

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 3 of this Circular apply *mutatis mutandis* throughout this Circular.

If you are in any doubt as to the action you should take, please consult your broker, CSDP, attorney, accountant, banker or other professional adviser immediately.

1. If you have disposed of all of your Shares in Taste, then this Circular, together with the attached Notice of General Meeting and form of proxy should be forwarded to the purchaser to whom, or the broker, agent, CSDP or banker through whom you disposed of your Shares.
2. The General Meeting convened in terms of this Circular will be held at 10:00 on Wednesday, 17 May 2017 at the registered office of Taste, 12 Gemini Street, Linbro Business Park, Sandton, 2065.
3. **Certificated Shareholders and Dematerialised Shareholders with “own name” registration, who are** unable to attend the General Meeting and wish to be represented thereat, must complete and return the attached form of proxy in accordance with the instructions contained therein.

Dematerialised Shareholders, other than Dematerialised Shareholders with “own name” registration, who:

- are unable to attend the General Meeting and wish to be represented thereat, must provide their CSDP or broker with their voting instructions, in terms of the Custody Agreement entered into between themselves and the CSDP or broker concerned, in the manner and within the time stipulated therein;
 - wish to attend the General Meeting, must instruct their CSDP or broker to issue them with the necessary letter of representation to attend, in the form of a letter of representation.
4. Taste does not accept any responsibility and will not be held liable for any failure on the part of any CSDP or broker of a Dematerialised Shareholder to notify such Shareholder of the General Meeting or any business to be concluded thereat.



TASTE HOLDINGS LIMITED

Incorporated in the Republic of South Africa
(Registration number 2000/002239/06)
Share code: TAS ISIN: ZAE000081162
("Taste" or "the Company")

CIRCULAR TO SHAREHOLDERS OF TASTE

regarding:

- the conversion of the authorised ordinary shares in the share capital of the Company with a par value of R0.00001 into authorised ordinary shares of no par value;
- an increase in the authorised ordinary share capital of the Company from 500 000 000 shares to 1 000 000 000 shares of no par value;
- the inclusion of preference share capital in the authorised share capital of Taste; and
- the approval of the Waiver of the Mandatory Offer;

and enclosing

- a notice convening the general meeting; and
 - a form of proxy for use by certificated Taste shareholders and “own name” registered dematerialised shareholders only.
-

Corporate Advisor and Sponsor

Merchantec
capital

Date of issue: 12 April 2017

Copies of this circular, in its printed format, may be obtained from the registered office of the Company and the Sponsor at the addresses set out in the “Corporate information” section of this Circular during normal business hours from Wednesday, 12 April 2017 up to and including Wednesday, 17 May 2017 or on the Company’s website at www.tasteholdings.co.za. A copy of this Circular was filed and approved by the JSE. This Circular, which is not an invitation to the public to subscribe for Shares, but is issued in compliance with the Listings Requirements for the purpose of providing information to the public with regard to the Company, is available in the English language only.

CORPORATE INFORMATION

Taste Holdings Limited

Date of incorporation: 7 February 2000

Place of incorporation: South Africa

Company Secretary and registered address of Taste

iThemba Corporate Governance and Statutory Solutions
Proprietary Limited

(Registration number 2008/008745/07)

12 Gemini Street

Linbro Business Park

Sandton, Johannesburg, 2065

(PO Box 1125, Ferndale, Randburg, 2160)

Corporate Adviser and Sponsor

Merchantec Capital

(Registration number 2008/027362/07)

2nd Floor, North Block

Hyde Park Office Tower

Corner 6th Road and Jan Smuts Avenue

Hyde Park, Johannesburg, 2196

(PO Box 41480, Craighall, 2024)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)

Rosebank Towers

15 Biermann Ave

Rosebank, Johannesburg, 2196

(PO Box 61051, Marshalltown, 2107)

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IMPORTANT DATES AND TIMES

The definitions and interpretations commencing on page 3 of this Circular apply *mutatis mutandis* to this “Important dates and times” section (unless the context requires a contrary intention):

	2017
Record date to determine which Shareholders are entitled to receive the circular	Friday, 7 April
Circular posted to Shareholders on	Wednesday, 12 April
Last day to lodge objections with the TRP at 12:00 on	Tuesday, 2 May
Last day to trade in order to be eligible to vote at the General Meeting	Tuesday, 9 May
General Meeting Record Date	Friday, 12 May
Last day to lodge forms of proxy for the General Meeting by 10:00 on	Monday, 15 May
General meeting to be held at 10:00 on	Wednesday, 17 May
Results of General Meeting released on SENS on	Wednesday, 17 May
Results of General Meeting released in the press on	Thursday, 18 May

Notes:

1. *The above dates and times are subject to amendment. Any such amendment will be released on SENS.*
2. *Additional copies of this circular in its printed format, may be obtained from the Sponsor at the address set out in the “Corporate information” section of this circular during normal business hours from Wednesday, 12 April 2017 up to and including Wednesday, 17 May 2017.*

DEFINITIONS AND INTERPRETATIONS

In this circular and the annexures hereto, the notice of general meeting and form of proxy, unless the context otherwise indicates, references to the singular include the plural and *vice versa*, words denoting one gender include the others, expressions denoting natural persons include juristic persons and associations of persons and *vice versa*, and the words in the first column hereunder have the meaning stated opposite them in the second column, as follows:

“Board” or “Directors”	the board of directors of Taste at the Last Practicable Date whose details are set out on page 5 of this Circular;
“Business Day”	any day other than a Saturday, Sunday or a public holiday in South Africa;
“Certificated Share”	a Taste Share that has not been Dematerialised, title to which is evidenced by a Document of Title;
“Certificated Shareholder”	a Taste Shareholder who holds Certificated Shares;
“Circular”	this bound document, dated 12 April 2017, including the annexures hereto and incorporating a notice of general meeting and a form of proxy;
“Claw-back Offer”	the proposed claw-back offer by Taste to Taste Shareholders to “claw back” their <i>pro rata</i> portion of the Claw-back Shares (based on their holdings of Taste Shares on the Claw-back Record Date), and which “claw back” will enable them to maintain, should they elect to fully take up the Claw-back Offer, their current percentage shareholding in Taste;
“Claw-back Offer Circular”	the circular to Shareholders containing details of the Claw-back Offer and including the renounceable (nil paid) letters of allocation which will be issued by Taste, conferring the right on Shareholders to follow their rights in terms of the Claw-back Offer and subscribe for the Claw-back Shares pursuant to the Claw-back Offer, which circular is to be distributed to Shareholders in due course;
“Claw-back Offer Price”	the price at which the Claw-back Record Date Shareholders can “claw back” and subscribe for Claw-back Shares in terms of the Claw-back Offer, being R1.50 per Claw-back Share;
“Claw-back Record Date”	the record date for Shareholders to participate in the Claw-back Offer on the terms and conditions detailed in the Claw-back Offer Circular, which date is still to be determined;
“Claw-back Shares”	80 000 012 Taste Shares which can be subscribed for by the Claw-back Record Date Shareholders in terms of the Claw-back Offer;
“Claw-back Subscription Agreement”	the agreement entered into between Taste and the Subscriber in terms of which the Subscriber has agreed, subject to certain conditions, to subscribe for 80 000 012 Claw-back Shares in the event that such number of shares are not taken up by Taste Shareholders and/or their renounees in terms of the Claw-back Offer;
“Companies Act”	the Companies Act, 2008 (Act 71 of 2008), as amended;
“Companies Regulations”	the Companies Regulations, 2011, published in terms of the Companies Act;
“Computershare Investor Services” or “Transfer Secretaries”	Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company duly incorporated in accordance with the laws of South Africa;
“CSDP”	a Central Securities Depository Participant, accepted as a participant in terms of the Financial Markets Act, 2012 (Act 19 of 2012), as amended, appointed by an individual shareholder for the purposes of, and in regard to dematerialisation of documents of title for purposes of incorporation into Strate;
“Custody Agreement”	the agreement which regulates the relationship between the CSDP or broker and each beneficial holder of dematerialised shares;
“Dematerialisation”	the process by which Certificated Shares are converted into electronic format as Dematerialised Shares and recorded in Taste’s Uncertificated Securities Register;
“Dematerialised Share”	a Taste Share that has been Dematerialised or has been issued in Dematerialised form, and recorded in Taste’s Uncertificated Securities Register;
“Dematerialised Shareholder”	a Taste Shareholder who holds Dematerialised Shares;
“Documents of Title”	share certificates, certified transfer deeds, balance receipts and/or any other form of acceptable document of title acceptable to Taste in respect of Taste Shares;
“Entities Under Common Control”	the entities under common control are Protea Asset Management LLC and Conduit Capital Limited, which together hold 34.9% of the Shares in Taste and which make investment decisions collectively;
“Financial Markets Act”	the Financial Markets Act, No 19 of 2012;

“General Meeting”	the general meeting of Shareholders to be held at 10:00 on Wednesday, 17 May 2017, at the registered office of Taste, 12 Gemini Street, Linbro Business Park, Sandton, 2065, to consider, and if deemed fit, approve, with or without modification, the Resolutions;
“General Meeting Record Date”	Friday, 12 May 2017, being the date on which Taste Shareholders must be recorded in the Register so as to be able to attend and vote at the General Meeting;
“Group” or “Taste Group”	Taste and its Subsidiaries;
“IFRS”	International Financial Reporting Standards;
“Independent Board”	the Independent Board Members, acting as the “independent board” for purposes of the Companies Act and the Takeover Regulations;
“Independent Board Members”	being the independent Directors, in terms of Takeover Regulations 81 and 108(9), which members are Anthony Berman, Grant Pattison and Wessel van der Merwe;
“Independent Shareholders”	Taste Shareholders who are independent of the Entities Under Common Control or any related or inter-related person, or person acting in concert with any of them;
“JSE”	JSE Limited (Registration number 2005/022939/06), a public company duly incorporated in accordance with the laws of South Africa and licensed as an exchange under the Financial Markets Act;
“Last Practicable Date”	Friday, 7 April 2017, being the last practicable date prior to the finalisation of this Circular;
“Listings Requirements”	the Listings Requirements of the JSE, as amended from time to time by the JSE;
“Mandatory Offer”	the potential mandatory offer at R1.94 per Share that would be required to be made by the Entities Under Common Control to the Remaining Shareholders, in terms of section 123 of the Companies Act, to acquire all of the Taste Shares in issue held by the Remaining Shareholders in the event that, pursuant to the Claw-back Offer, the Entities Under Common Control acquire a beneficial interest in voting rights in Taste equal to or more than the Prescribed Percentage;
“Merchantec Capital” or “Sponsor”	Merchantec Proprietary Limited (Registration number 2008/027362/07), a private company duly registered and incorporated under the laws of South Africa;
“Notice of General Meeting” or “Notice”	the notice convening the Shareholders’ meeting which is attached to and forms part of this Circular;
“Prescribed Percentage”	the percentage prescribed in terms of section 123(5) of the Companies Act, which percentage is 35% of the voting securities of a company;
“Rand” or “R” or “ZAR”	South African Rand;
“Register”	Taste’s securities register, including the Uncertificated Securities Register;
“Remaining Shareholders”	Taste Shareholders, other than the Entities Under Common Control, those persons related or inter-related to them and those persons acting in concert with any of them;
“Resolutions”	the resolutions set out in the Notice of the General Meeting, which are to be considered and voted on at the General Meeting;
“SENS”	the Stock Exchange News Service of the JSE;
“South Africa”	the Republic of South Africa;
“Strate”	the settlement and clearing system used by the JSE, managed by Strate Proprietary Limited (Registration number 1998/022242/07), a private company duly incorporated in accordance with the laws of South Africa and which company is a registered Central Securities Depository in terms of the Financial Markets Act;
“Subscriber”	Riskowitz Value Fund LP, a partnership formed in the state of Delaware, USA, which has delegated its investment management and decision-making to Protea Asset Management LLC as the investment adviser;
“Subsidiary”	a subsidiary as defined in the Companies Act;
“Takeover Regulations”	the regulations published in terms of section 120 of the Companies Act which form part of the Companies Regulations;
“Taste” or “the Company”	Taste Holdings Limited (Registration number 2000/002239/06), a public company duly registered and incorporated under the laws of South Africa and listed on the JSE;
“Taste Shares” or “Shares”	ordinary shares of R0.00001 each in the authorised and issued share capital of Taste;
“Taste Shareholders” or “Shareholders”	holders of Taste Shares;
“TRP”	the Takeover Regulation Panel established in terms of section 196 of the Companies Act;
“Uncertificated Securities Register”	the record of Dematerialised Shares administered and maintained by a CSDP and which forms part of the Register; and
“Waiver” or “Waiver of Mandatory Offer”	the proposed waiver by the Independent Shareholders of the right to receive the Mandatory Offer, in terms of Takeover Regulation 86(4), by way of a Resolution adopted at the General Meeting.



TASTE HOLDINGS LIMITED

Incorporated in the Republic of South Africa

(Registration number 2000/002239/06)

Share code: TAS ISIN: ZAE000081162

("Taste" or "the Company")

DIRECTORS

Executive

C F Gonzaga (*Chief Executive Officer*)

E Tsatsarolakis (*Financial Director*)

D J Crosson (*Executive Director*)

Non-executive

G M Pattison* (*Chairperson*)

A Berman*

T Moodley

H R Rabinowitz

K Utian*

W P van der Merwe*

* *Independent*

CIRCULAR TO TASTE SHAREHOLDERS

1. INTRODUCTION

On Tuesday 4 April 2017, it was announced on SENS that Taste intends to implement a strategic restructure in terms of which Taste intends to, *inter alia*, raise R120 000 018 by way of a Claw-back Offer.

The purpose of this Circular is to provide Taste Shareholders with relevant information relating to the proposed amendments to the Memorandum of Incorporation of Taste, the Claw-back Offer, the Mandatory Offer that may result therefrom, the request for the Waiver of Mandatory Offer and Resolutions to be proposed at the General Meeting and the implications thereof, in accordance with the provisions of the Companies Act, the Company Regulations and the Listings Requirements, where applicable. A notice convening such meeting is attached to, and forms part of, this Circular.

2. RATIONALE FOR THE STRATEGIC RESTRUCTURE

The last three years have been transformational for the Group. The acquisitions of Arthur Kaplan and Zebro's Chicken, but particularly the launch of both Starbucks and Domino's have added a new perspective to the group's ongoing strategic review process. Specifically, whether the food and luxury goods divisions should continue to co-exist within the same structure. The two divisions are now fundamentally different in the business maturity of the brands within them; their capital requirements and return profiles are now materially different from prior years as are their long term growth opportunities.

Principally, the food division, invested in launching Starbucks and Domino's, is a start-up business. It should be relatively debt free, while the luxury goods business, given its leading market position and historical earnings, benefits from access to debt. The food division will require extensive capital to open new Domino's and Starbucks outlets, that, combined with the different return profiles of food and luxury goods outlets, will potentially take capital away from the luxury goods division in the medium term. The luxury goods division has shown exceptional organic growth and many opportunities remain to unlock further value.

It is the Board's conclusion that the luxury goods brands would continue to grow and capitalise on their market position under new, focused, ownership and therefore the Board has resolved to split the luxury goods and food divisions within the 2017 year. This will most likely result in a sale out of Taste of the luxury goods division.

The combined proceeds from the Claw-back Offer and the sale of the luxury goods division will be used to settle all debt in the business and the remainder will be applied to expanding the footprint of Domino's and Starbucks.

It is therefore envisaged that post this strategic restructure, Taste will be a focused food business, both owning and licensing leading global brands. Appropriate to a start-up, it will initially be debt free, with necessary cash on hand to accelerate its Starbucks roll-out. This singular focus will allow Taste to pursue opportunities to license further international food brands, selectively vertically integrate, and expand its existing portfolio of brands in South- and Southern Africa.

3. PROPOSED AMENDMENTS TO THE MEMORANDUM OF INCORPORATION

As part of the strategic restructuring of Taste, the Company will raise equity in order to facilitate the short-term growth of the food division, whilst an orderly process is followed ensuring maximum value realisation of the luxury goods division. The Company will thus be required to amend its Memorandum of Incorporation in order to convert its par value shares to no par value shares and increase the authorised share capital of the Company. Furthermore, in order to provide for an alternative form of future capital, (which is not currently envisaged) the Board has also put forward an amendment for the inclusion of preference share capital in the authorised share capital of the Company.

Accordingly, Taste will be proposing the relevant amendments to the Memorandum of Incorporation, as set out in Annexure 1 to the circular, which in terms of paragraph 5.92(A) and Schedule 10.5(d) of the Listings Requirements and section 16(1)(c) of the Companies Act, requires the approval by way of a special resolution (requiring at least a 75% majority of the votes cast in favour of such resolution) of all Shareholders present or represented by proxy at the general meeting.

4. THE CLAW-BACK OFFER

All Shareholders and/or their renounees will be offered the right to claw-back (i.e. subscribe for) their *pro rata* portion (based on their holdings of Taste Shares on the Claw-back Record Date), by way of a renouneable Claw-back Offer, of the Claw-back Shares. The Claw-back Shares will be offered to Shareholders subject to the terms and conditions set out in the Claw-back Offer Circular. A total of 80 000 012 Taste Shares will be offered in the Claw-back Offer at a Claw-back Offer Price of R1.50 per Share. Shareholders will not be obliged to take up their full allocation of Claw-back Shares, and may take up part only. Shareholders (recorded in the Register at the close of trade on the Claw-back Record Date) or their renounees in terms of the Claw-back Offer will be entitled to participate in the Claw-back Offer.

The Claw-back Offer will be fully subscribed by the Riskowitz Value Fund LP, a partnership formed in the state of Delaware, USA which has delegated its investment management and decision-making to Protea Asset Management LLC (“**Protea**”) as the investment adviser in terms of the Claw-back Subscription Agreement. Qualifying shareholders will not have the right to apply for Claw-back Offer Shares in excess of their entitlements.

The Claw-back Subscription Agreement is subject to the following conditions precedent:

- 4.1 the Taste Shareholders waiving their rights to receive a mandatory offer from the Subscriber as per paragraph 5 below; and
- 4.2 the Companies and Intellectual Property Commission approving and registering the amendments to the Memorandum of Incorporation as per paragraph 3 above.

Upon their issue, the Claw-back Offer Shares will rank *pari passu* in all respects with the existing Taste shares.

5. MANDATORY OFFER AND WAIVER

Protea and Conduit Capital Limited (“**Conduit**”) together are the investment advisers and decision makers of entities that hold shares in Taste.

As per the circular sent to Conduit shareholders on 29 September 2016, Conduit acquired 100% of Snowball Wealth Proprietary Limited. The effective date of this acquisition was 30 March 2017 and through this acquisition Conduit indirectly acquired Taste ordinary shares at a value of R1.94 per Taste ordinary share (“**Snowball Acquisition**”). Following this acquisition the Entities Under Common Control hold 34.9% of the issued ordinary shares in Taste.

The proposed Claw-back Offer may result in the Entities Under Common Control acquiring more than 35% of the voting rights of Taste, being the Prescribed Percentage in terms of section 123(5) of the Companies Act. In such event, in terms of section 123 of the Companies Act, the Entities Under Common Control would be obliged to make the Mandatory Offer to the Remaining Shareholders of Taste at the highest price paid for a Taste ordinary share by the Entities Under Common Control in the six month period prior to the closing of the Claw-back Offer, being the Snowball Acquisition price. Shareholders may waive their right to the Mandatory Offer in accordance with Takeover Regulation 86(4).

The intention of the Entities Under Common Control is not to obtain control of Taste and they therefore are not willing to make the Mandatory Offer and have consequently entered into the Claw-back Subscription Agreement on the basis that their subscription for the Claw-back Shares is dependent on the Independent Shareholders waiving the Mandatory Offer.

In order to achieve the desired capitalisation of the Company, in line with its focused strategic direction, Independent Shareholders will be requested to waive their right to receive the Mandatory Offer by way of an ordinary resolution to be proposed at the General Meeting. The resolution must be approved by the independent holders of more than 50% of the general voting rights of all the issued Shares, present and voting or represented by proxy.

The Entities Under Common Control and any other non-independent Shareholders will not be able to vote on this resolution.

The TRP has advised that it is willing to consider the application to grant an exemption from the obligation to make the Mandatory Offer if the majority of Independent Shareholders of Taste waive their entitlement to receive the Mandatory Offer from the Entities Under Common Control, in accordance with Takeover Regulation 86(4).

In terms of Takeover Regulation 86(7) a fair and reasonable opinion is not required to be included in this Circular as the Mandatory Offer price, at R1.94, is at a discount to the prevailing market price on the date of the announcement of the Claw-back Offer, being the closing price of R2.05 on the date immediately preceding the announcement.

Any shareholder of Taste who wishes to make representations relating to the exemption shall have 10 business days from the date of the posting of this circular to make such representations to the TRP before the ruling is considered. Representations should be made in writing and delivered by hand, posted or faxed to:

If delivered by hand or courier:	If posted:	If faxed:
The Executive Director	The Executive Director	The Executive Director
Takeover Regulation Panel	Takeover Regulation Panel	Takeover Regulation Panel
1st Floor, Block 2	1st Floor, Block 2	+27 86 274 9056
Freestone Park	Freestone Park	
135 Patricia Road	135 Patricia Road	
Atholl, Johannesburg	Atholl, Johannesburg	
2196	2196	

And should reach the TRP by no later than the close of business on Tuesday, 2 May 2017 in order to be considered.

If any representations are made to the TRP within the permitted timeframe, the TRP will consider the merits thereof before making a ruling.

Included in the circular is the Notice of General Meeting and the resolution for the Waiver of Mandatory Offer for Shareholders to consider, and if deemed fit, to approve at the general meeting.

6. INDEPENDENT BOARD OPINION

The Independent Board has considered the terms and conditions of the Waiver and is of the opinion that the terms and conditions of the Waiver are fair to Taste Shareholders.

Furthermore the Independent Board has taken into account the fact that the Claw-back Subscription Agreement is conditional upon the Waiver being approved by Shareholders and therefore should the Waiver not be approved, the Subscriber would not take up any shares in terms of the Claw-back Subscription Agreement and the Mandatory Offer would not be triggered.

The Independent Board accordingly recommends that Shareholders vote in favour of the Resolutions as tabled in the Notice of General Meeting.

7. DIRECTORS' RECOMMENDATION AS TO THE RESOLUTIONS

All of the Directors of Taste who hold Shares and are able to vote, intend voting in favour of the Resolutions and recommend that Shareholders vote in favour of the Resolutions as set out in the Notice of General Meeting.

8. THE GENERAL MEETING

The General Meeting of the Shareholders of Taste will be held at the registered office of Taste, 12 Gemini Street, Linbro Business Park, Sandton, 2065 at 10:00 on Wednesday, 17 May 2017, to consider and approve, with or without modification, the Resolutions set out in the Notice of General Meeting included in this Circular.

A notice convening the General Meeting and a form of proxy for use by certificated shareholders and dematerialised shareholders with "own name" registration who are unable to attend the general meeting, form part of this Circular.

Certificated shareholders and dematerialised shareholders with "own name" registration, who:

- are unable to attend the general meeting and wish to be represented thereat, must complete and return the attached form of proxy in accordance with the instructions contained therein.

Dematerialised shareholders, other than dematerialised shareholders with "own name" registration, who:

- are unable to attend the General Meeting and wish to be represented thereat, must provide their CSDP or broker with their voting instructions, in terms of the custody agreement entered into between themselves and the CSDP or broker concerned, in the manner and within the time stipulated therein;
- wish to attend the General Meeting, must instruct their CSDP or broker to issue them with the necessary written letter of representation to attend.

9. DIRECTORS' AND INDEPENDENT BOARD RESPONSIBILITY STATEMENT

The Directors and the Independent Board, whose names are given on page 5 of the Circular, collectively and individually, accept full responsibility for the accuracy of the information contained in the Circular and certify that, to the best of their knowledge and belief that 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 Circular contains all information required by law and the Listings Requirements.

10. CONSENTS

The Corporate Adviser and Sponsor, the Transfer Secretaries and Company Secretary have consented in writing to act in the capacities stated and to their names being stated in this Circular and have not withdrawn their consents prior to publication of this Circular.

11. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection at the registered office of Taste and the office of the Sponsor which addresses are set out in the "Corporate information" section of this Circular, during normal business hours from Wednesday, 12 April 2017 up to and including Wednesday, 17 May 2017:

- the Memorandum of Incorporation of Taste;
- copies of the written consent letters referred to in paragraph 10 above;
- copies of the Taste Annual Reports for the years ended 29 February 2016; 28 February 2015 and 28 February 2014;
- a signed copy of the Claw-back Subscription Agreement;
- the approval letter from the TRP relating to this Circular;
- a signed copy of this Circular; and
- powers of attorney signed by the Directors.

SIGNED BY C F GONZAGA, ON HIS OWN BEHALF AS A DIRECTOR AND ON BEHALF OF ALL THE OTHER DIRECTORS OF TASTE HOLDINGS LIMITED, HE BEING DULY AUTHORISED IN TERMS OF POWERS OF ATTORNEY GRANTED TO HIM BY SUCH DIRECTORS

C F Gonzaga

Chief Executive Officer

12 April 2017

Johannesburg

PROPOSED AMENDMENTS TO TASTE'S MEMORANDUM OF INCORPORATION

The amendments to the Memorandum of Incorporation of Taste are set out below. A copy of the complete amended Memorandum of Incorporation is available for inspection at Taste's registered office and the office of the Sponsor set out in the "Corporate information" section of this Circular.

For the purpose of this Annexure 1, "Act" refers to the Companies Act, 2008 (Act 71 of 2008), as amended, consolidated or re-enacted from time to time, and includes all schedules to such Act and the Regulations. A reference to a section by number refers to the corresponding section of the Act, notwithstanding the renumbering of such section after the date on which the Company is incorporated. A reference to a clause by number refers to a corresponding provision of the Memorandum of Incorporation.

1. FIRST AMENDMENT: THE FOLLOWING CHANGES TO CLAUSE 1:

1. Interpretation

The insertion of the following definitions:

"Ordinary Share"	ordinary shares with no par value in the share capital of the Company, having the preferences, rights, limitations and other terms associated with it as are set out in clause 7.1.2
"Ordinary Shareholder"	the holder of an Ordinary Share and who is entered as such in the Securities Register, subject to the provisions of section 57(1) of the Act
"Preference Shares"	preference shares in the share capital of the Company, having the preferences, rights, limitations and other terms associated with it as are to be determined by the Board in accordance with the provisions of clause 7.1.1
"Preference Shareholder"	the holder of a Preference Share and who is entered as such in the Securities Register, subject to the provisions of section 57(1) of the Act

And the substitution of the definitions below with the following:

"Share"	one of the units into which the proprietary interest in the Company is divided, and includes Ordinary Shares and Preference Shares, or either one of them, as may be appropriate in the context
"Shareholder"	any Ordinary Shareholder and/or Preference Shareholder, or either one of them, as may be appropriate in the context

2. SECOND AMENDMENT: THE SUBSTITUTION OF CLAUSE 7 WITH THE FOLLOWING:

7. Shares and share capital

7.1 The Company is authorised to issue:

7.1.1 1 000 000 (One Million) Preference Shares, of the same class, each of which ranks *pari passu* in respect of all rights (as contemplated in paragraph 3.29 of the JSE Listings Requirements or such paragraph as may be applicable from time to time) and entitles the holder to:

7.1.1.1 such associated preferences, rights, limitations and other terms as may be determined by the Board, prior to issue thereof, as contemplated by section 36(1)(d) of the Act ("**Preference Share Terms**");

7.1.1.2 1 (One) vote for every Preference Share held, in person or by proxy, on any matter to be decided by the Shareholders, by means of a poll, provided that each Preference Shareholder shall not be entitled to vote on any Shareholders resolution, save as contemplated in paragraph 10.5(h) of the JSE Listings Requirements, or such paragraph as may be applicable from time to time; and [LR10.5(b) and LR 10.5(c)];

7.1.2 1 000 000 000 (One Billion) Ordinary Shares, of the same class, each of which ranks *pari passu* in respect of all rights (as contemplated in paragraph 3.29 of the JSE Listings Requirements or such paragraph as may be applicable from time to time) and entitles the holder to: [LR 10.5(a)]

7.1.2.1 1 (One) vote for every Ordinary Share held, in person or by proxy, on any matter to be decided by the Shareholders by means of a poll; [LR10.5(b)]

7.1.2.2 participate proportionally in any distribution made by the Company to the Ordinary Shareholders; and

7.1.2.3 receive proportionally the net assets of the Company upon its liquidation after payment by the Company of any amount payable to the Preference Shareholders to satisfy their preferential rights, if applicable, as set out in the Preference Share Terms.

- 7.2** The Board may, subject to clause 7.3 and the JSE Listings Requirements, resolve to issue Shares of the Company at any time, but only within the classes and to the extent that those Shares have been authorised by or in terms of this Memorandum of Incorporation.
- 7.3** Notwithstanding the provisions of clause 7.1.2.3, any issue of Shares, Securities convertible into Shares, or rights exercisable for Shares in a transaction, or a series of integrated transactions shall, in accordance with the provisions of section 41(3) of the Act, require the approval of the Shareholders by special resolution if the voting power of the class of Shares that are issued or are issuable as a result of the transaction or series of integrated transactions will be equal to or exceed 30% (Thirty Percent) of the voting power of all the Shares of that class held by Shareholders immediately before that transaction or series of integrated transactions.
- 7.4** The Board shall not have the power to:
- 7.4.1** increase or decrease the number of authorised Shares of any class of the Company's Shares; or [LR10.5(d)(iv)]
 - 7.4.2** reclassify any classified Shares that have been authorised but not issued; or
 - 7.4.3** classify any unclassified Shares that have been authorised but not issued; or
 - 7.4.4** determine the preferences, rights, limitations or other terms of any Shares, [LR10.5(d)(ii)]
 - 7.4.5** convert its Shares from shares having par value to shares having no par value, [LR10.5(d)(iii)]
 - 7.4.6** the change of name of the Company, and [LR10.5(d)(vii)]
- such powers shall only be capable of being exercised by a special resolution of the Shareholders. [LR10.5(e)]
- 7.5** Each Share issued by the Company has associated with it an irrevocable right of the shareholder to vote on any proposal to amend the preferences, rights, limitations and other terms associated with that share as contemplated in clause 20.2. [LR10.5(e)]
- 7.6** Save as specifically provided for in clause 7.1.1, the authorisation and classification of Shares, the creation of any class of shares, the subdivision or consolidation of Shares, the numbers of authorised Shares of each class, and the variation of any preferences, rights, limitations and other terms associated with each class of Shares as set out in this Memorandum of Incorporation may be changed only by an amendment of this Memorandum of Incorporation by special resolution of the Shareholders and in accordance with the JSE Listings Requirements and such amendments shall not be implemented without a special resolution adopted by the holders of Shares in that class at a separate meeting. [LR10.5(d)(i), (v) and (vi) and 10.9(c)]
- 7.7** No Shares may be authorised in respect of which the preferences, rights, limitations or any other terms of any class of Shares may be varied in response to any objectively ascertainable external fact or facts as provided for in sections 37(6) and 37(7) of the Act and the powers of the Board are limited accordingly. [LR10.5(g)]
- 7.8** The Company may only issue Shares which are fully paid up and freely transferable and only within the classes and to the extent that those Shares have been authorised by or in terms of this Memorandum of Incorporation. [LR10.2(a)]
- 7.9** All issues of Shares for cash and all issues of options and convertible securities granted or issues for cash must, in addition, be in accordance with the JSE Listings Requirements. [LR10.9(a)]
- 7.10** All Securities of the Company for which a listing is sought on the JSE and all Securities of the same class as Securities of the Company which are listed on the JSE must, notwithstanding the provisions of section 40(5) but unless otherwise required by the Act, only be issued after the Company has received the consideration approved by the Board for the issuance of such Securities. [LR10.2(a)]
- 7.11** Subject to what may be authorised by the Act, the JSE Listings Requirements and at meetings of Shareholders in accordance with clause 7.12, and subject to clause 7.3, the Board may only issue unissued Shares if such Shares have first been offered to existing ordinary Shareholders in proportion to their shareholding on such terms and in accordance with such procedures as the Board may determine, unless such Shares are issued for an acquisition of assets by the Company. [LR10.1]
- 7.12** Notwithstanding the provisions of clause 7.11, the Shareholders may at a general meeting authorise the Directors to issue Shares of the Company at any time and/or grant options to subscribe for Shares as the Directors in their discretion think fit, provided that such transaction(s) has/have been approved by the JSE and comply with the JSE Listings Requirements. [LR 10.1]
- 7.13** Except to the extent that any such right is specifically included as one of the rights, preferences or other terms upon which any class of Shares is issued or otherwise provided in this Memorandum of Incorporation, no Shareholder shall have any pre-emptive or other similar preferential right to be offered or to subscribe for any additional Shares issued by the Company.

3. THIRD AMENDMENT: THE SUBSTITUTION OF CLAUSE 14 WITH THE FOLLOWING:

14. Capitalisation shares

- 14.1 Subject to the requirements of section 47 of the Act, the Board shall have the power or authority to: [LR10.6]
- 14.1.1 approve the issuing of any authorised Shares as capitalisation Shares; or
 - 14.1.2 to issue Shares of one class as capitalisation Shares in respect of Shares of another class; or
 - 14.1.3 subject to the provisions of clause 14.2, to resolve to permit Shareholders to elect to receive a cash payment in lieu of a capitalisation Share.
- 14.2 The Board may not resolve to offer a cash payment in lieu of awarding a capitalisation share, as contemplated in clause 14.1.3, unless the Board:
- 14.2.1 has considered the Solvency and Liquidity Test as required by section 46, on the assumption that every such Shareholder would elect to receive cash; and
 - 14.2.2 is satisfied that the Company would satisfy the Solvency and Liquidity Test immediately upon the completion of the distribution.

4. FOURTH AMENDMENT: THE SUBSTITUTION OF CLAUSE 21 WITH THE FOLLOWING:

21. Votes of shareholders

- 21.1 Subject to any special rights or restrictions as to voting attached to any Shares by or in accordance with this Memorandum of Incorporation, and/or the Preference Share Terms, at a meeting of the Company:
- 21.1.1 every person present and entitled to exercise voting rights shall be entitled to 1 (one) vote on a show of hands, irrespective of the number of voting rights that person would otherwise be entitled to exercise;
 - 21.1.2 on a poll any person who is present at the meeting, whether in person or by proxy, has the number of votes determined in accordance with the voting rights associated with the Securities held by that Shareholder; and
 - 21.1.3 the holders of Securities other than ordinary Shares and any special shares created for the purposes of black economic empowerment in terms of the Broad-Based Black Economic Empowerment Act No. 53 of 2003 and the Broad-Based Black Economic Empowerment Codes of Good Practice gazetted from time to time under the aforementioned act, shall not be entitled to vote on any resolution at a meeting of Shareholders, except as provided in clause 21.2. [LR10.5 (c)]
- 21.2 If any resolution is proposed as contemplated in clause 21.1.3, the holders of such Shares ("**Affected Shareholders**") shall be entitled to vote at the meeting of ordinary Shareholders as contemplated in clause 21.1, provided that:
- 21.2.1 the votes of the Shares of that class held by the Affected Shareholders ("**Affected Shares**") shall not carry any special rights or privileges and each Affected Shareholder shall be entitled to 1 (one) vote for every Affected Share held; and [LR10.5(c)]
 - 21.2.2 the total voting rights of the Affected Shareholders in respect of the Affected Shares may not exceed 24.99% of the total voting rights of all shareholders at such meeting. [LR10.5(c)]
- 21.3 Voting shall be conducted by means of a polled vote in respect of any matter to be voted on at a meeting of Shareholders if a demand is made for such a vote by:
- 21.3.1 at least 5 (five) persons having the right to vote on that matter, either as Shareholders or as proxies representing Shareholders; or
 - 21.3.2 a Shareholder who is, or Shareholders who together are, entitled, as Shareholders or proxies representing Shareholders, to exercise at least 10% (ten percent) of the voting rights entitled to be voted on that matter; or
 - 21.3.3 the chairperson of the meeting.
- 21.4 At any meeting of the Company a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded in accordance with the provisions of clause 21.3, and unless a poll is so demanded, a declaration by the chairperson that a resolution has, on a show of hands, been carried or carried unanimously or by a particular majority or defeated, and an entry to that effect in the book containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution. The demand for a poll may be withdrawn.

- 21.5** If a poll is duly demanded, it shall be taken in such manner as the chairperson directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. In computing the majority on the poll, regard shall be had to the number of votes to which each Shareholder is entitled.
- 21.6** In the case of an equality of votes, whether on a show of hands or on a poll, the chairperson of the meeting at which the show of hands takes place, or at which the poll is demanded, shall not be entitled to a second or casting vote.
- 21.7** A poll demanded on the election of a chairperson (as contemplated in clause 19.19) or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairperson of the meeting directs. The demand for a poll shall not prevent the continuation of a meeting for the transaction of any business other than the question upon which the poll has been demanded.
- 21.8** Where there are joint registered holders of any Share, any 1 (one) of such persons may exercise all of the voting rights attached to that Share at any meeting, either personally or by proxy, as if he or she were solely entitled thereto. If more than 1 (one) of such joint holders is present at any meeting, personally or by proxy, the person so present whose name stands first in the Securities Register in respect of such Share shall alone be entitled to vote in respect thereof.
- 21.9** The board of any company or the controlling body of any other entity or person that holds any Securities of the Company may authorise any person to act as its representative at any meeting of Shareholders of the Company, in which event the following provisions will apply:
- 21.9.1** the person so authorised may exercise the same powers of the authorising company, entity or person as it could have exercised if it were an individual holder of Shares; and
- 21.9.2** the authorising company, entity or person shall lodge a resolution of the directors of such company or controlling body of such other entity or person confirming the granting of such authority, and certified under the hand of the chairperson or secretary thereof, with the Company before the commencement of any Shareholders' meeting at which such person intends to exercise any rights of such Shareholder, unless excused from doing so by the chairperson of such meeting.

5. FIFTH AMENDMENT: THE SUBSTITUTION OF CLAUSE 37 WITH THE FOLLOWING:

37. Notices

- 37.1** Subject to the provisions of the Act, and particularly section 46 of the Act, and the Preference Share Terms, the Company may make a proposed distribution if such distribution:
- 37.1.1** is pursuant to an existing legal obligation of the Company, or a court order; or
- 37.1.2** is authorised by resolution of the Board, provided that such distribution complies with the JSE Listings Requirements and is not required to be repaid on the basis that it may be called up again. [LR 10.8]
- 37.2** No distribution shall bear interest against the Company, except as otherwise provided under the conditions of issue of the Shares in respect of which such distribution is payable.
- 37.3** Distributions may be declared either free of or subject to the deduction of income tax and any other tax or duty in respect of which the Company may be chargeable.
- 37.4** Subject to the Preference Share Terms, the Directors may from time to time declare and pay to the Shareholders such interim distributions as the Directors consider to be appropriate.
- 37.5** No larger distribution shall be declared by the Company in general meeting than is recommended by the Directors, but the Company in general meeting may declare a smaller distribution. [LR10.17(a)]
- 37.6** All unclaimed monies that are due to any Shareholder/s shall be held by the Company in trust for an indefinite period, subject to the laws of prescription. [LR10.17(c)]
- 37.7** Any distribution, interest or other sum payable in cash to the holder of a Share may be paid by cheque or warrant sent by post and addressed to:
- 37.7.1** the holder at his registered address; or
- 37.7.2** in the case of joint holders, the holder whose name appears first in the Securities Register in respect of the share, at his registered address; or
- 37.7.3** such person and at such address as the holder or joint holders may in writing direct.

- 37.8** Every such cheque or warrant shall:
- 37.8.1** be made payable to the order of the person to whom it is addressed; and
 - 37.8.2** be sent at the risk of the holder or joint holders.
- 37.9** The Company shall not be responsible for the loss in transmission of any cheque or warrant or of any document (whether similar to a cheque or warrant or not) sent by post as aforesaid.
- 37.10** A holder or any one of two or more joint holders, or his or their agent duly appointed in writing, may give valid receipts for any distributions or other moneys paid in respect of a Share held by such holder or joint holders.
- 37.11** When such cheque or warrant is paid, it shall discharge the Company of any further liability in respect of the amount concerned.
- 37.12** A distribution may also be paid in any other way determined by the Directors, and if the directives of the Directors in that regard are complied with, the Company shall not be liable for any loss or damage which a Shareholder may suffer as a result thereof.
- 37.13** Without detracting from the ability of the Company to issue capitalisation Shares, any distribution may be paid wholly or in part [LR10.7]
- 37.13.1** by the distribution of specific assets; or
 - 37.13.2** by the issue of Shares, debentures or securities of the Company or of any other company; or
 - 37.13.3** in cash; or
 - 37.13.4** in any other way which the Directors or the Company in general meeting may at the time of declaring the distribution determine.
- 37.14** Where any difficulty arises in regard to such distribution, the Directors may settle that difficulty as they think expedient, and in particular may fix the value which shall be placed on such specific assets on distribution.
- 37.15** The Directors may:
- 37.15.1** determine that cash payments may be made to any Shareholder, in accordance with the JSE Listings Requirements, on the basis of the value so fixed in order to secure equality of distribution; and [LR10.8]
 - 37.15.2** vest any such assets in trustees upon such trusts for the benefit of the persons entitled to the distribution as the Directors deem expedient.
- 37.16** Any distribution must be made payable to Shareholders registered as at a date subsequent to the date of declaration thereof or the date of confirmation thereof, whichever is the later date. [LR10.17(b)]

REPORT ON THE SHARE CONVERSION IN TERMS OF REGULATION 31(7) OF THE COMPANIES REGULATIONS

Extract from resolution of the Board:

Share conversion from par value shares to no par value shares in terms of regulation 31(7) of the Companies Regulations, 2011, ("Companies Regulations"), published in terms of the Companies Act, 2008 (Act 71 of 2008), as amended ("the Companies Act")

The board of directors has approved the Report on the share conversion in terms of regulation 31(7) of the Companies Regulations explaining the effect of the conversion of the issued share capital from par value shares to no par value shares.

1. BACKGROUND

- 1.1 Under the Companies Act, all companies having par value shares are no longer enabled to create and authorise any further par value shares. The Company proposes to its shareholders the special resolution required to convert the Company's par value shares to no par value shares.
- 1.2 The independent board has satisfied itself that the conversion from par value shares to no par value shares will have no effect on the rights of the shareholders.
- 1.3 Accordingly, the Taste Holdings Limited ("Taste") shareholders will be requested to approve the special resolution necessary to convert Taste's authorised and issued ordinary shares with a par value of R0.00001 each into shares of no par value on the basis that each existing share will be converted into one no par value share.
- 1.4 The special resolution approving the conversion of Taste's existing shares into shares of no par value is subject to 75% of Taste's shareholders present, in person or by proxy, voting in favour of the resolution.
- 1.5 The Companies Regulations require the board of a Company, when converting its shares, to effect a report to be prepared in respect of the proposed conversion which, *inter alia*, evaluates any adverse effects of the conversion on the Taste shareholders. As already indicated, there will be no adverse effect of the conversion on the Taste shareholders.
- 1.6 In terms of Regulation 31(7) of the Companies Regulations the Report is required to, at a minimum:
 - state all information relevant to the value of the securities affected by the proposed conversion;
 - identify holders of the Company's securities affected by the proposed conversion;
 - describe holders of the Company's securities affected by the proposed conversion;
 - describe the material effects that the proposed conversion will have on the rights of the holders of the conversion of the Company's securities affected by the proposed conversion; and
 - evaluate any material adverse effects of the proposed arrangement against the compensation that any of those persons will receive in terms of the arrangement.

2. INFORMATION RELEVANT TO THE VALUE OF THE SECURITIES AFFECTED BY THE PROPOSED CONVERSION

- 2.1 The securities affected by the proposed conversion are the authorised ordinary shares in the share capital of Taste, currently comprising 500 000 000 shares of R0.00001 each, of which 378 571 047 shares of R0.00001 each have been issued.
- 2.2 Taste has no other class of authorised or issued shares.
- 2.3 Given that the number of Taste shares in issue and the rights attaching to those shares will be unaffected by the proposed conversion, the proposed conversion will have no impact on the historic net asset value, earnings, headline earnings and distributions per Taste share and should have no impact on the price at which Taste shares trade on the JSE.

3. HOLDERS OF THE COMPANY'S SECURITIES AFFECTED BY THE PROPOSED CONVERSION

The proposed conversion will affect the holders of Taste's ordinary shares who comprise the holders of all of Taste issued shares of R0.00001 each. However, the only effect on Taste shareholders will be that such holders will now become the holders of an identical number of shares of no par value.

4. MATERIAL EFFECTS OF THE PROPOSED CONVERSION OF TASTE SHAREHOLDERS

- 4.1 The proposed conversion results in the conversion of each share of R0.00001 each into a share of no par value.
- 4.2 Accordingly, after the proposed conversion, each shareholder will own the identical number of Taste shares as they held before the proposed conversion and the no par value shares they hold will represent the same proportion of the total issued share capital of Taste as the par value shares they held represented of the total issued share capital of Taste before the conversion.
- 4.3 A shareholder enjoys the same effective voting rights on a poll whether the shares in question are par value or no par value shares.
- 4.4 The proposed conversion has no other impact on any of the rights attaching to the Taste shares and the no par value shares will confer a Taste shareholder all of the same rights as they enjoyed as the holder of par value shares before the proposed conversion including (without limitation) rights to participate in the profits of Taste on winding up.

5. EVALUATION OF MATERIAL ADVERSE EFFECTS OF THE PROPOSED CONVERSION AGAINST COMPENSATION OFFERED

- 5.1 The proposed conversion has no adverse effects on Taste shareholders as they are in the same position and enjoy the same rights before and after the proposed conversion.
- 5.2 There is no compensation being offered in the context of the proposed conversion as there are no adverse effects of the proposed conversion on Taste shareholders.

HISTORICAL FINANCIAL INFORMATION OF TASTE

This annexure contains a report on the historical financial information of Taste. The information is taken from the audited financial statements of Taste which were prepared in the manner required by the Act, where applicable and in accordance with IFRS for the three years ended 29 February 2016, 28 February 2015 and 28 February 2014. The full Annual Reports for the years ended 29 February 2016, 28 February 2015 and 28 February 2014 are available for inspection at the registered office of Taste.

AUDITED SUMMARISED GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	%	Year ended 29 February 2016 R'000	Year ended 28 February 2015 R'000
	change		
Revenue	48	1 062 829	717 102*
Cost of sales		(652 865)	(432 657)*
Gross profit	44	409 964	284 445
Other income		30	796
Operating costs	93	(488 697)	(253 604)
Operating (loss)/profit	(349)	(78 703)	31 637
Investment revenue		14 597	6 465
Finance costs		(27 050)	(13 140)
(Loss)/profit before taxation	(465)	(91 156)	24 962
Taxation		17 055	(8 813)
(Loss)/profit for the period	(559)	(74 101)	16 149
Other comprehensive income		-	-
Non-controlling interest		(1 705)	(531)
Total comprehensive (loss)/income for the period	(585)	(75 806)	15 618
Attributable to:			
Equity holders of the company	(585)	(75 806)	15 618
(Loss)/earnings per share attributable to equity holders of the company			
(Loss)/earnings per share (cents)	(451)	(24.2)	6.9
Diluted (loss)/earnings per share (cents)	(451)	(23.9)	6.8
Dividends declared per share (cents)		-	6.5

* The 2015 revenue and cost of sales have been reduced by R6.6 million respectively, which represents the marketing royalties on corporate owned stores that were not eliminated from revenue and cost of sales respectively. This restatement has had no impact on the 2015 profit.

AUDITED SUMMARISED GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	29 February 2016 R'000	28 February 2015 R'000
ASSETS		
Non-current assets	531 628	349 596
Property, plant and equipment ⁽¹⁵⁾	159 767	104 057*
Intangible assets ⁽¹⁶⁾	117 180	93 236*
Goodwill ⁽¹⁷⁾	108 967	112 090
Net investment in finance lease ⁽¹⁸⁾	10 742	–
Other financial assets ⁽¹⁹⁾	78 324	26 566
Deferred tax ⁽²⁰⁾	56 648	13 647
Non-current assets held for sale ⁽²¹⁾	3 459	7 178
Current assets	593 319	407 493
Inventories ⁽²²⁾	289 245	234 355
Net investment in finance lease ⁽¹⁸⁾	459	–
Trade and other receivables ⁽²³⁾	88 996	97 577
Current tax receivables	3 610	3 024
Advertising levies	5 444	8 255
Other financial assets ⁽¹⁹⁾	2 921	1 399
Cash and cash equivalents ⁽²⁴⁾	202 644	62 883
Total assets	1 128 406	764 267
EQUITY AND LIABILITIES		
Equity attributable to holders of company	654 652	418 573
Share capital	4	3
Retained earnings	37 239	132 212
Share premium ⁽²⁵⁾	611 188	282 634
Equity-settled share-based payment reserve	6 221	3 724
Non-controlling interest	1 174	(531)
Non-current liabilities	295 802	165 565
Borrowings ⁽²⁶⁾	248 906	130 757
Lease equalisation ⁽²⁷⁾	6 517	2 117
Deferred tax	40 379	32 691
Current liabilities	176 778	180 660
Current tax payable	3 805	751
Bank overdrafts ⁽²⁴⁾	32 148	18 142
Borrowings ⁽²⁶⁾	6 984	3 568
Balance due to vendors	–	1 000
Lease equalisation ⁽²⁷⁾	4 495	1 312
Other financial liabilities ⁽²⁹⁾	–	15 000
Trade and other payables ⁽²⁸⁾	129 346	140 887
Total equity and liabilities	1 128 406	764 267
Number of shares in issue ('000) ⁽¹⁴⁾	374 917	263 464
Net asset value per share (cents)	174.9	158.7
Net tangible asset value per share (cents) ⁽³⁰⁾	120.6	90.2

* In 2015, computer software amounting to R1.3 million was reclassified as Intangible assets. This computer software was previously reflected under property, plant and equipment.

AUDITED SUMMARISED GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Total share capital R'000	Equity- settled share- based payment reserve R'000	Retained earnings R'000	Total attributable to equity holders of the group R'000	Non- controlling interest R'000	Total R'000
Balance at 1 March 2014	2	94 545	94 547	1 772	128 624	224 943	–	224 943
Share issue	1	186 912	186 913	–	–	186 913	–	186 913
Options exercised	–	1 177	1 177	–	–	1 177	–	1 177
Dividends paid	–	–	–	–	(12 561)	(12 561)	–	(12 561)
Share-based payment reserve	–	–	–	1 952	–	1 952	–	1 952
Comprehensive income for the period	–	–	–	–	16 149	16 149	(531)	15 618
Balance at 1 March 2015	3	282 634	282 637	3 724	132 212	418 573	(531)	418 042
Share issue ⁽²⁵⁾	1	325 207	325 208	–	–	325 208	–	325 208
Options exercised	–	3 347	3 347	–	–	3 347	–	3 347
Dividends paid	–	–	–	–	(19 167)	(19 167)	–	(19 167)
Share-based payment reserve	–	–	–	2 497	–	2 497	–	2 497
Comprehensive loss for the period	–	–	–	–	(75 806)	(75 806)	1 705	(74 101)
Balance at 29 February 2016	4	611 188	611 192	6 221	37 239	654 652	1 174	655 826

AUDITED SUMMARISED GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

	29 February 2016 R'000	28 February 2015 R'000
Cash flows from operating activities	(140 864)	26 216
Cash (utilised in)/generated by operating activities ⁽³¹⁾	(93 479)	58 553
Investment revenue ⁽⁹⁾	14 597	6 465
Finance costs ⁽¹⁰⁾	(27 050)	(13 140)
Dividends paid	(19 142)	(12 532)
Taxation paid	(15 790)	(13 130)
Cash flows from investing activities	(183 408)	(211 175)
Acquisition of property, plant and equipment ⁽³²⁾	(77 865)	(74 635)
Proceeds on disposals of property, plant and equipment	382	270
Acquisition of non-current asset held-for-sale	(4 587)	(7 178)
Disposal of non-current asset held-for-sale	319	–
Acquisition of business ⁽³³⁾	(4 378)	(115 512)
Investment in finance lease ⁽¹⁸⁾	(11 201)	–
Loans advanced ⁽¹⁹⁾	(57 098)	(15 253)
Loans repaid ⁽¹⁹⁾	3 818	6 429
Acquisition of intangible assets ⁽¹⁶⁾	(32 798)	(5 296)
Cash flows from financing activities	450 119	236 223
Proceeds from issue of shares ⁽¹⁴⁾	328 554	179 590
Loans raised ⁽¹⁰⁾	119 000	125 000
Loans paid	2 565	(68 367)
Change in cash and cash equivalents	125 847	51 264
Cash acquired from business acquisition	(92)	(14 171)
Cash and cash equivalents at beginning of the period	44 741	7 648
Cash and cash equivalents at end of the period	170 496	44 741

AUDITED SUMMARISED GROUP CONSOLIDATED SEGMENTAL REPORT

	Food division	Luxury goods division	Corporate services	Inter- segment division revenues	Total
	R'000	R'000	R'000	R'000	R'000
Year ended 29 February 2016					
Revenue	544 291	570 509	12 249	(64 220)	1 062 829
Operating profit/(loss)	(111 019)	53 565	(21 249)	–	(78 703)
Investment revenue	5 693	658	35 594	(27 348)	14 597
Finance costs	(20 079)	(11 423)	(22 896)	27 348	(27 050)
(Loss)/profit before taxation	(125 405)	42 800	(8 551)	–	(91 156)
Segment depreciation and amortisation	(20 893)	(6 573)	(1 654)	–	(29 120)
Segment assets	497 017	416 219	215 170	–	1 128 406
Segment liabilities	129 434	212 378	130 768	–	472 580
Segment capital expenditure	67 064	11 652	40	–	78 756
EBITDA	(90 126)	60 139	(19 596)	–	(49 583)
Year ended 28 February 2015					
Revenue	397 778	319 324	10 353	(10 353)	717 102
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 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	72 307	12 791	33	–	85 131
EBITDA	15 423	46 092	(14 810)	–	46 705

NOTES TO THE FINANCIAL INFORMATION

1. Reconciliation of headline earnings

	%	Year ended 29 February 2016 R'000	Year ended 28 February 2015 R'000
	change		
Reconciliation of headline (loss)/earnings:			
(Loss)/earnings attributable to ordinary shareholders	(585)	(75 806)	15 618
Adjusted for:			
Impairment losses		14 812	–
Loss/(profit) on sale of property, plant and equipment and non-current assets available for sale		1 259	(246)
Tax effect		(235)	46
Headline (loss)/earnings attributable to ordinary shareholders	(489)	(59 970)	15 418
Weighted average shares in issue ('000)		312 615	225 225
Weighted average diluted shares in issue ('000)		316 766	230 879
(Loss)/earnings per share (cents)	(451)	(24.2)	6.9
Diluted (loss)/earnings per share (cents)	(451)	(23.9)	6.8
Headline (loss)/earnings per share (cents)	(382)	(19.2)	6.8
Diluted headline (loss)/earnings per share (cents)	(38)	(18.9)	6.7
Core headline earnings ⁽²⁾	(87)	4 740	36 181
Core headline earnings per share (cents)	(91)	1.5	16.1

2. Core earnings

As with previous years the group discloses core/normalised earnings. The company uses this core earnings measure to internally evaluate operating performance, to evaluate itself against its peers, and to determine future performance targets and long-range planning. Additionally, the company believes that stakeholders covering the company's performance also utilise a similar measure. Taste will disclose this financial measure for as long as it is relevant to stakeholders. The determination of core earnings as a financial measure is unaudited, however it is based on the audited results.

Core earnings exclude Domino's and Starbucks costs, and other once-off costs and revenues. Domino's costs include upfront costs relating to the launching of the Domino's brand, the establishment of dough production and distribution facilities (including the temporary Domino's ingredient subsidy as ingredient suppliers and specifications are localised) and the conversion of the Scooters Pizza and St. Elmo's stores to Domino's stores which includes opening corporate owned training stores required for the conversion and the interest thereon. Starbucks costs include costs incurred with regards to establishing the Starbucks brand in South Africa such as initial training and travel; employment costs of a dedicated Starbucks team well in advance of the first store opening; pre-opening marketing and market research; and establishing IT and other infrastructure.

The group anticipates that the once-off and up-front costs relating to the Domino's project will continue to be excluded from core earnings until the conversion of Scooters Pizza and St Elmo's stores to Domino's is complete and will not be material to the group for the year ending 28 February 2017. Starbucks costs will continue to be incurred in the next financial year and it is anticipated that the exclusion from core earnings will not be material beyond the year ending 28 February 2017.

The detail of the reconciliation to core earnings is disclosed with reference to this note 2, and the table below:

SUMMARISED GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
RECONCILIATION TO CORE EARNINGS

	Core earnings % change	Year ended 29 February 2016 R'000	Core earnings adjustment 2016 R'000	Core earnings 29 February 2016 R'000	Core earnings 28 February 2015 R'000
Revenue ⁽³⁾ ⁽⁴⁾	41	1 062 829	(52 100)	1 010 729	717 102
Cost of sales ⁽³⁾		(652 865)	52 100	(600 765)	(432 657)
Gross profit ⁽⁵⁾	44	409 964	–	409 964	284 445
Other income		30	–	30	796
Operating costs ⁽⁶⁾	71	(459 577)	96 854	(362 723)	(212 083)
EBITDA ⁽⁷⁾	(35)	(49 583)	96 854	47 271	73 158
Amortisation and depreciation ⁽⁸⁾	(82)	(29 120)	1 648	(27 472)	(15 068)
Operating (loss)/profit	(66)	(78 703)	98 502	19 799	58 090
Investment revenue ⁽⁹⁾	126	14 597	–	14 597	6 465
Finance costs ⁽¹⁰⁾	101	(27 050)	3 375	(23 675)	(11 794)
(Loss)/profit before taxation	(80)	(91 156)	101 877	10 721	52 761
Taxation ⁽¹¹⁾		17 055	(21 638)	(4 583)	(15 849)
(Loss)/profit for the period	(83)	(74 101)	80 239	6 138	36 912
Other comprehensive income		–	–	–	–
Minority shareholders ⁽¹²⁾		(1 705)	–	(1 705)	(531)
Total comprehensive (loss)/income for the period	(88)	(75 806)	80 239	4 433	36 381
Attributable to:					
Equity holders of the company	(88)	(75 806)	80 239	4 433	36 381
(Loss)/earnings per share attributable to equity holders of the company					
(Loss)/earnings per share (cents)	(91)	(24.2)	25.7	1.4	16.2
Diluted (loss)/earnings per share (cents)	(91)	(23.9)	25.3	1.4	15.8
Dividends declared per share (cents)		–	–	–	6.5
Reconciliation of headline earnings:					
(Loss)/earnings attributable to ordinary shareholders	(88)	(75 806)	80 239	4 433	36 381
Adjusted for:					
Impairment losses ⁽¹³⁾		14 812	(14 812)	–	–
Loss/(profit) on sale of property, plant and equipment and non-current assets available for sale ⁽¹³⁾		1 259	(882)	377	(246)
Tax effect		(235)	164	(70)	46
Headline (loss)/earnings attributable to ordinary shareholders	(87)	(59 970)	64 710	4 740	36 181
Weighted average shares in issue ('000) ⁽¹⁴⁾		312 615	312 615	312 615	225 225
Weighted average diluted shares in issue ('000) ⁽¹⁴⁾		316 766	316 766	316 766	230 879
(Loss)/earnings per share (cents)	(91)	(24.2)	25.7	1.5	16.2
Diluted (loss)/earnings per share (cents)	(91)	(23.9)	25.3	1.4	15.8
Headline (loss)/earnings per share (cents)	(91)	(19.2)	20.7	1.5	16.1
Diluted headline (loss)/earnings per share (cents)	(90)	(18.9)	20.4	1.5	15.7

CONDENSED GROUP CONSOLIDATED SEGMENTAL REPORT OF CORE EARNINGS

	%	29 February 2016	28 February 2015
	change	R'000	R'000
Core revenue			
Food ⁽⁴⁾	24	492 191	397 778
Luxury goods ⁽⁴⁾	79	570 509	319 324
Corporate Services	18	12 249	10 353
Inter-segment revenues	520	(64 220)	(10 353)
Core group revenue	41	1 010 729	717 102
Core EBITDA			
Food ⁽⁷⁾	(113)	(4 578)	36 076
Luxury goods ⁽⁷⁾	42	69 600	49 055
Corporate Services ⁽⁶⁾	48	(17 750)	(11 972)
Core group EBITDA ⁽⁷⁾	(35)	47 272	73 159
Core operating profit			
Food	(188)	(23 823)	27 153
Luxury goods	41	63 027	44 582
Corporate Services	42	(19 404)	(13 644)
Core group operating profit	(66)	19 799	58 091

Core revenue and costs of sales exclude the contribution made to franchisees for the conversion of their stores to Domino's. The tax on the core earnings adjustment is calculated only on expenses that are deductible for taxation purposes.

The operating cost core adjustment is made up as follows:

	2016	2015
	R'000	R'000
Domino's Pizza		
Establishing specialised national training teams	9 836	6 827
Pre-opening expenses	2 779	7 229
Ongoing project management fees and other non-recurring costs	8 317	4 940
Temporary ingredient subsidy. This subsidy is no longer in place	12 322	–
Lost income as stores close for conversion	2 932	–
Upfront conservative provision for bad debts made against the contribution made to franchisees to convert their Scooters and St Elmo's stores to Domino's (see note 19 below)	15 175	–
Impairments to the Scooters and St Elmo's marketing funds as the Scooters and St Elmo's brands are converted to Domino's stores	5 751	–
Impairment of Scooters Pizza and St Elmo's intangible assets and goodwill (see note 13 below)	5 566	–
Total Domino's costs	62 678	18 996
Starbucks once-off costs		
Employment and recruitment costs of dedicated Starbucks team ahead of opening	4 333	–
Travel expenses relating to training of Starbucks	2 829	–
Ongoing project management costs	1 172	–
Total Starbucks costs	8 334	–
Other once-off costs		
Legal fees pertaining to the Fish & Chip Co litigation (see note 34)	2 869	677
Additional purchase consideration for Arthur Kaplan and other transaction costs (see note 29)	4 615	1 739
Lease smoothing (see note 27)	8 231	3 429
Exit of corporate stores (see note 13)	10 128	–
Total other once-off costs	25 843	5 845

3. The prior period (“2015” or “prior year”) revenue and cost of sales have been reduced by R6.6 million respectively, which represents the marketing royalties on corporate owned stores that were not eliminated from revenue and cost of sales respectively. This restatement has had no impact on the 2015 profit.
4. Both divisions contributed to the 41% increase in group core revenue for the year ended 29 February 2016 (“the current period” or “2016”).
 - The 24% increase in the core revenue of the Food Division is due mainly to the increase in corporate store ownership. The division owned and operated 35 stores at the end of 2016, nine of which have since been sold, closed or are being closed (2015: 18 stores).
 - The 79% increase in core revenue in the Luxury Goods Division is due mainly to the acquisition of Arthur Kaplan and World’s Finest Watches in November 2014, which revenue is not directly comparable to the prior period.
5. Core gross profit increased by 44% over 2015 and core gross profit margin improved to 40.6% (2015: 39.6%). This increase is as a direct result of owning and operating more corporate stores in both divisions in 2016.
6. Both divisions contributed equally to the increase in core group operating costs in addition to an increase of R5.8 million in corporate services. Core group operating costs as a percentage of revenue increased to 35.9% (2015: 29.6%) mainly due to the increase in core costs in the Food Division consequent to the establishment of the two dough manufacturing facilities (which are not comparable to the prior period); the move to a new food distribution facility in Midrand; and additional corporate stores (26 of which are Dominos stores), when compared to the prior period. This resulted in core costs as percentage of revenue in the Food Division increasing to 40% (2015: 26%). The Luxury Goods Division’s core cost increase was mainly due to the costs associated with the Arthur Kaplan business, which are not comparable to the prior period as this business was acquired in November 2014. Notwithstanding this increase, core costs as a percentage of its revenue for the Luxury Goods Division remained unchanged at 29%.
7. The company uses core earnings before interest, taxation, depreciation and amortisation (“EBITDA”) as a key internal measure to evaluate performance; for peer group comparisons; for performance targets and to determine long-range planning. For the current period core EBITDA decreased by 35% to R47.2 million (2015: R73.1 million). This is predominantly due to the decline in the core EBITDA of the Food Division as a result of the increase in core costs as outlined in note 6 above. The core EBITDA of the Luxury Goods Division increased by 42% and is attributable to the Arthur Kaplan acquisition. Arthur Kaplan currently trades at a lower core EBITDA margin than the NWJ business and this together with the decline in core EBITDA of the Food Division contributed to the group core EBITDA margin declining to 4.7% (2015: 10.2%).
8. The increase of R12.4 million in depreciation and amortisation is a result of the group owning more corporate stores, in particular Domino’s Pizza outlets (see note 4) as well as operating the new food distribution and dough manufacturing facilities in Midrand and Cape Town, which began operating fully in 2016.
9. The increase in investment revenue is consequent to cash raised as follows during the current period:
 - R94.7 million cash raised via a specific issue and a general issue of shares for cash in April 2015. Shareholders are referred to the SENS announcement released on 21 April 2015 for further details;
 - As part of its R1 billion Domestic Medium Term Note (“DMTN”) programme, Taste issued further notes to the value of R100 million during the current period. This capital raised is complementary to the capital raised through the equity issue as detailed above; and
 - R226 million raised through a fully subscribed rights offer in November 2015. Shareholders are referred to the announcement released on SENS on 13 October 2015 for further details.
10. The difference in the finance cost is attributable to the inaugural issue of R125 million notes on 30 July 2014 under the group’s DMTN programme, as well as the additional R100 million notes issued during the current period.
11. The group’s core effective tax rate for the current period is 42.7% due to once-off and continuing non-deductible expenses related to capital projects.
12. This relates to a shareholding by the Luxury Goods Division of 58% in a company that owns four NWJ stores.
13. These impairments are once-off and relate to:
 - R5.6 million impairment of Scooters Pizza and St Elmo’s intangible assets and goodwill due to the conversion of these brands to Domino’s Pizza stores (there were still Scooters and St Elmo’s outlets trading at year end); and
 - R10.1 million (includes R0.9 million loss on sale of asset) impairment of non-current assets held for sale and certain goodwill and intangibles relating to The Fish & Chip Co and Maxi’s stores consequent to the decision made to exit corporate store ownership in Maxi’s and The Fish & Chip Co, focussing instead exclusively on Starbucks and Domino’s corporate outlets.
14. The change in the weighted average number of shares in issue is as a result of:
 - 31 073 773 shares issued during the period at R3.05 per share on 21 April 2015, 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;

- 1 726 727 shares issued in the current period to the Arthur Kaplan vendors at R3.33 per share as part payment of the additional purchase price consideration in terms of the purchase and sale agreement (see note 29);
 - 75 464 476 shares issued in the current period at R3.00 per share in terms of a fully subscribed rights offer to shareholders; and
 - Share options exercised by participants of the Taste Holdings Limited share option scheme.
15. The increase of R55 million in property, plant and equipment over the prior year relates to the following capital expenditures:
 - Acquisition and construction of corporate stores opened in the Food and Luxury Goods Divisions. As stated in note 4, the group now operates more outlets than it did in the prior year; and
 - Establishing the new distribution and dough manufacturing facilities in Midrand and Cape Town which included the purchase of the property on which the Midrand facility is situated on. The purchase price of this property amounted to R19 million.
 16. The increase in intangible assets over the prior year mainly relates to:
 - The license fees for securing a 25-year exclusive development agreement to develop Starbucks Coffee Company (“Starbucks”) outlets in South Africa; and
 - A portion of (R24.3 million) the contributions made to Scooters and St Elmo’s franchisees for the conversion of their stores to Domino’s (The other portion of these contributions is accounted for under other financial assets see note 19 below).
 17. The decrease in goodwill from the prior year is attributable mainly to the impairment of the goodwill relating to the St Elmo’s brand as this brand will be converted into Domino’s Pizza.
 18. This amount represents the value of ovens and other pizza equipment being leased to franchisees that have converted their store to Domino’s Pizza.
 19. Other financial assets consist of:
 - Loans made to marketing funds of brands within the group, including pre-funding the Domino’s marketing fund through a loan to launch the brand in South Africa.
 - Extended payment terms given to franchisees of the group, including a portion of the contributions made to Scooters and St Elmo’s franchisees for the conversion of their stores to Domino’s. This portion amounted to R20.8 million at year end. In terms of IFRS the other portion of this contribution is disclosed under intangible assets and amounts to R24.3 million. As at 29 February 2016, 59 stores had been converted.
 20. The increase in the deferred tax asset is due to the IFRS loss before tax incurred by the Food Division.
 21. Periodically the group will operate outlets where the short term intention is to sell them to franchisees. The decrease in this balance from the prior year is consequent to the decision made to exit corporate store ownership in Maxi’s and The Fish & Chip Co to focus exclusively on Domino’s and Starbucks corporate stores (see note 13). As a result these stores have been closed or are in the process of being closed. At year-end the group operated nine such outlets that have subsequently been sold, closed or are being closed.
 22. The increase of R55 million in inventories comprises mainly of:
 - R34 million of jewellery and watch inventory, commensurate to the increase in the Luxury Goods business;
 - R19 million of equipment inventory required for the Domino’s store conversions. This inventory is imported and is secured in advance due to the lead time required to manufacture and deliver this inventory to South Africa.
 23. Included in trade receivables in the prior year is a receivable amounting to R20 million that pertains to the Fish & Chip Co litigation that has been fully settled in the current period. Excluding this R20 million, the increase in trade and other receivables over 2015 amounts to R11.4 million.
 24. The increase in the cash balances is due to the equity and debt raised during the year (see note 9).
 25. The increase in share premium from the prior year is consequent to the shares issued per note 14.
 26. The increase in borrowings from the prior year is due to the additional notes issued under the DMTN programme (see note 10).
 27. With the substantial increase in additional corporate store ownership across both divisions, lease rentals are now a material expense to the group and the lease smoothing charge in terms of IAS17 is separately disclosed. This is a non-cash item and is excluded from core earnings.
 28. The trade and other payables in the prior year includes a payable amounting to R17.2 million that relates to the Fish & Chip Co litigation. This litigation has been fully settled in the current year. Excluding this R17.2 million, the increase in trade and other payables over 2015 amounts to R5.7 million.

29. In terms of the Arthur Kaplan purchase and sale agreement an additional purchase consideration was payable to the Arthur Kaplan sellers if the profit after tax of Arthur Kaplan for the period from 1 July 2014 to 30 June 2015 exceeded 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. This additional purchase consideration amounted to R17.4 million, R15 million of which was raised as a financial liability at 28 February 2015. In terms of IFRS, this R2.4 million difference has been expensed in the income statement. It has been included in the core earnings adjustment. R5.8 million of the additional purchase consideration was discharged by the issue of 1 726 727 Taste shares to the Arthur Kaplan vendors at R3.33 per share in accordance with the purchase and sale agreement and the remainder was settled in cash in September 2015. In terms of IFRS, the difference between the agreed price of R3.33 and the price on the date the shares were issued, amounts to R2.2 million and has been expensed to the income statement. It has also been included in the core earnings adjustment.
30. Net tangible asset value per share is calculated by excluding goodwill, intangible assets and the deferred taxation liability relating to intangible assets, from net asset value.
31. 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 the settlement of the R15 million financial liability to the Arthur Kaplan sellers as described above. Excluding the effect of these two factors, the group cash conversion ratio is 16% of core EBITDA (2015: 79%). The decline in the ratio is mainly attributable to the increase in jewellery inventory.
32. Property, plant and equipment purchased during the current period pertains mainly to capex incurred to open Domino's outlets; the capital investment made in establishing the new distribution and dough manufacturing facilities in Midrand and Cape Town including the purchase of the Midrand property (see note 15).
33. During the year the group concluded the following acquisitions:

Acquisition of Arthur Kaplan

Goodwill arose on the acquisition of Arthur Kaplan on 27 November 2014 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. This goodwill amounted to R20.3 million. The purchase price allocation was provisionally accounted for in the prior year in accordance with IFRS 3. This purchase consideration has now been finalised and there has been no change to goodwill.

According to the purchase and sale agreement, an additional purchase consideration was payable if the profit after tax of Arthur Kaplan for the period from 1 July 2014 to 30 June 2015 exceeded R12.386 million. This additional consideration was 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 the purchaser will be excluded from this calculation. This additional purchase consideration amounted to R17.4 million, R15 million of which was raised as a financial liability at 28 February 2015. In terms of IFRS, this difference of R2.4 million has been expensed into profit and loss.

Acquisition of NWJ stores

During the year, NWJ acquired the assets of two franchised stores. The rationale for this acquisition is consistent with the brand'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 cost 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. The fair value of assets and liabilities acquired is set out below:

	R'000
Property, plant and equipment	891
Inventory	1 019
Bank overdraft	(93)
Fair value of assets acquired	1 817
Consideration paid	(1 870)
In cash	(1 224)
Balance owed by vendors	(646)
Goodwill acquired	(53)

During the period that these two stores were owned/operated by NWJ, they contributed R4.6 million to revenue and R0.5 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.

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

Acquisition of Scooters Pizza stores

During the year, the Food Division acquired the business of five food outlets in order to expand its corporate store footprint. These stores were immediately converted to Domino's Pizza corporate stores. The fair value of assets and liabilities acquired is set out below:

	R'000
Intangible assets	2 508
Fair value of assets acquired	2 508
Consideration paid	(2 508)
In cash	(1 782)
Balance owed by vendors	(726)
Goodwill acquired	–

34. As announced on SENS the litigation with the vendors of The Fish & Chip Co was amicably settled on 5 August 2015 and all actions between the parties have been withdrawn. The net trade receivable relating to this litigation, which was included in the prior year trade receivables and trade payables (see notes 23 and 28), equates to R2.8 million, was written off in the current period and has been included in the core earnings adjustment.
35. As announced in October 2015, all legal proceedings against, *inter alia*, Taste, Taste Food Franchising Proprietary Limited ("TFF"), a wholly owned subsidiary of Taste Holdings Limited and Domino's Pizza International Inc. have been unconditionally and irrevocably withdrawn against Taste, TFF and Domino's on the basis that same have become fully and finally settled.

AUDITED SUMMARISED GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	%	28 February 2015 R'000	28 February 2014 R'000
	change		
Revenue	24	723 705	582 782
Cost of sales		(439 260)	(351 165)
Gross profit	23	284 445	231 617
Other income		796	956
Operating costs	39	(253 604)	(182 855)
Operating profit	(36)	31 637	49 718
Investment revenue		6 465	2 496
Finance costs		(13 140)	(7 889)
Profit before taxation	(44)	24 962	44 325
Taxation		(8 813)	(13 945)
Profit for the year	(47)	16 149	30 380
Other comprehensive income		–	–
Non-controlling interest		(531)	–
Total comprehensive income for the year	(49)	15 618	30 380
Attributable to:			
Equity holders of the company	(49)	15 618	30 380
Earnings per share attributable to equity holders of the company			
Earnings per share (cents)*	(55)	6.9	15.4
Diluted earnings per share (cents)*	(54)	6.8	14.9
Dividends declared per share (cents)	5	6.5	6.2

* In terms of IAS 33 the per share calculations for the comparative period have been adjusted downwards by 0.2 cents. This is due to the retrospective adjustment for the rights offer undertaken during the 2015 financial year. The adjustment to the weighted average number of shares in issue increased by 2.4 million shares to reflect the discount given to shareholders in the rights offer.

AUDITED SUMMARISED GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	28 February 2015 R'000	28 February 2014 R'000
ASSETS		
Non-current assets	349 596	201 288
Property, plant and equipment ⁽¹⁴⁾	105 369	29 776
Intangible assets ⁽¹⁵⁾	91 924	79 545
Goodwill ⁽¹⁶⁾	112 090	78 756
Other financial assets ⁽¹⁷⁾	26 566	11 910
Deferred tax	13 647	1 301
Non-current assets held for sale ⁽¹⁸⁾	7 178	–
Current assets	407 493	229 406
Inventories ⁽¹⁹⁾	234 355	116 856
Trade and other receivables ⁽²⁰⁾	97 577	74 712
Current tax receivables	3 024	2 949
Advertising levies	8 255	1 618
Other financial assets ⁽¹⁷⁾	1 399	7 230
Cash and cash equivalents	62 883	26 041
Total assets	764 267	430 694
EQUITY AND LIABILITIES		
Equity attributable to holders of company	418 573	224 943
Share capital	3	2
Share premium ⁽²¹⁾	282 634	94 545
Retained earnings	132 212	128 624
Equity-settled share-based payment reserve	3 724	1 772
Non-controlling interest ⁽¹¹⁾	(531)	–
Non-current liabilities	165 565	77 924
Borrowings ⁽²²⁾	130 757	57 422
Lease equalisation ⁽²³⁾	2 117	–
Deferred tax	32 691	20 502
Current liabilities	180 660	127 827
Current tax payable	751	809
Advertising levies	–	1 198
Bank overdrafts	18 142	18 393
Borrowings ⁽²²⁾	3 568	17 845
Balance due to vendors	1 000	1 000
Lease equalisation ⁽²³⁾	1 312	–
Provisions	250	250
Dividends payable	84	55
Other financial liabilities ⁽²⁶⁾	15 000	–
Trade and other payables ⁽²⁰⁾	140 553	88 277
Total equity and liabilities	764 267	430 694
Number of shares in issue ('000) ⁽¹³⁾	263 464	199 304
Net asset value per share (cents)	158.7	112.9
Net tangible asset value per share (cents) ⁽²⁴⁾	90.2	44.0

AUDITED SUMMARISED GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Total share capital 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 R'000
Balance as at 28 February 2013	2	80 101	80 103	972	108 171	189 246	–	189 246
Share issue	–	13 837	13 837	–	–	13 837	–	13 837
Options exercised	–	607	607	–	–	607	–	607
Dividends paid	–	–	–	–	(9 927)	(9 927)	–	(9 927)
Share based payment reserve	–	–	–	800	–	800	–	800
Total comprehensive income for the year	–	–	–	–	30 380	30 380	–	30 380
Balance at 1 March 2014	2	94 545	94 547	1 772	128 624	224 943	–	224 943
Share issue ⁽²¹⁾	1	186 912	186 913	–	–	186 913	–	186 913
Options exercised	–	1 177	1 177	–	–	1 177	–	1 177
Dividends paid	–	–	–	–	(12 561)	(12 561)	–	(2 561)
Share based payment reserve	–	–	–	1 952	–	1 952	–	1 952
Total comprehensive income for the year	–	–	–	–	16 149	16 149	(531)	15 618
Balance at 28 February 2015	3	282 634	282 637	3 724	132 212	418 573	(531)	418 042

AUDITED SUMMARISED GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

	28 February 2015 R'000	28 February 2014 R'000
Cash flows from operating activities	26 216	13 383
Cash generated by operating activities ⁽²⁵⁾	58 553	42 832
Investment revenue ⁽⁸⁾	6 465	2 496
Finance costs ⁽⁹⁾	(13 140)	(7 889)
Dividends paid	(12 532)	(9 910)
Taxation paid	(13 130)	(14 146)
Cash flows from investing activities	(211 175)	(46 748)
Acquisition of property, plant and equipment ⁽¹⁴⁾	(75 036)	(16 807)
Proceeds on disposals of property, plant and equipment	270	600
Acquisition of non-current asset held-for-sale ⁽¹⁸⁾	(7 178)	–
Acquisition of business ⁽²⁶⁾	(115 512)	(20 478)
Loans advanced	(15 253)	(10 973)
Loans repaid	6 429	2 149
Acquisition of intangible assets ⁽¹⁵⁾	(4 895)	(1 239)
Cash flows from financing activities	236 223	33 845
Decrease in long-term employee benefits	–	(126)
Proceeds from issue of shares ⁽²¹⁾	179 590	14 444
Loans raised ⁽²²⁾	125 000	25 300
Loans paid ⁽²²⁾	(68 367)	(5 773)
Change in cash and cash equivalents	51 264	480
Cash acquired from business acquisition	(14 171)	–
Cash and cash equivalents at beginning of the year	7 648	7 168
Cash and cash equivalents at end of the year	44 741	7 648

AUDITED SUMMARISED GROUP CONSOLIDATED SEGMENTAL REPORT

	Food division	Luxury goods division	Corporate services	Inter- segment division revenues	Total
Year ended 29 February 2015	R'000	R'000	R'000	R'000	R'000
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 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

Year ended 28 February 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 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

NOTES TO THE FINANCIAL INFORMATION

1. Reconciliation of headline earnings

	%	28 February 2015 R'000	28 February 2014 R'000
	change		
Reconciliation of headline earnings:			
Earnings attributable to ordinary shareholders	(49)	15 618	30 380
Adjusted for:			
Impairment losses		–	1 223
Profit on sale of property, plant and equipment and non-current assets available for sale		(246)	(310)
Tax effect on headline earnings adjustments		46	(66)
Headline earnings attributable to ordinary shareholders	(51)	15 418	31 227
Adjusted for:			
Legal fees		676	1 159
Once-off costs of the distribution business		–	903
Transaction costs and other once-off costs		5 168	–
Once-off and upfront Domino's Pizza costs and prior year revenue adjustment		21 955	(2 770)
Tax effect on core earnings adjustments		(7 036)	523
Core headline earnings	(17)	36 181	31 042
Weighted average shares in issue ('000)*		225 225	197 245
Weighted average diluted shares in issue ('000)*		230 879	203 389
Earnings per share (cents)*	(55)	6.9	15.4
Diluted earnings per share (cents)*	(54)	6.8	14.9
Headline earnings per share (cents)*	(57)	6.8	15.8
Diluted headline earnings per share (cents)*	(56)	6.7	15.3
Core headline earnings per share (cents)*	3	16.1	15.7

* In terms of IAS 33 the per share calculations for the comparative period have been adjusted downwards by 0.2 cents. This is due to the retrospective adjustment for the rights offer undertaken during the 2015 financial year. The adjustment to the weighted average number of shares in issue increased by 2.4 million shares to reflect the discount given to shareholders in the rights offer.

2. Core earnings

As with previous years the group discloses core/normalised earnings. The company uses this core earnings measure to internally evaluate operating performance, to evaluate itself against its peers, and to determine future performance targets and long-range planning. Additionally, the company believes that stakeholders covering the company's performance also utilise a similar measure. Taste will disclose this financial measure for as long as it is relevant to stakeholders. The detail of the reconciliation to core earnings is disclosed with reference to notes 2 and 23, and the table below.

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 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 significant categories of this expenditure are: [1] international and local costs associated with establishing specialised national training teams for the conversion of the stores (R9.9 million); [2] pre-opening expenses and non-recurring up-front freight (R5.7 million); and [3] ongoing project management fees and other non-recurring costs (R5.0 million).

The group anticipates that the once-off and up-front costs relating to the Domino's project will continue to be excluded from core earnings until the conversion of Scooters Pizza and St Elmo's stores to Domino's Pizza is complete, anticipated in February 2016. During the current period R2.4 million of non-recurring costs were incurred relating to transaction and legal fees related to capital projects.

The group's core revenue for the year ended 28 February 2014 ("the prior period" or "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 ("MFA") in April 2014. The taxation in the prior period has also been adjusted accordingly.

SUMMARISED GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

RECONCILIATION TO CORE EARNINGS

	Core earnings % change	Actual 28 February 2015 R'000	Core earnings adjustment 2015 R'000	Core earnings 28 February 2015 R'000	Core earnings 28 February 2014 R'000
Revenue ^{(3) (4)}	25	723 705	–	723 705	580 012
Cost of sales		(439 260)	–	(439 260)	(351 165)
Gross profit ⁽⁵⁾	24	284 445	–	284 445	228 847
Other income		796	–	796	956
Operating costs ⁽⁶⁾	26	(253 604)	26 453	(227 151)	(180 793)
Operating profit	19	31 637	26 453	58 090	49 010
Investment revenue ⁽⁸⁾	159	6 465	–	6 465	2 496
Finance costs ⁽⁹⁾	49	(13 140)	1 346	(11 794)	(7 889)
Profit before taxation	21	24 962	27 799	52 761	43 617
Taxation ⁽¹⁰⁾		(8 813)	(7 036)	(15 849)	(13 422)
Profit for the year	22	16 149	20 763	36 912	30 195
Other comprehensive income		–	–	–	–
Non-controlling interest ⁽¹¹⁾		(531)	–	(531)	–
Total comprehensive income for the year	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) ⁽¹²⁾	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)* ⁽¹³⁾		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

* In terms of IAS 33 the per share calculations for the comparative period have been adjusted downwards by 0.2 cents. This is due to the retrospective adjustment for the rights offer undertaken during the 2015 financial year. The adjustment to the weighted average number of shares in issue increased by 2.4 million shares to reflect the discount given to shareholders in the rights offer.

SUMMARISED GROUP CONSOLIDATED SEGMENTAL REPORT OF CORE EARNINGS

		28 February 2015 R'000	28 February 2014 R'000
	%		
	change		
Core revenue			
Food ⁽²⁷⁾	10	398 782	362 053
Luxury Goods ⁽²⁸⁾	42	324 923	229 289
Corporate Services ⁽²⁹⁾	(36)	10 353	16 242
Inter-segment revenues ⁽³⁰⁾	(62)	(10 353)	(27 572)
Group core revenue ⁽⁴⁾	25	723 705	580 012
Core EBITDA ⁽⁷⁾			
Food ^{(7) (27)}	(6)	36 076	38 466
Luxury Goods ^{(7) (28)}	36	49 055	35 949
Corporate Services	(17)	(11 972)	(14 499)
Group core EBITDA ⁽⁷⁾	22	73 159	59 916
Core operating profit/(loss)			
Food	(16)	27 153	32 362
Luxury Goods	36	44 582	32 897
Corporate Services	(16)	(13 644)	(16 249)
Group core operating profit/(loss)	(19)	58 091	49 010

3. As Taste includes franchisee marketing funds received in its revenue, with matching cost of sales, its margins may not be directly comparable to other franchise companies that do not account for franchisee marketing funds in the same manner.
4. The 25% increase in group core revenue for the year ended 28 February 2015 ("the current period" or "2015") is attributable mainly to the increase in corporate store ownership across both divisions. In total they contributed to 85% of the increase. The majority of the balance of the increase is attributable to an increase in revenue from the food services business.
5. The core gross profit margin remained unchanged at 39% when compared to the prior period. Compared to the six months ended 31 August 2014 the gross margin improved from 37%.
6. Included in core operating costs is R15 million of depreciation and amortisation, an increase of R4.1 million from the prior period (2014: R10.9 million). 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.
7. The company uses core earnings before interest, taxation, depreciation and amortisation ("EBITDA") as a key internal measure to evaluate performance; for peer group comparisons; for performance targets and to determine long-range planning. For the current period core EBITDA increased 22% to R73.2 million (2014: R59.9 million). Core EBITDA margin for the current period remained at 10%, unchanged from both the prior period and from the year ended 28 February 2013.
 - The 36% increase in the luxury goods division core EBITDA is attributable to a combination of the Arthur Kaplan acquisition and an increase in the existing NWJ business.
 - The decline in the core EBITDA of the food division is due almost exclusively to the fewer new store openings in The Fish and Chip Co. brand and its continued soft sales performance.
8. 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 9 September 2014.
9. During the current period, Taste registered a R1 billion Domestic Medium Term Note ("DMTN") programme. On 30 July 2014, in its inaugural issue under this programme, notes were issued in aggregate of R125 million, R61 million of which was used to settle existing term debt. This bond program is more closely aligned with the groups future growth plans and is more predictable and flexible than traditional term loans. This capital raised is complementary to the capital raised through the rights offer to existing shareholders as detailed in note 13.
10. 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. The tax on the core earnings adjustment is calculated only on expenses that are deductible for taxation purposes.
11. This relates to an acquisition made by the luxury goods division of 58% in a company that owns three NWJ stores more fully detailed in note 26.

12. Historically the group has maintained a dividend cover of 2.5 times earnings per share. In consideration of 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 and the short-term (12 month) cash requirements for the foreseeable Domino's investment, the board has maintained its historical dividend cover of 2.5 times core earnings per share. While this 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.
13. The change in the weighted average number of shares in issue is as a result of:
 - 6 172 483 shares issued to fund the Zebro's Chicken acquisition, effective 1 March 2014, 2 442 792 of which were issued to the Zebro's Chicken vendors (see note 26 below)
 - 60 052 514 shares issued in terms of the rights offer to shareholders effective 29 September 2014.
14. The increase of R75.6 million in property, plant and equipment relates to the following capital expenditures:
 - acquisition and construction of corporate stores opened in the food and luxury goods divisions;
 - acquisition of equipment required for corporate stores to be opened in the food division after year-end;
 - establishing the new distribution and dough manufacturing facility in Midrand and Cape Town;
 - continuing our vehicle purchase programme in the food distribution business. This programme continues to prove its return in operational efficiencies and savings, exceeding our internal rate of return ("IRR") hurdle, and will continue, albeit at a slower pace; and
 - acquisition of Arthur Kaplan.
15. The increase in intangible assets over the prior period relates to the acquisition of Zebro's Chicken (see note 26) as well as the securing of the 30-year exclusive Master Franchise Agreement ("MFA") to develop the global Domino's Pizza brand in South Africa and six other African countries (see note 31).
16. The increase in goodwill over the prior period is attributable to the acquisition of NWJ corporate stores; the acquisition of Zebro's Chicken and the acquisition of Arthur Kaplan (see note 26).
17. Other financial assets consist of:
 - loans made to marketing funds of brands within the group, including pre-funding the Domino's Pizza marketing fund through a loan. These loans attract interest, and are repayable.
 - extended payment terms given to franchisees of the group.
18. Periodically the group will operate outlets where the short term intention is to sell them to franchisees. Currently the group operates six such outlets.
19. R112 million of the R117 million increase relates to an increase in luxury goods inventory, the majority of which was acquired with the Arthur Kaplan acquisition (see note 26).
20. The reason for the larger percentage increase in payables, when compared to the percentage increase in receivables, is due to a combination of [1] Arthur Kaplan being a cash business with no franchisees and therefore no material debtors; and [2] an increase in equipment creditors related to the Domino's Pizza roll-out.
21. The increase in share premium from the prior period is consequent to the shares issued per note 13.
22. The increase in borrowings from the prior period is due to the inaugural issue of R125 million under the DMTN programme (see note 9).
23. With the substantial increase in additional corporate store ownership across both divisions, lease rentals are now a material expense to the group and the lease smoothing charge in terms of IAS17 is disclosed for the first time. This is a non-cash item and is excluded from core earnings.
24. Net tangible asset value per share is calculated by excluding goodwill, intangible assets, and the deferred taxation liability relating to intangible assets, from net asset value.
25. Cash generated from operating activities for the current period includes the costs and working capital associated thereto in terms of the core adjustment (see note 2). 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%).
26. During the year the following acquisitions were made:

Acquisition of Zebro's Chicken

On 1 March 2014, the group's food division 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 4-7 category.

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 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:

	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 shares were issued to the vendors on 3 March 2014 at a price R3.48 per share, a 5% discount to the 30 day volume 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.

Acquisition of NWJ stores

During the current period, NWJ acquired the business of five franchised NWJ stores as these stores were located in key strategic sites. 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:

	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 by NWJ, 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.

Acquisition of Arthur Kaplan

On 27 November 2014, the group's luxury goods division acquired 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 Rolex, Breitling, Omega, Tag Heuer and Longines 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 Rolex, Hublot, Omega 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 approximately 40% of the revenue in its mid-tier 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.

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:

	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 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 the next 12 months of the sale.

During the three month 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.

Acquisition of NWJ Retail (Pty) Limited

On 1 September 2014, NWJ purchased a 58% share in a company 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:

	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 the next 12 months of the sale.

Acquisition of food stores

During the current period, the food division acquired the business of six franchised food outlets. These stores were acquired a part of the food division 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:

	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.

Summary of acquisition of business

	2015
In cash	R'000
Zebro's Chicken	8 500
NWJ jewellery stores from franchisees	8 934
Arthur Kaplan	85 000
58% share in three NWJ stores	7 487
Food stores from franchisees	5 591
Total cash paid	115 512

27. Although food division revenue increased 10%, core EBITDA decreased 6% to R36.1 million (2014: R38.5 million). This decline is attributable to the performance of The Fish & Chip Co. brand as outlined in note 4. The core EBITDA impact of the fewer store openings is approximately R6 million when compared to the prior period. Same-store sales in this brand declined 14% from the prior period, whereas same store sales across the remainder of the food division increased 5%.
28. Luxury goods revenue increased 42%, and core EBITDA 36%. This increase was mainly a result of the Arthur Kaplan acquisition. Excluding Arthur Kaplan, revenue would have increased 11% and EBITDA 9%. As expected, the core EBITDA margin declined from 15.7% to 15.1% due to the lower margin at which Arthur Kaplan trades. Excluding Arthur Kaplan, the core EBITDA margin remained largely unchanged at 15.4%.
29. This amount reflects the actual expenses incurred in corporate services and reflects a decrease of 17% from the prior period.
30. This refers to interdivisional revenues in the food and corporate services divisions that are eliminated on consolidation.
31. **Domino's Pizza**

As announced on SENS on 10 April 2014, Taste Food Franchising Proprietary Limited ("TFF"), a wholly owned subsidiary of Taste, has signed an exclusive 30-year Master Franchise Agreement ("MFA") with Domino's Pizza International Franchising Inc. In terms of the MFA, TFF holds the exclusive rights to develop the international Domino's Pizza brand, initially in seven Southern African countries, namely South Africa, Lesotho, Swaziland, Namibia, Botswana, Zimbabwe and Mozambique. Zambia and Malawi will follow on the fulfilment of certain conditions.

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		28 February 2014	28 February 2013
	%	Audited	Audited
	change	R'000	R'000
Revenue ⁽²⁾	15	582 782	506 431
Cost of sales		(351 165)	(311 367)
Gross profit	19	231 617	195 064
Other income		956	496
Operating costs ⁽⁴⁾	20	(182 855)	(152 668)
Operating profit ⁽⁵⁾	16	49 718	42 892
Investment revenue		2 496	1 956
Finance costs ⁽⁶⁾		(7 889)	(7 162)
Profit before taxation	18	44 325	37 686
Taxation ⁽⁷⁾		(13 945)	(12 911)
Profit for the period	23	30 380	24 775
Other comprehensive income		-	-
Total comprehensive income for the period	23	30 380	24 775
Attributable to:			
Equity holders of the company	23	30 380	24 775
Earnings per share attributable to equity holders of the company			
Basic earnings per share (cents)	22	15.6	12.8
Diluted earnings per share (cents)	23	15.1	12.3
Dividends declared per share (cents) ⁽⁸⁾	22	6.2	5.1

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	28 February 2014 Audited R'000	28 February 2013 Audited R'000
ASSETS		
Non-current assets	201 288	177 744
Property, plant and equipment ⁽⁹⁾	29 776	17 063
Intangible assets	79 545	83 508
Goodwill ⁽¹⁰⁾	78 756	69 934
Other financial assets ⁽¹¹⁾	11 910	5 885
Deferred tax	1 301	1 354
Non-current assets held for sale	–	675
Current assets	229 406	191 248
Inventories ⁽¹²⁾	116 856	94 029
Trade and other receivables ⁽¹³⁾	74 712	67 541
Current tax receivables	2 949	2 978
Advertising levies	1 618	1 939
Other financial assets ⁽¹¹⁾	7 230	4 430
Cash and cash equivalents	26 041	20 331
Total assets	430 694	369 667
EQUITY AND LIABILITIES		
Equity attributable to holders of company	224 943	189 246
Share capital	2	2
Retained earnings	128 624	108 171
Share premium ⁽¹⁴⁾	94 545	80 101
Equity-settled share-based payment reserve	1 772	972
Non-current liabilities	77 924	66 763
Borrowings ⁽¹⁵⁾	57 422	45 046
Long-term employee benefits	–	126
Deferred tax	20 502	21 591
Current liabilities	127 827	113 658
Provisions	250	250
Current tax payable	809	3
Advertising levies	1 198	–
Trade and other payables	88 277	88 510
Balance due to vendors	1 000	1 000
Bank overdrafts	18 393	13 163
Dividends payable	55	38
Borrowings ⁽¹⁵⁾	17 845	10 694
Total equity and liabilities	430 694	369 667
Number of shares in issue ('000)	199 304	194 161
Net asset value per share (cents)	112.9	97.5
Net tangible asset value per share (cents)	44.0	29.7

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Equity- settled share- based payment reserve R'000	Retained earnings R'000	Total R'000
Balance as at 28 February 2012	2	80 101	575	91 162	171 840
Share-based payment reserve	–	–	397	–	397
Dividends paid	–	–	–	(7 766)	(7 766)
Comprehensive income for the period	–	–	–	24 775	24 775
Balance as at 28 February 2013	2	80 101	972	108 171	189 246
Share issue ⁽¹⁴⁾	–	13 837	–	–	13 837
Options exercised	–	607	–	–	607
Dividends paid	–	–	–	(9 927)	(9 927)
Share-based payment reserve	–	–	800	–	800
Comprehensive income for the period	–	–	–	30 380	30 380
Balance as at 28 February 2014	2	94 545	1 772	128 624	224 943

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	28 February 2014 Audited R'000	28 February 2013 Audited R'000
Cash flows from operating activities	13 383	7 524
Cash generated by operating activities ⁽¹⁶⁾	42 832	36 118
Investment revenue	2 496	1 956
Finance costs	(7 889)	(7 162)
Dividends paid	(9 910)	(7 745)
Taxation paid	(14 146)	(15 643)
Cash flows from investing activities	(46 748)	(15 907)
Acquisition of property, plant and equipment ⁽⁹⁾	(16 807)	(8 600)
Proceeds of disposals of property, plant and equipment	600	322
Acquisition of business ⁽¹⁷⁾	(20 478)	(2 133)
Loans advanced ⁽¹¹⁾	(10 973)	(5 049)
Loans repaid ⁽¹¹⁾	2 149	1 392
Acquisition of intangible assets	(1 239)	(1 839)
Cash flows from financing activities	33 845	(9 987)
Decrease in long-term employee benefits	(126)	(126)
Proceeds from issue of shares ⁽¹⁴⁾	14 444	–
Loans raised ⁽¹⁵⁾	25 300	921
Loans repaid	(5 773)	(10 782)
Change in cash and cash equivalents	480	(18 370)
Cash and cash equivalents at beginning of the period	7 168	25 538
Cash and cash equivalents at end of the period	7 648	7 168

SUMMARY CONSOLIDATED SEGMENT REPORT

	28 February 2014	28 February 2013
	%	
	change	
	Audited	Audited
	R'000	R'000
Segment revenue		
Food ⁽¹⁹⁾	16	364 823
Jewellery ⁽²¹⁾	15	229 289
Corporate services		16 242
Inter-segment revenues ⁽²³⁾		(27 572)
Group revenue	15	582 782
Segment operating profit		
Food	11	34 229
Jewellery	15	32 897
Corporate services ⁽²⁴⁾	4	(17 408)
Group operating profit	16	49 718

	Food division	Jewellery division	Corporate services	Inter- segment division revenues	Total
	R'000	R'000	R'000	R'000	R'000
Year ended 28 February 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 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	43 679	–	205 751
Segment capital expenditure	12 002	4 356	449	–	16 807

Year ended 28 February 2013					
Revenue	315 329	198 665	12 360	(19 923)	506 431
Operating profit/(loss)	30 944	28 655	(16 707)	–	42 892
Investment revenue	745	458	753	–	1 956
Finance costs	(3 922)	(2 887)	(353)	–	(7 162)
Profit before taxation	27 767	26 226	(16 307)	–	37 686
Segment depreciation and amortisation	(4 628)	(2 561)	(1 747)	–	(8 936)
Segment assets	179 690	116 241	73 736	–	369 667
Segment liabilities	115 165	45 321	19 935	–	180 421
Segment capital expenditure	8 425	153	22	–	8 600

NOTES TO THE FINANCIAL INFORMATION

1. Reconciliation of headline earnings

	%	28 February 2014 Audited R'000	29 February 2013 Audited R'000
	change		
Earnings attributable to ordinary shareholders	23	30 380	24 775
Adjusted for:			
Impairment of assets		1 223	1 226
Profit on sale of property, plant and equipment and non-current assets available for sale		(310)	(120)
Tax effect on headline earnings adjustments		(66)	18
Headline earnings attributable to ordinary shareholders	21	31 227	25 899
Adjusted for:			
Legal fees		1 159	1 644
Once-off costs of the distribution business (after tax)		619	1 801
Normalised headline earnings	12	33 005	29 344
Weighted average shares in issue ('000)		194 791	194 161
Weighted average diluted shares in issue ('000)		200 935	201 911
Earnings per share (cents)	22	15.6	12.8
Diluted earnings per share (cents)	23	15.1	12.3
Headline earnings per share (cents)	20	16.0	13.3
Diluted headline earnings per share (cents)	21	15.5	12.8
Normalised headline earnings per share (cents)	12	16.9	15.1
Dividend declared per share (cents)	22	6.2	5.1
Dividend cover (dividends declared based on earnings per share)		2.5	2.5

As with previous years the group discloses normalised headline earnings as a consistent measure of performance for evaluation purposes. Normalised headline earnings exclude the exceptional once-off costs as detailed above, which are comparable in nature to the prior period.

2. The 15% increase in revenue for the year ended 28 February 2014 ("the current period" or "2014") when compared to the year ended 28 February 2013 ("the prior period" or "2013") is consequent to a 15.4% increase in the jewellery division revenue, and a similar increase of 15.6% in the food division. The growth in the jewellery division is attributable to the combination of a same-store sales increase of 10% in corporate-owned stores and the addition of a net eight corporate stores during the year. The food division revenue increase is attributable to system-wide sales growth of 7.1% and the increase in the revenue of the food services part of that division, the latter not being directly comparable to the prior year as the food distribution capability was established during August 2012.
3. The improved gross margin from 38.5% in the prior period to 39.7% in the 2014 year is the net result of higher gross margins in the jewellery division due to owning more corporate stores which trade at higher gross margins; and reduced gross margins in the food division due to the larger contribution of the food distribution business, which trades at a lower gross margin than the remainder of the group.
4. The cost increase percentage above the revenue percentage increase is due in the main to an increase in depreciation and amortisation. An effective measure of cost control is to exclude depreciation and amortisation and reflect those costs as a percentage of revenue. In the 2014 year those costs were 29.5% of revenue, compared to 28.4% in the prior period and 30.3% in the year ended 28 February 2012. Depreciation and amortisation increased 22.5% over the prior period due to a combination of the acquisition of fixed assets in our food services business related to capacity expansion and continued integration of our distribution network; and the acquisition of corporate stores in our jewellery division. These capital expenditures are discussed below in note 9.
5. Operating profit increased 16% from the prior period while operating profit margin remained unchanged from the prior period at 8.5%. Earnings before interest, taxation, depreciation and amortisation ("EBITDA") increased 17% to R60.6 million (2013: R51.8 million) and EBITDA margin increased marginally to 10.4%.

As Taste includes franchisee marketing funds received in its revenue, with matching cost of sales, its margins may not be directly comparable to other franchise companies that do not account for franchisee marketing funds in the same manner.

6. The increase in finance costs is attributable to the capital expenditure incurred to acquire NWJ corporate stores and capital expenditure incurred for the expansion and integration of the food services business. As per the group's stated intention this capital expenditure was funded through debt.
7. The effective taxation percentage is 31.5% and is lower than the prior year due to the prior year including R0.8 million of secondary tax on companies ("STC") as well as higher non-deductible expenditure.
8. In line with the group's stated dividend policy a dividend cover of 2.5 times (based on basic earnings per share) has been maintained, comparable to the prior year, resulting in a 22% increase in the declared dividend.
9. The increase in property, plant and equipment relates to the capital expenditure referred to in note 4 and 6 above and is attributable to:
 - moving the sauce manufacturing facility from Cape Town to Gauteng, thereby centralising manufacturing into one facility and providing savings on transportation and labour, and increasing capacity;
 - moving the Cape Town distribution depot to a new facility with increased capacity;
 - the purchase of additional vehicles used in the food distribution business improving operating efficiencies from the prior period; and
 - acquiring eleven NWJ stores from franchisees.

In line with the groups' stated intention this capital expenditure was funded with external funding, including portions of the jewellery inventory investment.

10. The increase in goodwill is attributable to the acquisition of the NWJ corporate stores.
11. Other financial assets consist of:
 - loans made to marketing funds of brands within the group. These loans attract interest, and are repayable in monthly instalments; and
 - extended payment terms given to franchisees of the group.
12. R19 million of the R22.8 million increase is attributable to inventories in the jewellery division, more specifically:
 - the acquisition of eleven NWJ corporate stores which included R9.2 million of acquired inventory;
 - opening three new NWJ corporate stores and the associated investment in inventory of R4.3 million; and
 - expected increases in inventory due to system-wide sales growth of 8%.

The balance of the increase in inventory relates to increased inventories in the food distribution business as a consequence of distributing a larger basket of goods to more franchisees when compared to the prior period.
13. The increase in trade and other receivables is mainly as a result of the growth of both the food services and jewellery divisions, and is below the revenue growth of 15%.
14. The increase in share premium from the prior period is as a consequence of issuing 3 729 691 shares at R3.71 per share to partly fund the Zebro's Chicken acquisition, which was effective 1 March 2014.
15. The increase in borrowings relates to the capital expenditures detailed in note 9.
16. In respect of the net eight new NWJ corporate stores, an additional investment in inventory of R10 million is accounted for in cash generated from operations. This investment relates to the additional inventory necessary to ensure that the ideal stock holdings are achieved in the new stores. Excluding the above investment, accounted for in cash generated from operations, the group's operating cash conversion is 87% of EBITDA. As per note 17 below, these stores, none of which traded for the full period under review, generated R4.8 million in operating profit.
17. During the year, the jewellery division acquired the business of 11 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 footprint; and
 - retaining key strategic sites.

This acquisition consisted of inventory and property, plant and equipment. The stores acquired and the respective month of each store's acquisition is listed below:

- NWJ Key West – April 2013
- NWJ Cresta – June 2013
- NWJ King Shaka Airport – May 2013
- NWJ Empangeni – May 2013
- NWJ Northgate – July 2013
- NWJ Woodmead – August 2013
- NWJ Greenacres – October 2013
- NWJ East Rand Mall – January 2014
- NWJ Alberton City – January 2014
- NWJ Clearwater Mall – January 2014
- NWJ The Glen – January 2014

Four of the eleven stores were acquired in a single transaction from a franchisee. This transaction has been separately aggregated below as it is classified as a material transaction.

The fair value of assets and liabilities for the stores acquired, is set out below:

	Non-material stores in aggregate R'000	Individually material transaction R'000	Total R'000
Property, plant and equipment	1 745	704	2 449
Inventory	3 314	5 893	9 207
Fair value of assets acquired	5 059	6 597	11 656
Consideration paid	(9 457)	(11 021)	(20 478)
In cash	(9 457)	(11 021)	(20 478)
Balance owed by vendors	–	–	–
Goodwill acquired	4 398	4 424	8 822
Contribution to revenue	18 825	2 875	20 700
Contribution to operating profit	3 970	830	4 800

The purchase consideration was discharged in cash. During the period that these eleven stores were owned/operated by the jewellery division, they contributed R20.7 million to revenue and R4.8 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 the jewellery division acquired control of these stores, could not be obtained. None of the goodwill recognised is expected to be deductible for income tax purposes.

18. As indicated in prior announcements Taste management reports on the jewellery division as one segment. Furthermore, the new divisional structure of the food division has resulted in a consolidation of the previous sub-divisions into one segmental view of the division. Consequent to these changes the group now discloses two divisions, which consolidation does not impact any comparable financial results. This segmental reporting format is representative of the internal reporting structure used for management reporting.
19. Food division revenue includes royalty, new store and distribution revenue from sales to franchisees. The 15.6% increase in revenue in the food division is due the combined effect of the increase in system-wide sales of 7.1% and the distribution division having five more trading months compared to the prior period.
20. EBITDA in the food division increased 13.5% to R40.3 million (2013: R35.5 million) and the EBITDA margin remained largely unchanged at 11.1% (2013: 11.3%).
21. Jewellery division revenue includes sales from corporate-owned outlets; royalty revenue and revenue from sales to franchisees. The division manufactures, sources and distributes stock to franchisees as well as corporate stores, and earns new-store and annuity royalty revenue. At the end of the current period the division owned / operated eight more corporate stores than at the end of the prior period. Consequently, the increase in revenue of 15.4% is due to a system-wide sales increase of 8% and the additional revenue from the net eight additional corporate-owned stores.
22. EBITDA in the jewellery division increased 20.2% to R37.5 million (2013: R31.2 million) and the EBITDA margin improved from 15.7% to 16.4% due to corporate stores trading at higher margins than the division.
23. This refers to interdivisional revenues in the food and corporate services segments that are eliminated on consolidation.
24. This amount reflects the actual expenses incurred in corporate services and reflects an increase of 4% from the prior period.



TASTE HOLDINGS LIMITED

Incorporated in the Republic of South Africa

(Registration number 2000/002239/06)

Share code: TAS ISIN: ZAE000081162

("Taste" or "the Company")

NOTICE OF GENERAL MEETING

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, attorney, accountant or other professional adviser immediately.

Notice is hereby given that a General Meeting of shareholders of the Company will be held at 10:00 on Wednesday, 17 May 2017 at the registered office of Taste, 12 Gemini Street, Linbro Business Park, Sandton, 2065, to consider, and, if deemed fit, to pass, with or without modification, the Resolutions set out hereunder.

The board of directors of the Company determined that the record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the General Meeting is Friday, 12 May 2017. Accordingly, the last day to trade in Taste shares in order to be recorded in the Company's securities register to be entitled to vote will be Tuesday, 9 May 2017.

SPECIAL RESOLUTION 1 – CONVERSION OF THE ORDINARY SHARES IN THE COMPANY'S AUTHORISED SHARE CAPITAL FROM PAR VALUE SHARES TO SHARES OF NO PAR VALUE

"RESOLVED THAT, in accordance with the provisions of regulations 31(6) and 31(7) of the Companies Regulations, 2011, published in terms of the Companies Act, 2008 (Act 71 of 2008), as amended ("Companies Act"), the authorised share capital of Taste, comprising 500 000 000 (five hundred million) authorised and 378 571 047 (three hundred and seventy-eight million five hundred and seventy-one thousand and forty-seven) issued ordinary shares having a par value of R0.00001 each, is hereby converted into ordinary shares having no par value, on the basis that each ordinary no par value share shall have the same value, rights and privileges which attached to such shares immediately prior to the passing of this Special Resolution Number 1."

Explanatory note

The adoption of this Special Resolution Number 1 will convert the ordinary shares of par value to ordinary shares of no par value, in order to facilitate the creation of new ordinary shares in the capital of the Company, in terms of the Companies Act.

The minimum percentage of voting rights that is required for Special Resolution Number 1 to be adopted is 75% (seventy five percent) of the votes exercised on such special resolution by shareholders present or represented by proxy at the General Meeting.

Regulation 31(7) of the Companies Regulations, 2011, requires the board of a company to prepare a report in respect of a proposed resolution to convert any par value shares into no par value shares. This report was prepared and is attached as Annexure 2 of the circular to which this notice of general meeting forms part.

SPECIAL RESOLUTION 2 – INCREASE IN THE AUTHORISED NO PAR VALUE SHARE CAPITAL OF THE COMPANY

"RESOLVED THAT, subject to the passing of Special Resolution Number 1 and in accordance with the provisions of regulations 31(6) and 31(7) of the Companies Regulations, 2011, published in terms of the Companies Act, 2008 (Act 71 of 2008), as amended ("Companies Act"), the authorised share capital of Taste be and is hereby increased by the creation of a further 500 000 000 (five hundred million) ordinary no par value shares in the authorised share capital of the Company, ranking *pari passu* in all respects with the existing no par value shares in the authorised share capital of the Company, so as to result in a total of 1 000 000 000 (one billion) ordinary no par value shares in the authorised share capital of the Company."

Explanatory note

The adoption of this Special Resolution Number 2 will increase the authorised share capital of the Company in order to facilitate the creation of new ordinary shares in the capital of the Company, in terms of the Companies Act.

The minimum percentage of voting rights that is required for Special Resolution Number 2 to be adopted is 75% (seventy five percent) of the votes exercised on such special resolution by shareholders present or represented by proxy at the general meeting.

SPECIAL RESOLUTION 3 – INCLUSION OF PREFERENCE SHARE CAPITAL

“RESOLVED THAT, in accordance with the provisions of regulations 31(6) and 31(7) of the Companies Regulations, 2011, published in terms of the Companies Act, 2008 (Act 71 of 2008), as amended (“Companies Act”), the authorised share capital of Taste be and is hereby amended to include both ordinary share capital as well as preference share capital.”

Explanatory note

The adoption of this Special Resolution Number 3 will amend the authorised share capital of the Company to include preference share capital, in order to facilitate the creation of preference shares, which may be issued in the future, in the capital of the Company, in terms of the Companies Act.

The minimum percentage of voting rights that is required for Special Resolution Number 3 to be adopted is 75% (seventy five percent) of the votes exercised on such special resolution by shareholders present or represented by proxy at the general meeting.

SPECIAL RESOLUTION 4 – AMENDMENTS TO THE MEMORANDUM OF INCORPORATION OF THE COMPANY

“RESOLVED THAT, subject to the passing of Special Resolutions Number 1, 2 and 3, the amendments to the Memorandum of Incorporation of Taste, a copy of which has been tabled at this general meeting for purposes of identification, be and are hereby adopted in accordance with the provisions of section 16(1)(c) of the Companies Act, 2008 (Act 71 of 2008), as amended (“Companies Act”) and in compliance with Schedule 10 of the Listings Requirements of JSE Limited (“JSE”), with effect from the date of approval of this Special Resolution Number 4.”

Explanatory note

The board of directors of Taste has passed a resolution proposing that this Special Resolution Number 4 is adopted for the purpose of ensuring that the Company’s Memorandum of Incorporation is amended in order to include preference share capital and to convert the ordinary shares in the Company’s authorised share capital from par value shares to shares of no par value and to increase the authorised ordinary share capital of the Company. The proposed amendments to the Company’s Memorandum of Incorporation are set out in Annexure 1 of the circular to which this notice of general meeting forms part.

The adoption of this Special Resolution Number 4 will authorise the amendments to the Memorandum of Incorporation of the Company.

The minimum percentage of voting rights that is required for Special Resolution Number 4 to be adopted is 75% (seventy five percent) of the votes exercised on such special resolution by shareholders entitled to vote, present or represented by proxy at the general meeting, and further subject to the provisions of the Companies Act, the Memorandum of Incorporation of the Company and the Listings Requirements of the JSE.

ORDINARY RESOLUTION NUMBER 1 – MANDATORY OFFER AND WAIVER

“RESOLVED THAT the requirement that the Entities Under Common Control make a Mandatory Offer at R1.94 by reason of them acquiring 35% or more of the voting rights or securities of Taste, as a consequence of the Claw-back Offer, be and is hereby waived.”

Explanatory note

Following the implementation of the Claw-back Offer, the Entities Under Common Control may end up holding more than 35% of the total voting rights or securities of the Company. If that were to occur, then, in terms of section 123 of the Companies Act, the Entities Under Common Control will be required to make the Mandatory Offer at R1.94 per Share to the Remaining Shareholders. The intention of the Entities Under Common Control is not to obtain control of Taste and they therefore are not willing to make the Mandatory Offer and have consequently entered into the Claw-back Subscription Agreement on the basis that their subscription for the Claw-back Shares is dependent on the Independent Shareholders waiving the Mandatory Offer. As such it requires the Independent Shareholders to waive their rights to receive the Mandatory Offer.

ORDINARY RESOLUTION NUMBER 2 – AUTHORITY GRANTED TO DIRECTORS

“RESOLVED THAT each director of Taste be and is hereby individually authorised to sign all such documents and do all such other things as may be necessary for or incidental to the implementation of the resolutions passed at the general meeting of shareholders of Taste.”

Explanatory note

The adoption of this Ordinary Resolution Number 2 will authorise any director of the Company to execute all documents and do all such further acts and things as he may in his discretion consider appropriate to implement and give effect to the resolutions set out in this notice of general meeting.

Ordinary resolutions to be adopted at this general meeting require the support of a simple majority, which is more than 50% of the voting rights exercised on the resolutions.

VOTING AND PROXIES

A shareholder entitled to attend and vote at the general meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. For the convenience of registered members of the Company, a form of proxy is enclosed herewith.

The attached form of proxy is only to be completed by those shareholders who:

- hold Taste shares in certificated form; or
- are recorded on the electronic sub-register in “own name” dematerialised form.

Shareholders who have dematerialised their shares through a CSDP or broker without “own name” registration and who wish to attend the General Meeting, must instruct their CSDP or broker to provide them with the relevant letter of representation to attend the general meeting in person or by proxy and vote.

If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Forms of proxies should be forwarded to reach the transfer secretaries, Computershare Investor Services Proprietary Limited, at least 48 (forty-eight) hours, excluding Saturdays, Sundays and public holidays, before the time of the meeting.

Kindly note that meeting participants, which includes proxies, are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders’ meeting. Forms of identification include valid identity documents, driver’s licenses and passports.

By order of the Board

Claire Middlemiss

iThemba Corporate Governance and Statutory Solutions Proprietary Limited

Company Secretary

Johannesburg

12 April 2017

Registered office

12 Gemini Street

Linbro Business Park

Sandton, Johannesburg, 2065

(PO Box 1125, Ferndale, Randburg, 2160)

Transfer secretaries

Computershare Investor Services Proprietary Limited

(Registration number 2004/003647/07)

Rosebank Towers

15 Biermann Ave

Rosebank, Johannesburg, 2196

(PO Box 61051, Marshalltown, 2107)

FORM OF PROXY

For use only by:

- holders of certificated ordinary shares in the Company; or
- holders of dematerialised ordinary shares in the Company ("Dematerialised Shareholders") held through a Central Securities Depository Participant ("CSDP") or broker and who have selected "own-name" registration,

at the general meeting of shareholders of the Company to be held at 10:00 on Wednesday, 17 May 2017 at the registered office of Taste Holdings, 12 Gemini Street, Linbro Business Park, Sandton, 2065 ("General Meeting").

Dematerialised Shareholders holding shares in the Company other than with "own-name" registration, who wish to attend the General Meeting must inform their CSDP or broker of their intention to attend the General Meeting and request their CSDP or broker to issue them with the relevant letter of representation to attend the General Meeting in person or by proxy and vote. If they do not wish to attend the General Meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant Custody Agreement entered into between them and the CSDP or broker. **These Shareholders must not use this form of proxy.**

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the General Meeting. A proxy need not be a shareholder of the Company.

I / We (Full names in block letters) _____

of (address) _____

Telephone (work) _____ Telephone (home) _____

Cellphone number _____ Email address _____

being the holder/custodian of ordinary shares in the Company, hereby appoint (see note):

1. _____ or failing him / her,
2. _____ or failing him / her,
3. the Chairperson of the General Meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the General Meeting convened for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for and/or against such resolutions, and/or to abstain from voting for and/or against the resolutions, in respect of the shares in the issued share capital of the Company registered in my/our name in accordance with the following instructions:

	For	Against	Abstain
Special Resolution Number 1 Conversion of the Ordinary Shares in the Company's Authorised Share Capital from Par Value Shares to Shares of No Par Value			
Special Resolution Number 2 Increase in the Authorised No Par Value Share Capital of the Company			
Special Resolution Number 3 Inclusion of Preference Share Capital			
Special Resolution Number 4 Amendments to the Memorandum of Incorporation of the Company			
Ordinary Resolution Number 1 Mandatory Offer and Waiver			
Ordinary Resolution Number 2 Authority Granted to Directors			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. If no directions are given, the holder of the proxy will be entitled to vote or abstain from voting as that proxy deems fit.

This proxy shall be valid only for the General Meeting of shareholders of the Company to be held on Wednesday, 17 May 2017 and any adjournment or postponement thereof.

Signed at _____ on _____ 2017

Signature(s) _____

Assisted by (where applicable) _____

Please read the notes on the reverse side hereof.

Notes:

1. Summary of rights contained in section 58 of the Companies Act, 2008 (Act 71 of 2008), as amended ("Companies Act")

In terms of section 58 of the Companies Act:

- a shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders meeting on behalf of such shareholder;
 - a proxy appointment must be in writing, dated and signed by the shareholder;
 - except to the extent that the memorandum of incorporation of a company provides otherwise, a shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to the different securities held by the shareholder;
 - except to the extent that the memorandum of incorporation of the company provides otherwise, a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
 - except to the extent that the memorandum of incorporation of the company provides otherwise, a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders' meeting;
 - irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
 - irrespective of the form of instrument used to appoint a proxy, any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
 - if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company;
 - the revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date (i) stated in a revocation instrument, if any; or (ii) 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;
 - 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 the proxy or proxies, if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so;
 - a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise (see note 5).
 - if a company issues an invitation to shareholders to one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:
 - such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;
 - the invitation or form of proxy must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act, contain adequate space to enable a shareholder to write in the name, and if so desired an alternative name, of a proxy chosen by the shareholder and provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or abstain from voting;
 - the company must not require that the proxy appointment be made irrevocable; and
 - 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.
2. The form of proxy must only be used by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
 3. All other beneficial owners who hold dematerialised shares through a CSDP or broker and wish to attend the General Meeting must provide the CSDP or broker with their voting instructions in terms of the relevant Custody Agreement entered into between them and the CSDP or broker.
 4. A shareholder entitled to attend and vote at the General Meeting may insert the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the General Meeting". The person whose name stands first on the form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of such proxy(ies) whose names follow.
 5. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of an "X" in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
 6. A vote given in terms of an instrument of proxy shall be valid in relation to the General Meeting, notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the Company's Transfer Secretaries, Computershare Investor Services Proprietary Limited ("transfer secretaries"), not less than 48 (forty eight) hours before the commencement of the General Meeting.
 7. If a shareholder does not indicate on this form of proxy that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the General Meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
 8. A shareholder's authorisation to the proxy including the Chairperson of the General Meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the General Meeting.
 9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
 10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Transfer Secretaries or is waived by the Chairperson of the General Meeting.
 11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the Transfer Secretaries.
 12. Where there are joint holders of shares:
 - any one holder may sign the form of proxy;
 - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
 13. Forms of proxy should be lodged with or mailed to the transfer secretaries:
Hand deliveries to:
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Ave
Rosebank, Johannesburg, 2196
Postal deliveries to:
Computershare Investor Services Proprietary Limited
PO Box 61051
Marshalltown, 2107
to be received by no later than 10:00 on, Monday 15 May 2017 (or 48 (forty-eight) hours before any adjournment of the General Meeting which date, if necessary, will be notified on the Stock Exchange News Service of JSE Limited) or may be handed to the Chairperson of the General Meeting immediately before the appointed proxy exercises any of the shareholder's votes at the General Meeting.
 14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.
 15. The proxy appointment remains valid only for the general meeting at which it is intended to be used and any adjournment or postponement thereof, subject to paragraph 1 above.