | 7,577                        | 9,339                        |
| Staff welfare           | ( 657)                       | 1,493                        |
| Uniform                 | <u>127</u>                   | <u>508</u>                   |
|                         | <u>71,589</u>                | <u>90,078</u>                |

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****11. TAXATION:**

- (a) Reconciliation of theoretical tax charge that would arise on loss before tax using the applicable tax rate to actual tax charge:

|   | <u>2014</u><br><u>\$'000</u> | <u>2013</u><br><u>\$'000</u> |
|---|------------------------------|------------------------------|
| Loss before taxation  | (38,888)                     | (55,866)                     |
| Tax calculated at 25%   | ( 9,722)                     | (13,967)                     |
| Taxation differences between profit for the financial statements and tax reporting purposes on: |                              |                              |
| Depreciation and capital allowances   | 2,715                        | ( 3,092)                     |
| Other adjustments   | ( 801)                       | -                            |
| Current year tax loss   | <u>7,808</u>                 | <u>17,059</u>                |
| Taxation in statement of comprehensive income   | <u>-</u>                     | <u>-</u>                     |

- (b) Subject to the agreement of the Commissioner, Taxpayer Audit and Assessment, at the end of the reporting period the company has tax losses of approximately \$121,156,960 (2013 - \$94,901,320) available for set-off against future profits.

- (c) Remission of income tax:

The company's shares were listed on the Jamaica Stock Exchange Junior Market, effective 22 October 2012. Consequently, the company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided the shares remain listed for at least 15 years

|           |      |
|-----------|------|
| Year 1-5  | 100% |
| Year 6-10 | 50%  |

The financial statements have been prepared on the basis that the company will have the full benefit of the tax remission.

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****12. LOSS PER STOCK UNIT:**

Loss per stock unit is calculated by dividing the net loss attributable to stockholders by the number of ordinary stock units in issue at year end.

|  | <u>2014</u>    | <u>2013</u>    |
|--|----------------|----------------|
| Net loss attributable to stockholders (\$'000)           | ( 38,888)      | ( 55,866)      |
| Number of ordinary stock units (weighted average) ('000) | 100,000        | 100,000        |
| Loss per stock unit (\$ per share)                       | <u>( 0.39)</u> | <u>( 0.56)</u> |

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****PROPERTY, PLANT AND EQUIPMENT:**

|                     | Leasehold<br>Improvements | Equipment     | Furniture<br>& Fixtures | Security<br>System | Computers     | Total           |
|---------------------|---------------------------|---------------|-------------------------|--------------------|---------------|-----------------|
|                     | <u>\$'000</u>             | <u>\$'000</u> | <u>\$'000</u>           | <u>\$'000</u>      | <u>\$'000</u> | <u>\$'000</u>   |
| Cost -              |                           |               |                         |                    |               |                 |
| 1 January 2013      | 94,836                    | 25,853        | 46,353                  | 1,971              | 5,313         | 174,326         |
| Additions           | <u>28,872</u>             | <u>22,630</u> | <u>16,130</u>           | <u>2,422</u>       | <u>4,825</u>  | <u>74,879</u>   |
| 31 December 2013    | 123,708                   | 48,483        | 62,483                  | 4,393              | 10,138        | 249,205         |
| Additions           | 473                       | 106           | 395                     | -                  | 181           | 1,155           |
| Disposal            | ( 13,910)                 | (10,166)      | ( 10,567)               | ( 575)             | ( 700)        | ( 35,918)       |
| Adjustment          | <u>( 8,041)</u>           | <u>-</u>      | <u>-</u>                | <u>-</u>           | <u>-</u>      | <u>( 8,041)</u> |
| 31 December 2014    | <u>102,230</u>            | <u>38,423</u> | <u>52,311</u>           | <u>3,818</u>       | <u>9,619</u>  | <u>206,401</u>  |
| Depreciation -      |                           |               |                         |                    |               |                 |
| 1 January 2013      | 21,802                    | 5,417         | 8,775                   | 1,266              | 1,174         | 38,434          |
| Charge for the year | <u>13,884</u>             | <u>3,991</u>  | <u>5,674</u>            | <u>317</u>         | <u>1,802</u>  | <u>25,668</u>   |
| 31 December 2013    | 35,686                    | 9,408         | 14,449                  | 1,583              | 2,976         | 64,102          |
| Charge for the year | 13,548                    | 5,635         | 5,968                   | 188                | 665           | 26,004          |
| Disposal            | ( 6,208)                  | ( 4,340)      | ( 4,886)                | ( 284)             | ( 292)        | ( 16,010)       |
| Adjustment          | <u>( 3,769)</u>           | <u>-</u>      | <u>-</u>                | <u>-</u>           | <u>-</u>      | <u>( 3,769)</u> |
| 31 December 2014    | <u>39,257</u>             | <u>10,703</u> | <u>15,531</u>           | <u>1,487</u>       | <u>3,349</u>  | <u>70,327</u>   |
| Net Book Value -    |                           |               |                         |                    |               |                 |
| 31 December 2014    | <u>62,973</u>             | <u>27,720</u> | <u>36,780</u>           | <u>2,331</u>       | <u>6,270</u>  | <u>136,074</u>  |
| 31 December 2013    | <u>88,022</u>             | <u>39,075</u> | <u>48,034</u>           | <u>2,810</u>       | <u>7,162</u>  | <u>185,103</u>  |

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****14. LONG TERM INVESTMENT:**

|               | <u>2014</u><br><u>\$'000</u> | <u>2013</u><br><u>\$'000</u> |
|---------------|------------------------------|------------------------------|
| Bessa Project | <u>11,417</u>                | <u>9,704</u>                 |

K.L.E. Group Limited (K.L.E.) entered into a Partnership Agreement with Sagicor Life Limited for the purpose of carrying out the Bessa Project; a project for the development of property in Oracabessa. St. Mary. Pursuant to the said Agreement, K.L.E. is obliged to invest the sum of US\$350,007 in cash. However, in 2013 the Board of Directors of K.L.E. decided to reduce its direct funding in respect of the Bessa Project to a maximum of US\$100,007 and accordingly invited a small group of investors (the "Participants") to assume the risk and reward of participating in the Bessa Partnership to the extent of US\$250,000.

The Participants entered into a Participation Agreement with K.L.E., whereby K.L.E. would receive the investment funds paid in by the Participants, pay it into the Bessa Partnership, and manage the process of accounting to the Participants for any returns earned on those funds. K.L.E. does not assume the risk of this investment, and it is expressly acknowledged by the Participants that they undertake this investment at their own risk.

Under this Participation Agreement, K.L.E.'s obligations to the Participants are:

- (a) to report to the investors throughout the life of the Bessa Partnership in respect of the progress of the Bessa Project utilizing the information provided to it as a result of the Partnership Agreement;
- (b) to account to the Participants in respect of all amounts paid to K.L.E. in cash by the Partnership in respect of K.L.E.'s interest therein and promptly pay over to each Participant the amount so received which represents a return of capital and/or profit in respect of the amount provided by each Participant; and
- (c) to receive and hold on trust for the Participants and for itself any non-cash assets received as a distribution from the Partnership, with power to dispose of such assets and to account to the Participants in respect of the net proceeds of such sale. K.L.E. shall promptly pay to each Participant such portion of the net sale proceeds received which represents a return of capital and/or profit in respect of the amount provided by each Participant;

K.L.E.'s liability to the Participants only arises in respect of any failure by it to properly account to the Participants in respect of funds received from the Bessa Partnership which are referable to the amount invested by the Participants, and/or to promptly pay over such amounts as are lawfully due to the Participants under the Participation Agreement, where it has received such amounts from the Bessa Partnership.

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****14. LONG TERM INVESTMENT (CONT'D):**

In return for performing its obligations under the Participation Agreement, K.L.E. is entitled to an annual administration fee equal to 1% of each Participant's invested amount, as well as a bonus payment equal to 15% of the profit earned by each Participant on their investment, where the profit exceeds a specified hurdle rate (i.e., the 12 month United States Dollar LIBOR obtaining as at the date in respect of which the final audited financial statements of the Partnership have been prepared, plus 4%).

**15. INVENTORIES:**

|                  | <u>2014</u><br><u>\$'000</u> | <u>2013</u><br><u>\$'000</u> |
|------------------|------------------------------|------------------------------|
| Goods for resale | 6,732                        | 9,230                        |

**16. RECEIVABLES:**

|                              | <u>2014</u><br><u>\$'000</u> | <u>2013</u><br><u>\$'000</u> |
|------------------------------|------------------------------|------------------------------|
| Trade receivables            | 11,140                       | 11,046                       |
| Provision for doubtful debts | ( 5,360)                     | ( 4,354)                     |
| Net trade receivables        | 5,780                        | 6,692                        |
| I-Franchise                  | 9,911                        | 2,579                        |
| Deposits                     | 1,312                        | 1,312                        |
| Other receivables            | <u>18,270</u>                | <u>2,024</u>                 |
|                              | <u>35,273</u>                | <u>12,607</u>                |

The aging of trade receivables is as follows:

|                  | <u>2014</u><br><u>\$'000</u> | <u>2013</u><br><u>\$'000</u> |
|------------------|------------------------------|------------------------------|
| 0-30 days        | 1,721                        | 4,707                        |
| 31-60 days       | 306                          | -                            |
| 61-90 days       | 238                          | 1,165                        |
| 90 days and over | <u>8,875</u>                 | <u>5,174</u>                 |
|                  | <u>11,140</u>                | <u>11,046</u>                |

Other receivables include \$15,425 (thousand) receivable from the sale of Fiction Lounge's assets during the year (note 1c).

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****17. RELATED PARTY TRANSACTIONS AND BALANCES:**

|  | <u>2014</u><br><u>\$'000</u> | <u>2013</u><br><u>\$'000</u> |
|--|------------------------------|------------------------------|
| (a) Purchases of services:                 |                              |                              |
| Director -                                 |                              |                              |
| Advertising and Marketing Services         | -                            | 6,125                        |
| Rent - corporate office                    | <u>-</u>                     | <u>800</u>                   |
| Neustone Limited -                         |                              |                              |
| Management fees                            | <u>-</u>                     | <u>14,240</u>                |
| (b) Key management compensation:           |                              |                              |
| Directors' fees - prior year overprovision | ( 26)                        | -                            |
| Salaries                                   | <u>15,006</u>                | <u>12,224</u>                |

No directors' fees were charged during the current financial year and \$26 (thousand) prior year's directors' fees that were previously accrued were written back in the current financial year.

**(c) Year end balances arising from transactions with related parties:**

|                  |          |                |
|------------------|----------|----------------|
| Due from -       |          |                |
| Directors        | <u>-</u> | <u>519</u>     |
| Due to -         |          |                |
| Directors        | (952)    | -              |
| Neustone Limited | <u>-</u> | <u>(3,908)</u> |

**18. CASH AND CASH EQUIVALENTS:**

|                                    | <u>2014</u><br><u>\$'000</u> | <u>2013</u><br><u>\$'000</u> |
|------------------------------------|------------------------------|------------------------------|
| Cash at bank and in hand           | 37,388                       | 21,274                       |
| Deposit and short-term instruments | <u>971</u>                   | <u>198</u>                   |
| Cash and bank balances             | 38,359                       | 21,472                       |
| Bank overdraft                     | <u>( 8,151)</u>              | <u>( 9,456)</u>              |
|                                    | <u>30,208</u>                | <u>12,016</u>                |

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****18. CASH AND CASH EQUIVALENTS (CONT'D):**

The weighted average interest rate of short term deposits is as follows:

|                             | <u>2014</u>        | <u>2013</u> |
|-----------------------------|--------------------|-------------|
|                             | <u>%</u>           | <u>%</u>    |
| Jamaican dollars (J\$)      | 4.35 - 4.55        | 4.35        |
| United States dollar (US\$) | <u>1.50 - 3.00</u> | <u>-</u>    |

These deposits mature within 365 and 30 days respectively (2013 - 90 days).

**Bank overdraft**

The company has bank overdraft facilities totaling \$4,000,000 (2013 - \$4,000,000) which attracts interest at 17.4% (2013 - 17.4%) and are immediately rate sensitive. The excess of the actual overdraft balance above the stated facility include unrepresented cheques of \$3,124,062 (2013 - \$4,682,711) at year end.

Bank accounts previously held in the name of Usain Bolt's Tracks and Records Limited prior to the amalgamation on November 2011 have not been changed to reflect K.L.E. Group Limited at the end of the reporting period.

**19. SHARE CAPITAL:**

|  | <u>2014</u>    | <u>2013</u>    |
|--|----------------|----------------|
|  | <u>\$'000</u>  | <u>\$'000</u>  |
| Authorised -<br>100,000,000 ordinary shares of no par value                            |                |                |
| Stated capital, issued and fully paid -<br>100,000,000 ordinary shares of no par value | <u>122,903</u> | <u>122,903</u> |

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****20. LONG TERM LIABILITIES:**

|                         | <u>2014</u><br><u>\$'000</u> | <u>2013</u><br><u>\$'000</u> |
|-------------------------|------------------------------|------------------------------|
| Sagicor Bank Limited    |                              |                              |
| \$25.2 million loan (i) | 7,077                        | 20,280                       |
| \$25 million loan (ii)  | -                            | 13,843                       |
| \$16 million loan (iii) | 8,333                        | -                            |
| Promissory note (i)     |                              |                              |
| US\$125,000             | 656                          | 5,299                        |
| Promissory note (ii)    |                              |                              |
| US\$650,000             | <u>73,594</u>                | <u>-</u>                     |
|                         | 89,660                       | 39,422                       |
| Less current portion    | <u>(28,609)</u>              | <u>(24,746)</u>              |
|                         | <u>61,051</u>                | <u>14,676</u>                |

Loan (i) attracts interest at a rate of 12.45% per annum and is for a period of 944 days.

Loan (ii) attracted interest at a rate of 9.5% per annum and was for a period of 270 days. This loan has been subsequently repaid in full during the current financial year.

Loan (iii) attracts interest at a rate of 9.5% per annum and is for a period of 545 days.

The Sagicor Bank Limited loans are secured by a promissory note executed by the company supported by debenture over fixed and floating assets of the company.

Promissory note (i) is unsecured, attracts interest at 10% per annum and is for a period of twenty-four (24) months. Promissory note (ii) is secured by the assets of Famous Night Club, attracts interest at 6.5% per annum and is for a period of forty-eight (48) months.

The promissory notes are due to individuals.

A balance due to the Gleaner Company Limited included under long term liabilities in the prior year has been reclassified to other payables.

**KLE GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****21. PAYABLES:**

|                    | <u>2014</u><br><u>\$'000</u> | <u>2013</u><br><u>\$'000</u> |
|--------------------|------------------------------|------------------------------|
| Trade payables     | 51,680                       | 60,145                       |
| Accruals           | 1,503                        | 8,371                        |
| Statutory payables | 6,770                        | 3,062                        |
| Credit cards       | 9,613                        | 6,723                        |
| GCT                | 6,404                        | 4,799                        |
| Royalties payable  | 7,133                        | 11,669                       |
| Deferred income    | 13,794                       | 20,992                       |
| Other              | <u>7,322</u>                 | <u>6,320</u>                 |
|                    | <u>104,219</u>               | <u>122,081</u>               |

Other payables include a balance of \$343,983 (2013 - \$1,595,666) due to the Gleaner Company Limited and represent contra arrangement to advance funds to purchase capital equipment incurred which was off set against Corporate functions held at Tracks and Records.



*Serious About Entertainment*



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