

Prestige Holdings Limited

Consolidated Financial Statements

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

Prestige Holdings Limited

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Prestige Holdings Limited

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of Prestige Holdings Limited and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 30 November 2017, and the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud, and the achievement of Group operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited consolidated financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Group will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying consolidated financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.



Chief Executive Officer
20 February 2018



Chief Financial Officer
20 February 2018



Independent Auditor's Report

To the Shareholders of Prestige Holdings Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of Prestige Holdings Limited (the Company) and its subsidiaries (together 'the Group') as at 30 November 2017, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Prestige Holdings Limited's consolidated financial statements comprise:

- the consolidated balance sheet as at 30 November 2017;
- the consolidated income statement - by function of expense for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview



- Overall group materiality: \$2,036,000 which represents 4% of profit before tax.
- The Group consists of the Company and four wholly owned subsidiaries.
- A full scope audit was performed on both the Company and its material subsidiary, Weekenders Trinidad Limited, resulting in 99% coverage of profit before tax and 98% of total assets.
- Both entities were audited by PwC Trinidad and Tobago.
- Impairment of goodwill and indefinite life intangible assets of acquired businesses.

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of the Company and four wholly owned subsidiaries (Weekenders Trinidad Limited, Restaurants Leasing Corporation Limited, Prestige Services Limited, all registered in Trinidad and Tobago, and Prestige Restaurants Jamaica Limited registered in Jamaica).

A full scope audit was performed on the Company and Weekenders Trinidad Limited which represented the only significant and material components within the Group. All other components were considered financially inconsequential with the exception of property, plant and equipment and goodwill within Restaurants Leasing Corporation Limited on which we performed specified audit procedures.

The PwC Trinidad and Tobago engagement team was the auditor for the Company and its material subsidiary, Weekenders Trinidad Limited.

Our audit approach (continued)

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall group materiality</i>	\$2,036,000
<i>How we determined it</i>	4% of profit before tax
<i>Rationale for the materiality benchmark applied</i>	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 4% which is within a range of acceptable benchmark thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$203,621 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Impairment of goodwill and indefinite life intangible assets of acquired businesses

See accounting policy notes 2(f), and notes 4 and 6 to the consolidated financial statements.

Intangible assets stated on the Group's consolidated balance sheet consist of \$24.8 million of goodwill, of which \$6.2 million relates to Weekenders Trinidad Limited and \$18.6 million relates to the Subway business as well as \$52.9 million of other deferred costs, which includes \$40.8 million of franchise agreement assets relating to the Subway business.

Goodwill and intangible assets with an indefinite useful life are assessed for impairment annually by management or whenever there is an impairment indicator. Goodwill is allocated to the Weekenders Trinidad Limited and Subway businesses as Cash Generating Units (CGUs) identified by management as the lowest level of operations for which there are separately identifiable cash flows.

Management determines the recoverable amount of non-financial assets using discounted cash flows to determine the value-in-use. The assessment of the carrying value of goodwill and intangible assets with an indefinite useful life involves subjective judgements in relation to forecasting future cash flows and is sensitive to growth rates and discount rates applied to the future cash flows with the key assumptions being:

- Revenue growth rates
- Gross margins
- Weighted average cost of capital ("WACC")

We focused our attention in particular on management's forecasts for revenue growth over the next 5 years as well as its plans for operational efficiencies given the current year performance of the acquired businesses was below the prior year and management's expectations.

We considered the method used by management to perform their annual impairment assessment for goodwill and intangible assets with an indefinite useful life for each CGU and found it to be appropriate based on the requirements of the accounting standards.

We tested management's assumptions used in their impairment testing model for goodwill and other intangible assets, including the future cash flow projections, discount rates and growth rates applied. The following procedures were performed;

- we obtained management's discounted cash flow model (DCF) including qualitative and quantitative analyses and obtained an understanding of the process used by management to determine the recoverable amount of the acquired businesses;
- we agreed and tested the mathematical accuracy, including verifying spreadsheet formulae, of the DCF model
- we agreed the 30 November 2016 base year financial information to prior year audited results and compared the current year forecast to the current year audit results
- we verified management's assumptions as follows:

➤ **Revenue growth rates** - we evaluated management's assumptions for each of its planned initiatives for the next 5 years, whilst considering any contrary evidence, and found them to be reasonable. We also assessed the historical revenues of similar businesses operated by management in comparable circumstances and confirmed that these have all grown in line with or above the projected growth rates further corroborating the feasibility of the projections. We therefore considered management's growth rates to be reasonable in the circumstances

Key audit matter	How our audit addressed the key audit matter
Management are currently implementing several initiatives, both operationally and strategically, which are expected to lead to improvements in the acquired businesses' performance over the next 5 years. The principal initiatives include: • Re-engineering the menu across both businesses. • Maximising on operational efficiencies such as cost containment initiatives and improved operations at the store level. • Changes in the marketing strategy geared towards creating greater brand loyalty.	➤ Gross margins - we compared gross margins to historical results, reconciling variances to underlying supporting data and current period results, assessed management's plans for achieving operational efficiencies and evaluated the projected gross margins in conjunction with our assessment of revenue growth rates outlined above ➤ WACC & Terminal Value – with the assistance of our PwC valuation specialists, we assessed certain inputs within the WACC calculation, including the cost of equity and terminal value and found them to be reasonable. We developed a range of parameters using available market inputs and performed sensitivity analyses using these parameters to determine the reasonableness of management's estimate. Further, we: • considered subsequent events and any associated impact on the entity's cash flows and forecast • performed further sensitivity analysis by looking at changes of between 1% and 3% in management's revenue growth rates and gross margins in addition to that performed over the WACC described above. Based on the procedures performed above, we found the assumptions to be consistent and in line with our expectations and no impairment provision was identified.

Other information

The directors are responsible for the other information. The other information comprises the Prestige Holdings Limited 2017 Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Prestige Holdings Limited 2017 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 consolidated 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.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

The engagement partner on the audit resulting in this independent auditor's report is Sean Ramirez.



21 February 2018
Port of Spain
Trinidad, West Indies

Prestige Holdings Limited

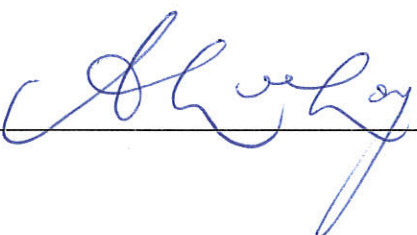
Consolidated Balance Sheet

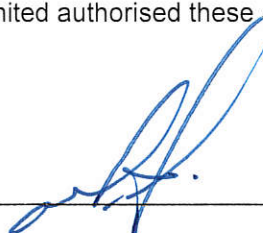
(Expressed in Trinidad and Tobago Dollars)

		As at 30 November	
	Notes	2017 \$	2016 \$
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	5	277,735,245	274,897,188
Intangible assets	6	<u>77,670,574</u>	<u>74,611,782</u>
		<u>355,405,819</u>	<u>349,508,970</u>
<i>Current assets</i>			
Inventories	9	55,005,864	60,085,306
Trade and other receivables	10	23,970,121	21,209,949
Current income tax assets		6,736,972	6,579,325
Cash and cash equivalents	11	<u>56,372,397</u>	<u>84,248,789</u>
		<u>142,085,354</u>	<u>172,123,369</u>
Total assets		<u>497,491,173</u>	<u>521,632,339</u>
Equity and liabilities			
<i>Equity attributable to owners of the parent company</i>			
Share capital	12	23,759,077	23,759,077
Other reserves	13	17,997,592	17,909,104
Other equity instrument	14	--	5,000,000
Retained earnings		<u>241,140,652</u>	<u>230,788,679</u>
		282,897,321	277,456,860
<i>Unallocated shares held by ESOP</i>	15	<u>(1,148,137)</u>	<u>(3,575,740)</u>
Total equity		<u>281,749,184</u>	<u>273,881,120</u>
Liabilities			
<i>Non-current liabilities</i>			
Borrowings	16	66,500,000	80,500,000
Deferred income tax liabilities	8	<u>2,583,088</u>	<u>3,382,052</u>
		<u>69,083,088</u>	<u>83,882,052</u>
<i>Current liabilities</i>			
Trade and other payables	17	124,795,579	146,500,954
Borrowings	16	14,000,000	14,000,000
Due to related parties	18	5,825,175	1,991,590
Current income tax liabilities		<u>2,038,147</u>	<u>1,376,623</u>
		<u>146,658,901</u>	<u>163,869,167</u>
Total liabilities		<u>215,741,989</u>	<u>247,751,219</u>
Total equity and liabilities		<u>497,491,173</u>	<u>521,632,339</u>

The notes on pages 15 to 44 are an integral part of these consolidated financial statements.

On 20 February 2018, the Board of Directors of Prestige Holdings Limited authorised these consolidated financial statements for issue.

 Director

 Director

Prestige Holdings Limited

Consolidated Income Statement – by function of expense

(Expressed in Trinidad and Tobago Dollars)

		Year ended 30 November	
	Notes	2017 \$	2016 \$
Revenue		1,040,066,778	985,518,205
Cost of sales	19,20	<u>(680,063,810)</u>	<u>(635,303,861)</u>
Gross profit		360,002,968	350,214,344
Other operating expenses	20	(223,564,875)	(203,511,486)
Administrative expenses	20	(82,277,737)	(77,410,382)
Other income		<u>2,166,876</u>	<u>2,414,919</u>
Operating profit		56,327,232	71,707,395
Finance costs - net	21	<u>(5,421,875)</u>	<u>(6,996,875)</u>
Profit before income tax		50,905,357	64,710,520
Income tax expense	22	<u>(18,048,704)</u>	<u>(17,522,990)</u>
Profit for the year		<u>32,856,653</u>	<u>47,187,530</u>
Profit attributable to:			
Owners of the parent company		<u>32,856,653</u>	<u>47,187,530</u>
Earnings per share attributable to the equity holders of the parent company			
- Basic earnings per share (exclusive of ESOP shares)	23	<u>52.8¢</u>	<u>76.2¢</u>
- Diluted earnings per share (exclusive of ESOP shares)	23	<u>52.8¢</u>	<u>76.2¢</u>

The notes on pages 15 to 44 are an integral part of these consolidated financial statements.

Prestige Holdings Limited

Consolidated Statement of Comprehensive Income

(Expressed in Trinidad and Tobago Dollars)

	Year ended 30 November	
	2017	2016
	\$	\$
Profit for the year	32,856,653	47,187,530
Other comprehensive income/(loss):		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	88,488	(199,625)
Total comprehensive income for the year	<u>32,945,141</u>	<u>46,987,905</u>
Attributable to:		
- Owners of the parent company	<u>32,945,141</u>	<u>46,987,905</u>

The notes on pages 15 to 44 are an integral part of these consolidated financial statements.

Prestige Holdings Limited

Consolidated Statement of Changes in Equity

(Expressed in Trinidad and Tobago Dollars)

	Notes	Share capital \$	Other equity instrument \$	Other reserves \$	Retained earnings \$	Total \$	Unallocated shares held by ESOP \$	Total equity \$
Balance at 1 December 2015		22,829,797	15,000,000	18,108,729	207,356,089	263,294,615	(1,349,608)	261,945,007
Comprehensive income								
Profit for the year		--	--	--	47,187,530	47,187,530	--	47,187,530
Other Comprehensive loss								
Currency translation differences	13	--	--	(199,625)	--	(199,625)	--	(199,625)
Total comprehensive income/(loss) for the year		--	--	(199,625)	47,187,530	46,987,905	--	46,987,905
Transactions with owners								
Proceeds from shares issued	12	929,280	--	--	--	929,280	--	929,280
Shares allocated during the year	15	--	--	--	--	--	1,886,599	1,886,599
Redemption	14	--	(10,000,000)	--	--	(10,000,000)	--	(10,000,000)
Purchase of shares		--	--	--	--	--	(4,112,731)	(4,112,731)
Dividends for 2015								
- Paid – 22 cents per share		--	--	--	(13,752,860)	(13,752,860)	--	(13,752,860)
Dividends for 2016								
- Paid – 16 cents per share		--	--	--	(10,002,080)	(10,002,080)	--	(10,002,080)
Total transactions with owners		929,280	(10,000,000)	--	(23,754,940)	(32,825,660)	(2,226,132)	(35,051,792)
Balance at 30 November 2016		23,759,077	5,000,000	17,909,104	230,788,679	277,456,860	(3,575,740)	273,881,120

The notes on pages 15 to 44 are an integral part of these consolidated financial statements.

Prestige Holdings Limited

Consolidated Statement of Changes in Equity (continued)

(Expressed in Trinidad and Tobago Dollars)

	Notes	Share capital \$	Other equity instrument \$	Other reserves \$	Retained earnings \$	Total \$	Unallocated shares held by ESOP \$	Total equity \$
Balance at 1 December 2016		23,759,077	5,000,000	17,909,104	230,788,679	277,456,860	(3,575,740)	273,881,120
Comprehensive income								
Profit for the year		--	--	--	32,856,653	32,856,653	--	32,856,653
Other Comprehensive income								
Currency translation differences	13	--	--	88,488	--	88,488	--	88,488
Total comprehensive income for the year		--	--	88,488	32,856,653	32,945,141	--	32,945,141
Transactions with owners								
Shares allocated during the year	15	--	--	--	--	--	2,427,603	2,427,603
Redemption	14	--	(5,000,000)	--	--	(5,000,000)	--	(5,000,000)
Dividends for 2016								
- Paid – 22 cents per share		--	--	--	(13,752,860)	(13,752,860)	--	(13,752,860)
Dividends for 2017								
- Paid – 14 cents per share		--	--	--	(8,751,820)	(8,751,820)	--	(8,751,820)
Total transactions with owners		--	(5,000,000)	--	(22,504,680)	(27,504,680)	2,427,603	(25,077,077)
Balance at 30 November 2017		23,759,077	--	17,997,592	241,140,652	282,897,321	(1,148,137)	281,749,184

The notes on pages 15 to 44 are an integral part of these consolidated financial statements.

Prestige Holdings Limited

Consolidated Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

		Year ended 30 November	
	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Cash generated from operations	26	91,151,597	148,034,129
Interest paid	21	(5,421,875)	(6,996,875)
Income tax paid		<u>(18,366,627)</u>	<u>(23,823,751)</u>
Net cash generated from operating activities		<u>67,363,095</u>	<u>117,213,503</u>
Cash flows from investing activities			
Purchase of intangible assets	6	(5,709,731)	(4,973,733)
Purchase of property, plant and equipment	5	(49,313,256)	(53,554,807)
Proceeds from disposal of property, plant and equipment		<u>1,288,180</u>	<u>867,383</u>
Net cash used in investing activities		<u>(53,734,807)</u>	<u>(57,661,157)</u>
Cash flows from financing activities			
Proceeds from shares issued	12	--	929,280
Dividends paid to shareholders		(22,504,680)	(23,754,940)
Repayment of borrowings		(14,000,000)	(14,000,000)
Redemption of other equity instrument	14	<u>(5,000,000)</u>	<u>(10,000,000)</u>
Net cash used in financing activities		<u>(41,504,680)</u>	<u>(46,825,660)</u>
Net (decrease)/increase in cash and cash equivalents		(27,876,392)	12,726,686
Cash and cash equivalents			
At start of year		<u>84,248,789</u>	<u>71,522,103</u>
At end of year	11	<u><u>56,372,397</u></u>	<u><u>84,248,789</u></u>

The notes on pages 15 to 44 are an integral part of these consolidated financial statements.

Prestige Holdings Limited

Notes to the Consolidated Financial Statements

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

1 General information

Prestige Holdings Limited (Parent Company) was incorporated in the Republic of Trinidad and Tobago on 24 November 1972 under the Companies Ordinance, Ch. 31 No. 1 and was continued under the Companies Act, 1995 on 26 November 1997. The Registered Office of the Parent Company is 47-49 Sackville Street, Port of Spain. The Parent Company operates under long-term franchise agreements for the KFC, Pizza Hut, Subway and Starbucks brands through a chain of restaurants in Trinidad and Tobago and is a public limited liability company which is listed on the Trinidad and Tobago Stock Exchange.

Prestige Services Limited is wholly owned by Prestige Holdings Limited and is incorporated in St. Christopher/Nevis. This company owns the Development Rights for the TGI Fridays Brand for the CARICOM.

Prestige Holdings Limited also owns 100% of the share capital of Prestige Restaurants Jamaica Limited which operates the TGI Fridays Brand in Jamaica.

Weekenders Trinidad Limited is wholly owned by Prestige Holdings Limited and is an amalgamated entity of Weekenders Limited and TCBY Trinidad Limited effective 25 July 2011. The company is incorporated in the Republic of Trinidad and Tobago. This company operates under a long-term franchise agreement for the TGI Fridays Brand in Trinidad and Tobago.

Restaurant Leasing Corporation Limited is wholly owned by Prestige Holdings Limited and is incorporated in the Republic of Trinidad and Tobago. This company owns and leases the premises on which the Subway restaurants and head office are located.

The ultimate parent company is Victor E. Mouttet Limited, a privately owned company incorporated in the Republic of Trinidad and Tobago.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

The consolidated financial statements of Prestige Holdings Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued) 30 November 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

(i) Changes in accounting policies and disclosures

(a) New standards, amendments and interpretations adopted by the Group:

There were no standards effective for the first time for the financial year beginning on or after 1 December 2016 which had a material impact on the Group's consolidated financial statements.

(b) New standards and interpretations not yet adopted by the Group:

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 December 2016, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

(i) Changes in accounting policies and disclosures (continued)

(b) New standards and interpretations not yet adopted by the Group (continued):

- IFRS 16 - Leases (effective 1 January 2019) eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. The most significant effect of the new requirements will be an increase in lease assets and financial liabilities. The Group is yet to assess the impact of IFRS 16.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group's consolidated financial statements.

b. Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued) 30 November 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

b. Consolidation (continued)

(i) Subsidiaries (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

c. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for making strategic decisions, allocating resources and assessing performance of the operating segments has been identified as the board of directors.

d. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Group's presentation and functional currency.

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

d. Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance cost (net)'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'administrative expenses'.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences are recognised in other comprehensive income.

e. Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Land is subsequently shown at market value, based on valuations by external independent valuers at least once every five years. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of 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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the consolidated income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Freehold and leasehold buildings	- 10 - 50 years
Leasehold improvements	- 10 - 20 years
Plant and machinery and equipment	- 10 - 15 years
Vehicles	- 4 - 5 years
Furniture	- 5 - 12 years

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

e. *Property, plant and equipment (continued)*

The assets' residual values and useful lives are reviewed by management, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating expenses in the consolidated income statement.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

f. *Intangible assets*

(i) *Goodwill*

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) *Franchise agreements – ongoing operations*

Franchise agreements for ongoing operations acquired in a business combination are initially recognised at fair value at the acquisition date and subsequently carried at cost. These assets have an indefinite useful life and are tested annually for impairment. The franchise agreement renews automatically and there is no significant cost of renewal.

(iii) *Franchise fees*

The Group pays an initial fee to the Franchisor for every new store and a renewal fee upon the expiration of the initial franchise period. The initial and renewal fees are written off over the period to which they relate which range from ten to twenty years. There are no renewal fees upon the expiration of the initial franchise period for the Subway franchise.

(iv) *Development rights*

Investment in the development rights is capitalised and amortised using the straight-line method over its estimated useful life but not exceeding ten years.

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

g. *Impairment of non-financial assets*

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

h. *Non-current assets (or disposal groups) held for sale*

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

i. *Financial assets*

(i) *Classification*

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the consolidated balance sheet (Notes 2 m. and 2 n.).

(ii) *Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

j. *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

k. *Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- (i) Significant financial difficulty of the issuer or obligor.
- (ii) A breach of contract, such as a default or delinquency in interest or principal payments.
- (iii) It becomes probable that the customer will enter bankruptcy or other financial reorganisation.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

l. *Inventories*

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the average cost method. Net realisable value is the estimate of the selling price in the ordinary course of business, less applicable variable selling expenses.

m. *Trade receivables*

Trade receivables are amounts due from customers for the sale of goods in the ordinary course of business. If collection is expected in one year or less (or, in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

n. *Cash and cash equivalents*

Cash and cash equivalents include cash at bank and in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued) 30 November 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

o. *Share capital*

Ordinary shares with discretionary dividends are classified as equity.

Incremental external costs directly attributable to the issue of new shares or options, other than in connection with a business combination, are shown in equity as a deduction, net of tax, from the proceeds.

p. *Trade payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

q. *Provisions*

Provisions for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

r. *Employee benefits*

(i) *Employee Share Ownership Plan (ESOP)*

The parent company operates an Employee Share Ownership Plan and accounts for all unallocated ESOP shares as a deduction in Equity. Shares allocated to employees as part of their bonus are expensed to administrative expenses based on the market value of the shares allocated. The ESOP account is credited with the cost of the shares.

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued) 30 November 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

s. *Current and deferred income tax*

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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 utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The principal temporary difference arises from the difference between the accounting and tax treatment of depreciation on property, plant and equipment and tax losses.

t. *Revenue recognition*

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Sales of goods are recognised upon delivery of products and customer acceptance, or performance of services. Revenue is shown net of value-added tax, returns, and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the Group and when specific criteria have been met for the Group's activities.

Interest income is recognised on a time-proportion basis using the effective interest method.

u. *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

v. *Other equity instruments*

Other equity instruments issued by the Group comprise amounts that can be redeemed or converted to share capital at the discretion of the ultimate parent company.

w. *Dividend distribution*

Dividend distribution is recorded in the Group's financial statements in the period in which the dividends are approved by the Board of Directors.

x. *Leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement under the terms of the lease.

y. *Royalty expenses*

Royalty expense is recognised on the accrual basis and charged to the consolidated income statement (included in cost of sales) in accordance with the substance of the relevant agreements.

z. *Fair value estimation*

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 IFRS 13 fair value hierarchy has the following levels based on the inputs used to determine the fair value measurement.

- Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2 - The inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - The inputs are unobservable inputs for the asset or liability.

An observable input is an input that is developed using market data such as publicly available information about actual events or transactions and that reflect the assumptions that market participants would use when pricing the asset or liability.

An unobservable input is an input for which market data is not readily available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

The fair value disclosure required by IFRS 13 for non-financial assets is included in Note 5. The fair value disclosures relating to financial instruments are disclosed in Note 7a.

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management

a. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, product and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

(i) Market risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions as well as holding foreign currency balances. This policy is consistent with prior years.

As at 30 November 2017, the US dollar obligation in TT dollars arising mainly from foreign inventory suppliers and royalties payable was \$38,326,048 (2016: \$58,281,649) and if the currency had weakened/strengthened by 3% against the US dollar with all other variables held constant, post-tax profits for the year would have been \$804,895 (2016: \$1,486,182) lower/higher, mainly as a result of foreign exchange losses/gains on translation of US dollar-denominated trade payables and accruals.

There have been no changes to policies and procedures in managing the foreign exchange risks.

(b) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Given the economic environment, the Group's policy is to maintain a significant portion of its borrowings in fixed rate instruments. This policy is consistent with prior years.

The Group has no exposure to fair value interest rate risk as the loan is carried at amortised cost.

The Group has no exposure to cash flow interest rate risk as the loan is a fixed rate loan.

There have been no changes to the policies and procedures in managing interest rate risks.

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Financial risk factors (continued)

(i) Market risk (continued)

(c) Price risk

The Group is not exposed to equity securities price risk since there are no investments held as available for sale or at fair value through profit or loss.

(ii) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to trade customers. For banks and financial institutions, only those with good standing and with a sound reputation are used. No independent rating exists for trade customers and as a result an internal credit assessment is performed taking into account their financial position, past experience and other factors. Credit limits are set for trade customers which are regularly monitored.

Management does not expect any significant losses from non-performance by counterparties.

There have been no changes to the policies and procedures in managing credit risks.

(iii) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its un-drawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets. This policy is consistent with the prior year.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

	6 months or less \$	6 to 12 months \$	1 to 5 years \$	Over 5 years \$	Total \$
At 30 November 2017					
Borrowings - third party	9,460,938	9,242,188	76,890,625	--	95,593,751
Due to related party	5,825,175	--	--	--	5,825,175
Trade and other payables, excluding statutory liabilities	113,303,806	--	--	--	113,303,806
	<u>128,589,919</u>	<u>9,242,188</u>	<u>76,890,625</u>	<u>--</u>	<u>214,722,732</u>
At 30 November 2016					
Borrowings - third party	9,898,438	9,679,688	84,765,625	10,828,125	115,171,876
Due to related party	1,991,590	--	--	--	1,991,590
Trade and other payables, excluding statutory liabilities	134,622,058	--	--	--	134,622,058
	<u>146,512,086</u>	<u>9,679,688</u>	<u>84,765,625</u>	<u>10,828,125</u>	<u>251,785,524</u>

There have been no changes to policies and procedures in managing liquidity risks.

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued) 30 November 2017

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

b. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) and bank overdraft less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

	2017 \$	2016 \$
Total borrowings	80,500,000	94,500,000
Less: cash and cash equivalents	<u>(56,372,397)</u>	<u>(84,248,789)</u>
Net debt	24,127,603	10,251,211
Total equity	<u>281,749,184</u>	<u>273,881,120</u>
Total capital	<u>305,876,787</u>	<u>284,132,331</u>
Gearing ratio	<u>8%</u>	<u>4%</u>

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

4 Critical accounting estimates and judgements

Estimates and judgements 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 accounting estimates and assumptions*

The Group 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) *Estimated impairment of goodwill and intangible assets*

The Group tests annually whether goodwill and intangible assets have suffered any impairment in accordance with the accounting policy stated in Note 2 f. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates. The significant assumptions are disclosed in Note 6. If the growth rate worsened by 3% with all other variables held constant there would be no impact to the profit or loss for the period as the asset would still not be impaired. If the gross margin or weighted average cost of capital worsened by 2% with all other variables held constant there would be no impact to the profit or loss for the period as the asset would still not be impaired.

b. *Critical judgements in applying the entity's accounting policies*

(i) *Useful economic life of intangibles – franchise fees ongoing operations*

Franchise agreements for ongoing operations acquired in a business combination are estimated to have an indefinite useful life on the basis that these franchise agreements will renew automatically at little or no cost for an additional 20 years every time the franchise term ends. The Group has a long history of working with a number of franchisors and have always been granted renewals on those franchises without exception. On this basis management considers these intangible assets to have an indefinite useful life.

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

5 Property, plant and equipment

	Land \$	Buildings and improvements \$	Plant and machinery \$	Vehicles \$	Furniture \$	Work in progress \$	Total \$
Year ended 30 November 2017							
Opening net book amount	38,395,000	136,582,770	50,792,825	3,456,461	44,870,754	799,378	274,897,188
Additions	14,550,000	12,495,182	10,061,012	6,264,400	4,705,213	1,237,449	49,313,256
Disposals	--	(421,000)	(510,394)	(172,520)	--	--	(1,103,914)
Exchange differences	--	32,287	4,606	--	1,952	--	38,845
Depreciation charge	--	(19,186,015)	(13,787,363)	(1,888,353)	(10,548,399)	--	(45,410,130)
Closing net book amount	<u>52,945,000</u>	<u>129,503,224</u>	<u>46,560,686</u>	<u>7,659,988</u>	<u>39,029,520</u>	<u>2,036,827</u>	<u>277,735,245</u>
At 30 November 2017							
Cost or valuation	52,945,000	280,929,365	245,540,089	19,880,567	130,548,379	2,036,827	731,880,227
Accumulated depreciation	--	(151,426,141)	(198,979,403)	(12,220,579)	(91,518,859)	--	(454,144,982)
Net book amount	<u>52,945,000</u>	<u>129,503,224</u>	<u>46,560,686</u>	<u>7,659,988</u>	<u>39,029,520</u>	<u>2,036,827</u>	<u>277,735,245</u>
Year ended 30 November 2016							
Opening net book amount	38,395,000	127,876,064	46,128,690	4,644,897	45,902,568	1,178,006	264,125,225
Additions	--	26,108,804	17,674,039	1,153,675	8,996,917	(378,628)	53,554,807
Disposals	--	(388,645)	(5,624)	--	(14,525)	--	(408,794)
Exchange differences	--	(140,104)	(14,149)	--	(10,254)	--	(164,507)
Depreciation charge	--	(16,873,349)	(12,990,131)	(2,342,111)	(10,003,952)	--	(42,209,543)
Closing net book amount	<u>38,395,000</u>	<u>136,582,770</u>	<u>50,792,825</u>	<u>3,456,461</u>	<u>44,870,754</u>	<u>799,378</u>	<u>274,897,188</u>
At 30 November 2016							
Cost or valuation	38,395,000	268,787,440	236,075,931	15,394,931	125,831,043	799,378	685,283,723
Accumulated depreciation	--	(132,204,670)	(185,283,106)	(11,938,470)	(80,960,289)	--	(410,386,535)
Net book amount	<u>38,395,000</u>	<u>136,582,770</u>	<u>50,792,825</u>	<u>3,456,461</u>	<u>44,870,754</u>	<u>799,378</u>	<u>274,897,188</u>
At 30 November 2015							
Cost or valuation	38,395,000	244,249,983	220,387,536	14,769,976	118,127,915	1,178,006	637,108,416
Accumulated depreciation	--	(116,373,919)	(174,258,846)	(10,125,079)	(72,225,347)	--	(372,983,191)
Net book amount	<u>38,395,000</u>	<u>127,876,064</u>	<u>46,128,690</u>	<u>4,644,897</u>	<u>45,902,568</u>	<u>1,178,006</u>	<u>264,125,225</u>

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued) 30 November 2017

(Expressed in Trinidad and Tobago Dollars)

5 Property, plant and equipment (continued)

Depreciation expense of \$45,410,130 (2016: \$42,209,543) is included in other operating expenses. Land represents freehold and leasehold land. Freehold land was valued by an independent valuator in 2013 on the basis of market value for existing use and amounted to \$38,395,000. Leasehold land was purchased during the year for \$14,550,000 under a 999 year lease. The remaining life on the lease is 993 years. The amount paid for the leasehold land is considered to approximate its fair value as it was acquired in an arms length transaction close to the year end. If land was stated on the historical cost basis, the amount would be \$29,038,230. Bank borrowings are secured on fixed assets of the Group for the value of approximately \$80.5 million (2016: \$94.5 million). Included in buildings and improvements are buildings amounting to \$23,109,894 (2016: \$22,643,018) and improvements amounting to \$106,393,330 (2016: \$113,939,752).

a. Fair value of land

The Group engages an external, independent and qualified valuer to determine the fair value of the Group's land at least once every five years. The last valuation performed was as at 30 November 2013. The revaluation surplus was credited to other comprehensive income and is shown in 'other reserves' in shareholders' equity (Note 13.). The following table analyses the non-financial assets carried at fair value, by valuation method.

Fair value measurements as at 30 November 2016 and 2017

	Quoted prices In active markets for identical assets (level 1) \$	Significant other observable inputs (level 2) \$	Significant unobservable inputs (level 3) \$
Recurring fair value measurements			
- Land	--	--	52,945,000

Level 3 fair values of land has been derived using the Sales Comparison Approach. Sales prices of comparable land in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

6 Intangible assets

	Goodwill \$	Other deferred costs \$	Total \$
Year ended 30 November 2017			
Opening net book amount	24,791,308	49,820,474	74,611,782
Additions	--	5,709,731	5,709,731
Amortisation charge	--	(2,650,939)	(2,650,939)
Closing net book amount	<u>24,791,308</u>	<u>52,879,266</u>	<u>77,670,574</u>
At 30 November 2017			
Cost	25,427,536	76,323,737	101,751,273
Accumulated amortisation and impairment	(636,228)	(23,444,471)	(24,080,699)
Net book amount	<u>24,791,308</u>	<u>52,879,266</u>	<u>77,670,574</u>
Year ended 30 November 2016			
Opening net book amount	24,791,308	46,898,675	71,689,983
Additions	--	4,973,733	4,973,733
Amortisation charge	--	(2,051,934)	(2,051,934)
Closing net book amount	<u>24,791,308</u>	<u>49,820,474</u>	<u>74,611,782</u>
At 30 November 2016			
Cost	25,427,536	70,614,008	96,041,544
Accumulated amortisation and impairment	(636,228)	(20,793,534)	(21,429,762)
Net book amount	<u>24,791,308</u>	<u>49,820,474</u>	<u>74,611,782</u>
At 30 November 2015			
Cost	25,427,536	69,263,129	94,690,665
Accumulated amortisation and impairment	(636,228)	(22,364,454)	(23,000,682)
Net book amount	<u>24,791,308</u>	<u>46,898,675</u>	<u>71,689,983</u>

Amortisation charge of \$2,650,939 (2016: \$2,051,934) is included in other operating expenses.

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

6 Intangible assets (continued)

Included in other deferred costs is franchise agreements for ongoing operations of the Subway business acquired in 2011 which has an indefinite life and is assessed annually for impairment. Also included under deferred costs are franchise fees and loan fees capitalised which are amortised over remaining periods of three to fifteen years.

Impairment tests for goodwill and indefinite life intangible assets

Goodwill has been allocated to the TGI Fridays (Weekenders Trinidad Limited) and Subway businesses cash generating units as outlined below.

	2017 \$	2016 \$
<u>Weekenders Trinidad Limited</u>		
Goodwill	6,793,806	6,793,806
Less accumulated amortisation	<u>(636,228)</u>	<u>(636,228)</u>
Net goodwill	<u>6,157,578</u>	<u>6,157,578</u>

The recoverable amount of this business unit is determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets and forecasts approved by management covering a five year period. Cash-flows for the five year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for value-in-use calculations are as follows:

	Gross margin %	Growth rate Year 1 %	Year 2 - 5	Pre-tax Discount rate %
2017	39.4	6	3	13.1
2016	40.0	4	3	16.5

Assumptions for gross profit margins, growth rates and pre-tax weighted average cost of capital are based upon past performance, economic conditions and expectations for market development.

<u>Subway business</u>	2017 \$	2016 \$
Goodwill	18,633,730	18,633,730
Intangible assets – franchise agreements	<u>40,800,000</u>	<u>40,800,000</u>
Assets acquired	59,433,730	59,433,730
Accumulated impairment	<u>--</u>	<u>--</u>
	<u>59,433,730</u>	<u>59,433,730</u>

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

6 Intangible assets (continued)

Impairment tests for goodwill and intangible assets (continued)

Subway business (continued)

The recoverable amount of this business unit is determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets and forecasts approved by management covering a five year period. Cash-flows for the five year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for value-in-use calculations are as follows:

	Gross margin	Growth rate		Pre-tax
	%	Year 1	Year 2 - 5	Discount rate
		%	%	%
2017	31.2	9	5	13.1
2016	31.1	5	5	17.9

Assumptions for gross profit margins, growth rates and pre-tax weighted average cost of capital are based upon past performance. The estimated improved results of the brand will be driven by a combination of strategies designed to improve in store efficiencies. These efficiencies will lead to better cost management and will enhance guest experience. This along with our marketing initiatives will increase guest visits and ultimately improve sales of the brand. The performance changes have been tempered based on the economic conditions and expectations for market development.

7a Financial instruments by category

	Loans and receivables	
	2017	2016
	\$	\$
<i>Assets as per consolidated balance sheet</i>		
Trade and other receivables, excluding prepayments	5,632,260	3,478,939
Cash and cash equivalents	56,372,397	84,248,789
Total	62,004,657	87,727,728
	Other financial liabilities	
	at amortised cost	
	2017	2016
	\$	\$
<i>Liabilities as per consolidated balance sheet</i>		
Borrowings	80,500,000	94,500,000
Trade and other payables, excluding statutory liabilities	113,303,806	134,622,058
Due to related parties	5,825,175	1,991,590
Total	199,628,981	231,113,648

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

7a Financial instruments by category (continued)

Financial instruments where carrying value is equal to fair value

Due to their liquidity and short-term maturity, the carrying values of certain financial instruments approximate their fair values. Financial instruments where carrying value is equal to fair value include cash and cash equivalents, trade and other receivables, trade and other payables and amounts due to related parties.

For financial assets and financial liabilities that are carried in the financial statements at amortised cost but for which fair value is required to be disclosed in accordance with IFRS 7, the table below summarises the level in the IFRS 13 fair value hierarchy in which the fair value measurement is categorised and a description of the valuation technique and the inputs used in the fair value measurement.

Liability	Categorisation of the fair value measurement in IFRS 13 fair value hierarchy	Valuation methodology used to determine fair value	Key assumptions in valuation methodology
Loan note – bank borrowing	Level 3	Discounted cash flow analysis	• Future cash flows • Current market interest rate at year end

A comparison of the fair value to the carrying value of bank borrowings is included in Note 16.

7b Credit quality of financial assets

The credit quality of financial assets that are fully performing can be assessed by reference to the Group's internal aged receivable analysis; customers with aging of 0 – 90 days are not considered past due or impaired.

	2017 \$	2016 \$
<u>Trade receivables</u>		
Group 1 – Customers (0 – 60 days)	2,262,995	1,458,644
Group 2 – Customers (61 – 90 days)	406,443	406,172
	<u>2,669,438</u>	<u>1,864,816</u>
<u>Other receivables</u>		
Group 1 – Non-trade customers (0 – 60 days)	1,461,099	482,343
Group 2 – Non-trade customers (61 – 90 days)	552,431	212,152
	<u>2,013,530</u>	<u>694,495</u>
	<u>4,682,968</u>	<u>2,559,311</u>

As of 30 November 2017, trade and other receivables of \$4,682,968 (2016: \$2,559,311) were fully performing.

As of 30 November 2017, trade receivables of \$949,292 (2016: \$1,191,429) were past due but not considered impaired. These relate to a number of independent customers for whom there is no recent history of default.

As at 30 November 2017, trade receivables of \$591,243 (2016: \$591,243) were impaired and provided for.

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

7b	Credit quality of financial assets (continued)	2017 \$	2016 \$
	<u>Cash</u>		
	Cash at bank and on hand	<u>56,372,397</u>	<u>84,248,789</u>

Cash and short term deposits are held only with reputable financial institutions.

8 Deferred income tax

Opening amount	3,382,052	4,729,278
Credit to consolidated income statement (Note 22)	(784,314)	(1,347,226)
Foreign exchange translation	<u>(14,650)</u>	<u>--</u>
Closing amount	<u>2,583,088</u>	<u>3,382,052</u>

The deferred income tax assets and liabilities at the end of the year are attributable to the following items:

	At 1.12.16 \$	(Credit)/charge to income statement \$	Forex and change in tax rate \$	At 30.11.17 \$
Year ended 30 November 2017				
<i>Deferred income tax liabilities</i>				
Accelerated tax depreciation	4,035,725	(1,875,218)	872,219	3,032,726
<i>Deferred income tax assets</i>				
Tax losses	(653,673)	218,685	(14,650)	(449,638)
	<u>3,382,052</u>	<u>(1,656,533)</u>	<u>857,569</u>	<u>2,583,088</u>
	At 1.12.15 \$	(Credit)/charge to income statement \$	Forex and change in tax rate \$	At 30.11.16 \$
Year ended 30 November 2016				
<i>Deferred income tax liabilities</i>				
Accelerated tax depreciation	4,729,278	(693,553)	--	4,035,725
<i>Deferred income tax assets</i>				
Tax losses	--	(653,673)	--	(653,673)
	<u>4,729,278</u>	<u>(1,347,226)</u>	<u>--</u>	<u>3,382,052</u>

Tax losses of approximately \$1.8 million (2016: \$1.9 million) have not been recognised for purposes of deferred taxation because of the uncertain future timing of their recoverability.

9	Inventories	2017 \$	2016 \$
	Food supplies and packaging materials	41,817,196	47,824,386
	Consumable stores	<u>13,188,668</u>	<u>12,260,920</u>
		<u>55,005,864</u>	<u>60,085,306</u>

The cost of inventories recognised as expense and included in "cost of sales" amounted to \$431,313,060 (2016: \$406,305,928).

The write-down of inventories recognised as expense and included in "administrative expenses" amounted to \$2,634,867 (2016: \$1,696,615).

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

10	Trade and other receivables	2017 \$	2016 \$
	Trade receivables	4,209,973	3,647,488
	Less: provision for impairment of trade receivables	<u>(591,243)</u>	<u>(591,243)</u>
		3,618,730	3,056,245
	Prepayments	7,677,703	7,390,444
	Other receivables	<u>12,673,688</u>	<u>10,763,260</u>
		<u>23,970,121</u>	<u>21,209,949</u>

Movements on the Group's provision for impairment of trade receivables are as follows:

At 1 December	591,243	368,251
Increase in provision	<u>--</u>	<u>222,992</u>
At 30 November	<u>591,243</u>	<u>591,243</u>

The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

TT dollar	23,687,803	20,977,931
Other currencies	<u>282,318</u>	<u>232,018</u>
	<u>23,970,121</u>	<u>21,209,949</u>

11	Cash and cash equivalents		
	Cash at bank and on hand	<u>56,372,397</u>	<u>84,248,789</u>

12	Share capital	Common shares	
		No. of shares	\$
	Balance at 1 December 2015	62,351,388	22,829,797
	Shares issued	<u>161,614</u>	<u>929,280</u>
	Balance at 30 November 2016	<u>62,513,002</u>	<u>23,759,077</u>
	Balance at 1 December 2016	62,513,002	23,759,077
	Shares issued	<u>--</u>	<u>--</u>
	Balance at 30 November 2017	<u>62,513,002</u>	<u>23,759,077</u>

Authorised share capital

The Parent Company has an unlimited number of authorised common shares of no par value.

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued) 30 November 2017

(Expressed in Trinidad and Tobago Dollars)

13 Other reserves

	Land revaluation \$	Currency translation \$	Total \$
Balance at 1 December 2015	22,746,770	(4,638,041)	18,108,729
Currency translation differences	--	(199,625)	(199,625)
Balance at 30 November 2016	<u>22,746,770</u>	<u>(4,837,666)</u>	<u>17,909,104</u>
Balance at 1 December 2016	22,746,770	(4,837,666)	17,909,104
Currency translation differences	--	88,488	88,488
Balance at 30 November 2017	<u>22,746,770</u>	<u>(4,749,178)</u>	<u>17,997,592</u>

14 Other equity instrument

	2017 \$	2016 \$
Balance at 1 December	5,000,000	15,000,000
Redemptions during the year	<u>(5,000,000)</u>	<u>(10,000,000)</u>
Balance at 30 November	<u>--</u>	<u>5,000,000</u>

These are amounts received from the ultimate parent company that can be redeemed or converted into common shares at the discretion of the parent company.

15 Unallocated shares held by ESOP

The Parent Company established an Employees' Profit and Share Ownership Plan (ESOP) for all permanent employees. The Trust Deed and Rules of the Plan have been approved by the Board of Inland Revenue under Section 35 of the Income Tax Act Chapter 75:01. The ESOP holds Parent Company shares as part of the ESOP arrangement.

Unallocated shares held by the ESOP are as follows:

	Ordinary shares	
	no. of shares	\$
Balance at 1 December 2015	311,396	1,349,608
Purchase of shares	374,678	4,112,731
Shares allocated during the year	<u>(183,596)</u>	<u>(1,886,599)</u>
Balance at 30 November 2016	<u>502,478</u>	<u>3,575,740</u>
Balance at 1 December 2016	502,478	3,575,740
Shares allocated during the year	<u>(220,120)</u>	<u>(2,427,603)</u>
Balance at 30 November 2017	<u>282,358</u>	<u>1,148,137</u>

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

16	Borrowings	2017	2016
		\$	\$
	<i>Non-current</i>		
	Bank borrowings	66,500,000	80,500,000
	<i>Current</i>		
	Bank borrowings	<u>14,000,000</u>	<u>14,000,000</u>
	Total borrowings	<u><u>80,500,000</u></u>	<u><u>94,500,000</u></u>

Parent company:

This loan represents a fixed rate TT dollar bond for \$140 million at a rate of 6.25% per annum. Interest is payable quarterly. Principal is repayable by 40 quarterly equal instalments of \$3.5m which commenced on 3 September 2013. The bond is secured by a registered demand first debenture on the fixed and floating assets of the parent company.

The fair values based on cash flows discounted using a current borrowing rate of 6.5% (2016: 6%) were \$76,588,947 (2016: \$91,510,052).

The Group has the following undrawn borrowing facilities:

	2017	2016
	\$	\$
Floating rate:		
Expiring within one year (Interest rate ranges from 7%-7.5%)	<u>14,500,000</u>	<u>14,500,000</u>

These facilities are subject to review at various dates during 2018.

17	Trade and other payables		
	Trade payables	82,137,946	102,307,506
	Accrued expenses	25,835,690	26,221,440
	Payroll related taxes and other benefits	<u>16,821,943</u>	<u>17,972,008</u>
		<u><u>124,795,579</u></u>	<u><u>146,500,954</u></u>

18 Related party balances and transactions

a. Due to related parties

Current

Due to affiliated companies	<u>5,825,175</u>	<u>1,991,590</u>
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Prestige Holdings Limited conducted the following transactions with its related parties:

Purchase of foods and related supplies	53,622,062	51,513,199
Purchases – other	1,418,201	323,699
Lease of properties	<u>1,427,970</u>	<u>1,419,156</u>

b. <i>Directors' fees</i>	<u>1,020,000</u>	<u>493,200</u>
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c. *Key management compensation*

Salaries and other short-term benefits	<u>8,770,978</u>	<u>8,574,773</u>
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Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

19 Cost of sales

Cost of sales includes food supplies, packaging materials, labour and other costs directly related to the level of sales.

20 Expenses by nature

	2017 \$	2016 \$
The following items have been charged/(credited) in arriving at the operating profit:		
Cost of inventories (Note 9)	431,313,060	406,305,928
Employee benefit expense (Note 27)	174,766,171	159,213,295
Other expenses	85,805,669	77,643,227
Royalties	64,858,469	61,639,287
Operating lease expenses	57,970,118	54,419,273
Depreciation and amortisation	48,061,069	44,261,477
Advertising costs	42,603,918	40,266,338
Utilities	22,557,352	23,779,590
Repairs and maintenance on property, plant and equipment	29,470,483	23,717,535
Security	17,640,708	16,812,698
Insurance	5,479,907	5,657,685
Foreign exchange losses	5,563,766	2,967,988
Profit on disposal of property, plant and equipment	(184,268)	(458,592)
Cost of sales, other operating and administrative expenses	<u>985,906,422</u>	<u>916,225,729</u>

21 Finance costs

Bank borrowings - interest expense	5,359,375	6,234,375
Other interest expense	<u>62,500</u>	<u>762,500</u>
	<u>5,421,875</u>	<u>6,996,875</u>

22 Taxation

Current tax	18,617,002	18,874,965
Prior year under/(over) provision	216,016	(4,749)
Deferred tax credit (Note 8)	<u>(784,314)</u>	<u>(1,347,226)</u>
	<u>18,048,704</u>	<u>17,522,990</u>

The taxation charge differs from the theoretical amount that would arise using the basic rate of tax as follows:

Profit before income tax	<u>50,905,357</u>	<u>64,710,520</u>
Tax calculated at 25%/30%	15,156,725	16,177,630
Expenses not deductible for tax purposes	1,803,744	1,350,109
Effect of change in tax rates	872,219	--
Prior year under/(over) provision	<u>216,016</u>	<u>(4,749)</u>
	<u>18,048,704</u>	<u>17,522,990</u>

The Group has accumulated tax losses of approximately \$1.8 million (2016: \$1.9 million) available for set off against future chargeable profits. These losses have not been recognised as a deferred tax asset due to the uncertain timing of recoverability.

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

23 Group earnings per share

a. Basic

Basic earnings per share is calculated by dividing the net profit attributable to equity holders by the weighted average number of common shares in issue during the year.

	2017 \$	2016 \$
Profit attributable to owners of the Parent Company	<u>32,856,653</u>	<u>47,187,530</u>
Weighted average number of common shares in issue during the year exclusive of ESOP shares	<u>62,184,805</u>	<u>61,964,685</u>
Basic earnings per share (exclusive of ESOP shares)	<u>52.8¢</u>	<u>76.2¢</u>

b. Diluted

For the diluted earnings per share, the weighted average number of common shares in issue is adjusted to assume conversion of all dilutive potential common shares. The share options allocated to employees and non-executive directors are based on the fair value of common shares at 30 November 2015.

	2017 \$	2016 \$
Profit attributable to owners of the parent company	<u>32,856,653</u>	<u>47,187,530</u>
Weighted average number of common shares in issue for diluted earnings per share	<u>62,184,805</u>	<u>61,964,685</u>
Diluted earnings per share (exclusive of ESOP shares)	<u>52.8¢</u>	<u>76.2¢</u>

24 Segment information – geographical segment

The Group is principally engaged in the restaurant industry (casual and quick service), operating the worldwide KFC, Pizza Hut, Subway, Starbucks and TGI Fridays concepts in Trinidad and Tobago and the TGIF Fridays concept in Jamaica. Management has determined the operating segments based on the reports reviewed by the Executive Committee and the Board of Prestige Holdings Limited.

The Executive Committee and the Board considers the business from a geographic basis consisting of local and overseas operations. Geographically, management considers the performance of operating companies in Trinidad and Tobago and Jamaica. The Executive Committee and the Board assess the performance of the operating segments based on a measure of revenue and profit before taxation.

Trinidad and Tobago is the home country of the Parent Company which is also the main operating company and Weekenders Trinidad Limited (the entity that holds the franchise for TGI Fridays in Trinidad and Tobago). The Parent Company's principal subsidiary outside of Trinidad is located in Jamaica. All companies operate in the restaurant sector and have been aggregated together based on the nature of products and services they provide, nature of production processes, type of customers, methods used to distribute products and services and the nature of the regulatory environment. This resulted in two operating segments, one for Trinidad and Tobago and another for the Group's overseas operations as shown below.

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

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24 Segment information – geographical segment (continued)

The segment results for the year ended 30 November 2017 are as follows:

	Trinidad \$	Others \$	Group \$
Total segment revenue	1,026,677,619	13,389,159	1,040,066,778
Operating profit	55,703,815	623,417	56,327,232
Finance costs – net	(5,421,875)	--	(5,421,875)
Profit before income tax	50,281,940	623,417	50,905,357
Taxation	(17,811,273)	(237,431)	(18,048,704)
Profit for the year	32,470,667	385,986	32,856,653

The segment results for the year ended 30 November 2016 are as follows:

	Trinidad \$	Others \$	Group \$
Total segment revenue	973,103,029	12,415,176	985,518,205
Operating profit	71,039,508	667,887	71,707,395
Finance costs - net	(6,996,875)	--	(6,996,875)
Profit before income tax	64,042,633	667,887	64,710,520
Taxation	(18,258,963)	735,973	(17,522,990)
Profit for the year	45,783,670	1,403,860	47,187,530

Other segment items included in the consolidated income statement are as follows:

Year ended 30 November 2017			
	Trinidad \$	Others \$	Group \$
Depreciation	45,010,092	400,038	45,410,130
Amortisation	2,650,939	--	2,650,939
Year ended 30 November 2016			
	Trinidad \$	Others \$	Group \$
Depreciation	41,821,284	388,259	42,209,543
Amortisation	2,051,934	--	2,051,934

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued) 30 November 2017

(Expressed in Trinidad and Tobago Dollars)

24 Segment information – geographical segment (continued)

The segment assets and liabilities at 30 November 2017 and capital expenditure for the year then ended are as follows:

	Trinidad \$	Others \$	Group \$
Assets	490,676,517	6,814,656	497,491,173
Liabilities	207,162,588	8,579,401	215,741,989
Capital expenditure	48,841,068	472,188	49,313,256

The segment assets and liabilities at 30 November 2016 and capital expenditure for the year then ended are as follows:

	Trinidad \$	Others \$	Group \$
Assets	516,065,744	5,566,595	521,632,339
Liabilities	240,064,876	7,686,343	247,751,219
Capital expenditure	53,386,050	168,757	53,554,807

25 Dividends

On 20 February 2018, the Board of Directors of Prestige Holdings Limited approved a final dividend of 20 cents, bringing the total dividends for the financial year ended 30 November 2017 to 34 cents (2016: 38 cents).

26 Cash generated from operations

	2017 \$	2016 \$
Profit before income tax	50,905,357	64,710,520
Adjustments for:		
Depreciation and amortisation	48,061,069	44,261,477
Finance costs (net) (Note 21)	5,421,875	6,996,875
Performance shares expense	2,427,603	(2,226,134)
Foreign exchange differences	72,480	(35,116)
Profit on disposal of property, plant and equipment	(184,268)	(458,589)
Changes in current assets and current liabilities:		
Decrease/(increase) in inventories	5,079,442	(13,565,202)
(Increase)/decrease in trade and other receivables	(2,760,172)	74,006
(Decrease)/increase in trade and other payables	(21,705,374)	49,041,195
Increase/(decrease) in due to related parties	3,833,585	(764,903)
	<u>91,151,597</u>	<u>148,034,129</u>

27 Employee benefit expense

Wages and salaries	154,892,529	141,806,159
Payroll related taxes and other benefits	19,151,516	16,613,918
Pension costs – defined contribution plan	722,126	793,218
	<u>174,766,171</u>	<u>159,213,295</u>

Prestige Holdings Limited

Notes to the Consolidated Financial Statements (continued)

30 November 2017

(Expressed in Trinidad and Tobago Dollars)

28 Commitments and contingent liabilities

Capital commitments

Capital commitments for the Group amounted to approximately \$2.9 million at 30 November 2017 (2016: \$2.5 million).

Lease commitments

The Group has lease arrangements for its various stores and administrative buildings. These range from a one to twenty year periods with options to renew.

The Group's minimum lease commitments under the terms of various leases of property, plant and equipment used primarily for its restaurant operations, exclusive of any related value added tax, are as follows:

	2017 \$	2016 \$
Rentals due within one year	42,336,542	35,374,506
Rentals due between two to five years	108,527,603	95,078,173
Rentals due in more than five years	<u>48,315,570</u>	<u>61,515,158</u>
	<u>199,179,715</u>	<u>191,967,837</u>

Custom bonds

The Group has contingent liabilities in respect of custom bonds arising in the ordinary course of business from which it is anticipated that no material liabilities will arise as follows:

Custom bonds	<u>250,000</u>	<u>1,025,000</u>
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Guarantee

The Group has a guarantee in favour of Comptroller of Customs and Excise for \$600,000.

29 Subsequent events

Effective 1 January 2018, the tax rate was changed from to a two tier rate system where chargeable profits less than one million dollars are taxed at 25% and amounts above one million are charged at 30% to a flat 30% rate. All tax assets and liabilities were booked at the rate substantively enacted at the balance sheet date.