



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 Six Months Ended June 30, 2019

The Board of Directors of K.L.E. Group Limited are pleased to present its unaudited financial statements for the six months ended June 30, 2019.

Financial Highlights

	2019	2018
	<u>\$'000</u>	<u>\$'000</u>
Profits from operations (before finance cost, depreciation and taxation)	10,182	12,140
Total Comprehensive Income for the period – June 30, 2019	632	3,089

Overview

Revenue for the year is showing a positive trend upwards. In the second quarter revenue totaled \$52.12 million compared to \$49.72 in the first quarter of 2019. The positive trend is expected to continue into the end of the financial year.

Half year revenues went down by 4% when compared to the same period in the previous year.

Revenue			
2019	2018	\$ change	% change
\$,000	\$,000	\$,000	%
101,872	106,603	(4,731)	(4%)

There was also a decrease of \$5.5m in other operating income which contributed to the overall revenue reduction. Total Revenue and Other Operating Income amounted to \$112.2 million compared to \$122.4 million in the previous year. The reason for the decrease was the one-time revenue from the management contract associated with the Tracks and Records Montego opening in the first half of 2018. The company has embarked on new and innovative marketing trends to drive traffic to the restaurant, which will result in increase revenues.

KLE will continue to employ cost savings strategies and monitor our Key Performance Indicators to improve efficiencies and increase profitability. For the first half of the year our cost of sales amounted to \$29.36 million compared to \$35.89 million up to June 30, 2018. This reduction comes about as result of the policies and cost management strategies which management have implemented.

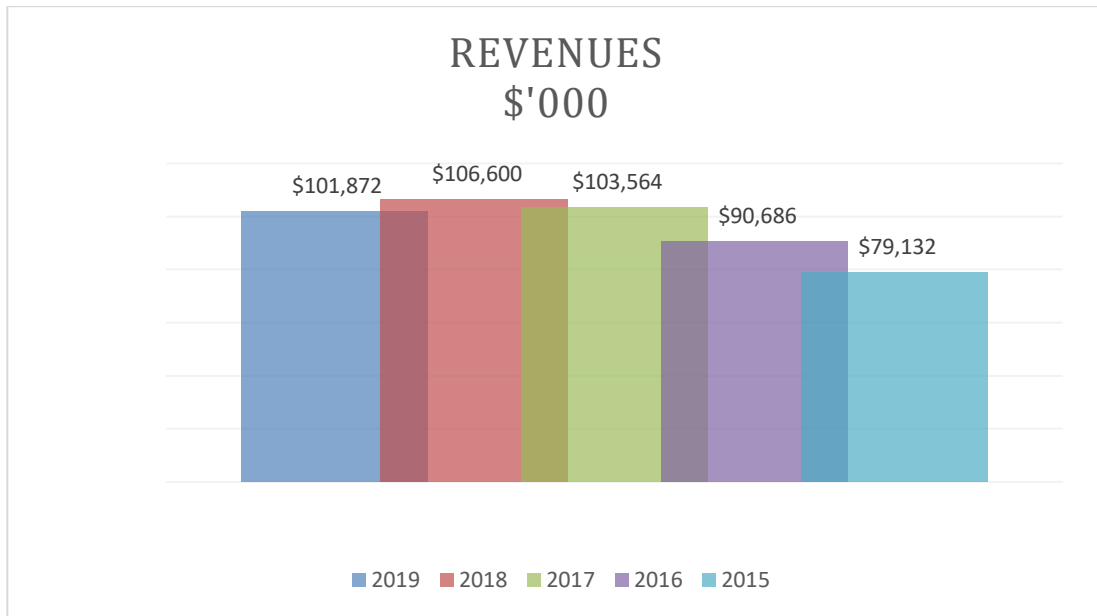
Directors: David Shirley (Chairman), Gary Matalon, Christopher Dehring, Marlon A. Hill,
Norman Peart, Stephen Shirley, Joseph Bogdanovich, Zuar Jarrett,
Stephen Greig (Company Secretary)



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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 half yearly revenue analysis for the periods ended June 30, 2015 to period ending June 30, 2019.



For the six months ended June 30, 2019 there was a \$1.7m or 4% 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 first quarter.

As a result of the operational improvements, the company is reflecting a Profit from operations. Profit from operations amounted to \$10.18 m compared to \$12.14m in 2018. After Finance cost and taxation, the company's Total Comprehensive Income amounted to \$632k compared to \$3.08m in the previous year.

As at the end of the second quarter for the year the company is showing positive working capital ratios with Current Assets being greater than its Current Liabilities. In this reporting period, Current Liabilities amounted to \$41.5m while total current assets amounted to \$87.27m.

Total Assets as at June 30, 2019 amounted to \$219.28m compared to Total Liabilities of \$104.46m.

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 positive cash flow from financing activities. The company is reporting a net increase in cash and cash

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equivalents at the end of the period of approximately \$716k.

OUTLOOK

KLE's recent efforts 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.

The Bessa project is moving ahead as planned. The contractor is on schedule with the first phase. The amended plans for the second phase are still with the parish council awaiting approval. The parish council has cited a lack of resources as the reason for their delay. Once this is completed we will begin taking deposits. The intention is to make up the lost time by fast tracking the construction schedule.

Overall the company is performing well considering the challenges faced over the past 12 months. The road work along Constant Spring Road continues to affect revenues although it has been gradually improving since the year began. This further emphasizes our need to grow and diversify revenue streams in the business. The board along with management are placing emphasis on this and we look forward to reporting more about this in the near future.

Gary Matalon
CEO