



The Marketplace 67 Constant Spring Rd, Unit 8, Kingston 10, Jamaica W.I.
 (876) 926-6509, 926-7875, 906-3903 • info@klegroupltd.com • www.klegroupltd.com



Unaudited Financial Statements
Nine Months Ended September 30, 2018

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

Financial Highlights

| | 2018 | 2017 |
|--|----------------------|---------------|
| | <u>\$'000</u> | <u>\$'000</u> |
| Profits from operations (before finance cost, depreciation and taxation) | 14,838 | 22,455 |
| Total Comprehensive Income for the period – September 30, 2018 | 3,296 | 12,182 |

Overview

Revenue for the first nine months of the financial year grew by 3% when compared with the similar period in the prior year.

| Revenue Growth | | | |
|-----------------------|---------------|------------------|-----------------|
| 2018 | 2017 | \$ change | % change |
| <i>\$,000</i> | <i>\$,000</i> | <i>\$,000</i> | <i>%</i> |
| 162,674 | 158,187 | 4,487 | 3% |

There was also a significant increase in other operating income of approximately \$6.8 million or 63%. Total revenues and other operating income amounted to \$180.4 million compared to \$169.1 million in the previous year. For the current reporting quarter, we saw a slowdown in our revenues due the major road work happening on Constant Spring Road. Revenue for the quarter declined by \$1.8 million. Also for this quarter we saw fewer guest visiting the restaurant when compared with the similar period in the prior year. Total guest count for Jul 1 – Sept 30, 2018 equaled 24,064 compared to 27,412 in the previous year.

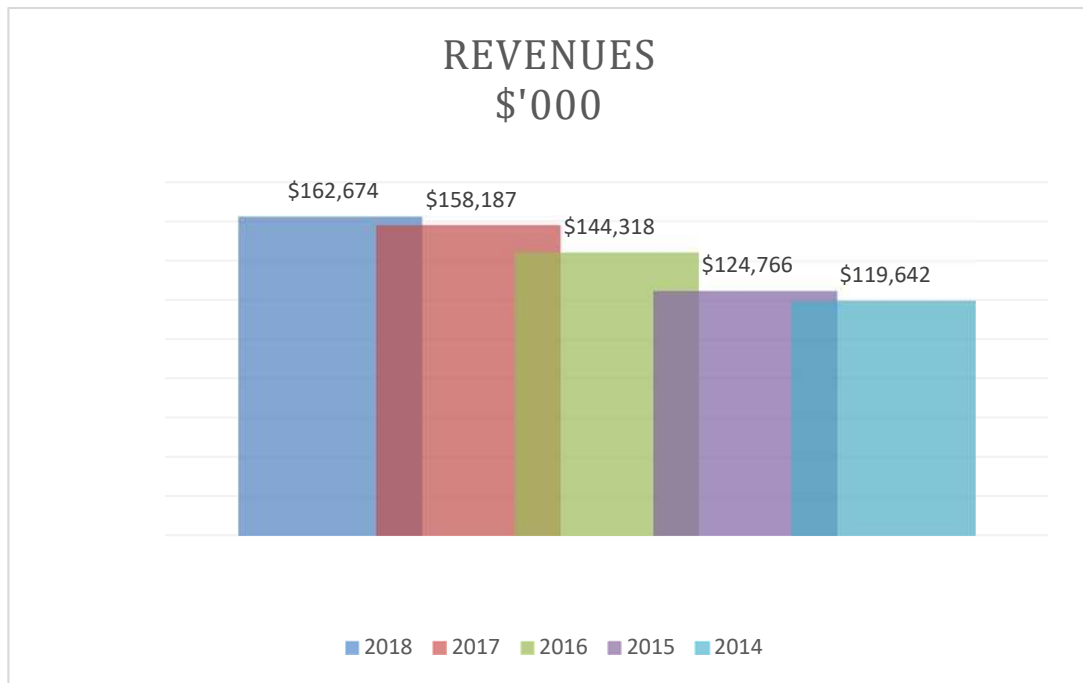
The Gross Profit Margin and Cost of Sales percentage have remained relatively unchanged when compared to the previous periods, as we continue to employed cost savings strategies and increased efficiencies in the way we carry out our daily operations. Gross profit increased by \$3.5 million or 3% when compared to the similar period in 2017. This is consistent with our revenue movements.



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The KLE flagship brand Tracks and Records Marketplace continues to perform exceptionally well with steady increases in revenues with exceptions to this current quarter as mentioned above. See below for Tracks and Records Marketplace's Nine months revenue analysis for the period ended September 30, 2014 to period ending September 30, 2018.



For the nine months ended September 30, 2018 there was a \$18 million or 19% 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 and the decline in revenue during the third quarter the company operating profit reflected a negative growth when compared to the previous year. Profits from operations decreased by \$7.6 million or 34%.

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 \$65.3 million while total current assets amounted to \$80.9 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 once again 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 nine-month period such as purchase of investments and fixed asset of \$4 million, advances to FranJam and other related party of \$24.6M and loan repayment of \$4.5 including of loan interest.


OUTLOOK

The horizons for the company continues to be bright as we continue to uncover cutting edge ideas and techniques of streamlining the business to increase efficiencies, reduce cost, maximize profits and generate positive returns for its shareholders. The company is expected to continue improving its revenues and profits during the rest of the year despite the ongoing challenges currently being faced by the current roadworks on constant spring road.

Under the FranJam banner our franchisees continue to do well, both are getting into full gear in preparation for the winter tourist season. Revenues from this arm is set to increase in the very short term with the opening of the first of the UK restaurant on October 10, 2018. This has also set the tone for many other franchising prospects in various major cities all around the world.

The Bessa project is ongoing and the first phase is completed which includes the model units (pool villa), pool and common areas, landscaping, entrance gate and guard house. There is much excitement about the project as there has been numerous expressions of interest in the property. The project has a scheduled completion date of August 2020.

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.


for Gary Matalon
CEO

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