The Marketplace 67 Constant Spring Rd, Unit 8, Kingston 10, Jamaica W.I.
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Unaudited Financial Statements
Three Months Ended March 31, 2020

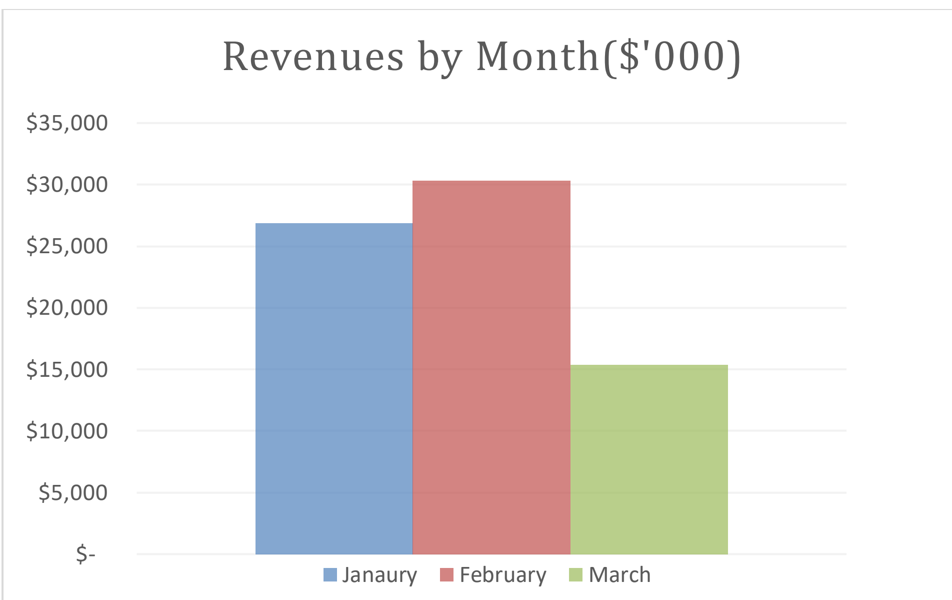
The Board of Directors of K.L.E. Group Limited are pleased to present its unaudited financial statements for the Three months ended March 31, 2020.

Financial Performance

	2020	2019
	$'000	$'000
Profits from operations (before finance cost, depreciation and taxation)	**(12,811)**	**5,710**
Total Comprehensive Income for the period – March 31, 2020	**(20,130)**	**332**

Overview

Revenues for the first quarter fell short of target. This is directly attributable to the affects Covid-19 has had on the business. We experienced strong performance in January and February but saw a sharp decline in March as the virus spread to the Caribbean and then Jamaica. Daily revenues dropped by over 90 percent below the budget.



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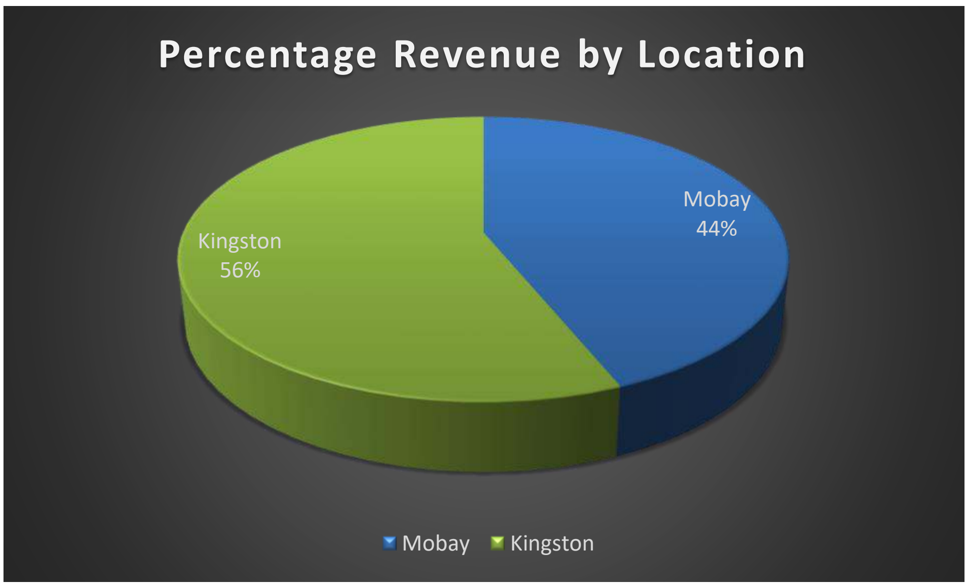
Total revenue for the first quarter amounted to $72.67 million which shows a significant increase over the prior period.

Revenue			
2020	**2019**	**$ change**	**% change**
$,000	*$,000*	*$,000*	*%*
72,670	49,723	22,947	46%

The positive increase in the revenue is directly related to the revenues of the Montego Bay Location. KLE took over the Usain Bolt's Tracks and Records Montego Bay Franchise on January 07, 2020. See below for a comparison between earnings from the Kingston and Montego Bay locations.



There was a decrease of $2.8m in Other Operating Income, the major resulting factor for this decrease is as a result of timing sponsorship revenues are paid in. The company is currently renegotiating expiring sponsorship contracts with our partners for the 2020 financial year. Uncertainty from the effects of the pandemic have delayed this process and are challenging our ability to close these deals.

KLE will continue to employ cost savings strategies and monitor our Key Performance Indicators to improve efficiencies and achieve profitability. For the first three months of the year our cost of sales amounted to $22 million compared to $14 million for the first quarter of 2019. This increase also occurred as a result of the Montego Bay acquisition. The companies cost of operating is in line with the latest cost strategies and budgets. Cost of sales percentage for the current period was 30% which is in line with budget.

Expenditure

For the three months ended March 31, 2020 operating expenses totaled $67 million, compared to the prior year amount of $36 million. The increase is directly related to the acquisition of the Montego Bay Tracks and Records.

The addition of this business unit offered the KLE economies of scale specifically within marketing, purchasing, accounting, supply chain and other general overheads. These expenses are now being split between both locations.

Included in administrative expense is a bad debt write of $12.7 million. The company, on the approval of the audit committee, wrote of the receivables balance carrying on the books for funds outstanding from the discontinued Famous Nightclub operation. These receivables have been deemed uncollectable and are written off in accordance with acceptable accounting practices.

Profitability

The company is reporting a loss from operations as a direct result of the bad debt write off and the drastic decline in revenues in the month of March due to the corona virus. The company ended the quarter in an overall net loss position after the inclusion of finance and depreciation charges and other comprehensive loss of $1 million as a result of losses in the revaluation of quoted investments. Total comprehensive loss for the period amounted to $20 million compared to $332 thousand in the prior period.

Purchase of Usain Bolt's Tracks and Records – Montego Bay

In the first half of January the company successfully acquired the Tracks and Records Montego Bay location. The purchase includes all the operational assets of the location and was financed by a loan from a related party.

Balance Sheet

The increase in non-current assets is in direct relation to the Montego Bay purchase. Total fixed assets added during the period equaled $93 million.

As at the end of the first quarter for the current financial year the company is showing positive working capital ratios with its current assets being greater than its Current Liabilities. In this reporting period, current liabilities amounted to $61.6m while total current assets amounted to $92.4 million.

Total Assets as at March 31, 2020 amounted to $292 million compared to Total Liabilities of $213 million. The increase in non-current liability is as a result of the addition of the related party loan which was used to acquire the Mobay Location.

The company is reporting negative cash flow from operation and investing activities which is due mainly to the purchase of assets and increases in advances made to associated company. There was a positive cash flow from financing activities due to the related party loan. The company is reporting a net decrease in cash and cash equivalents at the end of the period of approximately $5.5 million.

KLE GROUP LTD
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OUTLOOK

For the better part of 2019 KLE had focused efforts on raising capital and growing the business following the strategy established by the board and management. This strategy included;

- Growth of the corporate footprint for Tracks and Records in Jamaica specifically. This was targeted to include 5 locations in Jamaica by 2021. The acquisition of the Ocho Rios and Montego Bay assets was the first step towards this.
- A major renovation of the Kingston location to include upgraded technology and a fresh look and feel had been planned.
- Significant reduction in debt would have repositioned the balance sheet and prepared the company for the second phase of growth which included further international expansion through the franchising model.

Unfortunately, the government's actions taken to protect the population from the Covid-19 pandemic has had an extreme impact on our ability to conduct business. In fact, our industry is among the first to have felt the impact and is likely of the hardest hit.

Management has made an attempt at planning using projections derived from emerging information related to the health and economic crisis we are facing. The situation has become increasingly more difficult and when measured against the impact and the uncertainty blurring the foreseeable future, it's clear the business model requires reengineering.

Fortunately, the brand is strong locally and has outlived many others in the casual dining space over the years while boasting some of the highest volumes over and above the competition. Unfortunately, the fine and casual dining segments in the restaurant industry have been challenged significantly by the pandemic due to their "full-service" nature and higher price point than the fast food segment.

Management does feel the opportunities in the restaurant industry going forward can be great once the model is successfully adjusted to take advantage of the new realities. This will require some fresh capital and investment. We look forward to this challenge and feel, once the capital is in place, we are well positioned, both in brand and expertise to successfully make the changes necessary.

In addition to opportunities in the restaurant side of the business, the real estate investment in Oracabessa is progressing nicely. The construction, although slowed a bit in the second quarter of the year, has been working throughout. The approvals from parish council have all been attained and we await the real estate board to allow us to begin taking deposits on the units. Demand for the Bessa units remains very strong.

As we shift our focus to pivoting to achieve a model which will allow us to continue our path to growth and profitability, we remain on our mission to increase 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.

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Gary Matalon - CEO