K.L.E. GROUP LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2023

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INDEX

BDO

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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 Consolidated and Stand-alone Financial Statements

Opinion

We have audited the financial statements of K.L.E. Group Limited set out on pages 6 to 45, which comprise the group and the company's statements of financial position as at 31 December 2023, 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 material 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 2023, and of the group and the company's financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) 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.

Material Uncertainty Related to Going Concern

We draw attention to note 3(b) in the financial statements, which indicates that the group and the company incurred a loss from continued operations of $28,366,000 and $6,899,000, respectively during the year ended 31 December 2023 and, as of that date, the group's and the company's current liabilities exceeded its current assets by $64,098,000 and $54,256,000, respectively. At the reporting date, the group and the company also had accumulated deficit of $115,094,000 and $91,271,000, respectively. As stated in note 3(b), the events or conditions along with other matters as set forth in note 3(b), indicate that a material uncertainty exists that may cast significant doubt on the group's and company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

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 2023, investment in joint venture represents approximately 14% 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 Accounting Standards 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 achieves fair presentation.

- 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.

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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.

BDO

Chartered Accountants

28 March 2024

K.L.E. GROUP LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2023

	Note	2023 $'000	2022 $'000
Other operating income	6	54,024	18,056
Administrative and other expenses	7	(56,335)	(12,464)
(LOSS)/PROFIT FROM OPERATION		(2,311)	5,592
Finance costs	8	(11,033)	(11,329)
		(13,344)	(5,737)
Share of post-tax (loss)/profit of equity accounted associate	13	(14,450)	3,201
Loss before taxation		(27,794)	(2,536)
Taxation	9	(572)	-
LOSS FROM CONTINUING OPERATION		(28,366)	(2,536)
Adjustment to discontinued operation results	23	4,230	27,208
NET (LOSS)/PROFIT		(24,136)	24,672
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss -			
Unrealised gain on investments at fair value through other comprehensive income		1,093	284
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(23,043)	24,956
EARNINGS PER STOCK UNIT BASIC AND DILUTED	10	($0.24)	$0.25

K.L.E. GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2023

	Note	2023 $'000	2022 $'000
ASSETS			
NON-CURRENT ASSETS:			
Investment in joint venture	11	15,360	14,997
Investment in associate	13	57,107	71,557
Investments	14	2,196	8,061
		74,663	94,615
CURRENT ASSETS:			
Receivables	15	20,214	9,823
Due from related party	16	928	-
Short term investments	14	7,227	26,925
Cash and bank balances	17	4,009	11,458
		32,378	48,206
		107,041	142,821
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	18	122,903	122,903
Fair value reserve	19	2,756	1,663
Accumulated deficit	20	(115,094)	(90,958)
		10,565	33,608
NON-CURRENT LIABILITY:			
Long term loans	21	-	72,387
CURRENT LIABILITIES:			
Current portion of long term loans	21	72,996	10,112
Payables	22	22,908	26,713
Bank overdraft	17	-	1
Taxation		572	-
		96,476	36,826
		107,041	142,821

Approved for issue by the Board of Directors on 28 March 2024 and signed on its behalf by:

David A. Shirley

David Shirley - Chairman

Gary Matalon - Director

K.L.E. GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2023

	Share Capital $'000	Fair Value Reserve $'000	Accumulated Deficit $'000	Total $'000
BALANCE AT 1 JANUARY 2022	122,903	1,379	(115,630)	8,652
TOTAL COMPREHENSIVE INCOME				
Net profit	-	-	24,672	24,672
Other comprehensive income	-	284	-	284
	-	284	24,672	24,956
BALANCE AT 31 DECEMBER 2022	122,903	1,663	(90,958)	33,608
TOTAL COMPREHENSIVE INCOME				
Net loss	-	-	(24,136)	(24,136)
Other comprehensive income	-	1,093	-	1,093
	122,903	1,093	(24,136)	(23,043)
BALANCE AT 31 DECEMBER 2023	122,903	2,756	(115,094)	10,565

K.L.E. GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2023

	Note	2023 $'000	2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss)/profit		(24,136)	24,672
Items not affecting cash resources:			
Interest income	6	(39)	(11)
Unrealized exchange (gain)/loss on foreign balances		(1,054)	606
Interest expense	8	11,033	11,329
Share of loss/(profit) from associate		14,450	(3,201)
Taxation		572	-
Gain on derecognition of right-of-use asset		-	(4,621)
		826	28,774
Changes in operating assets and liabilities:			
Receivables		(10,391)	(3,421)
Payables		(3,805)	(27,911)
Related parties		(928)	(12,420)
		(14,298)	(14,978)
Taxation paid		-	(45)
Cash used in operating activities		(14,298)	(15,023)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received		39	11
Investments		26,656	-
Cash provided by investing activities		26,695	11
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid		(11,033)	(11,329)
Loan repayments		(9,503)	(9,814)
Cash used in financing activities		(20,536)	(21,143)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8,139)	(36,155)
Cash and cash equivalents at beginning of year		11,457	47,939
Effect of exchange gain/(loss) on foreign balances		691	(327)
CASH AND CASH EQUIVALENTS AT END OF YEAR	17	4,009	11,457

K.L.E. GROUP LIMITED

COMPANY STATEMENT OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2023

	Note	2023 $'000	2022 $'000
Other operating income	6	54,013	18,054
Administrative and other expenses	7	(34,857)	(10,106)
PROFIT FROM OPERATION		19,156	7,948
Finance costs	8	(11,033)	(11,329)
		8,123	(3,381)
Share of post-tax (loss)/profit of equity accounted associate	13	(14,450)	3,201
Loss before taxation		(6,327)	(180)
Taxation	9	(572)	-
LOSS FROM CONTINUING OPERATION		(6,899)	(180)
Adjustment to discontinued operation results	23	4,230	27,208
NET (LOSS)/PROFIT		(2,669)	27,028
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss - Unrealised gain on investments at fair value through other comprehensive income		1,093	284
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(1,576)	27,312

K.L.E. GROUP LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2023

	Note	2023 $'000	2022 $'000
ASSETS			
NON-CURRENT ASSETS:			
Investment in joint venture	11	15,360	14,997
Investment in subsidiary	12	13,981	13,981
Investment in associate	13	57,107	71,557
Investments	14	2,196	8,061
		88,644	108,596
CURRENT ASSETS:			
Receivables	15	8,028	6,472
Due from related party	16	24,917	1,755
Short term investments	14	7,227	26,925
Cash and bank balances	17	941	1,079
		41,113	36,231
		129,757	144,827
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	18	122,903	122,903
Fair value reserve	19	2,756	1,663
Accumulated deficit	20	(91,271)	(88,602)
		34,388	35,964
NON-CURRENT LIABILITY:			
Long term loans	21	-	72,387
CURRENT LIABILITIES:			
Current portion of long term loans	21	72,996	10,112
Payables	22	21,801	26,363
Bank overdraft	17	-	1
Taxation		572	-
		95,369	36,476
		129,757	144,827

Approved for issue by the Board of Directors on 28 March 2024 and signed on its behalf by:

David Shirley - Chairman

Gary Matalon - Director

K.L.E. GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2023

	Share Capital $'000	Fair Value Reserve $'000	Accumulated Deficit $'000	Total $'000
BALANCE AT 1 JANUARY 2022	122,903	1,379	(115,630)	8,652
TOTAL COMPREHENSIVE INCOME				
Net profit	-	-	27,028	27,028
Other comprehensive income	-	284	-	284
	-	284	27,028	27,312
BALANCE AT 31 DECEMBER 2022	122,903	1,663	(88,602)	35,964
TOTAL COMPREHENSIVE LOSS				
Net loss	-	-	(2,669)	(2,669)
Other comprehensive income	-	1,093	-	1,093
	-	1,093	(2,669)	(1,576)
BALANCE AT 31 DECEMBER 2023	122,903	2,756	(91,271)	34,388

K.L.E. GROUP LIMITED

COMPANY STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2023

	Note	2023 $'000	2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss)/profit		(2,669)	27,028
Items not affecting cash resources:			
Interest income	6	(28)	(9)
Unrealized of exchange (gain)/loss on foreign balances		(729)	368
Interest expense	8	11,033	11,329
Share of loss/(profit) from associate		14,450	(3,201)
Taxation		572	-
Gain on derecognition of right-of-use asset		-	(4,621)
		22,629	30,894
Changes in operating assets and liabilities:			
Receivables		(1,556)	(70)
Payables		(4,562)	(28,261)
Related parties		(23,162)	(14,175)
		(6,651)	(11,612)
Taxation paid		-	(45)
Cash used in operating activities		(6,651)	(11,657)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received		28	9
Investments		26,656	-
Investment in subsidiary		-	(13,981)
Cash provided by/(used in) investing activities		26,684	(13,972)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid		(11,033)	(11,329)
Loan repayments		(9,503)	(9,814)
Cash used in financing activities		(20,536)	(21,143)
NET DECREASE CASH AND CASH EQUIVALENTS		(503)	(46,772)
Cash and cash equivalent at beginning of year		1,078	47,939
Effect of exchange gain on foreign balances		366	(89)
CASH AND CASH EQUIVALENTS AT END OF YEAR	17	941	1,078

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) The company has restructured its business model as a real estate and property management entity. There were no property management activities in the current or prior year, however the company earned 50% of a one time sales referral fee. See note 6.

(d) The company has a 49% shareholdings in T&R Restaurant Systems Limited. In 2021, 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. FranJam now operates the Usain Bolt's Tracks and Records restaurants in both Montego Bay and Kingston.

(e) Bessa Resort Management Limited is a limited liability company, which was incorporated in Jamaica on 7 June 2023 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. **MATERIAL 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 (IFRS) as issued by the IASB (IFRS Accounting Standards), 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 IFRS Accounting Standards 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 2023

3. **MATERIAL 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:

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 require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. The amendments also 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 did not have a significant impact on the company.

Amendments to IAS 12, 'Income Taxes', (effective for accounting periods beginning on or after 1 January 2023). In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations, transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The adoption of these amendments did not have a significant impact on the group.

There are no other new, revised or amended standards or interpretations that became effective during the year which are relevant to the group's financial statements.

New standards, amendments and interpretations not yet effective and not early adopted

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:

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

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

(a) **Basis of preparation (cont'd)**

New standards, amendments and interpretations not yet effective and not early adopted (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.

Amendments to IAS 1, Non-Current Liabilities with Covenants, (effective for accounting periods beginning on or after 1 January 2024). Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of the financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The adoption of these amendments is not expected to have a significant impact on the group.

Amendments to IAS 7 and IFRS 7, – Disclosures: Supplier Finance Arrangements, (effective for accounting periods beginning on or after 1 January 2024) The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments clarify the characteristics of supplier finance arrangements. In these arrangements one or more finance providers pay amounts an entity owes to its suppliers. The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements either at the same date or a later date than on which the finance providers pay the entity's suppliers. The adoption of these amendments is not expected to have a significant impact on the group.

Amendments to IAS 21, 'Effects of Changes in Foreign Exchange Rates' – Lack of Exchangeability, (effective for accounting periods beginning on or after 1 January 2025). The amendments specify when a currency is exchangeable into another currency and when it is not as well as how an entity determines the exchange rate to apply when a currency is not exchangeable. A currency is exchangeable when there is an ability to obtain the other currency and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. The amendments also require the disclosure of additional information that would enable users of the financial statements of an entity to evaluate how a currency's lack of exchangeability affects, or is expected to affect, the entity's financial performance, financial position and cash flows. 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 2023

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

(a) **Basis of preparation (cont'd)**

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

There are no other IFRS, IFRIC interpretations or IFRS sustainability standards that are not yet effective that would be expected to have a material 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)).

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.

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

(a) **Basis of preparation (cont'd)**

Joint ventures

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) **Going concern**

The preparation of the financial statements in conformity with IFRS Accounting Standards assumes that the group and the company will continue in operational existence for the foreseeable future. This means, inter alia, that the consolidated and stand-alone statement of financial position and the statement of profit or loss and other comprehensive income assume no intention or necessity to liquidate or curtail the scale of operations. This is commonly referred to as the going concern basis. The group reported losses from its continuing operations for the year of $28,366,000 (2022 - $2,536,000) and, as at the reporting date, had accumulated deficit of $115,094,000 (2022 - $90,958,000) and net current liabilities of $64,098,000 (2022 – net current assets of $11,380,000). The company reported losses for the year from its continuing operations of $6,899,000 (2022 - $180,000) and, as at the reporting date, had accumulated deficit of $91,271,000 (2022 - $88,602,000) and net current liabilities of $54,256,000 (2022 – $245,000).

Management continues to have a reasonable expectation that the group and the company has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

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

(b) **Going concern (cont'd)**

Management's assessment is based upon a thorough analysis, rooted in information that's both currently available and reasonably predictable. The key factors supporting this assessment include:

(i) An evaluation of the current operating environment
(ii) The expected realization of strategies in the upcoming year
(iii) The capability to fulfill short to medium-term financial commitments
(iv) The strength of relationships with essential suppliers and business partners
(v) The status of any legal challenges facing the company
(vi) Insights into labor market dynamics
(vii) Insurance coverages
(viii) The expected performance of the subsidiary and associate company

The company, K.L.E., plans to enter the real estate sector, with a focus on Bessa Villas located in Oracabessa, St. Mary. In partnership with Sagicor, the company is buoyed by a contractual agreement to receive an advance exceeding US$1 million, reflective of a portion of the anticipated profits from this venture. This advance will act as the initial investment for these units. Revenue would be generated through both rental earnings and the appreciation in the value of these properties. Additionally, since the company is not in a position to settle the large loan payment due within a year from the reporting date, the external financier is currently re-evaluating the company's borrowing arrangements.

Bessa Resort Management Limited (BRML) anticipates that the visibility and management of the villas will be through collaborations with leading global booking and resort management firms. Additionally, BRML is in the midst of securing a 40-year lease for a prime piece of land to expand the amenities which would include a restaurant.

As for T&R Restaurants Systems Limited, the interest in franchising the restaurant is both local and international, reflecting a robust post-COVID revamp aimed at capitalizing on these burgeoning opportunities. The major shareholders and directors have pledged their continued support for the operations.

Based on the foregoing, management believes that the group and the company are in a reasonable position to continue to operate for the foreseeable future.

(c) **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 2023 for the purpose of consolidation.

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

(d) **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.

(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.

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.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

Financial assets (cont'd)

(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, due from related party and cash and bank balances in the statement of financial position.

Fair value through other comprehensive income (FVOCI)

The group has investments in listed entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those investments, the company has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the company considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. Upon disposal any balance within the fair value reserve is transferred directly to retained earnings and is not recycled to profit or loss.

The company's financial assets measured at FVOCI are its investment securities which includes equity and debt instruments in the statement of financial position.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

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

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

Financial assets (cont'd)

(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.

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, and bank overdraft.

The group derecognizes a financial liability when its contractual obligations expires or is discharged or cancelled.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(g) **Related parties**

A party is related to the group, if:

(i) Directly, or indirectly through one or more intermediaries, the party:

- (a) is controlled by, or is under common control with, the group;
- (b) has an interest in the group that gives it significant influence over the entity; or
- (c) has joint control over the group.

(ii) The party is an associate of the group;

(iii) The party is a joint venture in which the group is a venturer;

(iv) The party is a member of the key management personnel of the entity or its parent. Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the group, including directors and officers and close members of the families of these individuals;

(v) The party is a close member of the family of any individual referred to in (i) or (iv);

(vi) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) The party is a post-employment benefit plan for the benefit of employees of the group, or of any entity that is a related party of the entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether 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.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(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.

(j) **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for services provided in the ordinary course of the company's business and is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured taking into account contractually defined terms of payment.

The specific recognition criteria are described below -

Property management income

Revenue from property management services is recognized in the statement of profit or loss over time in the period in which the services are rendered and when control of the promised service is transferred to the client, reflecting the performance obligations under the terms of the service agreements.

Dividend income

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

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

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

(j) **Revenue recognition (cont'd)**

The specific recognition criteria are described below (cont'd) -

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 2022.

(k) **Investment in subsidiary**

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

(l) **Segment reporting**

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the group's Chief Operating maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Based on information presented to and reviewed by the CODM, the operations of the group are considered as one operating segment.

(m) **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.

(n) **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.

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

(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.

(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.

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

(i) **Fair value estimation (cont'd)**

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.

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.

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 from related party

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(b) **Financial instruments by category**

Financial assets

	The Group			
	Amortised cost		Fair value through other comprehensive income	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Investments	-	-	9,423	34,986
Receivables	12,186	3,350	-	-
Due from related party	928	-	-	-
Cash and bank balances	4,009	11,458	-	-
Total financial assets	17,123	14,808	9,423	34,986

	The Company			
	Amortised cost		Fair value through other comprehensive income	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Investments	-	-	9,423	34,986
Due from related party	24,917	1,755	-	-
Cash and bank balances	941	1,079	-	-
Total financial assets	25,858	2,834	9,423	34,986

Financial liabilities

	The Group		The Company	
	Amortized cost		Amortized cost	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Bank overdraft	-	1	-	1
Payables	2,750	634	2,300	284
Long term loans	72,996	82,499	72,996	82,499
Total financial liabilities	75,746	83,134	75,296	82,784

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

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:

	Level 1 $'000	Level 2 $'000	Total $'000
31 December 2023			
Fair value through other comprehensive income -			
Quoted equity securities	2,196	-	2,196
Sigma Income Funds	-	7,227	7,227
	2,196	7,227	9,423

	Level 1 $'000	Level 2 $'000	Total $'000
31 December 2022			
Fair value through other comprehensive income -			
Quoted equity securities	1,974	-	1,974
Sigma Income Funds	-	33,012	33,012
	1,974	33,012	34,986

(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 2023

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:

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Cash and bank balances	2,657	18,947	290	8,568
Investments	2,357	33,012	2,357	33,012
	5,014	51,959	2,647	41,580

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% (2022 – 4%) depreciation and a 1% (2022 – 1%) appreciation of the Jamaican dollar against the US dollar.

	The Group					
	% Change in Currency Rate 2023	Effect on Loss before Tax 31 December 2023 $'000	Effect on Equity 31 December 2023 $'000	% Change in Currency Rate 2022	Effect on Loss before Tax 31 December 2022 $'000	Effect on Equity 31 December 2022 $'000
Currency:						
USD	-4	(106)	94	-4	(758)	1,320
USD	+1	27	(24)	+1	189	(330)

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

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 2023	Effect on Loss before Tax 31 December 2023 $'000	Effect on Equity 31 December 2023 $'000	% Change in Currency Rate 2022	Effect on Loss before Tax 31 December 2022 $'000	Effect on Equity 31 December 2022 $'000
Currency:						
USD	-4	(12)	94	-4	(343)	1,320
USD	+1	3	(24)	+1	86	(330)

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

At 31 December 2023 – J$153.59 – US$1.00
At 31 December 2022 – J$149.96 – 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 2023

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 2023

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:

	The Group			
	Within 1 Year $'000	**2 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
31 December 2023				
Payables	2,750	-	-	2,750
Long term loans	78,856	-	-	78,856
Total financial liabilities (contractual maturity dates)	81,606	-	-	81,606

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

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

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

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

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

	The Company			
	Within 1 Year $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
31 December 2023				
Payables	2,300	-	-	2,300
Long term loans	78,856	-	-	78,856
Total financial liabilities (contractual maturity dates)	81,156	-	-	81,156

K.L.E. GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

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 Year $'000	**2 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
31 December 2022				
Payables	284	-	-	284
Bank overdraft	1	-	-	1
Long term loans	20,151	82,395	14,831	117,377
Total financial liabilities (contractual maturity dates)	20,436	82,395	14,831	117,662

(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.

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6. OTHER OPERATING INCOME:

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Interest income	39	11	28	9
Other income	-	18,045	-	18,045
Sales referral fee	53,985	-	53,985	-
	54,024	18,056	54,013	18,054

Included in other income is Nil (2022: $14,313,000) which represents amounts written off by a related company, T & R Restaurant Systems Limited.

Sales referral fee represents US$360,000 which is a 50% advance per the Corporate Partnership Agreement between the company and Sagicor Life Jamaica Limited (Sagicor) which states that the company will be paid a referral fee of 200 basic points of the value of all units sold by Sagicor. The one time projected sales referral fee per the agreement is US$720,000.

7. EXPENSES BY NATURE:

Total administration and other operating expenses from continued operations:

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Bank service charges	300	141	66	131
Professional fees	27,923	8,539	6,503	6,950
Utilities	-	70	-	70
Advertising and marketing	26,993	1,490	26,993	969
Dues and subscription	1,929	1,258	1,929	1,258
Printing and reproduction	95	95	95	95
Donation	150	450	-	450
Foreign exchange (gain)/loss	(1,055)	421	(729)	183
	56,335	12,464	34,857	10,106

8. FINANCE COSTS:

	The Group and The Company	
	2023 $'000	2022 $'000
Interest expense	11,033	11,329

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9. **TAXATION:**

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

	The Group and The Company	
	2023 $'000	2022 $'000
Current taxation	572	-

(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:

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Loss before taxation	(27,794)	(2,536)	(6,327)	(180)
Taxation calculated at applicable tax rate	(6,948)	(634)	(1,582)	(45)
Adjusted for the effects of:				
Disallowed expenses	-	400	-	341
Share of results of associate	3,612	(800)	3,612	(800)
Other charges, remission and credits	3,908	1,034	(1,458)	504
Taxation charge in the income statement	572	-	572	-

(c) Subject to the agreement with Tax Administration Jamaica, at the end of the reporting period the company has tax losses of approximately $266,081,843 (2022 - $269,870,251) available to set - off against future profits. No deferred tax has been recognized in the current period.

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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.

	2023	2022
Net (loss)/profit attributable to stockholders ($'000)	(24,136)	24,672
Number of ordinary stock units (weighted average) ('000)	100,000	100,000
Basic and diluted earnings per stock unit ($)	(0.24)	0.25

11. INVESTMENT IN JOINT VENTURE:

	2023 $'000	2022 $'000
Bessa project	15,360	14,997

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.

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 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. 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).

	2023 $'000	2022 $'000
Investment at beginning of year	71,557	68,356
Share of results after tax	(14,450)	3,201
	57,107	71,557

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13. INVESTMENT IN ASSOCIATE (CONT'D):

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

	2023 $'000	2022 $'000
Assets	227,192	239,881
Liabilities	249,251	232,931
Revenue	392,560	368,469
Net (loss)/profit	(29,010)	6,534

14. INVESTMENTS:

	The Group and The Company	
	2023 $'000	2022 $'000
Financial instruments at fair value through other comprehensive income (FVOCI) -		
Quoted equity securities	2,196	1,974
Sigma Income Funds	7,227	33,012
	9,423	34,986
Short term investments	(8,140)	(26,925)
	1,283	8,061

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.

15. RECEIVABLES:

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Prepayments and other receivables	8,028	6,472	8,028	6,472
Deposit on furniture and fixtures	12,186	3,351	-	-
	20,214	9,823	8,028	6,472

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NOTES TO THE FINANCIAL STATEMENTS

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16. **RELATED PARTY TRANSACTIONS AND BALANCES:**

	2023 $'000	2022 $,000
(a) **Transactions during the year between the company and its related parties**		
Advances for working capital purposes -		
Besa Resort Management Limited	23,814	1,755
T & R Restaurant Limited	928	-

(b) **Key management compensation**

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

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

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Due from Bessa Resort Management Limited	-	-	23,989	1,755
Due from T&R Restaurant Systems Limited	928	-	928	-
	928	-	24,917	1,755

The amounts due from related parties are unsecured, interest free and have no fixed terms of repayment.

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17. **CASH AND CASH EQUIVALENTS:**

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Cash and bank balances	4,009	11,458	941	1,079
Bank overdraft	-	(1)	-	(1)
	4,009	11,457	941	1,078

Reconciliation of movements of liabilities to cash flows arising from financing activities:

Amounts represent bank loans.

	The Group and The Company	
	2023 $'000	2022 $'000
At 1 January	82,499	92,313
Cash –		
Loans repaid	(9,503)	(9,814)
31 December	72,996	82,499

There were no non-cash transactions included in the statement of cash flows.

18. **SHARE CAPITAL:**

	2023 $'000	2022 $'000
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	122,903	122,903

19. **FAIR VALUE RESERVE:**

This represents the unrealized surplus on revaluation of investments.

20. **ACCUMULATED DEFICIT:**

	2023 $'000	2022 $'000
Reflected in the financial statements of:		
The company	(91,271)	(88,602)
Subsidiary	(23,823)	(2,356)
	(115,094)	(90,958)

K.L.E. GROUP LIMITED

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21. LONG TERM LOANS:

	The Group and The Company	
	2023 $'000	2022 $'000
Sagicor Bank Jamaica Limited		
$70 million loan	53,204	59,715
$26.5 million loan	19,792	22,784
	72,996	82,499
Less: current portion	(72,996)	(10,112)
	-	72,387

The original loan amounts of $70 million and $26.5 million attracts a current interest rate of 13.95% and 13% per annum, respectively. In accordance with the loan agreement dated 17 September 2020, the loans are repayable over a period of forty-two months on an eight-year amortization schedule with a balloon payment at maturity in July 2024. Hence, the loans were reclassified as current as at the reporting date. The company is actively working to renegotiate its loan terms, given its current inability to fulfill the balloon payment conditions.

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 2021 which is controlled by the major shareholder.

22. PAYABLES:

	The Group		The Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Payables	833	285	176	285
Accruals	2,750	2,250	2,300	1,900
Statutory liabilities	8,031	12,261	8,031	12,261
GCT	11,294	11,917	11,294	11,917
	22,908	26,713	21,801	26,363

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.

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23. **DISCONTINUED OPERATION:**

	2023 $'000	2022 $'000
Adjustment to discontinued operations results credited to profit or loss	4,230	27,208

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

	2023 $'000	2022 $'000
Operating activities	4,230	27,208
Investing activities	(4,230)	(27,208)
Net cash flow on discontinued operation	-	-