Consolidated Audited Results for the Twelve Months Ended 30 November 2019

PRESTIGE HOLDINGS LTD.

A Restaurant Management Company

CHAIRMAN'S REPORT 2019
To Our Shareholders, Employees, Customers and Partners

I am pleased to report that for the financial year 2019, Group revenue increased by 7% and profit after tax increased by 36% to $35.8 million from $26.4 million in the prior year. Earnings per share were 58.7 cents compared to 43.2 cents for the same period in 2018. Long-term borrowings increased from $63 million to $77 million due to the financing of Trincity Plaza, a new development which houses three of our brands, and our net debt to equity ratio at the end of 2019 was strong at 3.97%.

During the period, we opened 7 new restaurants – 2 Starbucks at Trincity and Couva, 2 Pizza Huts at Trincity and Couva, a TGI Friday's at Trincity and 2 KFCs at Movie Towne, Port of Spain and Tumpuna Road. During the year, we also closed 2 Subway restaurants in Port of Spain, at Long Circular Mall and Hart Street, relocated the Subway in Valsayn and reimaged 5 KFCs at Morvant, Gulf View, Tunapuna, Westmoorings and Marabella. We ended the year with a total of 129 restaurants.

OPERATIONS

Our improved profitability in 2019 was due to increased sales, primarily from new restaurants, and improved operations in most of our brands. While all brands experienced improved sales, our Subway, Starbucks and TGI Friday's brands enjoyed the most significant improvement in profitability when compared to the prior year. During the year, we completed a new development, Trincity Plaza, Trincity and the performance of our new restaurants at this location has so far exceeded our expectations.

Across all brands, improving the customer experience and achieving greater operating efficiencies were key areas of focus in 2019. Independent market research monitored by ourselves and our international franchisors during the period indicate that we have improved in many areas. The other area of improvement in 2019 was the successful introduction of new products in some brands and the introduction of value offerings that resonated with our customers.

LOOKING FORWARD

We expect that in 2020, we will continue to face some of the challenges experienced in the previous year, the most significant being the ability to access sufficient foreign exchange to pay our foreign suppliers on a timely basis. This situation not only has a significant cost impact on our company, but also is a threat to our supply chain. As we work through this, we are also seeking innovative ways of reducing our reliance on imports by working with local manufacturers and producers to improve local sourcing. We have already achieved some success in this area in 2019, with two significant products that were previously imported, now being sourced locally. We plan to continue this effort in 2020 and beyond as we work with local suppliers to improve quality and capacity.

In the current financial year, we will begin construction of a new Operations and Distribution Centre in Aranguez. This will be a significant investment for our company and will, for the first time, bring together all of our offices and warehousing, currently in three locations, into one integrated facility. We expect that this will improve management effectiveness and operational efficiencies from inception. This facility is expected to be occupied in the first half of 2022.

As mentioned last year, we are making continuous investments in innovation and convenience in order to not only meet customer needs, but influence and drive how consumers access and interact with our brands. This will be an area of continuous focus in 2020 and beyond. We expect that these initiatives, along with operational improvements and new store development, will deliver improved operating results in 2020.

Finally, we expect a significant accounting impact on our Income Statement and Balance Sheet in 2020, due to the required adoption of the IFRS 16 Standard, which impacts how we account for leases. The vast majority of our 129 restaurants operate from leased premises, and as a result, the adoption of this new standard will, in the initial years, add a significant asset and liability to our balance sheet and non-cash expense to our income statement. For the benefit of shareholders, this change will be clearly identified in our quarterly reporting for the 2020 financial year.

DIVIDENDS

The Board approved a final dividend of 20 cents (2018 – 20 cents) per common share, which, with shareholders' approval, will bring the total dividends payable for the financial year 2019 to 32 cents (2018 – 32 cents). The final dividend will be paid on 18 May, 2020 to shareholders whose names appear on the Register of Members on 7 May, 2020.

ACKNOWLEDGEMENT

After two difficult years for our company, 2019 represented a welcome reversal as we worked through the many issues facing our business, including higher foreign exchange and food costs, a difficult macro-economic environment and, frankly, some self-inflicted wounds from prior years. I would like to acknowledge the significant contribution of management and by extension the entire staff – it is because of their hard work and dedication that we have posted improved results in 2019. Lastly, I would like to thank my fellow directors for the support and counsel that they provided to the senior management and me during the year.

Christian E. Mouttet
Chairman
27 February 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year to 30 November 2019	Year to 30 November 2018
	(AUDITED)	(AUDITED)
	$ '000	$ '000
Profit for the year	35,820	26,370
Other comprehensive income/(loss):		
Items that may be subsequently reclassified to profit or loss		
Gain on revaluation of land	2,450	6,540
Currency translation differences	(201)	(92)
Total comprehensive income for the year	38,069	32,818
Attributable To:		
Owners of the parent company	38,069	32,818

CONSOLIDATED INCOME STATEMENT

	Twelve (12) Months to 30 November 2019	Year to 30 November 2019	Year to 30 November 2018
	% Change	(AUDITED)	(AUDITED)
		$ '000	$ '000
Revenue	7%	1,112,933	1,042,386
Cost of sales		(738,483)	(692,703)
Gross profit		374,450	349,683
Other operating expenses		(234,965)	(226,822)
Administrative expenses		(82,659)	(80,991)
Other income		2,602	1,896
Operating profit		59,428	43,766
Finance costs		(5,069)	(5,071)
Profit before income tax	40%	54,359	38,695
Income tax expense		(18,539)	(12,325)
Profit for the year		35,820	26,370
Profit attributable to:			
Owners of the parent company	36%	35,820	26,370
Basic earnings per share (exclusive of treasury shares)	36%	58.7 cents	43.2 cents
Diluted earnings per share		57.7 cents	42.5 cents

Director

Director

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 twelve (12) months results are consistent with those used in the Consolidated Audited Financial Statements for the year ended 30 November 2018.

CONSOLIDATED BALANCE SHEET

	30 November 2019	30 November 2018
	(AUDITED)	(AUDITED)
	$ '000	$ '000
ASSETS		
Property, plant and equipment	298,095	278,231
Other intangible assets	81,323	80,745
Current assets	155,298	146,529
Total assets	534,716	505,505
EQUITY AND LIABILITIES		
Share capital	23,759	23,759
Other reserves	26,695	24,446
Retained earnings	268,442	252,221
	318,896	300,426
Treasury shares	(10,938)	(11,284)
Total equity	307,958	289,142
Non-current liabilities	63,560	51,540
Current liabilities	163,198	164,823
Total liabilities	226,758	216,363
Total equity and liabilities	534,716	505,505

CONSOLIDATED CASHFLOW STATEMENT

	30 November 2019	30 November 2018
	(AUDITED)	(AUDITED)
	$ '000	$ '000
Cash flow from operating activities		
Cash generated from operations	123,712	79,811
Interest paid	(5,069)	(5,071)
Income tax paid	(14,820)	(16,553)
Net cash generated from operating activities	103,823	58,187
Net cash used in investing activities	(67,350)	(45,930)
Net cash used in financing activities	(22,564)	(18,248)
Net increase/(decrease) in cash and cash equivalents	13,909	(5,991)
Cash and cash equivalents at the beginning of the year	50,381	56,372
Cash and cash equivalents at the end of the year	64,290	50,381

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Other Reserves	Retained Earnings	Total	Treasury Shares	Total Equity
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Balance at 1 December 2017	23,759	17,998	245,320	287,077	(13,007)	274,070
Comprehensive income						
Profit for the year	--	--	26,370	26,370	--	26,370
Other comprehensive income/(loss)						
Revaluation surplus	--	6,540	--	6,540	--	6,540
Currency translation differences	--	(92)	--	(92)	--	(92)
Total comprehensive income for the year	--	6,448	26,370	32,818	--	32,818
Transactions with owners						
Sale of treasury shares	--	--	--	--	1,723	1,723
Net dividends for 2017						
-Paid 20 cents per share	--	--	(12,151)	(12,151)	--	(12,151)
Net dividends for 2018						
-Paid 12 cents per share	--	--	(7,318)	(7,318)	--	(7,318)
Total transactions with owners	--	--	(19,469)	(19,469)	1,723	(17,746)
Balance at 30 November 2018	23,759	24,446	252,221	300,426	(11,284)	289,142
Balance at 1 December 2018	23,759	24,446	252,221	300,426	(11,284)	289,142
Comprehensive income						
Profit for the year	--	--	35,820	35,820	--	35,820
Other comprehensive income/(loss)						
Revaluation surplus	--	2,450	--	2,450	--	2,450
Currency translation differences	--	(201)	--	(201)	--	(201)
Total comprehensive income for the year	--	2,249	35,820	38,069	--	38,069
Transactions with owners						
Transfer of treasury shares	--	--	--	--	346	346
Net dividends for 2018						
-Paid 20 cents per share	--	--	(12,247)	(12,247)	--	(12,247)
Net dividends for 2019						
-Paid 12 cents per share	--	--	(7,352)	(7,352)	--	(7,352)
Total transactions with owners	--	--	(19,599)	(19,599)	346	(19,253)
Balance at 30 November 2019	23,759	26,695	268,442	318,896	(10,938)	307,958