



The Marketplace 67 Constant Spring Rd, Unit 8, Kingston 10, Jamaica W.I.  
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## Unaudited Financial Statements Six Months Ended June 30, 2018

The Board of Directors of K.L.E. Group Limited is pleased to present its unaudited financial statements for the six months ended June 30, 2018.

### Financial Highlights

	2018	2017
	<u>\$'000</u>	<u>\$'000</u>
Profits from operations (before finance cost, depreciation and taxation)	11,312	14,914
Total Comprehensive Income for the period – June 30, 2018	3,088	7,117

### Overview

KLE Group continues to find strategic and innovative ways to grow its revenue and increase its revenue base. Revenue for the first six months of the financial year grew by 6% when compared with the similar period in the prior year.

Revenue Growth			
2018	2017	\$ change	% change
,\$,000	,\$,000	,\$,000	%
110,040	103,724	6,315	6.1%

There was also a significant increase in other operating income of approximately \$6.3 million or 112%. Total revenues and other operating income amounted to \$122.4 million compared to \$109.6 million in the previous year.

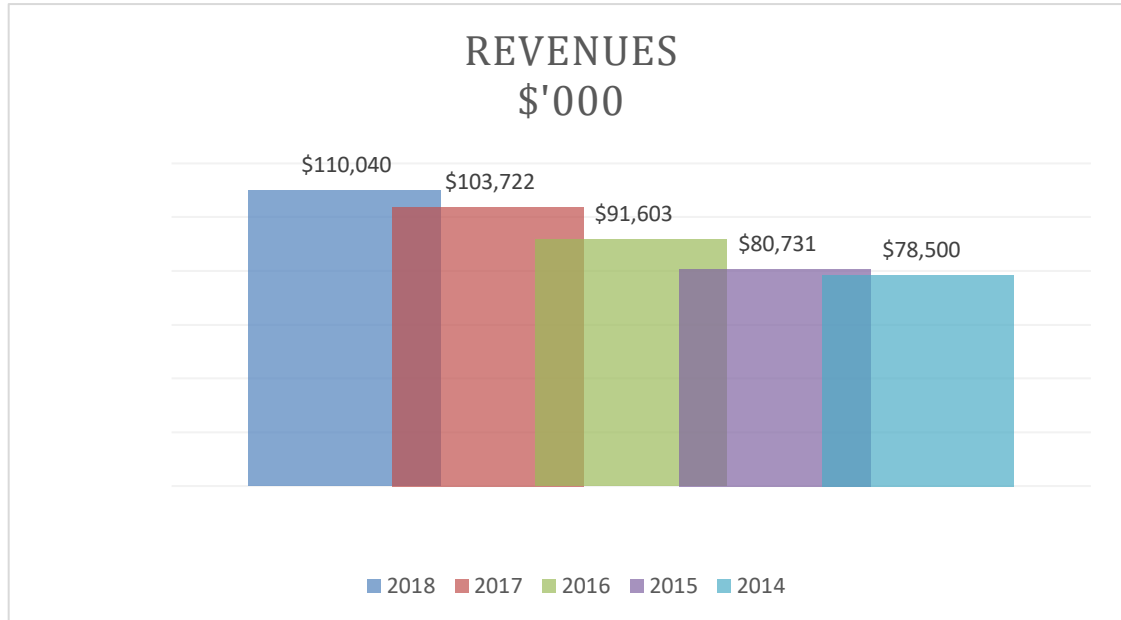
The Gross Profit Margin and Cost of Sales percentage have remained relatively unchanged when compared to the previous periods, as we continue to employ cost savings strategies and increased efficiencies in our daily operations. Gross profit increased by \$3.2 million or 5% when compared to the similar period in 2017.

The KLE flagship location, Tracks and Records Marketplace, continues to perform exceptionally well with steady increases in revenues. See below for Tracks and Records Marketplace's half yearly revenue analysis for the period ended June 30, 2014 to period ending June 30, 2018.

Directors: David Shirley (Chairman), Gary Matalon, Christopher Dehring, Marlon A. Hill,  
Norman Peart, Stephen Shirley, Joseph Bogdanovich, Zuar Jarrett,  
Stephen Greig (Company Secretary)



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Operationally the company continues to efficiently manage its operating and administrative costs. As business becomes more diverse, operating and administrative costs becomes greater and KLE has found efficient and diverse ways to minimize and reduce some of these costs. However, for the six months ended June 30, 2018 there was a \$13 million or 22% increase in operating expenses. Expenses that showed the major increases were salaries and related cost, legal and professional fees, marketing and advertising and general repairs. These are all consistent with the growth and development of the business. The increased operating expenses should result in increased profitability in the periods to come.

As a result of the increased expenditures the company operating profit reflected a negative growth when compared to the previous year. Profits from operations decreased by \$3.6 million or 24%.

KLE Group continues to maintain its positive working capital ratios with the company's current Assets being greater than its current liabilities. In the current reporting quarter current liabilities amounted to \$65.5 million while total current assets amounted to \$78.1 million. As management continues to effectively grow revenues which will result in an increase in the company's performance we can expect the company to improve its level of liquidity and improve on its current ratios.

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The company reported negative cash flows from operation, financing and investing activities for the period. This is as a result of a number of activities that happened during the period such as purchase of investments and fixed asset of \$4 million, advances to FranJam of \$17.6M and loan repayments of \$3.1M including of loan interest.

## OUTLOOK

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The company continues to unearth cutting edge ideas and techniques of streamlining its business to increase efficiencies, reduce cost, maximize profits and generate positive returns for its shareholders.

Through FranJam the company is poised to increase its revenue capacity as more franchises open which will play a significant role in furthering the brand's objectives. FranJam has franchises currently operating in Ocho Rios and Montego Bay and the first of fifteen franchises will be opened in United Kingdom in October 2018. The new franchises will have major positive impact on the company.

As the company takes aim at the global market, it remains resolute to its shareholders, employees, clients and customers by sustaining profitability and preserving the authenticity of its brands.

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Gary Matalon  
CEO