CHAIRMAN'S REPORT 2020

TO OUR SHAREHOLDERS, EMPLOYEES, CUSTOMERS AND PARTNERS

During the financial year 2020, the Covid-19 pandemic caused significant disruptions to the economic activities in Trinidad and Tobago and the effects of this were particularly acute in the restaurant industry, the sector in which Prestige Holdings operates. The measures taken by the Government to slow the spread of the virus, while prudent and necessary, resulted in our restaurants being completely closed for 34 days, followed by restrictions being placed on in-house dining activities and operating hours, both of which have continued into 2021. That being said, our company embraced this new reality by firstly taking immediate and decisive steps to protect the health and well-being of our employees and customers; secondly, minimising the financial impact the severe disruptions would have on our business; and thirdly, identifying and implementing the changes necessary to successfully operate in a post Covid-19 world.

For the fiscal year 2020, Group Revenue decreased by 19% to $897 million from $1.11 billion which resulted in a Loss Before Tax of $15.7 million, after incurring a one-off Impairment of Goodwill Charge of $18.6 million and an accounting adjustment for IFRS 16 of $8.5 million, both of which did not occur in the prior year. Profit Before Tax before both of these non-cash adjustments would have been $11.4 million compared to $54 million in 2019, a commendable performance given the severe disruption to our operations caused by the Covid-19 pandemic. Additionally, during the period, our Group generated $85 million in Operating Cash, reduced bank Long Term Debt by $12 million and ended the year with $60 million in Cash. Our net Debt to Equity ratio stood at 8:92 (excluding the effect of IFRS 16), and we ended the year with 128 restaurants with one closure and no new restaurant openings, remodels or relocations during the period.

The Impairment of Goodwill Charge referenced above is in relation to the $18.6 million of goodwill carried on our balance sheet for the acquisition of the Subway brand. While this brand is expected to remain a positive net contributor to our Group, given the prevailing headwinds caused by the Covid-19 pandemic and as a result, the potential changes to the restaurant industry, it was deemed prudent and necessary to take this impairment charge at this time.

Operations

To varying degrees, all of our brands were negatively impacted in sales and profitability due to the disruption to their operations caused by the Covid-19 pandemic. While this is to be expected given the complete closure of our restaurants for 34 days, closure of dining for two prolonged periods, and the on-going restrictions on dining and operating hours, it is worthy to note that at the restaurant level, all brands remained profitable and generated positive cash on operations.

Our KFC and Starbucks brands proved the most resilient, with customers adapting more quickly to the convenience of our delivery, curb-side and drive-thru channels. During the year, KFC added the convenience of online ordering and launched the KFC Mobile App, both of which have been well received by customers. Starbucks was our best performing brand in 2020, with all channels exceeding prior year with the exception of dine-in. We expect this brand to continue to trend positively and plan to open four new Starbucks restaurants in 2021.

Pizza Hut was more heavily impacted due to restrictions in the dine-in channel, which accounts for a significant percentage of our sales. We did however see a meaningful increase in delivery and take-out orders in this brand. Our Subway restaurants were also significantly impacted due to customers more slowly converting to the delivery channel and without the drive-thru option at our locations. Initiatives are being taken to address this and provide customers with more convenient access to our fresh, made to order sandwiches and salads.

As was to be expected, the Covid-19 restrictions had the most significant impact on our TGI Fridays restaurants, where in-restaurant dining and bar sales account for the majority of our business. Current restrictions prohibit the sale of alcohol in our bars, limit in-restaurant dining and have reduced operating hours, all of which have weighed heavily on our sales. We have however made considerable progress in developing our delivery and curb-side channels and expect these to remain valuable contributors when conditions normalise.

Throughout 2020, the main focus at our restaurants was protecting the health and well-being of our employees and customers, and this continues to be paramount in all areas of our business. In addition to the strict health and sanitisation protocols that were implemented at all of our locations, our company provided food and financial assistance to our employees and meals to first responders in the health and protective services. Additionally, in recognition of the disruption to the education system and the necessity of online schooling, we provided children of employees with 150 laptop computers, as well as provided computers to an additional 300 children, either directly or through the Ministry of Education. These efforts were funded by our company and the Victor and Sally Mouttet Foundation, whose contributors are Prestige Holdings Limited, Agostini's Limited and Victor E Mouttet Limited.

During the year, significant emphasis was placed on enhancing the customer experience, improving service times and expanding our channel options to provide consumers with more convenient ways to enjoy our brands. To this end, we introduced delivery for the first time to our Subway and Starbucks brands and expanded our delivery capability at KFC, Pizza Hut and TGI Fridays. To assist in the expansion of our delivery and curb-side efforts, online ordering was introduced across all brands and at KFC, a Mobile App was added for additional customer convenience. Greater emphasis is now being placed on these digital transformation initiatives and this is expected to be a major driver in our business in the years to come.

Looking Forward

While we remain confident and positive about our business in the medium to long term, it would be difficult at this time to provide any accurate forecast for the 2021 financial year. We do expect conditions to remain challenging for our business and industry in 2021 as much of the risks associated with Covid-19 still exists, many restrictions remain in place and much is still unknown with regard to the timing and availability of vaccines.

In March 2021, we expect to begin construction of our 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 second half of 2022. As mentioned earlier, we plan to open four new Starbucks restaurants in 2021, the first of which opened at Gulf View, San Fernando on 22 February, 2021. We also plan to open one new KFC in Sangre Grande, image enhance eight KFC restaurants, two Pizza Huts and our TGI Fridays restaurant in Kingston, Jamaica.

Dividends

The Board approved a final dividend of 6 cents (2019 – 0 cents) per common share, which, with shareholders' approval, will bring the total dividends payable for the financial year 2020 to 6 cents (2019 – 12 cents). The final dividend will be paid on 18 May, 2021 to shareholders whose names appear on the Register of Members on 7 May, 2021.

Acknowledgement

It would be fair to say that we owe a huge debt of gratitude to our many employees who continued to serve our customers and kept our logistics and administrative functions operational through the many disruptions and personal challenges caused by the Covid-19 pandemic. I would like to recognise their hard work and unwavering commitment and offer my sincere thanks. I would also like to commend the CEO, Simon Hardy and his executive team for their exemplary leadership, navigating our Group through the most difficult period in our company's history. Lastly, to my fellow directors who selflessly dedicated a significant amount of their time in supporting the management's efforts. Again, my sincere thanks and I am honoured to sit at the same table with each of you.

Christian E. Moutett
Chairman
25 February 2021

CONSOLIDATED INCOME STATEMENT

	Twelve (12) Months to 30 November 2020	Year to 30 November 2020	Year to 30 November 2019
		(AUDITED)	(AUDITED)
	% Change	$ '000	$ '000
Revenue	(19%)	896,918	1,112,933
Cost of sales		(602,114)	(738,483)
Gross profit		294,804	374,450
Other operating expenses		(204,198)	(234,965)
Administrative expenses		(69,075)	(82,659)
Impairment of goodwill		(18,634)	--
Other income		2,594	2,602
Operating profit		5,491	59,428
Finance costs		(21,241)	(5,069)
(Loss)/profit before income tax	(129%)	(15,750)	54,359
Income tax expense		(1,999)	(18,539)
(Loss)/profit for the year		(17,749)	35,820
(Loss)/profit attributable to: Owners of the Parent Company	(150%)	(17,749)	35,820
Basic earnings per share (exclusive of treasury shares)		(29.1 cents)	58.7 cents
Diluted earnings per share		(28.5 cents)	57.7 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 principal accounting policies applied in the preparation of these summary financial statements are consistent with those disclosed in the audited financial statements as at and for the year ended 30 November, 2020, and have been consistently applied to all periods presented, unless otherwise stated.

3. The Group has applied IFRS 16 Leases and has not restated prior periods as allowed by the standard. The Group has recognised the present value of the remaining lease payments as lease liabilities (Non Current $266M and Current $31M) and the right of use asset at $289M.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year to 30 November 2020	Year to 30 November 2019
	(AUDITED)	(AUDITED)
	$ '000	$ '000
(Loss)/profit for the year	(17,749)	35,820
Other comprehensive (loss)/income:		
Items that may be subsequently reclassified to profit or loss		
Gain on revaluation of land	--	2,450
Currency translation differences	(59)	(201)
Total comprehensive (loss) income for the year	(17,808)	38,069
Attributable to:		
Owners of the Parent Company	(17,808)	38,069

CONSOLIDATED BALANCE SHEET

	30 November 2020 (AUDITED)	30 November 2019 (AUDITED)
	$ '000	$ '000
ASSETS		
Property, plant and equipment	300,088	298,095
Right-of-use assets	288,699	--
Intangible assets	61,552	81,323
Other non-current assets	5,179	--
Current assets	143,046	155,298
Total assets	798,564	534,716
EQUITY AND LIABILITIES		
Share capital	23,759	23,759
Other reserves	26,636	26,695
Retained earnings	250,693	268,442
	301,088	318,896
Treasury shares	(11,340)	(10,938)
Total equity	289,748	307,958
Non-current liabilities - lease liabilities	265,992	--
Other non-current liabilities	48,888	63,560
Current liabilities - lease liabilities	31,155	--
Other current liabilities	162,781	163,198
Total liabilities	508,816	226,758
Total equity and liabilities	798,564	534,716

CONSOLIDATED CASH FLOW STATEMENT

	30 November 2020 (AUDITED)	30 November 2019 (AUDITED)
	$ '000	$ '000
Cash flow from operating activities		
Cash generated from operations	85,437	123,712
Interest paid	(21,241)	(5,069)
Income tax paid	(11,844)	(14,820)
Net cash generated from operating activities	52,352	103,823
Net cash used in investing activities	(49,647)	(67,350)
Net cash used in financing activities	(7,282)	(22,564)
Net (decrease)/increase in cash and cash equivalents	(4,577)	13,909
Cash and cash equivalents at the beginning of the year	64,290	50,381
Cash and cash equivalents at the end of the year	59,713	64,290

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 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
Balance at 1 December 2019	23,759	26,695	268,442	318,896	(10,938)	307,958
Comprehensive income						
Loss for the period	--	--	(17,749)	(17,749)	--	(17,749)
Other comprehensive loss						
Currency translation differences	--	(59)	--	(59)	--	(59)
Total comprehensive loss income for the year	--	(59)	(17,749)	(17,808)	--	(17,808)
Transactions with owners						
Purchase of shares	--	--	--	--	(402)	(402)
Balance at 30 November 2020	23,759	26,636	250,693	301,088	(11,340)	289,748