ten years of delivering

TASTE
HOLDINGS

Annual Report 2011

GROUP AT A GLANCE

Food division

www.maxisfood.com www.scooterspizza.co.za www.stelmos.co.za

FOOD

Taste's food franchise division consists of the Maxi's, St Elmo's and Scooters Pizza brands. All the brands target consumers in the broad LSM[1] 6 – 10 bands with strong value propositions and continuous product and promotional innovation.

- **Maxi's** (72 outlets) – An award-winning casual-dining restaurant format serving breakfast and lunch. It competes in the same competitive set as Wimpy, Dulce and Mugg & Bean and is focused on adding value to consumers through a superior quality food offering; evolving promotions and contemporary appeal.
- **Scooters Pizza** (131 outlets) – the second-largest pizza delivery chain in South Africa. It competes in the same category as Debonairs Pizza, Romans Pizza and Pizza Perfect, focusing on delivery leadership and value for money; communicated in a brand that has attitude and humour.
- **St Elmo's** (39 outlets) – This 23-year old brand has the Western Cape as its stronghold. Its premium pizza offering, supported through its Woodfired cooking method and diverse menu distinguish this brand.

FOOD SERVICES DIVISION

The food services division currently manufactures all pizza sauces, bastings and table sauces for all the brands within the food franchise division, as well as selected external customers. It does so from a SABS HACCP[2] accredited facility located in Cape Town. Furthermore, it manufactures pizza toppings and other value added meat products from a manufacturing facility in Pretoria which will be HACCP[2] accredited in the future. The Cape Town facility currently includes warehousing capability and this will be expanded in the future, as does the Pretoria facility. Logistics directly to store are currently outsourced to a 3rd party provider.

EMPLOYEES

- Number of employees – 113.

		Set-up cost[3]	Royalty[4]	Marketing fund contribution[4]	Average store size
Scooters Pizza	– Mall	R950 000 – R1.1 million	7%	5%	70m² – 90m²
	– Takeaway	R850 000 – R950 000	7%	5%	90m² – 100m²
Maxi's	– Restaurant	R1.8 million – R2.3 million	6%	4%	180m² – 250m²
	– Express	R850 000 – R1.3 million	6%	4%	80m² – 120m²
St Elmo's	– Restaurant	R3 million	6%	5%	350m² – 400m²
	– Takeaway	R850 000	6%	5%	80m² – 100m²

Jewellery division

www.nwj.co.za

NWJ (87 outlets) is the only vertically integrated, franchised jewellery chain in South Africa. It owns and operates approximately 23% of the outlets; provides franchise services to its franchisees; and distributes 100% of the goods sold through the NWJ outlets. Of these goods sold approximately 40% is produced by the in-house manufacturing facility. NWJ competes with American Swiss, Galaxy and Sterns and is the second-largest chain in South Africa by advertising spend; and the third-largest by sales and outlets. It competes on demonstrable value, guaranteed quality and a wide range.

As the only vertically integrated and franchised jewellery chain, it has a structural competitive difference in its competitive set. This allows for in-house innovation; fast routes to markets; and greater control over input costs. The franchise model empowers owners to attract and retain customers; produces large marketing funds and capital for growth is provided by franchisees.

MANUFACTURING AND DISTRIBUTION

As a vertically integrated chain this division is responsible for group procurement, styling and design, and distribution to franchisees. As the second-largest jewellery group in South Africa the group is able to source large volumes at lowest cost from both within and outside South Africa. Combined with in-house manufacturing this gives the group merchandise flexibility and relatively short lead times. The group owns a number of brands which it retails through its national network, spanning watches, male jewellery and gold products. All ring designs are conceptualised in-house and the group has more than 10 000 ring moulds and designs.

EMPLOYEES

- Number of employees – 257.

	Set-up cost[3]	Royalty[4]	Marketing fund contribution[4]	Average store size
NWJ	R1 450 000	5%	4%	61m²

Notes:

1. *LSM – "Living standards measure".*
2. *HACCP – "Hazard Analysis Critical Control Point System".*
3. *This is approximate and excludes VAT.*
4. *This is based on a percentage of turnover.*

HIGHLIGHTS

- System-wide sales exceed R500 million for the first time and increase 14% over 2010
- Acquisition of St Elmo's Woodfired Pizza
- Opened 2 Scooters Pizza/Maxi's combo stores
- Food services revenue grew 16 fold from 2009
- Maxi's the third largest player in its segment

STRATEGIC PRIORITIES

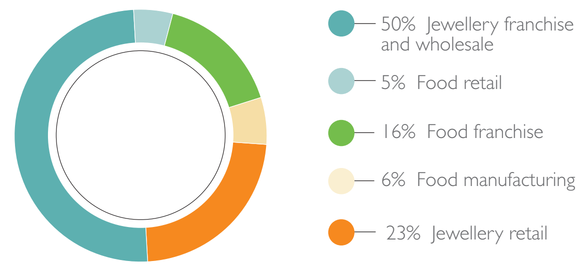
- Growing the contribution of the food services division
- Continuing with the re-imaging of Scooters Pizza and St Elmo's outlets
- Leveraging the exclusive petroleum alliances to extend our footprint
- Acquisition of a fourth food brand

SEGMENTAL INFORMATION

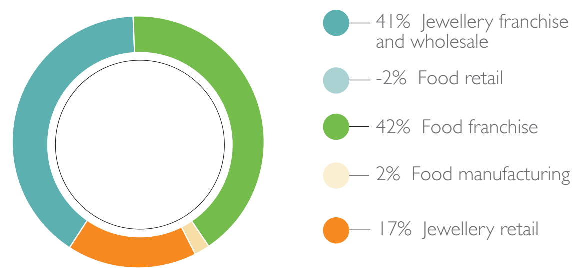
	% change	28 February 2011 Reviewed R'000	28 February 2010 Audited R'000
Segment revenue			
Food	42	**63 160**	44 339
Franchise		**37 688**	32 387
Manufacturing		**14 680**	894
Retail		**10 792**	11 058
Segment operating profit			
Food	10	**17 712**	16 111
Franchise		**17 810**	17 194
Manufacturing		**690**	(156)
Retail		**(788)**	(927)
Segment assets			
Food		**37 469**	23 248
Franchise		**23 094**	17 686
Manufacturing		**12 462**	–
Retail		**1 913**	5 562

Divisional contribution to group

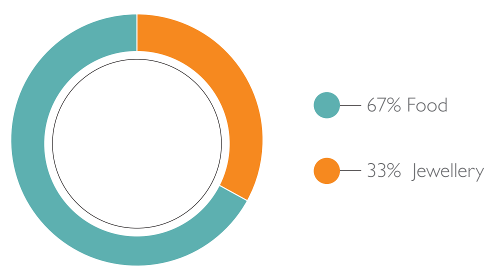
Revenue



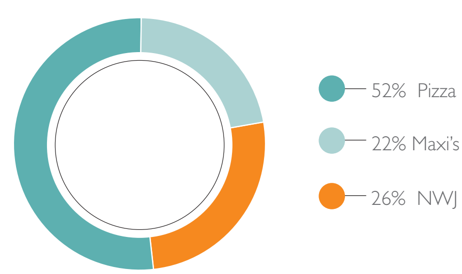
Operating profit



System-wide sales



Number of stores



HIGHLIGHTS

- NWJ becomes 3rd largest jewellery brand in SA, by units and 2nd largest jewellery group
- System-wide sales increased 4.5% to R243 million
- NWJ voted "Best Place to Buy Jewellery" in the readers' choice survey
- Repositioning gains traction with same-store sales exceeding 12%
- Largest advertising spend on a per-store basis for last 2 years

STRATEGIC PRIORITIES

- Western Cape expansion with the NWJ brand
- Leveraging integrated IT to further optimise stock holding
- Increase contribution of own brands
- Retain only a core group of company stores – 15% of total system

SEGMENTAL INFORMATION

	% change	28 February 2011 Reviewed R'000	28 February 2010 Audited R'000
Segment revenue			
Jewellery	10	**171 611**	155 952
Franchise and wholesale		**116 056**	103 159
Retail		**52 347**	52 793
Concession retail		**3 208**	–
Segment operating profit			
Jewellery	31	**24 248**	21 867
Franchise and wholesale		**17 292**	13 376
Retail		**7 265**	8 491
Concession retail		**(309)**	–
Segment assets			
Jewellery		**92 879**	83 796
Franchise and wholesale		**56 348**	47 910
Retail		**34 352**	35 886
Concession retail		**2 179**	–

OUR VISION

We are clearly focused on becoming the preferred vertically integrated franchisor in Africa – not by size but by excelling in our chosen areas of diversified operation. We believe being the best means that superior returns for franchisees and stakeholders are just as important as responsible governance and corporate citizenship.

We boldly aim to double our earnings by February 2014

Food

Scooters Pizza

Buon Gusto

St Elmo's

MAXI'S

Jewellery

NWJ JEWELLERY

LATAN

Kimmi Kay

STERLING

SOUL

TSAR

OUR MISSION

Taste is a South African-based management group that is invested in a portfolio of mostly franchised, category specialist and formula-driven, quick-service restaurant and retail brands that have the following characteristics:

They are sustainably and compellingly branded, where the brand itself is an important differentiating factor.

They can reasonably be developed to be the South African customer's first choice in the categories in which they trade.

They maintain value leadership through operational excellence supported by high volumes relative to the category in which they trade.

They have common customers in the broad middle market and offer these customers strong value propositions relative to their segment.

The value proposition and brand equity is driven by relatively large marketing funds within their segment.

On balance, they offer sustainable returns to franchisees commensurate with the capital investment, risk and effort incurred to own and operate an individual outlet.

Each format is appropriately differentiated but complementary, relative to the balance of the Taste portfolio.

Each format offers opportunities for vertical integration such that material profit streams can reasonably be expected from sourcing and distribution, franchise management royalties and company store ownership.

Each format both adds and derives value from being part of the Taste portfolio greater than would be possible as a standalone entity.

FINANCIAL HIGHLIGHTS

Revenue ↑ 17% to R233.7 million (2010: R199.6 million)	**EBITDA** ↑ 14% to R37.0 million (2010: R32.4 million)	**Operating profit** ↑ 14% to R30.7 million (2010: R26.9 million)	**Headline earnings** ↑ 15% to R18.2 million (2010: R15.8 million)
Headline earnings per share ↑ 15% to 10.7 cents (2010: 9.3 cents)	**System-wide sales** ↑ 11% to R752 million (2010: R676 million)	**Net tangible asset value per share** ↑ 34% to 28.6 cents (2010: 21.4 cents)	**Maiden dividend of** 3.0 cents per share

INTEREST COVER[1]
7.0% (2010: 5.6%)

GEARING[2]
31% (2010: 45%) (Target: 30%)

CASH CONVERSION[3]
0.8:1 (2010: 1:1) (Target: 1:1)

DIVIDEND COVER
3.6 (2010: n/a) (Target: 3.0 – 3.6)

OPERATING PROFIT MARGIN
13% (2010: 13%) (Target: 14% – 15%)

COSTS % OF REVENUE[4]
39% (2010: 40%) (Target: 37% – 39%)

NON-FINANCIAL HIGHLIGHTS

- Exceeded 750 million in system-wide sales
- NWJ moves up to be 3rd largest chain in SA
- Launch of Buon Gusto food services
- Acquired St Elmo's Woodfired Pizza
- Maiden dividend of 3.0 cents declared
- Introduced 2 new trading formats in food division – combo stores and mall stores

Definitions:

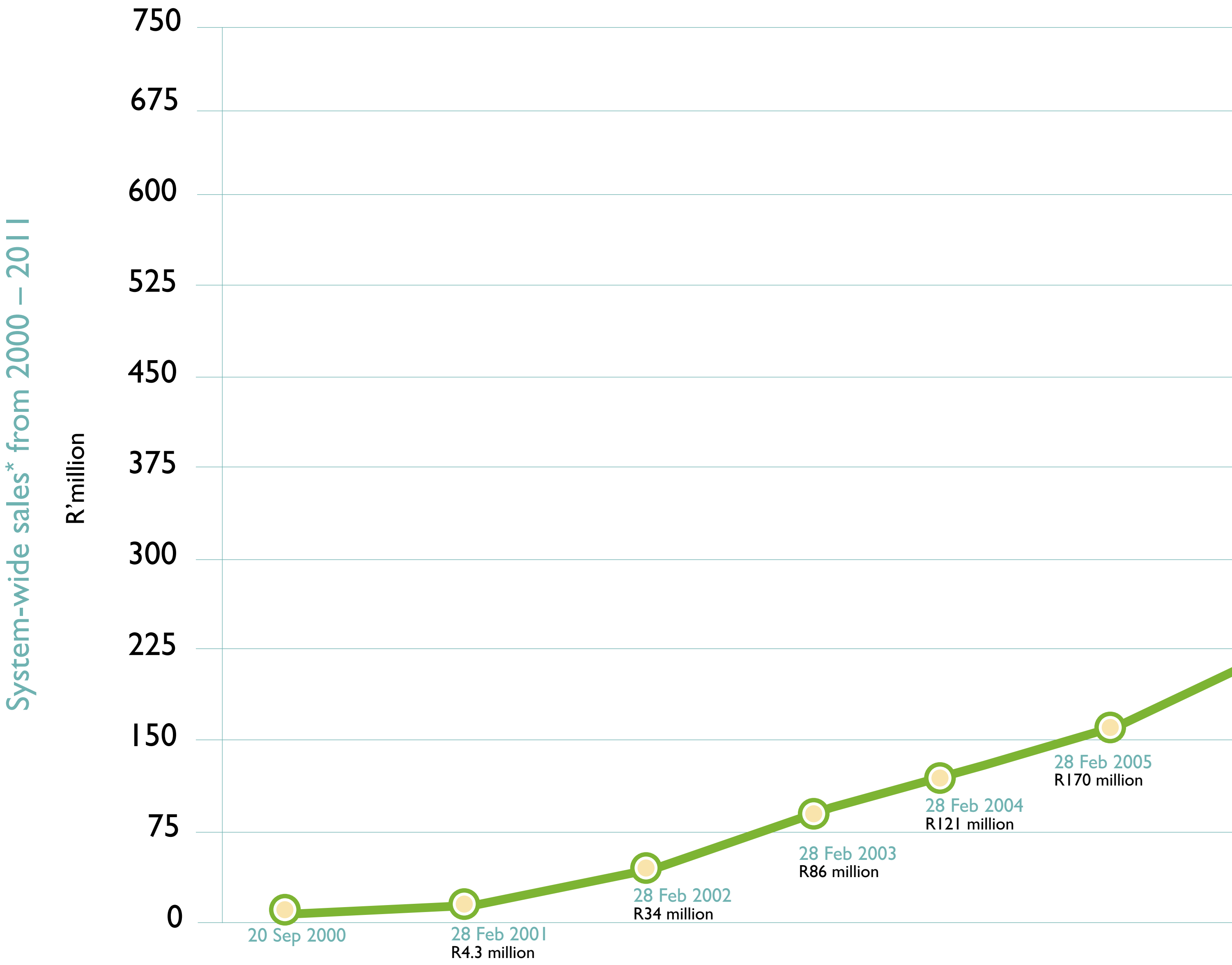
1. Earnings before interest, tax and depreciation (EBITDA), divided by net interest paid.

2. Interest bearing borrowings less cash, divided by total shareholder interest.

3. Cash generated by operations divided by EBITDA.

4. Operating costs expressed as a percentage of revenue.

TEN YEARS OF DELIVERING



* *System-wide sales are sales from all stores to customers.*

Milestones

2000

Scooters Pizza was the founding entity of Taste Holdings. The 1st store opened in September 2000, in Westville, Durban

Scooters Pizza opened 7 outlets by December 2000

2001

Scooters Pizza acquires chess Pizza and converts 7 outlets

Scooters Pizza expands to Gauteng opening 3 stores in 1 day

2002

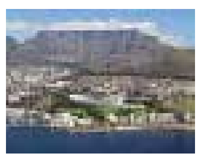
Winner FASA Newcomer Franchisor of the Year

Winner FASA Brand Builder of the Year

2004

Scooters Pizza opens their 50th outlet in just 48 months

Scooters Pizza opens 1st outlet in Western Cape



2005

Scooters Pizza acquires Maxi's, with 28 stores

Builds Maxi's to 3rd largest player in its catagory

Scooters Pizza Winner FASA Brand Builder of the Year, an award it wins 3 times

Five-year review

Key indicators	28 February 2006 R'000	28 February 2007 R'000	28 February 2008 R'000	29 February 2009 R'000	28 February 2010 R'000	28 February 2011 R'000	Five-year CAGR*
Revenue	20 916	29 507	33 793	136 345	199 706	233 751	62%
Operating profit	4 418	10 649	11 715	25 585	26 927	30 768	47%
Total stores	120	147	161	260	275	329	22%
System sales	241	308 000	373 000	567 000	676 000	752 000	26%
HEPS	3.0	6.6	7.9	10.2	9.3	10.7	29%

* *Compound annual growth rate – this is calculated from audited figures from February 2006.*

2006

Scooters Pizza renamed Taste Holdings to persue the strategy of diversified franchisor

Taste Holdings lists on the Alternate Exchange of the JSE

Scooters Pizza voted best pizza in Jo'burg in the Leisure Options Readers' Choice Award

2007

Winner FASA Brand Builder of the Year for the 3rd time

Scooters Pizza opens 100th outlet

2008

Acquired NWJ Quality Jewellers with 58 outlets, builds NJW to 2nd largest jewellery group in SA

Acquired strategic BJ's sites and converted them to Maxi's

2009

Maxi's won Franchisor of the Year

Maxi's and NWJ finalists in FASA Franchisor of the Year Awards

Launched Buon Gusto food services

2010

Aquired St Elmo's Woodfried pizza, a 23-year old pizza brand

2011

Declared maiden dividend of 3 cents per share

Move to main board of JSE

BOARD OF DIRECTORS
Non-executive Directors

BILL DALY (68)
Appointed: March 2000

Independent Non-executive Director
Chairman of the Board
Chairman of the Remuneration and Nominations Committee

Bill is a BA LLB graduate of Stellenbosch University. He was admitted as an attorney, notary and conveyancer and practices as the Chairman of RL Daly Incorporated, an attorneys firm which specialises in the provision of call centre services to national corporates, retailers and banks. He was one of the founding shareholders and the Chairperson of Scooters Pizza (Proprietary) Limited and has, since inception, been the Chairperson of Taste Holdings Limited. Bill is a director of a number of companies including a Director and the Deputy Chairperson of HBZ Bank Limited, and brings a wealth of business experience to the group which has proved invaluable, particularly in the last number of years.

ANTHONY BERMAN (69)
Appointed: April 2009

CA(SA)
Independent Non-executive Director
Chairman of the Audit and Risk Committee
Member of the Remuneration and Nominations Committee

As a Chartered Accountant (SA), Tony has practised in Durban within the auditing profession his entire working life, serving articles with G. Hackner, Benn & Co, to which firm he returned after a few years on his own. Today, as Grant Thornton, member firm of Grant Thornton International, Tony has had extensive experience as the Tax Partner of the Durban office. His areas of expertise include financial consulting, taxation, mergers and acquisitions, estate planning, valuations, exchange control, and he is an experienced consultant on corporate and general business. Tony is well known for his love of tax and property – he has worked extensively in the property industry including commercial property syndications, sectional title and share blocks, having pioneered many of the financial procedures and structures for these types of transactions which are in common use today. During the past 16 years he has actively participated in, promoted and advised on the listed property sector. Tony was Managing Partner of his Durban office from 2003 for 5 years, retired as a partner on 1 March 2009, and continues to act as a full-time consultant for the office. Given Tony's auditing and real business experience, the Audit and Risk Committee has gained substantially from his Chairmanship.

HYLTON RABINOWITZ (62)
Appointed: August 2008

Non-executive Director

Hylton began his career in the jewellery industry 27 years ago when he first opened Hylton's Jewellers in 1983. The second store followed in the same year and the name changed to Natal Wholesale Jewellers. In 1988, Hylton went on to extend the brand when he purchased a share in one of the oldest jewellery manufacturers in Durban, Durban Manufacturing Jewellers, which supplied NWJ with the majority of its locally manufactured jewellery giving NWJ the ability to offer excellent quality jewellery at competitive prices. Hylton has played a significant role in influencing the jewellery industry in South Africa. Hylton is focused on transferring his immeasurable wealth and experience of knowledge to a young, dynamic team that will lead NWJ through the next decade.

KEVIN UTIAN (42)
Appointed: September 2000

BCom, BAcc, CA(SA)
Independent Non-executive Director
Member of the Remuneration and Nominations Committee

Kevin is a Director of Nando's Group Holdings, having been with the group for 15 years and served as Financial Director and CEO of Nando's South Africa prior to his appointment as Director of Nando's Group Holdings. Kevin is a Chartered Accountant by profession and provides the group access to resources within the Nando's group. Kevin has been a board member from the inception of Scooters Pizza in 2000. Kevin's experience of the franchise model and exposure to international markets makes his contribution invaluable to the group.

JAY CURRIE (37)
Appointed: March 2004

BSc
Non-executive Director
Member of the Audit and Risk Committee
Member of the Remuneration and Nominations Committee

Jay commenced his working career managing the Mala Mala Game Reserve before starting a private venture in the IT industry and then joining Comparex Africa in 1998. He started with the Massdiscounters division of the listed South African retailer, Massmart, in 1999 where he led a reinvestment in the Game and Dion chain IT systems and supply chain. He left his position as Systems and Supply Chain Director of Massdiscounters in 2006 to join the holding company, Massmart Holdings Limited as Group Commercial Executive where he was responsible for collaboration between the various subsidiaries of the group. He held a non-executive position on all divisional boards and is a member of the group Executive Committee. In 2009, Jay took up an executive directorship in the Massmart Division, Masscash, as Retail Director – in this role he is responsible for building a new national food retail business, Cambridge Food, focused on low-income customers. Jay's executive experience in a multi-branded listed retailer is invaluable to the group.

Executive Directors

CARLO GONZAGA (37)

BSocSci, LLB
Chief Executive Officer
Appointed: March 2000

Carlo completed a postgraduate LLB degree at the University of Natal after which he and his father, Luigi, owned four franchised pizza outlets in the Durban region. In 1999, Carlo sold his interests and commenced the groundwork to create a new pizza delivery concept which became Scooters Pizza in September 2000. Since 2000 Carlo has headed up the team that has driven the Scooters Pizza chain to win many prestigious awards; to acquire the Maxi's brand in 2005; the creation and listing of Taste Holdings in 2006 and the subsequent acquisition of NWJ Quality Jewellers in 2008 and St Elmo's in 2010. Carlo guides the strategic direction of the company, its growth strategy and human capital development. He chairs the marketing, information technology, and human capital collaboration forums, as well as the Executive Committee and owns one of the group's outlets.

EVAN TSATSAROLAKIS (36)

CA(SA)
Financial Director
Appointed: September 2009

Evan qualified as a Chartered Accountant in 2001 after completing his articles with PricewaterhouseCoopers (PWC). He left PWC and spent 7 years with the JSE-listed Spur Group where he gained extensive experience within the food franchising industry having been exposed to the financial, operational and supply chain aspects of the business. He then served as Financial Director within a logistics group of companies. Evan joined Taste Holdings in April 2009 and was appointed to the board in September 2009 as Group Financial Director. Evan chairs the Taste Property Collaboration Forum, is a member of EXCO and a Director of the Food and Jewellery divisions.

DUNCAN CROSSON (45)
Appointed: November 2000

BCompt (Hons)
Chief Excecutive Officer – Jewellery division

Duncan obtained his BCompt (Hons) whilst serving articles with Morrison Murray in Durban. Duncan gained valuable experience in a manufacturing and distribution environment servicing the retail and fast-moving consumer goods industry. Duncan progressed to Chief Financial Officer and shareholder of the group of companies. Duncan joined Scooters Pizza in 2000 and has been a member of the board of directors of Scooters Pizza (Proprietary) Limited since 2001 and Taste Holdings Limited since inception. Duncan was appointed Chief Operating Officer of NWJ Fine Jewellery in September 2009 and subsequently Chief Executive Officer in April 2010. Duncan was appointed to the Board of the Jewellery Council of South Africa in April 2011 and has served on the Jewellery Council Security Committee since December 2010. Duncan has been instrumental in the successful management and control of the significant growth of the group over the past 10 years. Duncan is a member of EXCO and chairs the Jewellery division Management Committee.

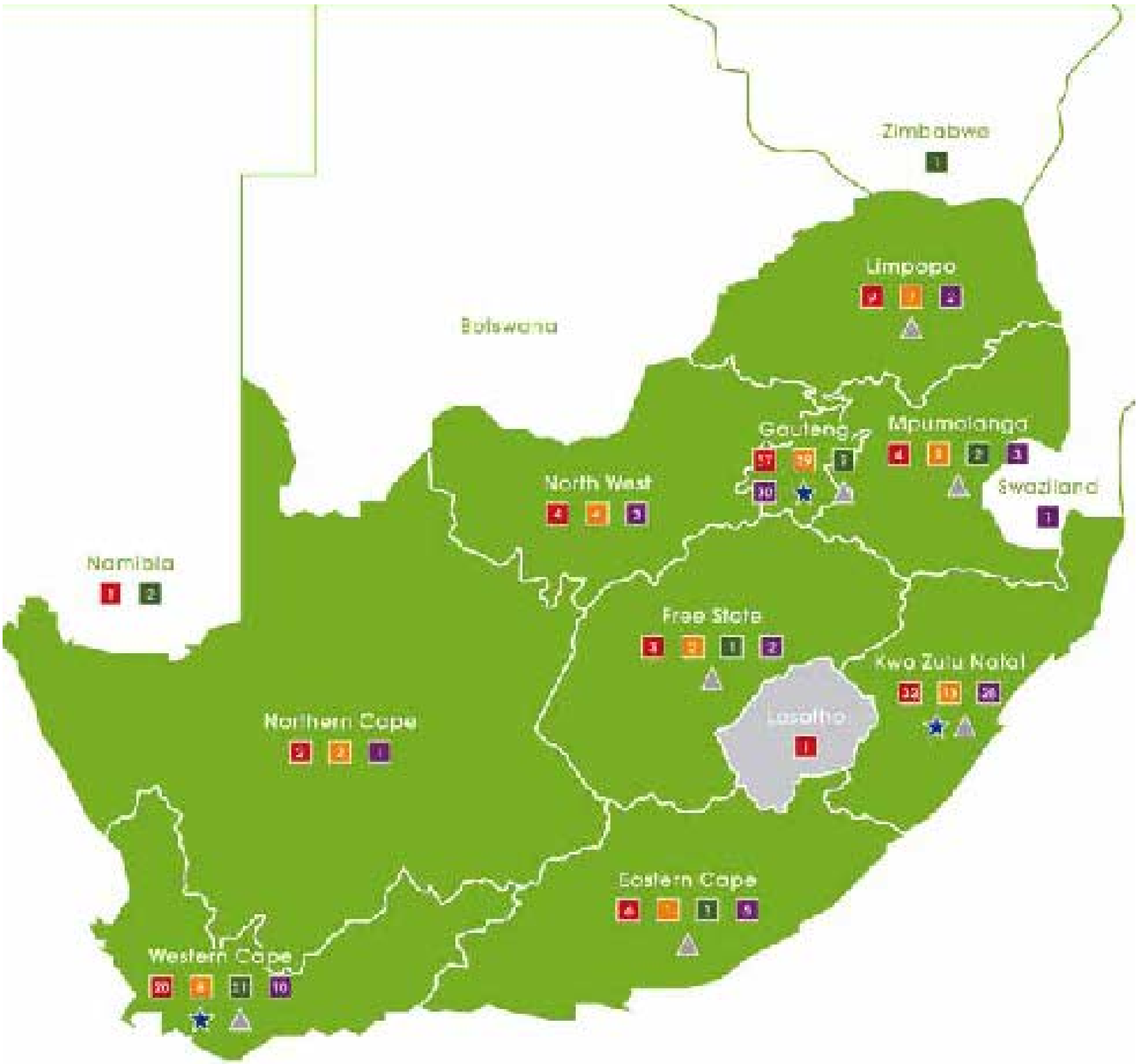
LUIGI GONZAGA (67)
Appointed: March 2000

Executive Director and Co-founder

In 1996, Luigi opened a pizza franchise with Carlo and in the 4 years owned four outlets in the Durban region, winning the Franchisee of the Year and Marketer of the Year Awards on 4 occasions. Luigi is a key member of the executive team and his years of experience have been invaluable as the company continues to grow. Luigi specifically ensures that strategies are implemented in the coastal region as well as strategically growing the region with site and franchisee recruitment. He is a vital contributor to the success of the group and currently owns 7 of the group's outlets. Luigi is a member of EXCO.

STORE DISTRIBUTION (as at 1 June 2011)

Stores		Total number of stores
	Scooters Pizza	139
	Maxi's	74
	St Elmo's	32
	NWJ	79
	3rd party distribution depots	7
	Support offices and manufacturing facilities	3
Total		334

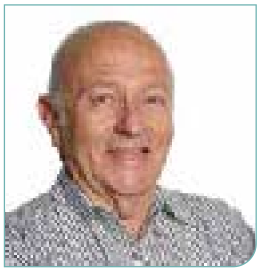


EXECUTIVE COMMITTEE

CARLO GONZAGA (37)

EVAN TSATSAROLAKIS (36)

DUNCAN CROSSON (45)



LUIGI GONZAGA (67)

CHRISTO CALITZ (58)
Appointed: December 2006

BA (Hons) Psychology
Chief Executive Officer – Food Division
Christo is equipped with a BA Honours Psychology degree from the University of Pretoria and has over 30 years' commercial experience including a 9-year position as CEO of Pleasure Foods. Since joining Taste Holdings in 2006, Christo has headed up the Food division of Maxi's, Scooters Pizza and the recent acquisition of St Elmo's. Colossal passion and a clear understanding of the consumer and food industries has enabled Christo to positively contribute towards Taste Holdings and its overall brand expansion. Christo was responsible for the successful repositioning of Maxi's in the marketplace, and has lead Scooters Pizza and Maxi's to top honours at the Franchise Association of South Africa (FASA) Awards with 2 victories and 3 finalist nominations. Christo has proved that his talent and unequalled skills for conceptualising a brand and strategically implementing strategies is the desired outcome for overall growth development.

ARVID SMEDSRUD (50)
Appointed: March 2007

MBA
Managing Director – Food Services Division
Arvid obtained his MBA degree, specialising in vertical integration for food businesses in 2001, at the time when he was Managing Director of Bull Brand Foods. He has been involved in the food business for 30 years, initially in procurement and supply chain functions, followed by manufacturing environments. He has worked predominantly in the fast-moving consumer goods environment servicing both retail and wholesale categories. Arvid joined Taste Holdings in March 2007 as Supply Chain Executive until April 2010. He now heads the recently formed Food Services Manufacturing division of Taste, with factories in Cape Town and Pretoria. Arvid is a member of EXCO.

RENIER HATTINGH (38)
Appointed: November 2001

Managing Executive – Scooters Pizza
Renier has 18 years' experience in the food industry; 3 of which were as National Operations Manager of Scooters Pizza. During this time Renier also completed a Management Diploma at the Wits Business School. Renier has played a key role in Scooters Pizza being nominated for various awards, including Finalist Franchisor of the Year in 2005. Prior to Renier moving back over to the pizza division he was employed as the General Manager of Maxi's during which time they too were nominated for various awards, with Maxi's winning Franchisor of the Year in 2010.

He brings with him a well-rounded knowledge of franchising. He has extensive experience in franchising, operations and supply chain management and is a key member of EXCO.

LOUIS KIRSTEIN (40)
Appointed: April 2008

BCom (Accounting)
General Manager – Maxi's
Louis obtained a BCom Accounting degree from the University of Pretoria. Since graduation, Louis has been involved with both the financial side of business as Financial Manager at HR Training, as well as Wimpy South Africa, and the management side thereof, in his capacity as Operations Manager, and thereafter Key Accounts Manager at Wimpy. Prior to starting his career at Maxi's, he gained experience as a franchisee, as owner of 3 franchise outlets. Having been involved with franchisees from the franchisor's side of the fence, he gained valuable experience in the field of business and property development, training of staff and marketing and business sustainability. Louis is a member of EXCO and the Management Committee of the Food division.

CLIFFORD STOCKLEY (46)
Appointed: June 2003

General Manager
In 1990 he joined the Edgars Group as a Trainee Manager in their Pietermaritzburg branch. During his term at the various Edgars stores he progressed through the ranks to become a Store Manager of several stores and then on to Regional Manager in several different regions. 1998 saw Clifford moving to the Edgars Head Office at Edgardale in Gauteng. There he held the position of Divisional Operations Manager for both Jet Stores and Sales House for one of the large operational divisions in Gauteng. In 2000, Clifford joined NWJ as the National Sales Manager, a position he held successfully until he decided to go the Franchise route, opening a food franchise in Gauteng at the end of 2001. He successfully operated his franchise business over the following 18 months. Clifford was then persuaded to rejoin NWJ to head up the NWJ Franchise and Marketing Department. In joining NWJ, Clifford has brought with him a wealth of experience from both the retail sector and more importantly from the franchise sector having been a successful franchisee. In 2010, Clifford was promoted to General Manager of NWJ Fine Jewellery (Proprietary) Limited, a position which he currently holds.

BUSINESS MODEL
Collaboration and vertical intergration

Taste Holdings Group

The Taste management model empowers divisions to grow their profit and generate operating leverage through operational autonomy within an agreed strategic and operational framework.

The group is responsible for the approval of brand and divisional strategies and the accompanying operational framework; the identification, development and retention of human capital across the group; managing the cash flows and financial structures of the divisions to the best advantage of the group; and promoting and incentivising collaboration between the divisions across key business drivers and shared platforms, via the Taste Collaboration Channel.

The model is executed through a decentralised decision-making Executive Committee, chaired by the CEO. The committee comprises the CEO, Financial Director and Executive Directors of Taste Holdings as well as brand Managing Directors.

Taste Collaboration Channel

The collaboration channel consists of forums where both best practice and collaboration ideas are shared between divisions and brands. Forums are focused on topics that relate to:

- the key business drivers of the divisions; property portfolio management; retail outlet design and image; marketing channels to common consumers in the LSM* 6 – 10 category;
- franchise best practice implementation and franchisee performance management;
- common cost centres across divisions that are not a differentiating factor in the consumer offering and that reduce costs to the division; and
- customer and franchisee satisfaction monitoring.

** LSM – "Living standards measure".*

	MANUFACTURING	LOGISTICS	FRANCHISING	RETAIL
VERTICAL INTERGRATION VALUE CHAIN	• Planning and forecasting • Quality assurance • Procurement	• Sourcing • Warehousing • Distribution	• Marketing and merchandise • Operational management • New site development • Property management	• Company-owned outlets located in metro areas and key sites
FOOD SEGMENT	• Commissioned a food manufacturing facility in late 2009 to supply selected lines to the division	• Currently outsourced to one national distributor. Managed by Taste for both brands across 8 depots	• Development and maintenance of intellectual property specific to each brand	• Ownership of stores is not a core strategy in the medium term
JEWELLERY SEGMENT	• Currently manufactures 40% of what NWJ stores sell	• Sources 60% of what stores sell and distributes 100% of what stores sell	• Development and maintenance of intellectual property specific to each brand	• Currently owns 23% of the outlets. Will consolidate ownership into 3 metro areas in future

Three-year strategic priorities

- Build food services division
- Grow store formats launched in 2010
- Acquisition of brands within current divisions
- Continue with revamp programme within the brands

INVESTMENT PROPOSITION

Taste's earnings are underpinned by great challenger brands trading across diverse categories, led by entrepreneurial people with established track records who are incentivised on both group and divisional performance. The group has strong growth levers, is underpinned by good-quality earnings and cash flows, has a record of good governance and disclosure, and a 10-year track record.

GREAT BRANDS	Underpinning the earnings are great brands – all challenger brands with demonstrated ability to grow organically; with large marketing funds; and led by entrepreneurial people.
DIVERSI-FICATION	All 3 brands target the broad and diverse LSM 6 – 10 consumer markets with a strong focus on value-for-money offerings. Furthermore, the group trades in 2 distinct product categories with similar consumers, routes to market and key success factors; across diverse store formats.
ENTREPRE-NEURIAL PEOPLE	The founding directors and divisional CEO's are all shareholders, and have all owned and grown businesses in the past. The average age of the board and Executive Committee is 52 and 46 years, respectively.
TRACK RECORD	Although the group has been listed for 5 years, the brands that underlie the business have a combined trading history of over 75 years. Scooters Pizza is 10 years old, Maxi's 17 years, NWJ is 27 years old and St Elmo's 23 years old.
GROWTH	The 5-year review highlights clearly the group's ability to grow organically and through acquisition. A 5-year annual compound growth rate in HEPS of 29% reflects the numerous growth levers. In the future, the vertical integration of the Food division.
CASH GENERATIVE	The predominantly franchise model in both divisions yields high levels of cash generation as well as the ability to grow with minimal capital expenditure due to franchisees funding new store growth.
A RECORD OF GOOD GOVERNANCE	The group has always had an independent non-executive Chairperson, and Audit and Remuneration Committees which are led by non-executive directors. Taste has a good record of disclosure and shareholder communication.

BILL DALY

CARLO GONZAGA

"Impossible is just a big word thrown around by small men who find it easier to live in the world they have been given than explore the power they have to change it. Impossible is not a fact; it is an opinion. Impossible is not a declaration; it is a dare. Impossible is potential. Impossible is temporary. Impossible is nothing." – *Muhammed Ali.*

3 cents

Maiden dividend

R506 million

System-wide sales of the food division

Overview

TEN years ago it would have been inconceivable to imagine the Taste Holdings group in the position it occupies today. This powerful, roller-coast journey has taken the company from one Scooters Pizza outlet in Westville, to a South African-based management group invested in a portfolio of mostly franchised, category specialist restaurant and retail brands represented in more than 320 locations nationally.

The pinnacle of our milestone decade-long experience is the shift to the JSE Limited main board, having used the AltX board listing for its intended purpose as a springboard to reach higher and achieve greater levels of success.

In the 10 years of delivering, Taste has achieved significant milestones and emerged from the worst recession in memory still producing sound shareholder growth. The group acquired the St Elmo's Woodfired Pizza brand and declared a maiden dividend in the year under review, while a glimpse at the 5-year compound average growth figures reflect the success of those labours.

Since 2006 compound average revenue has grown 62%, supported by a 47% average growth in operating profits; 26% in system-wide sales and 29% in headline earnings per share. During that time Taste has bolstered its store units from 120 to 329 to wholly express a national footprint worthy of recognition.

Divisional reviews

Food Franchise

The Taste Food division includes the Scooters, Maxi's and St Elmo's brands while also housing the new Food Services division that manufactures and distributes selected products to its food brands. The three brands target consumers in the broad middle-income market and are underpinned by strong value-for-money propositions; contemporary store designs and convenience through either service offerings or locations.

The division ended the year under review with 242 outlets and system-wide sales of R506 million (2010: R443 million). Although same-store sales were modest in the first half-year, these accelerated, especially in the Pizza division, with same-store sales growing 7.8%.

This trend has continued into the current year and we are constantly amazed at South Africa's appetite for and ability to accommodate new pizza outlets. Consequently, organic growth prospects are sound as Taste looks to new store locations and re-imaging existing ventures.

In this vein 19 Scooters outlets were revamped and, on average, now trade at double the brand's year-on-year sales. On a comparable basis operating profit in the Food Franchise division increased 15% to R19.8 million.

Maxi's and Scooters also piloted two combination stores in petroleum forecourts and the initial positive performance promotes pursuing this format into the future. Scooters also opened its first non-delivery outlet in a shopping mall, targeting the food-on-the-go market with paninis, salads and pizza slices. The success means the pilot will continue in the current year and the offering refined.

Drawing on its 23-year history, St Elmo's has been a Western Cape market leader and, in strategically reviewing its positioning, it will be possible to trade the brand geographically alongside Scooters. The store re-imaging began in June.

The acquisition last November consisted of franchise agreements for 40 pizza outlets; the associated St Elmo's trademarks and intellectual property; a food manufacturing and distribution facility with South African Bureau of Standards Hazard Analysis and Critical Control Point (HACCP) accreditation together with the recipes and associated intellectual property and certain tangible assets relating to the businesses such as stock, debtors and fixed assets.

While the brand's contribution to earnings was negligible in the year under review, due to transaction and once-off restructuring costs, its contribution in the forthcoming year will be material.

Food Services

Acquiring the St Elmo's sauce manufacturing facility increased the range of products that the Buon Gusto Food Services division, initially established in 2009, can manufacture. During the year the division manufactured a small portion of the goods basket for the food brands, but into the future focus will be on providing consistent and good quality products to franchisees while boosting the basket.

New capacity and capability was added towards the end of the year and by August 2011 the division will produce all sauce and spice requirements across the food brands and all pizza toppings, while continuing to pilot a warehousing and distribution depot in the Western Cape.

The HACCP accreditation ensures franchisees and customers the highest quality levels, since this is a food production, storage and distribution monitoring system to identify and control associated health hazards. The aim is to prevent contamination rather than end-product evaluation meaning that rather than rely on food inspectors to detect food safety problems, HACCP shifts the responsibility to food producers to ensure products can be safely consumed.

In the year under review the division did not make any sauces, dough pre-mixes or spices for Maxi's or Scooters Pizza, nor pizza toppings for St Elmo's. As such the focus in the coming year will be to manufacture all these products for all the brands in the Food division.

Jewellery

In becoming South Africa's third-largest jewellery chain by store numbers and system-wide sales with 87 outlets nationally, NWJ has reiterated the benefits of the franchising model as well as being vertically integrated. Current average advertising spend on a per store basis is still almost twice that of its competitors, while independent research conducted by Freshly Ground Insight Africa has shown consumers perceive NWJ to offer best value with sound quality. This perception is further reinforced in our shift to 3rd position within our market.

As the country's only vertically integrated franchise jewellery chain, NWJ owns and operates around 23% of the total outlets; manufactures around 40% of the products sold by outlets; and sources, warehouses and distributes all items sold by the brand.

This model provides in-house innovation capacity, fast routes to market and reduced franchisee input costs via purchasing economies of scale. Another benefit of owning the manufacturing facility is that slow-moving or returned stock can be either reworked with negligible yield loss or transferred to other locations where known demand exists for that item.

St Elmo's WOODFIRED PIZZA

Having 2 differentiated pizza brands exposes us to the fast growing pizza segment

500 000lt

The annualised quantity of sauce produced by our HACCP accredited sauce plant

Buon Gusto food services

The branded Food Services division is a key growth driver in the next 3 years

3rd

NWJ became the 3rd largest jewellery chain in SA

-8%

The reduction in stock days at NWJ due to the efficiencies of an integrated IT system.

During the year under review operating profit rose 11% to R24.2 million with an unchanged 14% profit margin. The 2nd half-year was particularly robust with operating profit rising 21% on comparable prior-year figures, while the Franchise and Wholesale division increased operating profit 29% on the back of a 13% revenue increase.

The operating margin increase to 14.9% (2010: 12.9%) came from lower nominal divisional costs and higher gross profit margins. The demand for silver grew as consumers sought value. Silver carries higher gross margins and increased transactions at store level, thus boosting the units manufactured and distributed.

In the past 2 years consumer purchasing patterns have remained unpredictable and although operating profit declined 14% in the Retail division, the 2nd half-year saw operating profit climb 6% over the comparable period.

This translated into the 2nd half-year operating profit being nearly 4 times greater than what was achieved in the interim period.

System-wide sales increased 4.5% to R243 million despite same-store sales dropping 2.6% for the year. However, the second half-year saw the same-store sales improvement only reflect a 1.4% decline.

NWJ developed 10 new outlets during the year and did not renew lease options on 2 others. The division also piloted 2 concession opportunities that have subsequently been discontinued.

Management continued the brand repositioning begun in 2009 and currently has 17 outlets in the new image with another 12 revamps planned in the current year. Year-on-year sales increases in the revamped stores presently exceed 12%, once again reinforcing the need to constantly evolve the brand image to remain relevant to an ever-changing consumer base.

NWJ won The Daily News Readers' Choice Best Place to Buy Jewellery Award and increased its advertising spend for the 4th consecutive year, marking it as the second-largest category advertiser.

More recently the brand has experienced an upward trend in spend per transaction from the low levels experienced in 2009 and 2010. The result is that same-store sales at corporate stores rose 11% for the 4 months since January 2011.

Group overview

Taste works hard on branding the divisions in line with the appropriate markets. Despite the continued financial pressure facing consumers during the year under review, Taste boosted system-wide sales 11% to exceed R750 million for the first time. It was a year in which the group acquired St Elmo's; shifted NWJ into the number 3 position and made substantial strides in its strategy for vertically integrating the Food division.

Consequently, group revenue rose 17% to R234 million and despite the slightly lower comparable gross profits due to the increased weighting of the Food Manufacturing division, the operating profit margin remained largely unchanged.

The food segment contributed R18.4 million (increase on the corresponding period: 42%) towards the R34.1 million revenue increase, while jewellery contributed R15.7 million (10%).

Headline earnings rose 15% to R18.2 million, translating at the per share level to 10.7 cents. It was thus with pleasure the group announced a maiden 3 cents dividend a decade after the inception of Scooters, the Taste founding entity. The conservative 3.6 times dividend cover takes into account our strategy to grow via acquisitions as well as organically and the directors firmly believe this is sustainable in the future given the group's cash-generative business model.

The operating costs include several non-recurring and non-comparable costs. Group operating costs excluding these costs rose 13.3% to R90.2 million while the operating profit margin increased to 13.9% (2010: 13.5%).

Highlighting the group's management of costs, costs as a percentage of revenue declined to 39% (2010: 40%).

Appreciation

The year under review saw bold steps taken against the vertical integration strategies as well as our brand portfolio strategy. These steps were taken against the backdrop of the worst recession in history. The courage of team members and the board have been invaluable during the last few years and for this we are truly appreciative. Similarly the tenacity and spirit of our franchisees and network partners have been contagious and we hope to continue to repay this through supporting the growth of your businesses. The group has enormously talented individuals within its ranks and their leadership contribution that they have made has been invaluable. With these franchisees and team members we are certain to stand tall to the future challenges and opportunities that will come our way.

Prospects

Scooters, Maxi's, St Elmo's and NWJ are each strong brand challengers, specifically number 2 or 3 within their markets. Each is in an early phase repositioning and thus have strong medium term drivers for both system-wide and same-store sales growth.

While current sales trends are positive and may indicate that 2 years of lowered interest rates may finally have created some headroom for cash-strapped consumers, the group is cautious as spending patterns remain unpredictable, particularly in the jewellery segment.

Opportunities within the Food Services division will unlock substantial value within the supply chain, while the annualisation of the St Elmo's acquisition, coupled with the absence of once-off costs, will contribute materially to the Food Franchise division.

Taste remains committed to being a diversified southern African retail and restaurant brand franchisor. The group will continue assessing strategic opportunities with the short-term focus being organically growing the Jewellery division; growing its portfolio of brands and increasing the contribution from the Food Services division.

In the medium term we boldly aim to double our earnings by February 2014.

Bill Daly
Chairman

Carlo Gonzaga
Chief Executive Officer

1.1

Target ratio of cash generated to EBITDA

E^{2}3

We aim to double our earnings by February 2014

SUSTAINABILITY REPORT

We firmly believe franchising is social responsibility at work every day. Entrepreneurship is a vital underpin to sustainable economic growth through the transfer of skills and job creation.

Introduction

Franchising is sustainable responsibility operating within our society every day. By providing the support infrastructure from which franchisees can build their businesses, create employment and transfer skills, franchising generally and Taste specifically is advancing the goals and soul inherent in the Department of Trade and Industry's broad-based black economic empowerment guidelines particularly in line with the measures for skills development and enterprise development.

It is the platform from which best practices can be implemented because in the current business environment it is too easy for sustainability and adherence to the King Report on Corporate Governance (King III) to just become a tick-box exercise that is more about form than substance.

The Taste directors believe our heart is in being good corporate citizens and thus do not believe in shying away from vital company reporting on sustainability or in applying notions that translate into little more than window-dressing.

King III is an "apply or explain" basis meaning companies must apply the principles in the report unless the board believes application of a principle will not be in the company's best interests. If a principle is not applied, or applied differently, the reasons must be explained.

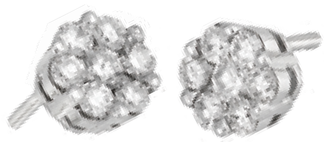
King III states that the board issue an integrated report on its economic, social and environmental performance annually that contains adequate information on the company's operations, the sustainability issues pertinent to its business, the financial results and the results of its operations and cash flows.

It further states the integrated reporting be focused on substance over form and disclose information that is complete, timely, relevant, accurate, honest and accessible and comparable with past performance. Forward-looking information must also be released.

These are all issues to which Taste holds value and to which the directors have a role to play in adhering to these commitments.

Franchising is built on skills transfer and the model's sustainability depends on the financial success of its franchisees. At its core,

Innovation and branding is at the heart of our jewellery business. Whether it be our Sterling range of gents watches; our Latan range of ladies watches or our Christmas catalogue, building and maintaining brand equity is key to our mission. Innovations such as these rings are what make quality, designer jewellery affordable to an ever-increasing pool of South African consumers.



franchising aligns the goals and spirit of sustainable development in the South African context with the business goals of a franchisor and shareholders.

Consequently Taste will be bound to balancing the demands and expectations of a growing number of stakeholders in reporting on the impact its goods and services has on those stakeholders. It is thus bearing in mind these responsibilities that Taste focuses on two areas, namely reducing our energy consumption and carbon footprint and developing leaders across South Africa as ours is a country crying out for skills.

Progress to date

Reducing our energy consumption and carbon footprint

Why it is a priority
Taste uses energy in its outlets to cook and/or prepare food and to manufacture jewellery. The forecast increases in the cost of electricity will affect franchisee and business profitability.

Targets
The group has targeted to reduce electricity consumption in our Food division's outlets by 20% over the next 2 years using 2009 as the base year.

Progress
Establishing an accurate baseline measure depends on the accuracy of the municipal billing systems and accurately measuring energy consumptions across more than 250 outlets has proved challenging. Despite the hurdles, we have implemented several measures to reduce consumption in existing and new outlets and standard installations now include:

- replacing halogen lights with LED lamps that consume only 6% of the former's energy;
- replacing air-conditioning units with evaporative coolers that consume only 20% of the former's energy;
- installing geyser and external signage timers to more than halve energy consumption; and
- using imported energy-efficient ovens in new pizza outlets.

Leadership development

Why it is a priority
Developing the appropriate skills to deliver a profitable future strategy is an imperative. Developing a pipeline for future business unit leaders is similarly a priority.

Targets we have set
These include:

- establishing appropriate structures to match the strategy;
- aligning incentives across the divisions for middle and senior management; and
- aligning performance and development management across the divisions.

Progress made so far
Taste has made significant progress in line with its goal for developing South African leadership skills including:

- conducting individual assessments on 32 senior managers and implementing coaching interventions in each case;
- instigating employee personal development plans;
- canvassing more than 150 employees to assess the company-wide strength and weaknesses;
- implementing an in-house Finance for Non-financial Managers course in Johannesburg and Cape Town for 25 managers;
- ensuring the alignment of incentives to strategy as a priority across all layers of employees; and
- establishing a share incentive scheme for executive committee members.

Engaging with stakeholders

Taste has more than 700 shareholders, the bulk of whom are South African, and management is proud of its open-door policy towards shareholders, stakeholders and the media. The contact details and cellular telephone numbers of senior executives are widely distributed via the company website www.tasteholdings.co.za while formal investor presentations are held annually in Johannesburg and Cape Town to coincide with results releases. The CEO and Financial Director make themselves available for both telephonic and in-person interactions with shareholders.

We similarly participate in showcases arranged by the JSE Limited and various other institutions believing that in actively engaging with shareholders and stakeholders through the normal course of our business, we gain a better understanding of their expectations and our impact on them.

Employees

Taste directly employs 370 people, recognising our responsibility to enable them to develop as individuals and contributors to the organisation. The group CEO presents the group strategy and results to all employees twice annually to coincide with the results releases. *The Taste Times*, the quarterly newsletter contains both easily understandable descriptions of the group financial results as well as rationale and reinforcement of group strategy. This is circulated to all employees and franchisees.

Franchisees

Each division has its own specific means of interaction with franchisees, but all share the common practice across the divisions. Each division:

- conducts regular franchisee meetings throughout the year;
- conducts a satisfaction survey among its franchisees;
- provides focused training to existing franchisees;
- has a franchisee marketing council and franchisee representative council;
- annually presents awards to high performance-franchisees; and
- circulates the quarterly Taste newsletter to all franchisees and managers.

Customers

Taste is premised on being a pillar of business success, understanding and in meeting or exceeding our customer expectations. To this end the divisions:

- undertake customer satisfaction surveys;
- have in-house customer care representatives to deal with customer dissatisfaction; and
- outsource research to assess the relevance of products and services as well as brand perception.

Suppliers

Taste continues forging strong relationships with its suppliers, recognising the interdependence of each other on business success. We manage supplier performance based on on-time delivery; delivery against specifications and price consistency as well as adhering to audits to ensure compliance with the latest best practice. To ensure sustainable relationships, the group prefers to adopt a transparent pricing policy to enable mutual understanding of key drivers of price, availability and quality. While there is a preference for local suppliers, the group does directly import certain input products into its Manufacturing divisions.

Media

The group makes itself wholly accessible to the media, recognising the value the 4th estate plays in reporting on issues in society and the importance of ensuring they have a balanced business view. The CEO and Financial Director present directly to media at the same time as they present to shareholders.

Human capital

Total group

	Male								Female								Total SA workforce	% black representation	% female black representation
	Abled				Disabled				Abled				Disabled						
	African	Coloured	Indian	White	African	Coloured	Indian	White	African	Coloured	Indian	White	African	Coloured	Indian	White			
Senior and top management			1	16				1			5	10					33	18	15
Middle management	6	3	2	24					6	7	7	23					78	40	26
Junior management	3	1	2						5	2	1	9					23	61	35
Semi and unskilled	32	13	11	6					84	24	34	32					236	84	60
Total permanent workforce	41	17	16	46				1	95	33	47	74					370	67	47

In line with our commitment to skills development and transfer, 67% of the total permanent Taste employees are black and 47% are female. At the senior and middle management level 33% are black and 23% are black female.

Group franchisees

	Male								Female								Total	% black representation	% female black representation
	Abled				Disabled				Abled				Disabled						
	African	Coloured	Indian	White	African	Coloured	Indian	White	African	Coloured	Indian	White	African	Coloured	Indian	White			
Grand total	8	10	47	177				1	8	2	27	63					343	30	11

Among franchisees, nearly 30% are black and 11% are female.

During 2010 Taste formalized a management and leadership development programme to adequately prepare employees for promotions and to meet their responsibilities. This programme reports directly to the Remuneration and Nominations Committee.

Corporate governance

Taste is committed to complying with the highest standards of corporate governance to safeguard the group's interests and that of its shareholders and stakeholders. Equally, we understand good governance assists shareholders assess the quality of the group and its management and supports investors in their decision-making process.

The group endorses King III and embraces the principles of integrity, transparency and accountability. Consequently, the directors believe we have complied with the spirit of King III as well as the specific regulations set out in the JSE Limited Listings Requirements during the accounting period.

Governance structures and processes are reviewed regularly to accommodate changes in the group and best practices in the corporate governance field. In this vein King III states companies present a truly integrated report as a single document to which Taste has complied.

Board of directors

The board sets the company's overall policy and provides guidance and input on strategic direction, planning, acquisitions, performance management, resource allocation, key appointments and standards of conduct and shareholder communication. The board met 4 times during the year, 3 of which were board meetings and 1 dedicated to group strategy, where divisional executives present and discuss their strategies.

Currently the board comprises 5 non-executive directors (3 of whom are classified as independent, Kevin Utian, Bill Daly and Anthony Berman), 4 executive directors and an independent non-executive chairman. Independent non-executive directors chair the Audit and Risk Committee and Remuneration and Nominations Committee. Each year all non-executive directors apply their mind to their independence and complete an independence test.

In addition to the board meetings, the whole executive participates in an annual 2-day strategic planning session incorporating operations, financial performance, risk and capital expenditure, human resources and environmental management.

The whole board is responsible for new appointments and the current policy ensures the process is conducted in a formal and transparent manner. Non-executive directors are independent of management and free to conclude their own decisions and judgements. Their only benefits from the company are their fees and potential capital gains and dividends on their interests in ordinary shares.

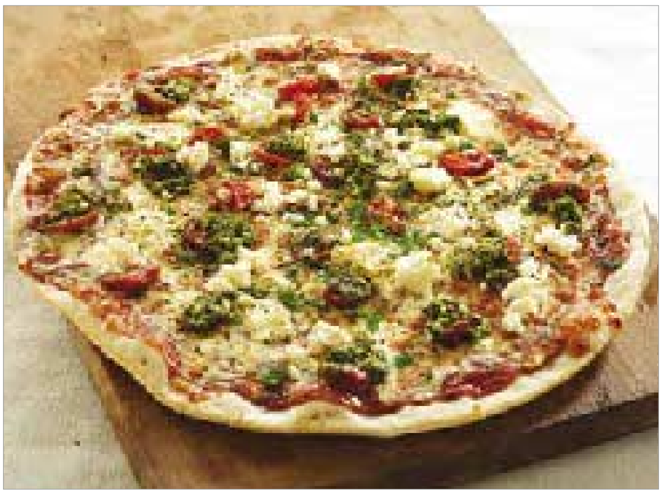
Executive directors are employed under normal employment contracts with notice periods of 3 or more months and appropriate restraints of trade. Retirement of non-executives is by rotation annually with every non-executive being part of the rotation pool. The board retains full and effective control of the company and comprehensive board packs, including minutes of the previous meetings, a detailed agenda and relevant proposals and information, are distributed timeously to directors to ensure effective decision-making. The CEO and Financial Director meet all non-executive directors individually prior to board meetings to discuss the agenda and pre-circulated board packs.

Directors unable to attend meetings are expected to provide feedback on circulated documentation before the meeting such that this commentary can be incorporated into the discussions. This ensures the group still receives the benefit of the absentee's knowledge.

While the board has not conducted annual appraisals, on itself, it has done so previously. In future the board and its committees will conduct annual appraisals.

Taste believes the division of responsibility between the Chairman and Chief Executive Officer (CEO) ensures a balance of authority

At the heart of our food business is great tasting, indulgent food. Whether it be the signature square patty in the Maxi's hamburger; the up-market avocado and salmon pizza from St Elmo's; or the decadent Meat Extreme deep pan from Scooters, all our products are served with passion on the side. Innovative products like the Scooters Panini attract new customers and keep existing customers excited about our brands.



and power without enabling a single individual to have unrestricted decision-making command. The group adopts a decentralised approach to managing and controlling the business and implementation is monitored through structured reporting channels. The regular board meeting reporting and ongoing communications ensure the directors remain informed.

	Board	Audit and Risk	Remuneration and Nominations
Number of meetings	**3**	**2**	**1**
Ramsay L'Amy Daly	2		1
Carlo Gonzaga	3		
Duncan Crosson	3		
Luigi Gonzaga	3		
Hylton Rabinowitz – appointed 1 August 2008	3		
Jay Currie	3	2	1
Kevin Utian	2		1
Anthony Berman – appointed 1 April 2009	3	2	1
Evan Tsatsarolakis – appointed 1 September 2009	3		
Attendance by invitation			
Designated adviser	3	2	
Carlo Gonzaga		2	1
Evan Tsatsarolakis		2	

Board committees

The directors have delegated specific responsibilities to sub-committees to assist the board discharge its duties. Each committee has a clear mandate and the directors confirm the committees have functioned according to these written terms of reference throughout the year.

Remuneration and Nomination Committee

Bill Daly (*Independent non-executive Chairman*)
Kevin Utian (*Independent non-executive*)
Jay Currie (*Non-executive*)
Anthony Berman (*Independent non-executive*)

The Remuneration and Nominations Committee has as its function the remuneration of senior executives; members of the Executive Committee; members of the Divisional Management Committees; as well as the broader remuneration policy for every employee. This policy is based on the premise that fair and competitive remuneration must motivate individual achievement and enhance the company's general performance. This is achieved by combining fixed and performance-enhancing incentives to attract and retain competent and experienced employees.

The committee meets annually and although the CEO attends this meeting by invitation, he cannot vote and does not participate in discussions concerning his remuneration.

Base pay for executive directors and senior management is benchmarked every two years against direct industry peers, comparable companies, and 1 salary survey specialist with regard given to revenue, profit and employees under that person's control. Where no adjustment is due, changes are based on the consumer price index. The base pay policy is to pay at 10% below the medium of the salary surveys as provided by an external salary survey specialist. During the year no payments were made to directors; Executive Committee Members or Management Committee members that were *ex gratia*. Furthermore, none of the employees in the abovementioned committees received a salary above the medium.

Short-term cash bonuses payable on achieving audited profit before tax growth targets over the previous year incentivise Executive Committee members. In aligning management and shareholder interests and implementing a tangible retention mechanism, a share incentive scheme was initiated and accepted in May 2010, the details of which include:

- a 43 cents strike price calculated as per the provisions of the Taste Holdings Trust Deed and representing the 30-day volume weighted average traded price on the grant day, namely 6 May 2010;
- a performance hurdle for the shares to vest requires a 25% increase in headline earnings per share over the previous year;
- options divided into 3 tranches whereby the vesting of the 1st tranche will be triggered by the 1st achievement, tranche 2 by the 2nd achievement, and tranche 3 by the 3rd achievement by Taste of a 25% increase in headline earnings per share in any 3 financial years from 2011 to 2015;
- once a tranche vesting is triggered, the executive may only exercise the options over a 3-year period;
- that the options be exercised within 5 years of the vesting being triggered; and
- that should the executive leave the company's employ, they forfeit their remaining options.

During the year under review no tranche was triggered as the headline earnings hurdle was not achieved. Information on the maximum dilution is contained in note 39 on page 76. Detail on the remuneration of directors is contained in note 35 on page 70. While King III recommends that remuneration of the 3 most highly paid employees that are not directors be disclosed, the committee is of the opinion that such information is highly competitive given the lack of retail and franchise skills in South Africa.

During the year under review Mr Hylton Rabinowitz resigned from an executive position at NWJ and as such became a non-executive director of the board. While the board is cognisant of a lack of diversity in its membership, it is of the opinion that the skills and experience of the current board members are aligned with both the group strategy as well as shareholder interest.

The Remuneration Committee's primary functions are to:

- establish a formal and transparent procedure for developing a policy on executive remuneration;
- determine remuneration for executive directors and senior management;
- propose fees for non-executive directors;
- assess and review remuneration policies, employee share incentive schemes, performance bonuses and service contracts; and
- determine the awarding of shares to executives and staff.

The Nominations Committee's primary functions are to:

- identify and nominate qualified board candidates;
- ensure the board has an appropriate balance of skills, experience and diversity;

- advise on the board's composition to ensure a balance between executive and non-executive directors; and
- ensure effective succession planning for senior management.

Audit and Risk Committee

Anthony Berman (*Independent non-executive chairman, member since 1 April 2009*)

Jay Currie (*Non-executive, member since 1 June 2006*)

The Audit Committee, which meets at least biannually and comprises 2 non-executive directors, 1 of which is independent, assists the board by performing an objective and independent review of Taste's finance and accounting controls. While the committee composition does not currently conform to King III, a 3rd independent non-executive director will be appointed in the coming year. The company maintains the accounting and administrative control systems required for the current operational levels, however, the committee's mandate involves reviewing and monitoring the:

- effectiveness of the group's information systems and other internal control systems;
- effectiveness of the internal audit function;
- reports of external and internal auditors;
- the annual report, specifically the annual financial statements therein;
- the group's accounting policies and any proposed revisions;
- external audit findings, reports and fees and their approvals; and
- compliance with applicable legislation and regulatory requirements.

The committee also sets principles for recommending the external auditors for non-audit services. The internal and external auditors have unrestricted access to the committee and its chairman to ensure their independence is not impaired.

The directors are satisfied that an adequate system of internal control was in place during the year under review and until the annual report is approved.

The Risk Committee reports annually to the board and is tasked with ensuring major risks are formally identified and managed. The CEO and Financial Director regularly assess risk to the group according to agreed principles.

In line with King III the directors recognise the single biggest risk to Taste remains the reputational risk to its brands whereby modern communication facilities mean news travels swiftly and widely.

Hence, in minimising this risk the group believes in training store management in crisis management and media interaction. Taste also employs independent public relations agencies to facilitate media communication, specifically in crisis times, to minimise reputational risk and damage. However, in preventing any potential crisis from arising, the group carries out extensive annual audits on its suppliers and has secured a South African Bureau of Standards Hazard Analysis and Critical Control Point (HACCP) accreditation for its own manufacturing facility. Additionally random samples of food products are test monthly against specification.

The HACCP accreditation ensures franchisees and customers the highest quality levels, since this is a food production, storage and distribution monitoring system to identify and control associated health hazards. The aim is to prevent contamination rather than end-product evaluation meaning that rather than rely on food inspectors to detect food safety problems, HACCP shifts the responsibility to food producers to ensure products can be safely consumed.

Another inherent risk within Taste is ensuring the group has sufficient business leaders in line with its proposed growth forecasts. Consequently management is taking the necessary measures to accommodate the human capital requirements and it is in this context that the directors have recognised leadership development as a focal point in terms of its sustainability.

There is also the long-term risk that the continued raw material cost increases will render franchisees unprofitable, specifically in terms of their utility costs of water and electricity. Franchisee profitability impacts on store growth and company revenue and must thus be underpinned as a key risk. Consequently, this is the 2nd leg of the group's sustainability focus and the driver behind initiatives to reduce energy consumption and Taste's carbon footprint.

Management Committees

The group has 2 levels of Operating Committees, the Executive Committee and Divisional Management Committees. The Executive Committee is chaired by the CEO and has as its members the 4 executive directors, the 2 divisional CEO's and 3 functional Managing Directors. The committee meets monthly and ensures the translation of the group strategy into an operational framework. It manages the group human capital strategy and ensures that divisional strategies are being executed.

The Management Committees are chaired by each of the divisional CEO's and have as its member's middle management within that division as well as the group CEO and Financial Director. These committees meet monthly, are operationally focused and all members are incentivised on key measurables that contribute to the group objectives.

Company Secretary

The group is satisfied that company secretarial functions have been carried out adequately in the past. In future this function will be outsourced to a specialist service provider.

Sustainable development

Sustainability remains a cornerstone of the group as our existence depends on the services provided to franchisees that consequently enable us to build lasting businesses, create employment and support communities. Given our sound belief that entrepreneurship is vital to economic growth and development, Taste will continue focusing on entrepreneurial support and enhancing the multiplier effect generated by job creation in this segment.

Management is guided by both King III and the accepted international benchmark of the Global Reporting Initiative (GRI) and United Nations Global Compact that ensure our approach is appropriate and comprehensive.

Code of ethics

Taste adheres to the stringent Franchise Association of South Africa code of ethics that commits employees to high standards of integrity, behaviour, good faith and accountability in dealing with stakeholders. The group actively promotes employee education and training on the King III implications and corporate governance principles and also invests in educating employees on the specifics of being a listed entity. This includes education around closed periods and the principles of shares traded on a stock exchange.

Although not a requirement, all Executive Committee members have attended the Wits Business School directors' induction programme. During the course of the forthcoming year, selected middle managers, senior accounting staff and employees exposed to the listed environment will also attend.

Consequently, the directors are satisfied that no material breaches of ethical behaviour have occurred during the year under review and confirm the group continues complying with the highest standards of business and ethical practice.

GIVING BACK

Taste Holdings' corporate social responsibility activities focus on establishing social infrastructure and contributing to the upliftment of children with life-threatening diseases.

Just Footprints Foundation, an organisation which supports charities such as CHOC, Reach for a Dream, Cotlands and Ithemba Trust, provides a unique opportunity for the children to experience an amazing life-changing adventure, learn new skills, develop confidence and

Our various brands support a wide spectrum of charity events such as:

St Elmo's Woodfired Pizza

- Hout Bay Valley School sandcastle competition
- Houtbay International School soccer jersey sponsorship (photo)
- Kronendal Hout Bay waste day
- Rubbels recycle workshop
- Nazareth House aids orphans

Scooters Pizza

We deliver. Hot. Tasty. Fast

- The Smile Foundation for corrective surgery in Bloemfontein
- Oosterland Youth Centre
- The KZN Scooter Rally
- JFF Camp participant

enhance their self-esteem in a supportive 'fun' camp environment. A place where physical risks are managed appropriately and participants are cared for emotionally.

Our 1st camp (photo) was held in November 2010, and we are looking forward to 2 camps to be hosted in September and November 2011.

Maxi's

- Gateway School for Disabled
- Thandanani School event (Harrismith)
- Walk for Life event
- Guardian Angels
- Donations to various schools and old age homes
- JFF camp participant

NWJ Jewellery

- Westville – 5-a-side soccer
- Whizz Kids
- Helen Hitchcock Cochlear Implant Trust
- KZN Cerebral Palsy Association
- Immanuel Church – babies' home
- CHOC
- JFF Camp participant

ANNUAL FINANCIAL

STATEMENTS

CONTENTS

DIRECTORS' RESPONSIBILITY AND APPROVAL

for the year ended February 2011

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company and group as at the end of the financial year and the results of their operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and group and all employees are required to maintain the highest ethical standards in ensuring the company and group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company and group is on identifying, assessing, managing and monitoring all known forms of risk across the company and group. While operating risk cannot be fully eliminated, the company and group endeavour to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the annual financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash-flow forecast for the year to 28 February 2011 and, in the light of this review and the current financial position, they are satisfied that the group has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

Although the board of directors is primarily responsible for the financial affairs of the company and group, they are supported by the group's external auditors.

The external auditors are responsible for independently reviewing and reporting on the group's annual financial statements. The annual financial statements have been examined by the group's external auditors and their report is presented on page 29.

The annual financial statements set out on pages 28 to 77, which have been prepared on the going-concern basis, were approved by the board of directors on 1 July 2011 and were signed on its behalf by:

Ramsay L'Amy Daly
Non-executive Chairman

Carlo Ferdinando Gonzaga
Chief Executive Officer

Frankenwald

1 July 2011

DECLARATION BY COMPANY SECRETARY

The Company Secretary certifies that the company has lodged with the Registrar of Companies all such returns as are required of a public company, in terms of the Companies Act, No 61 of 1973, and that all such returns are true, correct and up to date.

Evangelos Tsatsarolakis
Company Secretary

Frankenwald

1 July 2011

To the shareholders of Taste Holdings Limited

We have audited the accompanying group annual financial statements and annual financial statements of Taste Holdings Limited, which comprise the directors' report, the consolidated and separate statement of financial position as at 28 February 2011, the consolidated and separate statement of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 28 to 77.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the annual financial statements.

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

Opinion

In our opinion, the annual financial statements and group financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and of the company as of 28 February 2011, and of their consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditors
Chartered Accountants (SA)

Per: Stephen Shaw

1 July 2011

13 Wellington Road
Parktown
2193

The directors have pleasure in submitting their report which forms part of the audited financial statements of the company and of the group for the year ended 28 February 2011.

Nature of business

Taste Holdings Limited is a South African-based management group listed on the Alternative Exchange (Alt^X) of the JSE. The group is invested in a portfolio of mostly franchised, category specialist restaurant and retail brands, represented in over 320 locations throughout South Africa. The company's subsidiaries are consumer brand holding companies engaged in the franchising of consumer-branded trademarks and ownership of retail stores. The company is involved in the establishment of new business, marketing and advertising of the brands and the operational control of the franchised outlets to ensure consistency and compliance across the chains. Its brand portfolio includes Scooters Pizza, Maxis, St Elmo's and NWJ (Natal Wholesale Jewellers). The company also manufactures and supplies jewellery and selected food items to its jewellery and food brands respectively.

Financial statements and results

The company's and group's results and financial position are reflected in the financial statements on pages 33 to 77. On 1 November 2010, a subsidiary of the company acquired St Elmo's for R9.5 million. The acquisition consisted of franchise agreements, intellectual property, trademarks, a food manufacturing facility and certain tangible assets. Details of the transaction are reflected in note 22 of the financial statements.

Events subsequent to year-end

The directors are not aware of any significant events that have occurred between the end of the financial year and the date of this report that may materially affect the results of the company and the group for the period under review or their financial position at 28 February 2011.

Authorised and issued share capital

The authorised and issued share capital of the company remained unchanged for the year ended 28 February 2011, details of which are set out in note 15 of the annual financial statements.

Staff share option scheme

Details are reflected in note 34 of the financial statements.

Borrowings

In terms of the articles of association of the company, the directors may exercise all powers of the company to borrow money, as they consider appropriate.

Dividends

The directors declared a maiden dividend of 3.0 cents per ordinary share, to be paid on 11 July 2011 to ordinary shareholders recorded in the company's register at the close of business on 8 July 2011. As this dividend was declared after the reporting date, it will only be accounted for in the 2012 financial year.

Directors

The directors of the company during the year and to the date of this report are as follows:

Name	Nationality
Carlo Ferdinando Gonzaga	South African
Duncan John Crosson	South African
Jay Bayne Currie	South African
Kevin Utian	South African
Hylton Rabinowitz	South African
Luigi Gonzaga	South African
Ramsay L'Amy Daly (Bill)	South African
Anthony Berman	South African
Evangelos Tsatsarolakis	South African

In terms of the company's articles of association, Anthony Berman and Jay Currie retire at the forthcoming annual general meeting. These gentlemen, both being eligible, offer themselves for re-election. Service agreements with the directors of Taste Holdings Limited at the date hereof do not impose any abnormal notice periods on the company.

Shareholders will be asked to confirm these re-appointments at the forthcoming annual general meeting.

Secretary

The secretary of the company is Evangelos Tsatsarolakis of:

Business address	12 Gemini Street Linbro Business Park Frankenwald 2065
Postal address	PO Box 78333 Sandton City 2146

Subsidiaries

Details of the company's subsidiary companies are contained in note 6 of the financial statements. The company had an interest in its subsidiaries' aggregate profit after taxation of R19 523 293 (2010: R17 905 706) and in their losses after taxation of R55 643 (2010: R377 863).

Special resolutions

At a general meeting of the shareholders on 16 August 2010 the following resolution was passed:

– General authority to directors to acquire the company's shares.

Directors' responsibility

The responsibility of the company's directors are detailed on page 28 of this report.

Directors' interests

No contracts in which directors or officers of the company or group had an interest and that significantly affected the affairs or business of the company or any of its subsidiaries were entered into during the year.

Director	Number of shares held Beneficially direct	Beneficially indirect	Total	%
At 28 February 2011				
Carlo Gonzaga and associates		**8 085 000**	**8 085 000**	**4.70**
Duncan Crosson	**5 393 082**		**5 393 082**	**3.14**
Luigi Gonzaga and associates		**5 461 291**	**5 461 291**	**3.18**
Ramsay L'Amy Daly (Bill) and associates		**4 662 909**	**4 662 909**	**2.71**
Jay Currie	**10 661 768**		**10 661 768**	**6.20**
Hylton Rabinowitz	**29 669 953**		**29 669 953**	**17.26**
Anthony Berman	**1 200 000**		**1 200 000**	**0.70**
	46 924 803	**18 209 200**	**65 134 003**	**37.89**
At 28 February 2010				
Carlo Gonzaga and associates		9 215 750	9 125 750	5.36
Duncan Crosson	5 393 082		5 393 082	3.14
Luigi Gonzaga and associates		6 483 791	6 483 791	3.77
Ramsay L'Amy Daly (Bill) and associates		4 662 909	4 662 909	2.71
Jay Currie	10 661 768		10 661 768	6.20
Hylton Rabinowitz	31 219 953		31 219 953	18.16
Anthony Berman	1 000 000		1 000 000	0.58
David Buxton – resigned 30 June 2009	2 680 000		2 680 000	1.56
	50 954 803	20 362 450	71 317 253	41.48

Subsequent to year-end, on 24 and 25 May 2011, Carlo Gonzaga and associates purchased 100 000 shares, Luigi Gonzaga and associates purchased 100 000 shares and Evangelos Tsatsarolakis (executive director) purchased 135 160 shares.

Corporate governance and sustainability

The corporate governance and sustainability report is set out on pages 18 to 23.

Shareholder spread

Details of the company's shareholder spread are recorded on page 77.

Ramsay L'Amy Daly
Non-executive Chairman

Carlo Ferdinando Gonzaga
Chief Executive Officer

REPORT BY AUDIT COMMITTEE

for the year ended February 2011

The composition of the Audit Committee is in line with the provisions of the Companies Act and is chaired by Anthony Berman. During the financial year ended, in addition to the duties set out on page 23 of the corporate governance report, the Audit Committee carried out its functions as follows:

- Nominated the appointment of BDO South Africa Incorporated (BDO) as the registered independent auditor after satisfying itself through enquiry that BDO is independent as defined in terms of the Companies Act.
- Determined the fees to be paid to BDO and their terms of engagement.
- Ensured that the appointment of BDO complied with the Companies Act and any other legislation relating to the appointment of auditors.
- Reviewed the nature of non-audit services provided by the external auditors in order to ensure that the fees for such services do not become so significant as to call to question their independence. BDO provides non-audit services to the company and the Audit Committee has pre-approved the contract for tax administration by BDO.

The Audit Committee has satisfied itself through enquiry that BDO and Mr Stephen Shaw, the designated auditor, are independent of the company.

The Audit Committee has considered and satisfied itself of the appropriateness of the expertise and experience of the Financial Director, Evangelos Tsatsarolakis, and is unanimously satisfied of his continuing suitability for the position.

The Audit Committee recommended the financial statements for the year ended 28 February 2011 for approval to the board. The board has subsequently approved the financial statements which will be open for discussion at the forthcoming annual general meeting.

Anthony Berman
Chairman – Audit and Risk Committee

Frankenwald

1 July 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	**11 813**	11 649	**322**	359
Intangible assets	5	**67 570**	64 366	**–**	–
Investments in subsidiaries	6	**–**	–	**121 058**	121 058
Deferred tax	10	**995**	1 370	**425**	273
Goodwill	5	**18 654**	16 321	**–**	–
Other financial assets	9	**1 000**	–	**–**	–
		100 032	93 706	**121 805**	121 690
Non-current assets held for sale	8	**1 749**	5 324	**–**	–
Current assets					
Inventories	12	**62 221**	55 096	**–**	–
Loans to group companies	7	**–**	–	**21 054**	19 833
Other financial assets	9	**3 247**	202	**1 150**	–
Advertising levies	11	**755**	3 524	**–**	–
Trade and other receivables	13	**33 493**	19 585	**268**	313
Taxation		**1 933**	4 191	**–**	–
Cash and cash equivalents	14	**13 054**	7 078	**10 587**	5 766
		114 703	89 676	**33 059**	25 912
Total assets		**216 484**	188 706	**154 864**	147 602
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of parent					
Share capital	15	**43 143**	43 143	**54 626**	54 626
Retained earnings		**75 196**	57 159	**20 559**	21 000
Share option reserve	34	**176**	–	**176**	–
		118 515	100 302	**75 361**	75 626
Liabilities					
Non-current liabilities					
Long-term employee benefits	16	**429**	606	**429**	606
Borrowings	17	**30 071**	30 509	**–**	–
Deferred tax	10	**16 415**	16 854	**–**	–
		46 915	47 969	**429**	606
Current liabilities					
Loans from group companies	7	**–**	–	**76 375**	63 428
Current tax payable		**299**	120	**299**	7
Borrowings	17	**14 542**	11 549	**–**	–
Bank overdrafts	14	**5 111**	1 502	**–**	–
Derivative at fair value	18	**–**	1 322	**–**	–
Balances due to vendors	17	**–**	6 446	**–**	6 446
Provisions	20	**250**	70	**–**	–
Trade and other payables	21	**30 852**	19 426	**2 400**	1 489
		51 054	40 435	**79 074**	71 370
Total liabilities		**97 969**	88 404	**79 503**	71 976
Total equity and liabilities		**216 484**	188 706	**154 864**	147 602

STATEMENT OF COMPREHENSIVE INCOME

for the year ended February 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Revenue	23	**233 751**	199 607	**9 399**	8 886
Cost of sales	24	**(111 847)**	(93 745)	**–**	–
Gross profit		**121 904**	105 862	**9 399**	8 886
Other income		**771**	720	**–**	378
Operating expenses		**(91 907)**	(79 655)	**(9 743)**	(9 463)
Operating profit/(loss)	25	**30 768**	26 927	**(344)**	(199)
Negative goodwill arising on acquisition	22	**–**	100	**–**	–
Fair value adjustment on derivative	18	**–**	(263)	**–**	–
Share option IFRS 2 charge	34	**(176)**	–	**(176)**	–
Investment revenue	26	**615**	699	**415**	21 923
Finance costs	27	**(5 925)**	(6 186)	**(189)**	(140)
Profit/(loss) before taxation		**25 282**	21 277	**(294)**	21 584
Taxation	28	**(7 245)**	(5 303)	**(147)**	35
Profit/(loss) for the year		**18 037**	15 974	**(441)**	21 619
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income/(loss) for the year		**18 037**	15 974	**(441)**	21 619
Attributable to:					
Equity holders of company		**18 037**	15 974	**(441)**	21 619
Minority interest		**–**	–	**–**	–
Earnings per share attributable to equity holders of company					
Basic earnings per share (cents)	39	**10.6**	9.4	**–**	–
Fully diluted earnings per share (cents)	39	**10.0**	9.4	**–**	
Headline earnings per share (cents)	39	**10.7**	9.3	**–**	–
Fully diluted headline earnings per share (cents)	39	**10.2**	9.3	**–**	

	Share capital R'000	Share premium R'000	Share option reserve R'000	Retained earnings R'000	Total equity R'000
Group					
Balance at 1 March 2009	2	43 141	–	41 185	84 328
Changes in equity:					
Profit for the year	–	–	–	15 974	15 974
Total changes	–	–	–	15 974	15 974
Balance at 1 March 2010	2	43 141	–	57 159	100 302
Changes in equity:					
Profit for the year	**–**	**–**	**–**	**18 037**	**18 037**
Share option reserve	**–**	**–**	**176**	**–**	**176**
Total changes	**–**	**–**	**176**	**18 037**	**18 213**
Balance at 28 February 2011	**2**	**43 141**	**176**	**75 196**	**118 515**
Note	15	15	34		
Company					
Balance at 1 March 2009	2	54 624	–	(619)	54 007
Changes in equity:					
Profit for the year	–	–	–	21 619	21 619
Total changes	–	–	–	21 619	21 619
Balance at 1 March 2010	2	54 624	–	21 000	75 626
Changes in equity:					
Loss for the year	**–**	**–**	**–**	**(441)**	**(441)**
Share option reserve	**–**	**–**	**176**	**–**	**176**
Total changes	**–**	**–**	**176**	**(441)**	**(265)**
Balance at 28 February 2011	**2**	**54 624**	**176**	**20 559**	**75 361**
Note	15	15	34		

STATEMENT OF CASH FLOWS

for the year ended February 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Cash generated from/(used in) operations	30	**32 036**	34 429	**756**	(129)
Interest income		**615**	699	**415**	428
Dividends received		**–**	–	**–**	21 495
Finance costs		**(5 925)**	(6 449)	**(189)**	(140)
Income tax paid	31	**(5 068)**	(6 995)	**(7)**	(80)
Net cash from operating activities		**21 658**	21 684	**975**	21 574
Cash flows from investing activities					
Acquisition of property, plant and equipment	4	**(1 755)**	(6 384)	**(122)**	(67)
Proceeds of property, plant and equipment		**515**	710	**15**	6
Acquisition of intangible assets	5	**(2 307)**	(353)	**–**	–
Acquisition of non-current assets held for sale		**(60)**	(4 727)	**–**	–
Proceeds on disposal of non-current assets held for sale		**3 212**	1 182	**–**	–
Acquisition of business	22	**(9 461)**	–	**–**	–
Acquisition of goodwill		**–**	(219)	**–**	–
Loans repaid/(advanced) to group companies		**–**	–	**11 726**	(18 381)
Loans (advanced)/repaid		**(4 045)**	2 655	**(1 150)**	–
Net cash from investing activities		**(13 901)**	(7 136)	**10 469**	(18 442)
Cash flows from financing activities					
Decrease in long-term employee benefits		**(177)**	(52)	**(177)**	(52)
Loans repaid to vendors		**(6 446)**	(3 554)	**(6 446)**	(3 554)
Loans raised/(repaid)		**1 233**	(9 119)	**–**	–
Net cash from financing activities		**(5 390)**	(12 725)	**(6 623)**	(3 606)
Change in cash and cash equivalents		**2 367**	1 823	**4 821**	(474)
Cash and cash equivalents at beginning of year		**5 576**	3 753	**5 766**	6 240
Cash and cash equivalents at end of year	14	**7 943**	5 576	**10 587**	5 766

1. Accounting policies

Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period.

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company and entities (including special purpose entities) controlled by the company or its subsidiaries. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the annual financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Minority interests in the net assets excluding goodwill of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations,* which are recognised and measured at fair value less costs to sell.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill arising on business combination

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill is not amortised but is subject to an annual impairment review (see note 1.3).

Trademarks recognised as part of a business combination

Trademarks are recognised as an intangible asset where the trademark has a long-term value. Acquired trademarks are only recognised where title is clear or the trademark could be sold separately from the rest of the business and the earnings attributable to it are separately identifiable. The group typically arrives at the cost of such trademarks on a relief from royalty basis.

Where the acquired trademark is seen as having a finite useful economic life, it is subject to amortisation, which in respect of trademarks currently held is 10 – 40 years, being the period for which the group has exclusive rights to those trademarks. Where the acquired trademark is seen as having an indefinite useful economic life, it is not amortised and is carried at original cost.

Trademarks are reflected at cost less accumulated amortisation but are subject to an annual impairment review (see also note 1.4).

1. Accounting policies (continued)

1.1 Significant estimates and judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant estimates include:

Trade receivables and loans and receivables

The group assesses its trade receivables and loans and receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the group makes judgements as to whether there are observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Impairment testing

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period; and
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

1. Accounting policies (continued)

1.1 Significant estimates and judgements (continued)

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

Allowance for slow moving, damaged and obsolete stock

Management has made estimates of the selling price and direct cost to sell on inventory items to write stock down to the lower of cost and net realisable value. Any write down is included in operating profit. Any stock that is physically identified as slow moving, damaged or obsolete is written off when discovered.

Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Estimated residual values and useful lives of property, plant and equipment

Property, plant and equipment is depreciated to its estimated residual value over its estimated useful life.

Management has applied their judgement based on past experience to determine expected useful lives and residual values of property, plant and equipment. Refer to note 1.2.

1.2 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire an item of property, plant and equipment and costs incurred subsequently to add to it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Depreciation commences when an asset is available for use. Depreciation is charged so as to write off the depreciable amount of items, to their residual values over their estimated useful lives, on a straight-line basis, being a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the group.

1. Accounting policies (continued)

1.2 Property, plant and equipment (continued)

Where an item comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment and depreciated over their estimated useful lives.

Item	Average useful life
Furniture and fixtures	6 years
General equipment	6 years
IT equipment	3 years
Kitchen equipment	5 years
Leasehold improvements	5 years
Motor vehicles	5 years
Office equipment	5 – 6 years
Plant and machinery	5 years

The residual value and the useful life of each asset, as well as the method of depreciation, are reviewed at each financial period-end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

1.3 Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Internally generated goodwill is not recognised as an asset. Negative goodwill on acquisition is recognised directly in profit or loss.

1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

1. Accounting policies (continued)

1.4 Intangible assets (continued)

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis (note 1.1).

Deferred lease charges represent the premium paid for the securing of key sites. Deferred lease charges are carried at cost less accumulated amortisation less any impairment losses. Deferred lease charges are amortised over the period of the underlying lease agreements. Deferred lease charges are classified as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Trademark and intellectual property	10 – 40 years
Deferred lease charges	Agreement period

1.5 Investments in subsidiaries

Group annual financial statements

The group annual financial statements include those of the holding company and its subsidiaries. The results of the subsidiaries are included from the date of acquisition or from the date control is achieved. The results of subsidiaries are included to the date of disposal or the date control is relinquished.

On acquisition the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held for sale, which are recognised at fair value less costs to sell.

Company annual financial statements

In the company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.6 Financial instruments

Initial recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

The company classifies financial assets and financial liabilities into the following categories:

- loans and receivables; and
- financial liabilities measured at amortised cost.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial instruments are recognised initially at fair value. For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Fair value determination

The fair values of quoted investment are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

1. Accounting policies (continued)

1.6 Financial instruments (continued)

Non-derivative financial instruments comprise loans, trade and other receivables, cash and cash equivalents, trade payables, borrowings, other financial liabilities and non-current assets available for sale. The subsequent measurement of financial instruments is stated below:

Loans to/(from) group companies

These include loans to holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Loans to group companies are classified as loans and receivables. Loans from group companies are classified as liabilities at amortised cost.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value. Cash and cash equivalents are classified as loans and receivables.

Bank overdrafts and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs. Bank overdrafts and borrowings are classified as liabilities at amortised cost.

Other financial liabilities

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method. These include loans due to vendors and long-term employee benefits.

1. Accounting policies (continued)

1.6 Financial instruments (continued)

Other loans and receivables

Other financial assets classified as loans and receivables are initially recognised at fair value plus transaction costs, and are subsequently carried at amortised cost less any accumulated impairment.

These financial assets are not quoted in an active market and have fixed or determinable payments.

Non-current assets held for sale

Non-current assets are held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition, and management is committed to the sale.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Non-current assets held for sale are not depreciated (or amortised) while they are classified as held for sale.

Derivative financial instruments

The group uses derivative financial instruments to manage its exposure to interest rate risk. Further details of derivative financial instruments are disclosed in note 37.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Fair value measurement hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie, as prices) or indirectly (ie, derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

1.7 Taxation

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

1. Accounting policies (continued)

1.7 Taxation (continued)

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, except to the extent that both of the following conditions are satisfied:

- the parent is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity; or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessor

Operating lease income is recognised on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the income statement.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset or liability. This asset or liability is not discounted.

1. Accounting policies (continued)

1.9 Inventories

Inventories are initially measured at cost.

Inventories are subsequently measured at the lower of cost and net realisable value on the first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the company reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

Ordinary shares are classified as equity.

Shares in the company held by The Taste Holdings Share Trust are classified as treasury shares. The number of shares held is deducted from the number of issued shares and the weighted average number of shares in the determination of earnings per share. Dividends received on treasury shares are eliminated on consolidation.

1.11 Equity settled share-based payments

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period with a corresponding increase in equity recorded in a share option reserve. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive income over the remaining vesting period.

1. Accounting policies (continued)

1.11 Share-based payments (continued)

If the share-based payments granted do not vest until the counterparty completes a specified period of service, the Group accounts for those services as they are rendered by the counterparty during the vesting period (or on a straight-line basis over the vesting period).

If the share-based payments vest immediately, the services received are recognised in full.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) is recognised in the period in which the services are rendered and is not discounted.

Long-term employee benefits

Long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly within 12 months after the end of the period in which the employees render the related service. The cost of long-term employee benefits is recognised in the period in which the service is rendered, and are carried at amortised cost.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.13 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue for services is recognised in the period when they are rendered.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

1. Accounting policies (continued)

1.13 Revenue (continued)

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Franchise fees are recognised on the accrual basis as services are rendered or the rights used in accordance with the substance of the related franchise agreements.

Franchise joining fees are recognised in the month when the outlet opens for trading.

Dividends are recognised in profit or loss, when the company's right to receive payment has been established.

Interest is recognised in profit and loss, using the effective interest rate method.

1.14 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or acquisition of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Advertising levies

The group receives advertising levies from franchisees which are utilised in the advertising and promotion of the group's brands. Advertising expenditure incurred in excess of the levies received is carried forward as a prepaid expense to be set off against future levies.

Any amounts not expended are carried forward as liabilities to be set off against future advertising expenditure.

1.17 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each balance sheet date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year, and that are relevant to its operations:

- 2009 Annual Improvements Project: Amendments to IAS 7 *Statement of Cash Flows*
- 2009 Annual Improvements Project: Amendments to IAS 17 *Leases*
- 2009 Annual Improvements Project: Amendments to IAS 36 *Impairment of Assets*
- 2009 Annual Improvements Project: Amendments to IAS 38 *Intangible Assets*
- 2009 Annual Improvements Project: Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*
- 2009 Annual Improvements Project: Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- 2009 Annual Improvements Project: Amendments to IFRS 8 *Operating Segments*
- 2009 Annual Improvements Project: Amendments to IAS 1 *Presentation of Financial Statements*
- 2009 Annual Improvements Project: Amendments to IFRS 2 *Share-based Payment*
- IFRS 3 (revised) *Business combinations*
- IAS 7 *Statement of Cash Flows:* Consequential amendments due to IAS 27 (Amended) *Consolidated and Separate Financial Statements*
- IAS 27 (Amended) *Consolidated and Separate Financial Statements*
- IAS 12 *Income Taxes:* Consequential amendments due to IAS 27 (Amended) *Consolidated and Separate Financial Statements*

The adoption of the above did not have a material impact on the group's financial statements.

2.2 Standards and interpretations not yet effective

The following standards and interpretations have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2011 or later periods:

- IFRS 9: *Financial Instruments*
- IFRS 10: *Consolidated Financial Statements*
- IFRS 11: *Joint Arrangements*
- IFRS 12: *Disclosure of interest in Other Entities*
- IFRS 13: *Fair Value Measurement*
- IFRIC 17: *Distribution of Non-cash Assets to Owners*
- IFRIC 18: *Transfers of Assets from Customers*
- IFRIC 19: *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IFRS 1: *First-time Adoption of International Financial Reporting Standards*
- Amendments to IFRS 3: *Business Combinations*
- Amendments to IFRS 7: *Financial Instruments – Disclosures*
- Amendments to IAS 24: *Related Party Disclosure*
- Amendments to IAS 1: *Presentation of Financial Statements*
- Amendments to IAS 12: *Income Taxes*
- Amendments to IAS 21: *The Effects of Changes in Foreign Exchange Rates*
- Amendments to IAS 27: *Consolidated and Separate Financial Statements*
- Amendments to IAS 28: *Investments in Associates*
- Amendments to IAS 31: *Interests in Joint Ventures*
- Amendments to IAS 34: *Interim Financial Reporting*

The adoption of the above is not expected to have a material impact on the group's financial statements, except for additional disclosures.

3. Segment reporting

A reportable segment is a distinguishable business component of the group:

- that engages in business activities from which it may earn revenues and expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are reviewed regularly by the group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

For management purposes, the group is organised into three major operating divisions:

- Food
- Jewellery
- Corporate services

Food consists of Scooters, St Elmo's and Maxi's franchise and retail divisions as well as the Food Manufacturing division (in the prior year, the Food Manufacturing division was disclosed as part of the food franchise segment). Jewellery consists of NWJ franchise and wholesale, retail, and concession retail divisions.

Such structural organisation is determined by the nature of risks and returns associated to each business segment and is representative of the internal reporting structure used for management reporting.

Segment profit includes revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The following tables present details of revenue, operating profit, assets and liabilities by business segment:

	Contribution %	2011 R'000	Contribution %	2010 R'000
Segment revenue				
Food	**27**	**63 160**	22	44 339
Franchise	**16**	**37 688**	16	32 387
Manufacturing	**6**	**14 680**	–	894
Retail	**5**	**10 792**	6	11 058
Jewellery	**73**	**171 611**	78	155 952
Franchise and wholesale	**50**	**116 056**	52	103 159
Retail	**22**	**52 347**	26	52 793
Concession Retail	**1**	**3 208**	–	–
Eliminations*	**–**	**(1 020)**	–	(684)
Group revenue	**100**	**233 751**	100	199 607
Segment operating profit				
Food	**58**	**17 712**	60	16 111
Franchise	**58**	**17 810**	64	17 194
Manufacturing	**2**	**690**	(1)	(156)
Retail	**(2)**	**(788)**	(3)	(927)
Jewellery	**79**	**24 248**	81	21 867
Franchise and wholesale	**56**	**17 292**	50	13 376
Retail	**24**	**7 265**	31	8 491
Concession Retail	**(1)**	**(309)**	–	–
Corporate services	**(37)**	**(11 192)**	(41)	(11 051)
Group operating profit	**100**	**30 768**	100	26 927

**These are inter-divisional revenues that are eliminated on consolidation. In prior years, these were not reflected separately.*

	Contribution %	2011 R'000	Contribution %	2010 R'000
3. Segment reporting (continued)				
Segment assets				
Food	17	37 469	12	23 248
Franchise	11	23 094	9	17 686
Manufacturing	6	12 462	–	–
Retail	1	1 913	3	5 562
Jewellery	43	92 879	44	83 796
Franchise and wholesale	26	56 348	25	47 910
Retail	16	34 352	19	35 886
Concession Retail	1	2 179	–	–
Corporate services	40	86 136	44	81 662
Total group assets	100	216 484	100	188 706
Segment liabilities				
Food	28	27 696	12	10 553
Manufacturing	25	24 219	11	9 720
Franchise	3	3 422	–	–
Retail	–	55	1	833
Jewellery	70	68 209	59	52 450
Franchise and wholesale	69	67 602	58	51 332
Retail	1	607	1	1 118
Concession Retail	–	–	–	–
Corporate services	2	2 064	29	25 401
Total group liabilities	100	97 969	100	88 404
Segment depreciation and amortisation				
Food	33	(2 067)	27	(1 453)
Franchise	25	(1 607)	26	(1 427)
Food services	7	(460)	1	(26)
Retail	–	–	–	–
Jewellery	40	(2 538)	40	(2 211)
Franchise and wholesale	12	(750)	14	(770)
Retail	28	(1 788)	26	(1 441)
Concession Retail	–	–	–	–
Corporate services	27	(1 714)	33	(1 800)
Total group depreciation and amortisation	100	(6 319)	100	(5 464)
Segment finance costs				
Food	10	(612)	1	(62)
Franchise	9	(546)	1	(43)
Food services	1	(55)	–	(4)
Retail	–	(11)	–	(15)
Jewellery	87	(5 124)	97	(5 984)
Franchise and wholesale	87	(5 124)	97	(5 984)
Retail	–	–	–	–
Concession Retail	–	–	–	–
Corporate services	3	(189)	2	(140)
Total group finance costs	100	(5 925)	100	6 186

	Contribution %	2011 R'000	Contribution %	2010 R'000
3. Segment reporting (continued)				
Segment investment income				
Food	–	2	10	71
Franchise	–	1	10	71
Food services	–	1	–	–
Retail	–	–	–	–
Jewellery	32	198	29	200
Franchise and wholesale	32	198	29	200
Retail	–	–	–	–
Concession Retail	–	–	–	–
Corporate services	68	415	61	428
Total group investment income	100	615	100	699

Impairments to assets of R300 000 (2010: R0) were incurred by the food franchise segment during the year.

	2011 Cost R'000	2011 Accumulated depreciation R'000	2011 Carrying value R'000	2010 Cost R'000	2010 Accumulated depreciation R'000	2010 Carrying value R'000
4. Property, plant and equipment						
Group						
Furniture and fixtures	13 399	(7 077)	6 322	13 440	(5 367)	8 073
Motor vehicles	342	(335)	7	355	(346)	9
Office equipment	1 527	(869)	658	1 100	(734)	366
IT equipment	4 685	(4 333)	352	4 529	(4 026)	503
Kitchen equipment	3 344	(366)	2 978	893	(26)	867
Leasehold improvements	506	(277)	229	486	(190)	296
Plant and machinery	1 761	(1 729)	32	1 761	(1 587)	174
Computer software	1 463	(228)	1 235	1 447	(87)	1 360
General equipment	6	(6)	–	6	(5)	1
Total	27 033	(15 220)	11 813	24 017	(12 368)	11 649
Company						
Furniture and fixtures	89	(36)	53	80	(21)	59
Leasehold improvements	334	(152)	182	313	(87)	226
IT equipment	569	(482)	87	491	(417)	74
Total	992	(670)	322	884	(525)	359

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – Group 2011

	Opening balance R'000	Additions R'000	Acquisition of business R'000	Disposals R'000	Depreciation R'000	Total R'000
Furniture and fixtures	8 073	158	193	(280)	(1 822)	6 322
Motor vehicles	9	9	–	–	(11)	7
Office equipment	366	430	–	(2)	(136)	658
IT equipment	503	208	–	(23)	(336)	352
Kitchen equipment	867	914	1 537	–	(340)	2 978
General equipment	1	–	–	–	(1)	–
Leasehold improvements	296	20	–	–	(87)	229
Computer software	1 360	16	–	–	(141)	1 235
Plant and machinery	174	–	–	–	(142)	32
Total	11 649	1 755	1 730	(305)	(3 016)	11 813

Reconciliation of property, plant and equipment – Group 2010

	Opening balance R'000	Additions R'000	Acquisition of business R'000	Disposals R'000	Depreciation R'000	Total R'000
Furniture and fixtures	5 987	4 790	–	(1 121)	(1 583)	8 073
Motor vehicles	56	–	–	–	(47)	9
Office equipment	173	294	–	–	(101)	366
IT equipment	682	325	–	(34)	(470)	503
Kitchen equipment	–	893	–	–	(26)	867
General equipment	2	–	–	–	(1)	1
Leasehold improvements	339	58	–	(14)	(87)	296
Plant and machinery	367	24	–	–	(217)	174
Sub-total	7 606	6 384	–	(1 169)	(2 532)	10 289
Computer software*	–	1 407	–	–	(47)	1 360
Total	7 606	7 791	–	(1 169)	(2 579)	11 649

Reconciliation of property, plant and equipment – Company 2011

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Furniture and fixtures	59	9	–	(15)	53
Leasehold improvements	226	20	–	(64)	182
IT equipment	74	93	(12)	(68)	87
Total	359	122	(12)	(147)	322

Reconciliation of property, plant and equipment – Company 2010

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Furniture and fixtures	66	6	–	(13)	59
Leasehold improvements	258	27	–	(59)	226
IT equipment	205	34	(3)	(162)	74
Total	529	67	(3)	(234)	359

** Transferred to property, plant and equipment from intangible as this asset was used during the year (see note 5).*

Group	2011 Cost R'000	2011 Accumulated amortisation R'000	2011 Carrying value R'000	2010 Cost R'000	2010 Accumulated amortisation R'000	2010 Carrying value R'000
5. Intangible assets						
Trademarks and intellectual property	66 873	(4 160)	62 713	62 673	(2 481)	60 192
Deferred lease charges	4 040	(4 000)	4 857	6 617	(2 443)	4 174
Total	75 770	(8 200)	67 570	69 290	(4 924)	64 366

Reconciliation of intangible assets – Group 2011

	Opening balance R'000	Additions R'000	Acquisition of business R'000	Disposals R'000	Amortisation R'000	Total R'000
Trademarks and intellectual property	60 192	–	4 200	–	(1 679)	62 713
Deferred lease charges	4 174	2 307	–	–	(1 624)	4 857
Total	64 366	2 307	4 200	–	(3 303)	67 570

Reconciliation of intangible assets – Group 2010

	Opening balance R'000	Additions R'000	Acquisition of business R'000	Disposals R'000	Amortisation R'000	Total R'000
Trademarks and intellectual property	61 759	–	–	–	(1 567)	60 192
Deferred lease charges	5 492	–	–	–	(1 318)	4 174
Computer software	1 054	353	–	(1 407)	–	–
Total	68 306	353	–	(1 407)	(2 885)	64 366

	2011 R'000	2010 R'000
Trademarks and intellectual property consist of:		
NWJ trademark	58 625	60 192
St Elmo's trademark	677	–
St Elmo's recipes	3 411	–
	62 713	60 192

5. Intangible assets (continued)

Trademarks and intellectual property

The Natal Wholesale Jewellers (NWJ) trademark originated through the acquisition of the NWJ subsidiary during the 2009 financial year. The recoverable amount of this trademark is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by directors covering a 3-year period. Cash flows beyond the 3-year period have been extrapolated using a steady 5% per annum growth rate. The cash flows were discounted using a weighted average cost of capital of 16%.

Key assumptions in the value in use calculations include budgeted margins and budgeted franchise revenue streams. Such assumptions are based on historical results adjusted for anticipated growth. These assumptions are a reflection of management's past experience in the market in which the unit operates. In addition, the various sensitivity analyses performed by changing key variables in the calculation and the recoverable amount exceeded the carrying amount in all instances.

This trademark is amortised on a straight-line basis over 40 years, commencing 1 August 2008.

The St Elmo's trademark originated through the purchase of the St Elmo's business during the 2011 financial year. The recoverable amount of this trademark is determined based on a value in use calculation, which discounts to present value, future cash flows based on management's best estimate of a range of economic conditions that will exist over the useful life of the asset. Cash flows beyond the 2011 financial year were extrapolated using a 5.5% growth rate per annum. These cash flows were discounted using a weighted average cost of capital of 18%. The useful life of the trademark is 10 years, and thus it is amortised on a straight-line basis over 10 years, commencing 1 November 2010.

The St Elmo's recipe intangible originated through the purchase of the St Elmo's business during the 2011 financial year. The recoverable amount of the recipes was calculated using an income-based valuation method, which discounts to present value, future incremental after-tax cash flows, attributable only to the intangible asset, after applying contributory asset charges, using an applicable discount rate. Cash flows were determined using management's best estimates of revenue which will be generated from the recipes, as well as management's expectations of gross profit and operating profit margins. Cash flows beyond the 2011 financial year were extrapolated using a 5.5% growth rate per annum. These cash flows were discounted using a discount rate of 16.4% over the useful life of the recipes, which has been assessed as 10 years. These recipes are amortised on a straight-line basis over 10 years, commencing 1 November 2010.

Deferred lease charges

These represent a premium paid for the securing of key sites and are amortised over the duration of the underlying lease agreements ranging between 2 to 10 years.

The recoverable amounts for these charges were determined to be higher than their carrying amounts. The value in use calculations were based on future cash flows taking into account a conservative 5% growth in turnover, that were discounted at a rate of 16% over the period of each respective lease agreement.

Computer software

This represents the actual costs incurred to develop a point of sale system for use in NWJ. These costs are initially capitalised and not depreciated. As the point of sale system came into use during the February 2010 financial year, it was transferred to and reclassified under property, plant and equipment and is now being depreciated over its expected useful life.

Goodwill

Group	2011			2010		
	Cost R'000	Accumulated impairments R'000	Carrying value R'000	Cost R'000	Accumulated impairments R'000	Carrying value R'000
Goodwill	18 763	(109)	18 654	16 430	(109)	16 321
Total	**18 763**	**(109)**	**18 654**	16 430	(109)	16 321

5. Intangible assets (continued)

Reconciliation of goodwill – Group 2011

	Opening balance R'000	Additions R'000	Acquisition of business R'000	Disposals R'000	Impairment R'000	Total R'000
Goodwill	16 321	–	2 333	–	–	18 654
Total	16 321	–	2 333	–	–	18 654

Reconciliation of goodwill – Group 2010

	Opening balance R'000	Additions R'000	Acquisition of business R'000	Disposals R'000	Impairment R'000	Total R'000
Goodwill	16 102	219	–	–	–	16 321
Total	16 102	219	–	–	–	16 321

For the purposes of impairment testing, goodwill is allocated to the following cash-generating units:

	2011 R'000	2010 R'000
Maxi's brand	14 760	14 760
St Elmo's brand	2 333	–
Company-owned stores	1 561	1 561
Total goodwill	18 654	16 321

The goodwill acquired during the year relates to the acquisition of St Elmo's.

Maxi's brand

The Maxi's brand has an indefinite life, as management believes that there is no foreseeable limit to the period over which the group will continue to generate revenues from their continued use. Supporting this assumption is the fact that the brand held is established, well known and, reasonably can be expected to generate revenues beyond the group's strategic horizon. In addition, the group can continue to renew legal rights attached to such trademarks without significant cost and intends to do so for the foreseeable future.

The recoverable amount is based on a value in use calculation which uses cash flow projections based on financial budgets approved by directors covering a 3-year period. Cash flows beyond the 3-year period have been extrapolated using a steady 5% per annum growth rate. The cash flows were discounted using a weighted average cost of capital of 16%.

Key assumptions in the value in use calculations include budgeted margins and budgeted franchise revenue streams. Such assumptions are based on historical results adjusted for anticipated growth. These assumptions are a reflection of management's past experience in the market in which the unit operates. In addition, the various sensitivity analyses performed by changing key variables in the calculation and the recoverable amount exceeded the carrying amount in all instances.

St Elmo's

The goodwill on the St Elmo's brand formed part of the assets acquired in St Elmo's and represents the excess of purchase price paid over the fair value of acquired assets and liabilities. As the acquisition occurred in the latter part of the financial year and because there were no impairment indicators at year end, the goodwill has not been subject to any further impairment testing. In future years this goodwill will be subjected to impairment testing.

Company-owned stores

The recoverable amount is based on a value in use calculation which uses cash flow projections based on financial budgets approved by directors covering a 3-year period. Cash flows beyond the 3-year period have been extrapolated using a steady 5% per annum growth rate. The cash flows were discounted using a weighted average cost of capital of 16%.

Goodwill is not amortised.

Name of company	Directly held	% holding 2011	% holding 2010	Carrying amount 2011	Carrying amount 2010
6. Investments in subsidiaries					
NWJ Holdings (Proprietary) Limited	Taste Holdings Limited	**100**	100	**100**	100
NWJ Fine Jewellery (Proprietary) Limited	Taste Holdings Limited	**100**	100	**105 056 924**	105 056 924
Maxi's Grill Marketing (Proprietary) Limited	Taste Holdings Limited	**100**	100	**16 000 000**	16 000 000
Scooters Western Cape Retail (Proprietary) Limited – dormant	Taste Holdings Limited	**100**	100	**100**	100
Scooters Pizza Retail (Proprietary) Limited – dormant	Taste Holdings Limited	**100**	100	**1 000**	1 000
Scooters Pizza Wierda Park (Proprietary) Limited – dormant	Taste Holdings Limited	**100**	100	**100**	100
Scooters Pizza Pietermaritzburg (Proprietary) Limited – dormant	Taste Holdings Limited	**51**	51	**51**	51
Scooters Pizza Grosvenor Crossing (Proprietary) Limited	Taste Holdings Limited	**100**	100	**200**	200
Scooters Pizza (Proprietary) Limited	Taste Holdings Limited	**100**	100	**100**	100
Kebrabix (Proprietary) Limited	Taste Holdings Limited	**100**	–	**100**	–
Taste Holdings Share Trust	Taste Holdings Limited	**100**	100	**–**	–
				121 058 676	121 058 576

The carrying amounts of subsidiaries are shown net of impairment losses of Rnil (2010: Rnil).

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
7. Loans to/(from) group companies				
Subsidiaries				
NWJ Fine Jewellery (Proprietary) Limited	**–**	–	**17 479**	17 420
NWJ Holdings (Proprietary) Limited	**–**	–	**(38 750)**	(38 750)
Maxi's Grill Marketing (Proprietary) Limited	**–**	–	**(4 557)**	(1 588)
Scooters Pizza (Proprietary) Limited	**–**	–	**(32 739)**	(22 894)
Scooters Pizza Grosvenor Crossing (Proprietary) Limited	**–**	–	**93**	78
Scooters Pizza Wierda Park (Proprietary) Limited	**–**	–	**(277)**	(144)
Scooters Pizza Pietermaritzburg (Proprietary) Limited	**–**	–	**(52)**	(52)
Scooters Pizza Retail (Proprietary) Limited	**–**	–	**12**	12
Kebrabix (Proprietary) Limited	**–**	–	**2 737**	1 612
Taste Holdings Share Trust	**–**	–	**733**	711
All the above loans are unsecured, interest-free and have no fixed terms of repayment				
	–	–	**(55 321)**	(43 595)
Current assets	**–**	–	**21 054**	19 833
Current liabilities	**–**	–	**(76 375)**	(63 428)
	–	–	**(55 321)**	(43 595)

Group	2011 Cost R'000	2011 Impairment R'000	2011 Carrying value R'000	2010 Cost R'000	2010 Impairment R'000	2010 Carrying value R'000
8. Non-current assets held for sale						
Maxi's stores	**790**	**(300)**	**490**	2 193	–	2 193
Scooters stores	**1 259**	**–**	**1 259**	3 131	–	3 131
Total	**2 049**	**(300)**	**1 749**	5 324	–	5 324

Reconciliation of non-current assets held for sale – Group 2011

	Opening balance R'000	Additions R'000	Disposals R'000	Impairment R'000	Total R'000
Maxi's stores	**2 193**	**17**	**(1 420)**	**(300)**	**490**
Scooters stores	**3 131**	**44**	**(1 916)**	**–**	**1 259**
Total	**5 324**	**61**	**(3 336)**	**(300)**	**1 749**

Reconciliation of non-current assets held for sale – Group 2010

	Opening balance R'000	Additions R'000	Disposals R'000	Impairment R'000	Total R'000
Maxi's stores	400	3 001	(1 208)	–	2 193
Scooters stores	1 405	1 726	–	–	3 131
Total	1 805	4 727	(1 208)	–	5 324

The above represent stores that have been acquired from franchisees and have immediately been classified as non-current assets available for sale in terms of the food division's strategy to not hold retail stores. These assets are not in respect of discontinued operations. The carrying amount of these operating assets approximated their fair value at year-end.

During the year, Scooters Pizza and Maxi's disposed of 4 and 1 store respectively, resulting in a loss on disposal of R122 648. At year-end, the group owned 2 Scooters and 1 Maxi's outlets. The impairment relates to the existing Maxi's outlet whose carrying value was more than its fair value at year end. This impairment loss has been recognised in profit and loss and included the operating results of the food franchise segment as per note 3.

The actual underlying assets and liabilities of the stores and the operating results thereof are reported as the retail food segment as per note 3. It is management's intention to dispose of these stores to potential new and existing franchisees as soon as suitable franchisees are identified. There is no intention to provide financing for any such disposals.

Non-current assets held for sale are not depreciated while they are held for sale.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
9. Other financial assets				
Loans and receivables				
Loans to NWJ franchised stores These loans are secured over the assets of these franchised stores, are interest-bearing at prime +2% and are repayable over an average of 6 months.	**1 097**	120	**–**	–
Flamingo Moon Trading CC This loan is secured by a deed of suretyship from the members, bears interest at 10% and is repayable in 12 equal instalments of R13 750 commencing 1 November 2008.	**–**	82	**–**	–
NWJ marketing fund This loan is unsecured, bears interest at 10% per annum and is repayable in 24 equal instalments of R83 333 per month commencing 1 March 2011.	**2 000**	–	**–**	–
Scooters Pizza marketing fund This loan is unsecured, bears interest of 10% per annum and is repayable in 24 equal instalments of R95 833 per month commencing 1 March 2010.	**1 150**	–	**1 150**	–
	4 247	202	**1 150**	–
Non-current assets	**1 000**	–	**–**	–
Current assets	**3 247**	202	**1 150**	–
	4 247	202	**1 150**	–

The directors consider that the carrying amount of loans and other receivables approximate their fair value. Loans and receivables are measured at amortised cost using the effective interest rate method. The table below details the ageing of loans and receivables and impairments thereto:

	2011 Gross loans and receivables	2011 Impairment	2011 Net loans and receivables	2010 Gross loans and receivables	2010 Impairment	2010 Net loans and receivables
Group R'000						
Less than 30 days	**362**	**–**	**362**	15	–	15
31 to 60 days	**361**	**–**	**361**	13	–	13
61 to 90 days	**362**	**–**	**362**	13	–	13
91 to 120 days	**361**	**–**	**361**	133	–	133
Over 120 days	**2 801**	**–**	**2 801**	28	–	28
	4 247	**–**	**4 247**	202	–	202

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Reconciliation of provision for impairment of other financial assets				
Opening balance	**–**	1 428	**–**	–
Provision for impairment	**–**	–	**–**	–
Amounts written off as uncollectable	**–**	(1 428)	**–**	–
	–	–	**–**	–

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
10. Deferred tax				
Tax losses available for set off against future taxable income	**50**	119	**–**	74
Non-deductible temporary differences	**2 092**	1 047	**425**	199
Prepayments	**(868)**	(121)	**–**	–
Temporary differences relating to acquisition of subsidiary	**(16 604)**	(16 854)	**–**	–
Lay-bye deposits	**147**	226	**–**	–
Accelerated wear and tear	**(237)**	(271)	**–**	–
Derivative at fair value	**–**	370	**–**	–
	(15 420)	(15 484)	**425**	273
Deferred tax asset	**995**	1 370	**425**	273
Deferred tax liability	**(16 415)**	(16 854)	**–**	–
	(15 420)	15 484	**425**	273
Reconciliation of deferred tax				
At beginning of the year	**(15 484)**	(16 207)	**273**	207
Recognised through profit and loss	**260**	723	**152**	66
Temporary differences relating to acquisition of business	**(196)**	–	**–**	–
	(15 420)	(15 484)	**425**	273

The deferred tax liability raised on the acquisition of subsidiary relates to the NWJ and St Elmo's trademark intangibles. This liability will decrease as the intangibles are amortised over their expected useful lives.

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
11. Advertising levies				
This amount represents advertising expenditure incurred in excess of the levies received from franchisees (refer note 1.16)	**755**	3 524	**–**	–
12. Inventories				
Ingredients and promotional items	**1 303**	253	**–**	–
Catering equipment	**72**	419	**–**	–
Raw materials, components – Jewellery	**2 610**	2 458	**–**	–
Finished goods – Jewellery	**56 539**	50 324	**–**	–
Packaging – Jewellery	**1 897**	2 022	**–**	–
	62 421	55 476	**–**	–
Inventory write downs	**(200)**	(380)	**–**	–
Jewellery inventory has been pledged to Rand Merchant Bank Limited	**62 221**	55 096	**–**	–
13. Trade and other receivables				
Gross trade receivables	**34 897**	19 383	**72**	–
Provisions for doubtful debt	**(2 851)**	(1 613)	**–**	–
Net trade receivables	**32 046**	17 770	**72**	–
Prepayments	**396**	234	**162**	233
Deposits	**187**	154	**25**	–
Sundry debtors	**778**	515	**9**	80
VAT	**–**	466	**–**	–
Store development in advance	**86**	446	**–**	–
	33 493	19 585	**268**	313

13. Trade and other receivables (continued)

No independent credit ratings are available for any of the trade receivables. The credit quality of trade receivables has been assessed based on the historical information of the counter party and any evidence of financial distress, including non-adherence to credit terms. Normal credit terms are within 30 days from statement.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

The table below illustrates the ageing analysis of trade receivables impaired and provided for and trade receivables past due and not provided for:

	2011			2010		
R'000	Gross trade receivables	Provision for impairment	Net trade receivables	Gross trade receivables	Provision for impairment	Net trade receivables
Group						
Less than 30 days	**18 175**	**(49)**	**18 126**	12 302	(186)	12 116
31 to 60 days	**6 453**	**(70)**	**6 383**	2 491	–	2 491
61 to 90 days	**1 271**	**(196)**	**1 075**	1 147	(114)	1 033
91 to 120 days	**2 389**	**(127)**	**2 262**	774	(180)	594
Over 120 days	**6 609**	**(2 409)**	**4 200**	2 669	(1 133)	1 536
	34 897	**(2 851)**	**32 046**	19 383	(1 613)	17 770

Trade and other receivables impaired.

As of 28 February 2011, trade and other receivables were impaired and provided for.

The amount of the provision as of 28 February 2011 is R2 850 969 (2010: R1 613 057).

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Reconciliation of provision for impairment of trade and other receivables is as follows:				
Opening balance	**1 613**	1 512	**–**	–
Provision for impairment	**1 673**	122	**–**	–
Amounts written off as uncollectable	**(435)**	(21)	**–**	–
	2 851	1 613	**–**	–

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade receivables mentioned above.

The group does not hold any collateral as security. All amounts receivable are denominated and recoverable in ZAR.

Company

Credit quality of trade and other receivables

No independent credit ratings are available. The majority of the trade and other receivables are deposits paid to suppliers and lessors.

Fair value of trade and other receivables

There is no material difference between the fair value of trade and other receivables and their book value.

Trade and other receivables past due and not impaired

There are no trade and other receivables past due and not impaired.

Trade and other receivables impaired

At 28 February 2011, there were no trade and other receivables impaired or provided for.

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade receivables mentioned above. The company does not hold any collateral as security.

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
14. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Bank balances	**13 054**	7 078	**10 587**	5 766
Bank overdraft	**(5 111)**	(1 502)	**–**	–
	7 943	5 576	**10 587**	5 766

A guarantee is in place over guarantee facilities to the amount of R149 700 in favour of the lessor of a lease entered into by Taste Holdings Limited with the lessor.

A blanket guarantee is in place over guarantee facilities to the amount of R2 811 427 in favour of the lessor for leases entered into by NWJ Fine Jewellery (Proprietary) Limited with these lessors.

A blanket guarantee is in place over guarantee facilities to the amount of R1 805 706 (2010: R864 209) in favour of the lessor for leases entered into by Maxi's Grill Marketing (Proprietary) Limited with these lessors.

A blanket guarantee is in place over guarantee facilities to the amount of R355 331 in favour of the lessor for leases entered into by Scooters Pizza (Proprietary) Limited with these lessors.

The directors consider that the carrying value of cash and cash equivalents approximate their fair value.

There is a R20 million overdraft facility in place with First National Bank of South Africa Limited, and a short-term guarantee with Taste Holdings Limited for R5 million. The abovesaid facility may be temporarily increased to R40 million for the period 1 September to 7 January each year. The bank overdraft bears the same security as the loan by Rand Merchant Bank (see note 17).

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
15. Share capital				
Authorised				
500 000 000 ordinary shares of R0,00001 each	**5**	5	**5**	5
328 118 709 unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.				
9 654 000 of the unissued ordinary shares are specifically reserved for the share incentive scheme (see note 34).				
Issued				
Ordinary shares – 171 881 291	**2**	2	**2**	2
Share premium (net of costs)	**43 141**	43 141	**54 624**	54 624
	43 143	43 143	**54 626**	54 626
16. Long-term employee benefits				
Held at amortised cost				
Long-term performance incentive scheme. This incentive scheme is awarded to eligible employees by the Remuneration Committee conditional upon certain performance targets and minimum employment periods	**429**	606	**429**	606
Non-current liabilities				
At amortised cost	**429**	606	**429**	606

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
17. Borrowings				
Rand Merchant Bank Limited 1	**32 437**	42 058	**–**	–
This loan bears interest at the ZAR-JIBAR-SAFEX plus 4.8% and is repayable in quarterly instalments within 5 years from 1 August 2008.				
Rand Merchant Bank Limited 2	**12 176**	–	**–**	–
This loan bears interest at the ZAR-JIBAR-SAFEX plus 4.65% and is repayable in quarterly instalments within 3 years from 1 November 2010.				
These loans are secured by: – cession given by NWJ Fine Jewellery (Proprietary) Limited (Reg. No. 2007/033055/07) ("NWJ"), Taste Holdings Limited (Reg. No. 2000/002239/06) ("Taste Holdings"), Scooters Pizza (Proprietary) Limited (Reg. No. 2003/016093/07) ("Scooters Pizza") and Maxi's Grill Marketing (Proprietary) Limited (Reg. No. 2000/030078/07) ("Maxi's Grill"), in form and substance acceptable to the bank, in favour of the bank of any and/or all rights, title and interest in and to their debtors; – cession given by NWJ, Taste Holdings, Scooters Pizza and Maxi's Grill, in form and substance acceptable to the bank, in favour of the bank of any and/or all their rights, title and interest in and to their credit balances held with the bank; – an unlimited cross suretyship, in form and substance acceptable to the bank, in favour of the bank, for the joint and several obligations of and between NWJ, Taste Holdings, Scooters Pizza and Maxi's Grill; and – registration of general notarial covering bond over the inventory, plant and equipment of NWJ, Taste Holdings, Scooters Pizza and Maxi's Grill, in favour of the bank, in the aggregate amount of R85 000 000 (eighty-five million rand) plus such further amounts for costs as may be provided for in the bond, together with a cession of short-term insurance cover over the said movable assets and noting of the bank's interest thereon.				
Balances due to vendors	**–**	6 446	**–**	6 446
Balances due to the NWJ vendors This loan will be paid to vendors over a 2-year period based on certain inventory warranties being met. The amounts released will bear interest at variable depositors rates.				
	44 613	48 504	**–**	6 446

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
17. Borrowings (continued)				
Non-current liabilities				
Rand Merchant Bank Limited	**30 071**	30 509	**–**	–
	30 071	30 509	**–**	–
Current liabilities				
Rand Merchant Bank Limited	**14 542**	11 549	**–**	–
Balance due to vendors	**–**	6 446	**–**	6 446
	14 542	17 995	**–**	6 446
	44 613	48 504	**–**	6 446
18. Derivative at fair value				
Interest rate swap	**–**	1 322	**–**	–
Interest rate swap derivative. A variable rate of 11.425% was swapped for a fixed rate of 10.82% on 15 December 2008, both with the same premium of 4.8%. This relates to the loan with Rand Merchant Bank Limited for the acquisition of the NWJ business. The rate was fixed for a period of 24 months ending 30 November 2010.				
	–	1 322	**–**	–
Non-current liabilities	**–**	–	**–**	–
Current liabilities	**–**	1 322	**–**	–
	–	1 322	**–**	–
19. Employee benefits				
The group and company have no post-employment obligations to any employee with respect to medical aid, pension, retirement annuity or life insurance after leaving employment of Taste Holdings Limited or any of its subsidiaries.				
20. Provisions				
Product warranties	**180**	–	**–**	–
Provision for stock guarantees	**70**	70	**–**	–
	250	70	**–**	–

	Opening balance	Utilised during the year	Re-classified	Closing balance
Reconciliation of provisions – 2011				
Product warranties	**–**	**–**	**180**	**180**
Provision for stock guarantees	**70**	**–**	**–**	**70**
Total	**70**	**–**	**180**	**250**
Reconciliation of provisions – 2010				
Product warranties	473	(293)	(180)	–
Provision for stock guarantees	500	(430)	–	70
Total	973	(723)	(180)	70

All these provisions relate to repairs to jewellery and watches to be undertaken during the guarantee period of the products sold. No amounts are expected to be reimbursed from suppliers.

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
21. Trade and other payables				
Trade payables	**20 629**	12 384	**364**	76
Amounts received in advance	**1 739**	977	**–**	–
VAT	**1 052**	902	**358**	632
Payroll accruals	**3 038**	1 677	**1 246**	177
Other accrued expenses	**3 869**	2 679	**432**	604
Lay-bye deposits	**525**	807	**–**	–
	30 852	19 426	**2 400**	1 489

22. Acquisition of business

On 1 November 2010, the group acquired St Elmo's. The acquisition consisted of:

- franchise agreements of 40 pizza outlets, associated trademarks and intellectual property;
- a food manufacturing and distribution facility with HACCP accreditation, together with all recipes and associated intellectual property; and
- certain tangible assets relating to the business, inter alia, stock, debtors and property, plant and equipment.

The fair values of assets and liabilities acquired were as follows:

Property, plant and equipment	1 730
Intangible assets	4 200
Goodwill (see note 5)	2 333
Inventory	725
Trade and other receivables	701
Advertising levies	325
Deferred tax	(196)
Trade and other payables	(357)
Total consideration	9 461

The purchase consideration was discharged in cash. During the 4 months for which St Elmo's results are included in these results, St Elmo's contributed R5.8 million to revenue and R0.8 million to operating profit. Shareholders are referred to the announcement made on SENS on 27 October 2010 regarding the pro-forma financial effects of the acquisition.

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
23. Revenue				
Services rendered and franchise revenue	166 357	134 927	–	–
Development	1 047	829	–	–
Gross receipts	19 752	26 972	–	–
Gross expenditure	(18 705)	(26 143)	–	–
Management fees	–	–	9 399	8 886
Retail outlet sales	66 347	63 851	–	–
	233 751	199 607	9 399	8 886
24. Cost of sales				
Cost of goods sold	111 847	93 745	–	–
25. Operating profit				
Operating profit for the year is stated after accounting for the following:				
Income from subsidiaries				
Administration and management fees	–	–	9 399	8 886
	–	–	9 399	8 886
Operating lease charges				
Premises	12 846	11 059	–	–
Motor vehicles	619	446	–	72
Equipment	406	173	–	–
	13 871	11 678	–	72
Profit/(loss) on sale of property, plant and equipment	86	(487)	2	3
Advertising contribution by franchisor	–	–	–	–
Advertising royalties invoiced to franchisees	(30 948)	(28 333)	–	–
Advertising paid on behalf of franchisees	30 948	28 333	–	–
Depreciation on property, plant and equipment	3 016	2 579	147	234
Share option IFRS 2 charge	176	–	176	–
Employee costs	52 551	47 854	4 039	6 913
Research and development	102	168	–	–
Impairment on loans to group companies	–	88	138	–
Profit on exchange differences	837	631	–	–
Other impairment losses	300	–	–	–
Amortisation of intangibles	3 303	2 885	–	–

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
26. Investment revenue				
Interest revenue	**615**	699	**415**	428
Dividend received	**–**	–	**–**	21 495
	615	699	**415**	21 923
27. Finance costs				
Bank	**5 925**	6 186	**189**	140
	5 925	6 186	**189**	140
28. Taxation				
Major components of the tax expense/(income)				
Current				
SA normal income tax – current period	**7 292**	6 000	**299**	–
SA normal income tax – recognised in current year for prior periods	**213**	26	**–**	31
	7 505	6 026	**299**	31
Deferred				
Current period	**(260)**	(43)	**(152)**	(66)
Recognised in current year for prior periods	**–**	(680)	**–**	–
	(260)	(723)	**(152)**	(66)
	7 245	5 303	**147**	(35)
Reconciliation of the tax expense	**%**	%	**&**	%
Reconciliation between applicable tax rate and average effective tax rate				
Applicable tax rate	**28.00**	28.00	**(28.00)**	28.00
Prior period under/(over) provision	**0.84**	(3.07)	**–**	0.14
Utilisation of assessed losses	**(0.29)**	–	**–**	–
Exempt income	**(0.92)**	(1.83)	**–**	(27.95)
Disallowable expenses	**1.03**	1.82	**78.00**	(0.35)
Effective rate	**28.66**	24.92	**50.00**	(0.16)
29. Auditors' remuneration	**R'000**	R'000	**R'000**	R'000
Fees	**973**	789	**182**	102
Other services	**88**	50	**–**	24
	1 061	839	**182**	126

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
30. Cash generated from/(used in) operations				
Profit/(loss) before taxation	**25 282**	21 277	**(294)**	21 584
Adjustments for:				
Depreciation and amortisation	**6 315**	5 464	**147**	234
(Profit)/loss on sale of assets	**(86)**	487	**(3)**	(3)
Interest received	**(615)**	(699)	**(415)**	(428)
Dividends received	**–**	–	**–**	(21 495)
Finance costs	**5 925**	6 186	**189**	140
Impairment loss	**300**	88	**–**	–
Fair value adjustment on derivative	**–**	263	**–**	–
Share options IFRS 2 charge	**176**	–	**176**	–
Changes in working capital:*				
Inventories	**(6 399)**	3 505	**–**	–
Trade and other receivables	**(13 206)**	(2 843)	**45**	(127)
Advertising levies	**3 094**	(537)	**–**	–
Provisions	**180**	(903)	**–**	–
Trade and other payables	**11 070**	2 141	**911**	(34)
	32 036	34 429	**756**	(129)
31. Tax paid				
Balance at beginning of the period	**4 071**	3 102	**(7)**	(56)
Current tax for the period recognised in income statement	**(7 505)**	(6 026)	**(299)**	(31)
Balance at end of the period	**(1 634)**	(4 071)	**299**	7
	(5 068)	(6 995)	**(7)**	(80)

32. Commitments

The group and company have commitments arising from property leases for its own business operations, leases entered into to secure key sites for franchised outlets as well as contracts entered into to lease motor vehicles and equipment. With regards to leases entered into to secure sites, it is the group's policy to enter into sub-lease agreements with the franchisees on the same terms and conditions as those in the main lease.

Certain property leases have contingent rental payable based on turnover clauses. Leases are subject to escalation and renewal clauses along normal commercial terms.

The net future minimum rentals due under operating leases are as follows:

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Amounts due for motor vehicles and equipment	**3 096**	2 094	**101**	52
Gross amounts due under property leases	**72 607**	57 142	**2 218**	3 134
Less amounts recoverable from sub-lessees	**(32 950)**	(27 801)	**(2 218)**	(3 134)
	42 753	31 435	**101**	52
The net future minimum rentals are repayable as follows:				
Payable within the next 12 months	**15 756**	11 021	**43**	52
2 to 5 years	**26 997**	20 414	**58**	–
Greater than 5 years	**–**	–	**–**	–
	42 753	31 435	**101**	52

* *Adjusted for St Elmo's take-on balances*

33. Related parties

Related party	Position in group	Nature of interest
Carlo Gonzaga	CEO	Majority shareholder in 1 Scooters Pizza outlet
Luigi Gonzaga	Executive director	Majority shareholder in 7 Scooters Pizza outlets
Jay Currie	Non-executive director	Majority shareholder in 1 Scooters Pizza outlet
Hylton Rabinowitz	Executive director	Majority shareholder in the company that NWJ rents its premises from
Arvid Smedsrud	CEO – Food manufacturing division	Majority shareholder in the company that the group rents its premises for its food production facility from. The group also procures certain food products from this company
Subsidiaries	Refer to note 6	

The group, in the ordinary course of business, entered into various transactions with related parties. The transactions between the group and all the above have occurred under terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions.

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Loan accounts – Owing to related parties				
Group companies – Refer to note 7	**–**	–	**(55 321)**	(43 595)
Management fees received from related parties				
Scooters Pizza (Proprietary) Limited	**–**	–	**3 504**	3 579
Maxi's Grill Marketing (Proprietary) Limited	**–**	–	**1 505**	1 489
NWJ Fine Jewellery (Proprietary) Limited	**–**	–	**4 390**	3 825
Franchise income received from related parties	**1 583**	1 420	**–**	–
Rent paid to related party	**3 058**	1 958	**–**	–
Stock sold to related parties	**9**	–	**–**	–
Non-current assets sold to related parties	**1 316**	–	**–**	–
Stock purchased from related parties	**2 727**	–	**–**	–

34. Equity-settled share-based payments

Taste Holdings Limited operates the Taste Holdings Share Trust which incorporates amongst other things, a share option scheme, which enables directors and executive management to benefit form the Taste Holdings Limited share price performance.

The scheme confers the right to participants to acquire ordinary shares at a strike price of 43 cents per share (30-day volume weighted average of Taste shares on the grant date, being 6 May 2010). Options vest in 3 tranches. Vesting of tranche 1 will be triggered by the first achievement, tranche 2 by the second achievement and tranche 3 by the third achievement by Taste Holdings Limited of a 25% increase in headline earnings per share in any 3 financial years from 2011 to 2015. Once vesing of a tranche has been triggered, a third of the options within the tranche can be exercised 1 year after vesting was triggered, a third, 2 years after the vesting was triggered and a third 3 years after vesting was triggered. The options must be excercised within 5 years of vesting having been triggered. Upon cessation of employment, options that have been granted and accepted but not yet vested are forfeited.

The following options have been granted and accepted:	**2011**	2010
Granted and accepted by directors (see note 35) – strike price 43 cents	**4 632 000**	–
Granted and accepted by executive management – strike price 43 cents	**5 022 000**	–
	9 654 000	–

All of these were granted during the year. No options were exercised, forfeited or expired during the period.

IFRS 2 requires the fair value of equity-settled share-based payments granted to employees to be valued at the grant date and recognised in profit or loss over the vesting period. The fair value of each share option granted has been valued, at grant date using a combination of a Monte Carlo simulation and the widely accepted Black-Scholes-Merton model. The first model was used to value the probabilities of the options vesting. The second model, using the probabilities of the first model, was used to value the options dependent upon when the employees excercise their options.

The assumptions applied in determining the value include:

Exercise price	43 cents
Closing price of Taste share at grant date	45 cents
Expected volatility of share price % (determined using historical volatility of Taste share price)	102%
Risk-free interest rate	8.10%
Expected life of options	
Management forecasts to determine when the options will vest.	
Expected dividend yield (determined using historic dividend yield).	

During the year, the total charge to the income statement was R176 252 (2010: R0). This amount was charged directly to equity.

35. Directors' emoluments

Executive – Paid by Company Year ended 2011	Basic R'000	Allowances & benefits R'000	Incentive bonus R'000	Long-term employee benefits R'000	Total R'000
Carlo Gonzaga	1 271	174	209	52	1 706
Luigi Gonzaga	645	160	125	36	966
Evan Tsatsarolakis	860	140	123	–	1 123
	2 776	474	457	88	3 795
Executive – Paid by subsidiary Year ended 2011					
Hylton Rabinowitz – resigned 30 November 2010	530	267	–	–	797
Duncan Crosson	1 181	75	153	44	1 453
	1 711	342	153	44	2 250
Executive – Paid by Company Year ended 2010					
Carlo Gonzaga	1 191	158	165	52	1 566
Duncan Crosson – paid up to 31 August 2009	468	73	139	45	725
Luigi Gonzaga	616	134	112	36	898
Evan Tsatsarolakis – appointed 1 September 2009	365	68	–	–	433
	2 640	433	416	133	3 622
Executive – Paid by subsidiary Year ended 2010					
Hylton Rabinowitz	1 365	309	–	–	1 674
David Buxton – resigned 30 June 2009	386	101	–	–	487
Duncan Crosson – paid from 1 September 2009	473	69	–	–	542
	2 224	479	–	–	2 703

Share options held by executive directors are detailed below:

Carlo Gonzaga	1 506 000
Evan Tsatsarolakis	900 000
Duncan Crosson	1 224 000
Luigi Gonzaga	1 002 000

These share options have been granted in terms of the Taste Holdings Trust, details of which are in note 34.

Non-executive fees

	2011 R'000	2010 R'000
Bill Daly	135	126
Jay Currie	110	103
Chickenland (Proprietary) Limited – K Utian	92	86
Anthony Berman – appointed 1 April 2009	98	91
	435	406

36. Financial assets and liabilities by category

Financial assets by category

	Loans and receivables R'000	Fair value through profit or loss – held for trading R'000	Fair value through profit or loss – designate R'000	Held to maturity investments R'000	Available for sale R'000	Total R'000
Group 2011						
Trade and other receivables	**33 493**	–	–	–	–	**33 493**
Cash and cash equivalents	**13 054**	–	–	–	–	**13 054**
Advertising levies	**755**	–	–	–	–	**755**
Other financial assets	**4 247**	–	–	–	–	**4 247**
	51 549	–	–	–	–	**51 549**
Group 2010						
Trade and other receivables	19 585	–	–	–	–	19 585
Cash and cash equivalents	7 028	–	–	–	–	7 028
Advertising levies	3 524	–	–	–	–	3 524
Other financial assets	202	–	–	–	–	202
	30 339	–	–	–	–	30 339
Company 2011						
Loans to group companies	**21 054**	–	–	–	–	**21 054**
Trade and other receivables	**268**	–	–	–	–	**268**
Other financial assets	**1 150**	–	–	–	–	**1 150**
Cash and cash equivalents	**10 587**	–	–	–	–	**10 587**
	33 059	–	–	–	–	**33 059**
Company 2010						
Loans to group companies	2 414	–	–	–	–	2 414
Trade and other receivables	313	–	–	–	–	313
Cash and cash equivalents	5 766	–	–	–	–	5 766
	8 493	–	–	–	–	8 493

All of the financial assets are classified as Level 3 as defined in Accounting policy note 1.6.

36. Financial assets and liabilities by category (continued)

Financial liabilities by category

	Liabilities at amortised cost R'000	Fair value through profit or loss – held for trading R'000	Fair value through profit or loss – designated R'000	Total R'000
Group 2011				
Borrowings	**44 613**	–	–	**44 613**
Derivative at fair value	–	–	–	–
Balances due to vendors	–	–	–	–
Long-term employee benefits	**429**	–	–	**429**
Bank overdrafts	**5 111**	–	–	**5 111**
Trade and other payables	**30 852**	–	–	**30 852**
	81 005	–	–	**81 005**
Group 2010				
Borrowings	42 058	–	–	42 058
Derivative at fair value	1 322	–	–	1 322
Balances due to vendors	6 446	–	–	6 446
Long-term employee benefits	606	–	–	606
Bank overdrafts	1 502	–	–	1 502
Trade and other payables	19 426	–	–	19 426
	71 360	–	–	71 360
Company 2011				
Balances due to vendors	–	–	–	–
Loans from group companies	**76 375**	–	–	**76 375**
Long-term employee benefits	**429**	–	–	**429**
Trade and other payables	**2 400**	–	–	**2 400**
	79 204	–	–	**79 204**
Company 2010				
Balances due to vendors	6 446	–	–	6 446
Loans from group companies	46 009	–	–	46 009
Long-term employee benefits	606	–	–	606
Trade and other payables	1 489	–	–	1 489
	54 550	–	–	54 550

Fair value

There is no material difference between carrying value and fair value of financial instruments.

All of the financial liabilities are classified as Level 3 except for the Derivative at fair value (interest rate swap), which is classified as a Level 2 financial liability as defined in Accounting policy note 1.6.

37. Risk management

The group's activities expose it to a variety of risks. These risks include: liquidity risk, interest rate risk, credit risk and foreign exchange risk.

Liquidity risk

The group's exposure to liquidity risk is that insufficient funds will be available to meet future obligations as they fall due. The group manages liquidity risk through an ongoing review of its future commitments and of the facilities available from financial institutions. Cash flow forecasts are prepared and adequate unutilised borrowing facilities are maintained. The following table represents the group and company's outstanding contractual maturity profile. The analysis presented is based on the undiscounted contractual obligation.

	Group			
	<1 year	1 – 2 years	2 – 5 years	Total
2011/R'000				
Borrowings	**14 542**	**17 153**	**12 918**	**44 613**
Derivative at fair value	–	–	–	–
Balances due to vendors	–	–	–	–
Long-term employee benefits	–	**177**	**252**	**429**
Bank overdrafts	**5 111**	–	–	**5 111**
Trade and other payables	**30 852**	–	–	**30 852**
Taxation	**299**	–	–	**299**
	50 804	**17 330**	**13 170**	**81 304**
2010/R'000				
Borrowings	11 549	10 390	20 119	42 058
Derivative at fair value	1 322	–	–	1 322
Balances due to vendors	6 446	–	–	6 446
Long-term employee benefits	–	177	429	606
Bank overdrafts	1 502	–	–	1 502
Trade and other payables	19 426	–	–	19 426
Taxation	120	–	–	120
	40 365	10 567	20 548	71 480

	Company			
	<1 year	1 – 2 years	2 – 5 years	Total
2011/R'000				
Balances due to vendors	–	–	–	–
Loans from group companies	**76 375**	–	–	**76 375**
Long-term employee benefits	–	**177**	**252**	**429**
Trade and other payables	**2 400**	–	–	**2 400**
Taxation	**299**	–	–	**299**
	79 074	**177**	**252**	**79 503**
2010/R'000				
Balances due to vendors	6 446	–	–	6 446
Loans from group companies	46 009	–	–	46 009
Long-term employee benefits	–	177	429	606
Trade and other payables	1 489	–	–	1 489
Taxation	7	–	–	7
	53 951	177	429	54 557

37. Risk management (continued)

Interest rate risk

The group and company's interest rate risk arises from fixed and variable rate interest-bearing assets and liabilities described in the table below. The group and company manage their interest rate exposure by fixing interest rates at favourable terms by way of interest rate swaps, by only depositing cash and cash equivalents with major banks with high-quality credit standing and by limiting exposures to any one counter party. During 2009 the group entered into an agreement to fix the interest rate on the loan with Rand Merchant Bank for the acquisition of the NWJ business, for a 24-month period ending 30 November 2010. As the interest rate swap did not qualify as a cash flow hedge in terms of IAS 39, the full amount of the derivative for the 24 months has been charged to the income statement (see note 18).

A hypothetical increase/decrease in interest rates by 1%, with all other variables remaining constant would increase/decrease profits after tax by R352 938 (2010: R321 687) for the group and R39 843 (2010: R78 884) for the company.

At reporting date, the interest rate profile of the group's interest-bearing financial instruments was:

	Interest rates applicable	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Fixed rate instruments					
Assets					
Other financial assets (see note 9)	10%	**3 150**	82	**1 150**	–
Liabilities					
Derivative at fair value (see note 18)	15.62%	**–**	1 322	**–**	–
Variable rate instruments					
Assets					
Other financial assets (see note 9)	Prime + 2%	**1 097**	120	**–**	–
Cash and cash equivalents	Daily call rates	**13 054**	7 078	**10 587**	5 766
Liabilities					
Bank overdraft	Prime	**5 111**	1 502	**–**	–
Borrowings (see note 17)	JIBAR + 4.8%	**32 437**	42 058	**–**	–
Borrowings (see note 17)	JIBAR + 4.65%	**12 176**	–	**–**	–
Balances due to vendors	Depositor rates	**–**	6 446	**–**	6 446

Foreign exchange risk

The group is exposed to foreign exchange risk only to the extent that it imports raw materials used to manufacture jewellery. These purchases are denominated mainly in US dollars and Euro. The liabilities are settled in one of these foreign currencies. Management does not make use of forward exchange contracts to manage foreign exchange risk but monitors the currencies on a regular basis.

As at 28 February 2011, the group had the following foreign currency denominated liabilities:

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Trade and other payables – US dollar	**(253)**	(613)	**–**	–

Exchange rates used for conversion of foreign items were:
USD6.968 (2010: USD7.801)

If the foreign exchange rates change by 10% and were applied to the outstanding balances as at 28 February 2011, with all other variables held constant, the impact on post-tax profits would be R18 238 (2010: R44 169).

Credit risk

Credit risk is the risk of financial loss to the group if a counterparty to a financial asset fails to meet its contractual obligations. Credit risk arises on cash and cash equivalents, trade and other receivables, other financial assets and loans to group companies. The group only deposits cash with major banks with high-quality credit standing and limits exposure to any one counterparty.

Trade and other receivables comprise stock debtors, royalties and marketing fees receivable from franchisees.

Other financial assets comprise loans to franchisees.

Management evaluates credit risk relating to these receivables on an ongoing basis.

The granting of credit is made on application and is approved by directors. At year-end, the group and company did not consider there to be any significant concentration of risk.

37. Risk management (continued)

The following table represents the group and company's exposure to credit risk. The analysis presented is based on the undiscounted benefit:

	Group			
	<1 year	1 – 2 years	2 – 5 years	Total
2011/R'000				
Cash and cash equivalents	**13 054**	**–**	**–**	**13 054**
Trade and other receivables	**33 493**	**–**	**–**	**33 493**
Other financial assets	**3 247**	**1 000**	**–**	**4 247**
	49 794	**1 000**	**–**	**50 794**
2010/R'000				
Cash and cash equivalents	7 078	–	–	7 078
Trade and other receivables	19 585	–	–	19 585
Other financial assets	202	–	–	202
	26 865	–	–	26 865

	Company			
	<1 year	1 – 2 years	2 – 5 years	Total
2011/R'000				
Loans to group companies	**21 054**	**–**	**–**	**21 054**
Trade and other receivables	**268**	**–**	**–**	**268**
Cash and cash equivalents	**10 587**	**–**	**–**	**10 587**
	31 909	**–**	**–**	**31 909**
2010/R'000				
Loans to group companies	2 414		–	2 414
Trade and other receivables	313	–	–	313
Cash and cash equivalents	5 766	–	–	5 766
	8 493	–	–	8 493

To the extent that recoverable amounts are estimated to be less than their associated carrying values, impairment charges have been recorded in the income statement and the carrying values have been written down to their recoverable amounts.

38. Capital management

The board's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business. As a result, the board review their total capital employed on a regular basis and make use of several indicative ratios which are appropriate to the nature of the group's operations and consistent with conventional industry measures. The principal ratios used in this review process are:

- gearing, defined as interest-bearing borrowings, less cash divided by capital employed; and
- return on equity, defined as headline earnings divided by average capital employed.

There were no changes in the group's approach to capital management during the year.

In terms of existing loan covenants relating to capital management, the group may not increase indebtedness without permission of the finance of the facilities referred to in note 17. In addition the Debt: Equity ratio of the group must not exceed 100%. The group has complied with this.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
39. Earnings and headline earnings per share				
Earnings per share (cents)	**10.6**	9.4	**–**	–
Diluted earnings per share (cents)	**10.0**	9.4	**–**	–
Headline earnings per share (cents)	**10.7**	9.3	**–**	–
Diluted headline earnings per share (cents)	**10.2**	9.3	**–**	–
The calculation of earnings per share is based on a profit for the group of R18 037 173 (2010: R15 974 076) and a weighted average number of ordinary shares of 170 161 291 (2010: 170 161 291).				
The calculation of headline earnings per share is based on headline earnings of R18 255 173 (2010: R15 873 952) and a weighted average number of ordinary shares of 170 161 291 (2010: 170 161 291).				
The weighted average number of shares is calculated after taking into account the effect of setting off 1 720 000 (2010: 1 720 000) treasury shares held by The Taste Holdings Share Trust, against the issued share capital.				
The calculation of diluted earnings per share and diluted headline earnings per share is based on basic earnings of R18 037 173 (2010: 15 974 076) and headline earnings of R18 255 173 (2010: R15 873 952) respectively, and a weighted average number of shares in issue of 179 815 261 (2010: 170 161 291), after taking into account the effect of the possible issue of 9 654 000 ordinary shares in the future relating to the share option scheme.				
Headline earnings have been computed as follows:				
Profit attributable to ordinary shareholders	**18 037**	15 974	**–**	–
Adjusted for profit on sale of property, plant and equipment	**(86)**	(89)	**–**	–
Impairment losses	**300**	64	**–**	–
Negative goodwill arising on acquisition	**–**	(100)	**–**	–
Gross measurements excluded from headline earnings	**214**	(125)	**–**	–
Tax effect	**4**	25	**–**	–
Net measurements excluded from headline earnings	**218**	(100)	**–**	–
Headline earnings	**18 255**	15 874	**–**	–

Shareholder information at 28 February 2011

		Number of shareholdings	%	Number of shares	%
40.	**Shareholders analysis**				
40.1	**Shareholder spread**				
	1 – 999	38	5.59	13 695	0.01
	1 000 – 9 999	218	32.11	944 020	0.55
	10 000 – 99 999	327	48.16	8 842 787	5.14
	100 000 shares and over	96	14.14	162 080 789	94.30
	Total	679	100.00	171 881 291	100.00
40.2	**Distribution of shareholders**				
	Banks	2	0.28	921 000	0.54
	Brokers	1	0.15	4 099 620	2.38
	Close corporations	12	1.77	429 655	0.25
	Endowment funds	3	0.44	5 149 500	3.00
	Individuals	604	88.96	85 037 516	49.48
	Mutual funds	2	0.29	3 153 473	1.83
	Nominees and trusts	31	4.57	21 703 924	12.62
	Other corporations	5	0.74	667 438	0.39
	Private companies	16	2.36	48 499 165	28.22
	Public companies	2	0.29	500 000	0.29
	Share trust	1	0.15	1 720 000	1.00
	Total	679	100.00	171 881 291	100.00
40.3	**Beneficial shareholders holding 5% or more, other than directors**				
	Chickenland (Proprietary) Limited			28 227 632	16.42
	S Whitfield and associates			11 490 009	6.68
	Coronation Capital			9 566 893	5.57
40.4	**Shareholder spread**				
	Non-public shareholders	20	2.95	95 976 135	55.84
	Directors and their associates	16	2.36	65 134 003	37.88
	Designated advisers	2	0.29	894 500	0.52
	Own holdings	1	0.15	1 720 000	1.00
	Strategic holdings	1	0.15	28 227 632	16.42
	Public shareholders	659	97.05	75 905 156	44.16
	Total	679	100.00	171 881 291	100.00

SHAREHOLDERS' DIARY

for the year ended February 2011

Annual general meeting	4 August 2011
Announcement of interim results	October
Financial year-end	28 February
Announcement of final results	May

JSE PERFORMANCE

at February 2011

Opening price	40c
Closing price (cents)	56c
High for the year (cents)	75c
Low for the year (cents)	39c
Volume of shares traded ('000) during the year	30 097 704
Value of shares traded (R'000) during the year	R15 990 150

TASTE HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2000/002239/06)
JSE code: TAS
ISIN: ZAE000081162)
("the company")

If you are in any doubt as to what action to take in regard to this notice, please consult your Central Securities Depository Participant (CSDP), broker, banker, accountant, attorney or other professional adviser immediately and refer to the instructions set out at the conclusion of this notice.

Notice is hereby given that the annual general meeting (AGM) of members will be held at the company's offices, 12 Gemini Street, Linbro Business Park, Sandton at 12:00 on Thursday, 4 August 2011 to transact the following business:

To consider and if deemed fit, to pass with or without modification, the following ordinary and special resolutions:

Ordinary resolution number 1
"Resolved that the audited consolidated annual financial statements of the company, incorporating the reports of the directors, the Audit Committee, and the external auditors, for the year ended 28 February 2011, be and they are hereby received and adopted."

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

Ordinary resolution number 2
"Resolved that BDO South Africa Inc be re-appointed as independent auditors of the company, on recommendation of the Audit Committee, the designated auditor being Mr Stephen Shaw having met the requirements of section 90(2) of the Companies Act 71 of 2008 (the Act)."

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

Ordinary resolution number 3
"Resolved that Mr A Berman (independent non-executive director) be appointed as a member and chairman of the Audit Committee from the conclusion of the AGM at which this resolution is passed until the conclusion of the next AGM of the company, in terms of section 94(2) of the Act."

Ordinary resolution number 4
"Resolved that Mr J Currie (non-executive director) be appointed as a member of the Audit Committee from the conclusion of the AGM at which this resolution is passed until the conclusion of the next AGM of the company, in terms of section 94(2) of the Act."

Explanatory note on ordinary resolutions 3 and 4
In terms of the Act, the Audit Committee is no longer a committee of the board but a committee elected by shareholders at each AGM. Furthermore, in terms of the Act at least one third of the members of the company's Audit Committee at any particular time must have academic qualifications or experience in economics, law, corporate governance, accounting, commerce, industry, public affairs or human resource management.

Ordinary resolution number 5
"Resolved that the appointment of Mr Anthony Berman, who retires by rotation as a director of the company in accordance with the company's memorandum of incorporation, and being eligible, offers himself for re-appointment in this capacity, be approved."

Ordinary resolution number 6
"Resolved that the appointment of Mr Jay Currie, who retires by rotation as a director of the company in accordance with the company's memorandum of incorporation, and being eligible, offers himself for re-appointment in this capacity, be approved."

Refer to page 4 of this annual report for a brief biography of each director.

The minimum percentage of voting rights that is required for each of the resolutions 3, 4, 5 and 6 to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on each resolution.

Ordinary resolution number 7
"Resolved that the remuneration of the executive directors for the financial year ended 28 February 2011, as reflected in note 35 to the annual financial statements be and is hereby confirmed."

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

Ordinary resolution number 8

"Resolved to consider and endorse, by way of a non-binding advisory vote, the Company's remuneration policy and it's implementation."

The reason for proposing this resolution is to request shareholders to signify their approval of the Company's remuneration policy by way of a non-binding advisory resolution as is provided for in the King Report on Governance for South Africa – 2009 (King III). The policy is outlined on page 22 of the sustainability report.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

Ordinary resolution number 9

"Resolved that, subject to the provisions of the Act and the Listings Requirements of the JSE Limited (JSE), the authority given to the directors to allot and issue, at their discretion, the unissued share capital of the company for such purposes as they may determine, be extended until the company's next AGM."

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

Ordinary resolution number 10

"Resolved that, in terms of the Listings Requirements of the JSE Limited (JSE), the mandate given to the directors of the company in terms of a general authority to issue securities for cash, as and when suitable opportunities arise, be renewed subject to the following conditions:

- that the general authority be valid until the company's next AGM provided that it shall not extend beyond 15 (fifteen) months from the date of the passing of this ordinary resolution (whichever period is shorter);
- that the securities be of a class already in issue;
- that securities be issued to public shareholders as defined in the JSE Listings Requirements and not to related parties;
- that issues in the aggregate in any one financial year shall not exceed 10% of the company's issued share capital of that class;
- that, in determining the price at which an issue of securities will be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of those securities over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities or any other price agreed to by the JSE;
- that this authority include any options/convertible securities that are convertible into an existing class of equity securities; and
- that an announcement be released giving full details, including the impact on net asset value, net tangible asset value, earnings and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, be published at the time of any issue representing, on a cumulative basis within a financial year, 5% or more of the number of securities in issue prior to the issue/s.

In terms of the Listings Requirements of the JSE, the approval of a 75% majority of the votes cast in favour of this ordinary resolution by all equity security holders present or represented by proxy at the AGM (excluding the designated adviser and the controlling shareholders together with their associates), is required.

Ordinary resolution number 11

"Resolved that any director of the company be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of ordinary resolutions numbers 1 to 11 and special resolution number 1, 2 and 3, each of which resolutions is set out in the notice convening the AGM at which this ordinary resolution number 11 is proposed."

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

Special resolution number 1

"Resolved that the fees payable to non-executive directors for the financial year ending 28 February 2012, as set out below, be approved:

Name	Rand per annum
Bill Daly	144 074
Jay Currie	118 005
Kevin Utian	98 358
Anthony Berman	104 655
Hylton Rabinowitz	78 700."

Reason for and effect of special resolution number 1:

The reason for this special resolution is to obtain shareholder approval for the remuneration of each of the non-executive directors of the company in accordance with section 66(9) of the Act.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy five percent) of the voting rights to be cast on the resolution.

Special resolution number 2

"Resolved, as a special resolution, that the mandate given to the company in terms of its memorandum of incorporation (or one of its wholly owned subsidiaries) providing authorisation, by way of a general approval, to acquire the company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the Listings Requirements of the JSE Limited (the JSE), be extended, subject to the following terms and conditions:

- Repurchases by the company in aggregate in any one financial year may not exceed 20% of the company's issued share capital as at the date of passing of this special resolution or 10% of the company's issued share capital in the case of an acquisition of shares in the company by a subsidiary of the company;
- Any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party;
- This general authority be valid until the company's next AGM, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution (whichever period is shorter);
- Repurchases may not be made at a price greater than 10% above the weighted average of the market value of the securities for the 5 (five) business days immediately preceding the date on which the transaction was effected;
- At any point in time, the company may only appoint one agent to effect any repurchase;
- An announcement be published as soon as the company has cumulatively repurchased 3% of the initial number (the number of that class of shares in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter, containing full details of such repurchases;
- Repurchases may not be made by the company and/or its subsidiaries during a prohibited period as defined by the Listings Requirements of the JSE unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;
- The company may not enter the market to proceed with the repurchase of its ordinary shares until the company's sponsor has confirmed the adequacy of the company's working capital for the purpose of undertaking a repurchase of securities in writing to the JSE; and
- The board of directors must pass a resolution that they authorised the repurchase, and that the company passed the solvency and liquidity test set out in section 4 of the Act and that since the test was done there have been no material changes to the financial position of the group.

The directors, after considering the effect of the maximum repurchase permitted and for a period of 12 months after the date of the notice of this AGM, must be of the opinion that if such repurchase is implemented:

- The company and the group will be able, in the ordinary course of business, to pay their debts;
- The assets of the company and the group will be in excess of the liabilities of the company and the group, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements;
- The share capital and reserves are adequate for the ordinary business purposes of the company and the group; and
- The working capital of the company and the group will be adequate for ordinary business purposes."

The effect of the special resolution and the reason therefor is to extend the general authority given to the directors in terms of the Act and the JSE Listings Requirements for the acquisition by the company and/or its subsidiaries of the company's securities, which authority shall be used at the directors' discretion during the period it is so authorised.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy five percent) of the voting rights to be cast on the resolution.

Additional information

The following additional information, some of which may appear in the integrated report, is provided in terms of the JSE Listings Requirements for the purposes of the general authority to repurchase the company's shares set out in this special resolution.

Litigation statement

Other than as disclosed or accounted for in this annual report, the directors are not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened of which the company is aware, which may have, or have had, in the recent past, being at least the previous 12 months from date of this annual report, a material effect on the group's financial position.

Directors' responsibility statement

The directors, whose names are given on page 4 of this annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution number 2 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned special resolution number 2 contains all the information required by the JSE Limited.

Material change

Other than the facts and developments reported on in this annual report, there have been no material changes in the financial or trading position of the group since the company's financial year-end and the signature date of this annual report.

The following further disclosures required in terms of the Listings Requirements of the JSE are set out on the pages as referenced in the annual report of which this notice forms part:

	Page
Directors	30
Major shareholders	77
Directors' interest in securities	31
Share capital	61

Directors' intention regarding the general authority to repurchase the company's shares

At present, the directors have no specific intention with regard to the utilisation of the general authority set out in special resolution 2, which will only be used if and when circumstances are appropriate.

Special resloution number 3

"Resolved by way of a special resolution, that the directors of the company be and are hereby authorised to provide financial assistance to all related and inter-related companies within the Taste Holdings group of companies, at such times and in such terms and conditions as the directors in their sole discretion deem fit and subject to all relevant statutory and regulatory requirements being met, such authority to remain in place until rescinded by way of special resolution passed at a duly constituted annual general meeting of the company."

Reason for and effect of special resolution number 3

The reason for and effect of special resolution number 3 is to approve the authority of directors to provide financial assistance to all subsidiary, related and inter-related companies within the Taste Holdings group of companies as contemplated in section 45(2) of the Act.

Shareholders' instructions – Voting and proxies

Dematerialised shareholders other than with own-name registration:

The record date of the AGM is at 12:00 on Tuesday, 2 August 2011. You are entitled to attend or be represented by proxy at the AGM. You must **NOT**, however, complete the attached form of proxy. You must advise your CSDP or broker timeously if you wish to attend or be represented at the annual general meeting.

If your CSDP or broker does not contact you, you are advised to contact your CSDP or broker and provide them with your voting instructions. If your CSDP or broker does not obtain instructions from you, they will be obliged to act in terms of the mandate entered into between yourselves.

If you wish to attend or be represented at the AGM, your CSDP or broker will be required to issue the necessary Letter of Representation to you to enable you to attend or to be represented at the annual general meeting.

Certificated shareholders and shareholders who hold shares in own-name registration in dematerialised form:

You are entitled to attend or be represented by proxy at the AGM. However, if your shares are held through a nominee or broker, you must inform that nominee or broker of your intention to attend the AGM and obtain the necessary Letter of Representation from that nominee or broker or provide your nominee or broker with your voting instructions should you not be able to attend the AGM in person.

If you are unable to attend the AGM, but wish to be represented thereat, you must complete and return the attached form of proxy, in accordance with the instructions contained therein, to be received by the transfer secretaries by no later than 12:00 on Tuesday, 2 August 2011.

JSE Limited Listings Requirements

In terms of the JSE Listings Requirements any shares currently held by the Taste Holdings Limited Share Trust will not have their votes at the AGM taken into account in determining the results of voting on the resolutions tabled at the AGM relating to special resolution numbers 1, 2 and 3 and general resolutions 9 and 10.

By order of the board

E Tsatsarolakis

Company Secretary

Sandton

1 July 2011

TASTE HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2000/002239/06)
JSE code: TAS
ISIN: ZAE000081162)
("the company")

To be completed by registered certificated shareholders and dematerialised shareholders with own-name registration only.

For use in respect of the annual general meeting (AGM) to be held at the company's offices, 12 Gemini Street, Linbro Business Park, Sandton at 12:00 on Thursday, 4 August 2011.

Ordinary shareholders who have dematerialised their shares with a CSDP or broker, other than with own-name registration, must arrange with the CSDP or broker concerned to provide them with the necessary Letter of Representation to attend the AGM or the ordinary shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

I/We (name in block letters)

of (address)

being the holder/s of ordinary shares in the company, appoint (see note 1)

1. or failing him/her

2. or failing him/her

3. the chairperson of the AGM,

as my/our proxy to act on my/our behalf at the AGM which is to be held for the purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat and at any adjournment thereof and to vote for or against the special and ordinary resolutions or to abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions (see note 2):

	Number of votes (one vote per ordinary share)		
	For	Against	Abstain
Ordinary resolution number 1 – to receive and adopt the company's audited consolidated annual financial statements for the year ended 28 February 2011.			
Ordinary resolution number 2 – to re-appoint BDO South Africa Inc as auditors of the company for the ensuing year.			
Ordinary resolution number 3 – to approve the appointment of Mr A Berman as a member and Chairman of the Audit Committee.			
Ordinary resolution number 4 – to approve the appointment of Mr J Currie as a member of the Audit Committee.			
Ordinary resolution number 5 – to approve the re-appointment of Mr Anthony Berman as a director of the company.			
Ordinary resolution number 6 – to approve the re-appointment of Mr Jay Currie as a director of the company.			
Ordinary resolution number 7 – to approve the executive directors' remuneration for the year ended 28 February 2011.			
Ordinary resolution number 8 – to approve remuneration policy of the company.			
Ordinary resolution number 9 – to place the unissued shares under the control of the directors.			
Ordinary resolution number 10 – directors' general authority to issue shares for cash.			
Ordinary resolution number 11 – authority to effect the resolutions.			
Special resolution number 1 – to approve the fees payable to the non-executive directors for the year ending 28 February 2012.			
Special resolution number 2 – directors' general authority to repurchase the company's shares.			
Special resolution number 3 – to approve the authority of directors to provide financial assistance to all subsidiaries, related and inter-related companies within the Taste Holdings group of companies.			

(Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.)

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, speak, and on a poll, vote in place of that shareholder at the annual general meeting.

Signed at **on** **2011**

Signature

Capacity

Please read the notes on the reverse side hereof.

SUMMARY OF SHAREHOLDERS' RIGHTS

SUMMARY OF SHAREHOLDERS' RIGHTS IN RESPECT OF PROXY APPOINTMENTS AS CONTAINED IN SECTION 58 OF THE COMPANIES ACT 71 OF 2008 (THE ACT)

Please note that in terms of section 58 of the Act:

- this proxy form must be dated and signed by the shareholder appointing the proxy;
- you may appoint an individual as a proxy, including an individual who is not a shareholder of the company, to participate in and speak and vote at a shareholders' meeting on your behalf;
- your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- this proxy form must be delivered to the company, or to the transfer secretaries of the company, namely Computershare Investor Services (Proprietary) Limited, before your proxy exercises any of your rights as a shareholder at the AGM;
- the appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the AGM;
- the appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- as the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of (i) the date stated in the revocation instrument, if any, or (ii) the date on which the revocation instrument was delivered to the company and the proxy as aforesaid;
- If this proxy form has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Act or the company's memorandum of incorporation to be delivered by the company to you, will be delivered by the company to you or your proxy or proxies, if you have directed the company to do so, in writing and paid any reasonable fee charged by the company for doing so;
- your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the AGM, but only as directed by you on this proxy form; and
- the appointment of your proxy remains valid only until the end of the AGM or any adjournment or postponement thereof or for a period of six months, whichever is shortest, unless it is revoked by you before then on the basis set out above.

NOTES

1. A member may insert the name of a proxy or the names of two alternate proxies of the member's choice in the space(s) provided, with or without deleting "the chairman of the AGM". The person whose name stands first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. A member should insert an "X" in the relevant space according to how they wish their votes to be cast. However, if a member wishes to cast a vote in respect of a lesser number of ordinary shares than they own in the company, they should insert the number of ordinary shares held in respect of which they wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of all the member's votes exercisable at the AGM. A member is not obliged to use all the votes exercisable by the member, but the total of the votes cast and abstentions recorded may not exceed the total number of the votes exercisable by the member.
3. The completion and lodging of this form of proxy will not preclude the relevant member from attending the general meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
4. The chairman of the AGM may reject or accept any form of proxy, which is completed and/or received, other than in compliance with these notes.
5. Shareholders who have dematerialised their shares with a CSDP or broker, other than with own-name registration, must arrange with the CSDP or broker concerned to provide them with the necessary Letter of Representation to attend the AGM or the ordinary shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.
6. Any alteration to this form of proxy, other than the deletion of alternatives, must be signed, not initialled, by the signatory/ies.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (eg on behalf of a company, close corporation, trust, pension fund, deceased estate, etc) must be attached to this form of proxy, unless previously recorded by the company or waived by the chairman of the AGM.
8. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her capacity are produced or have been recorded by the company.
9. Where there are joint holders of shares:
   - any one holder may sign the form of proxy; and
   - the vote of the senior joint holder who tenders a vote, as determined by the order in which the names stand in the company's register of members, will be accepted.
10. Forms of proxy should be lodged at or posted to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, at Ground Floor, 70 Marshall Street, Johannesburg, 2001, (PO Box 61051, Marshalltown, 2107) so as to be received by no later than 12:00 on Tuesday, 2 August 2011.

ADMINISTRATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The main object of the company is to carry on business as restaurateurs and franchisors.
Directors	Carlo Ferdinando Gonzaga Duncan John Crosson Jay Bayne Currie Kevin Utian Hylton Rabinowitz Luigi Gonzaga Ramsay L'Amy Daly Evangelos Tsatsarolakis Anthony Berman
Registered office	c/o Routledge Modise Second Floor, Wanderers Building The Campus 57 Sloane Street Bryanston 2010
Business address	12 Gemini Street Linbro Business Park Sandton 2065
Postal address	PO Box 78333 Sandton 2146
Auditors	BDO South Africa Incorporated Chartered Accountants (SA) Registered Auditors
Secretary	Evangelos Tsatsarolakis
Company registration number	2000/002239/06

TASTE
HOLDINGS