

K.L.E. GROUP LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2022

K.L.E. GROUP LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2022

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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
K.L.E. Group Limited

Report on the Audit of the financial statements

Opinion

We have audited the financial statements of K.L.E. Group Limited set out on pages 6 to 46, which comprise the group and the company's statements of financial position as at 31 December 2022, the group and the company's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as at 31 December 2022, and of the group and the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the financial statements section of our report. We are independent of the group and the company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
K.L.E. Group Limited

Key Audit Matters (cont'd)**Key audit matter****How our audit addressed the Key audit matter****Investment in Joint Venture**

See notes 3(a) and 11 to the financial statements for management's disclosures of related accounting policies.

As at 31 December 2022, investment in joint venture represents approximately 10% of the group's total assets.

Investment in joint venture is originally carried at cost. We focused on assessing the carrying value of this investment which was primarily towards land purchased for the development to determine whether there was evidence of impairment.

We assessed the status of the agreement by obtaining third party confirmation to ensure that the agreement between K.L.E. Group Limited and Sagicor Life was still in force.

The criteria we used to determine if there is objective evidence of impairment included:

- Indications of financial difficulty of the joint venture partners; and
- Observable market data indicating whether there is a decline in the estimated future viability of the project.

We reviewed periodic status reports and concluded that the project is viable and no adjustments were considered necessary.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
K.L.E. Group Limited

Other Information

Management is responsible for the other information. The other information comprises the Annual Report but does not include the consolidated and stand-alone financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and stand-alone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and stand-alone financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the group's financial reporting process.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
K.L.E. Group Limited

Auditors' Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinion.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
K.L.E. Group Limited

Auditors' Responsibilities for the Audit of the financial statements (cont'd)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Karen Heron.



Chartered Accountants

27 April 2023

K.L.E. GROUP LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME

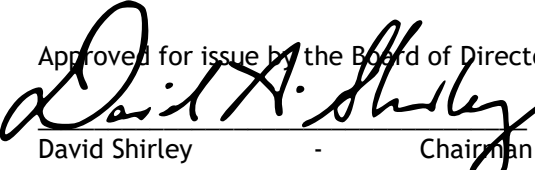
YEAR ENDED 31 DECEMBER 2022

	<u>Note</u>	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
Other operating income	6	18,056	78,476
Administrative and other expenses	7	(12,464)	(21,357)
PROFIT FROM OPERATION		5,592	57,119
Finance costs	8	(11,329)	(16,169)
Share of post-tax profit/(loss) of equity accounted associate	14	(5,737) <u>3,201</u>	40,950 (6,978)
(Loss)/profit before taxation		(2,536)	33,972
Taxation	9	<u>-</u>	(8,241)
(LOSS)/PROFIT FROM CONTINUING OPERATION		(2,536)	25,731
Loss from discontinued operation	25	-	(11,400)
Adjustment to discontinued operation results	25	<u>27,208</u>	<u>-</u>
NET PROFIT		<u>24,672</u>	<u>14,331</u>
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss -			
Unrealised gain/(loss) on investments at fair value through other comprehensive income	13	<u>284</u>	(528)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>24,956</u>	<u>13,803</u>
EARNINGS PER STOCK UNIT BASIC AND DILUTED	10	<u>\$0.25</u>	<u>\$0.14</u>

K.L.E. GROUP LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2022

	<u>Note</u>	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
ASSETS			
NON-CURRENT ASSETS:			
Right-of-use asset	17(a)	-	27,820
Investment in joint venture	11	14,997	15,276
Investment in associate	14	71,557	68,356
Investments	13	<u>8,061</u>	<u>6,011</u>
		<u>94,615</u>	<u>117,463</u>
CURRENT ASSETS:			
Receivables	15	9,823	6,402
Short term investments	13	26,925	28,691
Cash and bank balances	19	<u>11,458</u>	<u>57,233</u>
		<u>48,206</u>	<u>92,326</u>
		<u>142,821</u>	<u>209,789</u>
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	20	122,903	122,903
Fair value reserve	21	1,663	1,379
Accumulated deficit	22	<u>(90,958)</u>	<u>(115,630)</u>
		<u>33,608</u>	<u>8,652</u>
NON-CURRENT LIABILITIES:			
Long term loan	23	72,387	86,882
Lease liability - long term portion	17(b)	-	18,093
Due to related party	18(b)	<u>-</u>	<u>12,420</u>
		<u>72,387</u>	<u>117,395</u>
CURRENT LIABILITIES:			
Current portion of long term loan	23	10,112	5,431
Payables	24	26,713	54,624
Bank overdraft	19	1	9,294
Lease liability - current portion	17(b)	-	14,348
Taxation		<u>-</u>	<u>45</u>
		<u>36,826</u>	<u>83,742</u>
		<u>142,821</u>	<u>209,789</u>

Approved for issue by the Board of Directors on 27 April 2023 and signed on its behalf by:


 David Shirley - Chairman


 Gary Marshall - Director

K.L.E. GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2022

	<u>Share Capital</u> \$'000	<u>Fair Value Reserve</u> \$'000	<u>Accumulated Deficit</u> \$'000	<u>Total</u> \$'000
BALANCE AT 1 JANUARY 2021	<u>122,903</u>	<u>1,907</u>	<u>(129,961)</u>	<u>(5,151)</u>
TOTAL COMPREHENSIVE INCOME				
Net profit	-	-	14,331	14,331
Other comprehensive loss	<u>-</u>	<u>(528)</u>	<u>-</u>	<u>(528)</u>
	<u>-</u>	<u>(528)</u>	<u>14,331</u>	<u>13,803</u>
BALANCE AT 31 DECEMBER 2021	<u>122,903</u>	<u>1,379</u>	<u>(115,630)</u>	<u>8,652</u>
TOTAL COMPREHENSIVE INCOME				
Net profit	-	-	24,672	24,672
Other comprehensive income	<u>-</u>	<u>284</u>	<u>-</u>	<u>284</u>
	<u>-</u>	<u>284</u>	<u>24,672</u>	<u>24,956</u>
BALANCE AT 31 DECEMBER 2022	<u>122,903</u>	<u>1,663</u>	<u>(90,958)</u>	<u>33,608</u>

K.L.E. GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2022

	<u>Note</u>	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		24,672	14,331
Items not affecting cash resources:			
Amortisation of right-of-use asset		-	4,971
Taxation	10	-	8,241
Depreciation		-	9,290
Interest income	7	(11)	(17)
Unrealized exchange loss/(gain) on foreign balances		606	(1,084)
Gain on transfer to related party		-	(6,382)
Interest expense	9	11,329	16,169
Share of (profit)/loss from associate		(3,201)	6,978
Gain on derecognition of right-of-use asset		<u>(4,621)</u>	<u>-</u>
		28,774	52,497
Changes in operating assets and liabilities:			
Inventories		-	3,525
Receivables		(3,421)	11,437
Payables		(27,911)	869
Related parties		(12,420)	30,234
Property, plant and equipment transferred to related party		<u>-</u>	<u>99,390</u>
		(14,978)	197,952
Taxation paid		<u>(45)</u>	<u>(601)</u>
Cash (used in)/provided by operating activities		<u>(15,023)</u>	<u>197,351</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received		11	17
Purchase of investments		-	(26,813)
Purchase of property, plant and equipment		<u>-</u>	<u>(118)</u>
Cash provided by/(used in) investing activities		<u>11</u>	<u>(26,914)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid		(11,329)	(14,383)
Loan repayments		(9,814)	(97,633)
Lease interest expense paid		-	(1,786)
Lease liability payment		<u>-</u>	<u>(5,202)</u>
Cash used in financing activities		<u>(21,143)</u>	<u>(119,004)</u>
(Decrease)/increase in cash and cash equivalents		(36,155)	51,433
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		47,939	(4,578)
Effect of exchange (loss)/gain on foreign balances		<u>(327)</u>	<u>1,084</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	<u>11,457</u>	<u>47,939</u>

K.L.E. GROUP LIMITED

STATEMENT OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2022

	<u>Note</u>	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
Other operating income	6	18,054	78,476
Administrative and other expenses	7	<u>(10,106)</u>	<u>(21,357)</u>
PROFIT FROM OPERATION		7,948	57,119
Finance costs	8	<u>(11,329)</u>	<u>(16,169)</u>
Share of post-tax profit/(loss) of equity accounted associate	14	<u>(3,381)</u> <u>3,201</u>	40,950 <u>(6,978)</u>
(Loss)/profit before taxation		(180)	33,972
Taxation	9	<u>-</u>	<u>(8,241)</u>
(LOSS)/PROFIT FROM CONTINUING OPERATION		(180)	25,731
Loss from discontinued operation	25	-	(11,400)
Adjustment to discontinued operation results	25	<u>27,208</u>	<u>-</u>
NET PROFIT		<u>27,028</u>	<u>14,331</u>
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss -			
Unrealised gain/(loss) on investments at fair value through other comprehensive income	13	<u>284</u>	<u>(528)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>27,312</u>	<u>13,803</u>

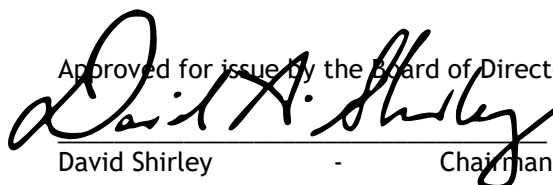
K.L.E. GROUP LIMITED

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2022

	<u>Note</u>	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
ASSETS			
NON-CURRENT ASSETS:			
Right-of-use asset	17	-	27,820
Investment in joint venture	11	14,997	15,276
Investment in subsidiary	12	13,981	-
Investment in associate	14	71,557	68,356
Investments	13	<u>8,061</u>	<u>6,011</u>
		<u>108,596</u>	<u>117,463</u>
CURRENT ASSETS:			
Receivables	15	6,472	6,402
Due from related party	18	1,755	-
Short term investments	13	26,925	28,691
Cash and bank balances	19	<u>1,079</u>	<u>57,233</u>
		<u>36,231</u>	<u>92,326</u>
		<u>144,827</u>	<u>209,789</u>
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	20	122,903	122,903
Fair value reserve	21	1,663	1,379
Accumulated deficit	22	<u>(88,602)</u>	<u>(115,630)</u>
		<u>35,964</u>	<u>8,652</u>
NON-CURRENT LIABILITIES:			
Long term loan	23	72,387	86,882
Lease liability - long term portion	17(b)	-	18,093
Due to related party	18(b)	<u>-</u>	<u>12,420</u>
		<u>72,387</u>	<u>117,395</u>
CURRENT LIABILITIES:			
Current portion of long term loan	23	10,112	5,431
Payables	24	26,363	54,624
Bank overdraft	19	1	9,294
Lease liability - current portion	17(b)	-	14,348
Taxation		<u>-</u>	<u>45</u>
		<u>36,476</u>	<u>83,742</u>
		<u>144,827</u>	<u>209,789</u>

Approved for issue by the Board of Directors on 27 April 2023 and signed on its behalf by:


 David Shirley - Chairman


 Gary Matton - Director

K.L.E. GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2022

	<u>Share Capital \$'000</u>	<u>Fair Value Reserve \$'000</u>	<u>Accumulated Deficit \$'000</u>	<u>Total \$'000</u>
BALANCE AT 1 JANUARY 2021	<u>122,903</u>	<u>1,907</u>	<u>(129,961)</u>	<u>(5,151)</u>
TOTAL COMPREHENSIVE INCOME				
Net profit	-	-	14,331	14,331
Other comprehensive loss	<u>-</u>	<u>(528)</u>	<u>-</u>	<u>(528)</u>
	<u>-</u>	<u>(528)</u>	<u>14,331</u>	<u>13,803</u>
BALANCE AT 31 DECEMBER 2021	<u>122,903</u>	<u>1,379</u>	<u>(115,630)</u>	<u>8,652</u>
TOTAL COMPREHENSIVE INCOME				
Net profit	-	-	27,028	27,028
Other comprehensive income	<u>-</u>	<u>284</u>	<u>-</u>	<u>284</u>
	<u>-</u>	<u>284</u>	<u>27,028</u>	<u>27,312</u>
BALANCE AT 31 DECEMBER 2022	<u>122,903</u>	<u>1,663</u>	<u>(88,602)</u>	<u>35,964</u>

K.L.E. GROUP LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2022

	<u>Note</u>	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		27,028	14,331
Items not affecting cash resources:			
Amortisation of right-of-use asset		-	4,971
Taxation	10	-	8,241
Depreciation		-	9,290
Interest income	7	(9)	(17)
Unrealized of exchange loss/(gain) on foreign balances		368	(1,084)
Gain on transfer to related party		-	(6,382)
Interest expense	9	11,329	16,169
Share of (profit)/loss from associate		(3,201)	6,978
Gain on derecognition of right-of-use asset		<u>(4,621)</u>	<u>-</u>
		30,894	52,497
Changes in operating assets and liabilities:			
Inventories		-	3,525
Receivables		(70)	11,437
Payables		(28,261)	869
Related parties		(14,175)	30,234
Property, plant and equipment transferred to related party		<u>-</u>	<u>99,390</u>
		(11,612)	197,952
Taxation paid		<u>(45)</u>	<u>(601)</u>
Cash (used in)/provided by operating activities		<u>(11,657)</u>	<u>197,351</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received		9	17
Purchase of investments		-	(26,813)
Investment in subsidiary		(13,981)	-
Purchase of property, plant and equipment		<u>-</u>	<u>(118)</u>
Cash used in investing activities		<u>(13,972)</u>	<u>(26,914)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid		(11,329)	(14,383)
Loan repayments		(9,814)	(97,633)
Lease interest expense paid		-	(1,786)
Lease liability payment		<u>-</u>	<u>(5,202)</u>
Cash used in financing activities		<u>(21,143)</u>	<u>(119,004)</u>
(Decrease)/increase in cash and cash equivalents		(46,772)	51,433
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		47,939	(4,578)
Effect of exchange (loss)/gain on foreign balances		<u>(89)</u>	<u>1,084</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	<u>1,078</u>	<u>47,939</u>

K.L.E. GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2022****1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:**

- (a) K.L.E. Group Limited ('the company') is a limited liability company incorporated and domiciled in Jamaica. The registered office of the company is Unit 6, 67 Constant Spring Road, Kingston 10.
- (b) The company's shares are listed on the Junior Market of the Jamaica Stock Exchange.
- (c) In the prior year the company discontinued the restaurant operations and related assets and liabilities of the restaurant operation were transferred to T & R Restaurant Systems Limited T/A FranJam, a related company. FranJam now operates the Usain Bolt's Tracks and Records restaurants in both Montego Bay and Kingston. As such, there was no trading activity in the current and prior year.

The company is currently undergoing a restructure of its business model as a real estate and property management entity.

- (d) The company currently has a 49% shareholdings in T&R Restaurant Systems Limited.
- (e) Bessa Resort Management Limited is a limited liability company, which was incorporated in Jamaica on 7 June 2022 and is a 100% owned subsidiary of the company. The principal business is real estate and property management. The company was formed to manage the property rental of the completed Bessa Villas. There was no trading activity during the year.

The company and its subsidiary are referred to as "the Group".

2. REPORTING CURRENCY:

Items included in the financial statements of the group are measured using the currency of the primary economic environment in which the group operates ('the functional currency'). These financial statements are presented in Jamaican dollars, which is considered the group's functional and presentation currency, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. Amounts are rounded to the nearest thousand, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), and have been prepared under the historical cost convention. They are also prepared in accordance with requirements of the Jamaican Companies Act.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

New, revised and amended standards and interpretations that became effective during the year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The group has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following amendments are relevant to its operations:

Amendment to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', (effective for accounting periods beginning on or after 1 January 2022). This amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. The adoption of this amendment is not expected to have a significant impact on the group.

Annual Improvements 2018-2021, (effective for accounting periods beginning on or after 1 January 2022). The IASB issued its Accounting Improvements to IFRSs 2018-2021 cycle amending a number of standards, of which the following is relevant to the group: IFRS 9, 'Financial Instruments' to clarify the fees that should be included in the 10% test for derecognition of financial liabilities.

New standards, amendments and interpretations not yet effective and not early adopted (cont'd)

The following amendments to standards which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the group's future financial statements:

Amendments to IAS 1, 'Presentation of Financial Statements', Practice Statement 2 and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', (effective for accounting periods beginning on or after 1 January 2023). The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The adoption of these amendments is not expected to have a significant impact on the group.

K.L.E. GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2022****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(a) Basis of preparation (cont'd)****New standards, amendments and interpretations not yet effective and not early adopted (cont'd)**

The following amendments to standards which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the group's future financial statements (cont'd):

Amendments to IAS 1, 'Presentation of Financial Statements', (effective for accounting periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The adoption of these amendments is not expected to have a significant impact on the group.

Associates

Where the group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognized in the statement of financial position at cost.

Subsequently associates are accounted for using the equity method where the group's share of post-acquisition profits or losses and other comprehensive income is recognized in the statement of profit or loss and other comprehensive income, except that losses in excess of the group's investment in the associate are not recognized unless there is an obligation to make good those losses.

Profits or losses arising on transactions between the group and its associates are recognised only to the extent of unrelated investors' interest in the associate. The investor's share in the associate's profits or losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The group's associate company, incorporated in Jamaica is T & R Restaurant Systems Limited (see note 1(d)).

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

Joint ventures

The company is a party to a joint venture when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the company and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The company classifies its interests in joint arrangement as a joint venture where the company has rights to only the net assets of the joint venture.

In assessing the classification of interest in joint arrangement, the company considers:

- The structure of the joint venture
- The legal form of joint ventures structured through a separate vehicle
- The contractual terms of the joint venture agreement
- Any other facts and circumstances (including any other contractual arrangements).

Interest in joint venture is initially recognized in the statement of financial position at cost. Subsequently, the joint venture is accounted for using the equity method, where the group's share of profits or losses and other comprehensive income is recognized in the statement of profit or loss and other comprehensive income.

Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

(b) Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiary ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The group uses the audited financial statements of its subsidiary, Bessa Resort Management Limited at 31 December 2022 for the purpose of consolidation.

K.L.E. GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2022****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(c) Foreign currency translation**

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated to Jamaican dollars using the closing rate as at the reporting date.

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in profit or loss.

(d) Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at an amount equal to the initial value of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group contractually required to dismantle, remove or restore the leased asset.

K.L.E. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(d) Leases (cont'd)

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

(e) Impairment of non-current assets

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows.

(f) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity in another entity.

Financial assets

(i) Recognition and derecognition

Financial assets are initially recognised on the settlement date, which is the date that an asset is delivered to the group. This includes regular purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

K.L.E. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(f) **Financial instruments (cont'd)**

Financial assets (cont'd)

(i) **Recognition and derecognition (cont'd)**

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains all or substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognised financial assets that is created or retained by the group is recognised as a separate asset or liability.

(ii) **Classification**

The group classifies all of its financial instruments at initial recognition based on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

The group classifies its financial assets as those measured at amortised cost and fair value through other comprehensive income.

(iii) **Measurement**

Amortised cost

These assets arise principally from the provision of goods and services to customers (eg. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest (SPPI). They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The group's financial assets measured at amortised cost comprise receivables and cash and cash equivalents in the statement of financial position.

K.L.E. GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2022****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(f) Financial instruments (cont'd)****Financial assets (cont'd)****(iii) Measurement (cont'd)****Fair value through other comprehensive income**

Financial instrument classified as fair value through other comprehensive income are carried at fair value with changes in fair value recognized in other comprehensive income and accumulated in fair value reserve. Upon disposal, any balance within fair value reserves is reclassified directly to retained earnings and is not reclassified to profit or loss. Investments are measured at fair value through other comprehensive income.

(iv) Impairment

Impairment provisions for receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses (ECL).

During this process the probability of the non-payment of the receivables is assessed by taking into consideration historical rates of default for each segment of receivables as well as the estimated impact of forward looking information. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime ECL for the receivables. For receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within the statement of profit or loss. On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses are recognised.

For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(f) Financial instruments (cont'd)

Financial liabilities

The group's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the reporting date, the following items were classified as financial liabilities: long term loans, payables, due to related party, lease liabilities and bank overdraft.

The group derecognizes a financial liability when its contractual obligations expire or are discharged or cancelled.

(g) Related parties

A related party is a person or entity that is related to the company.

(i) A person or a close member of that person's family is related to the company if that person:

- (i) Has control or joint control over the company;
- (ii) Has significant influence over the company; or
- (iii) Is a member of the key management personnel of the group or of a parent of the group.

(ii) An entity is related to the company if any of the following condition applies:

- (i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for employees of either the company or an entity related to the company.
- (vi) The entity is controlled, or jointly controlled by a person identified in (i) above.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(g) Related parties (cont'd)

(iii) Identity of related parties

The company has a related party relationship with its joint venture partner and associate. The group's directors and senior executives are referred to as "key management personnel".

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether or not a price is charged.

(h) Borrowings

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in profit or loss over the period of the borrowings.

(i) Current and deferred income taxes

Taxation expense in profit or loss comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years, and items that are never taxable or deductible. The group's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is charged or credited to profit or loss.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(j) Other operating income

The group recognizes other operating income when specific criteria have been met for each of the group's activities as described below.

Dividend income

Dividend income is recognized when the shareholder's right to receive payment is established.

Interest income

Interest income is recognized in the income statement for all interest bearing instruments on an accrual basis unless collectability is doubtful.

Other operating income

Other income includes gains on the sale of 9% interest in the Bessa Project representing sweat equity in 2021.

(k) Investment in subsidiary

Investment by the company in its subsidiary is stated at cost.

(l) Dividend distribution

Dividend distribution to the group's shareholders is recognized as a liability in the group's financial statements in the period in which the dividends are approved by the group's shareholders.

(m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES:

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the group's accounting policies

In the process of applying the group's accounting policies, management has not made any judgements that it believes would cause a significant impact on the amounts recognized in the financial statements.

K.L.E. GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2022****4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):****(b) Key sources of estimation uncertainty**

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Fair value estimation

Certain assets and liabilities included in the group's financial statements require measurement at, and/or disclosure of, at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement of the group's financial and non financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are; (the 'fair value hierarchy'):

Level 1 Quoted prices in active markets for identical assets or liabilities (unadjusted).

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The classification of an item into the above level is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

Transfers of items between levels are recognised in the period they occur.

The group measures investments at fair value.

The fair value of financial instruments traded in active markets, such as investments at fair value through other comprehensive income is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the group is based on the spread between the bid and ask price. These instruments are included in level 1 and comprise equity instruments traded on the Jamaica Stock Exchange.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):

(b) Key sources of estimation uncertainty (cont'd)

(i) Fair value estimation (cont'd)

The fair values of financial instruments that are not traded in an active market are deemed to be/determined as follows:

Financial instruments not measured at fair value includes cash and cash equivalents, other receivables, other payables and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, other receivables, and other payables approximates their fair value.

The carrying values of long term loans approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.

The fair value of related party balances could not be reasonably determined as there is no set repayment date.

(ii) Allowance for impairment losses on receivables

In determining amounts recorded for impairment of accounts receivable in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measureable decrease in the estimated future cash flows from accounts receivables, for example, repayment default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired accounts receivable, as well as the timing of such cash flows. Expected credit losses (ECL) is applied to determine impairment of financial assets. When measuring ECL, the group considers the maximum contractual period over which the group is exposed to credit risk. All contractual terms are considered when determining the expected life. The expected life is estimated based on the period over which the group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):

(b) Key sources of estimation uncertainty (cont'd)

(iii) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognizes liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were originally recorded, such differences will impact income tax and deferred tax provisions in the period in which such determination is made.

5. FINANCIAL RISK MANAGEMENT:

The group is exposed through its operations to the following financial risks:

- Market risk
- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price, and
- Liquidity risk

In common with all other businesses, the group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(a) Principal financial instruments

The principal financial instruments used by the group, from which financial instrument risk arises, are as follows:

- Investments
- Receivables
- Cash and bank balances
- Bank overdraft
- Payables
- Long term loans
- Due to/from related party
- Lease liability

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(b) Financial instruments by category

Financial assets

	<u>The Group</u>			
	<u>Amortised cost</u>		<u>Fair value through other comprehensive income</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Investments	-	-	34,986	34,702
Receivables	3,350	-	-	-
Cash and bank balances	<u>11,458</u>	<u>57,233</u>	<u>-</u>	<u>-</u>
Total financial assets	<u>14,808</u>	<u>57,233</u>	<u>34,986</u>	<u>34,702</u>

	<u>The Company</u>			
	<u>Amortised cost</u>		<u>Fair value through other comprehensive income</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Investments	-	-	-	-
Due from related company	1,755	-	34,986	34,702
Cash and bank balances	<u>1,079</u>	<u>57,233</u>	<u>-</u>	<u>-</u>
Total financial assets	<u>2,834</u>	<u>57,233</u>	<u>34,986</u>	<u>34,702</u>

Financial liabilities

	<u>The Group</u>		<u>The Company</u>	
	<u>Amortized cost</u>		<u>Amortized cost</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Bank overdraft	1	9,294	1	9,294
Payables	634	13,234	284	13,234
Due to related party	-	12,420	-	12,420
Lease liability	-	32,441	-	32,441
Long term loans	<u>82,499</u>	<u>92,313</u>	<u>82,499</u>	<u>92,313</u>
Total financial liabilities	<u>83,134</u>	<u>159,702</u>	<u>82,784</u>	<u>159,702</u>

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is provided below:

	<u>Level 1</u> <u>\$'000</u>	<u>Level 2</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
31 December 2022			
Fair value through other comprehensive income -			
Quoted equity securities	1,974	-	1,974
Sigma Income Funds	<u>-</u>	<u>33,012</u>	<u>33,012</u>
	<u>1,974</u>	<u>33,012</u>	<u>34,986</u>
	<u>Level 1</u> <u>\$'000</u>	<u>Level 2</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
31 December 2021			
Fair value through other comprehensive income -			
Quoted equity securities	1,218	-	1,218
Sigma Income Funds	<u>-</u>	<u>33,484</u>	<u>33,484</u>
	<u>1,218</u>	<u>33,484</u>	<u>34,702</u>

(d) Financial risk factors

The Board of directors has overall responsibility for the determination of the group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the group's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility. Further details regarding these policies are set out below:

(i) Market risk

Currency risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(d) Financial risk factors (cont'd)

(i) Market risk (cont'd)

Currency risk (cont'd)

Foreign exchange risk arises from transactions that are denominated in currency other than the Jamaican dollar. The group manages this risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions.

Concentration of currency risk

The exposure to foreign currency risk at the reporting date was as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Cash and bank balances	18,947	54,098	8,568	54,098
Investments	<u>33,012</u>	<u>28,691</u>	<u>33,012</u>	<u>28,681</u>
	<u>51,959</u>	<u>82,789</u>	<u>41,580</u>	<u>82,789</u>

Foreign currency sensitivity

The following table indicates the sensitivity of the operating results and equity to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated investments and cash and bank balances and adjusts their translation at the year-end for 4% (2021 - 8%) depreciation and a 1% (2021 - 2%) appreciation of the Jamaican dollar against the US dollar.

	<u>The Group</u>					
	% Change in Currency Rate	Effect on Profit before Tax	Effect on Equity	% Change in Currency Rate	Effect on Loss before Tax	Effect on Equity
	<u>2022</u>	31 December <u>2022</u>	31 December <u>2022</u>	<u>2021</u>	31 December <u>2021</u>	31 December <u>2021</u>
		<u>\$'000</u>	<u>\$'000</u>		<u>\$'000</u>	<u>\$'000</u>
Currency:						
USD	-4	(758)	1,320	-8	4,328	2,295
USD	<u>+1</u>	<u>189</u>	<u>(330)</u>	<u>+2</u>	<u>(1,082)</u>	<u>(574)</u>

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(d) Financial risk factors (cont'd)

(i) Market risk (cont'd)

Currency risk (cont'd)

Foreign currency sensitivity (cont'd)

The Company						
	% Change in Currency Rate <u>2022</u>	Effect on Profit before Tax 31 December <u>2022</u> \$'000	Effect on Equity 31 December <u>2022</u> \$'000	% Change in Currency Rate <u>2021</u>	Effect on Loss before Tax 31 December <u>2021</u> \$'000	Effect on Equity 31 December <u>2021</u> \$'000
Currency:						
USD	-4	(343)	1,320	-8	4,328	2,295
USD	<u>+1</u>	<u>86</u>	<u>(330)</u>	<u>+2</u>	<u>(1,082)</u>	<u>(574)</u>

Exchange rates, in terms of Jamaica dollars, were as follows:

At 31 December 2022 - J\$149.96 - US\$1.00

At 31 December 2021 - J\$153.06 - US\$1.00

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. As the group does not have a significant exposure, market price fluctuations are not expected to have a material effect on the statement of changes in equity.

Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Floating rate instruments expose the group to cash flow interest rate risk, whereas fixed rate instruments expose the group to fair value interest rate risk.

Short term investments were the only interest bearing assets within the group during the prior year. They were due to mature and re-price respectively, within 3 months of the reporting date.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(d) Financial risk factors (cont'd)

(i) Market risk (cont'd)

Cash flow and fair value interest rate risk (cont'd)

Interest rate sensitivity

There is no significant exposure to interest rate risk on short term investments, as these deposits have a short term to maturity and are constantly reinvested at current market rates.

There is no significant exposure to interest rate risk on borrowings as the interest rates are fixed.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from investments and cash and bank balances.

Cash and bank balances

Cash transactions are limited to high credit quality financial institutions. The group has policies that limit the amount of credit exposure to any one financial institution.

Investments

The group limits its exposure by investing mainly in liquid securities, with counterparties that have high credit quality. As a consequence, management's expectation of default is low.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(d) Financial risk factors (cont'd)

(iii) Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

The group's liquidity management process, as carried out within the group and monitored by the directors, includes:

- (i) monitoring future cash flows and liquidity;
- (ii) maintaining a portfolio of short term deposit balances that can easily be liquidated as protection against any unforeseen interruption to cash flow; and
- (iii) maintaining committed lines of credit.

Cash flows of financial liabilities

The maturity profile of the group's financial liabilities, based on contractual undiscounted payments, is as follows:

	<u>The Group</u>			
	Within 1 Year <u>\$'000</u>	2 to 5 Years <u>\$'000</u>	Over 5 Years <u>\$'000</u>	Total <u>\$'000</u>
31 December 2022				
Payables	634	-	-	634
Bank overdraft	1	-	-	1
Long term loans	<u>20,151</u>	<u>82,395</u>	<u>14,831</u>	<u>117,377</u>
Total financial liabilities (contractual maturity dates)	<u>20,786</u>	<u>82,395</u>	<u>14,831</u>	<u>118,012</u>

K.L.E. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(d) Financial risk factors (cont'd)

(iii) Liquidity risk (cont'd)

	The Group			
	Within 1 Year <u>\$'000</u>	2 to 5 Years <u>\$'000</u>	Over 5 Years <u>\$'000</u>	Total <u>\$'000</u>
31 December 2021				
Payables	13,234	-	-	13,234
Lease liability	15,477	20,010	-	35,487
Bank overdraft	9,294	-	-	9,294
Due to related party	12,420	-	-	12,420
Long term loans	<u>13,063</u>	<u>42,659</u>	<u>64,263</u>	<u>119,985</u>
Total financial liabilities (contractual maturity dates)	<u>63,488</u>	<u>62,669</u>	<u>64,263</u>	<u>190,420</u>
	The Company			
	Within 1 Year <u>\$'000</u>	2 to 5 Years <u>\$'000</u>	Over 5 Years <u>\$'000</u>	Total <u>\$'000</u>
31 December 2022				
Payables	284	-	-	284
Bank overdraft	1	-	-	1
Long term loans	<u>20,151</u>	<u>82,395</u>	<u>14,831</u>	<u>117,377</u>
Total financial liabilities (contractual maturity dates)	<u>20,436</u>	<u>82,395</u>	<u>14,831</u>	<u>117,662</u>

K.L.E. GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) **Financial risk factors (cont'd)**

(iii) **Liquidity risk (cont'd)**

Cash flows of financial liabilities (cont'd)

The maturity profile of the group's financial liabilities, based on contractual undiscounted payments, is as follows (cont'd):

	The Company			
	Within 1	2 to 5	Over 5	Total
	Year	Years	Years	Total
	\$'000	\$'000	\$'000	\$'000
31 December 2021				
Payables	13,234	-	-	13,234
Lease liability	15,477	20,010	-	35,487
Bank overdraft	9,294	-	-	9,294
Due to related party	12,420	-	-	12,420
Long term loans	<u>13,063</u>	<u>42,659</u>	<u>64,263</u>	<u>119,985</u>
Total financial liabilities (contractual maturity dates)	<u>63,488</u>	<u>62,669</u>	<u>64,263</u>	<u>190,420</u>

(e) **Capital management**

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders. The Board of Directors monitors the return on capital, which the group defines as net operating income, excluding non-recurring items, divided by total stockholders' equity.

There are no particular strategies to determine the optimal capital structure. There are also no external capital maintenance requirements to which the group is subject.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

6. OTHER OPERATING INCOME:

	<u>The Group</u>		<u>The Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Gain on sale of investment	-	77,348	-	77,348
Interest income	9	17	9	17
Other income	<u>18,047</u>	<u>1,111</u>	<u>18,045</u>	<u>1,111</u>
	<u>18,056</u>	<u>78,476</u>	<u>18,054</u>	<u>78,476</u>

Included in other income is \$14,313,000 which represents amounts written off by a related company, T & R Restaurant Systems Limited.

7. EXPENSES BY NATURE:

Total administration and other operating expenses from continued operations:

	<u>The Group</u>		<u>The Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Bank service charges	141	2,056	131	2,056
Professional fees	8,539	-	6,950	-
Rent	-	470	-	470
Repairs and maintenance	-	2,284	-	2,284
Utilities	70	-	70	-
Advertising and marketing	1,490	-	969	-
Dues and subscription	1,258	-	1,258	-
Cleaning and sanitation	-	940	-	940
Printing and reproduction	95	-	95	-
Bad debts	-	(8,765)	-	(8,765)
Donation	450	-	450	-
Penalties and interest	-	17,547	-	17,547
Royalties	-	2,938	-	2,938
Amortization of right-of-use asset	-	4,971	-	4,971
Foreign exchange loss/(gain)	<u>421</u>	<u>(1,084)</u>	<u>183</u>	<u>(1,084)</u>
	<u>12,464</u>	<u>21,357</u>	<u>10,106</u>	<u>21,357</u>

8. FINANCE COSTS:

	<u>The Group and The Company</u>	
	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>
Interest expense	11,329	14,383
Lease interest expense	<u>-</u>	<u>1,786</u>
	<u>11,329</u>	<u>16,169</u>

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

9. TAXATION EXPENSE:

- (a) Taxation is computed on the operating results for the year, adjusted for tax purposes, and comprises:

	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
Current taxation	-	-
Deferred tax (note 16)	<u>-</u>	<u>(8,241)</u>
	<u>-</u>	<u>(8,241)</u>

- (b) The tax on the operating results before taxation differs from the theoretical amount that would arise using the applicable tax rate of 25% as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
(Loss)/ profit before taxation	<u>(2,536)</u>	<u>33,972</u>	<u>(180)</u>	<u>33,972</u>
Taxation calculated at applicable tax rate	(634)	8,493	(45)	8,493
Adjusted for the effects of:				
Disallowed expenses	400	9,858	341	9,858
Depreciation charge and capital	-	(1,478)	-	(1,478)
Share of results of associate	(800)	1,745	(800)	1,745
Other charges, remission and credits	<u>1,034</u>	<u>(26,859)</u>	<u>504</u>	<u>(26,859)</u>
Taxation charge in the income statement	<u>-</u>	<u>(8,241)</u>	<u>-</u>	<u>(8,241)</u>

- (c) Subject to the agreement with Tax Administration Jamaica, at the end of the reporting period the company has tax losses of approximately \$269,870,251 (2021 - \$249,806,683) available to set - off against future profits. No deferred tax has been recognized in the current period.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

9. TAXATION EXPENSE (CONT'D):

Remission of income tax:

The company's shares were listed on the Junior Market of the Jamaica Stock Exchange, effective 22 October 2012. Consequently, the company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided the shares remain listed for at least 15 years.

Year 1-5	100%
Year 6-10	50%

The tax remission period ended on 21 October 2022.

The financial statements were prepared on the basis that the company will retain the full benefit of the tax remission.

10. EARNINGS PER STOCK UNIT ATTRIBUTABLE TO STOCKHOLDERS OF THE GROUP:

Earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the number of ordinary stock units in issue at year end. Diluted earnings per stock unit equals basic earnings per stock unit as there are no potential dilutive ordinary stock units.

	<u>2022</u>	<u>2021</u>
Net profit attributable to stockholders (\$'000)	24,672	14,331
Number of ordinary stock units (weighted average) ('000)	100,000	100,000
Basic and diluted earnings per stock unit (\$)	<u>0.25</u>	<u>0.14</u>

11. INVESTMENT IN JOINT VENTURE:

	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
Bessa project	<u>14,997</u>	<u>15,276</u>

K.L.E. Group Limited (K.L.E.) entered into a Partnership Agreement with Sagicor Life Limited for the purpose of carrying out the Bessa Project; a project for the development of property in Oracabessa, St. Mary. Pursuant to the said Agreement, K.L.E. is obliged to invest the sum of US\$350,007 in cash plus US\$200,000 sweat equity. However, in 2017 the Board of Directors of K.L.E. decided to reduce its direct funding in respect of the Bessa Project to a maximum of US\$100,007 and accordingly invited a small company of investors (the "Participants") to assume the risk and reward of participating in the Bessa Partnership to the extent of US\$250,000, and US\$200,000.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

11. INVESTMENT IN JOINT VENTURE (CONT'D):

The Participants entered into a Participation Agreement with K.L.E., whereby K.L.E. would receive the investment funds paid in by the Participants, pay it into the Bessa Partnership, and manage the process of accounting to the Participants for any returns earned on those funds. K.L.E. does not assume the risk of this investment, and it is expressly acknowledged by the Participants that they undertake this investment at their own risk.

Under this Participation Agreement, K.L.E.'s obligations to the Participants are:

- (a) to report to the investors throughout the life of the Bessa Partnership in respect of the progress of the Bessa Project utilizing the information provided to it as a result of the Partnership Agreement;
- (b) to account to the Participants in respect of all amounts paid to K.L.E. in cash by the Partnership in respect of K.L.E.'s interest therein and promptly pay over to each Participant the amount so received which represents a return of capital and/or profit in respect of the amount provided by each Participant; and
- (c) to receive and hold on trust for the Participants and for itself any non-cash assets received as a distribution from the Partnership, with power to dispose of such assets and to account to the Participants in respect of the net proceeds of such sale. K.L.E. shall promptly pay to each Participant such portion of the net sale proceeds received which represents a return of capital and/or profit in respect of the amount provided by each Participant.

12. INVESTMENT IN SUBSIDIARY:

This represents investment during the year of the company in the shares of its wholly own subsidiary, Bessa Resort Management Limited. This company will be used as the vehicle to manage and drive the property management and rental of the Bessa Villas.

13. INVESTMENTS:

	<u>The Group and The Company</u>	
	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>
Financial instruments at fair value through other comprehensive income (FVOCI) -		
Quoted equity securities	1,974	1,218
Sigma Income Funds	<u>33,012</u>	<u>33,484</u>
Short term investments	34,986 <u>(26,925)</u>	34,702 <u>(28,691)</u>
	<u>8,061</u>	<u>6,011</u>

The short term investments relates to funds invested in the Sagicor Sigma Income Fund. The company will withdraw these funds in the next 12 months according to its short term objectives.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

14. INVESTMENT IN ASSOCIATE:

This represents a 49% shareholding of the issued shares in T & R Restaurant Systems Limited comprising of 490 ordinary shares, costing J\$77,363,202 (US\$637,454).

	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
Investment at beginning of year	68,356	42,634
Additional investment	-	32,700
Share of results after tax	<u>3,201</u>	<u>(6,978)</u>
	<u>71,557</u>	<u>68,356</u>

Additional investment in the previous year represents \$32.7 million of receivables owned by T&R Restaurant Systems Limited that was converted to investment.

The assets, liabilities, revenue and net profit/(loss) of the associate are as follows:

	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
Assets	239,881	227,238
Liabilities	232,931	226,821
Revenue	368,469	102,668
Net profit/(loss)	<u>6,534</u>	<u>(14,240)</u>

15. RECEIVABLES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
Prepayments and other receivables	<u>9,823</u>	<u>6,402</u>	<u>6,472</u>	<u>6,402</u>

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

16. DEFERRED TAX:

Deferred tax is calculated in full on temporary differences under the liability method using a principal tax rate of 25%.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate offsetting are as follows:

The movement in the deferred tax account is as follows:

	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
Balance at start of year	-	8,241
Charge for the year (note 11)	<u>-</u>	<u>(8,241)</u>
Balance at end of year	<u>-</u>	<u>-</u>

17. RIGHT OF USE ASSET:

(a) Right-of-use asset represents leased premises as follows:

	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
1 January	27,820	32,791
Amortisation	-	(4,971)
Derecognition	<u>(27,820)</u>	<u>-</u>
31 December	<u>-</u>	<u>27,820</u>

(b) Lease liability:

	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
1 January	32,441	35,857
Interest expense on lease obligation	-	1,786
Rent payments	-	(5,202)
Derecognition	<u>(32,441)</u>	<u>-</u>
31 December	<u>-</u>	<u>32,441</u>

The derecognition resulted from the discontinuation of the lease as the company no longer carried out operations at that location.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

17. RIGHT OF USE ASSET (CONT'D):

(b) Lease liability (cont'd):

	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$,000</u>
Current portion	-	14,348
Non-current portion	-	18,093
	<u>-</u>	<u>32,441</u>

(c) Amount recognised in the statement of profit or loss:

	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>
Gain on derecognition of right-of-use asset	(4,621)	-
Short term lease expenses	-	470
Amortisation	-	4,971
Interest on lease liability	-	1,786
	<u>(4,621)</u>	<u>7,227</u>

18. RELATED PARTY TRANSACTIONS AND BALANCES:

(a) Transactions during the year between the company and its related parties

	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$,000</u>
Besa Resort Management Limited Advances for working capital purposes	<u>1,755</u>	<u>-</u>

(b) Key management compensation

Wages and salaries	-	18,549
Payroll taxes - employer's portion	-	2,054
	<u>-</u>	<u>20,603</u>

The company and its subsidiary do not have employees, however T&R Restaurant Systems Limited provides management services without charge to the entities.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

18. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D):

(c) Year-end balances arising from transactions with related parties

	<u>The Group</u>		<u>The Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Due from Bessa Resort Management Limited	-	-	1,755	-
Due from/(to) T&R Restaurant Systems Limited	-	(12,420)	-	(12,420)
	<u>-</u>	<u>(12,420)</u>	<u>1,755</u>	<u>(12,420)</u>

19. CASH AND CASH EQUIVALENTS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Cash and bank balances	11,458	57,233	1,079	57,233
Bank overdraft	(1)	(9,294)	(1)	(9,294)
	<u>11,457</u>	<u>47,939</u>	<u>1,078</u>	<u>47,939</u>

20. SHARE CAPITAL:

	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>
Authorised - 100,000,000 ordinary shares of no par value		
Stated capital, issued and fully paid - 100,000,000 ordinary shares of no par value	<u>122,903</u>	<u>122,903</u>

21. FAIR VALUE RESERVE:

This represents the unrealized surplus on revaluation of investments.

22. ACCUMULATED DEFICIT:

	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>
Reflected in the financial statements of:		
The company	(88,602)	(115,630)
Subsidiary	(2,356)	-
	<u>(90,958)</u>	<u>(115,630)</u>

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

23. LONG TERM LOANS:

	<u>The Group and The Company</u>	
	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>
Sagicor Bank Limited		
\$70 million loan	59,715	66,620
\$26.5 million loan	<u>22,784</u>	<u>25,693</u>
	82,499	92,313
Less: current portion	<u>(10,112)</u>	<u>(5,431)</u>
	<u>72,387</u>	<u>86,882</u>

Loan in the amount of \$70 million and \$26.5 million attracts interest at a rate of 13% per annum and are for a period of 96 months. They are secured by first demand debenture over fixed and floating assets of the company stamped to cover J\$31.8 million. It is also secured by debenture to be stamped for a further J\$38.7 million and to be held in registrable form and assignment of commercial all risks insurance valuing \$60 million. They are also secured by hypothecation of various Sigma Funds unit investments in both Jamaican and United States dollars currency.

The assets were transferred to a related party in the previous year which is controlled by the major shareholder.

24. PAYABLES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Payables	285	670	285	670
Accruals	2,250	1,871	1,900	1,871
Statutory liabilities	12,261	17,507	12,261	17,507
GCT	11,917	22,011	11,917	22,011
Royalties payable	<u>-</u>	<u>12,565</u>	<u>-</u>	<u>12,565</u>
	<u>26,713</u>	<u>54,624</u>	<u>26,363</u>	<u>54,624</u>

The company is liable to the Tax Administration Jamaica (TAJ) in respect of unpaid GCT, statutory liabilities and related interest and penalties. The interest and penalties were not booked by the company as it is in discussion with (TAJ) regarding a waiver of these amounts.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

25. DISCONTINUED OPERATION:

	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
Total revenue	-	73,364
Cost of sales	<u>-</u>	<u>(22,744)</u>
GROSS PROFIT	-	50,620
Gain on sale of discontinued operation	<u>-</u>	<u>6,382</u>
Administrative and other expenses	<u>-</u>	<u>57,002</u> <u>(68,402)</u>
Profit/(loss) from discontinued operation	<u>-</u>	<u>(11,400)</u>
Adjustment to discontinued operations results credited to profit or loss	<u>27,208</u>	<u>-</u>

Profit from discontinued operation in the previous year was as a result of the finalisation, settlement and transfer of a contractual obligations to T & R Restaurant Systems Limited as per signed agreement.

The adjustment to discontinued operations results which is credited to profit or loss arose from the resolution of uncertainties relating to royalties and taxation.

The gain on the discontinued operations was determined as follows:

	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
Total consideration	-	-
Net book value of property, plant and equipment receivables and inventories	-	105,658
Non-current and current liabilities	<u>-</u>	<u>(112,040)</u>
Gain on transfer of discontinued operations	<u>-</u>	<u>6,382</u>

The statement of cash flows included the following amounts relating to discontinued operation:

	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
Operating activities	27,208	6,382
Investing activities	<u>(27,208)</u>	<u>(6,382)</u>
Net cash flow on discontinued operation	<u>-</u>	<u>-</u>

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

26. IMPACT OF COVID-19:

During the year ended 31 December 2022, the COVID-19 pandemic had no impact on the company and its subsidiary. Also, its associate company had a full rebound from the negative impacts of the pandemic and was able to operate at a profit during the year, which increased the net results of the Group. Management, with the guidance of the various health organizations is optimistic and believes that the Covid-19 pandemic will have no further implications on the Group.