

PRESTIGE HOLDINGS LTD.

A Restaurant Management Company

Chairman's Report to Shareholders, Employees, Customers and Partners

For 2016, Prestige Holdings' financial performance can be described as "A Tale of Two Cities". While we experienced a relatively consistent sales performance for most brands throughout the year, our profitability while positive in the first half, declined in the second six-month period. This decline was driven by three main factors: pre-opening and other costs associated with the establishment of the Starbucks brand; higher costs as a result of the movement of the exchange rate; and higher food costs due to an increase in commodity food prices. While the Starbucks startup costs of \$3.5 million are a non-recurring item, the foreign exchange issue, both rate and availability, as well as the higher costs of inputs are expected to be ongoing, and management is implementing various strategies for dealing with these. Additionally, in 2016 we continued to reduce our long term borrowings and improve our Debt/Equity Ratio which at the end of 2016 stood at a healthy 4:96.

The most significant event for our Company in 2016 was the launch of the Starbucks brand in Trinidad and Tobago. Between August and November we opened three restaurants at SouthPark in San Fernando, MovieTowne in Port of Spain and Endeavour Chaguanas. The brand has been well accepted by the local market, aided by strong consumer awareness for the Starbucks brand and its high quality beverage and food offerings. Three additional stores are planned for the new financial year and we are confident that we will continue to build our store network into the future. We expect that Starbucks will become a meaningful and positive contributor to the Prestige group over the medium to long term.

We opened 7 new restaurants (3 Starbucks, 2 KFCs, 1 Pizza Hut and 1 Subway) during 2016, completed 1 restaurant re-image at KFC Coffee Street and 1 restaurant relocation, moving our Subway at Gulf City Carpark to SouthPark. We closed the year with 119 restaurants, up from 112 in 2015.

CONSOLIDATED PERFORMANCE AND FINANCIAL CONDITION

Group revenue increased by 2% to \$986 million compared with \$963 million for 2015, and profit for the year and profit attributable to shareholders decreased by 21% to \$47.2 million, down from \$59.5 million in 2015. Without the one-off Starbucks startup costs, our earnings would have been \$49.8 million, a reduction of 16%. Diluted earnings per share were 76.2 cents compared with 95.7 cents in 2015.

OPERATIONS

To varying degrees, all of our brands are experiencing the effects of the difficult economic environment, the depreciating currency and the difficulty in obtaining foreign exchange. Additionally, higher food costs and a difficult labour market are having a negative impact. Our KFC and Pizza Hut brands both experienced positive sales for the year, helped by innovative promotions, value offerings and new store additions. However, higher costs of inputs have more than offset these gains. Nevertheless, we remain positive about expansion opportunities, especially for the Pizza Hut brand.

Our Subway and TGI Fridays brands performed below our expectations and management has been very focused on improving the performances of these businesses. At TGI Fridays we are addressing the weaker environment by introducing new and exciting food and drink offerings as well as a renewed emphasis on operational excellence. After a difficult start to the year, in more recent months our Subway brand has experienced a more positive sales trend due to a focus on operational improvement and continued value offerings and sandwich innovation.

DIVIDENDS

The Board approved a final dividend of 22 cents per common share, which will bring the total dividends payable for the financial year 2016 to 38 cents (2015 - 38 cents). The final dividend will be paid on 18 May, 2017 to shareholders whose names appear on the Register of Members on 9 May, 2017.

OUTLOOK

We expect the economic environment to remain challenging in 2017. We are implementing initiatives to address the higher costs of inputs and the depreciating exchange rate, both of which are impacting our overall profitability, and expect to see the effects of this as 2017 progresses. Looking ahead, it is difficult to gauge the effects of the continuing negative economic environment on our sector; however, we remain positive on the medium to long term prospects for the economy and our business. In 2017, in addition to the initiatives mentioned above, we plan to continue to drive everyday value at our restaurants, as well as food and beverage menu innovations to fulfill our Vision "To be in the hearts and minds of our guest for every eating experience".

ACKNOWLEDGEMENT

As always, we are most grateful for the hard work and dedication of our many loyal employees. The management and Board offer our sincere thanks for the tremendous job they do in "Helping People Taste Happiness Everyday".

On behalf of the Board I would like to thank the management for navigating the Company through a difficult business environment in 2016 while simultaneously managing the launch of the Starbucks brand, a major initiative for our Company, in Trinidad and Tobago. I would like to thank my fellow Directors for the support and counsel that they have provided to me and the management team - we are most grateful.

A special acknowledgement to our retired director Mr. Joseph P. Esau. Joe joined the Board of Prestige in 1997 as Chairman, after the acquisition of Prestige Holdings by Victor E Mouttet Limited. Eighteen months later, under his leadership Prestige Holdings became a publicly listed company. Joe remained Chairman until 2012 and a Director until 2016. Over those years, Joe provided sterling leadership, strong guidance and wise counsel to both the Board and management. His contribution to this Company was immense and wide ranging. On behalf of everyone at Prestige Holdings I offer our sincere thanks and appreciation.

Finally I would like to thank our customers and shareholders, both of whom we are here to serve. Your continued support and confidence in our company are greatly appreciated.


Christian E. Mouttet
Chairman
22 February 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year to 30 November 2016	Year to 30 November 2015
	(AUDITED)	(AUDITED)
	\$ '000	\$ '000
Profit for the year	47,188	59,502
Other comprehensive income/(loss):		
Items that will not be reclassified to profit or loss		
Remeasurements of post employment benefit obligations	-	448
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	(200)	(294)
Total comprehensive income for the year	46,988	59,656
Attributable To:		
Owners of the Parent Company	46,988	59,656

CONSOLIDATED INCOME STATEMENT

Notes:

1. The Consolidated Financial Statements include the activities of Prestige Holdings Limited, the Parent Company (KFC, Pizza Hut, Subway and Starbucks), Weekenders Trinidad Limited (TGI Fridays Trinidad) and Prestige Restaurants Jamaica Limited (TGI Fridays Jamaica).

2. The accounting policies used in preparation of the 12-months results are consistent with those used in the Consolidated Audited Financial Statements for the year ended 30 November 2015.

Revenue Cost of sales

Gross profit Other operating expenses Administrative expenses Other income

Operating profit

Finance costs

Profit before income tax

Income tax expense

Profit for the year

Profit attributable to:

Owners of the parent company

Basic earnings per share (exclusive of ESOP shares)

Diluted earnings per share (exclusive of ESOP shares)

Twelve (12) Months to 30 November 2016	Year ended 30 November 2016	Year ended 30 November 2015
% Increase	(AUDITED)	(AUDITED)
	\$ '000	\$ '000
2%	985,518	962,562
	(635,304)	(611,864)
	350,214	350,698
	(203,511)	(200,214)
	(77,410)	(63,370)
	2,415	1,428
	71,708	88,542
	(6,997)	(8,370)
-19%	64,711	80,172
	(17,523)	(20,670)
	47,188	59,502
	47,188	59,502
	76.2 cents	96.0 cents
	76.2 cents	95.7 cents


Director


Director



It's
finger lickin'
good



STARBUCKS®

CONSOLIDATED BALANCE SHEET	30 November 2016	30 November 2015	CONSOLIDATED STATEMENT OF CASH FLOWS	30 November 2016	30 November 2015
	(AUDITED)	(AUDITED)		(AUDITED)	(AUDITED)
	\$ '000	\$ '000		\$ '000	\$ '000
ASSETS			Cash flow from operating activities		
Property, plant and equipment	274,897	264,125	Cash generated from operations	148,034	132,142
Other intangible assets	74,612	71,690	Interest paid	(6,997)	(8,370)
Current assets	172,123	145,905	Income tax paid	(23,824)	(20,922)
Total assets	521,632	481,720	Net cash generated from operating activities	117,213	102,850
EQUITY AND LIABILITIES			Investing activities	(57,661)	(44,905)
Share capital	23,759	22,830	Financing activities	(46,826)	(43,738)
Retained earnings	230,789	207,356	Net increase in cash and cash equivalents	12,726	14,207
Other reserves	17,910	18,110	Cash and cash equivalents at the beginning of the year	71,522	57,315
Other equity instrument	5,000	15,000	Cash and cash equivalents at the end of the year	84,248	71,522
Unallocated shares held by ESOP	(3,576)	(1,350)			
Non-current liabilities	83,882	99,229			
Current liabilities	163,868	120,545			
Total equity and liabilities	521,632	481,720			

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Share Capital	Equity-settled arrangements	Other Equity Instrument	Other Reserves	Retained Earnings	Total	Unallocated Shares Held by ESOP	Total Equity
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Balance at 1 December 2014	22,009	5,497	25,000	18,404	162,468	233,378	(2,125)	231,253
Comprehensive income								
Profit for the year	-	-	-	-	59,502	59,502	-	59,502
Other comprehensive loss								
Currency translation differences	-	-	-	(294)	-	(294)	-	(294)
Remeasurement of post employment benefit obligations	-	-	-	-	448	448	-	448
Total comprehensive income/(loss) for the year	-	-	-	(294)	59,950	59,656	-	59,656
Transactions with owners								
Proceeds from shares issued	821	-	-	-	-	821	-	821
Shares allocated during the year	-	-	-	-	-	-	775	775
Redemption	-	-	(10,000)	-	-	(10,000)	-	(10,000)
Transfer of expired share based payments	-	(5,497)	-	-	5,497	-	-	-
Dividends for 2014 - Paid 17 cents per share	-	-	-	-	(10,583)	(10,583)	-	(10,583)
Dividends for 2015 - Paid 16 cents per share	-	-	-	-	(9,976)	(9,976)	-	(9,976)
Total transactions with owners	821	(5,497)	(10,000)	-	(15,062)	(29,738)	775	(28,963)
Balance at 30 November 2015	22,830	-	15,000	18,110	207,356	263,296	(1,350)	261,946
Balance at 1 December 2015	22,830	-	15,000	18,110	207,356	263,296	(1,350)	261,946
Comprehensive income								
Profit for the year	-	-	-	-	47,188	47,188	-	47,188
Other comprehensive loss								
Currency translation differences	-	-	-	(200)	-	(200)	-	(200)
Total comprehensive income/(loss) for the year	-	-	-	(200)	47,188	46,988	-	46,988
Transactions with owners								
Proceeds from shares issued	929	-	-	-	-	929	-	929
Shares allocated during the year	-	-	-	-	-	-	1,887	1,887
Purchase of shares	-	-	-	-	-	-	(4,113)	(4,113)
Redemption	-	-	(10,000)	-	-	(10,000)	-	(10,000)
Dividends for 2015 - Paid 22 cents per share	-	-	-	-	(13,753)	(13,753)	-	(13,753)
Dividends for 2016 - Paid 16 cents per share	-	-	-	-	(10,002)	(10,002)	-	(10,002)
Total transactions with owners	929	-	(10,000)	-	(23,755)	(32,826)	(2,226)	(35,052)
Balance at 30 November 2016	23,759	-	5,000	17,910	230,789	277,458	(3,576)	273,882