



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, 2019

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

### Financial Highlights

	2019	2018
	\$'000	\$'000
Profits from operations (before finance cost, depreciation and taxation)	9,970	15,848
Total comprehensive (expense)/income for the period – Sept 30, 2019	(2,671)	3,296

### Overview

Revenues for the year 2019 are showing a positive trend upwards. In the third quarter revenue amounted to \$52 million which is similar to the earning in the second quarter of the year. The positive trend is expected to continue into the end of the financial year.

Despite the above, the access to Tracks and Records Marketplace had a major impact on overall earnings of the company. Revenues for the nine months went down by 5% when compared to the similar period in the previous year.

Revenue			
2019	2018	\$ change	% change
,\$,000	,\$,000	,\$,000	%
153,890	156,655	(2765)	(2%)

There was also a decrease of \$8.1m in Other Operating Income which contributed to the overall revenue reduction. Total revenue and other operating income amounted to \$169.44 million compared to \$180.37 million in the previous year. Major resulting factors for the decrease is the one-off revenue from the management contract associated with Tracks and Records Montego start-up in the first half of 2018. The company's focus on new and innovative marketing trends to capitalize on the improved road infrastructure in the last quarter is expected to drive significantly increased volumes of traffic to the restaurant. We expect that the revenues of the restaurant will continue to improve for the last quarter of the year.

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



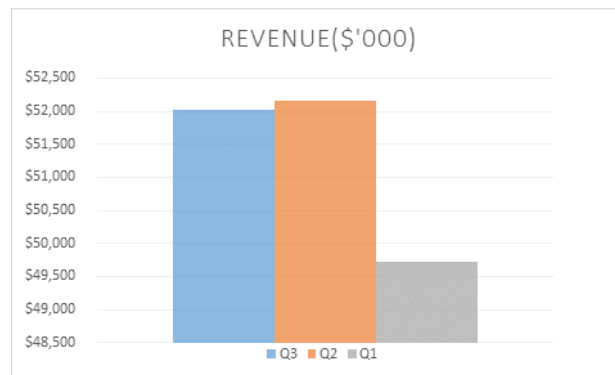
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KLE will continue to employ cost savings strategies and monitor our Key Performance Indicators to improve efficiencies and increase profitability. For the first nine months of the year our cost of sales amounted to \$46.3 million compared to \$51.2 million up to Sept. 30, 2018.

This reduction is in line with the decline in revenues as well as obsessive monitoring and cost management strategies which have been implemented as well.

The KLE flagship, Tracks and Records location in Marketplace, continues to perform exceptionally well and is responsible for over 90% of the company's total revenue. See below chart for Tracks and Records Marketplace's revenue for this year quarter to date 2019;



For the nine months ended September 30, 2019 operating expenses totaled \$113.2 million, this is similar when compared to the prior year amount of \$113.3 million. This is in line with management's drive to operate lean and efficient while maximising profitability. The company continues to operate more efficient 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 \$9.97 million compared to \$15.84 million in 2018. After Finance cost and taxation, the company's Total Comprehensive Income amounted to negative \$2.6 million compared to a comprehensive income of \$3.3 million in the previous year.

As at the end of the third 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 \$50.97m while total current assets amounted to \$92.40 million.

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Total Assets as at September 30, 2019 amounted to \$223.19 million compared to Total Liabilities of \$112.07 million.

The company is reporting negative cash flow from operation and financing activities which is due mainly to the purchasing of assets and the paying off of the 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 \$4.2 million.

## OUTLOOK

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KLE has had a positive trajectory over the past 3 years. The investment made in 2018 to establish new revenue streams may have affected recent financial results but have certainly put the business in a great position to reap the benefits as we prepare for future growth.

Despite the negative impact the road work and resulting impeded access has had on Tracks and Records Marketplace revenue, that business unit continues to operate favorably contributing strong profits to the group. Now that the road work appears to be completed for the most part, we are pleased that the revenue growth which existed prior to commencement of road works has resumed in the last quarter of 2019.

As the main revenue source for KLE, the impact the road work has had on Tracks and Records Marketplace underscores the importance of growth and diversification from this 'single source' of revenue for KLE. The board along with management are currently working through the financing options required to fund the next phase of growth and development for the company.

The Bessa Project is progressing as planned. We expect to begin the selling efforts in the early part of 2020. The project will also be completed and delivered next year. Aligned with the construction progress, customer interest has been intensifying.

Evident in the first half of 2019 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

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