



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 Three Months Ended March 31, 2019

The Board of Directors of K.L.E. Group Limited are pleased to present its unaudited financial statements for the three months ended March 31, 2019.

Financial Highlights

	2019	2018
	<u>\$'000</u>	<u>\$'000</u>
Profits from operations (before finance cost, depreciation and taxation)	5,710	3,010
Total Comprehensive Income for the period – March 31, 2019	332	(1,887)

Overview

Despite bottom line performance improvements, revenue for the first three months of the financial year declined by 3% when compared with the similar period in the prior year. As was reported in the last half of 2018, the road improvement project on Constant Spring road continues to negatively impact the customer traffic to the location at Marketplace.

Revenue			
2019	2018	\$ change	% change
<i>,\$000</i>	<i>,\$000</i>	<i>,\$000</i>	<i>%</i>
49,723	51,376	(1,653)	(3%)

There was also a decrease of \$1.1m in Other Operating Income which contributed to the revenue reduction. Total Revenue and Other Operating Income amounted to \$56.1m compared to \$58.9m in the previous year. Access issues created by the Constant Spring Road corridor work are improving considerably over the second half of last year as the works progress and access becomes more manageable. The biggest impact is felt in the after work daypart between 4 pm to 7pm which used to be one of our busiest periods. Total guest count for January 1 to Mar. 31, 2019 equaled 22,442 compared to 24,931 in the similar period of the previous year.

The company has been resolute in managing the challenges and successfully has improved its cost management strategies which resulted in a higher gross profit margin and lower Cost of Sales when compared to the first quarter of 2018. There was a 5% increase in our Gross Profit margin for the period and overall a 5% decrease in the company's Cost of Sales percentage. KLE will continue to employ cost savings strategies and monitor our Key Performance Indicators to improve efficiencies and increase profitability.

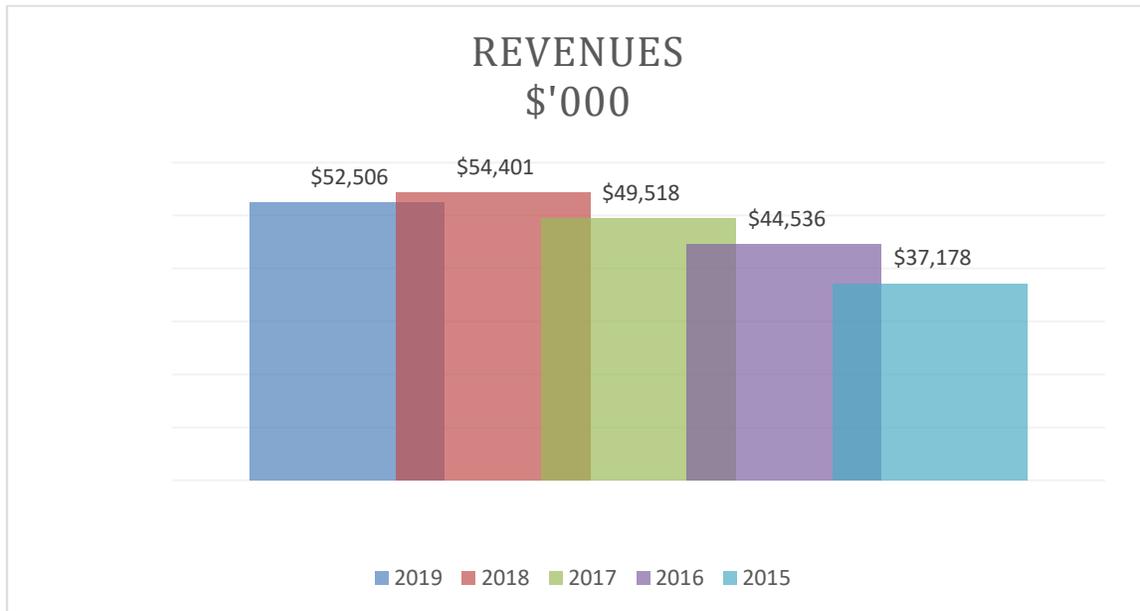
Directors: David Shirley (Chairman), Gary Matalon, Christopher Dehring, Marlon A. Hill,
 Norman Peart, Stephen Shirley, Joseph Bogdanovich, Zuar Jarrett,
 Stephen Greig (Company Secretary)



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The KLE flagship brand Tracks and Records location in Marketplace continues to perform exceptionally well and is responsible for over 90% of the company's total revenue. See the chart below for Tracks and Records Marketplace's first quarter revenue analysis for the period ended March 31, 2015 to period ending March 31, 2019.



For the three months ended March 31, 2019 there was a \$2.5m or 6% decrease in operating expenses. This is in line with management's drive to reduce expenses and increase profitability. The company is getting more efficient operationally and further increase in profitability is expected as a result. Finance and depreciation costs went up during the period due to the increased cost of the company's credit facility which we successfully negotiated in the middle of the quarter.

As a result of the operational improvements, the company is once again reflecting a Profit from operations. Profit from operations amounted to \$5.7m compared to \$3m in Q1 2018. After Finance cost and taxation, the company's Total Comprehensive Income amounted to \$332k compared to a loss of \$1.9m in the previous year.

During the first quarter of 2019, KLE has made significant strides in improving the Balance Sheet to prepare the business for the next phase of the growth plan. Current liabilities have been reduced and current assets increased.

The company is now showing positive working capital ratios with Current Assets being greater than its Current Liabilities. In this reporting period, Current Liabilities amounted to \$41.9m while Total Current Assets amounted to \$96.8m. 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 continue to improve on its current ratios.

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Total Assets as at March 31, 2019 amounted to \$221.9m compared to Total Liabilities of \$107.4m.

The company is once again reporting negative cash flows from operation and financing activities which is due mainly to the purchasing of assets and the paying off of the past due payable balances. There was a positive cash flow from financing activities. The company is reporting a net increase in cash and cash equivalents at the end of the period of approximately \$13.1m.

OUTLOOK

KLE has had a positive trajectory over the past 3 years. The investment made in 2018 to establish new revenue streams may have affected the financial results in that year but have certainly put the business in a great position to reap the benefits as we take on this new year.

In addition, the efforts made in 2018 to refinance the high cost debt and reduce payables carrying from previous years has improved the company's financial position and will enable us to capitalize on growth opportunities ahead.

Also, in 2018 much of the groundwork needed to get the Bessa project to the finish line was successfully completed. This put the project in a position to accelerate all aspects of the precontract works and ultimately clear the path for construction, sales and delivery. As a result, in this period Rovenne Construction was selected to build the pool villas which are now well underway. All is on track for a June 2020 delivery.

Evident in the Q1 2019 results is the fact that KLE Group is moving aggressively towards realizing its potential and capitalizing on the solid equity and value that has been created. As we continue our focus on the global markets, we will attack the opportunities in front of us and continue to seek out new ones on our mission to return shareholder value. We remain steadfast on this mission and thank our team members, customers, shareholders and all stakeholders for your belief in the company and commitment to making this effort a reality.

Gary Matalon
CEO