

# PRESTIGE HOLDINGS LTD.

*A Restaurant Management Company*

## Chairman's Report

In 2017, Prestige Holdings' financial performance was disappointing, even given the difficult economic environment in Trinidad and Tobago. Our sales increased by 6%, largely as a result of new Starbucks restaurant openings and good execution at our KFC and Pizza Hut brands. However, profitability after tax declined by 30% from \$47.2 million in 2016 to \$32.9 million in 2017, mainly due to (i) the underperformance of our Subway brand; (ii) a significant \$5.6 million foreign exchange cost impact on profitability as a result of the shortage of United States Dollars which forced us to purchase Euros and Canadian Dollars at higher effective rates; and (iii) the increased tax rate. We have however continued to reduce long-term borrowings, which declined from \$94.5 million to \$80.5 million and our Debt/Equity Ratio at the end of 2017 stood at a healthy 8:92. During the period, we opened 2 new Starbucks restaurants at Gulf City Mall, San Fernando and Munroe Road, Chaguanas, 1 new Pizza Hut delivery unit at South Park, San Fernando and reimaged our KFC restaurant at Independence Square, Port of Spain.

### OPERATIONS

Our KFC and Pizza Hut brands held up relatively well given the significant headwinds in the economy and continued food cost increases. At KFC, new value offerings catering to individuals and families were well received and improvements in our drive-through and delivery operations helped support increased sales and an improved customer experience. Pizza Hut too had an improved sales performance, driven by our strong offering of best in class pizzas and pastas and a growing home delivery network.

Subway, and to a lesser extent TGI Fridays had a difficult year, performing below our expectations and their potential. At Subway, performance has been impacted by high food costs as well as operational challenges. Initiatives are currently being implemented to address these two areas as well as the introduction of new products and preparations that will add excitement and innovation to our menu. TGI Fridays was also challenged in 2017, primarily as a result of the difficult economy. Initiatives are also under way in this brand, in both food and bar, to ensure that TGI Fridays remains the brand of choice in the casual dining sector.

The Starbucks brand has received good market acceptance since its launch in the previous financial year. We operated 5 restaurants at the end of the financial year and opened a sixth in Ellerslie Plaza, Maraval in December 2017. Our seventh store in Trincity Mall opened in February 2018. We expect that, as this brand grows, it will become a meaningful contributor to the Prestige Holdings group.

### DIVIDENDS

The Board approved a final dividend of 20 cents per common share, which, with shareholders' approval, will bring the total dividends payable for the financial year 2017 to 34 cents (2016 - 38 cents). The final dividend will be paid on 17 May, 2018 to shareholders whose names appear on the Register of Members on 7 May, 2018.

### LOOKING FORWARD

We recognize that for the immediate future, the Trinidad and Tobago economy will continue to face challenges. In order to manage through this and build long term shareholder value we must not only execute well in serving our customers and deliver great food and beverages, but we must invest in technology, innovation and assets that will be relevant to our consumers well into the future. We believe that there are great opportunities for growth with our brands and will continue to invest in upgrading and modernizing our existing restaurants as well as expand and develop new ones in locations that are attractive. To this end, we expect 2018 to be a very active year for our group.

### ACKNOWLEDGEMENT

I would like to acknowledge and thank all of our hard working and dedicated employees. Your efforts are not unnoticed and are very much appreciated. Finally, I would like to thank our customers and shareholders for their continued support, and the management and my fellow directors for your hard work and counsel.



Christian E. Mouttet  
Chairman  
20 February, 2018

## Consolidated Statement of Comprehensive Income

	Year to 30 November 2017	Year to 30 November 2016
	(AUDITED)	(AUDITED)
	\$'000	\$'000
<b>Profit for the year</b>	32,857	47,188
<b>Other comprehensive income/(loss):</b>		
<b>Items that may be subsequently reclassified to profit or loss</b>		
Currency translation differences	88	(200)
<b>Total comprehensive income for the year</b>	<u>32,945</u>	<u>46,988</u>
<b>Attributable To:</b>		
Owners of the Parent Company	<u>32,945</u>	<u>46,988</u>

## Consolidated Income Statement

	Twelve (12) Months to 30 November 2017	Year ended 30 November 2017	Year ended 30 November 2016
	% Increase	(AUDITED)	(AUDITED)
		\$'000	\$'000
Revenue	6%	1,040,067	985,518
Cost of sales		(680,064)	(635,304)
Gross profit		360,003	350,214
Other operating expenses		(223,565)	(203,511)
Administrative expenses		(82,278)	(77,410)
Other income		2,167	2,415
Operating profit		56,327	71,708
Finance costs		(5,422)	(6,997)
Profit before income taxation	-21%	50,905	64,711
Income tax expense		(18,048)	(17,523)
Profit for the year		<u>32,857</u>	<u>47,188</u>
<b>Profit attributable to:</b>			
Owners of the Parent Company	-30%	<u>32,857</u>	<u>47,188</u>
Basic earnings per share (exclusive of ESOP shares)	-31%	52.8 cents	76.2 cents
Diluted earnings per share (exclusive of ESOP shares)		52.8 cents	76.2 cents



Director



Director

### NOTES:

- 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).
- The accounting policies used in preparation of the twelve (12) months results are consistent with those used in the Consolidated Audited Financial Statements for the year ended 30 November 2016.



### Consolidated Balance Sheet

	30 November 2017	30 November 2016
	(AUDITED)	(AUDITED)
	\$'000	\$'000
<b>ASSETS</b>		
Property, plant and equipment	277,735	274,897
Other intangible assets	77,671	74,612
Current assets	142,085	172,123
<b>Total assets</b>	<b>497,491</b>	<b>521,632</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	23,759	23,759
Retained earnings	241,141	230,789
Other reserves	17,998	17,910
Other equity instrument	--	5,000
Unallocated shares held by ESOP	(1,148)	(3,576)
Non current liabilities	69,083	83,882
Current liabilities	146,658	163,868
<b>Total equity and liabilities</b>	<b>497,491</b>	<b>521,632</b>

### Consolidated Cash Flow Statement

	30 November 2017	30 November 2016
	(AUDITED)	(AUDITED)
	\$'000	\$'000
<b>Cash flow from operating activities</b>		
Cash generated from operations	91,152	148,034
Interest paid	(5,422)	(6,997)
Income tax paid	(18,367)	(23,824)
<b>Net cash generated from operating activities</b>	<b>67,363</b>	<b>117,213</b>
Investing activities	(53,735)	(57,661)
Financing activities	(41,504)	(46,826)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(27,876)</b>	<b>12,726</b>
Cash and cash equivalents at the beginning of the year	84,248	71,522
Cash and cash equivalents at the end of the year	<b>56,372</b>	<b>84,248</b>

### Consolidated Statement in Changes in Equity

	Share Capital	Other Equity Instrument	Other Reserves	Retained Earnings	Total	Unallocated Shares held by ESOP	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 December 2015</b>	22,830	15,000	18,110	207,356	263,296	(1,350)	261,946
<b>Comprehensive income</b>							
Profit for the year	--	--	--	47,188	47,188	--	47,188
<b>Other comprehensive loss</b>							
Currency translation differences	--	--	(200)	--	(200)	--	(200)
<b>Total comprehensive income/(loss) for the year</b>	--	--	(200)	47,188	46,988	--	46,988
<b>Transactions with owners</b>							
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)
<b>Total transactions with owners</b>	929	(10,000)	--	(23,755)	(32,826)	(2,226)	(35,052)
<b>Balance at 30 November 2016</b>	23,759	5,000	17,910	230,789	277,458	(3,576)	273,882
<b>Balance at 1 December 2016</b>	23,759	5,000	17,910	230,789	277,458	(3,576)	273,882
<b>Comprehensive income</b>							
Profit for the year	--	--	--	32,857	32,857	--	32,857
<b>Other comprehensive income</b>							
Currency translation differences	--	--	88	--	88	--	88
<b>Total comprehensive income for the year</b>	--	--	88	32,857	32,945	--	32,945
<b>Transactions with owners</b>							
Redemption	--	(5,000)	--	--	(5,000)	--	(5,000)
Shares allocated during the year	--	--	--	--	--	2,428	2,428
Dividends for 2016 -Paid 22 cents per share	--	--	--	(13,753)	(13,753)	--	(13,753)
Dividends for 2017 -Paid 14 cents per share	--	--	--	(8,752)	(8,752)	--	(8,752)
<b>Total transactions with owners</b>	--	(5,000)	--	(22,505)	(27,505)	2,428	(25,077)
<b>Balance at 30 November 2017</b>	23,759	--	17,998	241,141	282,898	(1,148)	281,750