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AUDITED FINANCIAL REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors of K.L.E. Group Limited we are pleased to release the audited financial statements for the year ended December 31, 2018.

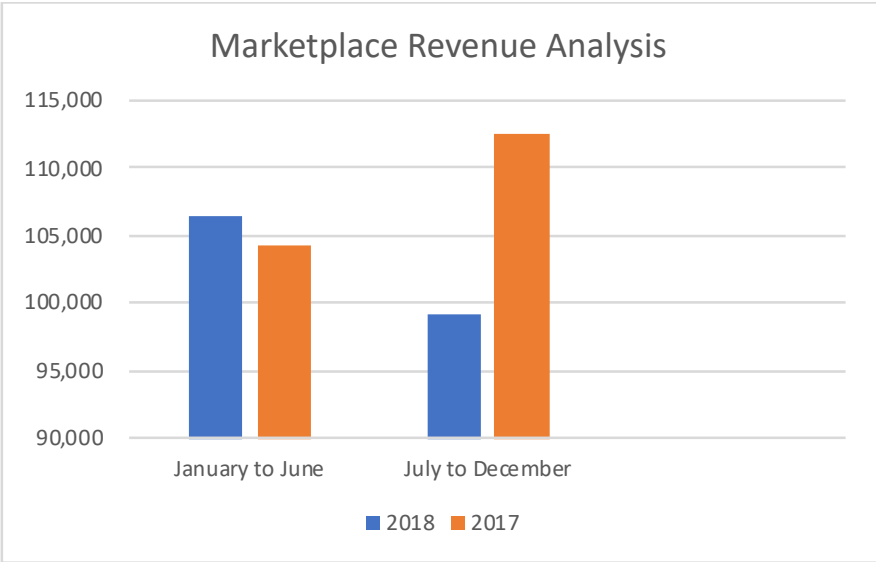
OVERVIEW

The financial year ended December 31, 2018 has been crucial in the development of the business and one that sets a solid foundation for the year to come. Despite the progress there were a number of factors that proved challenging and which ultimately had a negative affect on our profitability.

Total revenue for the 2018 financial year was $219.9 million compared to $226.8 million in 2017, a decrease of approximately 3%. Over 90% of KLE's revenue is from our flagship restaurant Usain Bolt's Tracks and Records (UBT&R) in Marketplace.

Category	2018 $'000	2017 $'000
Restaurant	205,781	215,426
Management fee	14,150	11,400
	219,931	226,826

Restaurant sales performed to budget for the first half of 2018. The second half of the year saw a drastic reduction in revenue performance of more than 15% below budget. This drop in revenue is directly attributable to the major road repairs ongoing along the Constant Spring Main Road in Kingston. The following table shows the decline in sales revenue from the restaurant during the latter part of 2018:



EBITDA

The company's Earnings Before Interest, Tax, Depreciation and Amortization also declined in the current year. See table below;

	2018 $'000	2017 $'000
Profit from operations (before finance costs, depreciation and taxation)	$1,640	$27,105
Total Comprehensive (loss)/profit for the year	($25,587)	$9,566

Total comprehensive loss for 2018 is $25.5 million after recognizing the share of loss from associated company - Franchise Jamaica.

Total direct expenses remain in line with our expected margins. The decline in the cost of sales is directly related to the decline in sales from the restaurant.

Administrative and other expenses amounted to $181.2 million when compared to the $152.4 million for the previous year. The expense categories which showed the increases were:

- *Staff cost* with an increase of approximately $8.8 million. The line staff increases during the year are commensurate with the increase of the national minimum wage. Other increases during the year were in line with the company's budget.
- *Advertising and marketing* increased by $5.4 million. This occurred as a result of the reclassification of Forever Beach investment carried as a receivable in the prior years.
- *Bad debt* expenses of $4.5 million which is a requirement of the new IFRS 9 accounting standard.
- *Legal fees* which increased by $2.1 million due to fees incurred during divestment and restructure activities from prior years.

Franchise Jamaica

KLE absorbed a $12 million loss from its associate company T&R Restaurant Systems Limited T/A Franchise Jamaica which was a significant contributor to its net loss position. Franchise Jamaica reported total revenue of $19 million for the 2018 year. This came from a full year of revenue from the Ocho Rios franchise and just over a half year from Montego Bay which opened on May 16th 2018. Revenue from the first London location which opened on November 14, 2018 will be a major contributor to the franchising revenues going forward. This sets the stage for an exceptional year even without considering additional locations currently being pursued. Unfortunately for the 2018 financial performance, most of the expenses associated with getting the Montego Bay and London franchises opened were recorded without the resulting revenues. Fortunately this bodes well for the 2019 year.

Total assets decreased by $6.3 million. The asset which saw the biggest negative movement is the 'investment in associate' (Franchise Jamaica) which is directly related to the net loss position of that company. The company's current ratios also moved negatively in the current financial year and is due in part to the increased payables and the classification of some the company's receivables to non-current as well as the provisioning and changing of treatment for some of the company's other receivable balances.

Shareholders equity for the period decreased by 18% and is directly related to the negative earnings generated for the year.

Cash flow from operating activities was impacted negatively due in large part to increased operating assets coupled with less cash inflows when compared to the previous year as stated above.

Liquidity has declined in comparison to the 2017 financial year, this is expected to change in the short term.

OUTLOOK

KLE Group remains on a clear path to capitalize on the value created over recent years. The company is positioned to take advantage of the very road work which proved such a challenge for the 2018 financial performance. The results from this are expected to be evident in the first half of 2019.

As highlighted in this report, Franchise Jamaica is also poised to take advantage of the two new restaurants which were opened in 2018. These added revenue streams will contribute throughout the entire year while the start-up expenses for those locations fell in 2018.

The Bessa project design updates are also on target to be completed in early 2019. The full contract is being issued and ground breaking on the balance of the project is scheduled for first quarter in 2019.

Overall the company is very pleased with the outlook for the coming year and beyond. KLE Group would like to express a sincere appreciation to our hardworking and dedicated team members who have all contributed to our accomplishments during the year. We take this opportunity to thank our loyal customers for believing in our brands and their continued support. Finally, a big thanks to our shareholders and directors for their continued confidence and direction.

Gary Matalon - CEO