



TASTE

HOLDINGS

Integrated Annual Report

2015

15 YEARS OF MAKING A DIFFERENCE

HIGHLIGHTS



FINANCIAL

- 15th consecutive year of revenue and EBITDA growth
- Restructured access to capital to align with our five-year strategic plan
- Registered R1 billion corporate bond programme with inaugural issue in July 2014
- Oversubscribed rights offer of R180 million (September 2014)
- Core revenue up 25% to R723.7 million, representing a seven-year CAGR of 55%



MANUFACTURED

- Acquired Zebro's Chicken
- Acquired Arthur Kaplan and World's Finest Watches
- Launched Domino's Pizza with six outlets
- Established world-class Domino's dough production facility and new distribution centre in Midrand
- Integrated Zebro's Chicken sauces and spices in existing manufacturing



HUMAN

- Partnered with Khulisa Social Solutions for sustainable job creation
- Continued to strengthen Food Divisions' executive capacity ahead of expected requirements
- Luxury goods executive team strengthened through acquisition of Arthur Kaplan and World's Finest Watches



SOCIAL AND RELATIONSHIP

- Signed a 30-year master licence agreement with Domino's Pizza
- Established relationships with leading Swiss watch brands
- Donated over R160 000 to Just Footprints Foundation in cash and payments in kind
- Continued support of Endeavor SA through funding, board membership and payments in kind
- Contributed to Khulisa Social Solutions to improve sustainability
- Increased direct Black Ownership above 15%
- Taste achieved best-ever BEE score of Level 3



INTELLECTUAL

- Realignment of our food brands along with deeper vertical integration
- Gained operational insights by working with our international brand – Domino's Pizza
- Conducted week-long immersive market tour with leading QSR operator in Latin America
- 33 Trainees attended five weeks of training at Domino's Pizza in the USA
- Gained valuable insights into digital and mobile order and pay channels with Domino's Pizza team in the USA
- Food Services gained further skills in manufacturing through establishment of ISO certified dough production facilities



NATURAL

- Continued procuring over 90% of fresh caught hake from sustainable fish supplies, despite rising prices
- Continued support of local dairy industry by procuring cheese from local suppliers
- Adhered strictly to the Kimberley Process for the procurement of diamonds in our Luxury Goods Division

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NAVIGATION

HOW TO NAVIGATE THIS REPORT

To facilitate reading and navigating the report, we have incorporated the following symbols

FINANCIAL



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MANUFACTURED



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HUMAN



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SOCIAL AND RELATIONSHIP



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PAGE REFERENCES

Refers readers to information elsewhere in this report



WEBSITE

Indicates that additional information is available on our website www.tasteholdings.co.za

Your feedback is important to us and will help enhance our reporting processes and ensure that we report those things that matter to you.

ABOUT TASTE HOLDINGS

FOOD DIVISION



Taste's food brands are spread across a diversified portfolio of product categories (chicken, pizza, fish, breakfast and burgers) aimed at diversified consumers in the:

- middle and upper income segment (Domino's Pizza, Scooters Pizza, St Elmo's Woodfired Pizza and Maxi's); and
- large and growing low to middle income segment (The Fish & Chip Co and Zebro's Chicken).

These brands are all underpinned by strong value price points and relatively simple in-store operations.

Thus far the Domino's Pizza outlets are directly owned by Taste Holdings, while ownership of the other brand outlets are majority owned by franchisees. In future, the group plans to own some 35% – 40% of the Domino's Pizza stores.

Food manufacturing and distribution

Through its wholly owned food services and supply chain business, Buon Gusto Cuisine, the group manages the food supply chain to its food outlets. It aggregates and warehouses inventory through two distribution depots located in Gauteng and Cape Town. Logistics are conducted through a combination of owned and rented vehicles that cater for ambient, frozen and chilled inventory. Its manufacturing capabilities currently include sauces; dough premix and specialised spice production; and selected pizza toppings and other value-added meat products. In March 2015, the group commissioned its world-class dough production facility in Midrand that will supply fresh dough balls to Domino's Pizza outlets. A smaller facility will be commissioned in Cape Town by June 2015. In February 2015, the group expanded its distribution capabilities in Gauteng and Cape Town by more than doubling its warehousing capacity.

Employees

- Number of employees – 781.

Segmental information

	% change	28 February 2015 Audited R'000	28 February 2014 Audited R'000
Core segment revenue			
Food	10	398 782	364 823
Core segment operating profit			
Food	-16	27 153	32 362
Segment assets			
Food		334 332	191 717

	Set-up cost ²	Royalty ³	Marketing fund contribution ³	Average store size
Domino's Pizza	R1.3 million – R2.3 million	7%	5%	110 m ²
Maxi's	– Restaurant R1.8 million – R2.3 million	6%	4%	120 m ² – 150 m ²
The Fish & Chip Co	– Take-away R515 000	R605 ex VAT per week	R605 ex VAT per week	60 m ² – 100 m ²
Zebro's Chicken	– Take-away R650 000	4%	2%	80 m ² – 100 m ²
Scooters Pizza and St Elmo's*				

Notes:

1. LSM – "Living Standards Measure".
2. This is approximate and excludes VAT.
3. This is based on a percentage of turnover.

* With the exciting acquisition by Taste of the rights to exclusively develop the Domino's Pizza brand in South Africa and six other African countries, St Elmo's and Scooters Pizza outlets will be converted to Domino's Pizza outlets and all new outlets in the Pizza Division will be opened as Domino's Pizza outlets.

LUXURY GOODS DIVISION

Taste's Luxury Goods Division offers a diversified portfolio across two key dimensions. NWJ sales are weighted towards jewellery and targets entry first-time jewellery consumers as well as middle to upper income consumers through variety, choice and value. Arthur Kaplan's 40-year jewellery heritage is counterbalanced by its deep representation of luxury Swiss watch brands and therefore appeals to middle to upper income consumers. World's Finest Watches is a specialist watch store that targets middle to upper income consumers that appreciate premium luxury watches.



Jewellery manufacturing and distribution

NWJ is the only national vertically integrated and franchised luxury goods business in South Africa. It manufactures approximately 45% of the items NWJ outlets sell. It does so from a manufacturing facility located in Durban and is one of a few facilities that has the gold content of its product certified by the South African Bureau of Standards (SABS). Furthermore, it distributes 100% of the goods sold through its brands, whether to franchise or corporate owned outlets. Its manufacturing capability allows for in-house innovation; fast routes to market; and greater control over input costs. NWJ procures the balance of inventory from a combination of local and international suppliers.

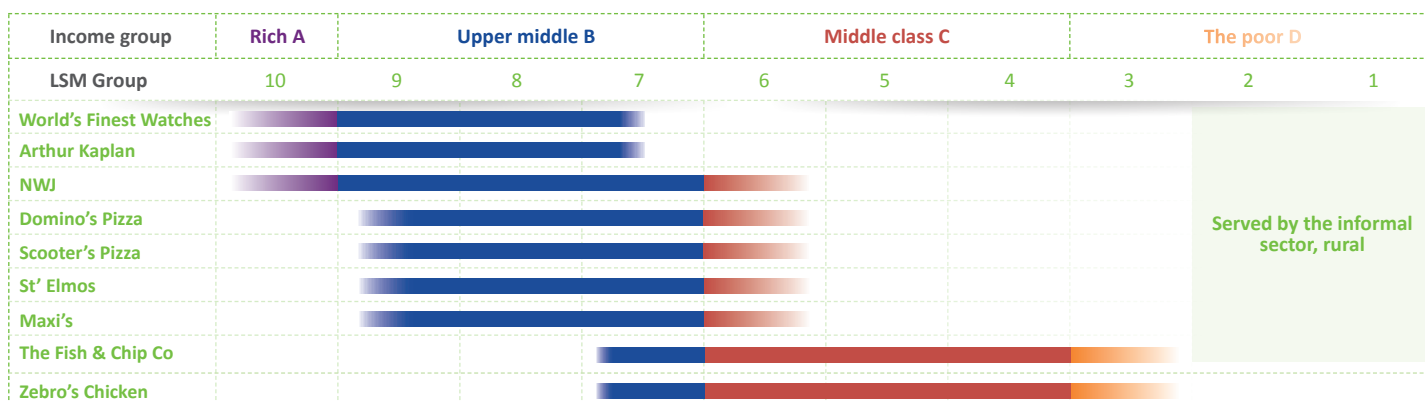
Employees

- Number of employees – 315.

Segmental information

	% change	28 February 2015 Audited R'000	28 February 2014 Audited R'000
Core segment revenue			
Luxury goods	42	324 923	229 289
Core segment operating profit			
Luxury goods	36	44 582	32 897
Segment assets			
Luxury goods		360 353	167 545

	Set-up cost ²	Royalty ³	Marketing fund contribution ³	Average store size
NWJ Arthur Kaplan	R1 million plus stock R2 million plus stock	5% corporate	4% corporate	60 m ² 60 – 100 m ²



WHAT WE VALUE

IF OUR TRUE NORTH ACTS AS A BEACON GUIDING OUR EVERYDAY DECISIONS, THEN THESE VALUES ARE THE COMMON GLUE THAT HOLDS US TOGETHER AS PEOPLE.



Integrity

Doing the right thing all the time.
Being honest, but compassionate.



Leadership

The ability to make *sound decisions* and *inspire others* to perform well.



Focus

Spend your energy on all the things that matter. Make *big changes to big things*.



Respect

Respect yourself, colleagues and diversity of *culture, opinion and race*.

TRUE NORTH

OUR VISION FOR A BETTER COMPANY

We are clearly focused on becoming the *preferred vertically integrated QSR and retail franchisor and licensee* in Africa; giving *superior returns* to franchisees and shareholders; displaying *leading corporate social citizenship* and making a *positive impact* within the communities we trade.



Intellect

Listen to the world. *Enrol* good minds to interpret it. *Act* on what you hear.



Passion and Energy

Be positive. Work hard because you can. *Believe* in what you do.



Innovation

Think big. Don't be afraid to *imagine*. Act on your imagination



Teamwork

Where *team members* come to each other's assistance.

"We want to build a community where we all go home every day renewed with the energy that comes only from the appreciation and pride of hard work, done well."

WHO WE ARE

OUR STRATEGIC FRAMEWORK

Taste Holdings is a South African-based management group that owns and licenses a portfolio of franchised and owned, category specialist and formula driven, QSR and retail brands that have the following characteristics:

- They are sustainably and compellingly branded;
- They maintain value leadership relative to the category in which they trade;
- They offer sustainable, superior returns to franchisees and shareholders;
- They offer opportunities for vertical integration;
- They have common customers;
- They are appropriately differentiated relative to the Taste portfolio; and
- They can reasonably be developed to be the customers' first choice in their markets.

WHY INVEST IN TASTE HOLDINGS

Taste is led by entrepreneurial people whose interests are aligned with those of shareholders. Its earnings are underpinned by strong cash flows generated by global and leading local brands that together address 85% of South African consumers in segments with long-term growth tailwinds. It has a 15-year record of solid growth, consistent capital allocations and exemplary corporate governance.



QSR

CASUAL DINING

LOW COST



- > System sales of **R1.28 billion**
- > In **five African** countries
- > **507 outlets**, national footprint
- > Diversified customer appeal: 85% of the income groups catered for (LSM 4 – 10)
- > **Value** for money offerings
- > **Domino's Pizza** master licence acquired April 2014

- > **Opened first six** Domino's Pizza stores
- > **Established** world-class dough manufacturing and distribution facilities
- > **Will convert Scooters Pizza and St Elmo's** to Domino's Pizza by February 2016
- > Actively seeking **new local and international brand** acquisitions/licences



SPECIALIST JEWELLERY FOCUS

SPECIALIST WATCH FOCUS

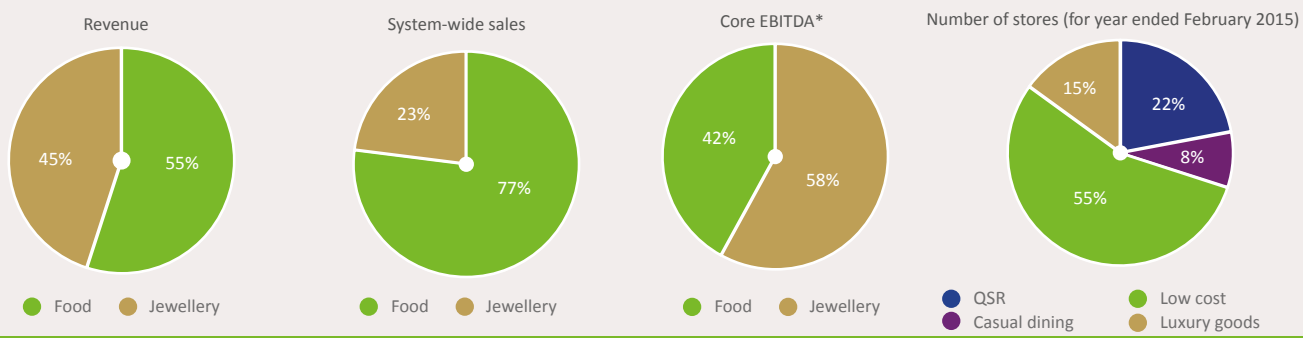


- > **Annualised* system sales** of R536 million
- > **National** footprint
- > **90 outlets** (2014: 77 outlets)
- > **NWJ is the third-largest brand** by units
- > **Leading** retailer of luxury Swiss watches in South Africa

- > Appeal to **broad spectrum** of consumers in both "affordable luxury" and premium watches
- > Acquired **Arthur Kaplan** and **World's Finest Watches** (11 stores) in November 2014
- > Only **vertically integrated** and franchised luxury goods chain
- > Owns 54 stores, rest franchised (2014: 34 stores)

* Including Arthur Kaplan for a full year in 2014

DIVISIONAL CONTRIBUTION TO GROUP



* Segment EBITDA contribution before deduction of corporate services costs.

OUR SUCCESS STORY

2000 – 2004 SINGLE BRAND

2000

September: Scooters Pizza, the founding entity of Taste opens its doors. December: Another six Scooters Pizza stores opened.

2001

Scooters Pizza acquires Chess Pizza and converts seven outlets. Scooters Pizza expands to Gauteng. Three Scooters Pizza outlets open in Gauteng in one day.

2002

Scooters Pizza wins FASA Newcomer Franchisor and Brand Builder of the Year Awards.

2003

Scooters Pizza becomes a member of proudly South African campaign. Scooters Pizza opens first store in Western Cape.

2004

NWJ wins FASA Newcomer Franchisor of the Year Award.

2005 – 2007 MULTI-BRANDED

2005

Scooters Pizza acquires all 28 Maxi's stores. Maxi's becomes the third largest player in its category.

2006

Scooters Pizza wins best pizza in Jo'burg in the Leisure Options Readers Choice Awards.

2006

Taste Holdings is listed on the alternative exchange (Alt*) of the JSE. Scooters Pizza is renamed to Taste Holdings to reflect its multi-branded business model.

2007

Scooters Pizza wins FASA Brand Builder of the Year Award.

2008 – 2010 DIVERSIFICATION AND VERTICAL INTEGRATION

2008

Taste Holdings acquires NWJ. Taste Holdings builds NWJ to become the second largest jewellery group in SA. Taste Holdings acquires strategic BJ's sites and converts them to Maxi's.

2008

NWJ is a FASA Franchisor of the Year finalist.

2009

Taste Holdings launches Buon Gusto; the vertical integration arm of the Food Division.

2010

Maxi's wins FASA Franchisor of the Year Award. Taste Holdings acquires St Elmo's – a 23 year-old pizza brand. Scooters Pizza celebrates their 10th birthday.

2011 – PRESENT BUILDING SCALE AND OPERATIONAL LEVERAGE

2011

Scooters Pizza wins FASA Brand Builder of the Year Award. Taste Holdings declared maiden dividend of three cents per share. Taste Holdings moved to main board of the JSE. Taste Holdings exceeds R750 million system-wide sales.

2012

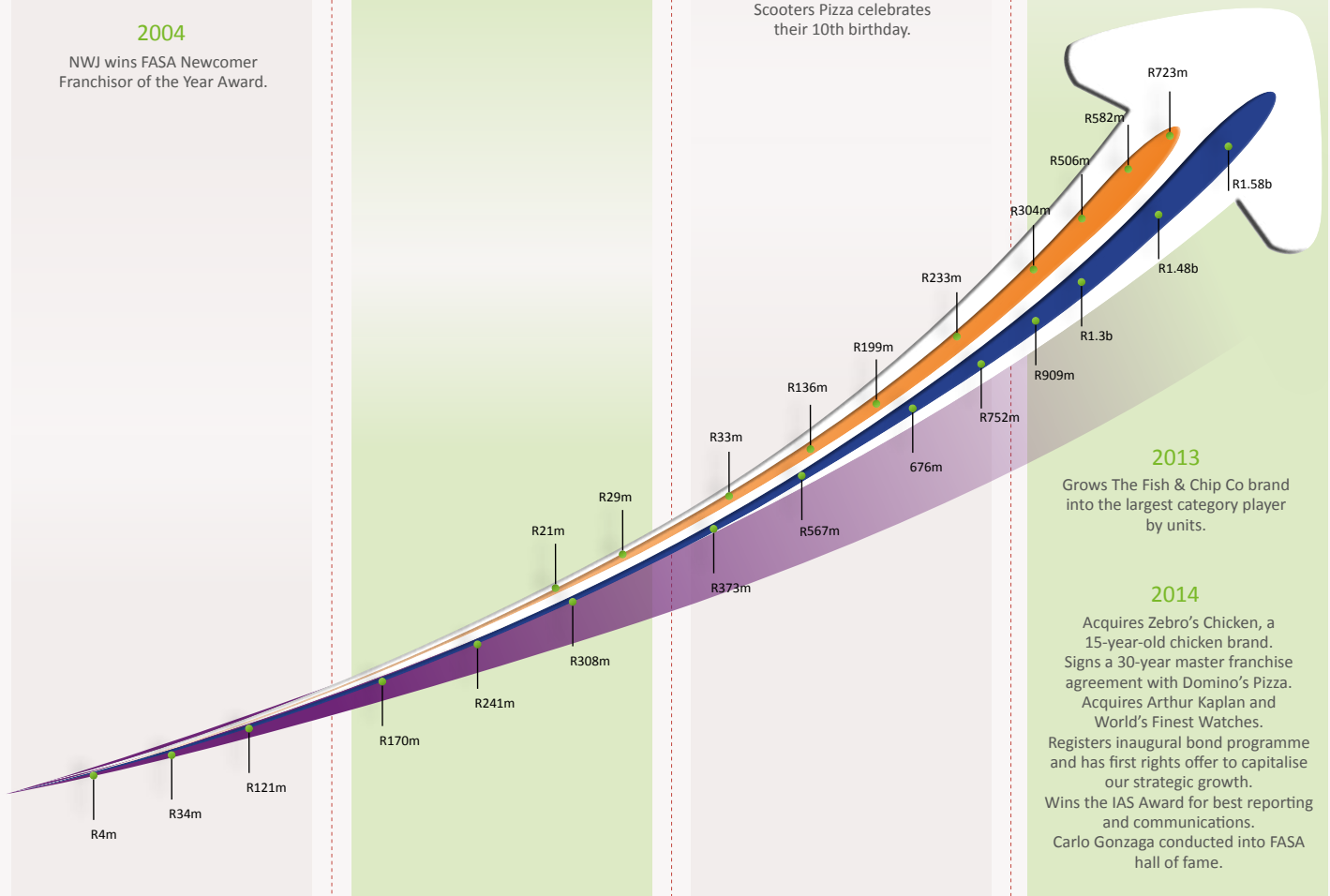
Taste Holdings reports 27% compound annual growth rate for last six years in HEPS. Launches NWJ credit card facility. Acquires The Fish & Chip Co Establishes two distribution depots servicing more than 500 of its food franchises.

2013

Grows The Fish & Chip Co brand into the largest category player by units.

2014

Acquires Zebro's Chicken, a 15-year-old chicken brand. Signs a 30-year master franchise agreement with Domino's Pizza. Acquires Arthur Kaplan and World's Finest Watches. Registers inaugural bond programme and has first rights offer to capitalise our strategic growth. Wins the IAS Award for best reporting and communications. Carlo Gonzaga conducted into FASA hall of fame.



- Revenue (2006 – 2015)
- System-wide sales (2002 – 2015)

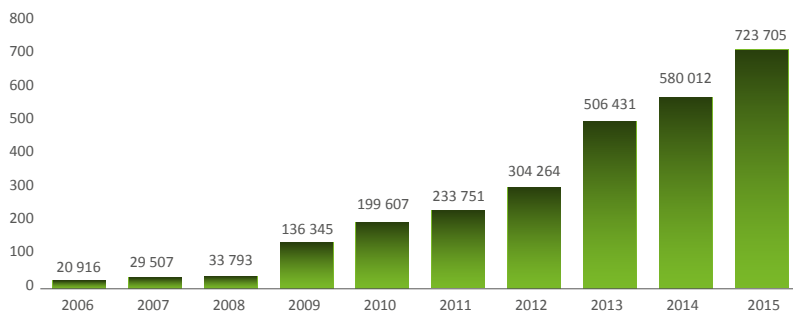
TEN-YEAR REVIEW

Key indicators		28 Feb 2006	28 Feb 2007	29 Feb 2008	28 Feb 2009	28 Feb 2010	28 Feb 2011	29 Feb 2012	28 Feb 2013	28 Feb 2014	28 Feb* 2015	9-year CAGR*
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Revenue (core)	R'000	20 916	29 507	33 793	136 345	199 607	233 751	304 264	506 431	580 012	723 705	48%
EBITDA (core)	R'000	4 810	10 649	12 119	29 053	32 391	37 083	41 733	51 829	59 916	73 159	35%
Operating profit (core)	R'000	4 418	10 649	11 715	25 585	26 927	30 768	35 181	42 892	49 010	58 090	33%
Cash generated from operating activities	R'000	9 195	6 995	10 216	24 053	34 429	32 036	39 132	36 118	42 832	58 553	23%
System-wide sales	R'000	241 000	308 000	373 000	567 000	676 000	752 000	909 000	1 380 000	1 480 000	1 580 000	23%
Headline earnings (core)	R'000	2 970	7 784	9 973	15 448	15 874	18 255	21 421	29 344	31 042	36 181	32%
Headline earnings per share (core)	cents	3.0	6.6	7.9	10.2	9.3	10.7	12.4	15.1	15.7	16.1	21%

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

** "Core" was introduced in 2014 as a consequence of the Domino's Pizza rollout.

Core revenue (R'000)

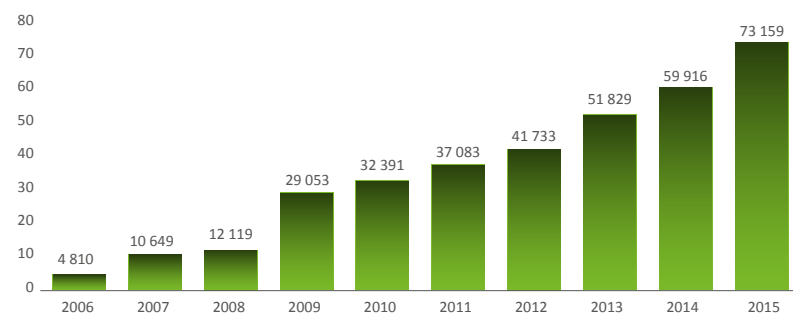


Breakdown of system-wide sales

Food

R1.22
billion

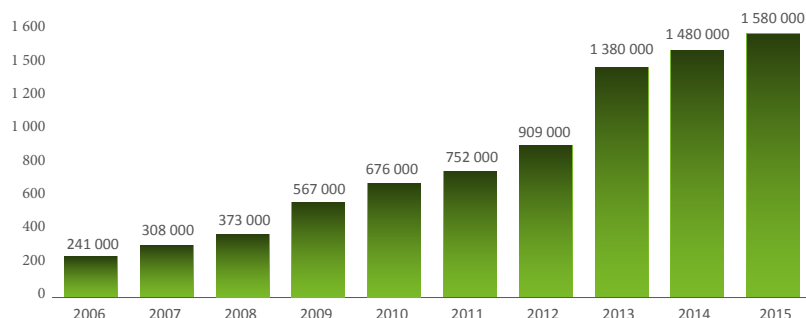
Core EBITDA (R'000)



Jewellery

R0.35
billion

System sales (R'000)



"A proven track record of profitable capital allocation since listing nine years ago"

REPORT SCOPE AND BOUNDARY

Welcome

Taste Holdings is proud to present their 2015 integrated annual report. We have considered the external and internal feedback received on our 2014 report and have endeavoured to rectify identified shortcomings in our 2015 reporting.

Although this report is produced specifically for shareholders and stakeholders, it complements further information provided through our website and other media.

Frameworks applied

This integrated annual report accords with the parameters of the Companies Act, No. 71 of 2008 (Companies Act), the JSE Listings Requirements and where possible, the recommendations of the King Report on Governance for South Africa 2009 (King III report). The group annual financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

As recommended by King III, this report was prepared in accordance with the International Integrated Reporting Council's International Integrated Reporting <IR> framework (the framework). Taste's board of directors (the board) and management have endorsed the <IR> framework's concepts, guiding principles and content elements.

Purpose

This integrated report is intended to concisely and accurately inform our stakeholder universe of our strategy, governance, performance and prospects in terms of value creation over the short, medium and long term.

The business model, the six capitals and value creation

The International Integrated Reporting Council's (IIRC's) six capitals model is used as a basis for describing the company's allocation of resources, its achievement of project goals, risks and opportunities and its ability to create value, both now and in the future.

Preparation and presentation

Taste's 2015 integrated annual report was prepared for the period 1 March 2014 to 28 February 2015 and covers the activities of Taste Holdings, its subsidiaries and associates operating in Southern Africa. The board and management is of the view that the material matters published in this report offer a balanced mix of information for report readers to assess the group's performance and prospects. These material matters were identified through our risk management process, strategy workshops and stakeholder engagement.

Matters raised through stakeholder engagement are assessed in terms of the stakeholder's influence, legitimacy and urgency.

The executive directors and senior management were instrumental in preparing this report and the board has fulfilled its responsibilities in terms of the King III recommendations.

Directors' statement of responsibility

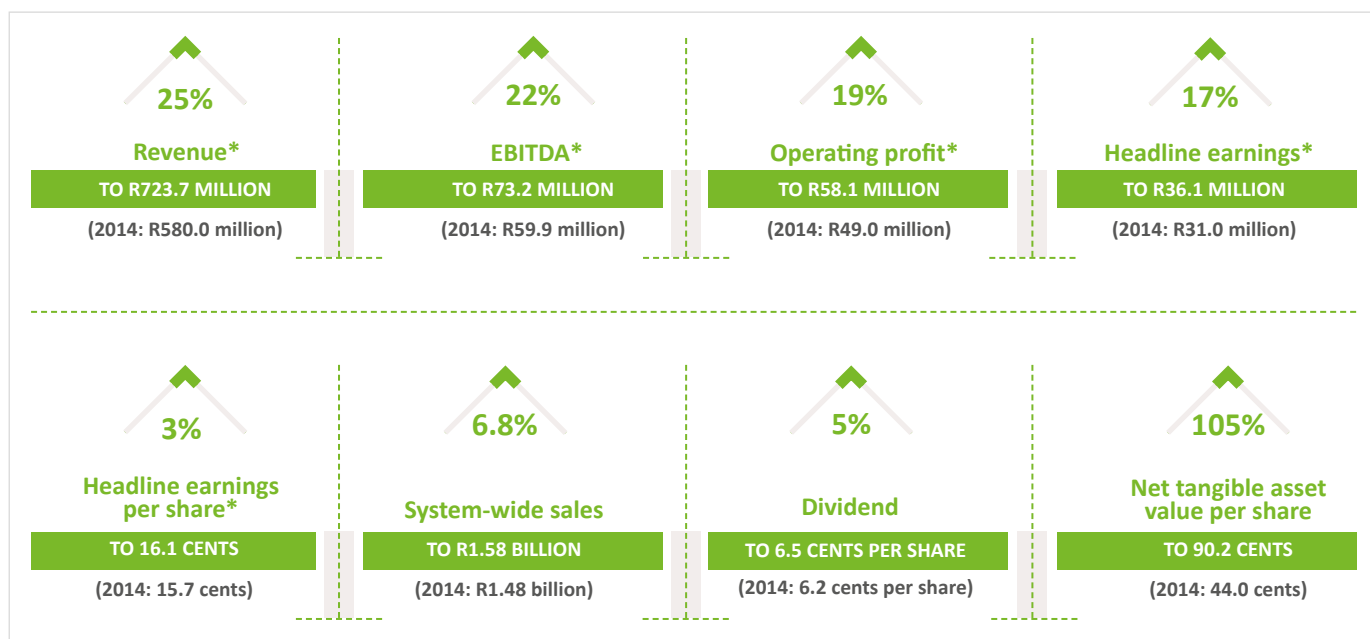
The board of directors acknowledges its responsibility to ensure the integrity of the integrated annual report. This report was prepared in accordance with the International Integrated Reporting <IR> framework and the board believes that it presents fairly the performance of the group and its material matters. On the recommendation of the audit and risk committee, the board of directors approved the 2015 integrated annual report on 26 May 2015.

Chairman and CEO

Forward-looking statements

Certain statements in this document are forward-looking. These relate to, among other things, the plans, objectives, goals, strategies, future operations and performance of Taste Holdings and its subsidiaries (the company or group). Words such as "anticipates", "estimates", "expects", "projects", "believes", "intends", "plans", "may", "will" and "should" and similar expressions are typically indicative of a forward-looking statement. These statements are not guarantees of Taste's future operating, financial or other results and involve certain risks, uncertainties and assumptions. Accordingly, actual results and outcomes may differ materially from those expressed or implied by such statements. Taste Holdings makes no representations or warranty, express or implied, that the operating, financial or other results anticipated by such forward-looking statements will be achieved and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. Due to the point in time nature of this integrated annual report, Taste cannot undertake to continuously update the historical information or forward-looking statements in this document.

FINANCIAL HIGHLIGHTS



KEY FEATURES AND ACHIEVEMENTS

Successfully launched Domino's Pizza in South Africa, opening six stores

Built a central pizza dough production facility and expanded food distribution capability

Acquired Arthur Kaplan and World's Finest Watches, South Africa's leading retailers of luxury Swiss watches

Acquired and integrated Zebro's Chicken ahead of expectations

Oversubscribed rights offer of R180 million

Registered inaugural R1 billion bond programme

INTEREST COVER¹ **11 times**

(2014: 11 times)

GEARING² **21%**¹

(2014: 30%)

CASH CONVERSION³ **0.79:1**

(2014: 0.7:1) (Target: 0.85:1)

DIVIDEND COVER **2.5**

(2014: 2.5) (Target: 2.5 – 3.0)

EBITDA MARGIN **10.1%**

(2014: 10.3%)

COSTS % OF REVENUE⁴ **31%**

(2014: 31%)

DIVIDEND INCREASE **53%**

to R19 million

1. Core 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 core EBITDA.

4. Core operating costs expressed as a percentage of revenue.

* All measures refer to "core" measures.

BUSINESS MODEL INTEGRATION, DECENTRALISATION AND COLLABORATION

Integration

Taste Holdings pursues investment in vertical integration opportunities that are typically defensible against the broader range of suppliers in the market, involve intellectual property and add value. These have typically been focused on high volume products where owning or controlling the manufacturing component generates competitive advantage.

Decentralisation

Taste Holdings decentralises management decision-making to where this is most effectively done. Three empowered and aligned CEOs can get more done – and faster – than one.

The model is executed through an executive committee (Exco), chaired by the group CEO. Taste's Exco comprises the CEO, CFO and executive directors of Taste Holdings.

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:

- approving brand and divisional strategies;
- the accompanying operational framework;
- 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.

The group also manages a central treasury function, which raises capital and allocates it across the group in accordance with a pre-agreed set of criteria approved by the board. The treasury is managed through an investment committee comprising the CEO, CFO, executive directors and group commercial executive.

Collaboration

The collaboration channel is based on forums in which best practice and collaboration ideas are shared between brands within the divisions. These 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* 4 – 10 category;
- franchise best practice implementation and franchisee performance management;
- common cost centres across divisions that can reduce costs;
- monitoring of customer and franchisee satisfaction; and
- aggregating procured volumes across brands to lower or maintain pricing, while preserving quality.

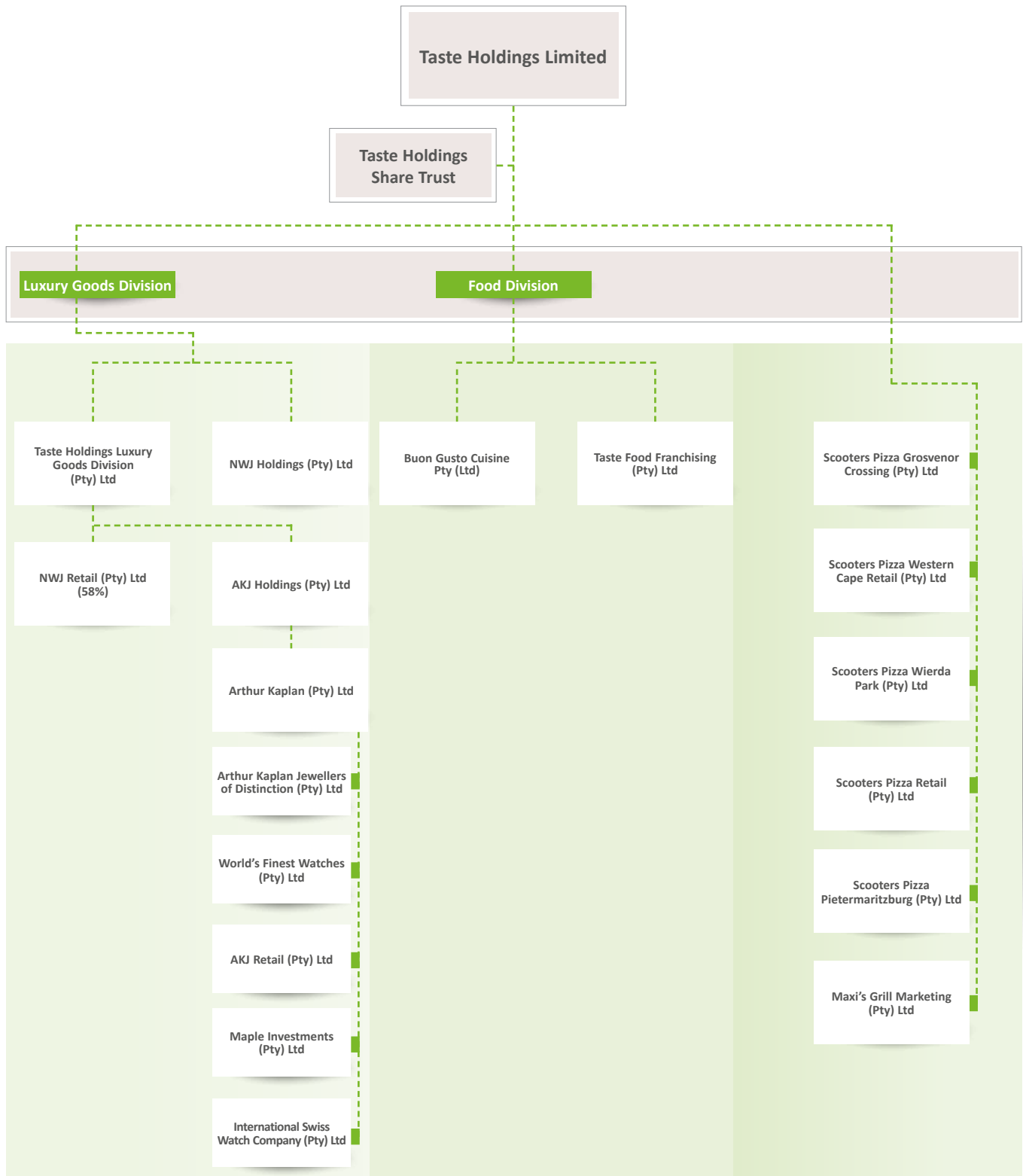
OUR MODEL IN BRIEF



- *32-year-old award winning jewellery chain*
- *Third largest and only vertically integrated franchised jewellery chain in SA*
- *Value for money – always 35% off*
- *Second largest retailer by volume of watches in South Africa*



GROUP STRUCTURE



* All subsidiaries are wholly-owned unless indicated otherwise.

STORE DISTRIBUTION

as at 28 February 2015

QSR

■ Scooters Pizza, St Elmo's and Domino's Pizza

▲ Food distribution

◆ Support centres

Casual dining

■ Maxi's

2

7

Low cost

■ The Fish & Chip Co
Zebro's Chicken

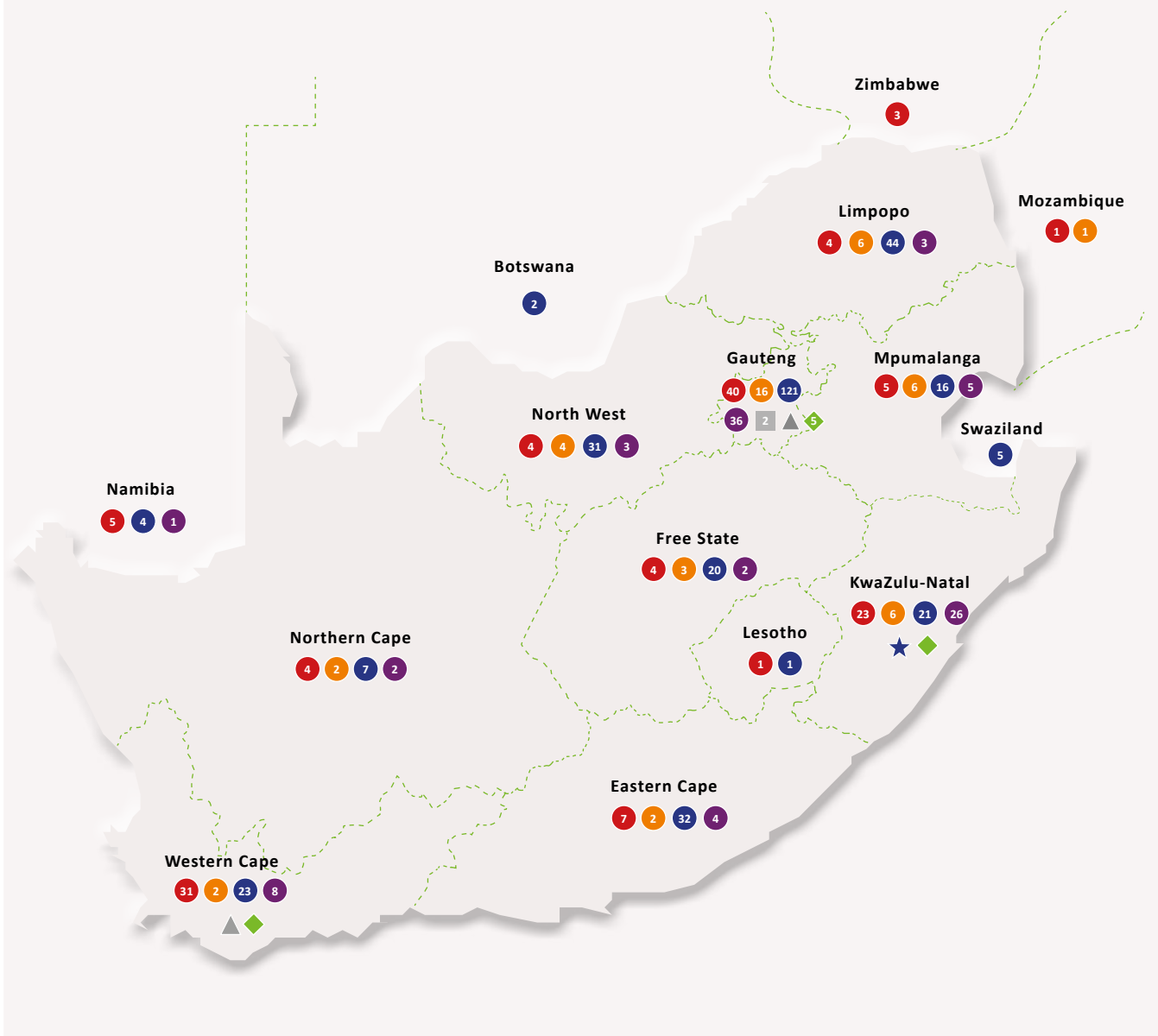
2

Luxury Goods

■ NWJ
Arthur Kaplan
World's Finest
Watches

2

✦ Jewellery manufacturing and distribution 1



BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS



1 RAMSAY L'AMY (BILL) DALY (72)

BA, LLB

*Independent Non-executive Chairman
Chairman of the board*

Member of the remuneration and nominations committee

Appointed: March 2000

Bill is a BA LLB graduate of Stellenbosch University. He was admitted as an attorney, notary and conveyancer and practiced 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 (Pty) 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.

2 ANTHONY (TONY) BERMAN (72)

CA(SA)

*Independent Non-executive Director
Chairman of the audit and risk committee*

Appointed: April 2009

As a chartered accountant (SA), Tony practiced in Durban within the auditing profession his entire working life. Tony is also an FSB qualified Financial Planner having been (until 30 April 2015) a director of and substantial shareholder in a financial planning business operating in Durban, Stellenbosch, Johannesburg and Port Elizabeth. He served articles with G. Hackner, Benn & Co, to which firm he returned after a few years on his own, remaining with them, now Grant Thornton, until 1 March 2009 when he retired as a partner. Tony was Managing Partner of the Durban office from 2003 for five years. Tony has had extensive experience in and consulting on taxation, mergers and acquisitions, trusts, estate planning, valuations, exchange control and corporate and general business. Tony's favoured involvement is, however, in real estate.

3 GRANT MICHAEL PATTISON (44)

BSc Eng Elec

Independent Non-executive Director

Member of the remuneration and nominations committee

Appointed: March 2014

Grant currently serves as the Chairman and CEO for NRG Renew Africa Limited, a US owned Independent Power Producer focused on the renewable energy sector. He also sits on the boards of various private companies.

Prior to joining NRG Renew, he was with South African retailer Massmart Holdings Limited for 16 years, the last seven of which as CEO, during which time he led the sale of a majority stake in the company to US-based WalMart Stores Inc.

4 WESSEL PETRUS VAN DER MERWE (46)

CA(SA)

Independent Non-executive Director

Member of the audit and risk committee

Member of the remuneration and nominations committee

Appointed: November 2011

Before starting his own business in 1998, Wessel completed his articles in 1996 at Arthur Anderson and joined Gensec Investment Bank for a period of two years. He gained valuable experience in investment banking, deal structuring, private equity and underwriting. During 1998, he started a corporate finance business and built it into one of the biggest advisory businesses for small and medium companies. The business was ranked by dealmakers in the top 10 corporate advisory firms for more than five years. He was involved in more than 30 listings, various corporate finance transactions and private equity transactions. He participated actively in more than 22 boards as a Designated Adviser or sponsor over the last few years and gained valuable experience as an adviser to the various boards. He sold his business during 2008 to a black-owned financial services group where he headed up the corporate advisory business. Wessel is now actively involved as a non-executive member in five listed companies.



5

5 HYLTON ROY RABINOWITZ (66)

Non-executive Director
Appointed: August 2008

Hylton began his career in the jewellery industry 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 retired in November 2011, but still serves as a non-executive director and is focused on sharing his immeasurable wealth and experience with the team.



6

6 KEVIN MICHAEL UTIAN (46)

BCom, BAcc, CA(SA)
Independent Non-executive Director
Member of the remuneration and nominations committee
Appointed: September 2000

Kevin is the CEO of Coricraft Group (Pty) Limited, having taken up this position in April 2012. Prior to this he spent 16 years at Nando's formatively as Managing Director of Nando's South Africa and thereafter as a director of the Nando's global group. Kevin is a chartered accountant by profession, and 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.



7

7 SEBASTIAN PATEL (34)

BBusSci (UCT)
Independent Non-executive Director
Member of the audit and risk committee
Member of the social, ethics and transformation committee
Appointed: March 2012

Sebastian is a Managing Executive at Brimstone Investment Corporation Limited (Brimstone), which position he took up in July 2010. Sebastian focuses on evaluating prospective investment opportunities for Brimstone as well as helping to manage Brimstone's current investments. Prior to joining Brimstone, Sebastian spent six and a half years at Nedbank Capital primarily in the Corporate Finance division. Sebastian is a Fellow of the Institute of Actuaries.

"If you aren't making a difference in other people's lives, you shouldn't be in business – it's that simple"

– Richard Branson

EXECUTIVE DIRECTORS



1



2



3



4

1 CARLO FERDINANDO GONZAGA (41)

BSocSci, LLB

Chief Executive Officer

Chairman of the executive committee

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 saw the evaluation of Scooters Pizza to the Taste Holdings businesses of today. In 2014, Carlo was inducted into the FASA Hall of Fame for Taste's contribution to franchising in South Africa. Carlo guides the strategic direction of the company, its growth strategy and human capital development. He also chairs the executive and investment committees. Carlo also serves on the board of Endeavor SA, a non-profit organisation that supports high-impact entrepreneurs globally.

2 EVANGELOS (EVAN) TSATSAROLAKIS (40)

CA(SA)

Chief Financial Officer

Member of the executive and investment committee

Member of the social, ethics and transformation committee

Appointed: September 2009

Evan qualified as a chartered accountant in 2001 after completing his articles with PricewaterhouseCoopers. He left PWC and spent seven 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 Chief Financial Officer. Evan acts in a non-executive capacity to the management boards of the Food and Luxury Goods Divisions and is a member of the executive committee.

3 DUNCAN JOHN CROSSON (49)

BCompt (Hons)

Chief Executive Officer – Luxury Goods Division

Member of the executive committee

Appointed: November 2000

Duncan obtained his BCompt (Hons) while 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 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. Following the acquisition of Arthur Kaplan in December 2014, Duncan was appointed Chief Executive Officer of the Taste Holdings Luxury Goods Division. Duncan was appointed to the board of the Jewellery Council's of South Africa in April 2011 and has served on the Jewellery Councils executive committee from February 2012 to 2014. Duncan has been instrumental in the successful management and control of the significant growth of the group over the past 11 years. Duncan is a member of the executive committee and chairs the Luxury Goods Division management committee.

4 JAY BAYNE CURRIE (41)

BSc

Chief Executive Officer – Food Division

Member of the executive committee

Appointed: March 2004

Executive since September 2012

Jay started with the Massdiscounters division of the listed South African retailer, Massmart, in 1999. He joined the holding company, Massmart Holdings Limited, as Group Commercial Executive in 2006 where he was responsible for all collaborative functions between the various subsidiaries of the group. In this position, he also held a non-executive position on each of the divisional boards of Game, Makro, Builders Warehouse and Massmart's food wholesale businesses, Masscash. In 2009, Jay took up the challenge of leading and building Cambridge Food, a national retail food business focused on low-income customers, for Massmart. In 2013, he changed roles and was responsible for facilitating and executing on an e-commerce strategy for the Massmart group. Jay was a member of the Massmart group executive committee which led the sale of a controlling stake in Massmart to the multinational giant Walmart. In 2013, Jay resigned from Massmart and joined the Taste Holdings executive team in September 2013 and remained on the board of Taste Holdings. Jay chairs the executive committee of the Food Division.

- *Taste has an exclusive 30-year master licence for seven African countries (including SA)*
- *World's largest pizza delivery brand – 11 700 outlets in 75 countries*
- *Built on 30-minute delivery*



KEY RISKS AND MITIGATION CONTROLS

The Board and executive management of Taste Holdings and its two divisions have considered what matters are most material to the group at present. We adopted a risk-based approach to this exercise and these are discussed in this section.

Business opportunities are equally material and are discussed in the “Strategy, risks and opportunities” section that follows.

Risk description	Description of impact	Mitigation and update
Sustained increase in loadshedding	<p>The impact of this stretches across both divisions and affects group and franchisee owned operations.</p> <p>Franchisee impact</p> <ul style="list-style-type: none"> • Lower revenue will reduce profitability. <p>Impact on the group</p> <ul style="list-style-type: none"> • Reduced royalties and distribution sales will lower the group’s profitability • Lower revenues from group-owned stores • Stock deterioration in food distribution centres • Damage to brand reputation 	<ul style="list-style-type: none"> • Installation of generators. This is an expensive option and depends on landlords and store locations • Our food manufacturing and distribution facilities in Midrand and Cullinan have put contingency plans into place for extended outages • Alternative suppliers have been identified to provide continuity of supply for certain jewellery and certain food items • Stock deterioration is covered by insurance • Critical IT systems are linked to UPS batteries
Exchange rate fluctuation	<p>Domino’s Pizza conversion project An unfavourable shift in the R/\$ exchange rate could increase the cost of converting Scooters Pizza and St Elmo’s store to a Domino’s Pizza stores. This would impact project funding and slow the conversion rate.</p> <p>Taste Holdings may suffer financial loss and reputational damage.</p> <p>Currency risk relating to Swiss watches Recent Swiss Franc movements could lead to abnormal price increases, which could reduce sales volume and revenue.</p> <p>Impact of exchange rate on fish product for The Fish & Chip Co business Could further reduce margins and fish-based menu options in a price sensitive consumer segment.</p>	<p>We are buying forward on imported stock items, but remain exposed in the medium term. Increased conversion costs would be passed on to the franchisee, though our conversion loans to them would also increase.</p> <p>Most Swiss watch brands have absorbed much of the Swiss Franc price increase. There is still a risk that prices may increase later in the year. We will continue our merchandise strategy of only investing heavily in major international brands and not niched products.</p> <p>We are actively mitigating this risk by:</p> <ul style="list-style-type: none"> • Refining our systems and reducing their costs • Aggressively promoting our brands • Where necessary, refreshing the brands and the look and feel of stores • Improving our site approval processes • Shifting customer focus from LSM 5-10 to LSM 7-10, with emphasis on LSM 8 and 9.
Interruption to manufacturing and distribution as a result of fire	<p>Supply of products to stores would be heavily impacted.</p>	<ul style="list-style-type: none"> • Fire suppression facilities in place • Alternative suppliers have been identified to produce and deliver stock if necessary • Should either the Cullinan or Midrand food distribution facilities be interrupted for an extended period, the other facility will be able to pick up full national supply by diverting the transport fleet to that facility and rescheduling routes • Insurance coverage in place for business interruption and consequential loss

Risk description	Description of impact	Mitigation and update
<p>Interruption of dough production for Domino's Pizza stores</p>	<p>Domino's stores would not be able to trade once dough supplies are depleted.</p> <p>Dough production could be interrupted as a result of:</p> <ul style="list-style-type: none"> • Water supply • Contamination • Industrial action 	<ul style="list-style-type: none"> • Rental of water tanks • Stringent international Domino's pizza standards and processes are in place and are tested frequently • In the case of extended interruption, the Midrand facility has the ability to supply up to 400 stores and the Cape Town facility has the ability to supply up to 200 stores. Should either facility be interrupted for an extended period, the other facility will be able to pick up full national supply by diverting the transport fleet to that facility and rescheduling routes
<p>Insufficient insurance coverage against losses for jewellery merchandise</p>	<p>Losses above the insurance limits imposed at company stores and head office if we are targeted by criminals. Franchisees may then be unable to obtain finance from lending institutions or credit from NWJ.</p>	<p>NWJ and its insurers have reviewed all coverage in detail and the insurers have provided additional cover. Each store is individually assessed and its insurance adjusted accordingly.</p>
<p>Operating system and network outage</p>	<p>Interruption of various fully integrated operating systems will affect manufacturing, supply chain, and financial reporting capabilities in the group.</p>	<ul style="list-style-type: none"> • Daily backups are done offsite for all key services • Our systems are linked by fibre and integrated with standby servers • Service level agreements are in place with a world class service provider with standby hardware and fail overs to backup locations and assistance with quick turnaround • Certain services are based "in the cloud" • We maintain manual order capture processes to ensure that deliveries are not delayed
<p>Reputational damage: The possibility of consumers becoming very ill from a Taste food product (sold in store or manufactured)</p>	<p>Incidents may be magnified through social media and TV coverage, so that our brands are perceived as unsafe for consumption, with the result that sales fall off.</p>	<ul style="list-style-type: none"> • A PR company has been appointed for public perception crisis control if necessary • Our suppliers are pointed in terms of specific criteria and standards • An independent service provider regularly tests incoming raw materials and processed goods • Our operations are HACCP compliant and conform strictly to hygiene and manufacturing best practices • We have reviewed our product recall policies and have increased our insurance due to the higher level of cold chain distribution • Public liability insurance is in place for all stores and food manufacturing facilities
<p>Domino's Pizza conversion project impacted by low level of franchisee conversion</p>	<p>Low levels of buy-in from franchisees could cause fewer conversions than budgeted, which would compromise the success of the Domino's Pizza project.</p>	<p>We are engaging diligently with franchisees to assist them through the process of qualifying for conversion.</p>

KEY RISKS AND MITIGATION CONTROLS CONTINUED

Risk description	Description of impact	Mitigation and update
<p>Security at jewellery stores</p>	<p>Armed robberies pose the risk of harm to staff and customers, while causing stock losses and business interruption.</p>	<ul style="list-style-type: none"> • Staff training to improve store vigilance • Head office and operations to support impacted stores resume trading with minimal down time • Improved security measures are constantly being evaluated and updated • A jewellery store upgrading programme is underway. The revamped store layout has improved in-built security measures • Rolex stores are identified as high risk. We have introduced new technology to enhance physical access control • Pre-employment polygraph testing and other screening measures are used to ensure staff fidelity
<p>Franchisee profitability: Franchisees margins could be eroded due to persistent inflation and continuously rising input costs such as double-digit electricity increases and rising fuel costs. Labour costs could increase unduly, while consumer demand could fall</p>	<p>Lower or non-payment of management royalties will reduce revenue and marketing spend. Store closures would harm brand awareness, which in turn would negatively impact new store growth.</p>	<ul style="list-style-type: none"> • Strong, focused operational teams • Actively drive input costs down where possible • Strategically set menu pricing, to ensure gross profit and cost of sales align with set targets and market expectations • Drive growth KPIs to ensure we target and aggressively drive growth • Continue to drive down new store setup costs • Rigorously communicate, measure and track financial benchmarks across the system • Identify poor performing stores and proactively address • Continue brand repositioning and upgrading menus and stores to stay ahead of market trends • Aggressive national and regional marketing strategies

STRATEGY, RISKS AND OPPORTUNITIES

In the current period, the group began implementation of an ambitious five-year growth plan. This plan is broadly focused on leveraging existing capabilities across both divisions to:

- licence leading global brands in segments where the brand is an important part of how customers make their purchasing decision;
- improve scale among our “low cost” food brands, through acquisition;
- increase ownership of corporate owned stores across both divisions; and
- support this growth through a leveraged shared resources platform and accessing selected vertical integration opportunities.

Taste Holdings intends becoming Africa’s preferred vertically integrated franchisor and licensee through visionary management of leading brands.

The group’s strategy is founded directly on a clear vision and mission. It is driven through a competency framework of skills and experience that underpin each level, from specific brands up to each division, and then to a compact and focused group head office.

Each brand and division is operated by semi-autonomous management teams with the mandate and flexibility to lead within broad group parameters. All are able to leverage the efficiencies offered by a single supply chain and shared systems platform.

The group head office provides strategic guidance, a central treasury, corporate governance and risk management.

Based on our broad base of appropriate competencies, Taste has the capability to acquire and integrate any brand that matches the group or divisional strategy. That is how diverse products can be offered in the same holding structure, based on spreads of complementary brands in our Food and Luxury Goods Divisions.

Investing in other product categories is a strategic option. At a group level Taste is a portfolio managing business invested broadly in retail and QSR businesses that exist within certain competencies.

Opportunities

The opportunity to leverage the Domino’s Pizza licence to own 30% of the pizza market in southern Africa

There is currently a gap in the South African pizza delivery market and an opportunity to be the leader in the third largest food segment in South Africa. Introducing the Domino’s Pizza brand and converting the Scooters Pizza and St Elmo’s stores to this world leading brand is the vehicle to capitalise on this opportunity.

Consolidate the Quick Service Restaurant (QSR) segment that serves the emerging middle-income (LSM 4-6) consumers

Some 20 million South Africans are primarily served by independently owned QSR brands across multiple protein categories. The opportunity exists for further acquisitions into this business unit to scale up our market share and intensify vertical integration throughout for cost efficiencies.

Continued investment in corporate store ownership

The opportunity to acquire further NWJ stores from franchisees is a proven and low-risk strategy. Expansion of Arthur Kaplan through acquisition and conversion of new stores will be through corporate ownership. We also intend directly owning some 35% – 40% of the Domino’s Pizza outlets in our African licensed region, which is in line with other master licensees around the world.

Licence leading brands

The group will continue to licence brands in segments where the brand is key in the customer decision.



Taste Holdings core strengths

Customers	A deep understanding of southern African low-to-high income customers in QSR and retail. Our brands address 85% of South Africa's demographic, and capitalise on the major socio-economic themes of an emerging and aspirational consumer who is time starved, seeks convenience and wishes to display status through universally recognised symbols of luxury.
Brands	We understand how to build brands (we have built six of our own) across multiple customer segments. We are also exemplary brand custodians for some world-renowned brands in their categories ¹ .
Franchising	We understand and are great at franchising. Being a franchisor makes us a better franchisee and licensee of international brands.
Leverage through scale	Taste has developed scale of operations – an advantage in the highly consolidated southern African market. This reduces costs and enables us to more quickly engage new concepts and brands.
Vertical integration	We control and own our distribution and therefore our route to market. Our in-house manufacturing capabilities ensure quality, innovation and own control of stock inventories.
Targeted executive compensation	Our motivational remuneration framework attracts and retains the professional executives that fit into Taste's strategy.
Corporate store ownership	Our current strategy is to directly own 30% of our Food Division outlets, which complement our 50%+ ownership of Luxury Goods Division stores.
Governance and transparency	Since listing nine years ago, Taste Holdings has prescribed to rigorous corporate governance and transparency, which we are intensifying in response to current best practices.
Access to and allocation of capital	We have a proven track record for raising capital in both the debt and equity markets. Following our latest capital raising, the group has drawn down just R125 million ² of a R1 billion Domestic Medium Term Note programme. The group targets an IRR of 25% when allocating capital in line with its strategic objectives.

Leveraging our core strengths for the future

Customers	The more we understand about consumers in our targeted income bands, the more relevant our spread of offering becomes to our chosen markets. These brands exist throughout Africa.
Own brands versus licensed brands	Whether home grown or international, Taste intends operating the brands most suited to the markets we have selected.
Franchising and corporate ownership	We believe that we are a better franchisor and licensee if we directly own and manage a significant percentage of our outlets.
Leverage through scale	Our shared services platform reduces costs and ensures that outlets receive products of consistent quality. We can respond quicker to new product lines and make these profitable more quickly.
Vertical integration	We select the products that we should logically manufacture in-house and self-distribute these to all outlets.
Targeted executive compensation	Taste already has a range of executive skills across our competency framework and will be augmenting these with new talent throughout the next financial year.
Focused brand leadership	We are ensuring that every brand gets sufficient resources for its executive leadership, operations, marketing, and human resource management.
Fewer, larger brands	All brands require the same structure and attention to succeed. As Taste develops, we will seek out brands that offer optimum returns for the amount of management focus and group resources required.
Governance and transparency	We have long believed that good governance is intrinsic to a sustainable company, as well as being essential for entering new countries and establishing partnerships with credible international businesses. Taste is compliant with the USA's Foreign Corrupt Practices Act (FCPA) and this year we intend further extending our internal ethics and anti-corruption awareness training throughout the group ("The award for disclosure").

1. In watches: Breitling, Hublot, Omega, Rolex, Tag Heuer. In food: Domino's Pizza.

2. At 28 February 2015.

- 22-year-old award winning casual dining restaurant
- Third-largest brand in its category in South Africa
- FASA Franchisor of the Year winner 2010

MAXIS
More than just a meal



LEADERSHIP REVIEW

CHAIRMAN'S LETTER



“There is no dignity like the dignity that comes from being able to work”

RAMSAY L'AMY (BILL) DALRYMPLE

Dear Stakeholder

Last year I wrote about an exciting new development in the group's strategy, which was to introduce the international Domino's Pizza brand. In the 12 months since then the executive team has bedded down this international brand with dedication and energy. In so doing, the board and executive has repositioned Taste Holdings for long-term success.

Taste Holdings operates in a highly competitive industry and as we integrate the Domino's Pizza, Zebro's Chicken, Arthur Kaplan and World's Finest Watches brands into the group, we are more convinced than ever that we've made the right decisions. Engaging with an internationally respected brand such as Domino's Pizza has rewarded us with new branding expertise, product advice, heightened food safety standards, and improved point of sale systems. It also gives us unprecedented access to market entry strategies as we venture beyond our borders. Once all these learnings have been adopted across all stores and brands, the many benefits of partnering with a successful international brand will become more apparent. We are now well prepared to take on further international brands that may fit Taste's business model.

Our first Domino's Pizza stores are already recording materially higher turnovers than our other pizza brands, which is encouraging as we embark on converting our Scooters Pizza and St Elmo's stores to the Domino's Pizza brand.

Macro-economic realities

In considering Taste's next steps, we must take cognisance of the broader economic environment that we operate in. Sub-Saharan African economies are growing at a healthy 5% to 8% per annum and their middle classes – our target market – are expanding rapidly. Their upper-income consumers have great appreciation and desire for premium brands, which opens a niche for our luxury brands. Commencing in Namibia, we are taking a cautious, step-by-step approach into expanding across national borders,

though we see great potential for jewellery and luxury goods, Domino's Pizza and Zebro's Chicken in Namibia.

In our South African home market, the outlook is not as promising. GDP growth is stalled under 2% per annum, chronic electricity outages are hindering industry and our stores, and the South African Rand is slipping back against other currencies. Falling commodity prices and labour unrest has much of the mining industry struggling. Rising utility costs and the variable price of fuel is reducing the disposable income in the lower LSM pockets, although higher income earners are not yet showing too many signs of financial pressure.

In the light of macro-economic realities, Taste's evolving strategy makes complete sense. We are taking on brands in counter-cyclic segments and are moving into several countries to disperse the risk. In so doing, we're building a solid core of management expertise able to expand our multi-brand strategy, while also intensifying a vertical integration strategy that is reducing costs and growing internal revenue flows.

Job creation partnership with Khulisa

A project that I'm particularly excited about is the partnership Taste has entered into with Khulisa Social Solutions, a reputable NGO linked to the Jobs Fund, to utilise our new store openings to create new jobs. South Africa is burdened by chronic unemployment and a lack of skills to even enter the employment market. Where Taste can train people in lifelong earning skills, we will do so. Khulisa finds unemployed young people in communities where we operate and prepares them for entry into formal job training through our joint "Changing Lanes" programme. After undergoing our intensive induction training for new employees, the Khulisa candidates then staff our newly opened or converted Domino's Pizza stores. We intend expanding the Khulisa partnership to our other brands, as Taste's practical contribution to tackling unemployment in South Africa. There is no dignity like the dignity that comes from being able to work.

Aligning our corporate governance with international standards

Companies complying with the King III code can be assured that their corporate governance standards are right up there with the best in the world. Nevertheless, by entering into the Domino's alliance, Taste had to comply with rigorous USA corporate governance requirements such as the Foreign Corrupt Practices Act (FCPA). This process has caused us to review Taste's corporate governance structures in the light of international good practice.

In terms of King III, we have further improved our compliance by splitting the social and ethics committee from the remuneration committee to enable a more direct focus on social and ethics issues.

The standard of management reporting in the group is exceptional, but we have further improved and regularised Taste's financial reporting aspects.

This year, the board and executive again performed exceptionally well. I must mention that Grant Pattison, the ex-CEO of Massmart and a recently appointed non-executive director, provided a wealth of experience in our negotiations with international interests.

We are keenly aware that we lack diversity and gender representation on our board. The board is continually on the look-out for suitable candidates, while at the same time keeping in mind our short-term commercial realities.

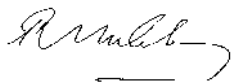
In terms of overall empowerment representation, Taste is well represented. Approximately 54% of our franchise owners are previously disadvantaged individuals. Brimstone Investment Corporation Limited owns a 14.21% shareholding and actively leverages its rights and continues to exercise opportunities to increase these as they become available.

In conclusion

Taste Holdings is committed to growing into a world-class African company through nimble strategy, while being always aware that we must look after our people and operate within communities facing many challenges. We take care of our employees and franchisees physical wellbeing and career progress, while keeping in mind that most of them probably support many dependants.

Taste Holdings is in an expansion phase, based on the 15 years of previous hard work. We are investing heavily in capital expenditure and management energy to assimilate the Domino's Pizza and Arthur Kaplan and other new brands. We are positive that these will generate good returns in the years ahead.

Warm regards



Bill Daly
Chairman

*Compound annual growth rate

Seven-year
CAGR* of

55%

REVENUE

Created

302

new jobs through
"Changing Lanes"
programme alone

↑ 105%

Net tangible asset
value per share
to 90.2 cents

- *Leading retailer of luxury Swiss watches and jewellery in South Africa*
- *Only retailer to stock multiple Swiss brands in multiple locations*
- *100% corporate store ownership*
- *42 years in business*

ARTHUR KAPLAN⁺



- *Specialist luxury watch store*
- *Leading retailer of Breitling, Hublot, Longines, Omega, Rolex, U-boat and Tag Heuer*
- *13-year-old store*
- *A favourite destination for enthusiasts and collectors*

WORLD'S FINEST WATCHES



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



“We don’t think in terms of limits. We’re just crazy enough to believe that if we can think it and dream it then it must be possible”

CARLO FERDINANDO GONZAGA

Dear Stakeholder

Last year I reported on how we had made significant progress against four key strategies: 1. deepening our vertical integration in food through turning our nascent food distribution business to profitability; 2. extending corporate ownership of outlets through acquiring further NWJ branded outlets from franchisees; 3. being a key player in the lower income consumer segment in food through the acquisition of Zebro’s Chicken on 1 March 2014; and 4. owning or licensing the world’s best brands through signing an exclusive 30-year master franchise agreement with Domino’s Pizza International. I also reported on how we were structuring the leadership and executive capacity to be able to scale appropriately with this growth, particularly in the Food Division.

This year I am pleased to report that we have yet again made substantial progress against these strategies and I deal with each of them in detail in this report. More importantly, as we have the benefit of hindsight we are assured more than ever that these strategies are creating a platform for transformative growth in the years to come.

As is the nature of businesses that have multiple brands serving diversified customer segments there will likely be headwinds in parts of the business at any given time, and our company has not been immune to that in the last year. Our The Fish & Chip Co brand has weathered a widespread increase in the price of its core protein (wild-caught hake) resulting in other protein categories providing better value to a very price sensitive consumer segment. Our Zebro’s Chicken business, which operates in the same consumer segment has, on the other hand, performed exceptionally ahead of expectations, both in new store openings and same-store sales, proving that the lower income consumer is still spending, albeit at more constrained levels than in prior years.

The last five years has seen us focus our efforts on building scale in our divisions; on building deeper competence across our existing areas of capability; and on building multiple scalable platforms from which to simultaneously grow in the future. I believe that 2014 will, with the passage of time, prove to have been yet another watershed year for our company.

Africa and the world is changing fast. We would be well advised to listen. To enroll good minds to interpret what we hear. And to act. We continue to recognise that for our business to be sustainable in the longer term, we must honestly and intrinsically engage with our communities. If we are to prosper and thrive, we must help our stakeholders and communities to do so. Our destiny is shared.

Financial overview

Core earnings

You will see in our related financial announcements, as well as in our group CFO report that we reference core earnings. This is not new to the group, nor uncommon reporting practice. The reason why we disclose an IFRS earnings result and a core earnings result is two fold: firstly, the core earnings results are the ones that we use internally to evaluate operating performance, to evaluate ourselves against our peers, and to determine future performance targets and long-range planning. Secondly, we believe that stakeholders covering our performance and attempting to predict future performance also utilise a similar measure. To arrive at our core earnings result we principally exclude from operating expenses non-recurring and non-cash material costs that relate to lease smoothing charges in terms of IFRS; corporate action costs relating to transactions (legal, due diligence and transaction fees); and for the forthcoming and past year we also exclude once-off and upfront investment costs that relate to the Domino’s Pizza conversion. These are more fully detailed in our CFO report. Leading global brands such as Domino’s Pizza are a scarcity. They have delivered long-term and sustained shareholder value in other markets. Not to invest in an opportunity like the Domino’s Pizza one on the basis that it would require upfront investment without immediate revenue or profit, would be a disservice to those stakeholders that understand the value that global brands can create and who are long-term value seekers. We have always, and will continue to, invest in the long term and our Domino’s plan is evidence of this commitment to creating long-term sustainable value.

Financial summary

The continued vertical integration of the Food business, along with the increase in corporate store ownership across both divisions saw core revenue increase 25% from the prior year. This represents the 15th consecutive year of revenue increase

for the group and a seven-year CAGR* of 55%. An unchanged gross profit margin of 39% contributed to a core EBITDA increase of 22% to R73.2 million over the prior period, with the only non-comparable expense included in the EBITDA result being an increase in the share option expense consequent to the recruitment of skilled executive leaders during last year. This is not added back for our core earnings measure.

While core headline earnings increased 17%, core headline earnings per share increased a modest 3%. The difference in the increase between earnings and per share earnings is, of course, due to the 60 million shares issued in terms of our fully subscribed rights offer in September 2014 and the fact that its proceeds were partly deployed to capitalise on the Domino's Pizza opportunity.

Capital structure for growth

As we reorganised our leadership and skills around a changing world and our new opportunities, so too we transformed our access to capital. Historically, we would raise debt and equity based on each transaction and within the division deploying the capital. To capitalise on the opportunities consequent to our strategy we saw a need to access capital in a more predictable and flexible manner and to do so based on group requirements and timed to best utilise debt or equity, or both.

During the current period, we registered a R1 billion Domestic Medium Term Note (DMTN) programme and issued inaugural notes to the value of R125 million in 2014 and a further R75 million in April 2015 (R61 million of the inaugural R125 million was used to settle existing debt). This complements the capital raised through the fully subscribed rights offer to existing shareholders of R180 million in September 2014 and issues for cash in April 2015 of R95 million.

We continue to develop our capital allocation framework and are becoming more sophisticated in our thinking. Our central treasury function has evolved significantly in the last 24 months and is critical to continued disciplined capital allocation. Our CFO deals with performance of some of the investments made during the last two years.

Our five-year plan in action

Our activities in the last year 12 months have been focused on the same key strategies I reported on last year. For context I list them:

1. "License leading global brands". We believe that if the brand is a critically important element in how the consumer makes his purchasing decision then we should trade with the best brands we can possibly get in those categories. Domino's Pizza is the world's leading pizza delivery brand. Breitling, Omega, Rado, Longines, Tag Heuer, Rolex: Among the world's leading Swiss watch brands and all housed in the Arthur Kaplan and World's Finest Watches acquisition.
2. "Own and grow lower income". Our ability to continue to offer value to lower income consumers is dependent on maintaining and improving

scale and operational leverage in this part of our business – which we refer to as 'low cost'. The Zebro's Chicken business is aligned to our existing The Fish & Chip Co business – it serves the same customers in the same day parts with the most preferred protein among South Africans – chicken. Zebro's has also provided a natural hedge to our dependence on a single protein in this segment – fish. This benefit was not an explicit intention behind the Zebro's Chicken acquisition, but is proving beneficial nonetheless.

3. "Corporate store ownership". Three years ago we owned just 16 jewellery outlets. At 1 May 2015, we owned 54 Luxury Goods outlets and by the end of May 2015, will own 23 corporate owned Domino's Pizza outlets. It is our intent to own approximately 30% of the Domino's Pizza system over time.
4. "Support growth and unlock value through a shared resource platform and accessing selected vertical integration opportunities". Our Food Division people structure is well integrated and the Domino's experience has created a team of functional executives that is scalable for future licensing opportunities. Arthur Kaplan has created similar opportunities to lever shared resources in our Luxury Goods Division, and in the medium term, to lever the existing jewellery manufacturing capability of the division. Domino's Pizza has created unique opportunities for vertical integration, the most substantial of which is their intellectual property that has allowed us to establish a world-class dough production facility that will supply fresh dough balls to Domino's Pizza outlets.

The Domino's effect of acquiring new brands

We have benefited greatly from the franchising experience shared by a respected international franchisor with more than 11 700 outlets around the world. The process of acquiring and implementing the Domino's Pizza licence has been a learning curve that will be invaluable in future acquisitions. Getting ready to take on a major international brand, offered fresh insights into standard-setting and the high level of corporate governance required. These lessons are being implemented throughout our business.

Domino's Pizza itself has offered exceptional support throughout and we are impressed by the strength of its brand equity, which is more impressive than initially expected. We are realising that South Africans don't need to know international brands first hand before wanting to experience them. They are eager for fresh and novel experiences, which is what Domino's Pizza offers in the local market. Nevertheless, Domino's Pizza offers a quality range that is well tested for long-term viability. This eye-opening experience has prepared us well for the rigours of taking on further international brands.

Rolling out Domino's Pizza

The first six Domino's Pizza outlets were launched at the end of 2014. As of 10 May 2015, there were 23 Domino's Pizza branded outlets, all of which are corporate owned. The group anticipates having

↑ 22%

Core EBITDA

↑ 19%

Core operating profit

↑ 17%

Core headline earnings

*Compound annual growth rate

↑ **53%**

Total dividend payable

↑ **6.8%**

System-wide sales

↑ **3%**

Core headline earnings per share

approximately 62 Domino's Pizza outlets by 31 August 2015. The first converted franchisee stores will trade under the Domino's Pizza brand by the end of May 2015. Sales continue to exceed original expectations with converted stores, (of which there are only 3 currently) achieving sales more than 50% higher than they were achieving prior to conversion. Per-store average Domino's Pizza sales are currently more than 60% higher than average Scooters Pizza sales.

Arthur Kaplan adds high-end sparkle

Arthur Kaplan has been a rewarding acquisition into our luxury goods business. The group, through NWJ, already distributed some 29 watch brands, but could not access premium brands with NWJ. The emerging middle class consumer as well as the well-heeled upper income consumers are only now starting to gain an appreciation for luxury timepieces. Africa's fast expanding middle and upper classes are defined by aspiration – often not by what they already earn, but by what they intend to earn. Looking the part is considered vital, and middle income consumers will invest in products from globally prestigious brands and Arthur Kaplan is at the forefront on capitalising on that growth.

As the group's expansion drive gathers impetus, we foresee opening Arthur Kaplan stores in major cities across Africa.

Arthur Kaplan is the only retailer to stock multiple luxury Swiss watch brands in multiple outlets. By number of doors it is the largest retailer in many of the Swiss watch brands. As with the food division we are now exposed to both middle and upper income consumers, further diversifying our exposure to one category or one consumer.

Growing our presence in the lower LSM grades

The Zebro's Chicken acquisition has fitted well into the division and our research shows that chicken is growing its market share as the protein of choice. We intend expanding the brand beyond its Eastern and Western Cape base and have already opened more stores than originally planned. Zebro's Chicken margins have improved significantly as it has been integrated into our shared resources and distribution model.

Our singular disappointment this year was The Fish & Chip Co our other lower income brand acquisition. The steady downwards slide of the Rand against the US dollar prompted South Africa's fisheries to export the bulk of their catches for higher profits. With the price of our fish supply soaring by 50% to export parity levels, we've had to respond by changing the value proposition to a consumer that was already under financial pressure from above inflation food, petrol and electricity increases.

Corporate store ownership

One of the consequences of operating the world's best brands is that they require high levels of

control over the brand experience. Brand holders are generally insistent that they deal directly with the operators and this means owning the outlets ourselves. Out of 90 luxury goods stores in total, the Luxury Goods division now directly owns 54, which includes all 11 Arthur Kaplan and Worlds Finest Watches outlets. In our food division we own 23 Domino's Pizza outlets and will target some 35% – 40% ownership. Among our other food brands we will continue to franchise as the business unit economics generally are supportive of this type of ownership structure.

Expanding into broader Africa

A condition of our 30-year Domino's Pizza licence is that we must expand the brand into seven other identified African countries. We are up to the challenge and are confident that our local knowledge of African conditions, allied to the Domino's Pizza expertise in successfully entering 74 markets, will lead to successful expansion across borders with multiple food brands. The group already operates in five African countries.

In the luxury goods division the group selected Namibia for our pilot entry into broader Africa, as the country is a small, but sophisticated and stable market. Taste has launched an NWJ store and two of our food brands in this country.

These learnings will be taken across to our next country of entry, where we will commence by introducing brands that we decide are most initially appropriate. From that entry point we can broaden our market presence to include more brands and again build on that experience to move on to our next identified African country.

Vertical integration deepens as food safety reaches international standards

Nearly two years ago Taste decided to internalise our distribution and to manufacture as many of our own products as economically feasible. Buon Gusto Food Distribution was established as our supply chain and the driver of vertical integration of the Food Division. As Buon Gusto has grown in scope and efficiency, it has become a core pillar of the Food Division business model.

To become a licensed provider of Domino's Pizza source products, we opted to build a new kitchen facility in Midrand that conforms to far higher food safety standards than South African norms. All our foodstuff suppliers must now conform to similar standards, which positions our food production optimally for export to other markets.

A fundamental aspect of the Domino's Pizza offering is its trademark pizza dough, which is now manufactured at our new Midrand facility. As this dough must be transported in a specific manner, we have developed the capability to distribute chilled, frozen and ambient products.

The NWJ unit of Luxury Goods is already vertically integrated, with 45% of its lines manufactured in-house. Due to its high-end offerings, assimilating

Arthur Kaplan into the division's vertical integration model will take time, but we have harvested the low-hanging fruit with regards to leases, administration, HR functions and diamond procurement. In some instances both brands have the same suppliers, enabling orders to be combined for better prices.

Constrained electricity supply and loadshedding

Along with almost all South African businesses, Taste Holdings has to factor in the effects of electricity outages, which in our case can seriously disrupt manufacturing or the customer experience in our outlets. It appears that limited electricity and loadshedding (areas are shut off for a few hours at a time in rotation when national electricity demand exceeds supply) will be a significant issue until at least 2017.

Electricity outages have a major impact on forecasting sales and franchisee profitability. Outlets cannot trade in shopping centres without power as the security risk is too high. Although landlords do install generators in new shopping centres and share these costs with tenants through rental or usage agreements, the effect on our existing base of 600 outlets is minimal.

For our lower income food brands, the cost of a generator is not affordable in the minimal capex business model designed for emerging entrepreneurs. In those instances landlords need to install generators on behalf of their tenants, though fortunately Zebro's chickens are braided in the traditional way and can still trade without power.

The South African context

South Africa has a unique set of social dynamics and challenges. On the one hand we have a set of desired indicators such as black ownership, formalised black empowerment scores and levels of compliance with employment equity benchmarks. These indicators are undeniably necessary to be able to measure the transformation priority. Businesses will always need to balance the trade-off between their own commercial survival and obligations they have to stakeholders with the need to reflect progress against these socio-economic indicators. The fact that these indicators change regularly does not make this trade-off any easier. On the other hand every business operates in a country with stubbornly high levels of unemployment and a workforce which does not have the skills necessary to contribute in a modern and changing economy. Addressing this reality with commercially symbiotic solutions in the communities we trade is what will separate businesses that endure from those that do not.

Already having the highest level of direct black ownership among our peers we this year aim to increase our level of direct Black ownership to more than 17% through the further issue of shares to Brimstone Investment Corporation. Brimstone have agreed to take up R25 million of the R95 million capital raised through the issue of shares in April 2015, on the same terms as we issued to other shareholders. Our group BEE score has improved by one level and we are proudly a Level 3 (AA) contributor. What really excites us however is our commitment to job creation. We believe this represents the most meaningful contribution we can make within our set of skills and commercial realities. Our "Changing Lanes" programme which our Chairperson refers to and is further described, has in the six months alone given employment to 302 previously unemployed youths in the areas in which our Domino's Pizza stores trade. For these 302 people, we have had the opportunity to change their lives and give them hope for a better future in which they can reclaim their dignity. We should all be proud that our company is able to make this difference within our commercial obligations to all stakeholders.

Thinking about our future

Our company has never been afraid to do the things we thought were right, even if it was contrary to popular opinion. That does not mean we do not listen. We listen intently to the outside world, but we also listen to ourselves. We trust our strategic, decision and executional rigour. We know that one of the consequences to embarking on our licensed strategy with green-fields operations such as Domino's Pizza was upfront investment without matching revenue. This is something we last did when we launched Scooters Pizza 15 years ago and when we started our food distribution business in 2012. We therefore expect a year wherein we will have some detractors to how we implement our strategy but we are resolute in our course.

We expect to close further stores in our The Fish & Chip Co brand this year and are planning to trim our expense base to reflect this. Any improvements to our sales outlook will be accretive off this lower base but will not be value destructive if they do not materialise. The better than expected sales in Domino's Pizza and the accelerating rate of franchisee interest for both new openings and conversions will mitigate the expected slow-down in sales across the group's other pizza brands until they convert fully. The impact of loadshedding is among our top concerns due to our (or our franchisees') inability to mitigate this in all stores.

We are once again entering an exciting phase of our journey and I am personally invigorated by our multiple opportunities for growth, as well as the opportunities we are giving to future leaders to achieve more, together. The most gratifying part of our journey is our ability to be in the privileged position to make a difference to the communities we operate in. We will, however, always understand that we must perform financially in order to do this.

We have been humbled by the support we have received from shareholders and franchisees alike in converting our founding brand to Domino's Pizza outlets. What we are doing is not easy. But it is right for the long term. We are privileged to be custodians of leading global brands and that is a responsibility we do not take lightly. My thanks go to our shareholders who last year showed their support for our team and vision in the most visible manner possible – through a fully subscribed rights offer with no need for an underwriter. Our franchisees and network partners are the backbone of any success we achieve and this year I must especially thank those Scooters Pizza and St Elmo's franchisees who have embarked on this journey to convert to Domino's with us. Your board has been a continued source of wise counsel to management and we are fortunate to have dedicated individuals who care deeply about our company. Lastly, I cannot extend enough gratitude to our teams that have worked tirelessly in the last year to do what many thought was impossible. Thank you.

Warm regards



Carlo Gonzaga
Chief Executive Officer

- *28-year-old authentic woodfired pizza chain*
- *Located predominantly in the Western Cape*

St. Elmo's
WOODFIRED PIZZA & PASTA



- *Founding entity of Taste Holdings*
- *15-year-old pizza brand*
- *Second largest pizza delivery chain in SA*
- *Four-time winner of the FASA Brand Builder of the Year Award*
- *Focused on 39-minute delivery or your order free*

scototers
PIZZA
get a slice of the good life



CHIEF FINANCIAL OFFICER'S LETTER TO STAKEHOLDERS



"Success isn't just about what you accomplish in life, it's about what you inspire others to do"

EVANGELOS (EVAN) TSATSAROLAKIS

Dear Stakeholder

Taste Holdings has again delivered satisfactory results, despite persistent volatility in the local and global macro-economic environment.

Sluggish economic growth and growing consumer debt has led to a period of consolidation in the South African franchise industry. Weaker franchises are failing, while accurately targeted and well-managed brands are performing. We continued building on our reputation as an innovative leader in identifying and acquiring brands, both local and international.

In this year of review we embarked on our ambitious five-year growth plan, which kicked off with the acquisition of Zebro's Chicken on 1 March 2014. A month later Taste made its big play by securing exclusive master franchise rights for Domino's Pizza for 30 years in South Africa and six other African countries. The acquisition of the Arthur Kaplan and World's Finest Watches brands in November 2014 enabled us to broaden our luxury goods offering to include higher income bands.

To fund the growth plan, Taste registered a R1 billion Domestic Medium Term Note (DMTN) programme in July 2014, with an initial issuance of R125 million. In September 2014, the group raised a further R180 million from shareholders through a rights offer. These successful capital raises have established a healthy reserve for achieving our current objectives, while also considering other promising opportunities.

Core earnings

As with previous years, the group has disclosed core or normalised earnings. To provide internal and stakeholder clarity on our financials, Taste uses a core earnings measure to evaluate our operating performance, measure ourselves against peers and determine future performance targets and long-range planning. Core earnings more accurately reflects the comparable and future performance of the core Taste business.

Core earnings exclude once-off costs and revenues; as well as Domino's Pizza upfront costs relating to the launching of the Domino's Pizza brand; the establishment of pizza dough production and distribution facilities; and the conversion of the Scooters Pizza and St Elmo's stores to Domino's Pizza stores which includes opening corporate owned training stores required for the conversion, and the interest thereon. The tax on the core earnings adjustment is calculated only on expenses that are deductible for taxation purposes. We anticipate that the once-off and upfront costs relating to the Domino's Pizza project will be excluded from core earnings until the conversion of Scooters Pizza and St Elmo's stores to Domino's Pizza is completed in early 2016.

Taste will disclose this core earnings financial measure for as long as it is relevant to stakeholders. The detail of the reconciliation to core earnings is disclosed in the table below.

The significant categories of these costs that were excluded from core earnings are:

Relating to Domino's Pizza:

- R9.9 million international and local costs associated with establishing specialised national training teams for the conversion of the stores;
- R5.7 million pre-opening expenses and non-recurring up-front freight; and
- R5.0 million ongoing project management fees and other non-recurring costs.

Other:

- R2.4 million of non-recurring transaction fees relating to corporate action, due diligence and legal costs; and
- R3.4 million lease smoothing charge. Rentals are now a material expense to the group due to the substantial increase in corporate store ownership. The lease smoothing charge in terms of IAS 17 has been disclosed for the first time. This is a non-cash item.

SUMMARY GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
RECONCILIATION TO CORE EARNINGS

	Core earnings %	28 February Audited 2015 R'000	Core earnings Adjustment 2015 R'000	28 February Core earnings 2015 R'000	28 February Core earnings 2014 R'000
Revenue	25	723 705	–	723 705	580 012
Cost of sales		(439 260)	–	(439 260)	(351 165)
Gross profit	24	284 445	–	284 445	228 847
Other income		796	–	796	956
Operating costs	25	(238 536)	26 453	(212 083)	(169 887)
EBITDA	22	46 705	26 453	73 158	59 916
Depreciation and amortisation		(15 068)	–	(15 068)	(10 906)
Operating profit	19	31 637	26 453	58 090	49 010
Investment revenue	159	6 465	–	6 465	2 496
Finance costs	49	(13 140)	1 346	(11 794)	(7 889)
Profit before taxation	21	24 962	27 799	52 761	43 617
Taxation		(8 813)	(7 036)	(15 849)	(13 422)
Profit for the period	22	16 149	20 763	36 912	30 195
Other comprehensive income		–	–	–	–
Minority shareholders		(531)	–	(531)	–
Total comprehensive income for the period	20	15 618	20 763	36 381	30 195
Attributable to:					
Equity holders of the company	20	15 618	20 763	36 381	30 195
Earnings per share attributable to equity holders of the company					
Earnings per share (cents)	6	6.9	9.2	16.2	15.3
Diluted earnings per share (cents)	7	6.8	9.0	15.8	14.8
Dividends declared per share (cents)	5	6.5	–	6.5	6.2
Reconciliation of headline earnings:					
Earnings attributable to ordinary shareholders	20	15 618	20 763	36 381	30 195
Adjusted for:					
Impairment losses		–	–	–	1 223
Profit on sale of property, plant and equipment and non-current assets available for sale		(246)	–	(246)	(310)
Tax effect on headline earnings adjustments		46	–	46	(66)
Headline earnings attributable to ordinary shareholders	17	15 418	20 763	36 181	31 042
Weighted average shares in issue ('000)		225 225	225 225	225 225	197 245
Weighted average diluted shares in issue ('000)		230 879	230 879	230 879	203 389
Basic earnings per share (cents)	6	6.9	9.2	16.2	15.3
Diluted earnings per share (cents)	7	6.8	9.0	15.8	14.8
Headline earnings per share (cents)	3	6.8	9.2	16.1	15.7
Diluted headline earnings per share (cents)	3	6.7	9.0	15.7	15.3

Restatement of 2014 core earnings

The group's core revenue for the year ended 28 February 2014 has been decreased by an adjustment of R2.8 million. This adjustment represents the prior period revenue derived from store openings in the pizza division (Scooters Pizza and St Elmo's). This revenue has been excluded from core revenue in the prior period as no new Scooters Pizza or St Elmo's stores could be opened in the current year after the signature of the Domino's Pizza master franchise agreement in April 2014. The taxation in the prior period has also been adjusted accordingly for the tax on the R2.8 million.

Segmental review

SUMMARY GROUP CONSOLIDATED SEGMENTAL REPORT

OF CORE EARNINGS

	% change	28 February 2015 R'000	28 February 2014 R'000
Core revenue			
Food	10	398 782	362 053
Luxury Goods	42	324 923	229 289
Corporate services	(36)	10 353	16 242
Inter-segment revenues	(62)	(10 353)	(27 572)
Group core revenue	25	723 705	580 012
Core EBITDA			
Food	(6)	36 076	38 466
Luxury Goods	36	49 055	35 949
Corporate services	(17)	(11 972)	(14 499)
Group core EBITDA	22	73 159	59 916
Core operating profit			
Food	(16)	27 153	32 362
Luxury Goods	36	44 582	32 897
Corporate services	(16)	(13 644)	(16 249)
Group core operating profit	19	58 091	49 010

Food Division

Revenue increased 10% despite the continued downward pressure on sales from The Fish & Chip Co business. This also resulted in fewer new store openings in this brand when compared to the prior period due to lower demand from franchisees in the low-income consumer segment. Contributors to the revenue increase were Zebro's Chicken, the increase in corporate store ownership, and growth in revenue from the food distribution business.

Notwithstanding the revenue increase, core EBITDA decreased 6% to R36.1 million. This decline is attributable to the disappointing performance of The Fish & Chip Co brand. Fewer store openings in this brand had an approximately R6 million impact on core EBITDA compared to the prior period. Consumers of this brand reacted negatively to the multiple above inflation increase in the price of wild-caught hake since November 2013 and turned to other protein categories providing more value for money. Fish is the main protein in this brand's menu and as a result same store sales in this brand declined 14% from the prior period,

whereas same store sales across the remainder of the Food segment increased by 5%. In contrast, Zebro's Chicken, which serves the same consumer segment, continued recording double-digit same store sales growth. During the year, Zebro's Chicken contributed R38.6 million to revenue and R3.6 million to core operating profit. EBITDA margin in this division thus decreased to 9% (2014: 10.6%).

Domino's Pizza has surpassed all expectations due to a positive customer reaction and above forecast sales since opening the first six Domino's Pizza outlets. Sales continue to exceed original expectations with converted stores (of which there are three currently) achieving sales of more than 50% higher than prior to conversion. We are very pleased with the revenues generated in the short period that these stores have traded in the financial year, which has prompted the division to increase the number of corporate owned stores planned for 2015 from six to 26 outlets. The conversion of the Scooters Pizza and St Elmo's stores to Domino's Pizza stores has begun and the first converted franchisee stores will trade under the Domino's

Core revenue up
↑25%
to R723.7 million

Core EBITDA up
↑22%
to R73.2 million

Core profit
before tax up
↑21%
to R52.7 million

Pizza brand by the end of May 2015. Significant investment in food manufacturing has resulted in the establishment of a world-class pizza dough manufacturing and distribution facility in Midrand. This facility commenced manufacturing and distributing fresh pizza dough to Domino's Pizza stores in April 2015.

Luxury Goods Division

This division recorded its fourth consecutive year of same store sales growth, with a 5% increase over the prior year. Its pleasing revenue growth of 42% was driven by the acquisition of the Arthur Kaplan and World's Finest Watches brands as well as the opening and acquisition of additional corporate stores. Core EBITDA increased 36%.

During the three-month period that Arthur Kaplan was owned it contributed R70.7 million to revenue and R9.9 million to core EBITDA. The revenue and operating profit if Arthur Kaplan had been owned for the full year is R249 million and R19.8 million respectively. Divisional revenue would have increased 11% and core EBITDA 9% if Arthur Kaplan had not been acquired. As expected, the core EBITDA margin declined from 15.7% to 15.1% due to Arthur Kaplan's lower trading margin. Excluding Arthur Kaplan, the core EBITDA margin remained largely unchanged at 15.4%.

In terms of the Arthur Kaplan purchase and sale agreement, an additional purchase consideration is payable if the profit after tax of Arthur Kaplan for the period 1 July 2014 to 30 June 2015 exceeds R12.386 million. This brand's performance has exceeded expectations to the extent that the Group anticipates paying an estimated additional R15 million in terms of the sale agreement.

Depreciation and amortisation

Depreciation and amortisation increased by R4.1 million from the prior period due to the acquisitions and capital expenditure incurred during the current period.

Investment revenue and finance costs

The increase in investment revenue is consequent to the R180 million raised through a rights offer to shareholders in September 2014, as detailed in the circular posted on 9 September 2014. Increased finance costs are a result of the additional debt through the issue of notes in terms of the DMTN programme.

Taxation

The group's effective tax rate for the current period is 35% due to the non-deductible expenses related to the various capital projects during the current period. Tax on the core earnings adjustment is calculated only on expenses that are deductible for taxation purposes.

Headline earnings

While core headline earnings increased 17%, headline earnings per share only rose a modest 3%. The difference in the increase between earnings and per share earnings is, of course, due to the 60 million shares issued in terms of our fully subscribed rights

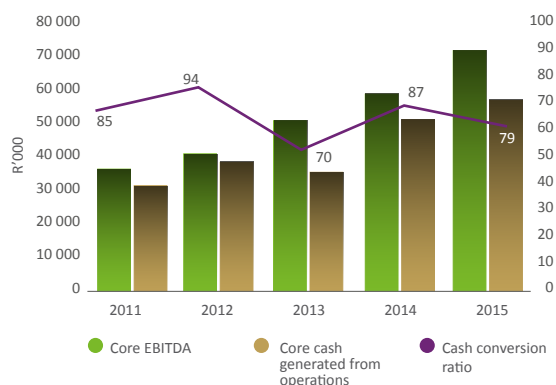
offer in September 2014, the proceeds of which were partly deployed to commence the Domino's Pizza implementation.

Financial management

Cash generation

A key measure for the group is our cash conversion ratio, which reflects the amount of cash the group generates as a percentage of core EBITDA. The group's target cash conversion ratio is 85%.

Cash generation



Cash generated from operating activities for the current period includes the costs and working capital associated thereto in terms of the core adjustment. It also includes an additional investment in inventory over and above the acquired inventory amounting to R6.5 million (2014: R10 million) for the NWJ corporate stores acquired and opened during the year. This investment relates to additional inventory necessary to ensure that the ideal stock holdings are achieved in the new stores and is essentially an investment, although reflected in working capital. Excluding the effect of the two factors discussed above, the group cash conversion ratio is 79% of core EBITDA (2014: 87%).

Capital expenditure

The group's policy is to fund replacement capital expenditure (capex) from internally generated funds and to fund expansion capex from external funds. During the year, expansion capex amounting to R75 million was incurred on:

- construction of corporate stores opened in the Food Division and Luxury Goods Divisions;
- acquisition of equipment required for corporate stores to be opened in the Food Division after year-end. This pertains to the Domino's Pizza stores that have opened since year-end;
- establishing the new distribution and dough manufacturing facilities in Midrand and Cape Town; and
- continuing our vehicle purchase programme in the food distribution business.

Acquisitions

During the year, the group acquired the following businesses in line with its strategic objectives:

Name	Purchase price R'000
NWJ jewellery stores from franchisees	8 934
Arthur Kaplan (estimated)	100 000
58% share in three NWJ stores	7 487
Zebro's Chicken	17 000
Food stores from franchisees	5 591
Total	139 012

These acquisitions were funded by a combination of debt and equity.

Containing costs

The consolidation of the food services business during the prior year has yielded expected efficiencies and consequently, savings in transport, a reduction in stock days and a lower per-kilogram cost of delivery. These continue to improve and will carry through into the next reporting period. An effective measure of cost control excludes depreciation and amortisation and reflects those costs as a percentage of revenue. In the current period those costs were 29.3% of revenue, unchanged from the prior period and marginally improved from 31 August 2014.

Exchange rate

Foreign exchange fluctuations have not noticeably impacted Taste Holdings' finances. Although some jewellery items are imported for the Luxury Goods Division, exchange-related increases are passed along the supply chain. Swiss watch brands have become a signature part of Taste's inventory since the Arthur Kaplan and World's Finest Watches acquisition. These brands have recorded price increases of 10% to 13% in the past year due to the Rand's devaluation against the Swiss Franc. These unavoidable increases have not reduced demand from upper-income shoppers.

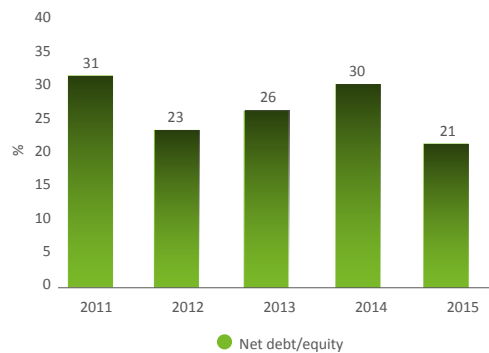
Setting up the Domino's Pizza stores requires specific imported equipment and any exchange-related increases are also passed on through the supply chain. The price of fish was heavily impacted by the rising US Dollar which resulted in the available fish supply being diverted to the export markets.

Although exchange rates are carefully monitored, Taste has not seen cause to enter into currency hedging or exchange rate contracts.

Access to capital

During the year, the group restructured its access to capital to align with its growth plan. In July 2014, Taste registered a R1 billion Domestic Medium Term Note ("DMTN") programme with an initial successful issuance of R125 million. This DMTN programme has introduced flexibility and predictability in our debt funding requirements. To compliment the note issue, in September 2014, the group successfully raised R180 million from shareholders through a rights offer that was fully subscribed for by existing shareholders with no need for an underwriter.

Gearing



The group raises capital based on opportunities that are available to us. Certain of these opportunities require more equity than others. Therefore, the group's level of gearing at any point in time considers these opportunities together with the group's future cash flows.

Capital allocation

The Taste Holdings group acts as the treasury for both divisions and is responsible for managing funds and raising capital as required. This arrangement enables the divisions to focus on their business operations, rather than equity and debt.

As all funds are centrally managed, Taste's liquidity is closely monitored and idle cash is minimised across divisions. The treasury function ensures that group resources are allocated to the best possible investment opportunities.

Our divisions are encouraged to motivate investment opportunities, which the group investment committee will evaluate in order to maximise return on investment and to ensure that shareholder value is increased in the medium to long term. The group assesses all investment opportunities based on the predictive future cash flow of these opportunities by utilising the group's weighted average cost of capital adjusted upwards for opportunity-specific risks. Currently, the threshold internal rate of return (IRR) is 25%.

The group actively monitors capital allocation by reviewing investment performance against their specific investment cases. Each of the following investments are currently still forecast to exceed our IRR hurdle of 25%:

- the acquisition of NWJ stores from franchisees and newly opened corporate stores;
- the acquisition of Zebro's Chicken;
- the vehicle purchase programme in the food distribution business; and
- the Arthur Kaplan business which is proving by its current performance to exceed our expectations.

Dividend

Historically the group has maintained a dividend cover of 2.5 times core earnings per share which was again the board's decision this year. The decision was taken considering the group's optimistic outlook in the medium term (12 – 36 months); counterbalanced by the opportunities for value accretive investments that continue to present themselves to the group, as well as the short-term (12 month) cash requirements for the foreseeable Domino's Pizza investment. While this dividend represents a modest (5%) increase on a per share basis, it represents an increase of 53% in the total dividend paid, when compared to the prior period.

The board has declared a final gross cash dividend of 6.5 cents per ordinary share, resulting in a net dividend of 5.52 cents per ordinary share for those shareholders who are subject to a 15% dividend tax.

Dividend per
share up
↑ 5%
to **6.5 cents**

Outlook

- Since opening the first six Domino's Pizza outlets between October and December 2014, the group has been encouraged by the positive customer reaction and sales to the extent that whereas only six corporate owned stores were planned for the 2015 year, the group now plans to have approximately 26 corporate owned outlets.
- The better than expected sales from both new and converted Domino's Pizza stores has also resulted in the pizza dough production facility in Cape Town being established earlier than originally planned. The production facility located in Midrand started producing Domino's Pizza dough balls in April 2015 and the group expects that pizza dough balls will be produced in the Cape Town facility by June 2015. In addition to this, the now expanded manufacturing campus in Cullinan will begin to manufacture burger patties from July 2015.
- The conversion of the Scooters Pizza and St Elmo's store network to Domino's Pizza has begun and as previously stated, Scooters Pizza and St Elmo's franchisees will be given the opportunity and assistance to convert their stores to Domino's Pizza stores.

In light of the above, on 21 April 2015, the group announced that it has successfully raised R94.7 million through the issue of 31 073 773 Taste shares at an issue price of R3.05 per share partially by way of a general issue of shares for cash and partially by way of a specific issue of shares for cash. The specific issue is to Brimstone Investment Corporation Limited, amounts to R25 million and will be concluded once shareholder approval is obtained. Additionally, and in terms of the DMTN programme, the group issued further notes to the value of R75 million on 23 April 2015.

We continue to progress on our growth prospects. Our strong balance sheet, access to further capital and our ability to efficiently evaluate and implement investment opportunities will ultimately create further shareholder value.

In closing, I wish to thank our financial team for their determination, dedication and commitment in once again achieving high standards of financial reporting and disclosure for our stakeholders.

Warm regards



Evan Tsatsarolakis

Chief Financial Officer

Registered
R1 billion
Domestic Medium
Term Note (DMTN)

PERFORMANCE REVIEW

FOOD DIVISION



HIGHLIGHTS

- Integration of Zebro's Chicken, which delivered excellent results and is currently exceeding the first year's investment case assumptions
- Roll out of first six Domino's Pizza outlets
- Satisfactory performance by Scooters pizza, St Elmo's and Maxi's
- Significant bolstering of our senior executive talent
- Restructuring the division to leverage high-quality shared services across brands
- Opening of international standard kitchen facility in Midrand
- Moving food distribution from Cullinan to Midrand, increasing capacity and efficiencies for distribution
- Increasing manufacturing capacity at Cullinan campus

BRANDS

Taste's Food Division manages a portfolio of brands spread across most LSM bands. Household consumption remains constrained in the price sensitive lower income groups, while the middle to higher income customers have continued spending more freely.



We opened the first six Domino's Pizza stores and have been highly gratified by the swift public acceptance of this international brand, which shows that we had underestimated its latent brand equity. To align with Domino's rigorous standards, we have overhauled our distribution network and established a new central dough manufacturing capability. Specific teams have been assembled to train staff and manage the physical conversion of stores, which is expected to be complete by February 2016. In this initial phase, Taste intends opening corporate owned stores, while converting Scooters Pizza and St Elmo's delivery outlets to the Domino's offering. The Domino's conversion project requires significant group expenditure but we consider the project to be a "game changer" for Taste Holdings.



Despite a reduction in store numbers from the prior year, the brand's profit contribution increased due to closing marginal stores and leveraging the shared resource base more effectively. We anticipate an improved performance in 2016, based on business unit restructuring, reduced operating costs and last year's closure of marginal stores.



The brand has delivered a pleasing profit performance driven by strong sales growth, additional volumes and higher margins from vertical integration. Taste Holdings has taken a strategic decision to convert all Scooters Pizza stores to the Domino's Pizza brand over the next year.



Performed well, based on its niche pizza offering. The four existing St Elmo's restaurants will be consolidated into a new business unit with Maxi's, while its delivery outlets will be converted to Domino's Pizza stores.



The sharp increase in fish prices drove a complete overhaul of The Fish & Chip Co menu structure and range, which now includes a chicken offering. This revised menu has yet to find the ideal balance between price point and portion value. Many lower income customers are eating fewer convenience foods due to falling disposable income, while others consider chicken to offer better value for money.

With fish prices unlikely to reduce in the medium term, The Fish & Chip Co will close marginal outlets and refresh its brand offering for longer term viability.



The integration of Zebro's Chicken stores has progressed remarkably well. This is our second low cost brand and represents Taste's entry into the increasingly popular chicken segment. Profit performance has been exceptional due to strong sales growth and lower costs in a leveraged model. In the forthcoming year, we will continue building on Zebro's Chicken success factors, while expanding its footprint outside of its Eastern and Western Cape locales.

CHALLENGES

- Ongoing economic pressure on our customers, especially the lower income segment
- Impact on The Fish & Chip Co sales and store pipeline by steep fish price hikes
- While well-resourced and appropriately capitalised, the Domino's Pizza conversion is a large project with its own associated execution risks in the year ahead

Brand synergies

Although each brand appeals to its own target market group, Taste Holdings applies a cascading strategy across all its integrated brands. Each brand benefits from the group's strong competency framework, which includes:

- identifying and acquiring appropriate real estate;
- hiring and training staff;
- common IT systems;
- merchandising;
- procurement;
- distribution; and
- manufacturing.

Corporate vs franchised stores

Taste owns corporate stores in Maxi's, Scooters Pizza, The Fish & Chip Co and Domino's Pizza. In future, corporate store ownership will be limited to the Domino's brand, except where we transiently own stores in other brands. Due to Domino's Pizza stringent management requirements, the initial stores will be corporate owned in order to facilitate training at the conversion stores.

As part of the management restructuring and enhancement of the Food Division, Zebro's Chicken and The Fish & Chip Co have been consolidated under a single operating team in the Low-cost Business Unit, to improve operating controls and unlock cost savings.

Procurement and manufacturing

Our Buon Gusto Cuisine Food Distribution Unit manages the food supply chain to all outlets in the division and supplies the bulk of their requirements. Buon Gusto operates through two distribution depots located in Gauteng and Cape Town, using multi-temperature vehicles owned by the group.

Exchange rate

Food inflation has climbed steadily, which has forced menu price increases. The division is mitigating these through improved distribution and cost controls. The price of fish was heavily impacted by the rising US Dollar, which diverted much of the available fish supply to export markets.



LUXURY GOODS DIVISION



HIGHLIGHTS

- The Arthur Kaplan and World's Finest Watches acquisitions and subsequent profit performance
- Added eight new NWJ corporate owned stores
- NWJ delivered a satisfactory performance
- Improved operational efficiencies, with reduced stock holding days in warehousing and retail

BRANDS

The Luxury Goods Division serves two markets. Our Arthur Kaplan range appeals to the upper middle to high income bracket while the NWJ brand serves the middle- to upper-income consumers



Taste operates a mixed franchise and corporate owned model for the NWJ brand, with the split at roughly 50/50 between Taste owned and franchisee owned stores.

As an established Taste brand, NWJ is a well-integrated business unit. The division's manufacturing facility manufactures approximately 45% of its products and its distribution centre provides 100% of all store inventories.

All 10 of the acquired Arthur Kaplan stores are directly owned by Taste Holdings.



Consumers in this income bracket are not yet as financially under pressure as the middle and lower income earners. Arthur Kaplan recorded double digit growth in the previous year. Prestige branded Swiss watches performed exceptionally well.

Arthur Kaplan is not yet vertically integrated into the group, although synergies with shared resources in the Luxury Goods Division are already being leveraged.



This bespoke watch store in the prestigious Nelson Mandela Square has become an icon in the last decade for watch collectors and enthusiasts alike. Its brand portfolio includes Breitling, Hublot, Rado, Rolex, Longines, Omega and Tag Heuer. Like Arthur Kaplan, it performed well above the prior year.



CHALLENGES

The year became more challenging as it progressed:

- The mass middle market is under financial pressure and credit is tight. Upper-income consumer spending in the luxury segment remains unaffected
- Loadshedding suppresses spending as consumers prefer to leave jewellery stores during outages, even if generators/inverters are operating. It is difficult to view and sell jewellery in restricted light
- Crime is an ongoing risk in South Africa and shopping malls and jewellery stores have become a target

Brand synergies and differences

The Arthur Kaplan business will remain a standalone brand within the distinct customer groupings. Synergies between brands have already been generated in certain cost centres, but the group will unlock Arthur Kaplan's real value by providing capital, local and international site opportunities, and human resources support.

The NWJ brand is more conservative than Arthur Kaplan, while still recognising current fashion trends. More than 60% of the NWJ brand sales are in gold, with silver becoming increasingly popular. Arthur Kaplan does a significant trade in platinum products and higher end watches.

Procurement and manufacturing

Each year Taste conducts market research with various consumer sets and control groups to track current trends. Brand audits are also conducted. Taste's buyers and designers travel regularly to jewellery fairs around the world to stay abreast of international design trends.

Vertical integration enables new lines to get to market quickly. The latest designs can be developed locally, with prices kept down through in-house manufacturing and volume purchases of raw material.

Exchange rate

The Rand/Dollar exchange rate and prices for silver and gold had little impact on the jewellery business over the past year and we were able to minimise price increases.

However, luxury watches did undergo price increases of 10% to 13% due to the sudden devaluation of the Swiss Franc. Upper-income shoppers may purchase fewer items but at a greater price. The prestige brands are bringing out models that vary widely in price to retain brand loyalty.

Theft

Internal theft by staff is on the rise across all industries, therefore Taste has enhanced its monitoring. Frequent internal audits are conducted and we regularly update our insurance cover.

Shoplifting is increasing in South Africa, largely due to low prosecution rates. Valuables such as cell phones, electronics and jewellery are always a target.

Human resources and job creation

Our recent expansion has made skills development a major priority and we embrace the opportunity to train people in the Luxury Goods Division.

A great deal of effort goes into maintaining service levels and selling skills. All employees must have detailed product knowledge, but introducing the polish and discernment required in jewellery retail does take time. Newly trained employees will mostly gain experience in NWJ stores before being considered for Arthur Kaplan outlets.

Outlook

Africa's rapidly growing upper- and middle-income classes have a taste for luxury goods, therefore the group is actively seeking to expand into the continent. We have opened NWJ in Namibia and are evaluating the options for Arthur Kaplan within the broader southern African market.

BUILT (MANUFACTURED) CAPITAL



HIGHLIGHTS

- Acquired Zebro's Chicken
- Acquired Arthur Kaplan Jewellers
- Launched Domino's Pizza with six outlets
- Established world-class Domino's dough production facility and new distribution centre in Midrand
- Integrated Zebro's Chicken sauces and spices in existing manufacturing

Food distribution network

- Acquired eight delivery vehicles, increasing fleet ownership to over 50%.
- Bought a 3 500 m² premises in Midrand for R19 million.
- Moved its distribution to Midrand, generating distribution efficiencies and distribution capacity.
- Thereby freeing up 1 600 m² of space in its previous distribution centre for future manufacturing capacity.
- Halaal accredited supply chain.

Food products

During the year, starting to supply Zebro's Chicken sauces, basting and spices to the network.

Factories

A world-class dough production facility was built in Midrand and a future facility planned for Cape Town for a total investment of approximately R50 million.

FINANCIAL CAPITAL



HIGHLIGHTS

- 15th consecutive year of revenue and EBITDA growth
- Restructured access to capital to align with our five-year strategic plan
- Registered R1 billion corporate bond programme with inaugural issue in July 2014
- Oversubscribed rights offer of R180 million (September 2014)

Investment committee

The decision of where to allocate capital is primarily made by the board of directors. The board sets the framework for how opportunities are evaluated; the thresholds for which allocations can be made by the five person investment committee, and which are referred to the board. It also sets the strategic direction in which the company seeks opportunities.

Capital allocation

- Capital is primarily allocated on the basis of the strategic fit within identified growth areas. Identifying these growth areas follows a process of annually mapping core competencies by division and reviewing past performance of capital allocation against their specific investment cases.
- The group assesses all capital allocation opportunities based on the predicted future cash flows of those opportunities, using the group's weighted average cost of capital, adjusted upwards for opportunity-specific risks.
- The threshold internal rate of return must support the compound annual growth rate (CAGR) and headline earnings per share (HEPS) target. Currently, the threshold internal rate of return is 25%.
- For acquisitions, the discounted cash flow (DCF) value must exceed the price by a margin of safety. The price paid must yield an IRR of above 25% based on the future cash flows.
- Capital allocation is currently made within the context of returning dividends to shareholders in terms of a relatively conservative dividend policy.

As the business has grown, capital raising for expansion and acquisition has changed from being transactionally based and raised within the division deploying the capital, to a group function that takes into account the group's cash flows and various funding metrics. The group therefore acts in a treasury function to maximise the utilisation of cash. The division, brand or business unit is charged appropriately for the cost of capital, as if it has raised the capital, and may not necessarily reflect the group's actual source of funds at that particular instance. This capital cost charge is important when setting incentive targets and evaluating performance within divisions and business units.

- **Market leader in the fish segment**
- **Targets low-income consumers, LSM 4 – 6**
- **One of the lowest set-up costs for a food franchise**



SOCIAL AND RELATIONSHIP CAPITAL



HIGHLIGHTS

- Signed 30-year master licence agreement with Domino's Pizza
- Established relationships with leading Swiss watch brands
- Donated over R160 000 to Just Footprints Foundation in cash and payments in kind
- Continued support of Endeavor SA through funding, board membership and payments in kind
- Contributed to Khulisa Social Solutions to improve sustainability
- Increased direct black ownership above 15%
- Taste achieved best-ever BEE score of Level 3

Stakeholder issues and our responses

The following table lists our key stakeholder groupings, our method and frequency of engagement, including the brief issues dealt with. This has not changed significantly from the previous year report.

Stakeholder	Engagement method	Frequency	Stakeholder interests	Our response
Shareholders	• Formal presentations	Annual	• Capital allocation	• In this report we have outlined further our capital allocation guidelines
	• Telephonic and in-person interactions	Adhoc	• Share price	
	• SENS releases	As required	• Dividends	
	• Annual report	Annual		
Taste Holdings employees	• CEO results and strategy presentation to staff	Annual	• Understanding the group's financial results and strategy	• Explanations of financial results and reasons behind strategy
	• The Taste Times magazine	Quarterly	• Understanding how to translate strategy into direct reporting	
	• Personal assessments	Annual/ Quarterly		• Employee feedback evaluated
	• Peer reviews	Annual		
Franchisee employees	• In-store evaluations	Adhoc	• Understanding business intentions and strategy	• Increased training and training aids
	• Training		• Motivating employees	
	• Promotional launches			
Franchisees	• Regular franchisee meetings	Throughout the year	• Electricity supply	• Provided assistance with generators
	• Franchisee satisfaction survey	Annually	• Cost of goods	• Pre-invested in marketing
	• Focused training	Adhoc	• Marketing effectiveness	
	• Franchisee marketing and advisory councils	At least twice	• Employee retention	
	• Brand awards presentations	Annually		
	• The Taste Times magazine	Quarterly		
	• Encouraging feedback	Adhoc		



Stakeholder	Engagement method	Frequency	Stakeholder interests	Our response
Customers	• Outsourced call centre	Throughout the year	• Service- and product-related	Comments are maintained in a central database and acted on as required
	• Customer satisfaction surveys	Adhoc		
	• Customer research	Ongoing		
Suppliers	• Mystery shoppers	Monthly	• Fair procurement policies	Improving transparent pricing policy and procurement practices
	• Performance measurements	Monthly		
	• Quality assurance	Regular		
Media	• Supplier visits	Regular	• Balanced reporting • Social and financial impact	The group is committed to being accessible to the media
	• Shareholder/results presentation	Annual		
	• Interviews with media	With all corporate action		

Franchisee engagement

We firmly believe franchising is a social responsibility at work every day. The entrepreneurship unlocked by franchises underpins sustainable economic growth by transferring skills and creating jobs.

While each division has its own channels of engaging with its own franchisees, we share certain common practices across all our divisions. These include:

- conducting regular franchisee meetings throughout the year;
- conducting a satisfaction survey among franchisees;
- providing focused training to existing franchisees;
- a franchisee marketing council and franchisee advisory council;
- annual awards presentation to high-performing franchisees, by brand;
- circulating The Taste Times to all franchisees and managers; and
- encouraging feedback and news on local events for inclusion in The Taste Times.

Franchisees utilise our outsourced call centre to give us feedback on the service levels that we deliver to them.



Just Footprints Foundation is an organisation that has great heart and a true desire to add positively to the lives of vulnerable children and we are proud to be associated with them. We are looking forward to two more camps in August and October this year.



We care – socially responsible business

Job creation and enterprise development are top of the list for developing the South African economy. Our franchising business model provides proven and sustainable enterprise development opportunities for small businesses, supported by seasoned franchisors. At the same time, these create new jobs. (See our human capital achievements on page 46 for further details on our job creation successes).

In many cases, the opening of a new Taste franchise store provides people with their first job. In addition, they gain portable skills through the skills training they receive in our outlets.

Our corporate social responsibility programme focuses on establishing social infrastructure and supporting children suffering from life-threatening diseases and life challenges. We contribute through the Just Footprints Foundation, which is a registered non-profit organisation founded in 2008 with the aim of meeting the need for a unique, safe and secure outdoor camping experience for children with serious health and life challenges. The Foundation supports charities such as CHOC, Reach for a Dream, Cotlands and the Ithemba Trust.

At these camps, disadvantaged, disabled children and children with life-threatening illnesses and life challenges learn new skills, develop confidence and enhance their self-esteem in a supportive ‘fun’ camp environment. Physical risks are managed appropriately and participants are cared

for emotionally. We recently implemented an outing to an old-age home at a nearby village as part of the programme. Everyone enjoys a meal and the children interact with the aged and entertain them with song and dance. Our first camp was held in 2010.

At our August 2014 camp, we hosted 47 campers from “Fight with Insight”. “Fight with Insight” is an inner-city Johannesburg boxing, life skills and nutrition programme for children from Hillbrow, Johannesburg, Rosettenville and surrounds. Its aim is to provide children with an alternative to the streets by giving them access to a boxing gym, life skills and nutrition. Over 300 children have come through their doors with a regular group of around 60 and a squad of 30 primarily boys and some girls. These children then graduate to the BOMB (Box Office Mentorship Boys) youth development programme.

At our September 2014 camp, we welcomed 50 campers from Rena Le Lona for a weekend of art, dance, sport and drama. Rena Le Lona is a creative centre for vulnerable children and children who have lost their parents to HIV/AIDS. Its aim is to heal children through the arts and sports. “Art in the park” and “road safety” were the main objectives for the camp and the children brought this to life through their drama evening, with some groups showing how to transport wildlife safely to another game reserve. Through dance and drama, others shared the dangers of drinking and driving and how you should adhere to road rules.

Our brands support various charities and charity events such as:



SCOOTERS PIZZA



- 67-minutes for Mandela Day – participant
- Whizzkids week – celebrating Youth Day and week
- Children’s Memorial Institute – Fight with insight initiative
- Just Footprints camp participant

ST ELMO’S



- Children’s Memorial Institute – Fight with insight initiative
- Just Footprints camp participant
- 67-minutes for Mandela Day – participant



DOMINO’S PIZZA



- Just Footprints camp participant
- Westville Boys High Sponsor – rugby kit
- Children’s Memorial Institute – Fight with insight initiative
- 67-minutes for Mandela Day – participant

MAXI’S



- Forest Farm
- Just Footprints camp participant
- Thandanani
- Alex Crisis Youth Centre
- Elmarie Kruger cancer fundraiser
- Tswelopele Frail Care Centre in association with Talk Radio 702
- Children’s Memorial Institute – Fight with insight initiative
- 67-minutes for Mandela Day – participant



THE FISH & CHIP CO



- Just Footprints camp participant
- Soweto Kliptown Youth Centre
- Kwalinda Home
- Othandweni Children’s Home
- Children’s Memorial Institute – Fight with insight initiative



NWJ



- Just Footprints camp participant
- ABF (Advertising Benevolent Fund) Golf Day
- Westville Boys High Golf Champs
- WIZO Jewish New Year market
- Jes Foord Foundation

HUMAN CAPITAL



PERFORMANCE FROM 2015

- Partnered with Khulisa Social Solutions for sustainable job creation
- Continued to strengthen Food Divisions executive capacity ahead of expected requirements
- Luxury Goods executive team strengthened through acquisition of Arthur Kaplan and World's Finest Watches
- Participation in share option scheme increased, improving retention of key executives

145% growth in Taste Holdings workforce in just 24 months, creating 653 new corporate office jobs.

77% of our total permanent workforce is HDSAs and HDSA females make up 53% of our workforce

63% of our junior managers are historically disadvantaged South Africans (HDSAs) (2014: 58%)

96% increase from 2014 in our junior management employees, from 130 people to 255 people

20% of our middle managers are historically disadvantaged South Africans (HDSAs) (2014: 12%)

129% increase in middle management employees from 2014

Building skills and creating jobs

Our largest contribution to society is the dignity that comes with work. This is only possible through skills transfer and sustainable employment.

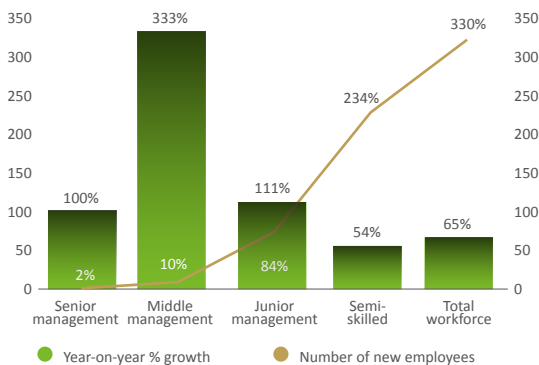
Research has indicated, for every semi-skilled, junior management, or entry-level store based employee there are approximately eight dependants, making our societal impact exponential.

The benefits we provide our full-time employees, over and above the legally mandated employment benefits, include paying above minimum wages and salaries. We also pay additional bonuses annually, based on performance against both individual criteria and company performance.

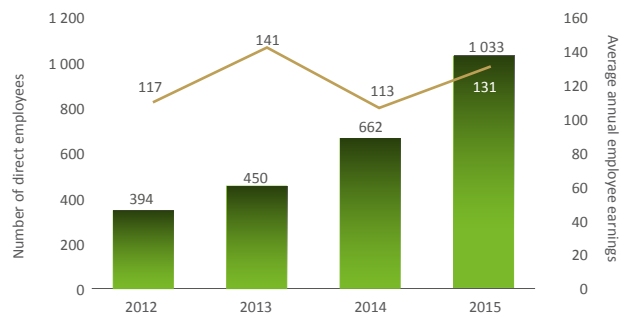
All pay grades are market-related and job-specific, with no gender differentials factored in.

Our largest contribution to our society is the dignity that comes with work. This is only possible through skills transfer and sustainable employment.

Growth of HDSA employees by skill



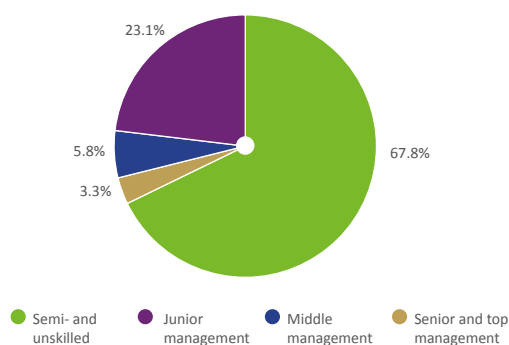
Job creation and average earnings



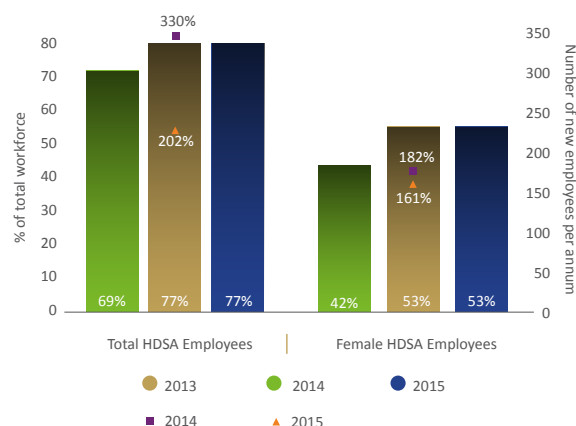
TASTE'S VISION FOR ALL STAFF

- A company in which each person is treated with respect and dignity
- An environment of fun and hard work where team members come to each other's assistance
- A home away from home where egos are replaced with gratitude and humility
- A community from which employees go home every day renewed with energy that only comes from the feeling of accomplishment from hard work well done, pride and appreciation

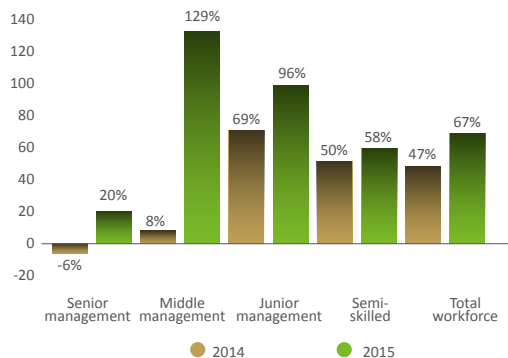
Split by skill type 2015



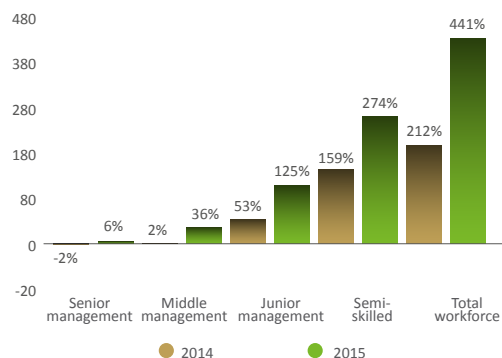
HDSA workforce growth



Year-on-year* % growth in employees by skill type

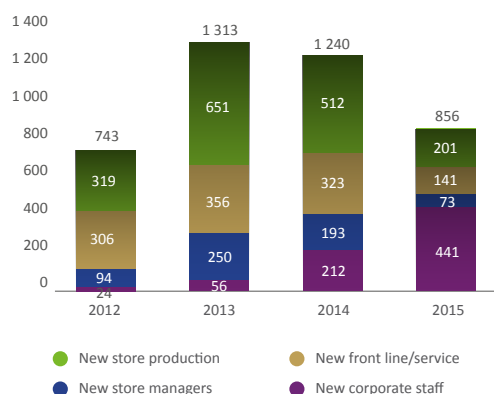


Year-on-year* nominal growth in employees by skill type



* Historically disadvantaged South Africans.

New jobs created and people trained



These figures are based on the average number of people employed per store multiplied by the number of stores opened per brand. They are net figures. Corporate store staff refer to both staff employed at the support office and in corporate owned stores. The other figures relate to franchisee employed staff. We cannot yet track staff retention or employment once they leave the employ of a store, although we do know they will have gained skills that are suited to today's economy and would be better equipped to find employment in the future.

HUMAN CAPITAL CONTINUED

Recruitment, retention and scarce skills

A major social challenge is that millions of South Africans are unemployable in a modern economy through lack of marketable skills; primarily driven by a lack of literary and poor basic education.

As a socially aware and growing business, we are playing our part in addressing this challenge through two initiatives:

- sustainable job creation for semi-skilled workers and skills transfer at adult level; and
- social investment in early literacy at pre-school and primary school level in historically underprivileged areas.

Leadership development

South Africa and Taste Holdings alike needs skilled business entrepreneurs and leaders at all levels, preferably in line with the national demographic profile.

We need to ensure our operational leadership team has the necessary skills to continue growing a flourishing business. The group is therefore investing in upskilling our employees with the aim of developing a succession pipeline into all levels of management. The Food Division has recruited highly regarded new executives to consolidate the Domino's Pizza licence and pursue other opportunities. Specific initiatives include:

- conducting individual assessments on senior managers and implementing coaching interventions in each case; and
- ensuring the alignment of incentive to strategy as a priority across all layers of employees.

Employee relations

With respect to employee relations, Taste remains committed to recognising our responsibility to enable employees 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 magazine, 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.

Taste Holdings does not presently have collective agreements with any unions, as the majority of our employees have not taken up union membership.

Key issues such as health and safety are therefore discussed in specific internal forums.

No issues of discrimination were recorded in the period.

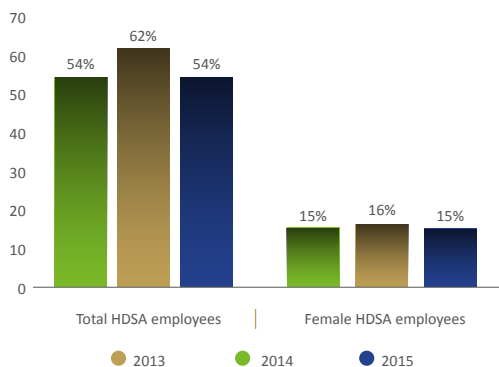
We did not experience any internal employee relations issues that warrant reporting. Normal employee discipline occurred throughout the year.

Employment equity

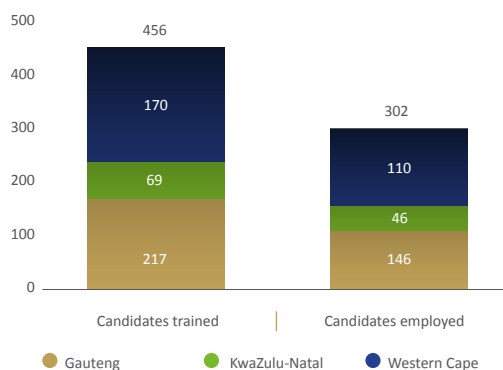
Taste provides the training, set-up and logistical support that enables franchisees to build their businesses, create employment and transfer skills. Franchising is widely recognised as a successful mechanism for advancing the goals inherent in the Department of Trade and Industry's broad-based black economic empowerment (B-BBEE) guidelines particularly in line with its measures for skills development and enterprise development.

Remuneration is job-specific, therefore women and men are paid equally in the same job categories. All employees are paid within the parameters set by the relevant bargaining councils or regulatory bodies in each industry sector.

HDSA franchisees as a % of total



Employees employed under the "Changing Lanes" programme



These figures represent employees employed in terms of our "Changing Lanes" programme which is a partnership with Khulisa Social Solutions. The programme has been running from October 2014 to May 2015.

The company's employment equity (EE) achievements for 2014 are

- % HDSAs across all management levels; and
- % of employees are women.

Workforce statistics

Taste Holdings – Group direct

	Male								Female								Total SA workforce	% black representation	% female black representation	
	Able-bodied				Disabled				Able-bodied				Disabled							
	African	Coloured	Indian	White	African	Coloured	Indian	White	African	Coloured	Indian	White	African	Coloured	Indian	White				
Senior and top management				23				1	1	3	8							36	11	11
Middle management	1		3	26					3	3	3	25						64	20	14
Junior management	48	11	8	36	1				57	12	23	59						255	63	36
Semi-skilled and unskilled	210	10	15	39					385	20	24	45						748	89	57
Total permanent workforce 2015	259	21	26	124	1	0	0	1	445	36	53	137	0	0	0	0	1 103	76	48	
Total permanent workforce 2014	118	18	22	64	1	0	0	1	218	74	60	86	0	0	0	0	662	77	53	

Group franchisees

	Male								Female								Total SA workforce	% black representation	% female black representation
	Able-bodied				Disabled				Able-bodied				Disabled						
	African	Coloured	Indian	White	African	Coloured	Indian	White	African	Coloured	Indian	White	African	Coloured	Indian	White			
Group franchisees 2015	89	14	108	195	0	0	2	1	37	6	40	56	0	0	0	0	548	54	15
Group franchisees 2014	113	32	119	155	1	0	1	1	56	13	28	69	0	0	0	0	588	62	17

Operational changes

Taste Holdings has not experienced any situations that would require notice given for operational changes. Should these situations arise, we respond in accordance with prescribed legislation and common law.

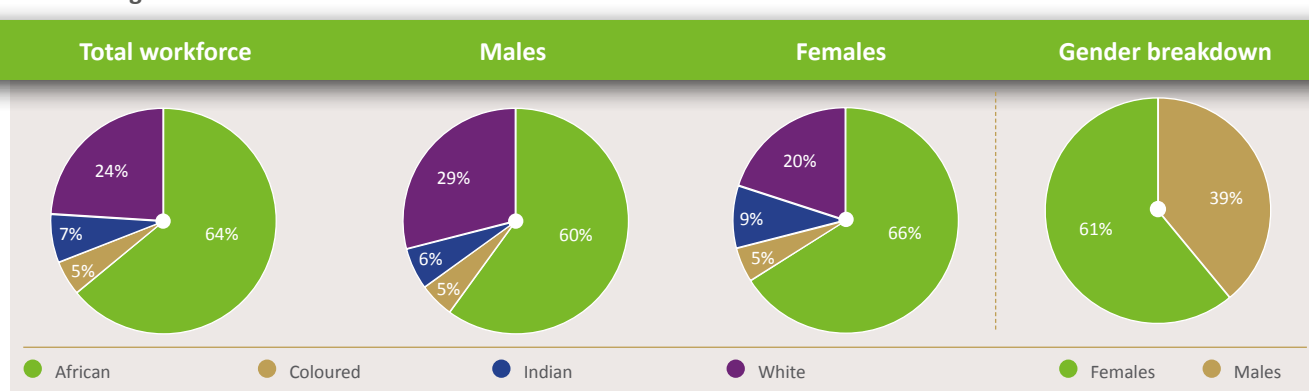
Franchisee training and development

We provide training for our franchisees and their employees before a new outlet is opened, and ongoing training once the outlet is operating. With each store we open we create 10 new entry-level jobs in the community in which an outlet has been opened. We also provide additional support to assist franchisees whose financial skills are limited to build capacity in this area.

Creating new jobs in townships

Taste Holdings is one of the early adopters of Khulisa's Collaborative Corporate Volunteer Programme (CCVP) which concentrates on training and recruiting employees from local communities.

Racial and gender breakdown of Taste workforce in 2015



HUMAN CAPITAL CONTINUED

Taste's five-day "Changing Lanes Life Skills and Job Readiness" programme, implemented by Khulisa, includes modules specific to working within the QSR industry, such as the acts that govern the industry, as well as a practical overview of what it is really like to work in a Quick Service Restaurant on a day-to-day basis. These modules demonstrate to candidates what will be expected of them and help them to assess whether they are suitable recruits for the industry.

Following this programme, a Domino's Pizza representative is introduced to the candidates in their community environment, to give the potential employer an opportunity to gain an understanding of where the candidates live and of the environmental circumstances that may at times impact on their ability to perform – notably transport issues. This has proved to be a successful retention strategy.

After this introduction between the identified and trained candidates and the employer, the successful candidates begin work at a Domino's Pizza store.

After each programme 30 people are employed and undergo five weeks of Domino's Pizza training for which they are remunerated.

One hundred new Domino's Pizza stores will open throughout the country during 2015, a footprint that is expected to cement the restaurant group's position as South Africa's fast-growing pizza category.

Where possible, Taste hires management and staff from local communities. This policy is being vigorously applied with the rollout of the Domino's Pizza stores, with 64% of store managers to date being recruited from their communities.

Taste is genuinely creating jobs in communities that need them the most. Each new store is creating bona fida new jobs.

Health and safety

We have a moral and legal obligation to safeguard and protect our employees and our customers against injury, disease and risks to their health and safety. Our health and safety committees hold monthly health and safety meetings at which any potential risks and issues affecting the health and safety of our employees are addressed.

Taste Holdings is committed to providing safe food products to its affiliated franchise restaurants. The state-of-the-art food distribution centres we established in 2012 include high-volume manufacturing facilities producing spices, sauces, dough pre-mixes and added-value meat products. Our main objective is to operate under the hazard analysis and critical control point (HACCP) food safety management system which ensures the systematic assessment of all the steps involved in our food manufacturing centres, which are certified by the South African Bureau of Standards (SABS) against the HACCP criteria. The system allows us to trace the origin of all our input products. In addition, we monitor our fleet of vehicles in real time and receive alerts if the cold chain is broken. We apply benchmark hygiene principles throughout our manufacturing process and our food technologist ensures that all the products we produce comply with our specifications before they are despatched to customers. We have a number of robust food safety systems in place, all of which we regard as being high priority. These include employing good manufacturing principles and quality management in relation to our HACCP system. There were no health or safety issues in any of our divisions during the year under review.

HACCP safety management system

HACCP is a food safety management system that enables food processing and catering industries to introduce and maintain a cost-effective, ongoing food safety programme. HACCP involves the systematic assessment of all the main steps involved in a food manufacturing operation and the identification of those steps that are critical to the safety of the product.

HACCP is based on seven principles:

1	Analyse hazards	Potential hazards associated with food and the measures required to control those hazards are identified including biological, chemical and physical contaminants.
2	Identify critical control points	These are points in a food's production at which potential hazards can be controlled or eliminated.
3	Establish preventive measures with critical limits for each control point	These are minimum standards required for the safe preparation of food.
4	Establish procedures to monitor the critical control points	These procedures include determining how and by whom processing standards are to be monitored.
5	Establish corrective actions to be taken when monitoring has shown that a critical limit has not been met	Either reprocess or dispose of foods if the minimum processing standards have not been met.
6	Establish procedures to verify that the system is working properly	Testing and calibrating equipment to ensure its proper functioning is but one of the typical requirements.
7	Establish effective record keeping in order to document the HACCP system	This would include records of hazards and their control methods, monitoring of safety requirements and corrective actions taken to either prevent problems or establish how non-conformances are to be prevented from recurring.

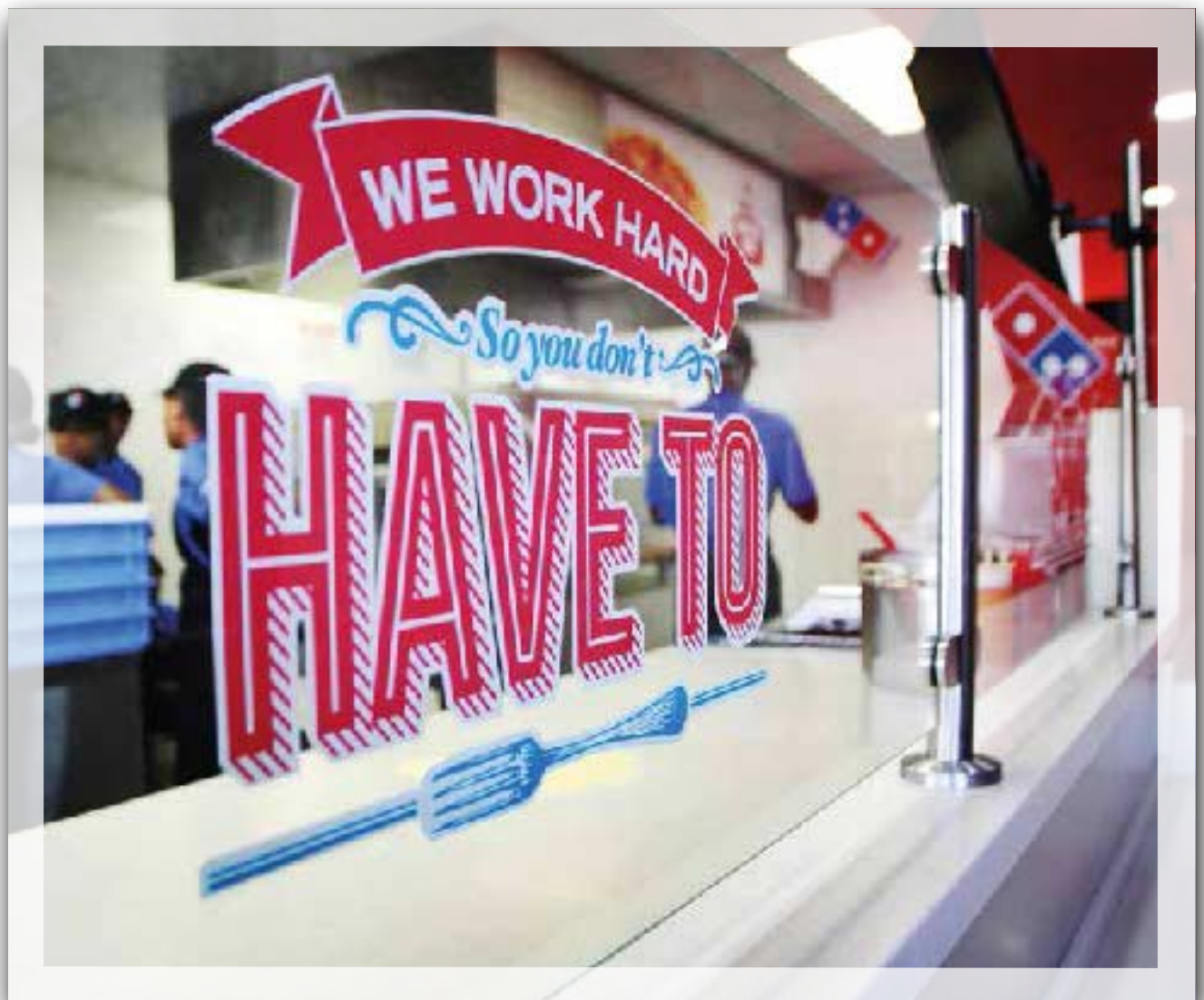
Health and safety training

Employees received training in:

- first aid;
- health and safety representative training;
- forklift operation;
- pest control;
- standard operating procedures;
- critical control points (CCPs) and fire fighting;
- hazard identification and risk analysis (HIRA) training;
- temperature monitoring and control (both crucial in controlling product quality);
- food factory and personal hygiene;
- training in the use of Pastel Evolution software;
- standard operating procedures;
- electrode boiler operation;
- critical control point (CCPs) training; and
- spectank training for all employees in basic chemical usage, dilutions, chemical safety, basic hygiene and hand washing.

Safety performance

During the period under review, four injuries on duty were recorded in the Luxury Goods Division, and none in the Food Division.



INTELLECTUAL CAPITAL



HIGHLIGHTS

- Realignment of our food brands along with deeper vertical integration
- Gained operational insights by working with our international brand – Domino's Pizza
- Conducted week-long immersive market tour with leading QSR operator in Latin America
- 33 Trainees attended five weeks of training at Domino's Pizza in the USA
- Gained valuable insights into digital and mobile order and pay channels with Domino's Pizza team in the USA
- Food Services gained further skills in manufacturing through establishment of ISO certified dough production facilities

Domino's Pizza licence intellectual gains

- Access to global best practice, operations and new products.
- Brings the formula for 30-minute delivery.
- Access to market leadership and entry strategies.
- Online ordering and future-proofing our business in that respect.
- Centralised dough production – aligns with our supply chain.
- Improved standards in our supply chain.
- Improved governance to comply with FCPA.

Intellectual knowledge

- Board members have served on the Taste board for a combined 95 years.
- Executive committee members have been involved in Taste for a combined 47 years.
- Average age of the board is 50 and the executive committee is 43.

Arthur Kaplan and World's Finest Watches intellectual gains

- Deep understanding of premium luxury.
- Long-standing relationship with Swiss watch brands.

NATURAL CAPITAL



HIGHLIGHTS

- Continued procuring over 90% of fresh caught hake from sustainable fish supplies, despite rising prices
- Continued support of local dairy industry by procuring cheese from local suppliers
- Adhered strictly to the Kimberley Process for the procurement of diamonds in our Luxury Goods Division

Becoming more energy efficient

Our most material impact on natural capital is our consumption of energy, both in the form of electricity used in our outlets to cook and prepare food and manufacture jewellery, and fuel consumed by our fleet of vehicles. Not only do we seek to reduce the greenhouse gas emissions resulting from our consumption of electricity produced using fossil fuels and diesel fuel, but we also seek to minimise the negative impact of the high prices of electricity and diesel fuel on the profitability of our stores. Both fuel and electricity prices continue to increase above the rate of inflation.

We set ourselves a target of reducing our energy consumption by 20% over four years; however, it has proved difficult to measure due to non-standard metering from various municipalities and landlords.

Notwithstanding that, we took the following steps to reduce electricity consumption in outlets:

- Installed light-emitting diode (LED) lights which consume only 6% of the power consumed by the halogen lamps we used previously.

- Replaced air conditioning units with evaporative coolers which consume only 20% of what electrical air conditioners consume.
- Reduced consumption by installing timers on geysers and external signage.
- Imported and installed energy-efficient ovens in our new pizza outlets.
- Installed the latest in energy-efficient refrigeration in our new distribution centres.

To reduce our fuel consumption we:

- send bulk orders (12 to 15 pallets at a time) in one truck instead of sending three separate deliveries of four to five pallets at a time; and
- reduced the number of trucks we used for local deliveries by 50%.

- *16-year-old chicken brand*
- *Located predominantly in the Western Cape*
- *Unique preparation method: we “braai” our chicken*
- *Aimed at LSM 4 – 6, value for money*



CORPORATE GOVERNANCE REPORT

How we govern our business

Our approach to governance

Taste Holdings believes that good corporate governance, which includes transparency and accountability, is key to the integrity of our organisation and our ability to manage risk and perform at optimum levels. Underpinning our disciplined approach to governance is our determination to ensure we maintain a balance between good governance and the spirit of entrepreneurship that has built our business.

We recognise that strategy, performance, sustainability and risk are inseparable. Our board also takes into consideration the concerns and priorities of our wider stakeholder environment in its strategic guidance and decision-making process.

To ensure that we consistently practise effective corporate governance throughout the Taste Holdings group, our board materially applies the principles of King III and the Listings Requirements of the JSE (see the King III Index and our reporting in terms of section 3.84 of the JSE Listings Requirements on our website).

Statement of compliance

JSE Limited

The company is subject to, and remains compliant with, the Listings Requirements of the JSE Limited.

Our board governance structure



Governance and management systems

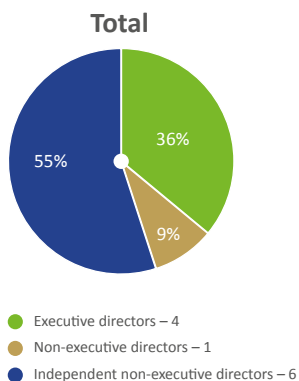
Good governance is the cornerstone of the Taste Holdings group's board and committee structure. Our board recognises its leadership role in taking responsibility for the governance of the group and it sets the company's values and is responsible for establishing and maintaining a strong ethical culture throughout the group.

Our board performs its governance responsibilities within a framework of policies and controls which provide for effective risk assessment and management of our economic, environmental and social performance. The board's responsibilities are outlined in its charter which the board reviews and adopts annually. Mandates, charters and terms of reference governing the board and its committees are available from our company secretary. The board also plays an important role in setting ethical standards of conduct for the group.

The board charter, which is closely aligned with the recommendations of King III, details the responsibilities and duties of the board, which are also addressed in our memorandum of incorporation.

Shareholders are required to elect the members of our audit committee, which is a statutory committee in terms of the Companies Act, at our annual general meeting. The members of our social and ethics committee, which is also a statutory committee, are reappointed annually by the board. Historically the social, ethics, nominations and remuneration committee was constituted, with the same members under one committee. To recognise the greater mandate of the social, ethics and transformation committee it now comprises new members with a newly appointed chairperson.

Taste Holdings board independence as at 28 February 2015



The roles, responsibilities and membership of our board and its committees as at 28 February 2015

Board of directors

Meets a minimum of three times a year, but met five times in 2014/2015. It also convenes additional meetings as necessary. In addition, the CEO and CFO meet with board members at least three times a year, outside of the formal board meetings. Board packs are distributed prior to the meetings.

Comprises seven non-executive directors, six of which are independent, and four executive directors. The chairman is an independent non-executive director.

The chairperson ensures the overall effectiveness of the board and its committees; that the board provides effective leadership, maintains ethical standards and is responsible, accountable, fair and transparent; and that strategies are developed and implemented with the objective of achieving sustainable economic, social and environmental performance.

To achieve this, he encourages constructive debate and discussion within the board through a culture of openness and constructive challenge. He makes himself available to shareholders for discussion on corporate governance matters and matters of concern.

Board members are accountable to shareholders and they owe a duty of care and diligence to the company. They act in the best interests of the company and its shareholders. To fulfil their role, board members participate in rigorous and constructive debate and discussion. The board is responsible for:

- strategy, strategic decision-making and execution;
- governing the company on behalf of its shareholders;
- engaging with stakeholders;
- Taste Holdings' approach to corporate citizenship, safety, health, the environment, ethics and risk;
- its own governance, including the rotation of directors, training of directors, conflicts of interest and the appointment of directors;
- monitoring and assessing Taste Holdings' reputation in the marketplace; and
- establishing the framework within which capital is allocated.

Attendance at meetings

Director	Independence	Board	Social, ethics, nomination and remuneration committees	Audit and risk committees
Ramsay L'Amy (Bill) Daly	Independent non-executive	5/5 (Chair)	1/1 (Chair)	
Anthony Berman	Independent non-executive	5/5	1/1	3/3 (Chair)
Kevin Michael Utian	Independent non-executive	5/5	1/1	
Wessel van der Merwe	Independent non-executive	5/5	1/1	3/3
Sebastian Patel	Independent non-executive	5/5		3/3
Grant Michael Pattison*	Independent non-executive	5/5	1/1	
Hylton Rabinowitz	Non-executive	5/5		
Carlo Ferdinando Gonzaga (CEO)	Executive	5/5	1/1**	3/3**
Evangelos Tsatsaroulakis (CFO)	Executive	5/5		3/3**
Duncan John Crosson	Executive	5/5		
Jay Bayne Currie	Executive	5/5		

* Grant Pattison joined the board as an independent non-executive director on 1 March 2014.

** By invitation only

Audit and Risk Committee

The committee meets a minimum of three times a year with special meetings called as and when required. The committee also meets with the group's external auditors and Taste Holdings' executive management periodically.

Comprises three independent non-executive directors. The CEO and CFO who attend meetings by invitation do not have a vote. The chairperson of the board is not a member of the committee. The external auditor also attends meetings by invitation.

The audit committee ensures that appropriate checks and balances are in place to ensure robust, independent and efficient audit processes and that financial reporting throughout the group is accurate and reliable. The audit committee has updated, formal board approved terms of reference. The board is satisfied that the committee has complied with these terms and with its legal and regulatory responsibilities as set out in the Act, King III and the JSE Listings Requirements. The terms of reference for the audit committee intend to ensure compliance with both governance recommendations and statutory requirements.

The board believes that the members collectively possess the knowledge and experience to exercise oversight of the company's financial management, external auditors, the quality of the company's financial controls, the preparation and evaluation of the company's financial statements and financial reporting. The board has established and maintains internal controls and procedures, which are reviewed on a regular basis. These are designed to manage the risk of business failures and to provide reasonable assurance against such failures but this is not a guarantee that such risks are eliminated. The statutory report of the committee can be found on page 66 and the risk management report is on page 20.

The committee:

- reviews and oversees Taste Holdings' integrated reporting and its system of internal controls;
- reviews the findings of the external auditors and once our internal audit function is established will review its findings and oversee the internal audit function;
- obtains external assurance on the financial statements included in Taste Holdings' integrated report and recommends them to the board for approval;
- carries out its statutory duties set out in section 90 of the Companies Act, 2008;
- satisfies itself as to the expertise and experience of the group's financial director and its financial function. During the financial year under review, the committee agreed to an action plan in respect of areas of the group where financial skills and/or procedures are inadequate;
- satisfies itself that management regularly monitors the group's compliance with the Franchise Association's code of conduct;
- assists the board with its responsibility for IT governance by ensuring that the group manages its information assets effectively, that an IT governance framework is in place and that management is implementing the framework; and
- monitors and evaluates significant IT investment and expenditure.

The risk committee:

- considers risk in its widest sense;
- identifies and assesses strategic risks, their impact and the probability of them occurring;
- monitors the perceived effectiveness of the group's existing controls and systems and assesses their integrity;
- ensures the company's risk policies and strategies are effective and effectively managed;
- establishes and maintains a common understanding of the body of risks that need to be addressed if the company is to achieve its corporate objectives;
- reviews and confirms the company's levels of risk tolerance and its risk profile at least twice a year;
- coordinates the group's risk management efforts, reviews the results and ensures appropriate action is taken;
- monitors external development relating to corporate accountability, including emerging and prospective risks and opportunities; and
- reviews and discusses the group risk register, which is aggregated from the risk registers prepared by the risk officer.

In February 2015, the audit and risk committee formally evaluated the performance and effectiveness of the external auditor in terms of King III and the JSE Listings Requirements. It confirmed the suitability and effectiveness of the external auditor and nominated BDO South Africa Inc. for reappointment

as external auditor for the coming financial year, having satisfied itself that the company and its individual auditors are properly accredited and independent.

The committee also determines and carefully monitors the use of the external auditor for non-audit-related services. The formal policy in place precludes the auditor from providing services that could impair audit independence.

Social, ethics, nominations and remuneration committee

Meets at a minimum of three times a year, but met five times in 2014/2015. It also convenes additional meetings as necessary. In addition, the CEO and CFO meet with board members at least three times a year, outside of the formal board meetings. Board packs are distributed prior to the meetings.

Comprises five independent non-executive directors. The CEO attends portions of these meetings by invitation. He does not have a vote, nor does he participate in discussion regarding his remuneration. External remuneration specialist companies are requested to present to the Remuneration committee as required.

The chairperson of the board is the chairperson of the nominations committee as required by the JSE Listings Requirements.

The company has a combined social, ethics and remuneration committee, in compliance with the statutory requirements as contained in the companies Act of 2008 and the Companies Regulations. This is a formal committee of the board which has specific powers delegated to it by the board. Details of directors' fees and remuneration are fully disclosed in the financial statements. In addition, the proposed fees to be paid to non-executive directors for approval by shareholders by way of a special resolution are set out in the notice of the AGM. Non-executive directors only receive remuneration that is due to them as members of the board. Directors serving as members on board committees receive additional remuneration. Remuneration of executive directors in their capacities as executive members of the management team as approved by the committee is fully disclosed in the consolidated financial statements. The committee invites executives and senior managers of the group to attend meetings by invitation in order to perform its mandate.

Social and ethics responsibilities:

The primary role of the committee is to supplement, support, advise and provide guidance on the effectiveness or otherwise of management's efforts in respect of social, ethics and sustainable development-related matters which include:

- embedding an ethical culture;
- safety, health and wellness;
- socio-economic development;
- human resource development;
- employment equity and transformation;
- the group's empowerment credentials;
- the group's corporate social responsibility;
- protection of company assets; and
- stakeholder engagement.

Remuneration responsibilities include:

- approving, guiding and influencing human resource policies and strategies;
- ensuring appropriate transparent disclosure of remuneration;
- skills development;
- recommending appropriate levels of remuneration to be paid to the members of the board of directors;

- upholding, reviewing and amending, if appropriate, the company's remuneration philosophy and policy with particular reference to the remuneration of executive directors and senior management;
- ensuring that executive directors and senior management are fairly rewarded for their individual contributions to the company's overall performance, having regard to the interests of stakeholders and the financial condition of the group;
- approving remuneration packages to attract, retain and motivate high-performing executive directors and senior management; and
- benchmarking remuneration against competitor companies and third-party salary surveys.

Nominations responsibilities include:

- setting the criteria for board nominations and ensuring the appointment of directors is transparent;
- identifying, evaluating and recommending suitable candidates for appointment to the board;
- succession planning;
- ensuring Taste Holdings' leadership is representative of all race groups and is in accordance with the spirit and targets set by the dti codes of good practice; and
- ensuring directors retire and are re-elected in accordance with the company's memorandum of incorporation.

Executive and investment committee

Meets formally monthly to review detailed operating performance of the company and assess capital allocation proposals in line with the board mandate.

Comprises four executive directors and the group commercial executive, by invitation. The group CEO is the chairperson and the group CFO the deputy chairperson.

The executive committee comprises the group's executive directors. It is responsible for the daily running of the group and regularly reviews current operations in detail, and develops strategy and policy proposals for submission to the board.

The CEO liaises on a regular basis with the CFO and other directors, with regard to matters concerning the daily running of the group to be raised at the committee meetings. The executive committee, which also acts as an investment committee, meets at least once a month, assists the CEO with the performance of his duties, and is responsible for *inter alia*:

- developing strategy, operational plans, policies, procedures and budgets for consideration by the board;
- implementing the group's strategy;
- carrying out the board's mandates and directives;
- the operational activities of the Taste Holdings group;
- monitoring operational and financial performance against set objectives;
- executing Taste Holdings' compliance and disclosure obligations; and

- deciding on capital allocation across the group, including replacement and investment capital, based on proposals submitted by the divisions in terms of the board-agreed investment mandate.

Company secretary

The group's company secretary is responsible for administering the proceedings and affairs of the directorate, the company and, where appropriate, owners of securities in the company, in accordance with the relevant laws. The company secretary is available to assist all our directors with advice on their responsibilities, their professional development and any other relevant assistance they may require.

iThemba Governance and Statutory Solutions (Pty) Limited ("iThemba"*, represented by Ms Elise Beukes, appointed as the company secretary of Taste Holdings with effect from 17 September 2014, is neither a director nor a shareholder of Taste Holdings or any of its subsidiaries and on that basis the board is comfortable that both the shareholders and directors of iThemba and Ms Beukes have maintained an independent relationship with the executive team, the board and the individual directors in terms of Section 3.84(j) of the JSE Listings Requirements.

The board has unlimited access to the company secretary, who advises the Board and its committees on issues including compliance with Group policies and procedures, statutory regulations and relevant governance principles and recommendations. The company secretary attends board and committee meetings to ensure that comprehensive minutes of meetings are recorded. The company secretary maintains an arm's length relationship with the executive team, the board and the individual directors.

The company secretary has provided the board with documentary evidence of her levels of competence in terms of fulfilling her responsibilities as company secretary, which included her qualifications and experience. Ms Beukes has over seven years' experience as the company secretary of a listed company and has a legal qualification as well as several company secretarial qualifications. She has never been censured by the JSE, penalised or fined for any misconduct. The board, having assessed her abilities based on her qualifications, experience and the level of competence she has demonstrated as Taste Holdings' company secretary as required in terms of section 3.84(i) of the JSE Listings Requirements, agreed that Ms Beukes is sufficiently qualified, competent and experienced to act as Taste Holdings' company secretary. Our policies and terms of reference are available through the company secretary.

* Ms Monika Pretorius resigned as company secretary of Taste Holdings group on 17 September 2014, whereafter iThemba was appointed as company secretary with immediate effect.

Reporting in terms of section 3.84 of the JSE Listings Requirements on board governance processes

Requirement	Principle	Approach
3.84(a)	<p>There must be a policy detailing the procedures for the appointment to the board.</p> <p>Appointments must be formal and transparent and a matter for the board as a whole, assisted where appropriate by a nominations committee.</p> <p>If a nominations committee is appointed, such committee must only constitute non-executive directors and the majority must be independent. The committee must be chaired by the chairperson of the board.</p>	<p>Our directors are appointed by means of a transparent and formal procedure, governed by the mandate and terms of reference or our social, ethics and remuneration committee and the board charter.</p> <p>The social, ethics and remuneration committee's responsibilities include setting the criteria for board nominations, identifying, evaluating and recommending to the board suitable candidates for appointment to the Taste Holdings board, as well as succession planning.</p> <p>The members of the social, ethics and remuneration committee are all independent non-executive directors.</p>
3.84(b)	<p>There must be a policy evidencing a clear balance of power and authority at board level to ensure that no one director has unfettered powers.</p>	<p>Our board charter demonstrates that there is a clear balance of power and authority at board level and that no one director has unfettered powers. Decisions, if not unanimous, are taken by a simple majority with one vote per director. The chairperson does not have a casting vote.</p>
3.84(c)	<p>Issuers must have a CEO and a chairperson and these positions must not be held by the same person.</p> <p>The chairperson must either be an independent director or the issuer must appoint a lead independent director as defined in the King Code.</p>	<p>The CEO and chairperson positions in Taste Holdings are held by different people and the chairperson is an independent non-executive director. This principle is documented in the board charter.</p>
3.84(d)	<p>Issuers must appoint an audit committee in compliance with the King Code.</p>	<p>Taste Holdings has a combined audit and risk committee. Its membership is set out on pages 10 to 11 of this report. The committee currently has three members all of whom are independent non-executive directors, as set out in the King Code. The chairperson of the board is invited to attend committee meetings.</p> <p>The board has appointed a combined social, ethics, nominations and remuneration committee, which has five members all of whom are independent non-executive directors.</p> <p>In February 2015 the board appointed a separate social, ethics and transformation committee.</p> <p>Taste Holdings has a combined audit and risk committee and a combined social, ethics, nomination and remuneration committee, which is tasked with the responsibilities of a nomination committee. The company does have separate risk and nomination committees. The chairperson of the board is the chairperson of the nominations committee.</p>
	<p>The composition of such committees, a brief description of their mandates, the number of meetings held and any other relevant information must be disclosed in the annual report.</p>	<p>Brief descriptions of the mandates of these committees and the number of meetings held during the year are available on pages 55 to 57 of this report.</p>
3.84(e)	<p>Brief CV of each director standing for election or re-election must accompany relevant notice of meeting.</p>	<p>Information appears on pages 10 to 12 of this report.</p>
3.84(f)	<p>Capacity of directors in relation to executive, non-executive and independent must be categorised and disclosed in the relevant documentation.</p>	<p>This information is also contained in the curriculum vitae mentioned in 3.84(e). The composition of our committees is in accordance with the requirements of the Companies Act and the King Code.</p>

Requirement	Principle	Approach
3.84(g)	Issuers must have a full-time executive financial director.	Taste Holdings has a full-time Chief Financial Officer who does not hold any other position, nor does he have any other commitments that could be considered as full- or part-time employment.
3.84(h)	The audit committee must consider, on an annual basis, and satisfy itself of the appropriateness of the expertise and experience of the financial director and report thereon in the annual report.	The audit and risk committee annually considers and satisfies itself of the appropriateness of the expertise and experience of the Chief Financial Officer and has reported on its findings in its audit and risk committee report on page 66 of our annual financial statements.
3.84(i)	The provision deals with the competence, qualifications and experience of the company secretary and the board of directors' responsibility in relation thereto.	We would refer you to page 57 of this report where the company secretary's competence, qualifications and experience are set out, as is the board's assessment of her abilities to carry out her responsibilities.
3.84(j)	The provision deals with the arm's length relationship between the board of directors and the company secretary and the board of directors' responsibility in relation thereto.	We would also refer you to page 57 of this report where it is stated that the company secretary maintains an arm's length relationship with the executive team, the board and the individual directors.

Our application of King III

Every year we consider the 75 corporate principles of King III. We have provided an update below of our actions in terms of the principles we listed in 2015 as not yet fully applied by Taste Holdings. A comprehensive assessment of all of the 75 principles can be found on our website under the governance section.

King III principle	Current and future actions
Internal audit function	An internal audit function for the whole group remains under review by the executive management team and the board.
Board evaluations	We conducted self-evaluations of the board and its committees during the year under review. These evaluations confirmed that the members of both the board and its committees believed they are functioning effectively. Any suggestions that members made that they believed could further improve their functioning were acted on.

Statement of internal control

The board acknowledges overall responsibility for the group's system of internal controls. This includes the establishment of an appropriate control environment and framework, as well as reviewing the effectiveness, adequacy and integrity of this system.

Our system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. Our system of internal controls is designed to manage rather than eliminate risk. Accordingly, the system can only provide reasonable and not absolute assurance against the occurrence of any material misstatement or loss.

The group has an ongoing process for identifying, evaluating, monitoring and managing the principal risks affecting the achievement of our business objectives, which is embedded in the group's processes and structures.

Delegation of responsibilities

The group has clearly defined the delegation of responsibilities for both executive and operating management, which includes authorisation levels, for all aspects of the business. The delegation of these responsibilities is reviewed annually.

Policies and procedures

Clearly documented policies and procedures are set out in the Taste Holdings' policies which are subject to regular review and updating.

Divisional review meetings

Divisional and operating unit review meetings are held monthly. They are chaired by the divisional CEO and attended by the CEO and CFO at least once a quarter. Operational, financial and key management issues are identified, discussed and actioned at these meetings.

Monitoring of results

Sales from outlets and through the distribution centre are monitored daily and weekly. Monthly monitoring of financial results against budget takes place at both divisional and board level. Major variances against the budget are followed up by management and action is taken.

Code of ethics

The group adheres to the stringent Franchise Association's code of ethics, which commits our employees to high standards of integrity, behaviour, good faith and accountability in dealing with our stakeholders.

We expect our directors, employees, employees of companies providing outsourced functions and our suppliers to comply with the principles of this code and to act in accordance with it. The social, ethics and remuneration committee monitors ethical behaviour in the group. Where there is any non-compliance with this code of conduct, disciplinary action is taken and consistently enforced across the group to discourage a recurrence.

The Taste Holdings group does not engage or condone the perpetration of any illegal acts in the conduct of its business. It is the policy of the Taste Holdings board to actively pursue and prosecute perpetrators of fraudulent or other illegal activities of which they become aware.

Certification by company secretary

In terms of section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that, to the best of my knowledge and belief, the company has, in respect of the financial year reported upon, lodged with the Companies and Intellectual Property Commission all returns required of a public company in terms of the Act and that all such returns are true, correct and up to date.



E Beukes

iThemba Governance and Statutory Solutions (Pty) Limited

26 May 2015

Share dealings

The board has an approved Trading in Shares Policy in terms of which dealing in the company's shares by directors and employees is prohibited during closed periods. Directors may also not deal in the company's shares without first advising and obtaining clearance from the chairperson of the board. In the absence of the chairperson, clearance must be obtained from any two directors, one of whom must be an independent non-executive director. No director or executive may trade in Taste shares during closed periods as defined in the JSE Listings Requirements. The directors of the company advise the company secretary of all their dealings in securities for publication purposes.

Directors and employees are subject to an embargo on trading in shares during closed periods when the company is operating under a cautionary announcement and in the period between the close of annual and half-yearly reporting periods and the publishing of results.

Relationship with stakeholders

The board is very much aware of the importance of constructive and positive relationships with all stakeholders of the group. The company maintains dialogue with its key financial audiences, especially institutional shareholders and analysts. The investor relations team manages the dialogue with these audiences and presentations take place at the time of publishing interim and final results. The company adopts a proactive stance in timely dissemination of appropriate information to stakeholders through print and electronic news releases and the statutory publication of the company's financial performance. The board encourages shareholders to attend its annual general meeting, notice of which is contained in this integrated annual report, where shareholders will have the opportunity to put questions to the board, including the chairmen of the board committees.

Remuneration report

Our remuneration philosophy

The group's remuneration policy is based on the premise that fair and competitive remuneration motivates individual achievement and enhances a company's general performance. We achieve what we believe is fair and competitive remuneration through combining fixed and performance-enhancing incentives with the aim of attracting and retaining competent and experienced employees. We recognise that senior management have more influence over the long term than junior management and seek to reward those who are committed to long-term value creation more than short-term opportunists. Despite having relatively complex operations, we seek to align individual performance to group performance, but recognise that individuals are relatively more motivated by incentives linked to objectives within their sphere of influence. There is therefore a trade-off between incentives linked solely to group performance and objectives linked solely to individual performance. We seek to strike an appropriate balance between the two. As a professional company, Taste seeks to have efficient and transparent remuneration practices that are conservatively aligned with best practice, regulation and legislation.

Base remuneration policy

As part of its strategy to attract and retain top individuals in their area of expertise, Taste's strategy is to pay base salaries in the 50th percentile, as per external salary surveys. Our base pay for executive directors and senior management is benchmarked annually against direct industry peers, comparable listed companies and at least one salary survey specialist company. We also take into consideration the revenue, profit and the number of employees and assets under that person's control. Where no adjustment is due to an employee, salary increases are guided by a combination of the consumer price index and prevailing trends among listed companies, based on surveys carried out by specialist companies.

During the year, no *ex gratia* payments were made to directors, executive committee or management committee members.

Retention and incentive policy

The main purpose of our remuneration policy and structure is to align management and shareholder interests. At the core of this alignment are the retention of key employees and the linking of management performance measures to shareholder and enterprise value. To this end, the group uses two structures to retain employees. Our short-term cash incentive programme rewards increases in company profitability, while our long-term incentive scheme rewards increases in enterprise value and creates disincentives for participating employees to leave the employ of the company.

Short-term cash incentive programme

Members of the executive committee participate in a short-term cash incentive programme. This programme is based on an incentive pool in which members of the executive committee share proportionately to their cost to company. They are incentivised on audited profit before tax growth targets over the previous year, and these incentives are paid annually in cash. Each brand further incentivises its team members in terms of their performance against targets, which contribute to the group's growth objectives.

While the short-term incentive pool scheme has served the group well during the past five years, it will be reviewed during

the current financial year, to increase its alignment with the market value and cost to company of each individual, as well as individual performance objectives.

Long-term share incentive scheme

There are two schemes in operation, the first of which ran its course in the 2012 financial year. For completeness, the structure is described as follows:

A share option scheme was initiated in May 2010 for those who were members of the executive committee at that time. The scheme gave participants the right to acquire ordinary shares at a strike price of 43 cents per share (being the 30-day volume-weighted average of Taste shares on the grant date of 6 May 2010). Options vested in three tranches from 2012 to 2014. Once vesting of a tranche has been triggered, a third of the options within the tranche can be exercised one year after vesting was triggered, a further third, two years after the vesting was triggered and the final third, three years after the vesting was triggered. The options must be exercised within five years of vesting being triggered. Upon cessation of employment, options that have been granted and accepted but which have not yet vested are forfeited, unless approval for the employee to retain his/her options is obtained from the trustees. All options must be exercised no later than the eighth anniversary on which they were granted unless approval is obtained from the trustees. Due to various constraints in this long-term share incentive scheme, the remuneration committee approved a share option scheme that was principally driven during the year ended February 2013.

The scheme is based on the following principles:

- Share options are issued annually in a consistent, transparent and principled manner linked to cost to company.
- The quantum of options granted is linked to the market value of the individual, being the sum of the cost to company and the short-term incentive granted the previous year.
- The quantum is calculated as a multiple of the market value of an individual, taking into account seniority, responsibility and contribution to the group value. The multiples range from 0.25 times annual cost to company to 1.25 times annual cost.
- The qualifying factor for the issue of share options is currently CPI + 6% at the headline earnings per share (HEPS) level.
- The options will vest over a five-year period in 25% tranches and the first tranche can only be exercised after 24 months.
- All options must be exercised within five years.

The remuneration committee can award adhoc options to individuals based on individual performance.

The strike price of the options is the 30-day volume weighted price prior to the granting date of the options.

In February 2015, the committee undertook an external review of the scheme in light of King III, Schedule 14 of the JSE Listing Requirements and section 8C of the Income Tax Act.

King III provides that "Options or other conditional share awards are normally granted for the year in question and in expectation of service over a performance measurement period of not less than three years. Accordingly, shares and options

should not vest or be exercisable within three years from the date of grant. In addition, options should not be exercisable more than 10 years from the date of grant. For new schemes it is best practice to restrict the exercisable period to less than seven years". As the first tranche of the 2013 scheme vests in 24 months it has been resolved to comply with King III in the revision whereby the first tranche will vest after three years.

The scheme is compliant with Schedule 14 JSE Listing Requirements and the revision to the scheme will remain compliant.

The revised scheme is based on the following principles:

- Share appreciation rights issued at a 30-day volume weighted average price (performance shares) and full shares issued at zero strike price (retention shares).
- Share allocations are issued annually in a consistent, transparent and principled manner linked to cost to company of the individual.
- The quantum of shares granted is linked to the market value of the individual, being the total cost to company.
- The quantum is calculated as a multiple of the market value of an individual, taking into account seniority, responsibility and contribution to the group value. The multiples are between the 25th and 50th percentiles of actual multiples issued for JSE listed companies based on the level of the individual.
- The shares will vest over a five-year period in 33.3% tranches and the first tranche can only be exercised after 36 months.
- Vesting conditions have been introduced in line with King III – "To align shareholders' and executives' interests, vesting of share incentive awards should be conditional on achieving performance conditions".
- Average personal performance based on quantitative metrics over the three years commencing on issue date. Superior performance over the three-year period would be rewarded up to a cap of 50% of the original award. This condition ensures that results are consistent and sustainable and therefore align with shareholder's interests.
- In addition to operating profit measures at divisional and business unit levels senior executives will be measured on the achievement of core headline earnings per share growth as well as core earnings before income tax, depreciation and amortisation. This measure is set at a base of CPI plus 50% of CPI.
- Core will be determined by the audit committee.
- Full shares will vest on the condition that the executive remains in employment on the vesting date as these are targeted at retention.
- Top ups to the individuals multiple will be made annually.
- All shares must be exercised within seven years.

Disclosure of remuneration

King III recommends that a company should disclose the salaries paid to the top three executives, excluding executive directors. The Taste Holdings board has decided that because of the value of these employees to the company and the highly competitive nature of the South African retail environment it is not in the interests of the company to disclose the individual salaries of these three executives. Instead, we are disclosing the combined salaries paid to these three executives in the 2014 financial year.

Including their basic salaries, motor vehicle allowance, medical aid benefits and bonuses they were paid a total of R4 292 259.86. The remuneration paid to directors is disclosed on pages 111 to 112 of the financial statements contained in this report.

Non-executive directors' fees

In accordance with Taste Holdings' policy of ensuring that non-executive directors' fees are market-related, the company benchmarks annually against direct competitors and comparable listed companies. The fees for our non-executive directors are paid in the context of good governance and in line with our strategy of attracting and retaining high-calibre individuals as custodians of the company's business.

The fees are based on a methodology which takes into account membership or chairpersonship of a sub-committee. They vary according to the different roles, such as chairperson, that non-executive directors undertake in the board sub-committees.

To avoid any conflict of interest, non-executive directors do not and will not participate in any share-based incentive scheme or any other incentive scheme that the company may implement. Non-executive fees are tabled annually for approval by the company's shareholders. The non-executive directors' fees paid in the 2015 financial year are set out below. These fees were not increased from the 2014 year. In consideration

of the evolving requirements of the board, the international licensing arrangements and increased number of meetings, with consideration to peer group comparisons, the remuneration committee proposed that the fees of non-executive directors increase in the 2016 financial year as per the table below.

	2015 Paid R	2016 Proposed fee (no increase proposed) R
Chairman of the board	214 000	300 000
Board membership	107 000	166 000
Chairman of the audit and risk committee	107 000	100 000
Member of the audit and risk committee	26 750	50 000
Chairman of any other board committee	35 310	50 000
Member of any other board committee	26 750	30 000



- *Two distribution facilities in Cape Town and Midrand*
- *HACAAP and Halaal-accredited sauce and spice facility in Cape Town*
- *Deliver to over 600 outlets weekly in six African countries*
- *Manufacture dough pre-mixes, various proteins, spices and sauces of all brands*

BUON GUSTO
food services



ANNUAL FINANCIAL STATEMENTS

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

These annual financial statements were authorised on 26 May 2015 by the board of directors.

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DIRECTORS' RESPONSIBILITY AND APPROVAL

for the year ended February 2015

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 SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the Listing Requirements of the JSE Limited. The external auditors are engaged to express an independent opinion on the annual financial statements.

These annual financial statements 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.

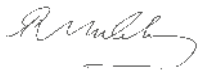
The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the annual financial records may be relied on for the preparation of the annual financial statements. However, any system of internal 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 2016 and, in 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 auditor.

The external auditor is 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 auditor and the report is presented on page 71.

The annual financial statements set out on pages 72 to 116, which have been prepared on the going-concern basis, were approved by the board of directors on 26 May 2015 and were signed on its behalf by:



Ramsay L'Amy Daly
Non-executive Chairman

Sandton
26 May 2015



Carlo Ferdinando Gonzaga
Chief Executive Officer

Declaration by company secretary

In terms of section 88(2)(e) of the Companies Act of South Africa, I certify that to the best of my knowledge all returns and notices as are required by the Companies Act for a public company have been lodged with the Companies and Intellectual Properties Commission and that all such returns and notices are true, correct and up to date.



Ithemba Governance and Statutory Solutions (Pty) Limited
Company Secretary

Sandton
26 May 2015

Preparation of financial statements

The financial statements set out on pages 72 to 116 have been prepared and supervised by the Chief Financial Officer, Evangelos Tsatsarolakis CA(SA).

REPORT BY AUDIT AND RISK COMMITTEE

for the year ended February 2015

The composition of the audit and risk committee is in line with the provisions of the Companies Act of South Africa and is chaired by Anthony Berman. During the financial year ended 28 February 2015, in addition to the duties set out on page 55, the audit and risk committee:

- has reviewed the quality and effectiveness of the scope of the external audit;
- has nominated 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;
- has satisfied itself through enquiry that the audit partner, Mr Gawie Marais, is independent;
- has approved the terms of engagement and fees paid to BDO;
- has 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 and risk committee has preapproved the contract for tax administration by BDO;
- no reportable irregularities were identified and reported by BDO to the committee;
- there was no material weakness in financial controls which resulted in material financial loss during the year under review;
- the audit and risk 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 committee has further assessed the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the finance function and concludes that these are adequate; and
- the audit and risk committee recommended the annual financial statements for the year ended 28 February 2015 for approval to the board. The board has subsequently approved the annual financial statements which will be open for discussion at the forthcoming annual general meeting.



Anthony Berman

Chairman – audit and risk committee

Sandton
26 May 2015

DIRECTORS' REPORT

for the year ended February 2015

The directors have pleasure in submitting their report for the year ended 28 February 2015.

Nature of business

Taste Holdings Limited is a South African-based management group listed on the JSE Limited, the recognised securities exchange in South Africa. The group is invested in a portfolio of mostly franchised, category specialist restaurant and retail brands, represented in some 600 locations throughout southern Africa. The company's brand portfolio includes:

- Domino's Pizza;
- Scooters Pizza;
- Maxi's;
- St Elmo's;
- Zebro's Chicken;
- The Fish & Chip Co;
- NWJ (Natal Wholesale Jewellers);
- Arthur Kaplan; and
- World's Finest Watches.

The company is involved in the establishment of new business, marketing and advertising of the brands and the operational control of the franchised and corporate outlets to ensure consistency and compliance across the chains. The company also manufactures and supplies jewellery and selected food items to its jewellery and food brands respectively.

Acquisitions

During the year, in line with its strategy, the group made the following acquisitions (for more details refer to note 18):

- Zebro's Chicken – a chicken brand to compliment the The Fish & Chip Co brand in its consumer offering;
- Arthur Kaplan and World's Finest Watches – a retailer of luxury fine jewellery and the leading retailer of Swiss watches in South Africa including Rolex, Breitling, Omega, Tag Heuer and Longines as well as of other leading luxury watch brands and a selection of fashion watch brands;
- Acquired a further eight NWJ stores from franchisees; and
- Acquired six food outlets from franchisees.

During the year, the group, also acquired the exclusive 30-year master licence to Domino's Pizza for South Africa and six other African countries. Domino's Pizza is considered the world's largest and most established international pizza delivery brand with over 11 700 owned and franchised outlets in over 75 countries. It is also the worldwide pizza leader in online ordering and tracking technology, consistently being in the top five companies in the world by number of online transactions, sharing company with the likes of Amazon and Apple.

The Domino's Pizza brand, which is synonymous with outstanding quality products, friendly service and unbeatable delivery standards will form part of the growing Taste stable of brands and will become the Group's leading pizza franchise offering as existing Scooters Pizza and St Elmo's franchisees will be given the opportunity and assistance to convert their stores to Domino's Pizza stores in order to be part of the world's largest pizza delivery brand. Both Scooters Pizza and St Elmo's are based on similar principles and operating standards to those of Domino's Pizza. Scooters Pizza pioneered the "39 minutes or it's free" delivery promise in South Africa and it is this culture of on-time delivery of quality products that makes the conversion to the world's leading pizza delivery brand such a good fit. Store conversions will commence in May 2015. This is a long-term strategic decision that ultimately benefits Taste franchisees, as being part of a global and world-class brand provides access to a myriad of global resources including best operating practices, new product pipelines and very importantly, access to the Domino's Pizza leading global online ordering platform. It has also seen the introduction of centralised fresh dough production, adding further volume to the Taste supply chain as well as simplifying in-store operations and improving consistency of the key pizza product-dough.

Through the conversion and consolidation of the Scooters Pizza and St Elmo's stores to Domino's Pizza stores, the opening of new Domino's Pizza outlets, and the investment by both Taste and Domino's Pizza, Taste plans to, in the next five years, establish Domino's Pizza as the leading pizza delivery brand in southern Africa.

Six new Domino's Pizza stores were opened during the February 2015 financial year.

Financial statements and results

The group results and financial position are reflected in the financial statements on pages 72 to 116. The group recorded a profit after tax for the year ended 28 February 2015 of R15.6 million (2014: R30.4 million).

Events subsequent to year-end

The directors are not aware of any other matter or circumstance arising since the end of the year up to the date of this report, not otherwise dealt with in this report (refer to note 36).

DIRECTORS' REPORT CONTINUED

for the year ended February 2015

Authorised and issued share capital

The authorised share capital of the company remained unchanged for the year ended 28 February 2015, details of which are set out in note 13 of the annual financial statements. The following share issues were made during the year:

- 2 442 792 ordinary shares at R3.48 each were issued to partly fund the acquisition of Zebro's Chicken;
- 679 278 ordinary shares at 43 cents each were issued to the Taste Holdings Share Trust in anticipation of share options being exercised in terms of the Taste Holdings share option scheme;
- 60 052 514 shares issued at R3.00 in terms of the rights offer to shareholders effective 29 September 2014. This issue price represented a discount of 19.29% to the 30 day volume weighted average traded price of Taste Shares on the JSE as at 31 July 2014, being the date on which the rights offer was approved by the board of directors of Taste. This rights offer was fully subscribed for by existing shareholders with no need for an underwriter. The groups reason for this capital raised was to:
 - leverage the exclusive Domino's Pizza licence;
 - to pursue acquisitions; and
 - to continue to invest in corporate store ownership.

As at 28 February 2015, 2 248 000 ordinary shares were held by The Taste Holdings Share Trust. These are treated as treasury shares and are eliminated on consolidation.

Employee share option scheme

Details are reflected in note 29 of the annual financial statements.

Borrowings

In terms of the articles of Memorandum of Incorporation, the directors may exercise all powers of the company to borrow money, as they consider appropriate. During the year, Taste Holdings Limited registered a R1 billion Domestic Medium Term Note programme. On 30 July 2014, in its inaugural issue under this programme, notes were issued in aggregate of R125 million; R61 million of which were used to settle existing term debt, with the remaining being earmarked for future acquisitions (see note 14). This type of funding is more flexible predictable and aligned with the groups strategic objectives.

Dividends

The directors declared a gross dividend of 6.5 cents per ordinary share, to be paid on 13 July 2015 to ordinary shareholders recorded in the company's register at the close of business on 10 July 2015. Further details are reflected in note 16 of the annual financial statements.

Capital expenditure

The significant capital expenditure incurred during the year is due to a combination of the acquisitions as stated above, acquisition of fixed assets in the food services business related to capacity expansion; continued integration of the food distribution network; and the roll out of the Domino's Pizza business; which includes the commissioning of two state of the art dough manufacturing and distribution facilities in Johannesburg and Cape Town respectively. In line with the group's stated intention, this capital expenditure was funded with equity and external debt funding.

Directors

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

Name

Carlo Ferdinando Gonzaga

Duncan John Crosson

Jay Bayne Currie

Kevin Michael Utian

Hylton Roy Rabinowitz

Ramsay L'Amy Daly (Bill)

Anthony Berman (Tony)

Evangelos Tsatsarolakis

Wessel Petrus van der Merwe

Sebastian Patel

Grant Michael Pattison – appointed 1 March 2014

In terms of the Memorandum of Incorporation, Kevin Utian and Hylton Rabinowitz 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 reappointments at the forthcoming annual general meeting.

Secretary

During the year there was a change in Company Secretary. The secretary of the company is Ithemba Governance and Statutory Solutions (Pty) Limited of:

Business address	12 Gemini Street Linbro Business Park Frankenwald 2065	Postal address	PO Box 1125 Ferndale Randburg 2160
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Special resolutions

At a general meeting of the shareholders on 24 July 2014, the following resolutions were passed:

- General authority to directors to acquire the company's shares.
- Approval of fees payable to the non-executive directors for the year ended 28 February 2015.
- Approval of authority to directors to provide financial assistance to all subsidiaries and their inter-related companies within the Taste Holdings group of companies.

Directors' responsibility

The responsibility of the company's directors are detailed on page 65 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		Total	%
	Beneficially direct	Beneficially indirect		
At 28 February 2015				
Carlo Ferdinando Gonzaga and associates	–	6 091 891	6 091 891	2.29
Duncan John Crosson	4 711 082	–	4 711 082	1.77
Luigi Gonzaga and associates – resigned 28 February 2014	–	–	–	–
Ramsay L'Amy Daly (Bill) and associates	85 000	5 429 758	5 514 758	2.08
Jay Bayne Currie	10 061 768	–	10 061 768	3.79
Hylton Roy Rabinowitz and associates	426 358	32 039 954	32 446 312	12.22
Kevin Utian and associates	–	1 292 000	1 292 000	0.49
Anthony Berman	1 744 200	–	1 744 200	0.66
Wessel Petrus van der Merwe and associates	–	1 550 400	1 550 400	0.58
Evangelos Tsatsarolakis	129 200	–	129 200	0.05
Grant Michael Pattison – appointed 1 March 2014	–	2 000 000	2 000 000	0.75
	17 157 608	48 404 003	65 561 611	24.68
At 28 February 2014				
Carlo Ferdinando Gonzaga and associates	–	6 091 891	6 091 891	3.01
Duncan John Crosson	4 711 082	–	4 711 082	2.33
Luigi Gonzaga and associates	–	2 065 000	2 065 000	1.02
Ramsay L'Amy Daly (Bill) and associates	40 000	5 019 200	5 059 200	2.50
Jay Bayne Currie	10 061 768	–	10 061 768	4.97
Hylton Roy Rabinowitz and associates	329 999	29 039 954	29 369 953	14.50
Kevin Utian and associates	–	1 000 000	1 000 000	0.49
Anthony Berman	1 350 000	–	1 350 000	0.67
Wessel Petrus van der Merwe and associates	–	1 200 000	1 200 000	0.59
Evangelos Tsatsarolakis	100 000	–	100 000	0.05
	16 592 849	44 416 045	61 008 894	30.13

There has been no change in the directors' interests between the end of the financial year and the date of approval of the financial statements.

DIRECTORS' REPORT CONTINUED

for the year ended February 2015

Corporate governance and sustainability

The corporate governance and sustainability report is set out on pages 54 to 62.

Shareholder spread

Details of the company's shareholder spread are recorded on page 117.

Litigation

Please refer to note 37 for an update on litigation matters.

Going concern

The annual financial statements have been prepared on the going-concern basis. Having reviewed the group's financial projections, the directors believe that the group will continue trading as a going concern in the foreseeable future.



Ramsay L'Amy Daly
Non-executive Chairman



Carlo Ferdinando Gonzaga
Chief Executive Officer

REPORT OF THE INDEPENDENT AUDITOR

for the year ended February 2015

To the shareholders of Taste Holdings Limited

We have audited the group annual financial statements of Taste Holdings Limited, which comprise the consolidated statement of financial position as at 28 February 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 72 to 116.

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 (IFRS) and the requirements of 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.

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.

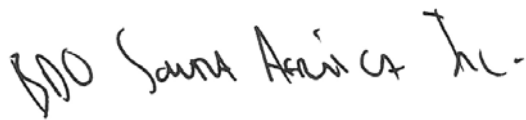
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the group annual financial statements present fairly, in all material respects, the consolidated financial position of the group as of 28 February 2015, and of their consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 28 February 2015, we have read the directors' report, the audit and risk committee's report and the company secretary's declaration for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



BDO South Africa Incorporated

Gawie Marais
Director
Registered Auditor

26 May 2015

22 Wellington Road
Parktown
2193

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended February 2015

Group	Notes	2015 R'000	2014 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	105 369	29 776
Intangible assets	5	91 924	79 545
Goodwill	5	112 090	78 756
Other financial assets	6	26 566	11 910
Deferred tax	7	13 647	1 301
		349 596	201 288
Non-current assets held for sale	8	7 178	–
Current assets			
Other financial assets	6	1 399	7 230
Advertising levies	9	8 255	1 618
Inventories	10	234 355	116 856
Trade and other receivables	11	97 577	74 712
Current tax receivables		3 024	2 949
Cash and cash equivalents	12	62 883	26 041
		407 493	229 406
Total assets		764 267	430 694
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of company			
Share capital and share premium	13	282 637	94 547
Retained earnings		132 212	128 624
Equity-settled share-based payments reserve		3 724	1 772
Equity attributable to owners of the company		418 573	–
Non-controlling interest	29	(531)	–
Total equity		418 042	224 943
Liabilities			
Non-current liabilities			
Borrowings	14	130 757	57 422
Lease equalisation	15	2 117	–
Deferred tax	7	32 691	20 502
		165 565	77 924
Current liabilities			
Current tax payable		751	809
Advertising levies	9	–	1 198
Bank overdrafts	12	18 142	18 393
Borrowings	14	3 568	17 845
Balances due to vendors	14	1 000	1 000
Lease equalisation	15	1 312	–
Provisions		250	250
Dividends payable		84	55
Other financial liabilities	18.2	15 000	–
Trade and other payables	17	140 553	88 277
		180 660	127 827
Total liabilities		346 225	205 751
Total equity and liabilities		764 267	430 694

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended February 2015

Group	Notes	2015 R'000	2014 R'000
Revenue	19	723 705	582 782
Cost of sales	20	(439 260)	(351 165)
Gross profit		284 445	231 617
Other income		796	956
Operating expenses		(253 604)	(182 855)
Operating profit	21	31 637	49 718
Investment revenue	22	6 465	2 496
Finance costs	23	(13 140)	(7 889)
Profit before taxation		24 962	44 325
Taxation	24	(8 813)	(13 945)
Profit for the year		16 149	30 380
Other comprehensive income		–	–
Non-controlling interest		(531)	–
Total comprehensive income for the year		15 618	30 380
Attributable to:			
Equity holders of the company		15 618	30 380
Earnings per share attributable to equity holders of the company			
Basic earnings per share (cents)	34	6.9	15.4
Fully diluted earnings per share (cents)	34	6.8	14.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended February 2015

Group	Share capital R'000	Share premium R'000	Equity-settled share-based payment reserve R'000	Retained earnings R'000	Total attributable to equity holders of the company R'000	Non- controlling interest R'000	Total equity R'000
Balance at 28 February 2013	2	80 101	972	108 171	189 246	–	189 246
Changes in equity:							
Issue of shares	–	13 837	–	–	13 837	–	13 837
Options exercised	–	607	–	–	607	–	607
Total comprehensive income for the year	–	–	–	30 380	30 380	–	30 380
Share-based payment	–	–	800	–	800	–	800
Dividends paid (refer to note 16)	–	–	–	(9 927)	(9 927)	–	(9 927)
Total changes	–	14 444	800	20 453	35 697	–	35 697
Balance at 28 February 2014	2	94 545	1 772	128 624	224 943	–	224 943
Changes in equity:							
Issue of shares	1	186 912	–	–	186 913	–	186 913
Options exercised	–	1 177	–	–	1 177	–	1 177
Total comprehensive income for the year	–	–	–	16 149	16 149	(531)	15 618
Share-based payment	–	–	1 952	–	1 952	–	1 952
Dividends paid (refer to note 16)	–	–	–	(12 561)	(12 561)	–	(12 561)
Total changes	1	188 089	1 952	3 588	193 630	(531)	193 099
Balance at 28 February 2015	3	282 634	3 724	132 212	418 573	(531)	418 042
Notes	13	13	29				

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended February 2015

Group	Notes	2015 R'000	2014 R'000
Cash flows from operating activities			
Cash generated from operations	25	58 553	42 832
Investment revenue	22	6 465	2 496
Dividends paid	16	(12 532)	(9 910)
Finance costs	23	(13 140)	(7 889)
Income tax paid	26	(13 130)	(14 146)
Net cash from operating activities		26 216	13 383
Cash flows from investing activities			
Acquisition of property, plant and equipment	4	(75 036)	(16 807)
Proceeds on disposal of property, plant and equipment		270	600
Acquisition of non-current asset held-for-sale	8	(7 178)	–
Acquisition of intangible assets	5	(4 895)	(1 239)
Acquisition of businesses	18	(115 512)	(20 478)
Loans advanced		(15 253)	(10 973)
Loans repaid		6 429	2 149
Net cash from investing activities		(211 175)	(46 748)
Cash flows from financing activities			
Decrease in long-term employee benefits		–	(126)
Proceeds from issue of shares		179 590	14 444
Loans raised	14	125 000	25 300
Loans repaid		(68 367)	(5 773)
Net cash from financing activities		236 223	33 845
Change in cash and cash equivalents			
Cash acquired from business acquisition	18	(14 171)	–
Cash and cash equivalents at beginning of the year		7 648	7 168
Cash and cash equivalents at end of the year	12	44 741	7 648

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended February 2015

1. Accounting policies

Presentation of annual financial statements

The group and company annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and its successor, and the Companies Act of South Africa. The group annual financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period, except for changes set out in note 2 – new standards and interpretations.

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.

Non-controlling interests in the net assets, excluding goodwill of consolidated subsidiaries, are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling share of changes in equity since the date of the combination. Losses of subsidiaries attributable to the non-controlling interests are allocated to the non-controlling interests even if this results in a debit balance being recognised for the non-controlling interest.

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 non-controlling interest in the acquiree is initially measured at the minority's proportion of the net fair value or carrying amount 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 (refer to 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 to 40 years, being the period for which the group has exclusive rights to those trademarks.

Trademarks are reflected at cost less accumulated amortisation (also refer to note 1.4).

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:

1. Accounting policies (continued)

1.1 Significant estimates and judgements (continued)

Trade receivables and loans and receivables

The group assesses its trade receivables and loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, 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.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

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

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

- 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. Key assumptions used in the calculation of the recoverable amounts are discount rates, terminal value growth rates and EBITDA growth rate.

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.

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.

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 reporting date could be impacted.

for the year ended February 2015

1. Accounting policies (continued)

1.1 Significant estimates and judgements (continued)

Principle vs agent relationship

Judgement is required in determining whether an principle vs agent relationship is applicable to various transactions. The group will assess who bears the significant risks and rewards associated with the services rendered.

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

Provisions were raised and management determined an estimate based on the information available.

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 its judgement based on past experience to determine expected useful lives and residual values of property, plant and equipment (refer to note 1.2).

The depreciation method applied to an asset shall be reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method shall be changed to reflect the changed pattern.

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.

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
Computer software	10 years
Furniture and fixtures	6 years
General equipment	5 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. Accounting policies (continued)

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. A gain on bargain purchase 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.

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 (refer to note 1.1).

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

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

Item	Useful life
Trademarks and intellectual property	10 – 40 years
Franchise contributions	Agreement period
Master franchise licence	30 years

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.

1.6 Financial instruments

Initial recognition

The group 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 group 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 group's balance sheet when the company becomes party to the contractual provisions of the instrument.

for the year ended February 2015

1. Accounting policies (continued)

1.6 Financial instruments (continued)

Loans and receivables

Loans and receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

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 profit or loss 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 in profit or loss against operating expenses.

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 measured at fair value and subsequently recorded at amortised cost.

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 group'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.

Other financial assets

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.

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.

1. Accounting policies (continued)

1.7 Taxation (continued)

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).

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.

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.

for the year ended February 2015

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 weighted average 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 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 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 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.

1.11 Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible, costs can be measured reliably, future economic benefits are probable and the group has sufficient resources to complete development in order to use or sell the asset. The expenditure capitalised includes the cost of materials, cost of equipment, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses.

1.12 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 recognised 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.

1.13 Equity-settled share-based payments reserve

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit or loss 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.

1. Accounting policies (continued)

1.13 Equity-settled share-based payments reserve (continued)

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 profit or loss over the remaining vesting period.

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.

1.14 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.

Post-employee benefits – defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the group pays a fixed percentage of employees' remuneration as contributions into a separate entity (a fund) and has no further legal or constructive obligations to pay additional contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans in respect of services rendered during a period are recognised as an employee benefit expense when they are due.

1.15 Provisions and contingencies

Provisions are recognised when:

- the group 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.

1.16 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.

for the year ended February 2015

1. Accounting policies (continued)

1.16 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 and advertising levies are recognised on the accrual basis as services are rendered or the rights used in accordance with the substance of the related franchise agreements. Advertising levies are recognised as revenue to the extent of the expenditure incurred.

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

Retail outlet sales are recognised from sale of goods.

Development revenue is recognised as services rendered and ultimately in the month the outlet opens for trading.

Management fees are recognised as and when services are rendered.

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

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

1.17 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.

1.18 Borrowing costs

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

1.19 Advertising levies

In terms of the group's franchise agreements, the group receives advertising levies from franchisees which are held and accounted for separately in marketing funds. These funds are utilised for the procurement of marketing and advertising services for the benefit of franchisees. Advertising expenditure incurred in excess of the levies received is carried forward as a prepaid expense in the group statement of financial position to be set off against future levies.

Any amounts not expended are carried forward as liabilities in the group statement of financial position to be set off against future advertising expenditure.

1.20 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.

1.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Taste executive committee. Intersegment revenues comprise services rendered between entities within the group. Intersegment revenues are accounted for as if the sale were to third parties, ie at current market prices.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

The following amendments and revisions to issued accounting standards which are relevant to the group were adopted and are effective 1 March 2014:

IFRS 10 exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of 'Investment Entities' must account for investments in subsidiaries at fair value under IFRS 9: *Financial Instruments* or IAS 39: *Financial Instruments: Recognition and Measurement*.

This amendment did not have a significant impact on the group's disclosure for the year ended 28 February 2015.

- *IFRS 12: Disclosure of Interests in Other Entities*
New disclosures required for investment entities.

This amendment did not have a significant impact on the group's disclosure for the year ended 28 February 2015.

- *IAS 27: Consolidated and Separate Financial Statements*
Requirement to account for interests in 'investment entities' at fair value under IFRS 9: *Financial Instruments*, or IAS 39: *Financial Instruments: Recognition and Measurement*, in the separate financial statements of a parent.

This amendment did not have a significant impact on the group's disclosure for the year ended 28 February 2015.

- *IAS 36: Impairment of Assets*
This standard includes amendments to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This amendment did not have a significant impact on the group's disclosure for the year ended 28 February 2015.

- *IAS 39: Financial Instruments: Recognition and Measurement*
This standard includes amendments for novation of derivatives the continuation of hedge accounting. This amendment did not have a significant impact on the group's disclosure for the year ended 28 February 2015.

2.2 New accounting standards and interpretations not yet adopted

At reporting date, the following new standards, revisions and amendments to issued accounting standards and interpretations, which are relevant to the group but not yet effective, have not been adopted by the group:

- *IFRS 1: First-time Adoption of International Financial Reporting Standards*
Amendments to the basis of conclusion clarify the meaning of "effective IFRSs".

The standard is effective for periods on or after 1 July 2014. It is anticipated that these amendments will be adopted in the group's consolidated financial statements for the annual period beginning 1 March 2015. It is not anticipated that the application of the new standard will have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

- *IFRS 2: Share-based Payment*
This standard added the definitions of performance conditions and service conditions and amended the definitions of vesting conditions and market conditions. The standard is effective for periods on or after 1 July 2014. It is anticipated that these amendments will be adopted in the group's consolidated financial statements for the annual period beginning 1 March 2015. It is not anticipated that the application of the new standard will have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

- *IFRS 3: Business Combinations*
This standard includes amendments to the measurement requirements for all contingent consideration assets and liabilities including those accounted for under IFRS 9 as well as amendments to the scope paragraph for the formation of a joint arrangement. The standard is effective for periods on or after 1 July 2014. It is anticipated that these amendments will be adopted in the group's consolidated financial statements for the annual period beginning 1 March 2015. It is not anticipated that the application of the new standard will have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

- *IFRS 8: Operating Segments*
This amendment includes disclosure requirements regarding the judgements made by management in applying the aggregation criteria, as well as those to certain reconciliations. The standard is effective for periods on or after 1 July 2014. It is anticipated that these amendments will be adopted in the group's consolidated financial statements for the annual period beginning 1 March 2015. It is not anticipated that the application of the new standard will have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

for the year ended February 2015

2. New standards and interpretations (continued)

2.2 New accounting standards and interpretations not yet adopted (continued)

– IFRS 9: *Financial Instruments*

Amendments include the measurement requirements for all contingent consideration assets and liabilities included under IFRS 9. The standard is effective for periods on or after 1 July 2014. It is anticipated that these amendments will be adopted in the group's consolidated financial statements for the annual period beginning 1 March 2015. It is not anticipated that the application of the new standard will have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

A finalised version of IFRS 9 has been issued which replaces IAS 39: *Financial Instruments: Recognition and Measurement*. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition.

IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.

The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets. IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition, enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

The standard is effective for periods beginning on or after 1 January 2018.

It is anticipated that these amendments will be adopted in the group's consolidated financial statements for the annual period beginning 1 March 2018. It is not anticipated that the application of the new standard will have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

– IFRS 10: *Consolidated Financial Statements*

Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the standards.

The standard is effective for periods beginning on or after 1 January 2016.

It is anticipated that these amendments will be adopted in the group's consolidated financial statements for the annual period beginning 1 March 2016. It is not anticipated that the application of the new standard will have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

– IFRS 12: *Disclosure of Interests in Other Entities*

Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the standards.

The standard is effective for periods beginning on or after 1 January 2016. It is anticipated that these amendments will be adopted in the group's consolidated financial statements for the annual period beginning 1 March 2016. It is not anticipated that the application of the new standard will have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. New standards and interpretations (continued)

2.2 New accounting standards and interpretations not yet adopted (continued)

– IFRS 13: Fair Value Measurement

Annual Improvements 2010 – 2012 Cycle: Amendments to clarify the measurement requirements for those short-term receivables and payables

Annual Improvements 2011 – 2013 Cycle: Amendments to clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9. The standard is effective for periods on or after 1 July 2014. It is anticipated that these amendments will be adopted in the group's consolidated financial statements for the annual period beginning 1 March 2016. It is not anticipated that the application of the new standard will have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

– IFRS 15: Revenue from Contracts from Customers

New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five-step methodology that is required to be applied to all contracts with customers.

The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

The new standard supersedes:

- (a) IAS 11: *Construction Contracts*;
- (b) IAS 18: *Revenue*; IFRIC 13: *Customer Loyalty Programmes*;
- (c) IFRIC 15: *Agreements for the Construction of Real Estate*;
- (d) IFRIC 18: *Transfers of Assets from Customers*; and
- (e) SIC-31: *Revenue – Barter Transactions Involving Advertising Services*.

The standard is effective for periods beginning on or after 1 January 2017.

It is anticipated that these amendments will be adopted in the group's consolidated financial statements for the annual period beginning 1 March 2017. The impact has not yet been discussed by management. The company will perform a detailed assessment of this standard and will provide more information in the year ending 28 February 2016.

– IAS 1: Presentation of Financial Statements

The amendments are designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures.

The standard is effective for periods beginning on or after 1 January 2016.

It is anticipated that these amendments will be adopted in the group's consolidated financial statements for the annual period beginning 1 March 2016. It is not anticipated that the application of the new standard will have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

for the year ended February 2015

2. New standards and interpretations (continued)

2.2 New accounting standards and interpretations not yet adopted (continued)

– IAS 16: *Property, Plant and Equipment*

Annual Improvements 2010 – 2012 Cycle: Amendments to the Revaluation method – proportionate restatement of accumulated depreciation. The standard is effective for periods on or after 1 July 2014. It is anticipated that these amendments will be adopted in the group's consolidated financial statements for the annual period beginning 1 March 2015. It is not anticipated that the application of the new standard will have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to IAS 16 and IAS 38 to clarify the basis for the calculation of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset.

Amendments to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.

Amendments to IAS 16 and IAS 41 which define bearer plants and include bearer plants in the scope of IAS 16 *Property, Plant and Equipment*, rather than IAS 41 allowing such assets to be accounted for after initial recognition in accordance with IAS 16.

The standard is effective for periods beginning on or after 1 January 2016.

It is anticipated that these amendments will be adopted in the group's consolidated financial statements for the annual period beginning 1 March 2015. It is not anticipated that the application of the new standard will have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

– IAS 19: *Employee Benefits*

Amendments to Defined Benefit Plans: Employee Contributions whereby the requirements in IAS 19 for contributions from employees or third parties that are linked to service have been amended. The standard is effective for periods on or after 1 July 2014. It is anticipated that these amendments will be adopted in the group's consolidated financial statements for the annual period beginning 1 March 2015. It is not anticipated that the application of the new standard will have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

– IAS 24: *Related Party Disclosures*

This standard includes amendments to the definitions and disclosure requirements for key management personnel. The standard is effective for periods on or after 1 July 2014. It is anticipated that these amendments will be adopted in the group's consolidated financial statements for the annual period beginning 1 March 2015. It is not anticipated that the application of the new standard will have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

– IAS 27: *Consolidated and Separate Financial Statements*

Amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The standard is effective for periods beginning on or after 1 January 2016.

It is anticipated that these amendments will be adopted in the group's consolidated financial statements for the annual period beginning 1 March 2016. It is not anticipated that the application of the new standard will have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. New standards and interpretations (continued)

2.2 New accounting standards and interpretations not yet adopted (continued)

– IAS 28: Investments in Associates

Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the standards.

The standard is effective for periods beginning on or after 1 January 2016.

It is anticipated that these amendments will be adopted in the group's consolidated financial statements for the annual period beginning 1 March 2016. It is not anticipated that the application of the new standard will have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

– IAS 38: Intangible Assets

This standard includes amendments to the Revaluation method – proportionate restatement of accumulated depreciation. The standard is effective for periods ending 1 July 2014. It is anticipated that these amendments will be adopted in the group's consolidated financial statements for the annual period beginning 1 March 2015. It is not anticipated that the application of the new standard will have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to IAS 16 and IAS 38 to clarify the basis for the calculation of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset.

Amendments to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.

The standard is effective for periods beginning on or after 1 January 2016.

It is anticipated that these amendments will be adopted in the group's consolidated financial statements for the annual period beginning 1 March 2016. It is not anticipated that the application of the new standard will have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

– IAS 40: Investment Property

This standard includes amendments to clarify the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The standard is effective for periods ending 1 July 2015. It is anticipated that these amendments will be adopted in the group's consolidated financial statements for the period beginning 1 March 2016. It is not anticipated that the application of the new standard will have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended February 2015

3. Segment reporting

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

- Food Division;
- Luxury Goods Division; and
- Corporate services.

Food Division consists of Domino's Pizza, Scooters Pizza, St Elmo's, Maxi's, Zebro's Chicken and The Fish & Chip Co franchise and retail divisions, as well as the food manufacturing and distribution business. Luxury Goods Division consists of NWJ franchise, wholesale and retail, as well as Arthur Kaplan and World's Finest Watches. Corporate services consist of the holding company of all the subsidiaries within the group.

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.

Segment capital expenditure has been included in the segment report as the majority of this capital expenditure was incurred by the food segment for continued integration and capacity expansion of the food distribution business with the food segment.

Intersegment revenues comprise costs charged out to the divisions by corporate services, and intercompany revenues within the food segment.

The following tables present details of revenue, operating profit, assets, liabilities and depreciation and amortisation, finance costs, investment revenue and capital expenditure by business segment:

	Food Division R'000	Luxury Goods Division R'000	Corporate services R'000	Inter- segment Division revenues R'000	Total R'000
2015					
Revenue	398 782	324 923	10 353	(10 353)	723 705
Operating profit/(loss)	6 499	41 618	(16 480)	–	31 637
Investment revenue	2 596	403	12 317	(8 851)	6 465
Finance costs	(7 924)	(5 900)	(8 167)	8 851	(13 140)
Profit/(loss) before taxation	1 171	36 121	(12 330)	–	24 962
Segment depreciation and amortisation	(8 923)	(4 473)	(1 672)	–	(15 068)
Segment assets	334 332	360 353	69 582	–	764 267
Segment liabilities	142 278	180 748	23 199	–	346 225
Segment capital expenditure	72 441	12 791	300	–	85 532
2014					
Revenue	364 823	229 289	16 242	(27 572)	582 782
Operating profit/(loss)	34 229	32 897	(17 408)	–	49 718
Investment revenue	1 012	348	1 136	–	2 496
Finance costs	(3 999)	(3 098)	(792)	–	(7 889)
Profit/(loss) before taxation	31 242	30 147	(17 064)	–	44 325
Segment depreciation and amortisation	(6 104)	(3 052)	(1 750)	–	(10 906)
Segment assets	191 717	167 545	71 432	–	430 694
Segment liabilities	113 490	48 612	43 649	–	205 751
Segment capital expenditure	12 002	4 356	449	–	16 807

The group's only geographic location is southern Africa.

	2015			2014		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
4. Property, plant and equipment						
Furniture and fixtures	80 332	(23 131)	57 201	21 525	(12 074)	9 451
Motor vehicles	11 795	(1 951)	9 844	5 979	(507)	5 472
Office equipment	1 392	(1 009)	383	1 504	(1 003)	501
IT equipment	5 962	(4 256)	1 706	3 748	(2 339)	1 409
Kitchen equipment	29 179	(5 452)	23 727	9 553	(3 450)	6 103
General equipment	584	(263)	321	574	(153)	421
Leasehold improvements	12 522	(1 713)	10 808	6 572	(1 363)	5 209
Computer software	2 403	(1 092)	1 312	1 990	(816)	1 174
Plant and machinery	1 281	(1 214)	67	1 270	(1 234)	36
Total	145 450	(40 082)	105 369	52 715	(22 939)	29 776

Reconciliation of property, plant and equipment – 2015

	Opening balance R'000	Additions R'000	Acquisition of business R'000	Disposals R'000	Depreciation R'000	Total R'000
Furniture and fixtures	9 450	43 963	8 007	(8)	(4 210)	57 202
Motor vehicles	5 473	5 429	369	(46)	(1 383)	9 842
Office equipment	501	85	–	–	(203)	383
IT equipment	1 409	709	528	(36)	(904)	1 706
Kitchen equipment	6 102	18 849	778	–	(2 002)	23 727
General equipment	421	10	–	–	(111)	320
Leasehold improvements	5 209	5 532	814	–	(748)	10 807
Computer software	1 175	401	–	–	(265)	1 311
Plant and machinery	36	58	–	–	(23)	71
Total	29 776	75 036	10 496	(90)	(9 849)	105 369

Reconciliation of property, plant and equipment – 2014

	Opening balance R'000	Additions R'000	Acquisition of business R'000	Disposals R'000	Depreciation R'000	Total R'000
Furniture and fixtures	5 633	3 734	2 397	(30)	(2 284)	9 450
Motor vehicles	459	5 429	–	–	(415)	5 473
Office equipment	573	133	–	(2)	(203)	501
IT equipment	914	1 187	52	(37)	(707)	1 409
Kitchen equipment	4 428	3 458	–	(151)	(1 633)	6 102
General equipment	345	151	–	–	(75)	421
Leasehold improvements	3 518	2 365	–	(37)	(637)	5 209
Computer software	1 093	350	–	–	(268)	1 175
Plant and machinery	100	–	–	(34)	(30)	36
Total	17 063	16 807	2 449	(291)	(6 252)	29 776

During the year Buon Gusto (Pty) Limited, a wholly owned subsidiary of Taste Holdings, purchased a property in Midrand for the establishment of a dough manufacturing facility for Domino's Pizza as well as for expanding its current food distribution facilities. As at year-end, the transfer of this property had not taken place. Transfer of this property is expected to take place in the new financial year. The purchase price is R19 million (refer to note 36).

The carrying value of property, plant and equipment held under a finance lease is as follows:

	2015 R'000	2014 R'000
Motor vehicles	6 991	4 915
Kitchen equipment	784	572
Furniture and fixtures	3 613	1 030
IT equipment	184	504

Property, plant and equipment is ceded as security in terms of the Senior Secured Notes issue (refer to note 14).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended February 2015

	2015			2014		
	Cost R'000	Accumulated amortisation R'000	Carrying value R'000	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
5. Intangible assets						
Trademarks and intellectual property	97 104	(12 463)	84 641	88 097	(12 443)	75 654
Master franchise licence	4 731	(131)	4 600	–	–	–
Franchise contributions	4 056	(1 373)	2 683	12 605	(8 714)	3 891
Total	105 891	(13 967)	91 924	100 702	(21 157)	79 545

Reconciliation of intangible assets – 2015

	Opening balance R'000	Additions R'000	Acquisition of business R'000	Impairment R'000	Amortisation R'000	Total R'000
Trademarks and intellectual property	75 654	–	12 702	–	(3 715)	84 641
Master franchise licence	–	4 731	–	–	(131)	4 600
Franchise contributions	3 891	165	–	–	(1 373)	2 683
Total	79 545	4 896	12 702	–	(5 219)	91 924

Reconciliation of intangible assets – 2014

	Opening balance R'000	Additions R'000	Acquisition of business R'000	Impairment R'000	Amortisation R'000	Total R'000
Trademarks and intellectual property	78 736	–	–	–	(3 082)	75 654
Franchise contributions	4 772	1 239	–	(547)	(1 573)	3 891
Total	83 508	1 239	–	(547)	(4 655)	79 545

Trademarks and intellectual property consist of:

NWJ trademark	52 358	53 924
The Fish & Chip Co trademark	17 444	18 476
St Elmo's trademark	397	467
St Elmo's recipes	2 000	2 353
General recipes	374	434
Zebro's Chicken trademark	12 068	–
Total	84 641	75 654

Master franchise licence consists of:

Master franchise licence	4 600	–
Total	4 600	–

Trademarks and intellectual property

The Natal Wholesale Jewellers (NWJ) trademark originated through the acquisition of the NWJ subsidiary during the 2009 financial year. This trademark is amortised on a straight-line basis over its useful life of 40 years. The remaining amortisation period is 33.4 years.

The Fish & Chip Co trademark originated through the purchase of The Fish & Chip Co business on 1 February 2012. This trademark is amortised on a straight-line basis over its useful life of 20 years. The remaining amortisation period is 16.9 years.

Both the St Elmo's trademark and the St Elmo's recipe intangible originated through the purchase of the St Elmo's business during the 2011 financial year. They are both amortised, on a straight-line basis, over 10 years. Their remaining amortisation period is 5.7 years.

The general recipes trademark originated through the purchase of certain key recipes from a sauce supplier. This intangible is amortised over 10 years, on a straight-line basis. The remaining amortisation period is 6.1 years.

Zebro's Chicken trademark originated through the purchase of the Zebro's Chicken business on 1 March 2014. This trademark is amortised on a straight-line basis over its useful life of 10 years. The remaining amortisation period is 9 years.

5. Intangible assets (continued)

Master franchise licence

The master franchise licence originates from an exclusive 30-year master franchise agreement with Domino's Pizza International Franchising Inc. signed on 10 April 2014. This master licence is amortised on a straight-line basis over its useful life of 30 years. The remaining amortisation period is 29.1 years.

Franchise contributions

These represent premiums paid for the securing of key sites and financial assistance given to franchisees in respect of store set-up costs. These are amortised over the duration of the underlying lease or franchise agreements ranging between 1 to 10 years.

The remaining amortisation period ranges between two to five years.

	2015			2014		
	Cost R'000	Accumulated impairments R'000	Carrying value R'000	Cost R'000	Accumulated impairments R'000	Carrying value R'000
Goodwill	112 090	–	112 090	78 756	–	78 756
Total	112 090	–	112 090	78 756	–	78 756

Reconciliation of goodwill – 2015

	Opening balance R'000	Additions R'000	Acquisition of business R'000	Disposals R'000	Impairment R'000	Total R'000
Goodwill	78 756	–	33 334	–	–	112 090
Total	78 756	–	33 334	–	–	112 090

Reconciliation of goodwill – 2014

	Opening balance R'000	Additions R'000	Acquisition of business R'000	Disposals R'000	Impairment R'000	Total R'000
Goodwill	69 934	–	8 822	–	–	78 756
Total	69 934	–	8 822	–	–	78 756

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

	2015 R'000	2014 R'000
Maxi's	14 759	14 760
The Fish & Chip Co	50 233	50 234
St Elmo's	2 333	2 333
Zebro's Chicken	7 705*	–
Arthur Kaplan	20 301*	–
NWJ Retail (Pty) Limited	1 735*	–
Company-owned stores – Jewellery	13 426*	11 429
Company-owned stores – Food Division	1 598*	–
Total goodwill	112 090	78 756

* Refer to note 18.

Between March 2014 and December 2014, the Luxury Goods Division acquired the assets of five franchised NWJ stores, the business of Arthur Kaplan and a majority share in a group of three NWJ stores. The goodwill acquired as a result of these acquisitions amounts to R2.0 million; R20 million and R1.7 million respectively (refer to note 18).

In October 2014, the Food Division acquired the assets of five franchised Scooters Pizza stores and one Maxi's store. The goodwill acquired for these six stores amounts to R1.6 million.

for the year ended February 2015

5. Intangible assets (continued)

Maxi's

The Maxi's goodwill formed part of the Maxi's assets acquired in the 2006 financial year. The recoverable amount has been calculated using the value-in-use valuation method, which discounts to present value, the future after-tax cash flows, attributable to the Maxi's business, using an applicable discount rate. Cash flows were determined using projections from financial budgets approved by directors covering a three-year period, for revenue, gross profit and operating profit margin expectations. The key assumptions used in these budgets are a reflection of management's past experience in the market in which the unit operates. Cash flows beyond the three-year period, for a further two years, have been extrapolated using a steady 8% (2014: 8%) per annum growth rate. Beyond this five-year period, the group used a terminal growth rate of 5% (2014: 5%). These cash flows were discounted using a discount rate of 15% (2014: 15%). The various sensitivity analyses performed by changing key variables by 1% in the calculation resulted in the recoverable amount exceeding the carrying amount in all instances.

The Fish & Chip Co

The goodwill on The Fish & Chip Co formed part of the assets acquired in The Fish & Chip Co and represents the excess of the purchase price paid over the fair value of acquired assets and liabilities. The recoverable amount has been calculated using the value-in-use valuation method, which discounts to present value, the future after-tax cash flows, attributable to The Fish & Chip Co business, using an applicable discount rate. Cash flows were determined using projections from financial budgets approved by directors covering a three-year period, for gross profit and operating profit margin expectations. The key assumptions used in these budgets are a reflection of management's past experience in the market in which the unit operates. Cash flows beyond the three-year period, for a further two years, have been extrapolated using a steady 8% (2014: 8%) per annum growth rate. Beyond this five-year period the group used a terminal growth rate of 5% (2014: 5%). These cash flows were discounted using a discount rate of 15% (2014: 15%). The various sensitivity analyses performed by changing key variables by 1% in the calculation resulted in the recoverable amount exceeding the carrying amount in all instances.

St Elmo's

The St Elmo's goodwill represents the excess of the purchase price paid over the fair value of acquired assets and liabilities of the St Elmo's business during the 2011 financial year. The recoverable amount has been calculated using the value-in-use valuation method, which discounts to the present value, the future after-tax cash flows, attributable to the St Elmo's business, using an applicable discount rate. Cash flows were determined using projections from financial budgets approved by directors covering a three-year period for revenue, gross profit and operating profit margin expectations. The key assumptions used in these budgets are a reflection of management's past experience in the market in which the unit operates. Cash flows beyond the three-year period, for a further two years, have been extrapolated using a steady 8% (2014: 8%) per annum growth rate. Beyond this five-year period the group used a terminal growth rate of 5% (2014: 5%). These cash flows were discounted using a discount rate of 15% (2014: 15%). The various sensitivity analyses performed by changing key variables by 1% in the calculation resulted in the recoverable amount exceeding the carrying amount in all instances.

Zebro's Chicken

The Zebro's Chicken goodwill represents the excess of the purchase price paid over the fair value of acquired assets and liabilities as at 1 March 2014. The recoverable amount has been calculated using the value-in-use valuation method, which discounts to the present value, the future after-tax cash flows, attributable to the Zebro's Chicken business, using an applicable discount rate. Cash flows were determined using projections from financial budgets approved by directors covering a three-year period for revenue, gross profit and operating profit margin expectations. The key assumptions used in these budgets are a reflection of management's past experience in the market in which the unit operates. Cash flows beyond the three-year period, for a further two years, have been extrapolated using a steady 8% per annum growth rate. Beyond this five-year period the group used a terminal growth rate of 5%. These cash flows were discounted using a discount rate of 15%. The various sensitivity analyses performed by changing key variables by 1% in the calculation resulted in the recoverable amount exceeding the carrying amount in all instances.

Arthur Kaplan

The Arthur Kaplan goodwill represents the excess of the purchase price paid over the fair value of acquired assets and liabilities as at 27 November 2014. The recoverable amount has been calculated using the value-in-use valuation method, which discounts to the present value, the future after-tax cash flows, attributable to the Arthur Kaplan (Pty) Limited business, using an applicable discount rate. Cash flows were determined using projections from financial budgets approved by directors covering a three-year period for revenue, gross profit and operating profit margin expectations. The key assumptions used in these budgets are a reflection of management's past experience in the market in which the unit operates. Cash flows beyond the three-year period, for a further two years, have been extrapolated using a steady 11% per annum growth rate. These cash flows were discounted using a discount rate of 13.89%. The various sensitivity analyses performed by changing key variables by 1% in the calculation resulted in the recoverable amount exceeding the carrying amount in all instances.

NWJ Retail (Pty) Limited

The NWJ Retail (Pty) Limited goodwill represents the excess of purchase price paid over the fair value of acquired assets and liabilities as at 1 September 2014. The recoverable amount has been calculated using the value-in-use valuation method, which discounts to the present value, the future after-tax cash flows, attributable to the NWJ Retail business, using an applicable discount rate. Cash flows were determined using projections from financial budgets approved by directors covering a three-year period for revenue, gross profit and operating profit margin expectations. The key assumptions used in these budgets are a reflection of management's past experience in the market in which the unit operates. Cash flows beyond the three-year period, for a further two years, have been extrapolated using a steady 2% per annum growth rate. These cash flows were discounted using a discount rate of 20%. The various sensitivity analyses performed by changing key variables by 1% in the calculation resulted in the recoverable amount exceeding the carrying amount in all instances.

5. Intangible assets (continued)

Company-owned stores – NWJ

This amount represents the excess of the purchase price paid over the fair value of acquired assets and liabilities of jewellery stores purchased by the Jewellery Division. The recoverable amount has been calculated using the value-in-use valuation method, which discounts to present value, the future after-tax cash flows, attributable to these stores, using an applicable discount rate. Cash flows were determined using projections from financial budgets approved by directors covering a three-year period, for revenue, gross profit and operating profit margin expectations. The key assumptions used in these budgets are a reflection of management's past experience in the market in which the unit operates. Cash flows beyond the three-year period, for a further two years, have been extrapolated using a steady 3% (2014: 8%) per annum growth rate. These cash flows were discounted using a discount rate of 20% (2014: 20%). The various sensitivity analyses performed by changing key variables by 1% in the calculation resulted in the recoverable amount exceeding the carrying amount in all instances.

Beyond this five-year period the group used a terminal growth rate of 8% (2014: 8%).

Company-owned stores – Food Division

This amount represents the excess of the purchase price paid over the fair value of acquired assets and liabilities of food stores purchased by the Food Division. The recoverable amount has been calculated using the value-in-use valuation method, which discounts to present value, the future after-tax cash flows, attributable to these stores, using an applicable discount rate. Cash flows were determined using projections from financial budgets approved by directors covering a three-year period, for revenue, gross profit and operating profit margin expectations. The key assumptions used in these budgets are a reflection of management's past experience in the market in which the unit operates. Cash flows beyond the three-year period, for a further two years, have been extrapolated using a steady 3.5% (2014: 8%) per annum growth rate. Beyond this five year period the group used a terminal growth rate of 5%. These cash flows were discounted using a discount rate of 20%. The various sensitivity analyses performed by changing key variables by 1% in the calculation resulted in the recoverable amount exceeding the carrying amount in all instances.

	2015 R'000	2014 R'000
6. Other financial assets		
Loans and receivables		
Loans to NWJ franchised stores	–	35
These loans are secured over the assets of these franchised stores, are interest-bearing at prime +2% and are repayable over an average of six months.		
Extended terms to food franchise stores	3 017	4 760
These amounts represent extended payment terms given by the brands to certain franchisees. These amounts attract no interest, and are repayable over an average of 24 months.		
Loans to Domino's advertising fund	14 126	–
This loan bears interest at the prime rate and is repayable over the master franchise agreement term commencing 1 March 2019.		
Loans to The Fish & Chip Co stores	1 608	4 544
These loans were given to certain franchisees to finance the shortfall of the new store cost. They attract interest at the prime interest rate and are generally repayable over a period ranging between 12 and 36 months.		
NWJ marketing fund	2 249	1 703
This loan is unsecured, bears interest at the prime lending rate and is repayable in 120 equal instalments of R30 410 per month commencing 1 March 2014.		
Scooters Pizza marketing fund	4 235	4 235
This loan is unsecured, bears interest at the prime lending rate and is repayable in 120 equal instalments of R57 922 per month commencing 1 March 2015. No capital instalments were made during the year, only interest repayments were made.		
Maxi's marketing fund	2 030	2 030
This loan is unsecured, bears interest at the prime lending rate and is repayable in 120 equal instalments of R27 764 per month commencing 1 March 2015. No capital instalments were made during the year, only interest repayments were made.		
St Elmo's marketing fund	700	700
This loan is unsecured, bears interest at the prime lending rate and is repayable in 120 equal instalments of R9 572 per month commencing 1 March 2015. No capital instalments were made during the year, only interest repayments were made.		
Loan to food franchise store	–	1 133
This loan has been settled in the purchase of the store as a corporate store.		
	27 965	19 140
Non-current assets	26 566	11 910
Current assets	1 399	7 230
	27 965	19 140

The directors consider that the carrying amount of interest-bearing loans and other receivables approximate their fair value as these are market-related interest rates. The recoverable amount of extended terms to food franchisees approximates the fair value, because of the short-term nature of these loans. The directors consider other financial assets past due, on default of payment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended February 2015

	2015 R'000	2014 R'000
6. Other financial assets (continued)		
The credit quality of other financial assets is as follows:		
Not past due – not impaired	23 341	9 715
Past due – not impaired	4 624	9 425
Past due – impaired	644*	2 109
Provision for impairment	(644)*	(2 109)
	27 965	19 140

* The provision relates to extended terms to food franchise stores and loans to The Fish & Chip Co stores.

Ageing of amounts past due	2015			2014		
	Past due total R'000	Provision for impairment R'000	Net past due not impaired R'000	Past due total R'000	Provision for impairment R'000	Net past due not impaired R'000
30 days	–	–	–	–	–	–
60 days	–	–	–	496	–	496
90 days	–	–	–	940	–	940
120 days	5 268	(644)	4 624	10 098	(2 109)	7 989
	5 268	(644)	4 624	11 534	(2 109)	9 425

No formal credit ratings are available for any of these assets. The credit risk on the loans to the marketing funds is assessed as low due to management's past experience and knowledge of the business.

Financial assets have been ceded as security in terms of the Senior Secured Notes issue (refer to note 14).

Reconciliation of provision for impairment of other financial assets is as follows:

	2015 R'000	2014 R'000
Opening balance	2 109	–
Provision raised	2 041	2 109
Provision reversed	(3 506)	–
Closing balance	644	2 109

Carrying amounts of other financial assets that have been renegotiated:

Other financial assets	2 123	4 760
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7. Deferred tax

Advertising levies and marketing funds	(8 102)	(2 586)
Prepayments	(968)	(54)
Provisions and accruals	6 625	3 220
Temporary differences relating to acquisition of business	(23 231)	(20 403)
Lay-bye deposits	384	376
Accelerated wear and tear	(334)	(353)
Tax losses available for set-off against future taxable income	6 582	599
	(19 044)	(19 201)
Deferred tax asset	13 647	1 301
Deferred tax liability	(32 691)	(20 502)
	(19 044)	(19 201)
Reconciliation of deferred tax		
At beginning of the year	(19 201)	(20 237)
Recognised through profit or loss	(2 363)	1 036
Acquisition of business	(4 025)	–
Assessed loss recognised	6 547	–
	(19 044)	(19 201)

The deferred tax liability raised on the acquisition of business relates to the NWJ, St Elmo's, The Fish & Chip Co and Zebro's Chicken 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, having reviewed the group's financial projections, except for tax losses to the value of R23 409 relating to Taste Food Franchising (Pty) Limited.

	2015		Carrying value R'000
	Cost R'000	Impairment R'000	
8. Non-current assets held for sale			
Maxi's	4 749	–	4 749
The Fish & Chips Co	2 429	–	2 429
Total	7 178	–	7 178

Reconciliation of non-current assets held for sale – 2015

	Opening balance R'000	Acquisition of business R'000	Disposals R'000	Impairment R'000	Total R'000
Maxi's	–	4 749	–	–	4 749
The Fish & Chips Co	–	2 429	–	–	2 429
Total	–	7 178	–	–	7 178

The above represents stores from the Food Division that have been acquired from franchisees and have immediately been classified as non-current assets held for sale.

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

The carrying amount of these assets approximated their fair value at year end.

	2015 R'000	2014 R'000
9. Advertising levies		
Current asset	8 255	1 618
This amount represents advertising expenditure incurred in excess of the levies received from franchisees (refer to note 1.19). This amount is recovered through controlled underspending of marketing funds in subsequent years.		
Current liabilities	–	(1 198)
This amount represents levies received from franchisees in excess of expenditure incurred. The amount will be expensed in the next 12 months.		
Total	8 255	420

10. Inventories

Luxury Goods Division		
Raw materials and components	3 611	2 781
Finished goods	208 907	97 518
Packaging	3 552	3 675
Food Division		
Catering equipment	155	396
Raw materials and components	6 130	4 037
Finished goods	12 000	8 449
Total	234 355	116 856

All inventories have been ceded as security in terms of the Senior Secured Note issue (refer to note 14).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended February 2015

	2015 R'000	2014 R'000
11. Trade and other receivables		
Gross trade receivables	79 006	67 605
Provisions for doubtful debt	(18 606)	(17 974)
Net trade receivables	60 400	49 631
Prepayments	364	261
Deposits	497	492
Sundry debtors	22 092	16 574
VAT	4 578	275
Store development in advance	9 646	7 479
Total	97 577	74 712

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

	2015			2014		
	Gross trade receivables R'000	Provision for doubtful debt R'000	Net trade receivables R'000	Gross trade receivables R'000	Provision for doubtful debt R'000	Net trade receivables R'000
Less than 30 days	24 671	–	24 671	27 899	(328)	27 571
31 to 60 days	4 272	–	4 272	4 168	(896)	3 272
61 to 90 days	2 831	(136)	2 695	3 907	(259)	3 648
91 to 120 days	2 640	(75)	2 565	2 585	(339)	2 246
Over 120 days	44 592	(18 395)	26 197	29 046	(16 152)	12 894
	79 006	(18 606)	60 400	67 605	(17 974)	49 631

As of 28 February 2015, trade and other receivables were impaired and provided for.

The amount of the provision as of 28 February 2015 is R18 605 920 (2014: R17 973 707).

	2015 R'000	2014 R'000
Reconciliation of provision for doubtful debt of trade and other receivables is as follows:		
Opening balance	17 974	16 760
Provision for doubtful debt raised	5 691	6 245
Provision for doubtful debt reversed	(884)	(631)
Amounts written off as uncollectable	(4 175)	(1 403)
Bad debts recovered	–	(2 997)
	18 606	17 974

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. The group debtors have been ceded as security in terms of the Senior Secured Note issue (refer to note 14).

	2015 R'000	2014 R'000
12. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	555	–
Bank balances	62 328	26 041
Bank overdraft	(18 142)	(18 393)
	44 741	7 648

A guarantee is in place over facilities to the amount of R149 700 (2014: 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 facilities to the amount of R6 364 937 (2014: R4 553 692) in favour of the lessor for leases entered into by NWJ Fine Jewellery (Pty) Limited with these lessors.

A blanket guarantee is in place over facilities to the amount of R1 567 060 in favour of the lessor for leases entered into by Arthur Kaplan (Pty) Limited with these lessors.

A blanket guarantee is in place over facilities to the amount of R1 007 472 (2014: R960 850) in favour of the lessor for leases entered into by Taste Food Franchising (Pty) Limited with these lessors.

There is a R55 million (2014: R39 million) overdraft facility in place with Rand Merchant Bank. The facility increased temporarily to R85 million, for the period 1 September to 7 January, each year. The bank overdraft bears the same security as the Senior Secured Notes (refer to note 14).

	Number of shares	
	2015	2014
13. Share capital and share premium		
Ordinary share capital (par value of R0,00001 each)		
Authorised	500 000 000	500 000 000
Issued (fully paid up)	265 711 844	202 537 266
In issue at 1 March	202 537 260	195 881 291
Shares issued*	3 122 070	6 655 969
Rights shares issued**	60 052 514	–
In issue at 28 February	265 711 844	202 537 260
Treasury shares*** (par value of R0,00001 each)	(2 248 000)	(3 233 278)
In issue at 28 February – excluding treasury shares***	263 463 844	199 303 982

* During the year, options exercised were 1 664 556 (2014: 1 413 000) and 2 442 792 shares issued for Zebro's acquisition.

** Taste Holdings Limited issued 60 052 514 new shares at R3 per share, a discount of nearly 19.29% of the 30-day volume weighted average share price as at 31 July 2014.

*** Treasury shares held by Taste Holdings Share Trust.

234 288 156 unissued ordinary shares are under the control of the directors in terms of a resolution passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

34 000 000 (2014: 34 000 000) of the unissued ordinary shares are specifically reserved for the share incentive scheme, of which 23 447 880 (2014: 11 917 335) options have already been offered to and accepted by employees.

	2015 R'000	2014 R'000
Share capital		
Balance at 1 March	2	2
Shares issued	1	–
Balance at 28 February	3	2
Share premium		
Balance at 1 March	94 545	80 101
Shares issued	178 411	13 837
Options exercised	1 177	607
Rights issue	8 501	–
Balance at 28 February	282 634	94 545

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended February 2015

	2015 R'000	2014 R'000
14. Borrowings		
14.1 Rand Merchant Bank 1	–	42 998
The loan bears interest at the prime rate and is repayable in quarterly instalments within five years from 1 February 2012.		
These loans are secured by:		
– cession given by NWJ Fine Jewellery (Pty) Limited (Reg No 2007/033055/07) (NWJ), Taste Holdings Limited (Reg No 2000/002239/06) (Taste Holdings), Taste Food Franchising (Pty) Limited (Reg No 2003/016093/07) (Taste Food Franchising), Maxi's Grill Marketing (Pty) Limited (Reg No 2000/030078/07) (Maxi's Grill), and Buon Gusto Cuisine (Pty) Limited (Reg No 2009/018602/07) (Buon Gusto) 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, Taste Food Franchising, Maxi's Grill and Buon Gusto, 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, Taste Food Franchising, Maxi's Grill and Buon Gusto; and		
– registration of general notarial covering bond over all movable assets of NWJ, Taste Holdings, Taste Food Franchising, Maxi's Grill and Buon Gusto, 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 cession of short-term insurance cover over the said movable assets and noting of the bank's interest thereon.		
On 31 July 2014, the loan was settled with the proceeds of the Senior Secured Notes issue (refer to below).		
14.2 Rand Merchant Bank 2	–	25 300
The loan bears interest at the prime rate. Only interest is repayable quarterly within the first two years and, thereafter, interest and capital is repayable in quarterly instalments for two years commencing from 15 September 2015.		
This loan bears the same security as Rand Merchant Bank loan 1 except for a second general notarial bond over the moveable assets of NWJ, in favour of the bank, in the aggregate amount of R40 000 000 (forty million Rand).		
On 31 July 2014, the loan was settled with the proceeds of the Senior Secured Notes issue (refer to below).		
14.3 Senior secured floating rate notes		
Notes issued	125 000	–
Interest accrued	943	–
Fees capitalised	(3 133)	–
Fees amortised	366	–
On 31 July 2014, Taste Holdings Limited issued Senior Secured Notes with a nominal value of R125 million in terms of a registered R1 billion Domestic Medium Term Note programme. These notes are secured by cession in security, general notarial bonds over all moveable assets of the company and its subsidiaries, and the company's cross guarantees from all Taste Holdings subsidiaries. Interest is payable quarterly in arrears at a rate of three-month JIBAR, reset quarterly, plus 3.4%. The notes mature on 31 July 2019, subject to their maturity structure.		
WesBank	11 149	6 969
These secured loans bear interest at the prime rate ranging from prime less 0.5% to prime + 2.25% and are payable over a period ranging from 48 – 60 months. The loan is secured over property, plant and equipment (refer to note 4).		
Balances due to vendors	1 000	1 000
Balances due to The Fish and Chip Co vendors. This loan represents a portion of the purchase price that is due to the vendor for stock purchased.		
	135 325	76 267

	2015 R'000	2014 R'000
14. Borrowings (continued)		
Non-current liabilities		
Rand Merchant Bank	–	52 220
Senior secured floating rate notes	122 859	–
WesBank	7 898	5 202
	130 757	57 422
The carrying value of the non-current liabilities approximates their fair value because these are market interest rates.		
Current liabilities		
Rand Merchant Bank	–	16 079
Senior secured floating rate notes	317	–
WesBank	3 251	1 766
Balance due to vendors	1 000	1 000
	4 568	18 845
	135 325	76 267

15. Lease equilisation

Future minimum lease payments under non-cancellable agreements		
– within one year	1 312	–
– one to five years	2 117	–
	3 429	–

16. Dividends paid

Gross dividends – Final 2014: 6.2 cents paid (2013: 4.335 cents)	12 751	10 049
Dividends on treasury shares held through the share incentive scheme	(190)	(122)
	12 561	9 927
Less: Shareholders for dividends	(29)	(17)
	12 532	9 910

In respect of the current year, a gross cash dividend of 6.5 cents per share has been declared, and payable on 13 July 2015, to shareholders recorded on the company's register at the close of business on 10 July 2015. The gross dividend is subject to 15% dividend tax resulting in a net dividend of 5.52 cents.

The company's tax reference number is 9493089149P.

17. Trade and other payables

Trade payables	89 376	45 631
Development deposits	29 057	31 793
VAT	4 038	1 357
Payroll accruals	6 462	3 733
Other accrued expenses	10 250	4 418
Lay-by deposits	1 370	1 345
	140 553	88 277

The directors consider that the carrying amount of trade and other payables approximates their fair value due to their short-term nature.

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18. Acquisition of businesses

1. Acquisition of jewellery stores

During the year, the Jewellery Division acquired the business of five franchised NWJ stores. These stores were located in key strategic sites. The rationale for this acquisition is consistent with the division's strategy of:

- expanding its corporate store ownership; and
- retaining key strategic sites.

Goodwill arose on acquisition as a result of the excess of the rest of the acquisition over the group's interest in the net fair value of the identifiable assets of the business recognised at date of acquisition.

None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair value of assets and liabilities acquired is set out below:

	R'000
Property, plant and equipment	1 140
Inventory	5 799
Fair value of assets acquired	6 939
Consideration paid	(8 934)
In cash	(3 705)
Balance owed by vendors	(5 229)
Goodwill acquired	(1 995)

During the period that these five stores were owned/operated by the Jewellery Division, they contributed R12.7 million to revenue and R2.7 million to operating profit. The revenue and operating profit as if these stores were owned for the full year cannot be disclosed, as complete and compliant financial records of these stores prior to the dates that they were acquired could not be obtained.

2. Acquisition of Arthur Kaplan and World's Finest Watches

On 27 November 2014, the group's Luxury Goods Division acquired 100% share in ten Arthur Kaplan branded outlets and one World's Finest Watches outlet. Arthur Kaplan is the leading retailer of Swiss watches in South Africa and has in the last 40 years established a reputation in the retail watch market as a stockist of premium luxury brands including Breitling, Longines, Omega, Rolex and Tag Heuer and is one of the few retailers in the marketplace to stock these leading brands, in multiple outlets. Arthur Kaplan retails a number of other leading luxury watch brands, as well as a selection of fashion watch brands. Arthur Kaplan also retails luxury fine jewellery in 18ct and 9ct gold, platinum and silver that appeals to aspirational affluent consumers. It does so within collections under the Arthur Kaplan brand name with a focus on bridal and engagement pieces.

Since opening in 2002, World's Finest Watches has, as the only specialist prestige watch boutique in Sandton, become an established destination for watch enthusiasts and collectors. World's Finest Watches specialises in prestige brands like Hublot, Omega, Rolex and Tag Heuer.

The rationale for the acquisition is as follows:

- Arthur Kaplan's "affluent aspirational" target market is complementary to Taste's view that, to compete in the upper-income consumer market, it should be done with the best brands in their categories.
- Arthur Kaplan is the leader in the luxury Swiss watch segment in South Africa. Taste currently manages over 25 watch brands in its existing business and retails these in over 79 locations in southern Africa.
- Arthur Kaplan's jewellery offering, while not its current dominant revenue category, represents about 40% of the revenue in its stores. The range of jewellery is aligned with Taste's current manufacturing capability and Taste believes there is upside potential to grow Arthur Kaplan's jewellery offering and its revenue contribution.
- There is scope for growth in store numbers within the South African market, as well as scope to satisfy demand for luxury Swiss watches in sub-equatorial Africa. This market is currently underserved by dedicated retail offerings and this African focus and opportunity is aligned with that of the broader Taste group.

18. Acquisition of businesses (continued)

2. Acquisition of Arthur Kaplan (continued)

Goodwill arose on the acquisition of Arthur Kaplan as a result of the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets recognised at the date of acquisition. None of the goodwill is expected to qualify for a tax deduction. The fair value of assets and liabilities acquired is set out below:

	2015 R'000
Property, plant and equipment	4 346
Trade and other receivables	1 201
Inventory	111 971
Trade and other payables	(21 223)
Bank overdraft	(14 171)
Borrowings	(2 425)
Fair value of assets acquired	79 699
Consideration paid	(100 000)
In cash	(85 000)
Contingent consideration	(15 000)
Goodwill acquired	(20 301)

According to the purchase and sale agreement, an additional purchase consideration is payable if the profit after tax of Arthur Kaplan for the period from 1 July 2014 to 30 June 2015 exceeds R12.386 million. This additional consideration is calculated by multiplying R4.21 for every R1.00 with which the profit after tax exceeds R12.386 million, up to a total additional amount of R35 million. Any savings made or additional expenses incurred as a result of the transfer of ownership to Taste Holdings will be excluded from this calculation. The purchase price allocation has been disclosed as provisional, as permitted by IFRS3 *Business Combinations* and will be finalised within 12 months of the sale.

During the period that Arthur Kaplan was owned it contributed R70.7 million to revenue and R9.5 million to operating profit. The revenue and operating profit if Arthur Kaplan was owned for the full year is R249 million and R19.8 million respectively.

3. Acquisition of NWJ Retail (Pty) Limited

On 1 September 2014, NWJ purchased a 58% share in NWJ Retail (Pty) Limited that owns and operates three NWJ stores. The rationale for this acquisition is consistent with the brands' strategy of:

- expanding its corporate store ownership; and
- retaining key strategic sites.

Goodwill arose as a result of the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets recognised at the date of acquisition. None of the goodwill is expected to qualify for a tax deduction. The fair value of assets and liabilities acquired is set out below:

	2015 R'000
Property, plant and equipment	941
Inventory	7 280
Trade and other receivables	358
Trade and other payables	(2 827)
Fair value of assets acquired	5 752
Consideration paid	(7 487)
In cash	(7 487)
Goodwill acquired	(1 735)

During the period that these three stores were owned by NWJ, they contributed R12.9 million to revenue and R1.7 million to operating profit. The revenue and operating profit as if these stores were owned for the full year cannot be disclosed, as complete and compliant financial records of these stores prior to the dates that they were acquired could not be obtained. The purchase price allocation has been disclosed as provisional, as permitted by IFRS3 *Business Combinations* and will be finalised within 12 months of the sale.

4. Acquisition of Zebro's Chicken

On 1 March 2014, the group acquired the business operated under the brand name Zebro's Chicken. The acquisition follows Taste's stated strategy of acquiring:

- businesses that have significant overlap with the group's existing vertical integration capacity in both manufacturing and distribution; and
- additional brands targeting consumers in the LSM 4 – 6 category, thereby complementing The Fish & Chip Co business.

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for the year ended February 2015

18. Acquisition of businesses (continued)

4. Acquisition of Zebro's Chicken (continued)

As such the rationale for the acquisition is as follows:

- Zebro's Chicken targets lower LSM consumers, a market that is currently underserved by formalised quick service restaurant (QSR) brands;
- its trading format is similar to other existing Taste food brands in that:
 - it has the lowest set-up costs in the chicken segment, which targets similar franchisees to those of the existing The Fish & Chip Co business;
 - its focused menu results in easy-to-manage operations which promotes multiple- and company store ownership; and
 - its site criteria are similar to those of The Fish & Chip Co brand, allowing leverage into the existing national property infrastructure of the Taste group;
- as the current Zebro's Chicken business is not vertically integrated, there is substantial value to be unlocked by adding its volume to existing Taste capabilities;
- there is significant opportunity for expansion of the brand within South Africa. The current footprint does not include any meaningful penetration outside the Western and Eastern Cape. Taste envisages accelerated store growth due to Zebro's Chicken similarity to its existing The Fish & Chip Co business; and
- the ability to leverage the existing Taste franchisee base and by utilising the national property.

The acquisition consisted of:

- franchise agreements of 40 outlets, associated trademarks, goodwill and intellectual property; and
- certain tangible assets and liabilities relating to the business including, *inter alia*, inventory and property, plant and equipment.

Goodwill arose on the acquisition of Zebro's Chicken as a result of the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets of the business recognised at the date of acquisition.

The fair value of assets and liabilities acquired is set out below:

	2015 R'000
Property, plant and equipment	76
Intangible assets	12 702
Inventory	74
Deferred tax	(3 557)
Fair value of assets acquired	9 295
Consideration paid	(17 000)
In cash	(8 500)
In shares	(8 500)
Goodwill acquired	(7 705)

2 442 792 Taste Holdings shares were issued to the Zebro's Chicken vendors on 3 March 2014 at a price of R3.48 per share, a discount of 5% to the 30-day value weighted average price on 28 January 2014. During the period, Zebro's Chicken contributed R38.6 million to revenue and R3.6 million to operating profit.

None of the goodwill recognised is expected to be deductible for income tax purposes.

5. Acquisition of food stores

During the current period, the Food segment acquired the business of six franchised food outlets. These stores were acquired as part of the Food segments strategy to expand its corporate store footprint.

Goodwill arose as a result of the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets recognised at the date of acquisition. None of the goodwill is expected to qualify for a tax deduction. The fair value of assets and liabilities acquired is set out below:

	2015 R'000
Property, plant and equipment	3 993
Fair value of assets acquired	3 993
Consideration paid	(5 591)
In cash	(1 453)
Balance owed by vendors	(4 138)
Goodwill acquired	(1 598)

During the period that these six stores were owned, they contributed R4.4 million to revenue and a loss of R0.3 million to operating profit. The revenue and operating profit as if these stores were owned for the full year cannot be disclosed, as complete and compliant financial records of these stores prior to the dates that they were acquired could not be obtained.

18. Acquisition of businesses (continued)

6. Summary of acquisition of business

	2015 R'000
In cash	
Jewellery stores	8 934
Arthur Kaplan	85 000
NWJ Retail	7 487
Zebro's Chicken	8 500
Food stores	5 591
	115 512

	2015 R'000	2014 R'000
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19. Revenue

Sale of goods	363 923	366 097
Services rendered and franchise revenue	94 728	92 314
Retail outlet sales	250 911	96 808
Store development	14 143	27 563
	723 705	582 782

20. Cost of sales

Sale of goods	385 040	285 888
Services rendered	43 608	42 662
Store development	10 612	22 615
Cost of goods sold and services rendered	439 260	351 165

21. Operating profit

Operating profit for the year is stated after accounting for the following:

Operating lease charges		
Premises	35 860	19 812
Motor vehicles	118	1 028
Equipment	1 320	614
	37 298	21 454
Profit on sale of property, plant and equipment	(246)	(310)
Depreciation of property, plant and equipment	9 849	6 252
Share-based payment expense	1 952	800
Employee costs	113 544	82 342
Research and development	318	341
Profit on exchange differences	(92)	(641)
Other impairment losses	–	1 223
Amortisation of intangibles	5 219	4 655

22. Investment revenue

Bank	6 465	2 496
	6 465	2 496

23. Finance costs

Bank	13 140	7 889
	13 140	7 889

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for the year ended February 2015

	2015 R'000	2014 R'000
24. Taxation		
Major components of the tax expense		
Current		
SA normal income tax – current period	13 042	14 834
SA normal income tax – recognised in current year for prior periods	(78)	129
Dividend tax – recognised in current year for prior periods	33	18
	12 997	14 981
Deferred		
Current period	(4 184)	(1 410)
Recognised in current year for prior periods	–	374
	(4 184)	(1 036)
	8 813	13 945
Reconciliation of the tax expense		
	%	%
Reconciliation between applicable tax rate and average effective tax rate:		
Applicable tax rate	28.00	28.00
Prior period (under)/over provision	(0.32)	0.29
Deferred tax (liability)/asset not raised	(1.89)	0.84
Capital gains tax	–	(0.09)
Dividend tax	0.13	0.04
Exempt income	0.00	(25.87)
Disallowable expenses	9.39	28.25
Effective rate	35.31	31.46
25. Cash generated from operations		
Profit before taxation	24 962	44 325
Adjustments for:		
Depreciation and amortisation	15 068	10 907
Profit on sale of property, plant and equipment	(246)	(310)
Investment revenue	(6 465)	(2 496)
Finance costs	13 140	7 889
Impairment loss	–	1 223
Share-based payment expense	1 952	800
Changes in working capital:		
Inventories	7 625	(13 620)
Trade and other receivables	(21 306)	(7 171)
Advertising levies	(7 835)	1 519
Trade and other payables	28 229	(233)
Lease equalisation non cash	3 429	–
	58 553	42 832
26. Tax paid		
Balance at beginning of the period	2 140	2 975
Current tax for the period recognised in income statement	13 263	(14 981)
Balance at end of the period	(2 273)	(2 140)
	13 130	(14 146)

2015
R'000

2014
R'000

27. Commitments

The group has 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 regard to leases entered into to secure sites, it is the group's policy to enter into sub-lease agreements with the franchisees where applicable 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:

Amounts due for motor vehicles and equipment	543	1 709
Gross amounts due under property leases	140 417	34 876
Property leases with related parties	11 272	28 041
Property leases – other	129 145	6 835
Less amounts recoverable from sub-lessees	(3 030)	(5 850)
	137 930	30 735

The net future minimum rentals are repayable as follows:

Payable within the next 12 months	37 619	10 672
Two to five years	96 046	14 530
More than five years	4 265	5 533
	137 930	30 735

Capital commitments

Capital commitments approved, budgeted but not yet committed to, amount to approximately R53 million for the new financial year.

28. Related parties

Related party	Position in group	Nature of interest
Carlo Gonzaga	Executive director	Majority shareholder in partnership with Jay Currie in 10 Taste Food Franchising outlets
Luigi Gonzaga	Executive director – Retired 28 February 2014	Majority shareholder in 10 Taste Food Franchising outlets up until November whereby Luigi has passed ownership equally to Carlo Gonzaga and Jay Currie
Jay Currie	Executive director	Majority shareholder in partnership with Carlo Gonzaga in 10 Taste Food Franchising outlets
Hylton Roy Rabinowitz	Non-executive director	Majority shareholder in the company that NWJ rents its premises from
Arvid Smedsrud	CEO – Food manufacturing	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
Timothy Fitzgerald	Production manager – NWJ	Majority shareholder in one NWJ outlet

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.

	2015 R'000	2014 R'000
Franchise income received from related parties	3 635	2 233
Rent paid to related party	2 950	2 766
Stock sold to related parties	15 831	8 613
Stock purchased from related parties	2 161	3 548

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended February 2015

29. Equity-settled share-based payments reserve

Taste Holdings Limited operates the Taste Holdings Share Trust which incorporates, among other things, share option schemes which enables directors and executive management to benefit from the Taste Holdings share price performance and forms part of the retention strategy for key executive management.

Scheme 1

This 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). Options vest in three tranches from the second anniversary of the option grant date. Once vesting of a tranche has been triggered, a third of the options within the tranche can be exercised one year after vesting was triggered, a further third two years after the vesting was triggered and the final third three years after the vesting was triggered. The options must be exercised within five years of vesting having been triggered. Upon cessation of employment, options that have been granted and accepted but not yet vested are forfeited unless approval is obtained from the trustees.

All options must be exercised no later than the eighth anniversary on which they were granted unless approval is obtained from the trustees.

Schemes 2, 3, 4, 5

These schemes were introduced in the previous financial year. These schemes confer the right to participants to acquire ordinary shares at a strike price determined as the volume-weighted average price of an ordinary share over the 30 business days immediately preceding the option grant date. Options vest and can be exercised in four equal tranches, beginning on the second anniversary of option grant date up to the fifth anniversary of the option grant date. Upon cessation of employment, options that have been granted and accepted but not yet vested are forfeited unless approval is obtained from the trustees. All options must be exercised by no later than the sixth anniversary of the option grant date unless approval is obtained from the trustees.

	2015		2014	
	Number	Weighted average exercise price (cents)	Number	Weighted average exercise price (cents)
Scheme 1				
Share options vested and were exercised during the year.				
There are no further share options available for allocation.				
The number of share options granted and accepted are:				
Opening balance	6 334 000	43	9 017 000	43
Granted and accepted	–	–	–	–
Exercised*	(1 414 556)	43	(1 413 000)	43
Forfeited	–	43	(1 270 000)	43
Granted and accepted – shares not issued yet	4 919 444	43	6 334 000	43
Number of share options granted to and accepted by directors	2 797 444		4 474 000	

Vesting period of options granted and accepted

Number of options	Latest vesting date
504 000	Year to Feb 2014
24 000	Year to Feb 2015
2 135 112	Year to Feb 2016
1 448 667	Year to Feb 2017
752 110	Year to Feb 2018
55 555	Year to Feb 2019
4 919 444	

* Weighted average share price at the date of exercise was R3.62.

	2015		2014	
	Number	Weighted average exercise price (cents)	Number	Weighted average exercise price (cents)
29. Equity-settled share-based payments reserve (continued)				
Scheme 2				
Share options vested and were exercised during the year.				
The number of share options granted and accepted are:				
Opening balance	1 425 000	254	–	–
Granted and accepted	–	–	1 425 000	254
Forfeited	(600 000)	–	–	–
Exercised*	(250 000)	254	–	–
Granted and accepted – shares not issued yet	575 000	254	1 425 000	254
Number of share options granted to and accepted by directors	–	–	–	–
Vesting period of options granted and accepted				
Number of options				Latest vesting date
50 000				Year to Feb 2015
175 000				Year to Feb 2016
175 000				Year to Feb 2017
175 000				Year to Feb 2018
575 000				

* Weighted average share price at the date of exercise was R3.63.

	2015		2014	
	Number	Weighted average exercise price (cents)	Number	Weighted average exercise price (cents)
Scheme 3				
No share options vested or were exercised during the year.				
The number of share options granted and accepted are:				
Opening balance	1 658 335	386	1 658 335	386
Granted and accepted	–	–	–	–
Forfeited	(252 612)	386	–	–
Granted and accepted – shares not issued yet	1 405 723	386	1 658 335	386
Number of share options granted to and accepted by directors	1 052 126	–	1 052 126	–
Vesting period of options granted and accepted				
Number of options				Latest vesting date
351 431				Year to Feb 2016
352 431				Year to Feb 2017
353 431				Year to Feb 2018
354 431				Year to Feb 2019
1 405 723				

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for the year ended February 2015

	2015		2014	
	Number	Weighted average exercise price (cents)	Number	Weighted average exercise price (cents)
29. Equity-settled share-based payments reserve (continued)				
Scheme 4				
No share options vested or were exercised during the year.				
The number of share options granted and accepted are:				
Opening balance	2 500 000	367	–	–
Granted and accepted	–	–	2 500 000	367
Forfeited	–	–	–	–
Granted and accepted – shares not issued yet	2 500 000	367	2 500 000	367
Number of share options granted to and accepted by directors	2 500 000	–	2 500 000	–
Vesting period of options granted and accepted				
Number of options	Latest vesting date			
625 000	Year to Feb 2016			
625 000	Year to Feb 2017			
625 000	Year to Feb 2018			
625 000	Year to Feb 2019			
2 500 000				

	2015		2014	
	Number	Weighted average exercise price (cents)	Number	Weighted average exercise price (cents)
Scheme 5				
No share options vested or were exercised during the year.				
– 1 November 2013	832 865	370		
– 16 April 2014	921 788	358		
– 1 June 2014	1 507 763	370		
– 29 July 2014	6 460 575	372		
– 1 August 2014	778 831	372		
– 1 September 2014	1 046 512	344		
– 1 December 2014	980 392	306		
– 19 January 2015	1 518 987	316		
Forfeited	–	–	–	–
Granted and accepted – shares not issued yet	14 047 713	351	–	–
Number of share options granted to and accepted by directors	1 988 501	–	–	–
Vesting period of options granted and accepted				
Number of options	Latest vesting date			
291 721	Year to Feb 2016			
3 511 928	Year to Feb 2017			
3 511 928	Year to Feb 2018			
3 511 928	Year to Feb 2019			
3 220 208	Year to Feb 2020			
14 047 713				

IFRS 2 required the fair value of equity-settled share-based payments granted to employees to be valued at the grant date and recognised in profit and loss over the vesting period. The fair value of each share option granted has been valued at grant date using the widely accepted Black-Scholes-Merton model which takes into account vesting periods. All market conditions were assumed to be met. Expected volatility was determined by using the daily stock volatility of the stock price over the last five years.

	Scheme 5	Scheme 4	Scheme 3	Scheme 2	Scheme 1
29. Equity-settled share-based payments reserve (continued)					
The following assumptions were applied in determining the value of the share options granted during the year:					
Number of options granted and accepted	14 047 713	2 500 000	1 405 723	575 000	4 919 444
Weighted average fair value of options	47 cents	31 cents	43 cents	37 cents	15 cents
Exercise price	306 – 372 cents	367 cents	386 cents	225 – 421 cents	43 cents
Closing price of Taste share at grant date	329 cents	355 cents	385 cents	230 – 400 cents	230 cents
Expected volatility of share price (%)	39.35% – 61.39%	61.12%	66.73%	105.39% – 110.24%	110.24%
Risk-free rate for the life of the option	6.04% – 7.80%	6.22%	6.14%	5.29% – 6.94%	6.94%
Expected life of options	5 years	5 years	5 years	5 years	6 years
Expected dividend yield	1.75% – 2.25%	2.32%	2.32%	1.48%	1.48%

Reconciliation of share-based payment expense charged directly to profit or loss:

	2015 R'000	2014 R'000
Balance at beginning of the year	1 772	972
Charge to profit or loss	1 952	800
Incremental charge resulting from option revaluation	1 952	133
Charge for the year	–	667
Balance at end of the year	3 724	1 772

Executive – Paid by company Year ended 2015	Allowances and benefits		Total R'000
	Basic R'000	R'000	
Carlo Ferdinando Gonzaga*	1 965	131	2 096
Evangelos Tsatsarolakis*	1 456	116	1 572
Jay Bayne Currie*	2 070	45	2 115
	5 491	292	5 783

**Executive – Paid by subsidiary
Year ended 2015**

Duncan John Crosson*	1 661	99	1 760
	1 661	99	1 760

* Part of the group executive committee and have been identified as prescribed officers in terms of the Companies Act of South Africa. During the year, these directors exercised options amounting to: Carlo Ferdinando Gonzaga – R1.9 million, Evangelos Tsatsarolakis – R0.999 million and Duncan John Crosson – R0.727 million.

**Executive – Paid by company
Year ended 2014**

Carlo Ferdinando Gonzaga	1 778	194	1 972
Luigi Gonzaga – Retired 28 February 2014	886	152	1 038
Evangelos Tsatsarolakis	1 316	111	1 427
Jay Bayne Currie	834	6	840
	4 814	463	5 277

**Executive – Paid by subsidiary
Year ended 2014**

Duncan John Crosson	1 502	98	1 600
	1 502	98	1 600

**Prescribed officers – Paid by subsidiary
Year ended 2014**

Prescribed officer A	1 355	166	1 521
Prescribed officer B	920	161	1 081
	2 275	327	2 602

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	2015 Number	2014 Number
30. Directors' emoluments (continued)		
Share options held by executive directors are detailed below:		
Carlo Ferdinando Gonzaga	2 061 621	2 006 000
Evangelos Tsatsarolakis	1 545 430	1 375 000
Duncan John Crosson	1 897 760	1 643 126
Luigi Gonzaga – Retired 28 February 2014	–	1 002 000
Jay Bayne Currie*	2 833 260	2 500 000
	8 338 071	8 526 126

* Jay Bayne Currie resigned as a non-executive director of Taste Holdings Limited and joined the Taste team as the executive director of the Food Division on 1 September 2013.

These share options have been granted in terms of the Taste Holdings Share Trust. The strike price of these varies based on the date these options were granted and accepted, details of which are in note 29.

Non-executive fees	2015 R'000	2014 R'000
Ramsay L'Amy Daly (Bill)	249	249
Jay Bayne Currie*	–	80
Kevin Michael Utian	134	134
Wessel Petrus van der Merwe	161	134
Anthony Berman	241	241
Hylton Roy Rabinowitz	107	107
Brimstone Investment Corporation Limited – S Patel	134	120
Grant Pattison – appointed 1 March 2014	120	–
	1 146	1 065

* Jay Bayne Currie resigned as a non-executive director of Taste Holdings Limited and joined the Taste team as the executive director of the Food Division on 1 September 2013.

	Notes	Loans and receivables R'000	Total R'000
31. Financial assets and liabilities by category			
Financial assets by category			
2015			
Other financial assets	6	27 965	27 965
Advertising levies	9	8 255	8 255
Trade and other receivables	11	92 635	92 635
Cash and cash equivalents	12	62 883	62 883
		191 738	191 738
2014			
Other financial assets	6	19 140	19 140
Advertising levies	9	1 618	1 618
Trade and other receivables	11	74 176	74 176
Cash and cash equivalents	12	26 041	26 041
		120 975	120 975

	Notes	Liabilities at amortised cost R'000	Total R'000
31. Financial assets and liabilities by category (continued)			
Financial liabilities by category			
2015			
Bank overdraft	12	18 142	18 142
Borrowings	14	134 325	134 325
Other financial liabilities	18.2	15 000	15 000
Balances due to vendors	14	1 000	1 000
Dividends payable		84	84
Trade and other payables	17	136 515	136 515
		305 066	305 066
2014			
Advertising levies	9	1 198	1 198
Bank overdraft	12	18 393	18 393
Borrowings	14	75 267	75 267
Balances due to vendors	14	1 000	1 000
Dividends payable		55	55
Trade and other payables	17	86 920	86 920
		182 833	182 833

32. 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's outstanding contractual maturity profile. The analysis presented is based on the undiscounted contractual obligation.

	Notes	<1 year R'000	1 – 2 years R'000	2 – 5 years R'000	Total R'000
2015					
Bank overdrafts	12	18 142	–	–	18 142
Borrowings	14	3 568	4 946	128 579	137 093
Other financial liabilities	18.2	15 000	–	–	15 000
Balances due to vendors	14	1 000	–	–	1 000
Dividends payable		84	–	–	84
Trade and other payables	17	140 553	–	–	140 553
		178 347	4 946	128 579	311 872
2014					
Advertising levies	9	1 198	–	–	1 198
Bank overdrafts	12	18 393	–	–	18 393
Borrowings	14	17 845	25 133	32 289	75 267
Balances due to vendors	14	1 000	–	–	1 000
Dividends payable		55	–	–	55
Trade and other payables	17	88 277	–	–	88 277
		126 768	25 133	32 289	184 190

Interest rate risk

The group's interest rate risk arises from fixed and variable rate interest-bearing assets and liabilities described in the table below. The group manages its interest rate exposure, by only depositing cash and cash equivalents with major banks with high-quality credit standing and by limiting exposures to any one counterparty.

A hypothetical increase/decrease in interest rates by 1%, with all other variables remaining constant, would increase/decrease profits after tax by R1 386 632 (2014: R828 684) for the group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended February 2015

32. Risk management (continued)

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

	Notes	Interest rates applicable	2015 R'000	2014 R'000
Variable rate instruments				
Assets				
Other financial assets	6	Prime	24 948	14 561
Other financial assets	6	Prime +2%	–	35
Cash and cash equivalents	12	Daily call rates	62 328	26 041
Liabilities				
Bank overdraft	12	Prime	18 142	18 393
Borrowings WesBank	14	Prime to prime +2.25%	11 149	6 968
Borrowings	14	Prime	–	68 298
Borrowings	14	Three-month JIBAR reset quarterly +3.4%	123 176	–

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 Dollar 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 2015, the group had the following foreign currency denominated liabilities:

	2015 R'000	2014 R'000
Trade and other payables – Euro	555	1
Trade and other payables – US Dollar	14 295	1 659
Total	14 850	1 660

Exchange rates used for conversion of foreign items were: USD11.66 (2014: USD10.76), and Euro13.07 (2014: Euro14.85).

If the foreign exchange rates change by R1 and were applied to the outstanding balances as at 28 February 2015, with all other variables held constant, the impact on post-tax profits would be R1 268 000 (2014: R247 000).

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 and other financial assets. 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 and extended terms offered to franchisees and loans to marketing funds of brands.

Management evaluates credit risk relating to these receivables on an ongoing basis. The credit risk is assessed on an on-going basis based on management's past experience and knowledge of the business.

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

32. 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:

	Notes	<1 year R'000	1 – 2 years R'000	2 – 5 years R'000	More than 5 years R'000	Total R'000
2015						
Other financial assets	6	1 399	3 049	4 319	19 198	27 965
Advertising levies	9	8 255	–	–	–	8 255
Trade and other receivables	11	92 635	–	–	–	92 635
Cash and cash equivalents	12	62 328	–	–	–	62 328
		164 617	3 049	4 319	19 198	191 183
2014						
Other financial assets	6	7 231	4 819	6 062	1 028	19 140
Advertising levies	9	1 618	–	–	–	1 618
Trade and other receivables	11	74 176	–	–	–	74 176
Cash and cash equivalents	12	26 041	–	–	–	26 041
		109 066	4 819	6 062	1 028	120 975

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

33. Capital management

The board's policy is to maintain a strong capital base so as to maintain investors', creditor's and market confidence and to sustain future development of the business. The capital base comprises equity and borrowings. As a result, the board reviews its total capital employed on a regular basis and makes 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 board covenants relating to capital management, the group may not exceed a net leverage ratio of 3.

The group has complied with this.

	2015 Cents	2014 Cents
34. Earnings and headline earnings per share		
Earnings per share	6.9	15.4*
Diluted earnings per share	6.8	14.9*
Headline earnings per share	6.8	15.8*
Diluted headline earnings per share	6.7	15.3*
	R	R
Earnings per share is calculated on a profit for the group	15 617 923	30 380 399
Headline earnings per share is calculated on headline earnings	15 417 743	31 226 923
	Number	Number
Weighted average number of ordinary shares	225 225 135	197 245 472*

The weighted average number of shares is calculated after taking into account the effect of setting off 2 248 000 (2014: 3 233 278) treasury shares held by the Taste Holdings Share Trust against the issued share capital.

* Earnings per share and headline earnings per share for the comparative period have been adjusted downwards by 0.2 cents compared to the audited financial statements for the year ended 28 February 2014. This is due to the retrospective adjustment for the rights offer undertaken during the 2015 financial year. The adjustment to basic and diluted weighted average number of shares in issue is an increase of 2.4 million shares due to the bonus element contained within the rights offer.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended February 2015

	2015 R	2014 R
34. Earnings and headline earnings per share (continued)		
Diluted headline earnings per share is based on basic earnings	15 617 923	30 380 399
Diluted headline earnings per share is based on diluted headline earnings	15 417 743	31 227 253
	Number	Number
Weighted average diluted shares in issue	230 878 532	203 389 699*

Weighted average diluted shares is calculated after taking into account the effect of the possible issue of 5 653 397 (2014: 7 600 430) ordinary shares in the future relating to the share option scheme and the no par value portion rights issue.

* Earnings per share and headline earnings per share for the comparative period have been adjusted downwards by 0.2 cents compared to the audited financial statements for the year ended 28 February 2014. This is due to the retrospective adjustment for the rights offer undertaken during the 2015 financial year. The adjustment to basic and diluted weighted average number of shares in issue is an increase of 2.4 million shares due to the bonus element contained within the rights offer.

	R'000	R'000
Headline earnings have been computed as follows:		
Profit attributable to ordinary shareholders	15 618	30 380
Adjusted for profit on sale of property, plant and equipment	(246)	(310)
Impairment of assets	–	1 223
Gross measurements excluded from headline earnings	(246)	913
Tax effect	46	(66)
Net measurements excluded from headline earnings	(200)	847
Headline earnings	15 418	31 227

35. Going concern

Based on positive forward financial projections, the directors are confident that the group operates a highly sustainable business model which will continue as a going concern in the foreseeable future.

36. Events subsequent to year-end

1. Issue of shares

On 21 April 2015, the group announced that it has successfully raised R94.7 million through the issue of 31 073 773 Taste shares at an issue price of R3.05 per share partially by way of a general issue of shares for cash and partially by way of a specific issue of shares for cash. Shareholders are referred to the SENS announcement released on 21 April 2015 for further details.

2. Issue of Senior Secured Notes

In terms of the Domestic Medium Term Note programme explained in note 14 above, Taste has issued further notes to the value of R75 million. These notes were issued on 23 April 2015.

3. Purchase of Midrand property

During the year, Buon Gusto (Pty) Limited a wholly owned subsidiary of Taste Holdings, purchased a property in Midrand for the establishment of a dough manufacturing facility for Domino's Pizza as well as expanding its current food distribution facilities. As at year-end, the transfer of this property had not taken place. Transfer of this property is expected to take place in the next financial year. The purchase price is R19 million (refer to note 4).

37. Litigation

Domino's Pizza Master Franchise Agreement

Shareholders are referred to the SENS announcement dated 9 October 2014 in which shareholders were advised that Taste Food Franchising (Pty) Limited, a wholly owned subsidiary of Taste Holdings Limited had been joined as a third party to the interim application between Taste and Domino's Pizza International (on the one hand) and certain aggrieved parties (on the other) in relation to the rights secured by TFF as announced by Taste and Domino's on 10 April 2014. The interim application was heard in March 2015. The parties are still awaiting judgement.

The other parties instituted an action for final relief against, inter alia, Taste and TFF on 25 November 2014. Pleadings have closed in the action and the plaintiffs have applied for a trial date, which date has not yet been allocated. Shareholders will be updated in due course.

The Fish & Chip Co

Taste, through one of its wholly-owned subsidiaries, Buon Gusto Cuisine (Pty) Limited, acquired The Fish & Chip Co brand on 31 January 2012. A dispute subsequently arose in regard to, inter alia, the implementation of the transaction. The sellers thereafter purported to cancel the sale agreement and have issued summons in this regard. Buon Gusto does not accept the purported cancellation and deems it to be entirely without foundation. It is defending the action and has issued a counterclaim against the sellers. The matter is currently ongoing.

SHAREHOLDERS' ANALYSIS

for the year ended February 2015

	Number of shareholdings	%	Number of shares	%
Shareholder spread				
1 – 999	417	20	156 738	0
1 000 – 9 999	973	46	3 752 074	1
10 000 – 99 999	621	29	16 638 137	6
100 000 shares and over	111	5	245 164 895	92
Total	2 122	100	265 711 844	100
Distribution of shareholders				
Banks/Brokers	13	0.61	26 623 295	10.02
Close corporations	24	1.13	561 633	0.21
Endowment funds	5	0.24	10 746 408	4.04
Individuals	1875	88.36	51 944 279	19.55
Insurance Companies	1	0.047	10 000	0.00
Mutual funds	8	0.38	13 460 289	5.07
Other Corporations	17	0.80	319 305	0.12
Private Companies	52	2.45	60 861 057	22.90
Public Companies	5	0.24	38 368 701	14.44
Retirement funds	2	0.09	6 039 029	2.27
Share trusts	1	0.05	2 248 000	0.85
Trusts	119	5.61	54 529 848	20.52
Total	2 122	100	265 711 844	100
Beneficial shareholders holding 5% or more, other than directors				
Riskowitz Capital Management LLC, Protea Asset Management LLC and Midbrook Lane (Pty) Limited			32 466 312	12.22
Chickenland (Pty) Limited			33 886 101	12.75
Brimstone Investments Corporation Limited			37 884 141	14.26
Pershing Llc			25 124 033	9.46
Total			129 360 587	48.69
Shareholder spread				
Non-public shareholders	20	0.94	139 579 853	52.53
Directors of the company	16	0.75	65 561 611	24.67
Own holdings	1	0.05	2 248 000	0.85
Strategic holdings	3	0.14	71 770 242	27.01
Public shareholders	2 102	99.06	126 131 991	47.47
Total	2 122	100.00	265 711 844	100.00

SHAREHOLDERS' DIARY

for the year ended February 2015

Announcement of final results	26 May 2015
Annual general meeting	30 June 2015
Announcement of interim results	October 2015
Financial year-end	28 February

JSE PERFORMANCE

at February 2015

Opening price (cents)	360
Closing price (cents)	329
High for the year (cents)	425
Low for the year (cents)	275
Volume of shares traded during the year (R)	34 664 541
Value of shares traded during the year	115 034 097
Shares in issue	265 711 844
Market capitalisation (R)	874 191 967

NOTICE OF ANNUAL GENERAL MEETING

for the year ended February 2015

TASTE HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2000/002239/06)

JSE code: TAS

ISIN: ZAE000081162)

("Taste" or "the company")

Notice is hereby given that the annual general meeting of shareholders of Taste will be held at Summer Place, 69 Mellville road, Hyde Park, Johannesburg, on Tuesday, 30 June 2015, at 12:00 to present the annual financial statements to shareholders and to consider and, if deemed appropriate, pass the ordinary and special resolutions listed below, with or without modification.

Kindly note that in terms of section 63(1) of the Companies Act of 2008, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the annual general meeting. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports.

The board of directors of the company has determined that the record date in terms of section 62(3)(a) as read with section 59(1) of the Companies Act, No 71 of 2008, as amended ("the Companies Act"), for the purpose of determining which shareholders of the company are entitled to receive notice of the annual general meeting is Friday, 22 May 2015 and the record date for purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is Friday, 19 June 2015. Accordingly, the last day to trade in the company's shares is Thursday, 11 June 2015.

Shareholders are referred to the explanatory notes as attached to the notice of the annual general meeting for additional information, including abbreviated profiles of the directors standing for re-election.

Presentation of annual financial statements

The audited annual financial statements of the company for the year ended 28 February 2015, including the directors' report, the auditors' report and the report of the audit and risk committee, to be presented as required in terms of section 61(8)(a) of the Companies Act of 2008.

Report from the social, ethics and remuneration committee

In accordance with Companies Regulation 43(5)(c), issued in terms of the Companies Act, the chairman of the social, ethics and remuneration committee, or in the absence of the chairman any member of the committee, will present the committee's report to shareholders at the annual general meeting.

Ordinary resolution 1: Rotation and appointment of directors

Messrs Kevin Utian and Hylton Rabinowitz retire by rotation and, being eligible, offer themselves for re-election as directors of the company.

In addition, any person appointed to the board of directors following the previous annual general meeting is similarly required to retire and is eligible for re-election at the next annual general meeting.

Accordingly, shareholders are requested to consider and, if deemed fit, approve the separate ordinary resolutions set out below.

Ordinary resolution 1.1

RESOLVED that the re-appointment of Kevin Utian as a non-executive director of the company be and is hereby approved.

Ordinary resolution 1.2

RESOLVED that the re-appointment of Hylton Rabinowitz as a non-executive director of the company be and is hereby approved.

Brief biographies of the above directors are set out on page 11.

Ordinary resolution 2: Appointment of audit and risk committee

It is proposed that the following independent non-executive directors be appointed as members of the audit and risk committee.

Ordinary resolution 2.1

It is RESOLVED that Mr Anthony Berman be and is hereby appointed as a member and chairman of the audit and risk committee of the company until the conclusion of the next annual general meeting of the company in 2016.

Ordinary resolution 2.2

It is RESOLVED that Mr Wessel van der Merwe be and is hereby appointed as a member of the audit and risk committee of the company until the conclusion of the next annual general meeting of the company in 2016.

Ordinary resolution 2.3

It is RESOLVED that Mr Sebastian Patel be and is hereby appointed as a member of the audit and risk committee of the company until the conclusion of the next annual general meeting of the company in 2016.

Brief biographies of the above directors are set out on pages 10 to 11.

Ordinary resolution 3: Re-appointment of auditors

It is RESOLVED, on recommendation of the audit and risk committee, that BDO South Africa Inc. be and is hereby re-appointed as independent auditors of the company, the designated auditor, Gawie Marais, meeting the requirements of section 90(2) of the Companies Act.

Ordinary resolution 4: Control of authorised but unissued ordinary shares

It is RESOLVED that the authorised but unissued ordinary shares in the capital of the company be and are hereby placed under the control and authority of the directors of the company and that the directors be and are hereby authorised to allot and issue at their discretion the unissued but authorised ordinary shares in the share capital of the company and/or grant options to subscribe for the unissued shares, to such person/s for such

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

for the year ended February 2015

purposes and on such terms and conditions as they may in their discretion deem fit, subject to the provisions of the Listings Requirements of the JSE Limited (“the JSE Listings Requirements”), sections 38 and 41 of the Companies Act and the memorandum of incorporation of the company, and shareholders hereby waive any pre-emptive rights thereto.

Ordinary resolution 5: Authority to issue shares for cash

It is RESOLVED that, in terms of the JSE Listings Requirements, the mandate given to the directors of the company in terms of a general authority to:

- allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the company purchased by subsidiaries of the company, for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, the memorandum of incorporation of the company and its subsidiaries and the JSE Listings Requirements

The JSE Listings Requirements currently provide, *inter alia*, that:

- this authority shall only be valid until the next annual general meeting of the company but shall not extend beyond 15 months from the date of this meeting;
- the allotment and issue of the shares must be made to persons qualifying as public shareholders as defined in the JSE Listings Requirements;
- the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;
- an announcement giving full details, including the number of securities issued, the average discount to the weighted average traded price of the equity securities over the 30 business days prior to the date that the issue is agreed in writing between Taste and the party/ies subscribing for the securities, in respect of the issue of options and convertible securities, the effects of the issue on the statement of financial position, net asset value per share, net tangible asset value per share, the statement of comprehensive income, earnings per share, headline earnings per share and, if applicable, diluted earnings and headline earnings per share, or in respect of an issue of shares, an explanation, including supporting information (if any), of the intended use of the funds, be published after any issue representing, on a cumulative basis within the period contemplated in paragraph 5.50(b) of the JSE Listings Requirements, 5% of the number of shares in issue prior to the issue concerned;
- the issues in aggregate in any one financial year shall not exceed 15% of the number of shares of the company’s issued ordinary share capital (net of treasury shares) as at the date of this notice of annual general meeting, being 43 288 334 ordinary shares;
- in determining the price at which an issue of shares for cash will be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of the ordinary shares on the JSE, measured 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; and

- whenever the company wishes to use repurchased shares, held as treasury stock by a subsidiary of the company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares.

Ordinary resolution 6: Advisory endorsement of the remuneration policy

To approve, as a non-binding advisory vote in terms of the King III Report on Corporate Governance, the company’s remuneration policy (excluding the remuneration of the non-executive directors for their services as directors and members of board committees) as set out in the Remuneration Report contained in the integrated annual report on page 60.

Ordinary resolution 7: Signing authority

To authorise any one director or the secretary of the company to do all such things and sign all such documents as are deemed necessary to implement the resolutions set out in the notice convening the annual general meeting at which this ordinary resolution will be considered and approved at such meeting.

Special resolution 1: Approval of non-executive directors’ remuneration

It is RESOLVED, as a special resolution:

- that the company be and is hereby authorised to pay remuneration to its non-executive directors for their services as non-executive directors, as contemplated in sections 66(8) and 66(9) of the Companies Act; and
- that the remuneration structure and amounts as set out below, be and are hereby approved until such time as rescinded or amended by shareholders by way of a special resolution:

Type of fee (annual fee)	Proposed fee in R 2016
Chairman of the board	300 000
Board membership	166 000
Chairman of audit and risk committee	100 000
Member of audit and risk committee	50 000
Chairman of any other board committee	50 000
Member of any other board committee	30 000

Special resolution 2: General authority to repurchase shares

It is 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) (“MOI”) 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, subject to the JSE Listings Requirements, sections 46 and 48 of the Companies Act, and the company’s MOI, be extended, subject to the following:

- this general authority be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution (whichever period is shorter);
- the repurchase being effected through the order book operated by the JSE trading system, without any prior understanding or arrangement between the company and the counterparty;
- repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which the transaction was effected;
- an announcement being published as soon as the company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the initial number of ordinary shares, and for each 3% (three percent) in aggregate of the initial number of ordinary shares repurchased thereafter, containing full details of such repurchases;
- the number of shares which may be acquired pursuant to this authority in any one financial year may not in the aggregate exceed 20% (twenty percent) 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;
- the company and/or its subsidiaries not repurchasing securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless it has in place a repurchase programme 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 published on SENS prior to the commencement of the prohibited period;
- at any point in time the company only appointing one agent to effect any repurchases on its behalf; and
- the board of directors passing a resolution that they authorised the repurchase and that the company passed the solvency and liquidity test set out in section 4 of the Companies Act and that since the test was done there have been no material changes to the financial position of the group.

The directors of the company and its subsidiaries will only utilise the general authority to purchase the company's securities to the extent that they, having considered the effects of the maximum repurchase permitted, are of the opinion that for a period of 12 (twelve) months after the date of the notice of the annual general meeting and at the actual date of the repurchase:

- the company and the group will be able, in the ordinary course of business, to pay its debts;
- the working capital of the company and the group will be adequate for ordinary business purposes;
- the assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards, will exceed the liabilities of the company and the group;
- the company's and the group's ordinary share capital and reserves will be adequate for ordinary business purposes; and
- the directors have passed a resolution authorising the repurchase, resolving that the company has satisfied the solvency and liquidity test as defined in the Companies Act

and resolving that since the solvency and liquidity test had been applied, there have been no material changes to the financial position of the group.

Additional information

The following additional information, some of which may appear elsewhere in the integrated annual report, is provided in terms of the JSE Listings Requirements for purposes of the general authority to repurchase the company's securities set out in special resolution 2 above:

- major shareholders – page 117; and
- share capital of the company – page 99.

Litigation statement

The directors in the office whose names appear on page 55 of the integrated annual report, are not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have, or have had, in the recent past, being at least the previous 12 months from the date of this integrated annual report, a material effect on the group's financial position.

Directors' responsibility statement

The directors in office, whose names appear on page 55 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution 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 special resolution contains all information required by the JSE Listings Requirements.

Material changes

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

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

The directors have no specific intention, at present, for the company to repurchase any of its securities but consider that such a general authority should be put in place should an opportunity present itself to do so during the year which is in the best interests of the company and its shareholders.

Special resolution 3: Financial assistance to related and inter-related companies

It is RESOLVED, by way of a special resolution in terms of sections 44 and 45 of the Companies Act, that the directors of the company be and are hereby authorised to provide any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) to all related and inter-related companies within the Taste group of companies, or to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or of a related or inter-related company, at such times and on such terms and conditions as the directors in their

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

for the year ended February 2015

sole discretion deem fit and subject to all relevant statutory and regulatory requirements being met, such authority to remain in place for a period of two years or until rescinded by way of special resolution passed at a duly constituted annual general meeting of the company, provided that:

- (a) the board of directors of the company ("the board"), from time to time, determines (i) the specific recipient or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance; and (iii) the terms and conditions under which such financial assistance is provided; and
- (b) the board may not authorise the company to provide any financial assistance pursuant to this special resolution number 3 unless the board meets all those requirements of sections 44 and 45 of the Companies Act which it is required to meet in order to authorise the company to provide such financial assistance.

Electronic participation

Should any shareholder of the company wish to participate in the annual general meeting by way of electronic participation, that shareholder shall be obliged to make application in writing (including details as to how the shareholder or its representative can be contacted) to so participate, to the company secretary at the applicable address set out below at least 5 (five) business days prior to the annual general meeting in order for the company secretary to arrange for the shareholder (and its representative) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the company secretary to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided. The company reserves the right not to provide for electronic participation at the annual general meeting in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the company will be borne by the shareholder so accessing the electronic participation.

Proxies

Any shareholder holding shares in certificated form or recorded on the company's subregister in electronic dematerialised form in "own name" and entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to attend, speak and on a poll vote in their stead. A proxy need not be a member of the company.

Proxy forms must be lodged at the offices of the transfer secretaries, Computershare Investor Services (Pty) Limited (70 Marshall Street, Corner Sauer Street, Johannesburg, 2001; PO Box 61051, Marshalltown, 2107), by no later than 12:00 on Friday, 26 June 2015.

All beneficial owners whose shares have been dematerialised through a Central Securities Depository Participant ("CSDP") or broker other than with "own name" registration, must provide the CSDP or broker with their voting instructions in terms of their custody agreement should they wish to vote at the annual general meeting. Alternatively, they may request the CSDP or broker to provide them with a letter of representation, in terms of their custody agreements, should they wish to attend the annual general meeting.

Shareholders and proxies of shareholders are advised that they will be required to present reasonably satisfactory identification in order to attend or participate in the annual general meeting as required in terms of section 63(1) of the Companies Act.

Voting thresholds

Ordinary resolutions 1 to 4 and 6 and 7 are subject to a simple majority of votes.

In terms of the JSE Listings Requirements, the approval of a 75% majority of votes of all shareholders, present or represented by proxy, is required to approve ordinary resolution 5.

The special resolutions must be supported by 75% or more of the voting rights exercised.

Voting

In terms of the JSE Listings Requirements any shares held by the Taste Share Incentive Scheme will not have its votes at the annual general meeting taken into account in determining the results of voting on ordinary resolution 5 and special resolution 2.

By order of the board



Ithemba Governance and Statutory Solutions (Pty) Limited
Company Secretary

ANNUAL GENERAL MEETING – EXPLANATORY NOTES

for the year ended February 2015

Voting

A 75% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of special resolutions for these to be approved. Ordinary resolutions are approved by more than 50% of the votes cast by shareholders present or represented by proxy with exception of ordinary resolution 5 which requires a 75% approval.

Presentation of annual financial statements

At the annual general meeting, the directors must present the annual financial statements for the year ended 28 February 2015 to shareholders, together with the reports of the directors, the audit and risk committee, and the auditors. These are contained within the integrated annual report.

Ordinary resolutions 1.1 to 1.2: Rotation and appointment of directors

In accordance with the company's memorandum of incorporation, one-third of the directors are required to retire at each annual general meeting and may offer themselves for re-election. In addition, any person appointed to the board of directors following the previous annual general meeting is similarly required to retire and is eligible for re-election at the next annual general meeting.

The purpose of these resolutions is to elect, by way of separate resolutions, directors in the place of those retiring in accordance with the company's memorandum of incorporation. The directors retiring are Mr Kevin Utian and Mr Hylton Rabinowitz, both of whom being eligible offer themselves for re-election.

Brief biographical details of each of the above directors and the remaining members of the board are contained on page 11 of the integrated annual report of which this notice forms part.

Ordinary resolutions 2.1 to 2.3: Appointment of audit and risk committee

In terms of section 94(2) of the Companies Act, a public company must at each annual general meeting elect an audit and risk committee comprising at least three members who are directors and who meet the criteria of section 94(4) of the Companies Act. Regulation 42 to the Companies Act specifies that one-third of the members of the audit and risk committee must have appropriate academic qualifications or experience in the areas as listed in the regulation.

The board of directors of the company is satisfied that the proposed members of the audit and risk committee meet all relevant requirements.

The purpose of these resolutions is to appoint, by way of separate resolutions, the following independent non-executive directors as members of the audit and risk committee:

- Mr Anthony Berman (Chairman);
- Mr Wessel Petrus van der Merwe; and
- Mr Sebastian Patel.

Ordinary resolution 3: Re-appointment of auditors

BDO South Africa Inc (BDO) has indicated its willingness to continue in office and resolution 3 proposes the reappointment of that firm as the company's auditors with effect from 1 March 2015. Section 90(3) of the Companies Act requires the designated auditor to meet the criteria as set out in section 90(2) of the Companies Act.

The board of directors of the company is satisfied that both BDO and the designated auditor, being Gawie Marais, meet the relevant requirements.

Ordinary resolutions 4 and 5: Control of and authority to issue authorised but unissued shares for cash

In terms of the Companies Act, directors are authorised to allot and issue the unissued shares of the company, unless otherwise provided in the company's memorandum of incorporation or in instances as listed in section 41 of the Companies Act. The JSE requires that the memorandum of incorporation should provide that shareholders in a general meeting may authorise the directors to issue unissued securities and/or grant options to subscribe for unissued securities as the directors in their discretion deem fit, provided that such transaction(s) has/have been approved by the JSE and are subject to the JSE Listings Requirements. In the absence of the memorandum of incorporation as contemplated in the Companies Act, ordinary resolution 4 has been included to confirm directors' authority to issue shares. Directors confirm that there is no specific intention to issue any shares, other than as part of and in terms of the rules of the company's share incentive scheme, as at the date of this notice.

Also, in terms of the JSE Listings Requirements, the authority to issue shares for cash as set out in ordinary resolution 5 requires the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting for ordinary resolution 5 to become effective.

Ordinary resolution 6: Advisory endorsement of remuneration policy

The King Report on Corporate Governance for South Africa, 2009, recommends that the remuneration philosophy of the company be submitted to shareholders for consideration and for an advisory, non-binding vote to provide shareholders with an opportunity to indicate should they not be in support of the

for the year ended February 2015

material provisions of the remuneration philosophy and policy of the company.

Ordinary resolution 7: Signing authority

Authority is required to do all such things and sign all documents and take all such action as necessary to implement the resolutions set out in the notice and approved at the annual general meeting. It is proposed that the company secretary and/or director be authorised accordingly.

Special resolution 1: Approval of non-executive directors' remuneration

In terms of sections 66(8) and 66(9) of the Companies Act, companies may pay remuneration to directors for their services as directors unless otherwise provided by the memorandum of incorporation and on approval of shareholders by way of a special resolution. Executive directors are not specifically remunerated for their services as directors but as employees of the company and as such, the resolution as included in the notice requests approval of the remuneration paid to non-executive directors for their services as directors of the company.

Special resolution 2: General authority to repurchase shares

Section 48 of the Companies Act authorise the board of directors of a company to approve the acquisition of its own shares subject to the provisions of sections 48 and 46 having been met. In order to ensure compliance with the requirements of the Companies Act, the JSE Listings Requirements and the provisions of the Memorandum of Incorporation of the company, a special resolution is proposed to provide authority to the company to repurchase its shares.

Special resolution 3: Financial assistance to related and inter-related companies

S44(2) and S45(2) of the Companies Act authorises the board to provide direct or indirect financial assistance to a related or inter-related company or to any person in connection with any securities issued or to be issued by the company or a related or inter-related company, subject to subsections (3) and (4) of section 45 of the Companies Act and unless otherwise provided in the company's memorandum of incorporation. In terms of section 45(3) of the Companies Act, a special resolution of shareholders is required in these instances.

The main purpose of the special resolution as set out in the notice of the meeting is to approve the granting of inter-company loans, a recognised and well known practice, details of which are also set out in the notes to the annual financial statements. In addition, the resolution will facilitate the granting of guarantees and security in connection with the borrowings by the Taste group of companies.

Special resolution 3 will be effective only if and to the extent that such resolution is adopted by the shareholders of the company, and the provision of any such direct or indirect financial assistance by the company, pursuant to such resolution, will always be subject to the board of directors being satisfied that (i) immediately after providing such financial assistance, the

company will satisfy the solvency and liquidity test as referred to in sections 44(3)(b)(i) and 45(3)(b)(i) of the Companies Act; and (ii) the terms under which such financial assistance is to be given are fair and reasonable to the company as referred to in sections 44(3)(b)(ii) and 45(3)(b)(ii) of the Companies Act.

General

Shareholders and proxies attending the annual general meeting on behalf of shareholders are reminded that section 63(1) of the Companies Act requires that reasonably satisfactory identification be presented in order for such shareholder or proxy to be allowed to attend or participate in the meeting.

Summary of the rights established in terms of section 58 of the Act as required by section 58(7)(b)

For purposes of this summary, "shareholder" shall have the meaning ascribed thereto in the Companies Act.

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy, to participate in, speak and vote at a shareholders' meeting on behalf of the shareholder or give or withhold written consent on behalf of such shareholder in relation to a decision contemplated in section 60 of the Companies Act.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder, and such proxy appointment remains valid for one year after the date upon which the proxy was signed or any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in section 58(4)(c) of the Companies Act or expires earlier as contemplated in section 58(8)(d) of the Companies Act.
3. Except to the extent that the Memorandum of Incorporation of a company provides otherwise:
 - 3.1 a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder;
 - 3.2 a proxy may delegate their authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
 - 3.3 a copy of the instrument appointing a proxy must be delivered to the company or to any other person on behalf of the relevant company before the proxy exercises any rights of the shareholder at a shareholders' meeting.
4. Irrespective of the form of instrument used to appoint a proxy, the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company.

5. Unless the proxy appointment expressly states otherwise, the appointment of a proxy is revocable. If the appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the company.
6. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date: (a) stated in the revocation instrument, if any; or (b) upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act.
7. If the instrument appointing a proxy or proxies has been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's memorandum of incorporation to be delivered by such company to the shareholder, must be delivered by such company to the shareholder or to the proxy or proxies, if the shareholder has directed the relevant company to do so in writing and paid any reasonable fee charged by the company for doing so.
8. A proxy is entitled to exercise or abstain from exercising any voting right of the relevant shareholder without direction, except to the extent that the memorandum of incorporation or the instrument appointing the proxy provides otherwise.
9. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy or supplies a form of instrument for appointing a proxy:
 - 9.1 such invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
 - 9.2 the invitation or form of instrument supplied by the relevant company must: (a) bear a reasonably prominent summary of the rights established in section 58 of the Companies Act; (b) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by such shareholder; and (c) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour or against the applicable resolution/s to be put at the relevant meeting, or is to abstain from voting;
 - 9.3 the company must not require that the proxy appointment be made irrevocable; and
 - 9.4 the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.

Salient dates

Last day to trade in order to be recorded in the register	Thursday, 11 June 2015
Record date for determining those shareholders entitled to vote at the annual general meeting	Friday, 19 June 2015
Last day to lodge forms of proxy for the annual general meeting	By 12:00 on Friday, 26 June 2015

FORM OF PROXY



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

Form of proxy for the annual general meeting of the company to be held at Summer Place, 69 Mellville Road, Hyde Park, Johannesburg, on Tuesday, 30 June 2015 ("the annual general meeting").

Only for use by certificated shareholders, nominee companies of Central Securities Depository Participants ("CSDPs"), brokers' nominee companies and shareholders who have dematerialised their shares and who have elected own-name registration and who wish to vote on the special and ordinary resolutions per the notice of the annual general meeting to which this form is attached.

Shareholders who have dematerialised their shares through a CSDP or broker must not complete this form of proxy and must provide their CSDP or broker with their voting instructions, except for shareholders who elected own-name registration in the subregister through a CSDP, which shareholders must complete this form of proxy and lodge it with Computershare Investor Services (Pty) Limited.

Holders of dematerialised shares, other than with own-name registration, who wish to attend the annual general meeting, must inform their CSDP or broker of such intention and request their CSDP or broker to issue them with the necessary letter of representation.

I/We (name in block letters)

of (address)

telephone number/s

being the holder/s of _____ ordinary shares in the company, do hereby appoint

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the chairperson of the annual general meeting, as my/our proxy to act for me/us and on my/our behalf at the annual general meeting of the company, or any adjournment thereof, which will be held for the purpose of considering and, if deemed fit, of passing, with or without modification, the ordinary and special resolutions as detailed in the notice of annual general meeting, and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions:

	Number of votes (one vote per ordinary share)		
	For	Against	Abstain
Ordinary resolution 1.1 – Re-election of Mr Kevin Utian as a non-executive director			
Ordinary resolution 1.2 – Re-election of Mr Hylton Rabinowitz as a non-executive director			
Ordinary resolution 2.1 – Election of Mr Anthony Berman as a member and chairman of the audit and risk committee			
Ordinary resolution 2.2 – Election of Mr Wessel van der Merwe as a member of the audit and risk committee			
Ordinary resolution 2.3 – Election of Mr Sebastian Patel as a member of the audit and risk committee			
Ordinary resolution 3 – Re-appointment of BDO South Africa Inc. as external auditor			
Ordinary resolution 4 – Control of authorised but unissued ordinary shares			
Ordinary resolution 5 – Authority to issue shares for cash			
Ordinary resolution 6 – Advisory endorsement of the remuneration policy			
Ordinary resolution 7 – Signing authority			
Special resolution 1 – Approval of non-executive directors' remuneration			
Special resolution 2 – General authority to repurchase shares			
Special resolution 3 – Financial assistance to related and inter-related companies			

Signature

Signed at _____ on _____ 2015

Assisted by _____ (if applicable)

Please see notes on reverse.

NOTES TO THE FORM OF PROXY

1. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the company) to attend, speak and vote in place of that shareholder at the annual general meeting.
2. Shareholder(s) that are certificated or own-name dematerialised shareholders may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairperson of the meeting", but any such deletion must be initialled by the shareholder(s). The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy, the chairperson shall be deemed to be appointed as the proxy.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy, in the case of any proxy other than the chairperson, to vote or abstain from voting as deemed fit and, in the case of the chairperson, to vote in favour of the resolution.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholders, but the total of the votes cast or abstained from may not exceed the total of the votes exercisable in respect of the shares held by the shareholder.
5. Forms of proxy must be lodged at or posted to Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received no later than 12:00 on Friday, 26 June 2015.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. Where there are joint holders of shares, the vote of the first joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted.
7. The chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes, provided that, in respect of acceptances, the chairperson is satisfied as to the manner in which the shareholder concerned wishes to vote.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company or Computershare Investor Services (Pty) Limited or waived by the chairperson of the annual general meeting.

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 Michael Utian Hylton Roy Rabinowitz Grant Michael Pattison Ramsay L'Amy Daly Evangelos Tsatsarolakis Anthony Berman Wessel Petrus van der Merwe Sebastian Patel
Registered office	12 Gemini Street Linbro Business Park Sandton 2065
Business address	12 Gemini Street Linbro Business Park Sandton 2065
Postal address	PO Box 1125 Ferndale Randburg 2160
Auditors	BDO South Africa Incorporated Chartered Accountants (SA) Registered Auditors
Sponsor	Merchantec Capital
Company Secretary	Ithemba Governance and Security Solutions (Pty) Ltd
Company registration number	2000/002239/06



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