www.klegroupltd.com

ANNUAL REPORT 2018

KLE GROUP LTD

KINGSTON LIVE ENTERTAINMENT

VISION / MISSION STATEMENTS

Our Vision

To be the premier entertainment and lifestyle group in Jamacia and beyond. The KLE Group is now pursuing exciting new projects in franchising, entertainment, tourism and real estate development.

Our Mission

Building dynamic lifestyle brands that will evolve the landscape of entertainment, satisfy our customers, inspire our team, enhance our community and deliver exceptional shareholder value.

Our Brands

FRANJAM

FRANCHISE JAMAICA
Franchise Jamaica, Franchise specialists

TRACKS & RECORDS taste real Jamaican vibes

USAIN BOLT'S TRACKS & RECORDS
and TRACKS & RECORDS
Jamaican Themed Casual Dining Restaurant and Bar
Kingston, Jamaica

SumFest Acoustic Café

SUMFEST ACOUSTIC CAFE
Jamaican Themed Fast-Casual Restaurant
and Juice Bar

BESSA

BESSA
Lifestyle Themed Boutique Villa Community.
(Joint venture with Sagicor Life)
St. Mary, Jamaica

SPF weekend FOREVER BEACH

SPF / FOREVER BEACH
Premium Ultra All Inclusive Party Series

Contents

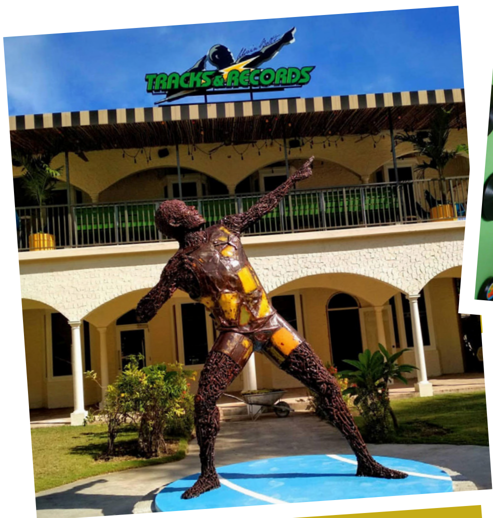


TABLE OF CONTENTS

Board of Directors

BOARD OF DIRECTORS

The K.L.E. Group Board of Directors is a group of individuals with the knowledge, experience and expertise required to maintain and grow a successful business. The Board is chaired by David Shirley and comprised of eight members representing some of Jamaica's top business leaders and entrepreneurs. The Directors' qualifications and profiles are set out in the Directors profile.

The K.L.E. Group Board is dedicated to driving financial growth and delivering exceptional shareholder value. The Board will achieve the highest standards of corporate governance and be responsible for the effectiveness of the business entities, ensuring proper controls, monitoring performance, and directing management towards growth and success with the utmost integrity.

CORPORATE GOVERNANCE

The K.L.E. Group is guided by the Jamaica Stock Exchange Junior Market Rules and the Private Sector Organization of Jamaica (PSOJ) Corporate Governance Code which was adopted by a properly constituted Board of Directors in 2013 and is available on the company's website, klegroupltd.com .

The Board has implemented many of the best practice recommendations as set out by the PSOJ Governance code. The Board's role is also to ensure transparency in achieving the goals of the business. A procurement policy was put in place by the Board to ensure transparency in the procurement of goods and services. It outlines a set of general principles and procurement procedures that should be adhered to in the procurement of all materials, goods and services.

DAVID ALEXANDER SHIRLEY, B.A.
Chairman of the Board of Directors
Non-Executive Director

GARY C. MATALON, M.B.A., P.M.P.
Director and CEO

CHRIS DEHRING, BSc.
Non-Executive Director

JOE BOGDANOVICH
Non-Executive Director

MARLON A. HILL, ESQ
Non-Executive Director

STEPHEN ORLANDO SHIRLEY, A.S.
Non-Executive Director

ZUAR ARD JARRETT, B.A., M. Arch.
Non-Executive Director

NORMAN PEART
Non-Executive Director

BOARD COMMITTEES

The Board's function is to monitor the business systems, review business processes, make decisions, and set policy accordingly to drive the business forward, drive shareholder value, and achieve success. The Board has initially established two committees with clearly defined responsibilities:

Audit Committee

The Audit Committee monitors and reviews the objectivity and effectiveness of all business systems. The Committee also monitors and reviews the financial health of the business and approves all budgets, internal audit functions and external financial statements.

The Committee during the year approved announcements on the company's financial performance on a quarterly basis, as well as the audited financials and considered and recommended the group's annual operating and capital budgets.

As at the date of this Annual Report, the Members of the Audit Committee, as appointed by the Board of Directors are:

David Shirley (Chairman)	Non Executive Member Independent
Leary Mullings	Non Executive Member Independent
(Resigned on March 24, 2018)	
Gary Matalon	Executive Member
Norman Peart	Non Executive Member Independent
Barrington Daley	Non Executive Member Independent
(Appointed March 27, 2018,/Resigned December 4, 2018)	

Remuneration Committee

The Remuneration Committee reviews and approves all policies related to compensation and incentives of all board members and senior management of the company.

As at the date of this Annual Report, the Members of the Remuneration Committee as appointed by the Board of Directors are:

Marlon Hill	(Chairman)
Steven Shirley	Member
Josef Bogdanovich	Member
David Shirley	Member

Shareholders wishing a copy of the Annual Report or have any queries can forward the request or queries to info@klegroupltd.com

Shareholders wishing to request a copy of the company's last Annual General meeting please send written correspondence to the office at 67 Constant Spring Road, Unit 8, Market Place, Kingston 10.

Director's Profiles

DAVID SHIRLEY

David A. Shirley, B.A., is a Founding Member and Chairman of the K.L.E. Group Ltd. His illustrious career spans over a decade and multiple industries in Jamaica, including Coffee, Sports, Entertainment, Tourism and, of course, Food!

He is Chairman and Co-founder of Locker Room Sports and the Director and Co-founder of Velle Sport International. David has also holds the position of Managing Director of the Jamaica Coffee Corporation Limited since 2004. He is currently Director of the Jamaica Coffee Corporation, Stoneleigh Coffee Processors Limited, and Stoneleigh Coffee Roasters Limited.

Along with KLE where he also serves as Director of the Bessa Villa Development, David is a Deputy Chairman of the Independence Park Ltd and Director of the Barbican Football Club. He is a Member of the Board for the Sports Development Foundation, Tennis Jamaica, and the Jamaica Boxing Board.

When not in an office or meeting, David enjoys playing various sports, including tennis, football and squash.

GARY MATALON

Gary Matalon is the Co-Founder and CEO of the KLE Group. He has made a name for himself as a business mogul, serial entrepreneur and innovative trendsetter who is eager to take on new adventures and revolutionize businesses.

Matalon has founded several businesses including Project and Enterprise Management firm Neustone Ltd, KLE Group, FranJam and Sumfest Acoustic Cafe. Under his guidance, these companies have managed the development of several establishments such as the Marriott Courtyard, Richmond Estates, Fiction Lounge, Usain Bolt's Tracks & Records and more recently, luxury real estate development, Bessa.

Matalon achieved his BA in Business Management and Entrepreneurship from Lynn University and his MA in Business from the University of Liverpool. He also holds the prestigious credentials of a Project Management Professional (PMP) from Boston University.

Gary is also Chairman of the Board of Directors of the Hillel Foundation.

CHRIS DEHRING

Chris is a Director of the KLE Group and an experienced Senior Executive and Entrepreneur. He is well known across the Caribbean as one of the founders of Dehring, Bunting and Golding, Jamaica's first investment bank.

He was responsible for launching the sports television channel, Sportsmax, and was the CEO of the ICC Cricket World Cup in 2007. A former Senior Executive with Cable and Wireless, he played numerous roles in the telecommunications industry with C&W in Jamaica and the Caribbean including: Chairman, Chief Marketing and Commercial Officer, Senior Vice President, and Member of the Government Relations and Executive Leadership Team. He has taken his various experiences and applied it to the successful launching of his new company, Ready TV.

Chris played both football and cricket for Jamaica, with outstanding club careers in both sports. Awarded a football scholarship to West Virginia Wesleyan College in 1981, he won the USA National Soccer Championships, was awarded the Wall Street Journal Student Achievement Award for Economics and graduated with honours with a BSc. in Marketing and Economics.

JOE BOGDANOVICH

Joseph James Bogdanovich is the Founder and CEO of DownSound Records and a Member of the Board of the KLE Group. He is an accredited, self-made urban visionary and entrepreneur.

He holds an Undergraduate Degree in Political Science from Boston University and and a Master's in Fine Arts (Film) from the California Institute of the Arts.

In 1992, he began pursuing his greatest passion full time - music. He founded the ACID JAZZ Record Company in California and then DownSound Records in Los Angeles a year later. He was introduced to reggae and dancehall through an artist on his label, and after this, the California-born and raised businessman adopted Jamaica as his new homeland.

Joe immediately began getting involved in the music and entertainment scene in Jamaica. He became a full partner in the staging of Sting, the legendary one-night dancehall stage show. Then, in 2014, Bogdanovich became the largest shareholder in the KLE Group. By March 2016, DownSound Records acquired the major Jamaican summer music festival brand, Reggae Sumfest where KLE launched its second franchise, Sumfest Acoustic Cafe.

MARLON HILL

Marlon A. Hill is a Director of the KLE Group Ltd. and a partner in the Miami office of Hamilton, Miller & Birthisel, LLP. With over 23 years of legal experience, Mr. Hill represents the interests of entrepreneurs, corporations, and non-profit organizations, especially in the tourism, hospitality, and media/entertainment industries.

Mr. Hill is one of the Inaugural Fellows in the Miami Foundation's Miami Fellows Initiative and a current Member of the Board of Directors of the Miami Parking Authority, Miami Book Fair International, Greater Miami Chamber of Commerce, and the Orange Bowl Committee. Mr. Hill is a weekly commentator on

"The People's Politics", a writer for the Miami Herald and Sun-Sentinel and a recurring contributor to WPLG Local 10 "This Week in South Florida" Roundtable.

In addition to building and refining his practice of law, Mr. Hill is an MC/DJ host for local bar association and special events in South Florida. He is the voice of the annual Kozyak Minority Mentoring Picnic. He also volunteers in his Emmaus Ministry of St. Louis Catholic Church in Pinecrest.

STEPHEN SHIRLEY

Stephen Shirley, past Chairman of the Board and current Director of the KLE Group, has a love for business, entertainment and everything sports! It was this love that led to Stephen's involvement in the establishment of Locker Room Sports in 1998, the KLE Group in 2008, and Velle Sport International in 2009. He currently serves as a Director on the Board for all three companies.

His expertise also extends to the Coffee Industry. In 2017, he took on the role of CEO of Stoneleigh Coffee Roasters Limited., the company responsible for our 100% Jamaican Blue Mountain Roasted Coffee. He is also the Managing Director of Stoneleigh Coffee Processors Ltd, and Director of Jamaica Coffee Ltd.

Stephen spent his school days between Munro College and Hillel Academy before attending the Miami Dade Community College where he received his Associate Degree in Business Management.

Stephen Shirley is most comfortable and excited on the tennis court, football field, and any other sports arena he can get his hands on.

ZUAR JARRETT

Zuar Ard Jarrett is one of the founders of the KLE Group and the founder and Managing Director of Zuar Limited, a premier architectural, planning and interior design firm. Founded in 2004, Zuar Ltd's portfolio spans government, corporate and a host of well appointed residences. His extensive portfolio of work include KLE's previously owned Fiction Lounge as well as Tracks & Records restaurant. Mr. Jarrett brings tremendous experience in the entertainment industry, being a founder/director of DNA entertainment since 2004, an entity instrumental in the hosting and execution of the ATI Negril weekend and a host of other premium events.

Mr. Jarrett received various certifications in business from the Institute of Management and Production in Jamaica. He is also qualified as a designer in the areas of Architecture, Planning and Interior design from the Caribbean School of Architecture. Here, he was awarded a Bachelor of Arts in Architectural Studies with second class honors in 2000. He further received the European Union scholarship to pursue a Masters of Architecture which was completed in 2004.

NORMAN O. PEART

Norman Peart is a Member of the Board of the KLE Group and Business Manager to world-renowned international sprint sensation Usain Bolt.

His areas of expertise are business and finance. He began his career in business by pursuing a Bachelor's degree in Business Administration and Finance from the University of Technology in Jamaica. Afterward, he worked for the Government of Jamaica as a tax auditor from 2001 to 2009.

Norman became Usain's manager in 2003 when the sprinter was in high school and started showing glimpses of his prodigious talent. Under Norman's tutelage, Usain's career as a professional athlete took off! Peart organized for Bolt to sign with Puma and his relocation himself to Kingston. He also brought PACE Sports Management on board and facilitated the move to Coach Glen Mills in 2004.

Peart is also a licensed Jamaica Securities Dealer and IAAF authorized athlete representative. He loves live music and good food, which made him the perfect fit for the KLE Group team where he could enjoy both at all Usain Bolt's Tracks and Records restaurant locations.

Management Team

Nicholas Taylor	Vaughn Hutchinson	Angiel Shaw	Melissa McFarlane	Christina Edwards
General Manager	Financial Controller	Group Marketing Manager	Assistant General Manager	Assistant General Manager

Chairman's Report

The year 2018 challenged the KLE Group to make essential strides in developing and expanding the core functions of the business. As we continue to prioritize finding the strategic balance between establishing our local footprint and our main objective of exporting brand Jamaica through our restaurant chain, Usain Bolt's Tracks & Records, there were many notable achievements.

These included the Grand Opening of the third franchise location in Jamaica, on the Hip Strip in Montego Bay and the launch of the first international location of the franchise: Tracks and Records, London. These KLE wins were coupled with the ongoing efforts to manage the flagship location at Marketplace and improve customer experience and overall brand quality.

We are pleased to report that the Tracks and Records brand continues to attract international attention from investors and patrons, and this has created a demand for additional capital and human resources to appropriately capitalize on that interest. However, the Board of Directors has been diligent in balancing these growth opportunities with profitability. As such, we have turned down many proposals in order to stay keenly focused on our goals and targets and this is a valuable strategy that we will maintain in the upcoming years.

These efforts were projected to result in another profitable year for the KLE Group; however, our implementation of and compliance with the new accounting standards in Jamaica affected our bottom line in ways that could not have been predicted. Fortunately, we are a team that rebounds and grows in spite of setback and with that now behind us, the Board has made strategic decisions that will increase shareholder value and profitability in 2019 and beyond.

With this outlook in mind, our management team remains encouraged to always aggressively learn about our industry and adapt, whilst staying unique and innovative. Our leadership is entrepreneurial, our shareholders are passionate and our brand is iconic. We have everything we need to keep KLE on track as we implement our business strategies for 2019 and beyond.

Perseverance with guided support has consistently proved to be the best way forward for the KLE Group and we would like to sincerely thank our Board of Directors, managers, staff and shareholders for their patience and continued belief in our dynamic Jamaican company. The best is yet to come!

DAVID ALEXANDER SHIRLEY
Chairman

DAVID ALEXANDER SHIRLEY, B.A.

CEO's Message

2018 was a pivotal year in the development of the KLE Group that has set the stage for successful feats and profitability in the years to come. The actions and plans of the KLE Group focused on growth and development which made for notable successes on various fronts, namely the major developments in the Bessa project and the addition of the 2 new Tracks and Records business units operational in Montego Bay and London.

To the best of our knowledge, the KLE Group holds the record as the first company in Jamaican history to successfully export a Jamaican Restaurant and Bar concept to the key gateway city of London through a franchising model. Since opening, the reception has been overwhelmingly positive and we have grown and learnt much from this monumental achievement which we will apply to future franchises. Now that we have overcome the hurdle of setting up the franchise, we are focused on marketing and educational campaigns to familiarise the target audience with our unique and cutting edge offering, that stands apart from the "mom and pop" shops that are typical in the UK for Jamaican themed restaurants and often have a reputation for poor service and inconsistent menus. Our focus is differentiating our brand and associating it with the powerful brand Jamaica. We know that Jamaica means something to people from all walks of life all over the world. It is that power and equity that we are leveraging and the franchising model allows us to tap into local expertise and resources to make it all happen.

We were also successful in completing legal and design details for the Bessa project which allow us to break ground on the second phase of the project in 2019. With the completion of the marketing phase which included Model Units, Landscaping, Guard House, Boundary Wall and a Swimming Pool and Common Areas, and the settling of the legal and design development and approvals, we are now able to secure a general contractor and begin construction in 2019. Based on this successful foundation, the stage is set for us to reap the benefits going forward as we continue this growth trajectory into the new year.

These achievements are direct results of the hard work of our team in previous years and our commitment to the company strategic objectives. Of major significance for us is the need to have proper financing in place to support the growth objectives of the business. We will be focusing our efforts in 2019 on this goal.

On behalf of the KLE Group, I would like to express sincere appreciation to our hardworking and dedicated employees, who have demonstrated resilience in spite of setbacks and have contributed to our accomplishments during the year. Also, thank you to our loyal customers for believing in our brands and your continued support to the business. Finally, to our directors and shareholders who have remained steadfast in their confidence, support and direction because of shared belief in the vision and mission, thank you.

GARY C. MATALON
CEO

GARY C. MATALON, M.B.A., P.M.P.

Management Discussion and Analysis

Overview

The financial year ended December 31, 2018 has been crucial in the development of the KLE Group and has set a solid foundation for the year to come, and beyond. The deliberate and strategic efforts made to expand the business have proved successful with the first Usain Bolt's Tracks and Records (UBT&R) location now open in the UK. Despite the progress made, there were a number of factors that proved challenging and which ultimately had a negative outcome on our profitability. However, these effects are short-lived and, with the operations now in place, we do anticipate an outstanding recovery for the year to come.

Opportunities for Future Growth in Revenue

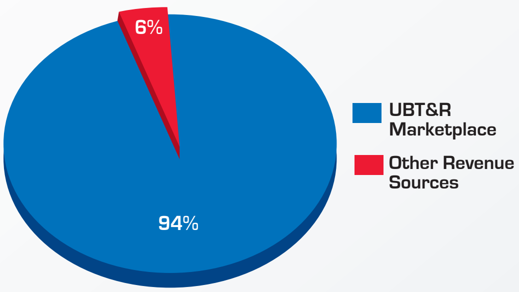
Total revenue for the 2018 financial year was $219.9 million compared to $226.8 million in 2017, a decrease of approximately 3%. This decrease is mainly owing to specific and temporal factors, which we do not anticipate experiencing again.

Restaurant Sales Performance Analysis

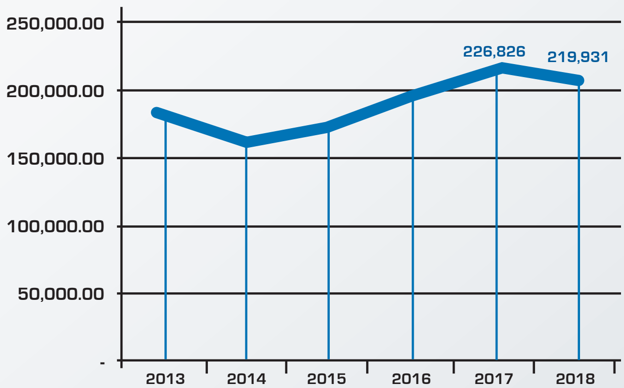
	2018 $'000	2017 $'000
Category	205,781	215,426
Restaurant	14,150	11,400
Management fee	219,931	226,826

Over 90% of KLE's revenue is from our flagship restaurant Usain Bolt's Tracks and Records (UBT&R) in Marketplace.

Revenue by Source (2018)



Revenue ($,000)



While restaurant sales performed to budget for the first half of 2018, the second half of the year saw a drastic reduction in revenue performance of more than 15% below budget. This drop in revenue is directly attributable to the major road repairs ongoing along the Constant Spring Main Road in Kingston. The construction that lasted for the latter part of the year impeded traffic and discouraged persons from traversing the route to our Marketplace location. In order to mitigate against this, new marketing strategies were put in place to incentivize customers. This, along with the near completion of the road work, leads us to anticipate a more profitable 2019 from our flagship location.

Restaurant Sales Performance Analysis

Category	2018 $'000	2017 $'000	$ change	% change
January to June	106,376	104,195	2,180	0.02
July to December	99,065	112,573	(13,508)	(0.12)
	205,441	216,768	(11,327)	(0.10)

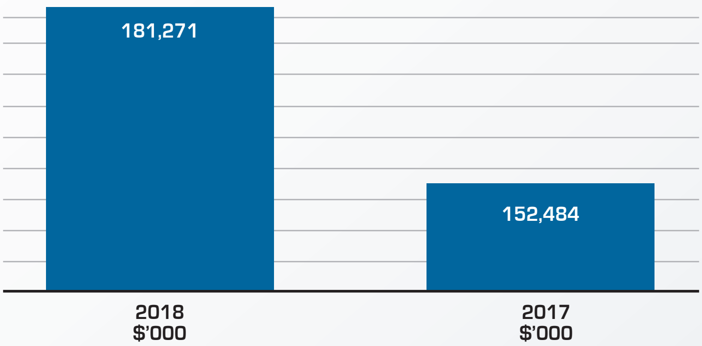
Minor and Temporary Challenges

The company's Earnings Before Interest, Tax, Depreciation and Amortization also declined in the current year with a total comprehensive loss for 2018 of $25.5 million.

	2018 $'000	2017 $'000
Profit from operations (before finance costs, depreciation and taxation)	$1,640	$27,105
Total Comprehensive (loss)/profit for the year	($25,587)	$9,566

Our financial relationship with associated company, Franchise Jamaica, meant that we had to share the loss incurred by said company for the financial year of $12 million. This was a significant contributor to our net loss position, but a singular occurrence which is not expected for 2019. Our total direct expenses remained in line with our expected margins. There was a decline in the cost of sales in comparison to last year and this is directly related to the decline in sales from the restaurant. Administrative and other expenses amounted to $181.2 million when compared to the $152.4 million for the previous year.

Admin and Other Expenses



These increases were for the following:

• Staff costs increased to approximately $8.8 million. The line staff increases during the year are commensurate with the increase of the national minimum wage. Other increases during the year were in line with the company's budget.

• Advertising and marketing increased by $5.4 million. This occurred as a result of the reclassification of Forever Beach investment carried as a receivable in the prior years.

• Bad debt expenses of $4.5 million which is a requirement of the new IFRS 9 accounting Standard.

• Legal fees which increased by $2.1 million due to fees incurred during divestment and restructure activities from prior years.

Balance Sheet

Total assets for the year decreased by $6.3 million. The asset which saw the biggest negative movement is the 'investment in associate' (Franchise Jamaica) which is directly related to the net loss position of that company.

Category	2018 $'000	2017 $'000	$ change	% change
Total Asset	198,885.00	205,187.00	(6,302.00)	(0.03)
Shareholders Earnings	114,181.00	139,768.00	(25,587.00)	(0.18)

The company's current ratios also moved negatively in the current financial year and is due in part to the increased payables and the classification of some of the company's receivables to non-current as well as the provisioning and changing of treatment for some of the company's other receivable balances. Shareholders equity for the period decreased by 18% and is directly related to the negative earnings generated for the year, of which we do not anticipate a repeat for 2019. Cash flow from operating activities was impacted negatively due in large part to increased operating assets coupled with less cash inflows when compared to the previous year as stated above. Liquidity declined in comparison to the 2017 financial year. This is expected to change in the short term with new assets working at optimal potential.

Increased Franchising Activity

Despite the opening of two franchises in 2018, Franchise Jamaica reported a total revenue of $19 million for the 2018 year. This is directly related to the dates of opening for the franchises. The Montego Bay location, the first franchise to open in 2018, was operational on May 16, 2018 and onward. As a result, revenue was not received until almost halfway into the year. Furthermore, the first London location was opened on November 14, 2018. As such, significant revenue was not reported for 2018. The amount in revenue is primarily owing to the operation of one franchise, Ocho Rios. As such, we expect this figure to drastically increase for 2019 as we will receive a full year of revenue from Montego Bay and from the London location. This sets the stage for an exceptional year even without considering additional locations currently being pursued. Unfortunately for the 2018 financial performance, most of the expenses associated with opening the Montego Bay and London franchises were recorded without the resulting revenues. Fortunately, this will not be the case for 2019.

Outlook

KLE Group remains on a clear path to capitalize on the value created over recent years. As a result of the hard work and strategic decisions of the Group, we now have the ability to capitalize on home grown brands that can earn stronger foreign currencies which are directly beneficial to the Jamaican economy. A solid foundation has been laid. The company is now positioned to take advantage of the very road work which proved such a challenge for the 2018 financial performance, because with the new and improved roadways, we anticipate even higher traffic than before. The results from this are expected to be evident from as early as the first half of 2019. Additionally, Franchise Jamaica is poised to take advantage of the two new restaurants which were opened in 2018. These added revenue streams will contribute throughout the entire year and we will not be impeded by the start-up expenses that were experienced in 2018. The Bessa project design updates are also on target to be completed in early 2019. The full contract is being issued and ground breaking on the balance of the project is scheduled for first quarter in 2019. Overall, the company is very pleased with the outlook for the coming year and beyond, and we remain resolute in our determination to maintain the strength of the Group, expand our franchising model and increase shareholder value. KLE Group would like to express sincere appreciation to our hardworking and dedicated team members who have all contributed to our accomplishments during the year. We take this opportunity to thank our loyal customers for believing in our brands and their continued support. Finally, a big thanks to our shareholders and directors for their continued confidence and direction.

Corporate Social Responsibility

KLE values the community in which we serve and we take great pride in making meaningful contributions to the people, the institutions and the society as a whole. We are proud to have continued programmes that were utilized in the previous calendar year, as well as indulge in new initiatives and we are certain that these will become staples within our annual calendar of events. We have also crafted new affiliations with charitable organizations and remain entirely committed to the promotion of nation building and youth empowerment.

HOSPITALITY AND TOURISM SUMMER PROGRAMME

Once again, in Summer 2018, we welcomed students from the Hospitality and Tourism department from the University of Technology Jamaica, as interns in different divisions of our operations. We hope to have achieved giving these young vibrant individuals gainful hands-on and practical experience to accompany the remainder of their academic tenure and a beneficial step forward into their future careers. We look forward to accepting this rewarding challenge once again in Summer of 2019 to help shape tomorrow's youth.

GENESIS ACADEMY TRAINING SESSIONS

We continued to build on our established relationship with the Genesis Academy by offering valuable training to young adults with learning disabilities. This programme is integral to the development of these young people, who despite their disadvantages, are willing to overcome the obstacles they face and contribute to the workforce. We provide them with an opportunity to obtain essential real world training in a fast paced environment while giving them the reassurance they need. This year's group of students relished the experience and gained practical knowledge in restaurant operations. They also benefitted from the interaction with the wonderful staff at Tracks and Records, many of whom mentored and encouraged their exemplary trainees.

CHRISTMAS GIFT CERTIFICATES

In 2018, once again we donated gift certificates to worthy causes for staff treats. These were given to varying corporate institutions and were issued as rewards to their hard-working and loyal employees that have contributed largely to their organizations. These individuals were rewarded with a dining experiences for two or more persons, along with assorted gift baskets.

SCHOOL TREATS DONATIONS

Our Montego Bay location contributed generously in 2018 to underprivileged primary and secondary schools in their communities. They donated funds towards the benefit of children in need and presented gift baskets as a reward to outstanding teachers in their academic fields. These aids were specifically geared towards the graduation period, in order to assist those whom needed it the most in conjunction with the celebration of Teacher's Day

Shareholdings

TEN LARGEST SHAREHOLDERS | AT QUARTER 31 DECEMBER 2018

NAMES	CONNECTED SHARES	PERSONAL SHARES	PERCENTAGE OWNERSHIP
1 Bogdanovich, Joseph		23,168,835	23.17%
2 Matalon, Gary		17,479,033	17.48%
(Highbourne Ltd.- connected company)	1,450,000		
3 Shirley, Stephen (Anna-Kaye Martin-Shirley - connected party)		10,111,500	10%
4 Sherwood Holdings Limited		6,757,000	6.76%
5 Shirley, David (Shani N. McGraham-Shirley - connected party)		6,377,750	6.38%
6 Jarrett, Zuar		4,200,000	4.20%
7 Steele, Colin		3,727,941	3.73%
8 JCSD Trustee Services Ltd. - Sigma Venture		3,309,710	3.31%
9 Drummond, Drum M. (Cai M. Manley-Drummond, Lek I. Manley - Drummond & Tyla M. Herrera, Rachel Manley - connected parties)		2,039,737	2.04%
10 Jamaica Properties Limited		2,000,000	2.00%
Total		79,171,506	79.17%
Others		20,828,494	20.83%
Total Issued Shares		100,000,000	100.00%

SHAREHOLDINGS OF DIRECTORS | AT QUARTER 31 DECEMBER 2018

NAMES	CONNECTED SHARES	NO. OF SHARES
1 Gary Matalon		17,479,033
2 (Highbourne Ltd.- connected company)	1,450,000	
3 David Shirley (Shani McGraham-Shirley - connected party)		6,377,750
4 Joseph Bogdanovich		23,168,835
5 Zuar Jarrett		4,200,000
6 Stephen Shirley		10,111,500
7 Norman Peart		Nil
8 Marlon Hill		Nil
9 Christopher Dehring		Nil

SHAREHOLDINGS OF EXECUTIVE MANAGEMENT | AT QUARTER 31 DECEMBER 2018

NAMES	CONNECTED SHARES	NO. OF SHARES
1 Gary Matalon		17,479,033
(Highbourne Ltd.- connected company)	1,450,000	
2 Vaughn Hutchinson		Nil
3 Stephen Greig		Nil

Five Year Historical Review

Statement of Comprehensive Income

	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Revenue	219,931	226,826	195,939	174,255	205,235
Cost of Sales	(65,672)	(69,610)	(62,697)	(67,663)	(86,405)
GROSS PROFIT	**154,259**	**157,216**	**133,242**	**106,592**	**118,830**
Other Operating Income	13,573	5,527	182,703	2,306	22,005
Administratine and Other Expenses	(181,271)	(152,484)	(144,182)	(143,276)	(182,039)
Operating (LOSS) / PROFIT	**(13,439)**	**10,259**	**171,763**	**(34,378)**	**(41,204)**
Finance Cost	(1,495)	(2,374)	(2,756)	(1,750)	(6,403)
	(14,934)	7,885	167,007	(36,128)	(47,607)
Share of post-tax (loss)/ profit of equity accounted associate	(12,685)	257	(4,581)	-	-
(Loss) / Profit before Taxation	**(27,619)**	**8,142**	**167,426**	**(36,128)**	**(47,607)**
Taxation	1,912	810	857	2,484	4,854
NET (LOSS) / PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**(25,707)**	**8,952**	**165,283**	**(33,644)**	**(42,753)**
Net (loss)/profit from discontinued operation	**-**	**-**	**(1,362)**	**(30,467)**	**8,719**
NET (LOSS) / PROFIT FOR THE YEAR	**(25,707)**	**8,952**	**163,921**	**(64,111)**	**(34,034)**
OTHER COMPREHENSIVE INCOME:					
Items that may be reclassifeied to profit or loss-					
Share of associate other comprehensive income	-	258	-	-	-
Unrealized gain on available-for-sale investments	120	356	-	-	-
	120	614			
TOTAL COMPREHENSIVE INCOME	**(25,587)**	**9,566**	**163,921**	**(64,111)**	**(34,034)**
(Loss)/profit per stock unit	**$ (0.26)**	**$ 0.09**	**$ 1.64**	**$ (0.64)**	**$ (0.34)**

Statement of Financial Position

	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
ASSETS					
NON-CURRENT ASSETS:					
Property, plant and equipment	31,389	45,497	60,896	65,349	136,074
Investment in joint venture	12,590	13,141	12,754	11,969	11,417
Investments	2,208	2,088	-	15,710	-
Investment in Associate	60,612	73,297	72,782	-	-
Longterm Receivables	12,490	14,737	-	-	-
Deferred taxed asset	9,186	7,080	6,098	5,166	2,622
	128,475	155,840	152,530	98,194	150,113
CURRENT ASSETS:					
Inventories	2,608	2,932	3,214	4,497	6,732
Receivables	15,203	10,399	22,759	3,927	25,379
Due from related parties	46,872	26,109	35,596	3,834	9,911
Cash and bank balances	5,727	9,907	9,443	9,281	38,359
	70,410	49,347	71,012	21,539	80,381
	198,885	**205,187**	**223,542**	**154,786**	**230,494**
EQUITY AND LIABILITIES					
EQUITY					
Share Capital	122,903	122,903	122,903	122,903	122,903
Fair value reserve	476	356	-	-	-
Accumulated (deficit)/ surplus	(9,198)	16,509	7,299	(156,622)	(92,511)
	114,181	139,768	130,202	(33,719)	30,392
NON-CURRENT LIABLILTIES					
Long term liabilities	-	7,038	11,217	-	-
Due to related party	1,527	1,360	1,782	28,788	61,051
	1,527	8,398	12,999	28,788	61,051
CURENT LIABILITIES					
Payables	68,730	48,820	72,492	87,807	100,264
Due to related parties	-	-	-	49,549	13,698
Bank Overdraft	6,696	3,040	3,426	9,437	8,151
Taxation	983	967	859	860	872
Current portion of long term liabilities	6,768	4,194	3,564	12,064	16,066
	83,177	57,021	80,341	159,717	139,051
	198,885	**205,187**	**223,542**	**157,786**	**230,494**

Index

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Chartered Accountants
26 Beechwood Avenue
P.O. Box 351
Kingston 5, Jar

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

Report on Audit of the Financial Statements

Opinion

We have audited the financial statements of K.L.E. Group Limited set out on pages 6 to 50, which comprise the statements of financial position as at 31 December 2018, the 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 company as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and 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 company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe 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.

BDO

INDEPENDENT AUDITORS' REPORT (CONT'D)

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

Key audit matters	How our audit addressed the Key audit matters
Investment in Joint venture	
See notes 3(a) and 14 to financial statements for management's disclosures of related accounting policies. As at 31 December 2018, investment in joint venture represents approximately 6% of the company's total assets. Investment in joint venture is originally carried at cost. The Bessa project is still in its preliminary stage. 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 KLE Group Limited and Sagicor Life is 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 confirmed that work to date primarily included obtaining relevant approvals and undertaking land preparation. We therefore concluded that the project is viable and no adjustments were considered necessary.
Going concern	
See note 26 to financial statements for disclosure on management's assessment of the company's ability to continue as a going concern into the foreseeable future. We focused on assessing management's five-year forecasts and projections, the company's working capital and cash flow projections.	We have tested the quality of management forecasting by comparing cash flow forecasts from prior period to actual outcomes. We also challenged management's assumptions in the forecast and reviewed documentary evidence of financing included in the cashflow. We tested the appropriateness of the disclosures made in the company's financial statements in respect of going concern. We evaluated and challenged the composition of management's future cash flow forecast and the process by which they were drawn up. We found the assumptions consistent and in line with our expectations.

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 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 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 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 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 company'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 company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company'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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 company'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 company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the 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.

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)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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 Sonia McFarlane.

BDO

Chartered Accountants

7 March 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME YEAR ENDED 31 DECEMBER 2018

YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
REVENUE	6	219,931	226,826
Cost of sales		(65,672)	(69,610)
GROSS PROFIT		154,259	157,216
Other operating income	7	13,573	5,527
Administrative and other expenses		(181,271)	(152,484)
OPERATING (LOSS)/PROFIT		(13,439)	10,259
Finance costs	8	(1,495)	(2,374)
		(14,934)	7,885
Share of post-tax (loss)/profit of equity accounted associate	16	(12,685)	257
(Loss)/profit before taxation		(27,619)	8,142
Taxation	11	1,912	810
NET (LOSS)/PROFIT FOR THE YEAR		(25,707)	8,952
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified to profit or loss -			
Share of associate other comprehensive income	16	-	258
Unrealised gain on investments at fair value through other comprehensive income		120	356
		120	614
TOTAL COMPREHENSIVE INCOME		(25,587)	9,566
EARNINGS PER STOCK UNIT		($0.26)	$0.09

KLE GROUP LIMITED

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	13	31,389	45,497
Investment in joint venture	14	12,590	13,141
Investments	15	2,208	2,088
Investment in associate	16	60,612	73,297
Long term receivables	17	12,490	14,737
Deferred tax asset	18	9,186	7,080
		128,475	155,840
CURRENT ASSETS:			
Inventories	19	2,608	2,932
Receivables	17	15,203	10,399
Due from related parties	20	46,872	26,109
Cash and bank balances	21	5,727	9,907
		70,410	49,347
		198,885	205,187
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	22	122,903	122,903
Fair value reserve	23	476	356
Accumulated (deficit)/surplus		(9,198)	16,509
		114,181	139,768
NON-CURRENT LIABILITIES:			
Long term liabilities	24	-	7,038
Due to related party	20	1,527	1,360
		1,527	8,398
CURRENT LIABILITIES:			
Payables	25	68,730	48,820
Bank overdraft	21	6,696	3,040
Taxation		983	967
Current portion of long term liabilities	24	6,768	4,194
		83,177	57,021
		198,885	205,187

Approved for issue by the Board of Directors on 7 March 2019 and signed on its behalf by:

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2018

	Share capital $'000	Fair Value reserve $'000	Accumulated surplus/(deficit) $'000	Total $'000
BALANCE AT 1 JANUARY 2017	122,903	-	7,299	130,202
TOTAL COMPREHENSIVE INCOME				
Net profit	-	-	8,952	8,952
Other comprehensive income	-	356	258	614
	-	356	9,210	9,566
BALANCE AT 31 DECEMBER 2017	122,903	356	16,509	139,768
TOTAL COMPREHENSIVE LOSS				
Net loss	-	-	(25,707)	(25,707)
Other comprehensive income	-	120	-	120
	-	120	(25,707)	(25,587)
BALANCE AT 31 DECEMBER 2018	122,903	476	(9,198)	114,181

STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2018

	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)/profit	(25,707)	8,952
Items not affecting cash resources:		
Depreciation	17,060	16,846
Interest income	(3)	(11)
Effects of exchange translation	(1,534)	(2,678)
Share of (loss)/profit from associate	12,685	(257)
Interest expense	1,495	2,374
Taxation	(1,912)	(810)
	2,084	24,416
Changes in operating assets and liabilities:		
Inventories	324	282
Receivables	(2,557)	(2,418)
Related parties	(20,596)	8,638
Payables	19,910	(23,089)
	(835)	7,829
Taxation paid	(178)	(63)
Net cash (used in)/provided by operating activities	(1,013)	7,766
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	3	11
Purchase of investments	-	(1,732)
Purchase of property, plant and equipment	(2,952)	(1,447)
Net cash used in investing activities	(2,949)	(3,168)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Interest expense	(1,495)	(2,374)
Loan repayments	(4,464)	(3,549)
Net cash used in financing activities	(5,959)	(5,923)
Net decrease in cash and cash equivalents	(9,921)	(1,325)
Effect of exchange gains on foreign balances	2,085	2,175
Cash and cash equivalents at beginning of year	6,867	6,017
CASH AND CASH EQUIVALENTS AT END OF YEAR (note 21)	(969)	6,867

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

1. **IDENTIFICATION AND PRINCIPAL ACTIVITIES:**

(a) K.L.E. Group Limited 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. The company's shares are listed on the Junior Market of the Jamaica Stock Exchange.

(b) The principal activities of the company are the operation of a restaurant under the brand of "Tracks and Records", and the provision of management services to T & R Restaurant Systems Limited.

(c) KLE currently has a 49% shareholding in associated company, T & R Restaurant Systems Limited.

2. **REPORTING CURRENCY:**

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

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.

(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, as modified by the revaluation of certain financial assets that are measured at fair value. They are also prepared in accordance with requirements of the Jamaican Companies Act.

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements, are disclosed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

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

New Standards, interpretations and amendments that became effective during the year

Certain new standards, amendments and interpretations became effective during the current financial year. The company has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following are immediately relevant to its operations.

IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after I January 2018) specifies how an entity should classify and measure financial instruments. It requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset; initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and subsequently measured at amortised cost or fair value. These requirements are intended to simplify the approach for classification and measurement of financial assets when compared with IAS 39. They apply a consistent approach to classifying financial assets and replace the four categories of financial assets in IAS 39, each of which had its own classification criteria. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. IFRS 9 introduces a new model for the recognition of impairment losses, the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. Management has assessed the application of the credit loss model on trade receivables and related party balances under IFRS 9. The impact on these financial statements were not material. Management has utilised the modified retrospective transition approach. The company applied IFRS 9 on 1 January 2018 and has elected not to restate comparative information in accordance with the transitional provisions. As a result, the comparative information provided continues to be accounted for in accordance with the company's previous accounting policy. Additional disclosures in accordance with the standard have been included in in Note 27.

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

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

New Standards, interpretations and amendments that became effective during the year (cont'd)

IFRS 15, 'Revenue from Contracts with Customers', (effective for the periods beginning on or after I January 2018). The new standard introduces the principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. Management has assessed the impact on the financial statements and noted that the impact is not material. Management has utilised the modified retrospective transition approach. The company applied IFRS 15 on 1 January 2018 and has elected not to restate comparative information in accordance with the transitional provisions. As a result, the comparative information provided continues to be accounted for in accordance with the company's previous accounting policy. Additional disclosures in accordance with the standard have been included in Note 27.

Amendment to IFRS 15, 'Revenue from Contracts with Customers' (effective for accounting periods beginning on or after 1 January 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

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

Standard, interpretation and amendments to published standards that are not yet effective and have not been early adopted by the company

IFRS 16, 'Leases' (effective for annual periods beginning on or after 1 January 2019), IFRS 16, 'Leases', replaces the current guidance in IAS 17. This will require changes in accounting by lessees in particular. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease, lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The company is assessing the impact that these standards and amendments to standards will have on the financial statements when they are adopted.

IFRIC 23, 'Uncertainty Over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income Taxes', are applied where there is uncertainty over income Tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. The adoption of this standard is not expected to have a significant impact on the company.

Annual improvements 2015-2017 (effective for annual periods beginning on or after 1 January 2019). These amendments include minor changes to:

- **IFRS 11** 'Joint Arrangements', a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- **IAS 12**, 'lncome Taxes' a company accounts for all income tax consequences of dividend payments in the same way.
- **IAS 23**, Borrowing costs' a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

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

Standard, interpretation and amendments to published standards that are not yet effective and have not been early adopted by the company (cont'd)

Annual improvements 2015-2017 (effective for annual periods beginning on or after 1 January 2019). These amendments include minor changes to:

- **IFRS 11 'Joint Arrangements'**, a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- **IAS 12**, **'Income Taxes'** a company accounts for all income tax consequences of dividend payments in the same way.
- **IAS 23**, **Borrowing Costs'** a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The adoption of these standards are not expected to have a significant impact on the company.

There are no other new or amended standards and interpretations that are published but not yet effective that would be expected to have an impact on the accounting policies or financial disclosures of the company.

Associates

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

Profits or losses arising on transactions between the company 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

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

Associates (cont'd)

Any premium paid for an associate above the fair value of the company'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 company's associate company, incorporated in Jamaica is T & R Restaurant Systems Limited (see note 1c).

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 recognised in the statement of financial position at cost. Subsequently, the joint venture is accounted for using the equity method, where the company's share of profits or losses and other comprehensive income is recognised 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

(b) **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 recognised in profit or loss.

(c) **Property, plant and equipment**

Items of property, plant and equipment are recorded at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any replaced part is de recognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line basis at such rates as will write off the carrying value of the assets over the period of their estimated useful lives. Annual rates are as follows:

Equipment	10%
Furniture and fixtures	10%
Leasehold improvements	25%
Security system	10%
Computers	20%

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining profit or loss.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

(d) **Impairment of non-current assets**

Property, plant and equipment and other 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 recognised for the amount by which the carrying amount of the assets 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.

(e) **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 of another entity.

Financial assets

(i) **Classification**

Under IAS 39, the company classifies financial assets into the following category - loans and receivables and available-for-sale. Management determines the appropriate classification of investments at the time of purchase.

From 1 January 2018, the company classifies its financial assets as those to be measured at amortised cost and fair value through other comprehensive income. The available for sale (AFS) category under IAS 39 is no longer applicable. The classification depends on the business model used for managing the financial assets and the contractual terms of the cash flows.

(ii) **Recognition and derecognition**

The company recognises a financial instrument when it becomes a party to the contractual terms of the instrument.

The company initially recognises loans and receivables on the date when they are originated. All other financial assets are initially recognised on the trade date.

Financial instruments classified as fair value through other comprehensive income are recognised on the trade-date - the date on which the company commits to sell the asset. Financial assets are initially recognised at fair value plus transaction cost for all assets not carried at fair value through profit or loss. They are subsequently carried at fair value with fair value gains or losses recorded in other comprehensive income

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

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

Financial assets (cont'd)

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

The company 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 company is recognised as a separate asset or liability.

(iii) **Measurement**

Cash and cash equivalents: Cash comprises cash in hand and demand and call deposits. Cash equivalents are short-term, highly liquid financial assets that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Loans and receivables: Trade and other receivables and due from related parties are classified as loans and receivables. They are measured at amortised cost less impairment losses.

Available-for-sale: On initial recognition, available-for-sale investments are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, with unrealised gains and losses arising from changes in fair value, except for impairment losses, and, in the case of equity securities, being recognised in other comprehensive income and accumulated in fair value reserve. When these assets are de recognised the gain or loss accumulated in equity is reclassified to profit or loss.

From 1 January 2018, the company classifies its financial instruments into two measurement categories:

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

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

Financial assets (cont'd)

(iii) **Measurement (cont'd)**

Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in the income statement using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the income statement.

Fair value through other comprehensive income: Financial instrument classifies as fair value through other comprehensive income are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in fair value reserve upon disposal any balance with fair value reserves is reclassified directly to retained earnings and is not reclassified to profit or loss.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value reserve.

(iv) **Impairment**

The Simplified Approach

For trade receivables, the company applies the simplified approach permitted by IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECLs for trade receivables.

The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward looking information.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

(e) **Financial instruments (cont'd) -**

Financial liabilities

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

From 1 January 2018, the company classifies its financial liabilities into two measurement categories.

Long-term liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, long-term liabilities are measured at amortised cost using effective interest method.

Trade and other payables, and due to related parties are measured at amortised cost.

The company derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

(f) **Leases**

Operating lease

Leases of assets under which all the risk and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating lease are recognised in profit or loss on the straight-line basis over the term of the lease.

(g) **Inventories**

Inventories are stated at the lower of cost and fair value less costs to sell, cost being determined on the average cost basis. Fair value less costs to sell is the estimated selling price in the ordinary course of business, less selling expenses.

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

(h) **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 company or of a parent of the company.

(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).

(iii) Identity of related parties

The company has a related party relationship with its joint venture partner, associate, and key management personnel. The company'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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

(i) **Borrowings**

Borrowings are recognised 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 recognised in profit or loss over the period of the borrowings.

(j) **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 company'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 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 recognised 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

(k) **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of discounts. The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the company's activities as described below.

Sale of meals

The company operates a restaurant outlet that provides a range of cuisine and beverages. Sales are recognised when the company sells a meal or beverage to the customer. Sales are usually in cash or by debit/credit card.

Management fee

The company is engaged in providing management services to its associate. These services are provided on a fixed-price contract.

Revenue from fixed-price contracts, typically from delivering management services, is recognised when the service is provided. Revenue is generally recognised at the contractual fee.

Sponsorship income

Sponsorship income is recognised when specific criteria have been met as per the sponsorship agreement.

Dividend income

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

Interest income

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

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

(l) **Dividend distribution**

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company'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 company's accounting policies**

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

(b) **Key sources of estimation uncertainty**

The company 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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

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

(i) Fair value estimation (cont'd)

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 company'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 company 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 company is the current bid price. These instruments are included in level 1 and comprise equity instruments traded on the Jamaica Stock Exchange.

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, trade and other receivables, trade and other payables, and loans and borrowings.

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

The carrying values of long term liabilities 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 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 measurable decrease in the estimated future cash flows from accounts receivable, 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 company considers the maximum contractual period over which the company 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 company 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) **Depreciable assets**

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

(iv) **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 company 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.

(v) **Net realizable value of inventories**

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amounts the inventories are expected to realise. These estimates take into consideration fluctuations of price or costs directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Estimates of net realisable value take into consideration the purpose for which the inventory is held (see note 3(g)).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

5. FINANCIAL RISK MANAGEMENT:

The company 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 company is exposed to risks that arise from its use of financial instruments. This note describes the company'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 company'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.

(i) Principal financial instruments

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

- Investments
- Receivables
- Cash and cash equivalents
- Payables
- Long term liabilities

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

(ii) **Financial instruments by category**

Financial assets

	Amortised Cost 2018 $'000	Loans and Receivables 2017 $'000	Fair Value Through Other Comprehensive Income 2018 $'000	Available-for-sale 2017 $'000
Investments	-	-	2,461	2,088
Receivables	6,181	1,014	-	-
Cash and bank balances	5,727	9,907	-	-
Total financial assets	11,908	10,921	2,461	2,088

Financial liabilities

	At amortised cost 2018 $'000	At amortised cost 2017 $'000
Bank overdraft	6,696	3,040
Payables	45,464	42,419
Long term liabilities	6,768	11,232
Total financial liabilities	58,928	56,691

(iii) **Financial instruments measured at fair value**

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

	Level 1 2018 $'000	Level 1 2017 $'000
Financial assets		
Investments	2,461	2,088
Total financial assets	2,461	2,088

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

(iv) **Financial risk factors**

The Board of directors has overall responsibility for the determination of the company'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 company'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 company's competitiveness and flexibility. Further details regarding these policies are set out below:

(i) **Market risk**

Foreign exchange risk

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

Foreign exchange risk arises from transactions that are denominated in currency other than the Jamaican dollar. The company 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:

	2018 $'000	2017 $'000
Cash and bank balances	2,148	2,858
Receivables	237	625
Payables	(5,660)	(3,586)
	(3,275)	(103)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

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

(i) **Market risk (cont'd)**

Foreign currency sensitivity

The following table indicates the sensitivity of (loss)/profit before taxation 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 cash and bank balances, receivables and payables and adjusts their translation at the year-end for 4% (2017 – 4%) depreciation and a 2% (2017 – 2%) appreciation of the Jamaican dollar against the US dollar.

The changes below would have no impact on other components of equity.

	% Change in Currency Rate 2018	Effect on Loss before Tax 31 December 2018 $'000	% Change in Currency Rate 2017	Effect on Profit before Tax 31 December 2017 $'000
Currency:				
USD	-4	131	-4	(4)
USD	+2	(66)	+2	2

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

At 31 December 2018 – J$125.89 – US$1.00
At 31 December 2017 – J$123.61 – 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 company does not have a significant exposure, market price fluctuations are not expected to have a material effect on the statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

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

(i) Market risk (cont'd)

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

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

Interest rate sensitivity

There is no significant exposure to interest rate risk on short term deposits, 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. A 1% increase/1% decrease (2017 – 1% increase/1% decrease) in interest rates on Jamaican dollar borrowings would result in a $67,676, increase/$67,676 increase (2017 - $112,319 increase/$112,319 increase) in (loss)/profit before tax.

(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 receivables and cash and bank balances.

Trade receivables

Revenue transactions in respect of the company's primary operations are settled either in cash or by using major credit cards. For its operations done on a credit basis, the company has policies in place to ensure that sales of services are made to customers with an appropriate credit history.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

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

(ii) **Credit risk (cont'd)**

Cash and bank balances

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

Maximum exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of trade and other receivables and cash and cash equivalents in the statement of financial position.

The aging of trade receivables is as follows:

	2018 $'000	2017 $'000
0-30 days	1,498	103
31-60 days	1,232	76
61-90 days	1,200	-
Over 90 days	2,251	403
	6,181	582

The company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

Based on the nature of the business operations, majority of the sales are made on a cash basis, the expected credit loss calculated was immaterial, hence the company has not made any allowance for impairment of receivables.

(iii) **Liquidity risk**

Liquidity risk is the risk that the company 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

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

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

Liquidity risk management process

The company's liquidity management process, as carried out within the company 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 company's financial liabilities, based on contractual undiscounted payments, is as follows:

	Within 1 Year $'000	1 to 2 Years $'000	Total $'000
31 December 2018			
Bank overdraft	6,696	-	6,696
Trade payables	16,408	-	16,408
Accruals and other payables	29,056	-	29,056
Long term liabilities	7,581	-	7,581
Total financial Liabilities (contractual maturity dates)	59,741	-	59,741

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

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

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

Cash flows of financial liabilities (cont'd)

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

	Within 1 Year $'000	1 to 2 Years $'000	Total $'000
31 December 2017			
Bank overdraft	3,040	-	3,040
Trade payables	13,499	-	13,499
Accruals and other payables	28,920	-	28,920
Long term liabilities	5,686	7,582	13,268
Total financial Liabilities (contractual maturity dates)	51,145	7,582	58,727

(v) **Capital management**

The company's objectives when managing capital are to safeguard the company'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 company 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 company is subject.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

6. **REVENUE:**

Revenue represents the price of goods and services sold after discounts and allowances.

7. **OTHER OPERATING INCOME:**

	2018 $'000	2017 $'000
Sponsorship income	6,421	3,317
Interest income	3	11
Other income	7,149	2,199
	13,573	5,527

8. **FINANCE COSTS:**

	2018 $'000	2017 $'000
Interest on loans	1,495	2,374

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

9. EXPENSES BY NATURE:

Total direct, administration and other operating expenses from continued operations:

	2018 $'000	2017 $'000
Auditors' remuneration -		
- current year	1,820	1,660
- prior year under provision	108	-
Depreciation	17,060	16,846
Staff costs (note 10)	64,287	55,472
Advertising and marketing	14,239	8,854
Cost of inventory recognised as expense	65,672	69,610
Insurance	3,250	3,395
Legal and professional fees	4,914	2,860
Repairs and maintenance	3,668	2,384
Security	750	720
Utilities	18,585	17,727
Bank charges	9,287	9,382
Rent	11,916	12,346
Janitorial expense	3,048	3,053
Couriers	1,328	1,720
IT expenses	1,565	1,599
Travel and entertainment	1,379	1,005
Royalties	8,308	8,739
Bad debts	4,509	-
Other expenses	11,250	4,722
	246,943	222,094

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

10. STAFF COSTS:

	2018 $'000	2017 $'000
Wages and salaries	58,249	49,637
Statutory contributions	6,598	5,281
Staff welfare	(1,038)	148
Uniform	478	406
	64,287	55,472

11. TAXATION EXPENSE:

Taxation is computed on the (loss)/profit for the year, adjusted for tax purposes, and comprises income tax at 25%.

	2018 $'000	2017 $'000
Income tax	(194)	(172)
Deferred tax (note 18)	2,106	982
	1,912	810

The tax on the (loss)/profit before taxation differs from the theoretical amount that would arise using the applicable tax rate of 25%, as follows:

	2018 $'000	2017 $'000
(Loss)/profit before taxation	(14,934)	8,142
Tax calculated at 25%	(3,734)	2,036
Adjusted for the effects of:		
Disallowed expenses	2,055	214
Employment tax credit	(165)	(749)
Depreciation charge and capital allowances	2,783	2,751
Other charges and credits	1,167	(1,862)
	2,106	2,390
Adjustment for the effect of tax remission current year	(194)	(1,580)
Taxation in statement of comprehensive income	1,912	810

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

11. TAXATION EXPENSE (CONT'D):

Subject to the agreement of the Commissioner, Taxpayer Audit and Assessment, at the end of the reporting period the company has tax losses of approximately $152,854,569 (2017 - $155,194,782) available for set-off against future profits. A deferred tax asset was not recognised in respect of these losses.

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 financial statements have been prepared on the basis that the company will have 50% benefit of the tax remission.

12. EARNINGS PER STOCK UNIT ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY:

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

	2018	2017
Net (loss)/profit attributable to stockholders ($'000)	(25,707)	8,952
Number of ordinary stock units (weighted average) ('000)	100,000	100,000
Basic and diluted earnings per stock unit ($)	(0.26)	0.09

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

13. **PROPERTY, PLANT AND EQUIPMENT:**

	Leasehold Improvements $'000	Equipment $'000	Furniture & Fixtures $'000	Security System $'000	Computers $'000	Total $'000
Cost -						
1 January 2017	77,111	26,135	36,543	2,221	9,657	151,667
Additions	25	357	557	152	356	1,447
31 December 2017	77,136	26,492	37,100	2,373	10,013	153,114
Additions	-	1,750	947	-	255	2,952
Disposal	-	(4,304)	-	-	-	(4,304)
31 December 2018	77,136	23,938	38,047	2,373	10,268	151,762
Depreciation -						
1 January 2017	51,996	12,526	20,912	1,250	4,087	90,771
Charge for the year	9,015	3,182	4,315	16	318	16,846
31 December 2017	61,011	15,708	25,227	1,266	4,405	107,617
Charge for the year	9,015	3,235	4,409	29	372	17,060
Eliminated on disposal	-	(4,304)	-	-	-	(4,304)
31 December 2018	70,026	14,639	29,636	1,295	4,777	120,373
Net book value -						
31 December 2018	7,110	9,299	8,411	1,078	5,491	31,389
31 December 2017	16,125	10,784	11,873	1,107	5,608	45,497

14. **INVESTMENT IN JOINT VENTURE:**

	2018 $'000	2017 $'000
Bessa Project	12,590	13,141

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 US$350,007 in cash. 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 participating in the Bessa Partnership to the extent of US$250,000. The investment is denominated in United States Dollars.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

K.L.E.'s liability to the Participants only arises in respect of any failure by it to properly account to the Participants in respect of funds received from the Bessa Partnership which are referable to the amount invested by the Participants, and/or to promptly pay over such amounts as are lawfully due to the Participants under the Participation Agreement, where it has received such amounts from the Bessa Partnership.

In return for performing its obligations under the Participation Agreement, K.L.E. is entitled to an annual administration fee equal to 1% of each Participant's invested amount, as well as a bonus payment equal to 15% of the profit earned by each Participant on their investment, where the profit exceeds a specified hurdle rate (i.e., the 12 month United States Dollar LIBOR obtaining as at the date in respect of which the final audited financial statements of the Partnership have been prepared, plus 4%).

Investment in 'Bessa' is carried at cost as there was no activity during the year. Although project was approved by the authorities during 2017 ground was not broken until 2018.

15. INVESTMENTS:

	2018 $'000	2017 $'000
Quoted shares:		
Opening net book amount	2,088	-
Additions during the year	-	1,732
Fair value adjustment	120	356
	2,208	2,088

16. INVESTMENT IN ASSOCIATE:

This represents a 49% shareholding of the issued shares in Associate comprising of 490 ordinary shares, costing J$77,363,202 (US$637,454).

	2018 $'000	2017 $'000
Investment at beginning of year	73,297	72,782
Share of post tax (loss)/profit	(12,685)	257
Share of OCI	-	258
	(12,685)	515
At end of year	60,612	73,297

16. INVESTMENT IN ASSOCIATE (CONT'D):

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

	2018 $'000	2017 $'000
Assets	52,613	39,069
Liabilities	95,082	54,384
Revenue	19,026	31,584
Net (loss)/profit	(25,889)	525

17. RECEIVABLES:

	2018 $'000	2017 $'000
Trade receivables		
Trade receivables	961	582
Related party	5,220	432
Total financial assets other than cash and cash equivalents classified as amortiised cost	6,181	1,014
Prepayments and other receivables	21,512	24,122
Less long term portion – other receivables	(12,490)	(14,737)
	15,203	10,399

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

18. 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:

	Accelerated Tax Depreciation $'000	2018 $'000	2017 $'000
Balance at start of year	7,080	7,080	6,098
Charge for the year (note 11)	2,106	2,106	982
Balance at end of year	9,186	9,186	7,080

19. INVENTORIES:

	2018 $'000	2017 $'000
Goods for resale	2,608	2,932

20. RELATED PARTY TRANSACTIONS AND BALANCES:

(a) Transactions between the company and its related company

Sales/revenue -

During the year, the company earned management fees of $14,150,000 (2017 - $11,400,000).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

20. RELATED PARTY TRANSACTIONS AND BALANCES CONT'D):

(b) Key management compensation

	2018 $'000	2017 $'000
Wages and salaries	20,237	15,881
Payroll taxes – Employer's portion	2,076	1,387
	22,313	17,268
Director's emoluments -		
Fees	-	-
Management remuneration (included above)	9,268	7,273

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

	2018 $'000	2017 $'000
Due from -		
T & R Restaurant Systems Limited	41,628	17,753
Director	5,244	8,356
	46,872	26,109
T & R Restaurant Systems Limited (included in trade receivable)	5,520	-
Due to -		
Director's current account	(1,527)	(1,360)

21. CASH AND CASH EQUIVALENTS:

	2018 $'000	2017 $'000
Cash and bank balances	5,727	9,907
Bank overdraft	(6,696)	(3,040)
	(969)	6,867

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

21. CASH AND CASH EQUIVALENTS (CONT'D):

Financing activities

	Non-current Loans and Borrowing $'000 (note 24)	Current Loans and Borrowing $'000 (note 24)	Total $'000
At 1 January 2018	7,038	4,194	11,232
Cash flows	(270)	(4,194)	(4,464)
Non-cash flows			
loans and borrowings classified as non-current as at 31 December 2017 becoming current during 2018	(6,768)	6,768	-
At 31 December 2018	-	6,768	6,768
At 1 January 2017	11,217	3,564	14,781
Cash flows	-	(3,549)	(3,549)
Non-cash flows			
- debt converted into equity	-	-	-
- loans and borrowings classified as non-current at 31 December 2016 becoming current during 2017	(4,179)	4,179	-
At 31 December 2017	7,038	4,194	11,232

Bank overdraft

The company currently has a bank overdraft facility of $1,500,000. Bank overdraft includes unpresented cheques of $5,746,104 (2017 - $5,268,257). Details of securities held are included at note 24.

Bank accounts previously held in the name of Usain Bolt's Tracks and Records Limited prior to the amalgamation on November 2011 have not been changed to reflect K.L.E. Group Limited at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

22. SHARE CAPITAL:

	2018 $'000	2017 $'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

23. FAIR VALUE RESERVE:

This represents the unrealized surplus on revaluation of investments.

24. LONG TERM LIABILITIES:

	2018 $'000	2017 $'000
Sagicor Bank Limited		
$16.6 million loan	6,768	11,232
Less: current portion	(6,768)	(4,194)
	-	7,038

This loan attracts interest at a rate of 16.4% per annum and is for a period of 48 months. It is secured by 1st demand debenture over fixed and floating assets of KLE Company Limited supported by receivables, plant, property and equipment stamped to cover J$31,847,000. It is also secured by debenture to be stamped for a further J$18,442,000 and to be held in registrable form.

Breach of covenant

Loans previously classified as long term liabilities are shown as current liabilities due to the company's breach of covenant to maintain positive working capital. The company, however, continues to make regular monthly payments and has negotiated a new long term.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

25. **PAYABLES:**

	2018 $'000	2017 $'000
Trade payables	16,408	13,499
Accruals	5,689	6,833
Statutory liabilities	8,247	4,393
Credit cards	14,545	13,844
GCT	13,811	2,087
Royalties payable	8,822	5,764
Other	1,208	2,400
	68,730	48,820

The company is liable to the Tax Administration Jamaica (TAJ) in respect of statutory liabilities and General Consumption Tax for late payments, which attract interest and penalties in the amount of $12M. The interest and penalties were not booked as the company is in discussions with the Tax Administration Jamaica (TAJ) regarding a payment arrangement for the outstanding amount and a waiver for interest and penalties. The company is also in negotiation with the bank to obtain loan financing, to be used to settle the outstanding liabilities.

26. **GOING CONCERN:**

The company sustained operating loss of $13,439,000 for the financial year ended 31 December 2018 and its current liabilities exceed its current assets. However, the company has the full support if its majority shareholders. Management remains optimistic on the direction of the company, and believes that the company is in a good position to achieve real growth in the future, through franchise expansion. The company has projected to significantly improve its operating results and by extension reduce operating losses.

The company is finalizing its negotiation of long term financing with its bankers to settle its significant current liabilities.

Also, the associate has successfully started additional franchises and is in further negotiation with others. In light of the of the foregoing, management considers the company to be a going concern

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

27. CHANGES IN ACCOUNTING POLICIES:

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue Recognition on the company's financial statements.

(a) ***Impact on financial statements***

The company has adopted IFRS 9 and IFRS 15 for the financial year ended 31 December 2018 which resulted in a change in the company's accounting policies. As explained in note 3, IFRS 9 and IFRS 15 were generally adopted without restating comparative information. The reclassifications and adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position at 31 December 2017. No adjustment was necessary to the opening retained earnings on 1 January 2018.

(b) ***IFRS 9 Financial instruments***

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments and impairment of financial assets.

The adoption of IFRS 9 'Financial Instruments' from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in note 3 above. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

There was no impact on the company's retained earnings as at 1 January 2018. In addition there are no changes to the classification of financial assets under IFRS 9.

(c) Impairment of financial assets

The company's trade receivables and certain related party balances are subject to IFRS 9's new expected credit loss model.

The company was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. There was no material impact to the opening retained earnings associated with this change.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, there was no identified impairment loss.

27. **CHANGES IN ACCOUNTING POLICIES (CONT'D):**

(c) Impairment of financial assets (cont'd)

Trade receivables

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. There was no impact on loss allowance on 1 January 2018.

(d) IFRS 15 Revenue Recognition

IFRS 15 replaces the provisions of IAS 18 that relate to revenue recognition. IFRS 15 introduces the principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price.

The adoption of IFRS 15 Revenue Recognition from 1 January 2018 resulted in changes in accounting policies. The accounting policies under IAS 18 and IFRS 15 are set out in note 3 above. In accordance with the transitional provisions in IFRS 15, comparative figures have not been restated.

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