



 **Domino's Pizza**

scooters
PIZZA
get a slice of the good life

St. Elmo's
WOODFIRED PIZZA

BUON GUSTO
food services

MAXI'S
More than just a meal

 **TASTE**
HOLDINGS
Integrated Annual Report
2014

Zebro's
BRAAIED CHICKEN, REAL GOOD

NWJ
JEWELLERY

The FISH & CHIP CO.
Established 1958

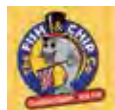
OUR VISION

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

OUR MISSION

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

Food



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

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

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

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

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

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

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

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

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

Jewellery



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PIZZA

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St Elmo's
WOODFIRED PIZZA



MAXI'S
More than just a meal



Zebro's
BRAAIED CHICKEN, REAL GOOD



Group at a glance

Food division



Taste's food brands represent a diversified portfolio of product categories (Chicken, Pizza, Fish, Breakfast and Burgers); credibly span middle and upper income consumers (Scooters Pizza, St Elmo's Woodfired Pizza, Maxi's); as well as the large and growing low to middle income consumer segment (The Fish & Chip Co. and Zebro's Chicken). These brands are all underpinned by strong value price points; relatively simple in-store operations and are predominantly owned and operated by franchisees.

- **Maxi's** – An award-winning casual-dining restaurant format serving breakfast, lunch and dinner. It competes in the same competitive set as Wimpy, Dulce and Mugg & Bean and is focused on adding value to consumers through a superior quality food offering; evolving promotions and contemporary appeal.
- **Scooters Pizza** – The second-largest pizza delivery chain in South Africa. It competes in the same category as Debonairs Pizza, Romans Pizza and Pizza Perfect, focusing on delivery leadership and value for money; communicated in a brand that has attitude and humour.
- **St Elmo's** – This 27-year old brand has the Western Cape as its stronghold. Its premium pizza offering, supported through its woodfired cooking method and diverse menu, distinguish this brand within the pizza category.
- **The Fish and Chip Co.** – The largest take-away fish brand in South Africa by any measure. It competes in the same category as Old Fashioned Fish and Chips, focusing on good quality, affordable food. The low set-up costs make the brand the fastest-growing mainstream franchise in South Africa for the past two years.

- **Zebro's Chicken** – Acquired on 1 March 2014, this 15-year-old well tested concept targets the same consumers as those of The Fish & Chip Co. (LSM 4-6); offering customers a unique cooking method with a proprietary BBQ flavour profile. Its core offering is chicken on the bone, salads and potato chips. It has the lowest set-up costs in the chicken segment.

VERTICAL INTEGRATION

Buon Gusto Food Services manages the food supply chain to all of the divisions over 600 outlets. It acts as a one-stop-shop to franchisees, supplying them with the vast majority of what they require to operate an outlet. Through two distribution depots located in Gauteng and Cape Town it warehouses and distributes to over 600 outlets weekly through multi-temperature vehicles, the majority of which are directly owned and managed. Through a HACCP and Halaal accredited Pretoria manufacturing facility it manufactures all pizza sauces, basting and table sauces; select pizza toppings and other value-added meat products; dough pre-mixes for the pizza brands and proprietary spices.

EMPLOYEES

- Number of employees – 240.

		Set-up cost ³	Royalty ⁴	Marketing fund contribution ⁴	Average store size
Maxi's	– Restaurant	R1.8 million – R2.3 million	6%	4%	180 m ² – 250 m ²
	– Take-away	R850 000 – R1.3 million	6%	4%	40 m ² – 100 m ²
The Fish and Chip Co.	– Take-away	R483 000	R605 ex VAT per week	R605 ex VAT per week	60 m ² – 100 m ²
Zebro's	– Take-away	R750 000	4%	2%	120 m ²
Scooters Pizza and St Elmo's*					

* With the exciting acquisition by Taste of the rights to exclusively develop the Domino's Pizza brand in seven southern African countries, St Elmo's and Scooters Pizza outlets will be converted to Domino's Pizza outlets and all new outlets in the pizza division will be opened as Domino's Pizza outlets.

Jewellery division



NWJ is the only vertically integrated, franchised jewellery chain in South Africa. It owns and operates approximately 45% of the outlets; provides franchise services to its franchisees; and distributes 100% of the goods sold through the NWJ outlets. Of these goods sold approximately 40% is produced by the in-house manufacturing facility. NWJ competes with American Swiss, Galaxy and Sterns and is the second-largest chain in South Africa by advertising spend; and the third-largest by sales. It competes on demonstrable value, guaranteed quality and a wide range.

As the only vertically integrated and franchised jewellery chain, it has a structural competitive difference in its competitive set. This allows for in-house innovation; fast routes to markets; and greater control over input costs. The franchise model empowers owners to attract and retain customers; produces large marketing funds and allows for an appropriate mix of franchise and corporate owned-outlets.

VERTICAL INTEGRATION

The division manages all procurement, styling and design as well as distribution to franchisees. As the third-largest jewellery group in South Africa the group is able to source large volumes at lowest cost from both within and outside South Africa. Combined with in-house manufacturing this gives the group merchandise flexibility and relatively short lead times. The group owns a number of brands which it retails through its national network, spanning watches, male jewellery, and 9 and 18 carat gold jewellery. All ring designs are conceptualised in-house and the group owns more than 12 000 ring moulds and designs.

EMPLOYEES

- Number of employees – 422.

	Set-up cost ³	Royalty ⁴	Marketing fund contribution ⁴	Average store size
NWJ	R1 450 000	5%	4%	60 m ²

Notes:

1. LSM – "Living standards measure".
2. HACCP – "Hazard Analysis Critical Control Point System".
3. This is approximate and excludes VAT.
4. This is based on a percentage of turnover.
5. All employee numbers as at 28 February 2014.

HIGHLIGHTS

- System-wide sales R1.26 billion for the division, an increase of 7.1%.
- Own 10 of 16 vehicles.
- Moved manufacturing to Pretoria.

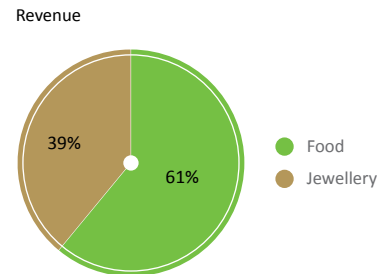
STRATEGIC PRIORITIES

- Integrate Zebro's Chicken.
- Manage weak demand in lower LSM consumer.
- Acquire or license further brands.

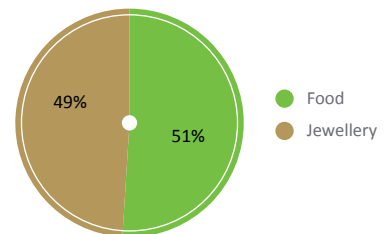
SEGMENTAL INFORMATION

		28 February 2014 Reviewed R'000	28 February 2013 Audited R'000
Segment revenue			
Food	16	364 823	315 329
Segment operating profit			
Food	11	34 229	30 944
Segment assets			
Food		191 717	179 690

Divisional contribution to group



Operating profit



HIGHLIGHTS

- System-wide sales increase by 8% to R284 million.
- Same-store sales for corporate stores exceed 10% for the year.
- Voted 1st place in the "Daily News Your Choice Awards".
- Corporate stores increased from 26 to 34.

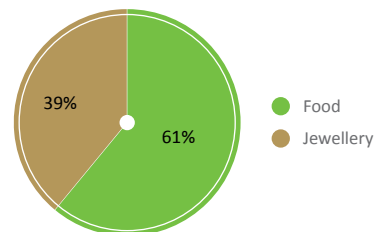
STRATEGIC PRIORITIES

- Continue to assess owning corporate stores.
- Launch Bella Toni mid-way through the year.
- Continue to improve stock efficiency.

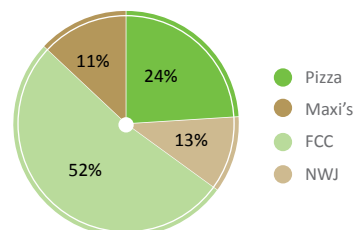
SEGMENTAL INFORMATION

		28 February 2014 Reviewed R'000	28 February 2013 Audited R'000
Segment revenue			
Jewellery	15	229 289	198 665
Segment operating profit			
Jewellery	15	32 897	28 655
Segment assets			
Jewellery		167 545	116 241









System-wide sales



Number of stores (for year ended February 2014)



Financial highlights

Revenue	EBITDA	Operating profit	Dividend
 15% to R582.7 million (2013: R506.4 million)	 17% to R60.6 million (2013: R51.8 million)	 16% to R49.7 million (2013: R42.9 million)	 22% to 6.2 cents per share (2013: 5.1 cents per share)
Normalised headline earnings per share	Headline earnings per share	Headline earnings	System-wide sales
 12% to 16.9 cents (2013: 15.1 cents)	 20% to 16.0 cents (2013: 13.3 cents)	 21% to R31.2 million (2013: R25.9 million)	 7.2% to R1.48 billion (2013: R1.38 million)

INTEREST COVER¹

11 times (2013: 10 times)

GEARING²

30%⁵ (2013: 26%)

CASH CONVERSION³

0.7:1 (2013: 0.7:1)
(Target: 0.85:1)

DIVIDEND COVER

2.5 (2013: 2.5)
(Target: 2.5 – 3.0)

OPERATING PROFIT MARGIN

9% (2013: 8%)

COSTS % OF REVENUE⁴

31% (2013: 30%)

Key features and achievements

Distribution business turned a profit after start-up losses in prior year

Acquired Zebro's Chicken 1 March 2014

NWJ corporate stores same-store sales exceed 10% for third consecutive year

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

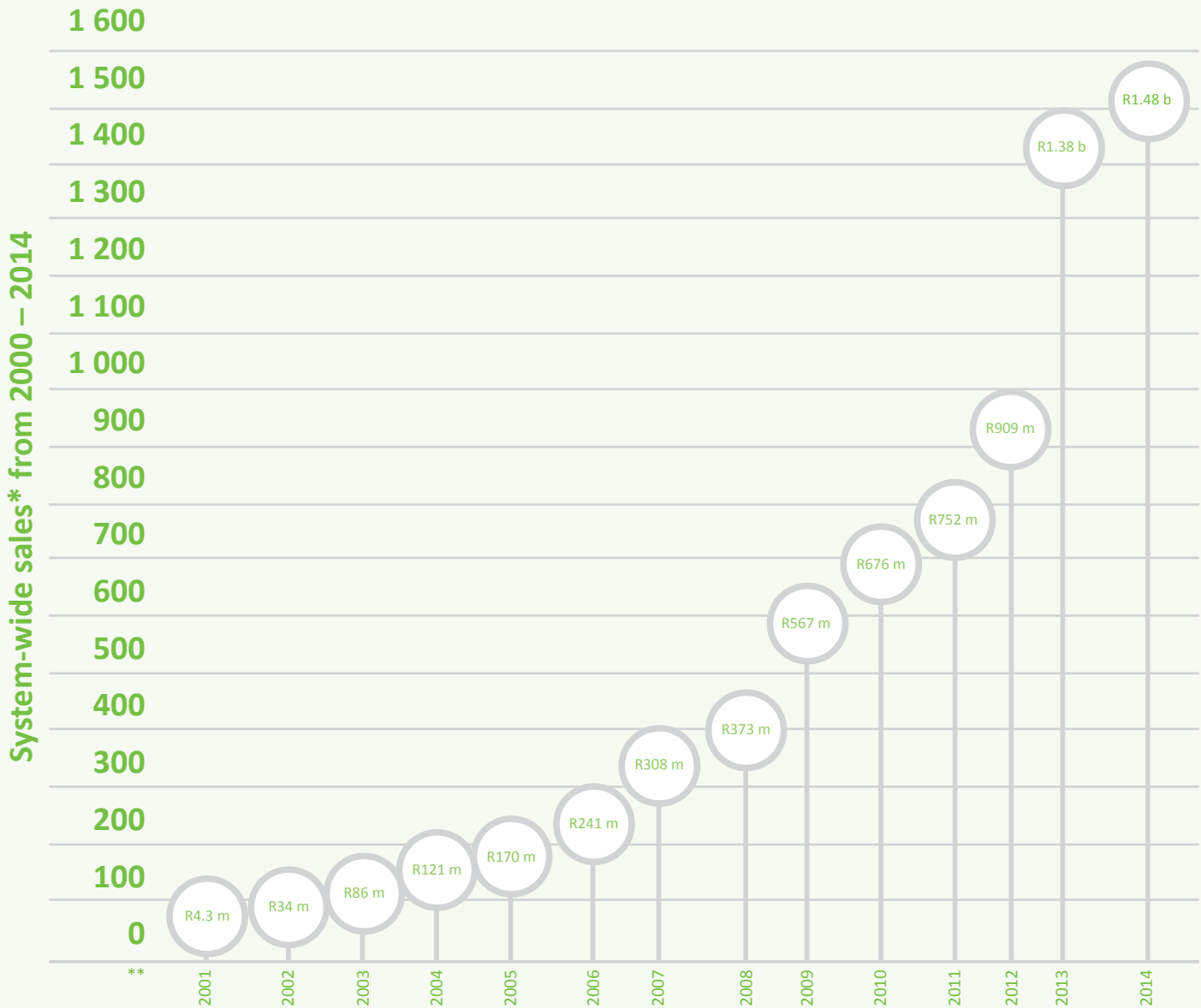
2. Interest-bearing borrowings less cash, divided by total shareholder interest.

3. Cash generated by operations divided by EBITDA.

4. Operating costs expressed as a percentage of revenue.

5. Gearing is 25% if you include R11 million borrowed two months before year-end to purchase four NWJ stores in January 2014.

Growing and diversifying



* System-wide sales are sales from all stores to customers.
 ** 28/29 February each year.

Breakdown of system-wide sales

Food: R1.2 billion















Jewellery: R284 million

Eight-year review

Key indicators	28 February 2006	28 February 2007	29 February 2008	28 February 2009	28 February 2010	28 February 2011	29 February 2012	28 February 2013	28 February 2014	8-year CAGR*
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Revenue	20 916	29 507	33 793	136 345	199 706	233 751	304 264	506 431	582 782	52%
Operating profit	4 418	10 649	11 715	25 585	26 927	30 768	35 181	42 892	49 718	35%
Total stores	120	147	161	260	275	329	543	602	613	23%
System sales	241 000	308 000	373 000	567 000	676 000	752 000	909 000	1 380 000	1 480 000	25%
HEPS (cents)	3.0	6.6	7.9	10.2	9.3	10.7	12.4	13.3	16.0	23%

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

Milestones

2000	2001	2002	2003	2004
<p>Scooters Pizza was the founding entity of Taste Holdings. The first store opened in September 2000, in Westville, Durban</p> <p>Scooters Pizza opened seven outlets in three months</p>  <p><i>We deliver. Hot. Tasty. Fast</i></p>	<p>Scooters Pizza acquires Chess Pizza and converts seven outlets</p> <p>Scooters Pizza expands to Gauteng, opening three stores in one day</p> 	<p>Scooters Pizza wins FASA Newcomer Franchisor of the Year and the FASA Brand Builder of the Year</p> 	<p>Scooters Pizza becomes a member of the proudly South African campaign</p>  <p>Scooters Pizza opens first outlet in Western Cape</p> 	<p>Scooters Pizza opens their 50th outlet in just 48 months</p> <p>NWJ wins FASA Newcomer Franchisor of the Year</p>
2005	2006	2007	2008	2009
<p>Scooters Pizza acquires Maxi's, with 28 stores</p>  <p>Builds Maxi's to third-largest player in its category</p> <p>Scooters Pizza wins FASA Brand Builder of the Year, an award it wins four times</p>	<p>Scooters Pizza renamed Taste Holdings to pursue the strategy of a diversified franchisor</p> <p>Taste Holdings lists on the Alternative Exchange of the JSE</p>  <p>Scooters Pizza voted best pizza in Jo'burg in the Leisure Options Readers' Choice Awards</p>	<p>Scooters Pizza wins FASA Brand Builder of the Year for the third time</p> <p>Scooters Pizza opens 100th outlet</p>	<p>Acquired NWJ Quality Jewellers with 58 outlets, builds NWJ to second-largest jewellery group in SA</p>  <p>Acquired strategic BJ's sites and converted them to Maxi's</p> 	<p>Maxi's and NWJ finalists in FASA Franchisor of the Year Awards</p>  <p>Launched Buon Gusto Food Services</p> 
2010	2011	2012	2013	2014
<p>Acquired St Elmo's Woodfired Pizza, a then 23-year-old pizza brand</p>  <p>Maxi's win FASA Franchisor of the Year</p> <p>Scooters Pizza 10 years young</p>	<p>Declared maiden dividend of 3 cents per share</p> <p>Move to main board of JSE</p>  <p>Exceed R750 million system-wide sales</p> <p>Scooters Pizza wins FASA Brand Builder of the Year</p>	<p>Acquired The Fish and Chip Co., largest Fish brand in SA, by units</p>  <p>Declared dividend of 4 cents per share</p> <p>27% compound annual growth rate for last six years in HEPS</p> <p>Launch NWJ credit card facility</p>	<p>Declared dividend of 5.1 cents per share</p> <p>Scooters Pizza re-launch 39-minute delivery promise</p>	 <p>Acquires Zebro's Chicken, a 15-year-old chicken brand</p>  <p>Signed a 30-year master franchise agreement with Domino's Pizza</p>

Board of directors

Non-executive directors



RAMSAY L'AMY (BILL) DALY (71)

BA, LLB
Independent Non-executive Chairman
Chairman of the board
Member of the social, ethics and remuneration committee
Appointed: March 2000

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



ANTHONY BERMAN (71)

CA(SA)
Independent Non-executive Director
Chairman of the audit and risk committee
Chairman of the social, ethics and remuneration committee
Appointed: April 2009

As a chartered accountant (SA), Tony practised in Durban within the auditing profession his entire working life. Tony is also an FSB qualified Financial Planner being a director of and substantial shareholder in Plexus Wealth, a financial planning business operating in Durban, Stellenbosch, Johannesburg and Port Elizabeth. He served articles with G. Hackner, Benn & Co, to which firm he returned after a few years on his own, remaining with them, now Grant Thornton, until 1 March 2009 when he retired as a partner. Tony was Managing Partner of the Durban office from 2003 for five years, and continues to consult for the firm when required. Tony has had extensive experience as Tax Partner, financial consulting, mergers and acquisitions, estate planning, valuations, exchange control and is an experienced consultant in corporate and general business.



GRANT MICHAEL PATTISON (43)

BSc Eng Elec
Independent Non-executive Director
Appointed: March 2014

Grant graduated from UCT in 1992 with a BSc degree in Electrical Engineering, after which he was employed by Anglo American Group as a management trainee. In 1993, Grant moved to Monitor Group as a consultant. A chance encounter with Massmart CEO, Mark Lamberti, in the reception at Massmart House paved Grant's route to a career in retail with Massmart in July 1998. He started his retail career in the role of Executive Assistant to the CEO, a position which he occupied for two years before being appointed Managing Director of Game Stores in October 2000. This was followed two years later with his appointment as Group Commercial Executive in 2003. Grant was appointed to the executive committee in 2000, to the board on 7 December 2004 and to the position of Deputy Chief Executive Officer on 1 July 2005. In July 2006, he became Chief Executive Officer Designate and was appointed CEO of Massmart Holdings on 1 July 2007. With 15 years' experience working for Massmart, Grant has played an integral part in forming and leading its long-term strategy. This has included leading the Massmart-Walmart acquisition and integration, expanding growth into the African continent and introducing retail food into the Massmart business. Grant was appointed as Co-Chair of the Consumer Goods Council of South Africa in 2009.



WESSEL PETRUS VAN DER MERWE (45)

CA(SA)
Independent Non-executive Director
Member of the audit and risk committee
Appointed: November 2011

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



HYLTON ROY RABINOWITZ (65)

Non-executive Director
Appointed: August 2008

Hylton began his career in the jewellery industry when he first opened Hylton's Jewellers in 1983. The second store followed in the same year and the name changed to Natal Wholesale Jewellers. In 1988, Hylton went on to extend the brand when he purchased a share in one of the oldest jewellery manufacturers in Durban, Durban Manufacturing Jewellers, which supplied NWJ with the majority of its locally manufactured jewellery giving NWJ the ability to offer excellent quality jewellery at competitive prices. Hylton has played a significant role in influencing the jewellery industry in South Africa. Hylton retired in November 2011, but still serves as a non-executive director and is focused on sharing his immeasurable wealth and experience with the team.



KEVIN UTIAN (46)

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

Kevin is the CEO of Coricraft Proprietary Limited, having taken up this position in April 2012. Prior to this he spent 16 years at Nando's formatively as Managing Director of Nando's South Africa and thereafter as a director of the Nando's global group. Kevin is a chartered accountant by profession, and has been a board member from the inception of Scooters Pizza in 2000. Kevin's experience of the franchise model and exposure to international markets makes his contribution invaluable to the group.



SEBASTIAN PATEL (33)

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

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

Board of directors continued

Executive directors



CARLO FERDINANDO GONZAGA (40)

BSocSci, LLB
Chief Executive Officer
Chairman of the executive committee
Appointed: March 2000

Carlo completed a postgraduate LLB degree at the University of Natal after which he and his father, Luigi, owned four franchised pizza outlets in the Durban region. In 1999, Carlo sold his interests and commenced the groundwork to create a new pizza delivery concept which became Scooters Pizza in September 2000. Since 2000, Carlo has headed up the team that has driven the Scooters Pizza chain to win many prestigious awards; to acquire the Maxi's brand in 2005; the creation and listing of Taste Holdings in 2006 and the subsequent acquisition of NWJ Quality Jewellers in 2008, St Elmo's in 2010 and The Fish and Chip Co. in 2012. Carlo guides the strategic direction of the company, its growth strategy and human capital development. He chairs the executive committee.



EVANGELOS (EVAN) TSATSAROLAKIS (39)

CA(SA)
Chief Financial Officer
Member of the executive committee
Appointed: September 2009

Evan qualified as a chartered accountant in 2001 after completing his articles with PricewaterhouseCoopers. He left PWC and spent seven years with the JSE-listed Spur Group where he gained extensive experience within the food franchising industry having been exposed to the financial, operational and supply chain aspects of the business. He then served as Financial Director within a logistics group of companies. Evan joined Taste Holdings in April 2009 and was appointed to the board in September 2009 as Chief Financial Officer. Evan acts in a non-executive capacity to the management boards of the food and jewellery divisions and is a member of the executive committee.



DUNCAN JOHN CROSSON (48)

BCompt (Hons)
Chief Executive Officer – Jewellery division
Member of the executive committee
Appointed: November 2000

Duncan obtained his BCompt (Hons) while serving articles with Morrison Murray in Durban. Duncan gained valuable experience in a manufacturing and distribution environment servicing the retail and fast-moving consumer goods industry. Duncan progressed to Chief Financial Officer and shareholder of the group of companies. Duncan joined Scooters Pizza in 2000 and has been a member of the board of directors of Scooters Pizza since 2001 and Taste Holdings Limited since inception. Duncan was appointed Chief Operating Officer of NWJ Fine Jewellery in September 2009 and subsequently Chief Executive Officer in April 2010. Duncan was appointed to the board of the Jewellery Council of South Africa in April 2011 and has served on the Jewellery Council's executive committee since February 2012. Duncan has been instrumental in the successful management and control of the significant growth of the group over the past 14 years. Duncan is a member of the executive committee and chairs the jewellery division management committee.



JAY BAYNE CURRIE (40)

BSc
Chief Executive Officer – Food division
Member of the executive committee
Appointed: March 2004

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



- *Taste has an exclusive 30-year master licence for seven African countries (incl SA)*
- *Worlds largest pizza delivery brand – 10 800 outlets in 74 countries*
- *Built on 30-minute delivery*



Leadership review

Chairman's letter to shareholders



RAMSAY L'AMY (BILL) DALY

"I believe we have served our stakeholders well and delivered against our declared strategy of excelling in our chosen areas of operation"

Dear Shareholder

Good governance is a cornerstone of a successful and sustainable company. I am privileged to lead a board whose directors, both executive and non-executive, are as committed to good governance as the directors of Taste Holdings are. This commitment results in the board taking its responsibility for leadership, setting the company's values and establishing and maintaining a strong ethical culture very seriously. It also makes my job of ensuring that our management team is committed to achieving the best results in the most responsible, principled way, much easier.

Our non-executive board members are experienced company directors who have an in-depth understanding of what constitutes good corporate governance and its value to the sustainability and profitability of a business.

At Taste there is a clear separation between my role as an independent non-executive chairman and that of our chief executive officer and there is a healthy degree of tension between our executive and our independent non-executive directors when it comes to board decision-making and the interrogation of proposals the management team bring to the board.

A review of the profiles of our board members will give you an indication of the balanced wealth of experience, knowledge and skills they contribute to the board's rigorous debates.

This year Grant Pattison, the CEO of Massmart, joined our board as an independent non-executive director. His experience of negotiating and working with an American business and managing a multibranded, multinational business, which also served lower-income consumers, further strengthens the direct business skills of our board. A balance of skills on the board is achieved through the strong financial, legal and corporate finance skills, experience and wisdom that our other directors provide.

We recognise that while we have a very skilled and experienced board it lacks diversity in terms of gender and race. We remain committed to addressing this gap. In terms of ownership we have the highest percentage of HDSA ownership in our sector at 12.5% and it is our intention to increase this to 25%.

It has been my privilege to head up the Taste board since our listing on the JSE's Alt^x in 2006. While not everything we have done in the eight years since we listed on the Alt^x and then moved to the main board of the JSE in 2011 has been an unqualified success, I believe we have served our stakeholders well and delivered against our declared strategy of excelling in our chosen areas of operation. We have delivered good financial returns to our shareholders and our brands have been recognised for the excellent economic development opportunities they provide our franchisees; the employment opportunities they create and the quality and value our 637 stores (as at 30 April 2014) provide to our customers. The awards our brands have won over the years are testament to this.

Our CEO, Carlo Gonzaga, will tell you about an exciting direction in our strategy which the board approved this year and our management team began implementing when they signed a 30-year exclusive master franchise agreement with Domino's Pizza, the world's leading pizza delivery brand, to develop the brand in seven southern African countries. Our connection with Domino's requires us to meet certain United States governance requirements which will only add to our level of governance.

We have some interesting challenges ahead of us bedding down our new Zebro's Chicken brand and introducing the Domino's brand. Also, I have no doubt that trading conditions will continue to be challenging. However, the board believes that, based on its past performance, our management team has the ability to continue delivering value to all our stakeholders.

All that remains is for me to thank all our board members for the invaluable contribution they make to our decision-making. On behalf of the board our thanks go to the Taste Holdings team and our franchisees for the excellent work they did this year to ensure our success.

Bill Daly
Chairman

 For more information on our franchises and our stores see group at a glance on the inside front cover and for details of our agreement with Domino's Pizza see the CEO's letter to shareholders on page 9.

Chief Executive Officer's letter to shareholders



CARLO FERDINANDO GONZAGA

“We will work tirelessly to continue to build a business that not only delivers the financial performance that we desire, but also a business that we are all proud to be part of”

Dear Shareholder

After eight years of 52% compound annual growth in revenue, the Taste group is fulfilling the aspirations we had when we listed our shares on the AltX in 2006. Our strategic intent to be vertically integrated is unfolding and we are realising the financial and non-financial benefits of this strategy, particularly in the food division. Our intent to offer customers the best brands possible has developed into licensing leading brands in certain consumer segments, where previously we only owned brands directly. We now have some 350 outlets directly targeting consumers in the fast-growing lower income groups, whereas in 2006 we had no such offerings. Lastly, our intent to both own corporate stores and to franchise outlets has borne fruit in our jewellery division, which now owns some 45% of the total outlets. As a consequence of our growth we constantly sense-check our internal structures to ensure that both our structures and people grow with the business. We have not always got this perfectly right, but we constantly strive to recruit leaders ahead of our needs, leaders that improve our succession pipeline and leaders that uplift the quality of conversation and decision-making with the leadership teams. I can best sum up the year under review as one during which we have:

- consolidated and restructured our food division to align the food services with the brands they serve and to accommodate both historical and our future growth aspirations;
- continued to implement our strategic intent of expanding our franchise offering in the fastest-growing living standards measure (LSM) groups of 4 to 6 with our purchase of Zebro's Chicken on 1 March 2014. We are now represented

by the market leading The Fish & Chip Co. and Zebro's Chicken brands in this important consumer segment;

- taken the first step in implementing our strategy of owning the strongest brand where brand is important in the customer's hierarchy of purchasing considerations, by signing a 30-year exclusive master franchise agreement to develop the world's largest leading pizza delivery brand, Domino's Pizza, in seven southern African countries, including South Africa; and
- increased our NWJ store ownership to 34 outlets by acquiring net eight NWJ outlets during the year. We owned 16 outlets 24 months ago.

Financial review

Key features:

- Revenue up 15% to R582.7 million
- EBITDA up 17% to R60.6 million
- Earnings after tax up 23% to R30.3 million
- Headline earnings per share up 20% to 16.0 cents
- Normalised headline earnings per share up 12% to 16.9 cents
- System-wide sales up 7.2% to R1.48 billion
- Dividend up 22% to 6.2 cents per share

Both our jewellery and food divisions contributed equally to our 15% increase in group revenue to R583 million from the prior year (2013: R506 million). The jewellery division in particular achieved another pleasing result of a 10% increase in same-store sales at corporate stores. This was on top of 14% increases in each of the prior years. Our food division achieved a 7.1% growth in system-wide sales and increased its revenue 15% – both pleasing results in the face of weakening consumer demand among lower-income consumers in the

↑15%
Revenue

↑17%
EBITDA

↑21%
Headline earnings

latter half of the year. Our food services business posted an operating profit this year, a sterling turnaround from its start-up related operating losses it incurred in its first year of operation.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) increased 17% year-on-year to R60.6 million (2013: 51.8 million) and relatively lower finance and taxation margins contributed to a 21% increase in headline earnings from the prior year.

We continue to distribute dividends to shareholders, albeit what we perceive to be on an appropriately conservative dividend cover of 2.5 times basic earnings per share. Consequent to this dividend policy the board declared a gross dividend of 6.2 cents per share, which is an increase of 22% over the previous period.

Our major social challenge in South Africa is that a large number of South Africans are unemployable in a modern economy through lack of marketable skills, primarily driven by a lack of literacy and poor basic education. While South Africa is an entrepreneurial population, there is a distinction between necessity-driven entrepreneurship and opportunity-driven entrepreneurship.

Opportunity-driven entrepreneurship makes a far more significant contribution to sustainable job creation and economic growth. One of the barriers to successful entrepreneurship is the lack of meaningful support in the early stages of a new business due partially to the historical lack of access to education for the majority of the population, who are our future small business owners and employers. 62% of our franchisee base comes from historically disadvantaged communities, and has increased from 54% the year prior. We firmly believe that our very business model wherein we afford franchisees the opportunity to own the assets that create value; and employing people into jobs that require specific, lifelong transportable skills is simply the greatest social impact a business can have in our particular society.

Operating review

As with other franchise businesses our food and jewellery divisions both offer their franchisees operational and marketing support, project management, new site growth and development; as well as national brand-building strategies in return for a royalty. While most food franchise businesses have a royalty based on turnover, our The Fish & Chip Co. business has a fixed monthly royalty, which escalates at 10% per annum.

Food division

During the year under review, our food division's portfolio consisted of four consumer brands: Maxi's,

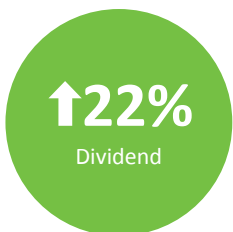
Scooters Pizza, St Elmo's Woodfired Pizza and The Fish and Chip Co, which operate across South Africa, Namibia, Zimbabwe and Botswana. Buon Gusto, our branded food service business, which manufactures sauces, spices, dough premixes and added-value meat products and distributes these and other products to all the food outlets in the group.

System-wide sales in this division increased 7.1% to R1.2 billion despite the noticeable decline in same-store sales in the second half of the year as lower-income consumers, affected by the tightening of credit in mid-2013 and food inflation, reduced the frequency of their purchases. This trend has continued in the new financial year. Apposite to this performance our brands targeting higher-income consumers, in particular Scooters Pizza, St Elmo's, and NWJ, have shown positive same-store growth during the same period.

To accommodate our growth over the past two years, as well as to prepare for our future growth and the integration of Zebro's Chicken and Domino's Pizza (see the Future focus section of my letter for more information), we have restructured the division to create scalable capacity and alignment between brands to allow better utilisation of our shared-services platform. We have combined accountability for manufacturing, distribution and consumer-facing food brands under one divisional CEO and recruited suitably experienced and skilled executive leaders to head up each of the food brands. In addition, a highly leveraged shared-services platform is taking shape, which includes consolidating our manufacturing into one unit in Gauteng during last year. This latter investment has generated savings in transport; centralised management and quality control; and increased both sauce and spice production capacity. The integration of the Zebro's Chicken brand into Taste's supply chain and operations began on 1 March 2014 and has proceeded better than we originally forecast: incremental costs of distribution to these stores was lower than we anticipated and buy-in from franchisees had been higher than we anticipated.

Building skills and creating jobs

We recognise that we need to ensure our operational leadership team has the necessary skills to ensure our business grows and flourishes. We are investing in upskilling our employees with the aim of developing a succession pipeline that will support and sustain the development of our business. The increased executive capacity in our food division has created capacity for myself and our small corporate office team to pursue growth opportunities such as the Domino's Pizza licence agreement. (See the Human capital section of this report on page 24 for additional information).



We also provide training for our franchisees and their employees before a new outlet is opened, and ongoing training once the outlet is operating. In the past two years we have created over 1 500 new jobs and provided training for all these people. With each store we open we create 10 new entry-level jobs in the community in which an outlet has been opened. We also provide additional support to assist franchisees whose financial skills are limited to build capacity in this area.

Offering the lowest cost food franchises

The Fish & Chip Co. provides franchisees with the opportunity to purchase a franchise for R500 000, and the Zebro's Chicken franchise is the lowest-priced chicken franchise in South Africa at R700 000. Taste Holdings has assisted 29 of our The Fish & Chips Co. franchisees who could not raise the full purchase price for their franchise with interest-free loans amounting to over R6 million since we bought the business in 2012. During 2014, the percentage of our franchises owned by historically disadvantaged franchisees increased to 62%. We understand that these franchisees often require more frequent support, especially in respect of financial and people management. We do not always get this level of support perfectly right, but I know that our teams are committed to becoming the franchisor of choice in this segment.

Jewellery division

NWJ, the third-largest jewellery brand in South Africa, ended the period under review with 77 outlets, 34 of which are corporate stores.

The NWJ system-wide sales increase of 8% to R284 million (2013: 263 million) was exclusively from same-store sales growth, a market-leading achievement. Our 34 corporate stores achieved same-store sales growth in excess of 10% for the third consecutive year, highlighting the group's ability to successfully operate these stores. One of the division's key objectives for the year was to work towards getting franchisee same-store sales more closely matching those of our corporate store performance. We were pleased that through our integrated information systems and franchisee commitment we narrowed the gap to just a few percentage points difference.

NWJ's distribution business distributes all the goods sold in NWJ outlets. Approximately 45% of these are manufactured by the NWJ manufacturing facility in Durban, a further 38% are sourced locally and 22% are imported. The NWJ business model offers in-house capacity to innovate, fast routes to market and reduced input costs through purchasing economies of scale. The division has the ability, through its distribution and manufacturing capacity, to either transfer slow-moving or returned stock to an outlet where there is known demand for the item or to rework the stock in its manufacturing facility with negligible yield loss.

The NWJ-branded credit offering launched in June 2012, which is underwritten by a third party, has attracted new customers and has a substantially higher spend per transaction than its existing cash business. Credit sales currently make up less than 10% of

our total sales. NWJ does not have any exposure to credit card defaulting or to the administration of the credit card.

Future focus

Food division

Our most recent acquisition, Zebro's Chicken, is a 15-year-old franchise chain that actually braais its chicken in-store (cooked over a BBQ, for our international shareholders). This unique preparation method, combined with its proprietary BBQ flavour, makes it substantially differentiated to consumers from any other current offering in the market. While chicken is a highly competitive segment it is our view that this differentiation in the eye of the consumer, combined with the lowest set-up costs for franchisees wanting to enter this market, will give us the opportunity to leverage our existing franchisee base to create a large national footprint. This acquisition, which targets lower-income consumers, is in line with our strategy of growing our representation among lower-income consumers – we now have 350 outlets in this market – and it complements our existing brand in this segment, The Fish & Chip Co. It will also provide us with additional learning opportunities in this market. In addition, we can use the same sites for both franchises which will reduce the already low set-up costs. We expect Zebro's Chicken will work out well for our group, but we are aware that we are competing in the most competitive segment of our market.

Adapted thinking

We believe that our change in strategic thinking to one of wanting to own the strongest brand where brand is important in the customer's hierarchy of purchasing, will play a major role in our future growth. Signing an exclusive 30-year master licence agreement to develop the international Domino's Pizza brand in southern Africa is our first step in the implementation of this strategy. (Not only is the pizza market the third-largest retail food segment globally, but it is also a growing segment).

Domino's Pizza 54-year-old brand is the world's leading pizza delivery brand in both store numbers and unit sales. It has over 10 800 outlets in more than 70 countries and we have been licensed to develop the brand in seven southern African countries including South Africa, Lesotho, Swaziland, Namibia, Botswana, Zimbabwe and Mozambique. You can expect that we will continue to seek out licensing global brands whose business model is profitable and whose offering could be attractive to South African consumers.

Jewellery division

Since our acquisition of the NWJ business in 2008, we continue to leverage its unique levels of vertical integration and unique hybrid franchisee/corporate-owned model to increase our own market share. The division plans to continue assessing corporate-owned outlets, whether they be acquired or new outlets. This division has built a remarkable leadership team in the last few years, and it is with great pleasure that our interference in this business is minimal, with the exception of capital allocation decisions. It is my opinion that this division has capacity to effectively apply their skills and scale to other related brands, either licensed or owned, and it is in this trajectory that some focus will be applied

Leadership review continued

Chief Executive Officer's letter to shareholders continued

in the next few periods. The "African opportunity" that seems to apply to all retailers of any sorts, appears to apply to the jewellery segments. We do, however, have some work to do to understand how NWJ may play a role in this demand on the continent in the future. I plan to have a more informed view in subsequent letters.

In conclusion

I am privileged to lead such talented and skilled executives and managers at Taste. I believe that with our recent appointees across all our divisions, I am succeeding in my objective of being the least qualified person at the leadership table. You have, at Taste, committed, loyal people who use their combined efforts and intellect to do great things. This team includes our franchisees who not only commit personally, but also financially, and extends to our network partners, some of whom have been suppliers of ours since inception 14 years ago. My thanks go to all of you who worked tirelessly to make sure we achieved results of which we can be proud. My thanks also go to our customers for recognising the quality and value their hard work delivers through our brands and for choosing our brands when you have so many to choose from.

My thanks must too go to you, our shareholders, for choosing to invest in us. We are proud that 12.5% of our shareholders are historically disadvantaged South Africans and we hope to increase this percentage to 25% in the coming years.

My last thanks go to one of our co-founders, Luigi Gonzaga. Luigi, on turning 70 in January this year, retired from his executive director capacity, and from the board. Only those of us who have been fortunate enough to work with Luigi will appreciate the pivotal role that Luigi has had in the creation of this group in the last 14 years. As is my commitment to shareholders, so too to Luigi: we will work tirelessly to continue to build a business that not only delivers the financial performance that we desire, but also a business that we are all proud to be part of.

Warm regards



Carlo Gonzaga
Chief Executive Officer



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



Business model

Collaboration and vertical integration

Taste Holdings group

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

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

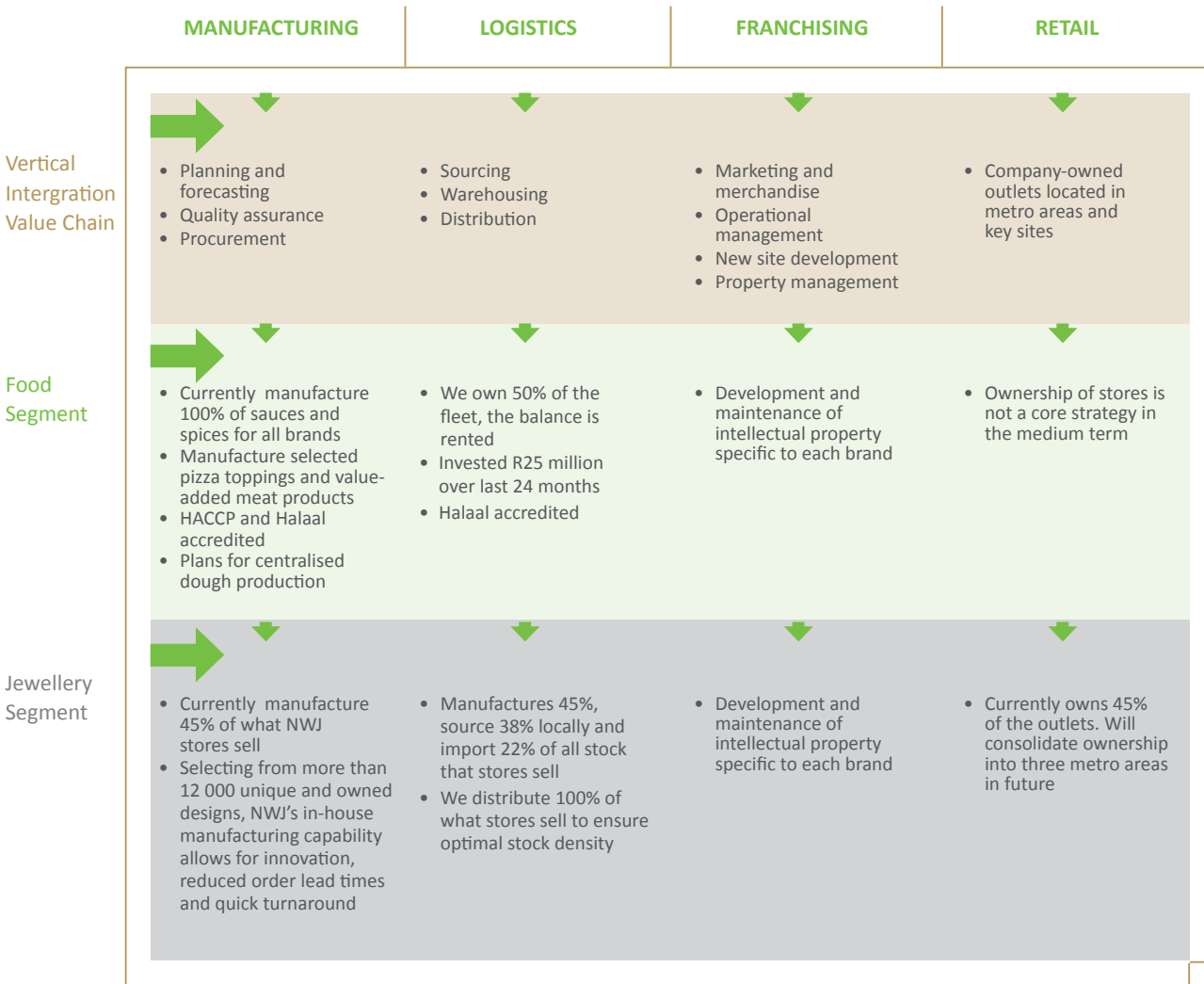
The model is executed through a decentralised decision-making executive committee, chaired by the CEO. The committee comprises the CEO, CFO and Executive Directors of Taste Holdings.

* LSM – “Living standards measure”.

Taste collaboration channel

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

- the key business drivers of the divisions; property portfolio management; retail outlet design and image; marketing channels to common consumers in the LSM* 4 – 10 category;
- franchise best practice implementation and franchisee performance management;
- common cost centres across divisions that are not a differentiating factor in the consumer offering and that reduce costs to the division; and
- customer and franchisee satisfaction monitoring.



Why invest in Taste Holdings

Taste's earnings are underpinned by leading owned and licensed brands trading across diverse categories, led by entrepreneurial people with established track records who are incentivised on both group and divisional performance. The group has strong internal growth levers, is underpinned by good-quality earnings and cash flows, and has a record of good governance and disclosure, and a 14-year track record.



Great brands

With demonstrated ability to grow organically; promoted by large marketing funds; and led by entrepreneurial people with track records of success.



Diversification

The portfolio of brands targets 85% of SA consumers from LSM 4 (C income) upwards with propositions that are underpinned by strong value-for-money offerings.



Entrepreneurial people

The founding directors and divisional CEOs are all shareholders, and have all owned and grown businesses in the past. Owner-led and professionally managed with strong experience in the southern African consumer market.



Track record

Although the group has been listed for eight years, the brands that underlie the business have a combined trading history of over 100 years. Proven record of financial strength and management.



Growth

The eight-year review clearly highlights the group's ability to grow organically and through acquisition. An eight-year annual compound growth rate in HEPS of 23%, and revenue of 52% reflects this.



Cash generative

The hybrid franchise model in both divisions yields high levels of cash generation with minimal capital expenditure required for growth due to franchisees funding new store growth.



Good governance record

The group has always had an independent non-executive chairperson, and sub-committees which are led by non-executive directors. Taste has a good record of disclosure and shareholder communication and complies with foreign laws due to its international licensing.



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

St Elmo's
WOODFIRED PIZZA

Stakeholders

To make sure we understand what our customers want and to make sure we are delivering what they want, we regularly check customer satisfaction through surveys and research the relevance of our products, services and brand perceptions. We also meet regularly with our franchisees and conduct franchisee satisfaction surveys. We ask our employees for feedback during their personal assessments. To ensure the quality of the products and services provided by our suppliers they are required to provide us with information regarding their quality management processes and we visit their premises regularly to check on their quality management. We regularly communicate with our investors, potential investors, analysts and the media through presentations and in-person interactions. (For more information on our stakeholder engagement see the social and relationship capital section of this report on pages 27 to 32).

Our stakeholders and related material issues



The things that are most material to Taste Holdings

We define material issues as those which could substantially impact our ability to create and sustain value for our stakeholders. We identify these issues through board and executive-level discussions during which we consider financial and non-financial information, the issues driving our sustainability and their possible impact. During this process we consider the impact they could have on the sustainability and profitability of our business, our employees, franchisees, suppliers and customers. We also use the feedback we receive from interaction with our stakeholders and the surveys we undertake with our franchisees and our customers.

In the table below we have listed our top ten issues and discussed how we have responded to the risks and opportunities these issues raise.

Description of potential issue	Our response to the risks and opportunities this issue raises
<p>Reputational damage – A customer complaint on a social media site regarding one of our franchises could very quickly damage that brand’s reputation. Negative brand publicity could impact sales, reduce franchisee profitability and demand for products from our distribution centres. It could also reduce the Taste Holdings’ royalty income.</p>	<p>We employ live monitoring of all social networks and have dedicated customer complaint channels, with agreed resolution times and escalation protocols. A public relations company is employed to address any potential risk to a brand. Public relations training is conducted for each franchise owner and new procedures are disseminated periodically to stores.</p> <p>To ensure the systematic assessment of all the steps involved in our food manufacturing centres, they are certified by the South African Bureau of Standards (SABS) against the hazard analysis and critical control point (HACCP) food safety management system (See the Health and safety section on page 27 of this report for more information on HACCP). This allows us to trace the origin of all our input products. In addition, we monitor our fleet of vehicles in real time and receive alerts immediately when the cold chain is broken.</p> <p>We are busy reviewing our product recall procedures and additional insurance cover over distribution activities related to the cold chain.</p> <p>Public liability insurance is in place at store level and for our food manufacturing facility.</p> <p>While the possible impact of this issue is high, we have assessed that, because of all the steps we have taken to build the reputation of our brands to protect them from negative publicity, the probability of it occurring is low.</p>
<p>Franchisee profitability – the erosion of franchisee margins by an increase in input costs resulting in a sharp increase in cost of sales combined with lower-than-planned sales growth could result in the non-payment of management royalties, which would affect our income and marketing fund royalties. Unprofitable stores are not sustainable and would have to close, which could negatively affect brand awareness and revenue, and in turn could negatively impact new store growth.</p>	<p>To counter these possibilities we:</p> <ul style="list-style-type: none"> • have strong focused operational teams; • actively drive input costs down where possible; • strategically set menu pricing to ensure gross profit and cost of sales are in line with set targets and market expectations; • continue to drive reductions in new store set-up costs; • fanatically communicate, measure and track financial benchmarks across the system and identify poor performing stores and proactively address their performance; • employ new product innovation; • ensure our new store designs are in line with and ahead of market trends; and • employ aggressive national and regional marketing strategies.

Description of potential issue

System downtime – Our divisions operate highly integrated financial manufacturing, warehousing and point of sale systems. Therefore IT/server-related issues that result in system downtime affect the business continuity.

Our response to the risks and opportunities this issue raises

In order to mitigate this risk we:

- perform daily backups both on site and off site;
- have standby servers available;
- have service level agreements in place with all our major system/software service providers to assist with quick turnaround to avoid lengthy downtime;
- have offsite facilities where we would move to in the event of a prolonged disruption to invoicing;
- have manual ordering and picking processes in place to ensure that deliveries are not delayed;
- have backup links for all key services to prevent network outages eg. Fibre links, WiMax and satellite links, 3G;
- have outsourced e-mail to a world class service provider;
- have up to date software, including anti-virus software;
- have firewalls on all WAN links; and
- usernames and passwords on all computers.

The probability of system downtime occurring is medium to high and its impact is assessed as medium.

Theft would result in a loss in earnings and profitability.

In our food division, to protect our organisation from theft, we have installed additional camera systems in our operations and we closely monitor incoming and outgoing stock. We have also improved our stock receiving and dispatch systems, which include an early-warning system. We also put additional security measures in place and have a reward structure in place that encourages employees to report theft anonymously. The likely impact of theft is rated low, while its probability of occurring is high.

In our jewellery division, the probability of theft occurring is high, and the resultant impact is rated medium to high due to the value placed on jewellery stock. Security measures are constantly being evaluated, updated and improved in this division as per professional external recommendations. A store revamp program is ongoing with recent revamp or relocation of key risk sites. Revamping of stores reduces the risk of stock theft as the new store layout has increased security over stock on display. The division also maintains adequate insurance cover for theft.

Fire at a production and/or distribution facility could interrupt manufacturing and/or distribution.

It is unlikely that there would be fires at both our food and jewellery manufacturing and distribution centres at the same time. We have fire protection equipment and safety measures in place at these centres and we also have backup production arrangements in place for all our products. Any losses that might occur would be covered by the business interruption insurance cover we have in place. Again, while the impact of such an incident would be high, the probability of it occurring is considered low.

Description of potential issue

Our response to the risks and opportunities this issue raises

Power interruption would interfere with our production schedule and, depending on the length of the outage, could result in the deterioration of freezer and chiller stock stored for distribution.

In our food division, while we could move stock to an alternative location with our distribution facilities now on-site, this would be an extensive exercise. An additional alternative would be to store stock in available refrigerated vehicles. We also have backup manufacturing arrangements in place with a strategic partner. We have insurance cover for possible stock deterioration. Our Cullinan distribution centre is on the same cable network as the Cullinan diamond mine. As a result it is less likely to have extended power outages. We are in the process of finalising access to the mine's generator. In our jewellery business the impact is low due to the indefinite shelf life of stock and the stock days cover we keep. In our food business the impact is rated as high and the probability is medium.

Strike activity at production and/or distribution facilities would interrupt manufacturing and distribution.

We try to maintain good employee relations in both our divisions. There is currently union representation in our Cape Town production and distribution facility but not at our Cullinan operation, which is likely to change in the new financial year. Currently we assess the impact of a strike as high, but the probability of a strike is assessed as low. In the event of a strike we would hire temporary labour and, if necessary, use backup manufacturing facilities which are in place with strategic partners.

Exposure to head leases which we have in strategic sites and which we sublease to franchisees, could negatively impact operating profit if a franchisee failed to honour the terms of its sublease.

To reduce this risk we are only renewing key head leases. Non-strategic site leases are handed over to franchisees as and when our leases come up for renewal. We assess the impact of this issue could be high and that the probability of it occurring is medium to high.

A core protein shortage would decrease franchisee profitability in two of our brands that are dependent on a single protein. Currently these brands are the The Fish and Chips Co. and Zebro's Chicken.

We constantly assess supply and are able to invest in holding months of stock should the need arise. Across both chicken and fish we work to secure supplies well ahead of the demand. Ultimately when this has happened we have been able to utilise product innovation to offer customers alternate products that are aligned to their affordability.

South African exchange rate resulting in fish suppliers exporting higher volumes of fish for exchange rate benefits, which would result in higher-than-usual demands on the South African fish supply chain, which would push up prices and lead to fish falling out of the price range of the LSM market served by The Fish and Chip Co. franchises.

The risk is that franchisee profitability would decrease and the franchise would lose market share and profitability. Taste is investigating the possibility of using farmed fish and supplier relations to source alternative products that could sustain demand. We have assessed the likely impact of this risk as medium and its probability also as medium.



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





- *21-year-old award winning casual dining restaurant*
- *Third largest brand in it's category in South Africa*
- *FASA Franchisor of the year winner 2010*

MAXIS
More than just a meal

Performance

“An engine for sustainable jobs”



Introduction

All organisations depend on various forms of capital (sometimes referred to as resources and relationships) for their success. These forms of capital are stores of value that, in one form or another, become inputs to an organisation’s business model. They are increased, decreased or transformed through the activities and outputs of the organisation. As an example, our financial capital increases when we make a profit and the quality of our human capital improves when we train our employees, or employ employees with broader diversity and skills.

In this section of our report we provide you with information on our performance in terms of our human, social and relationship, and natural capital.

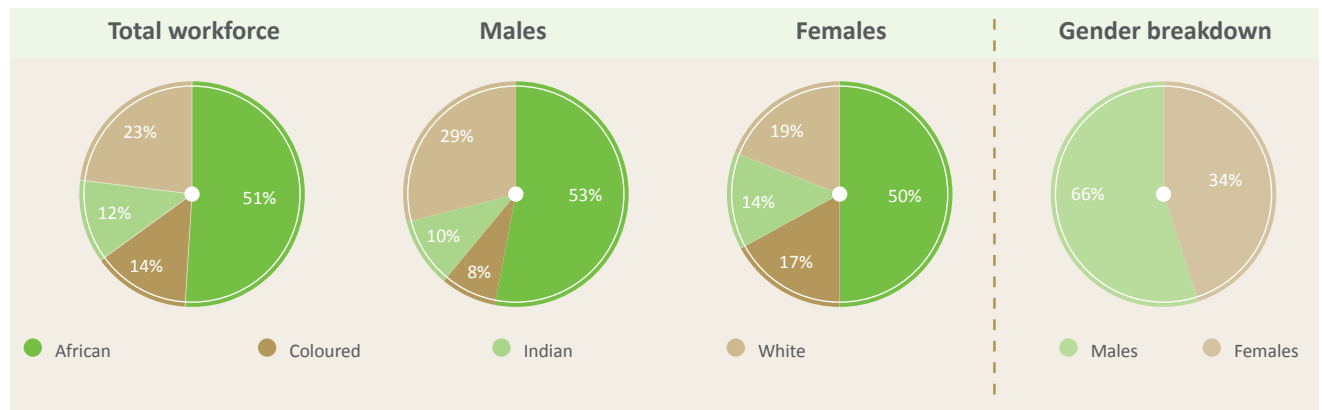
Human capital

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

Taste Holdings – Group direct

	Male								Female								Total SA workforce	% HDSA ¹ representation	% female HDSA ¹ representation
	Able-bodied				Disabled				Able-bodied				Disabled						
	African	Coloured	Indian	White	African	Coloured	Indian	White	African	Coloured	Indian	White	African	Coloured	Indian	White			
Senior and top management				22				1				2				5	30	7	7
Middle management		1	1	16								1				9	28	11	4
Junior management	3	2	7	16					24	9	31	38					130	58	49
Semi-skilled and unskilled	115	15	14	10	1				194	65	26	34					474	91	60
Total permanent workforce	118	18	22	64	1	0	0	1	218	74	60	86	0	0	0	0	662	77	53

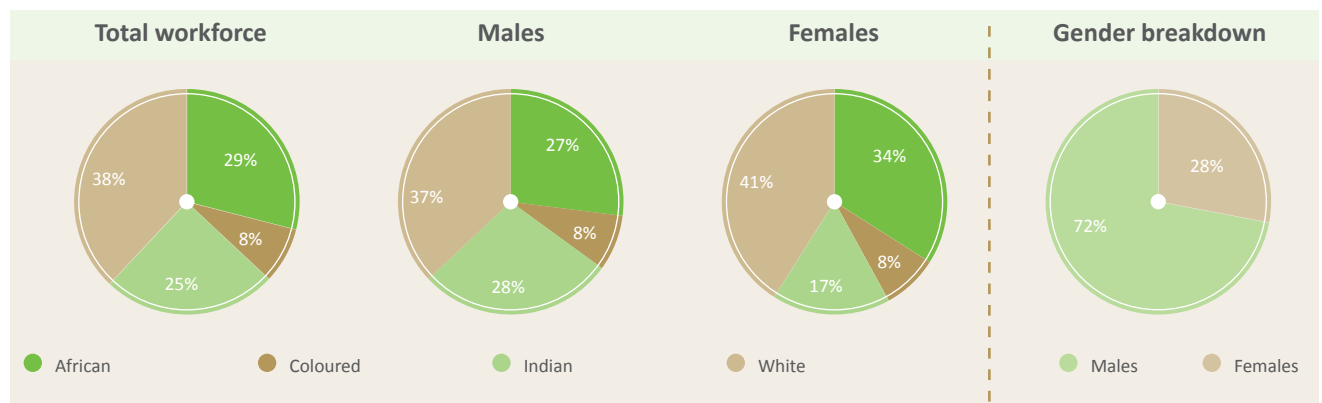
Racial and gender breakdown of Taste workforce in 2014



Group franchisees

	Male								Female								Total SA workforce	% HDSA ¹ representation	% female HDSA ¹ representation
	Able-bodied				Disabled				Able-bodied				Disabled						
	African	Coloured	Indian	White	African	Coloured	Indian	White	African	Coloured	Indian	White	African	Coloured	Indian	White			
Franchisees	113	32	119	155	1		1	1	56	13	28	69					588	62	17
Total permanent workforce	113	32	119	155	1	0	1	1	56	13	28	69	0	0	0	0	588	62	17

Racial and gender breakdown of franchisee workforce



¹ Historically disadvantaged South Africans.

Training and development

As a result of historic circumstance the level of basic education among semi-skilled employees is relatively poor amongst the South African workforce. For similar reasons we find the level of financial literacy among our young HDSA¹ franchisees requires improvement to successfully manage a small business. Lastly, the growth of our business in the last five years has placed demands on senior management to develop themselves at the pace of the business units they manage, lest their skills become unsuitable for that larger business. These three factors make the transfer of skills to both direct employees and franchisees not only a commercial imperative, but a social one too. Consequent to these three realities, investing in the development of our people is a priority. We need to develop the appropriate skills to support our strategy, which includes developing future business unit leaders. Employees that we have identified as having leadership potential attend a range of external training courses, are assessed annually in a thorough peer and manager review process, which results in an annual development plan. Managers have access to personal coaches to assist with the fulfilment of their personal development plan. All senior managers also attend JSE director induction courses, and to date 21 people have attended.

Successful development interventions very rarely occur through simple attendance at external courses and it is consequently inappropriate to measure this development on money spent. We therefore offer incentives it rewards to those who qualify at the end of their training.

Our health and safety training includes training all our employees in basic hygiene and HACCP procedures. Employees also received training in:

- first aid;
- health and safety representative training;
- forklift operation;
- pest control;
- standard operating procedures;
- critical control points (CCPs) and fire fighting;
- hazard identification and risk analysis (HIRA) training; and
- health and safety management training.

Other training our employees received this year included:

- temperature monitoring and control (both crucial in controlling product quality);
- food factory and personal hygiene;
- training in the use of pastel evolution software;
- standard operating procedures;
- electrode boiler operation;
- critical control point (CCPs) training; and
- spectank training for all employees in basic chemical usage, dilutions, chemical safety, basic hygiene and hand washing.

Social and relationship capital

Stakeholder engagement

Our board is responsible for communicating with our shareholders whose number has increased 12% year-on-year to 1 876 at 28 February 2014. It does so mainly via several executives and department heads who have been given responsibility for engaging with analysts, investors and individual shareholders and potential investors. Our CEO and CFO formally present to shareholders and analysts in Durban, Cape Town and Johannesburg every year. Both the CEO and the CFO also make themselves available for telephonic and in-person interactions with shareholders. Our CEO also makes himself available to the media.

Engaging with our employees

To keep our employees informed so they can understand the business's strategy and goals and make a valuable contribution to our business, our CEO presents the group strategy and results to all our employees at the same time as our results are released to shareholders annually.

Our quarterly newsletter, *The Taste Times*, is circulated to all our employees and franchisees. It provides easy-to-understand explanations of the group's financial results, the reasons behind our strategy and what we need to do to achieve it. It also includes news, employees' experiences and insights.

To assess how well our employees understand our strategy and what is required from them to achieve it, we also draw on employee feedback during their personal assessments. This provides Taste with insight into how our senior managers are translating our strategy to their direct reports.

Engaging with our franchisees

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

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

Engaging with our customers

Taste and its brands are all premised on exceeding our customers' expectations. Franchisees utilise our outsourced call centre to give us feedback on the service levels that we deliver to them. Additionally, end-consumers have the ability to log their comments with an outsourced call centre, which comments are maintained in a central database, in addition to being acted upon

¹ Historically disadvantaged South Africans.

as required. We also undertake regular customer satisfaction surveys and research the relevance of our products, services and brand perceptions.

Engaging with our suppliers

We recognise that Taste and its suppliers depend on each other and forge strong relationships with them. We manage supplier performance against on-time delivery specifications, price consistency and adherence to audits that ensure compliance with the latest best practice. We have adopted a transparent pricing policy which allows for mutual understanding of the key drivers of price, availability and quality. While we prefer to use local suppliers, the group's manufacturing division imports certain input products directly. We ensure that no individual has sole power to negotiate pricing or appoint new suppliers, which mitigates the risk of hidden costs in the supply chain and ensures that our procurement policies and practices are fair and transparent and are conducted at arm's length.

We use a supplier quality assurance questionnaire, which requires our suppliers to provide us with information regarding their quality management system, prerequisite programmes, building structure, pest control and various other factors that could have an effect on the quality of the product they are supplying to us. We also visit our suppliers regularly.

Suppliers must provide us with supplier quality assurance certificates, certificates of Halaal approval if required and supplier production specifications.

Engaging with the media

We recognise the important role the media plays in reporting on social issues and providing a balanced view. The group is committed to being accessible to the media and includes members of the media in its annual presentations to shareholders.

A socially responsible business

Job creation and enterprise development are top of the list when it comes to what is required to develop the South African economy. Our franchising business model not only provides enterprise development opportunities for small businesses that are likely to succeed and become sustainable because of the support a tried and tested franchising model provides the franchisee, but it also creates employment. (See our Human capital achievements on page 24 for information on the employment we have created). In many cases the opening of a new Taste franchise store provides people with their first job. In addition, they gain portable skills through the skills training they receive in our outlets.

Our corporate social responsibility programme focuses on establishing a social infrastructure and uplifting children suffering from life-threatening diseases and life challenges. We do this by contributing to the Just Footprints Foundation, which is a registered non-profit organisation founded in 2008 with the

aim of meeting the need for a unique, safe and secure outdoor camping experience for children with serious health and life challenges. The Foundation supports charities such as CHOC, Reach for a Dream, Cotlands and Ithemba Trust.

Safety and health

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

Taste Holdings is committed to providing safe food products to its affiliated franchise restaurants. The state-of-the-art food distribution centres we established in 2012 include high-volume manufacturing facilities producing spices, sauces, dough premixes and added-value meat products. Our main objective is to operate under the hazard analysis and critical control point (HACCP) food safety management system which ensures the systematic assessment of all the steps involved in our food manufacturing centres, which are certified by the South African Bureau of Standards (SABS) against the HACCP criteria. The system allows us to trace the origin of all our input products. In addition, we monitor our fleet of vehicles in real time and receive alerts if the cold chain is broken. We apply benchmark hygiene principles throughout our manufacturing process and our food technologist ensures that all the products we produce comply with our specifications before they are despatched to customers. We have a number of robust food safety systems in place, all of which we regard as being high priority, these include employing good manufacturing principles and quality management in relation to our HACCP system.

There were no health or safety issues in any of our divisions during the year under review.

Natural capital

Becoming more energy efficient

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

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

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

- Installed light-emitting diode (LED) lights which consume only 6% of the power consumed by the halogen lamps we used previously.
- Replaced air conditioning units with evaporative coolers which consume only 20% of what electrical air conditioners consume.
- Reduced consumption by installing timers on geysers and external signage.
- Imported and installed energy-efficient ovens in our new pizza outlets.
- Installed the latest in energy-efficient refrigeration in our new distribution centres and used large pre-refrigerated coolboxes instead of refrigerated trucks on short trips.

To reduce our fuel consumption we:

- send bulk orders (12 to 15 pallets at a time) in one truck instead of sending three separate deliveries of 4 to 5 pallets at a time; and
- reduce the number of trucks we use for local deliveries by 50%.

HACCP SAFETY MANAGEMENT SYSTEM

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

HACCP is based on seven principles:

1. Analyse hazards

Potential hazards associated with food and the measures required to control those hazards are identified including biological, chemical and physical contaminants.

2. Identify critical control points

These are points in a food's production at which potential hazards can be controlled or eliminated.

3. Establish preventive measures with critical limits for each control point

These are minimum standards required for the safe preparation of food.

4. Establish procedures to monitor the critical control points

These procedures include determining how and by whom processing standards are to be monitored.

5. Establish corrective actions to be taken when monitoring has shown that a critical limit has not been met

Either reprocess or dispose of foods if the minimum processing standards have not been met.

6. Establish procedures to verify that the system is working properly

Testing and calibrating equipment to ensure its proper functioning is but one of the typical requirements.

7. Establish effective record keeping in order to document the HACCP system

This would include records of hazards and their control methods, monitoring of safety requirements and corrective actions taken to either prevent problems or establish how non-conformances are to be prevented from recurring.



- 14-year-old pizza brand
- 2nd largest pizza delivery chain in SA
- Four-time winner of the FASA Brand Builder of the Year award
- Focussed on 39-minute delivery or your order free

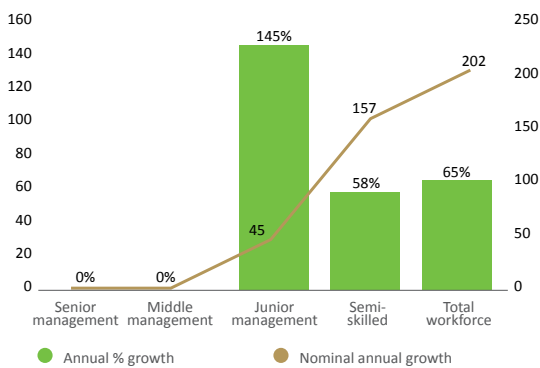
scototers
PIZZA

get a slice of the good life

Creating lasting jobs

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

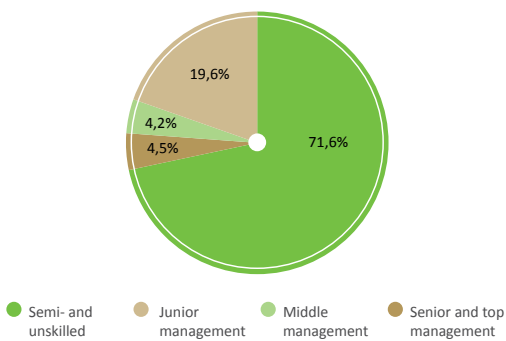
Annual growth of HDSA¹ employees by skill type



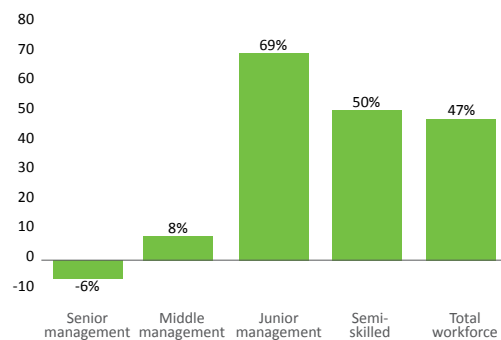
The multiplier effect changing our country one job at a time

- The group workforce has grown 79% in just three years from 370 to 662 direct employees.
- Research has indicated, for every semi-skilled, junior management, or entry-level store based employee there are approximately eight dependants, potentially extending our overall impact to more than 50 000 people in South Africa.
- Through more new store openings alone in the last two years we have created over 2 500 jobs.

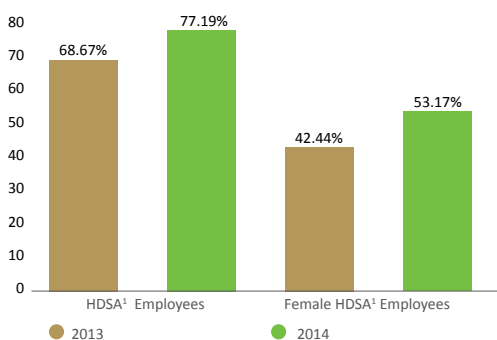
Split by skill type 2014



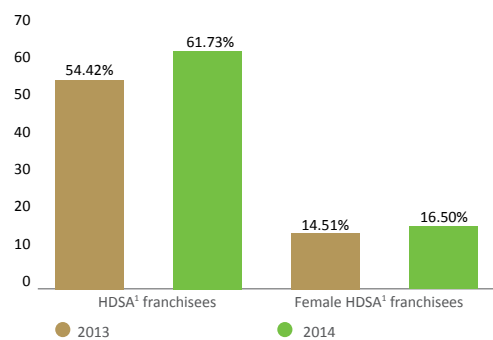
Annual growth by skill type



HDSA¹ workforce as a % of total



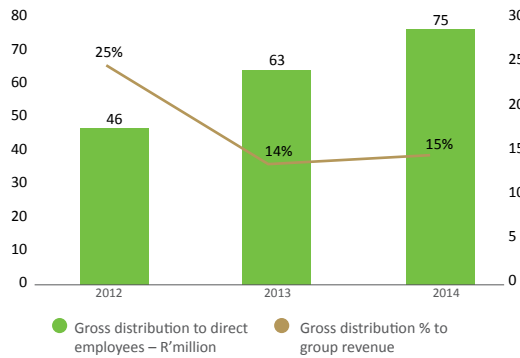
HDSA¹ franchisees as a % of total



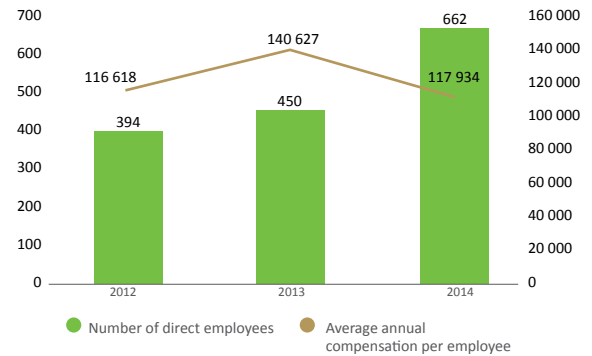
¹ Historically disadvantaged South Africans.

The Multiplier effect

Distribution to employees

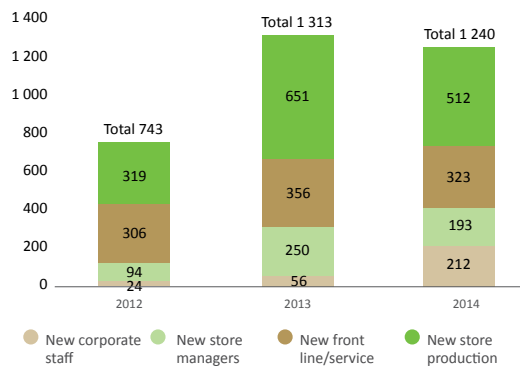


Job creation and average earnings



“Education is the most powerful weapon which you can use to change the world”
- Nelson Mandela

Number of new jobs created per year



This is based on average staff employment by store type and is based on the number of new stores opened.

We care



"Success isn't about how much money you make, it's about the difference you make in people's lives – First Lady Michelle Obama"



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

Just Footprints Foundation is a registered non-profit organisation which was founded in 2008, specifically to meet the need for a unique outdoor camping experience that would provide safe and secure adventures for children.

The Just Footprints Foundation supports charities such as CHOC, Reach for a Dream, Cotlands and Ithemba Trust. At these camps, disadvantaged and disabled children and children with life-threatening illnesses and life challenges learn new skills, develop confidence and enhance their self-esteem in a supportive 'fun' camp environment. A place where physical risks are managed appropriately and participants are cared for emotionally.

Our first camp was held in 2010. We hosted six more camps since then and are looking forward to two more camps in August and November this year.

We recently implemented an outing as part of the programme for the children to an old-age home at a nearby village. Here they interact with the aged and provide them with a meal and entertain them with song and dance.

Our brands support various charities and charity events such as:



This way the children also learn to give back to the community.

We feel honoured to be involved with Just Footprints, as their cause is one that all members of Taste Holdings feel deeply passionate about and committed to. Every event that we partner with Just Footprints is so rewarding. Seeing the joy on the children's faces is an experience that cannot be summed up in words.



- Charity cheque sponsorships at store openings
- Whizzkids week – celebrating Youth Day and week (18 – 21 June)
- Deo Gloria soup kitchen in Krugersdorp
- Just Footprints camp participant



- Hout Bay Valley School Sandcastle Competition
- Habitat for Humanity
- Ithemba Preschool, Capricorn Park
- UCT Entrepreneurs Day
- Holy Cross Sister School Food Fair
- Deo Gloria soup kitchen in Krugersdorp
- Just Footprints camp participant
- Sissy Boy Awards
- Moroccan Oil product launch



- Just Footprints camp participant
- Wheelchair giveaway, Polokwane
- Bambino's Creche in Danville, Pretoria – Christmas Party
- TB ward in King George hospital in Durban
- Animal anti-cruelty lunch platters for people who work in their offices
- Deo Gloria soup kitchen in Krugersdorp
- Facebook competitions for customers – charity/fan of the month



- Just Footprints camp participant
- Deo Gloria soup kitchen in Krugersdorp



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



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

BUON GIUSTO
food services



- *31-year-old award winning jewellery chain*
- *Third largest and only vertically integrated franchised jewellery chain in SA*
- *Value for money – always 35% off*

NWJ
JEWELLERY

Corporate governance

How we govern our business

Our approach to governance

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

We recognise that strategy, performance, sustainability and risk are inseparable. Our board also takes into consideration the

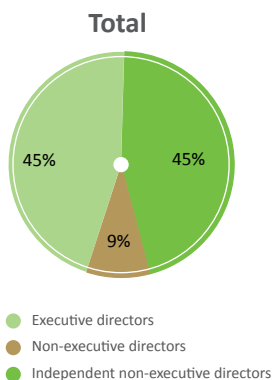
concerns and priorities of our wider stakeholder environment in its strategic guidance and decision-making process.

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

Our board governance structure



Taste Holdings board independence as at 28 February 2014



Governance and management systems

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

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

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

Shareholders are required to elect the members of our audit committee, which is a statutory committee in terms of the Companies Act, at our annual general meeting. The members of our social and ethics committee, which is also a statutory committee, are reappointed annually by the board at its first board meeting following the annual general meeting.

The roles, responsibilities and membership of our board and its committees as at 28 February 2014

	Membership	Attendance	Roles and responsibilities
Board			
Independent Non-executive Chairman	Ramsay L'Amy (Bill) Daly	2/3	<p><i>Role and responsibilities of the chairman:</i></p> <p>The chairman ensures:</p> <ul style="list-style-type: none"> • the overall effectiveness of the board and its committees; • that the board provides effective leadership, maintains ethical standards and is responsible, accountable, fair and transparent; and • that strategies are developed and implemented with the objective of achieving sustainable economic, social and environmental performance. <p>To achieve this he encourages constructive debate and discussion within the board through a culture of openness and constructive challenge. He makes himself available to shareholders for discussion on corporate governance matters and matters of concern to shareholders and other stakeholders.</p>
<p>Board – meets at a minimum of three times a year. It also convenes additional meetings as necessary. In addition, the CEO and CFO meet with board members at least three times a year.</p>			
Composition of the board:			
Five independent non-executive directors (including the chairman)*	Anthony Berman	3/3	<p>Board members are accountable to shareholders and they owe a duty of care and diligence to the company. They act in the best interests of the company and its shareholders. To fulfil their role board members participate in rigorous and constructive debate and discussion. The board is responsible for:</p> <ul style="list-style-type: none"> • strategy, strategic decision-making and execution; • governing the company on behalf of its shareholders; • engaging with stakeholders; • Taste Holdings' approach to corporate citizenship, safety, health, the environment, ethics and risk; • Its own governance, including the rotation of directors, training of directors, conflicts of interest and the appointment of directors; and • Monitoring and assessing Taste Holdings' reputation in the marketplace.
	Kevin Utian	3/3	
One non-executive director**	Wessel van der Merwe****	3/3	
Five executive directors***	Sebastian Patel****	3/3	
	Hylton Rabinowitz	3/3	
	Carlo Gonzaga (CEO)	3/3	
	Evan Tsatsarolakis (CFO)	3/3	
	Duncan Crosson	3/3	
	Luigi Gonzaga***	2/3	
	Jay Currie**	3/3	
*	Grant Pattison joined the board as an independent non-executive director on 1 March 2014.		
**	Jay Currie's status changed from non-executive director to executive director in September 2013. Mr Currie attended one audit and risk committee meeting and one social, ethics and remuneration committee as a non-executive director, but resigned from these committees when he took up an executive position with the group. He joined the group executive committee in September 2013.		
***	Luigi Gonzaga, whose retirement was announced in October 2013, resigned from the board on 28 February 2014 and also resigned from the executive committee.		
****	Sebastian Patel joined the audit and risk committee on Jay Currie's appointment as executive director.		
*****	Wessel van der Merwe joined the social, ethics and remuneration committee in February 2014.		

Corporate governance continued

Membership	Attendance	Roles and responsibilities
<p>Audit and risk committee – The committee meets a minimum of three times a year with special meetings called as and when required. The committee also meets with the group’s external auditors and Taste Holdings’ executive management periodically.</p>		
<p>Composition:</p>		
Three independent non-executive directors*	Anthony Berman Wessel van der Merwe	3/3 3/3
The CEO and CFO who attend meetings by invitation do not have a vote.	Sebastian Patel****	2/3
The external auditor also attends meetings by invitation.		
		<p>The audit committee ensures that appropriate checks and balances are in place to ensure robust, independent and efficient audit processes and that financial reporting throughout the group is accurate and reliable.</p> <p>The committee:</p> <ul style="list-style-type: none"> • reviews and oversees Taste Holdings’ integrated reporting and its system of internal controls; • reviews the findings of the external auditors and once our internal audit function is established will review its findings and oversee the internal audit function; • obtains external assurance on the financial statements included in Taste Holdings’ integrated report and recommends them to the board for approval; • carries out its statutory duties set out in section 90 of the Companies Act, 2008; • satisfies itself as to the expertise and experience of the group’s financial director and its financial function. During the financial year under review the committee agreed to an action plan in respect of areas of the group where financial skills and/or procedures are inadequate; • satisfies itself that management regularly monitors the group’s compliance with the Franchise Association’s code of conduct; • assists the board with its responsibility for IT governance by ensuring that the group manages its information assets effectively, that an IT governance framework is in place and that management is implementing the framework; and • monitors and evaluates significant IT investment and expenditure. <p>The risk committee:</p> <ul style="list-style-type: none"> • considers risk in its widest sense; • identifies and assesses strategic risks, their impact and the probability of them occurring; • monitors the perceived effectiveness of the group’s existing controls and systems and assesses their integrity; • ensures the company’s risk policies and strategies are effective and effectively managed; • establishes and maintains a common understanding of the body of risks that need to be addressed if the company is to achieve its corporate objectives; • reviews and confirms the company’s levels of risk tolerance and its risk profile at least twice a year; • coordinates the group’s risk management efforts, reviews the results and ensures appropriate action is taken; • monitors external development relating to corporate accountability, including emerging and prospective risks and opportunities; and • reviews and discusses the group risk register, which is aggregated from the risk registers prepared by the divisions once a year in February. <p>In February 2013, the audit and risk committee formally evaluated the performance and effectiveness of the external auditor in terms of King III and the JSE Listings Requirements. It confirmed the suitability and effectiveness of the external auditor and nominated BDO South Africa Inc. for reappointment as external auditor for the coming financial year, having satisfied itself that the company and its individual auditors are properly accredited and independent.</p> <p>The committee also determines and carefully monitors the use of the external auditor for non-audit-related services. The formal policy in place precludes the auditor from providing services that could impair audit independence.</p>

	Membership	Attendance	Roles and responsibilities
Social, ethics and remuneration committee – The committee meets twice a year and calls additional meetings as and when required.			
Composition:			
Four independent non-executive directors	Anthony Berman (Chairman)	2/2	The committee invites executives and senior managers of the group to attend meetings by invitation in order to perform its mandate.
The CEO attends portions of these meetings by invitation. He does not have a vote, nor does he participate in discussion regarding his remuneration.	Bill Daly	2/2	<p>Social and ethics responsibilities:</p> <p>The primary role of the committee is to supplement, support, advise and provide guidance on the effectiveness or otherwise of management's efforts in respect of social, ethics and sustainable development-related matters which include:</p> <ul style="list-style-type: none"> • embedding an ethical culture; • safety, health and wellness; • socio-economic development; • human resource development; • employment equity and transformation; • the group's empowerment credentials; • the group's corporate social responsibility; • protection of company assets; and • stakeholder engagement. <p>Remuneration responsibilities include:</p> <ul style="list-style-type: none"> • approving, guiding and influencing human resource policies and strategies; • ensuring appropriate transparent disclosure of remuneration • skills development; • recommending appropriate levels of remuneration to be paid to the members of the Board of directors; • upholding, reviewing and amending, if appropriate, the company's remuneration philosophy and policy with particular reference to the remuneration of executive directors and senior management; • ensuring that executive directors and senior management are fairly rewarded for their individual contributions to the company's overall performance, having regard to the interests of stakeholders and the financial condition of the group; • approving remuneration packages to attract, retain and motivate high-performing executive directors and senior management; and • benchmarking remuneration against competitor companies and third-party salary surveys. <p>Nomination responsibilities include:</p> <ul style="list-style-type: none"> • setting the criteria for board nominations and ensuring the appointment of directors is transparent; • identifying, evaluating and recommending suitable candidates for appointment to the board; • succession planning; • ensuring Taste Holdings' leadership is representative of all race groups and is in accordance with the spirit and targets set by the dti Codes of Good Practice; and • ensuring directors retire and are re-elected in accordance with the company's memorandum of incorporation.
	Kevin Utian	2/2	
	Wessel van der Merwe****	1/2	

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

** Jay Currie's status changed from non-executive director to executive director in September 2013. Mr Currie attended one audit and risk committee meeting and one social, ethics and remuneration committee as a non-executive director, but resigned from these committees when he took up an executive position with the group. He joined the group executive committee in September 2013.

*** Luigi Gonzaga, whose retirement was announced in October 2013, resigned from the board on 28 February 2014 and also resigned from the executive committee.

**** Sebastian Patel joined the audit and risk committee on Jay Currie's appointment as executive director.

***** Wessel van der Merwe joined the social, ethics and remuneration committee in February 2014.

	Membership	Roles and responsibilities
Executive committee***	<p>Carlo Gonzaga (CEO and chairman of the committee)</p> <p>Evan Tsatsarolakis (CFO)</p> <p>Duncan Crosson</p> <p>Jay Currie</p>	<p>The executive committee, which also acts as an investment committee, meets at least once a month, assists the CEO with the performance of his duties, and is responsible for:</p> <ul style="list-style-type: none"> • developing strategy, operational plans, policies, procedures and budgets for consideration by the board; • implementing the group's strategy; • carrying out the board's mandates and directives; • the operational activities of the Taste Holdings group; • monitoring operational and financial performance against set objectives; • executing Taste Holdings' compliance and disclosure obligations; and • deciding on capital allocation across the group, including replacement and investment capital, based on proposals submitted by the divisions in terms of our board-agreed investment mandate.

Company secretary

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

Ms Monika Pretorius, the duly appointed company secretary of Taste Holdings, is neither a director nor a shareholder of Taste Holdings or any of its subsidiaries and on that basis the board is comfortable that Ms Pretorius has maintained an independent relationship with the executive team, the board and the individual directors in terms of Section 3.84(j) of the JSE Listings Requirements.

The Board has unlimited access to the Company Secretary, who advises the Board and its committees on issues including compliance with Group policies and procedures, statutory regulations and relevant governance principles and recommendations. The Company Secretary attends Board and

Committee meetings to ensure that comprehensive minutes of meetings are recorded.

The company secretary has provided the board with documentary evidence of her levels of competence in terms of fulfilling her responsibilities as company secretary, which included her qualifications and experience. Ms Pretorius has over seven years' experience as the company secretary of a listed company and has a BCom LLB qualification. She has never been censured by the JSE, penalised or fined for any misconduct. The board, having assessed her abilities based on her qualifications, experience and the level of competence she has demonstrated as Taste Holdings' company secretary as required in terms of Section of 3.84(i) of the JSE Listings Requirements, agreed that Ms Pretorius is sufficiently qualified, competent and experienced to act as Taste Holdings' company secretary. This was endorsed and confirmed by the Taste Holdings board at its meeting held in May 2014. Ms Pretorius recused herself from that portion of the meeting while the board deliberated on her suitability to act and perform the role and duties of the Taste Holdings group company secretary.

Our policies and terms of reference are available through the company secretary.

Reporting in terms of section 3.84 of the JSE listings requirements on board governance processes

Requirement	Principle	Approach
3.84(a)	<p>There must be a policy detailing the procedures for the appointment to the board.</p> <p>Appointments must be formal and transparent and a matter for the board as a whole, assisted where appropriate by a nomination committee.</p> <p>If a nomination committee is appointed, such committee must only constitute non-executive directors and the majority must be independent. The committee must be chaired by the chairman of the board.</p>	<p>Our directors are appointed by means of a transparent and formal procedure, governed by the mandate and terms of reference or our social, ethics and remuneration committee and the board charter. The board adheres to a formal board policy in this regard.</p> <p>The social, ethics and remuneration committee's responsibilities include setting the criteria for board nominations, identifying, evaluating and recommending to the board suitable candidates for appointment to the Taste Holdings board, as well as succession planning.</p> <p>The members of the social, ethics and remuneration committee are all independent non-executive directors.</p>
3.84(b)	<p>There must be a policy evidencing a clear balance of power and authority at board level to ensure that no one director has unfettered powers.</p>	<p>Our board charter demonstrates that there is a clear balance of power and authority at board level and that no one director has unfettered powers. Decisions, if not unanimous, are taken by a simple majority with one vote per director. The chairman does not have a casting vote.</p>

Requirement	Principle	Approach
3.84(c)	<p>Issuers must have a CEO and a chairman and these positions must not be held by the same person.</p> <p>The chairman must either be an independent director or the issuer must appoint a lead independent director as defined in the King Code.</p>	<p>The CEO and chairman positions in Taste Holdings are held by different people and the chairman is an independent non-executive director. This principal is documented in the board charter.</p>
3.84(d)	<p>Issuers must appoint an audit committee in compliance with the King Code.</p>	<p>Taste Holdings has a combined audit and risk committee. Its membership is set out on page 38 of this report. The committee currently has three members all of whom are independent non-executive directors, as set out in the King Code. The chairman of the board is invited to attend committee meetings.</p>
	<p>Issuers must appoint a remuneration committee in compliance with the King Code.</p>	<p>The board has appointed a combined social, ethics and remuneration committee, which has four members all of whom are independent non-executive directors.</p>
	<p>Where appropriate, issuers must appoint a risk and nomination committee.</p>	<p>As already explained Taste Holdings has a combined audit and risk committee and a combined social, ethics and remuneration committee, which is tasked with the responsibilities of a nomination committee. The company do not have separate risk and nomination committees.</p>
	<p>The composition of such committees, a brief description of their mandates, the number of meetings held and any other relevant information must be disclosed in the annual report.</p>	<p>Brief descriptions of the mandates of these committees and the number of meetings held during the year are available on pages 37 to 40 of this report.</p>
3.84(e)	<p>Brief CV of each director standing for election or re-election must accompany relevant notice of meeting.</p>	<p>Information appears on pages 4 to 6 of this report.</p>
3.84(f)	<p>Capacity of directors in relation to executive, non-executive and independent must be categorised and disclosed in the relevant documentation.</p>	<p>This information is also contained in the curriculum vitae mentioned in 3.84 (e). The composition of our committees is in accordance with the requirements of the Companies Act and the King Code.</p>
3.84(g)	<p>Issuers must have a full time executive financial director.</p>	<p>Taste Holdings has a full-time Chief Financial Officer who does not hold any other position nor does he have any other commitments that could be considered as full- or part-time employment.</p>
3.84(h)	<p>The audit committee must consider, on an annual basis, and satisfy itself of the appropriateness of the expertise and experience of the financial director and report thereon in the annual report.</p>	<p>Our audit and risk committee annually considers and satisfies itself of the appropriateness of the expertise and experience of the Chief Financial Officer and has reported on its findings in its Audit and Risk Committee report on page 47 of our annual financial statements.</p>
3.84(i)	<p>The provision deals with the competence, qualifications and experience of the company secretary and the board of directors' responsibility in relation thereto.</p>	<p>We would refer you to page 40 of this report where the company secretary's competence, qualifications and experience are set out, as are the board's assessment of her abilities to carry out her responsibilities.</p>
3.84(j)	<p>The provision deals with the arms' length relationship between the board of directors and the company secretary and the board of directors' responsibility in relation thereto.</p>	<p>We would also refer you to page 40 of this report where it is stated that the company secretary maintains an arm's length relationship with the executive team, the board and the individual directors.</p>

Our application of King III

Every year we consider the 75 corporate principles of King III. We have provided an update below of our actions in terms of the principles we listed in 2013 as not yet fully applied by Taste Holdings. A comprehensive assessment of all of the 75 principles can be found on our website under the governance section.

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

Statement of internal control

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

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

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

Delegation of responsibilities

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

Policies and procedures

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

Divisional review meetings

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

Monitoring of results

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

Code of ethics

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

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

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

Remuneration report

Our remuneration philosophy

The group's remuneration policy is based on the premise that fair and competitive remuneration motivates individual achievement and enhances a company's general performance. We achieve what we believe is fair and competitive remuneration through combining fixed and performance-enhancing incentives with the aim of attracting and retaining competent and experienced employees.

Our base pay for executive directors and senior management is benchmarked annually against direct industry peers, comparable listed companies and at least one salary survey specialist company. We also take into consideration the revenue, profit and the number of employees and assets under that person's control. Where no adjustment is due to an employee, salary increases are guided by a combination of the consumer price index and prevailing trends among listed companies, based on surveys carried out by specialist companies.

Base remuneration policy

As part of its strategy to attract and retain top individuals in their area of expertise Taste's strategy is to pay base salaries in the 75th percentile, as per external salary surveys. During the year, no ex gratia payments were made to directors, executive committee or management committee members.

Retention and incentive policy

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

Short-term cash incentive programme

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

While the short-term incentive pool scheme has served the group well during the past four years, it will be reviewed during the current financial year, to increase its alignment with the market value and cost to company of each individual.

Long-term share incentive scheme

There are currently two long-term schemes in place:

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

Due to various constraints in this long-term share incentive scheme, the remuneration committee approved a new share option scheme that was principally driven during the year ended February 2013.

The scheme is based on the following principles:

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

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

The purpose of this long-term share incentive scheme is to motivate a continuous improvement in enterprise value.

Shareholders are referred to ordinary resolution 7 on page 97 of this report where shareholders are requested to approve an increase in the vesting period from five to six years.

Disclosure of remuneration

King III recommends that a company should disclose the salaries paid to the top three executives, excluding executive directors. The Taste Holdings board has decided that because of the value of these employees to the company and the highly competitive nature of the South African retail environment it is not in the interests of the company to disclose the individual salaries of these three executives. Instead, we are disclosing the combined salaries paid to these three executives in the 2014 financial year. Including their basic salaries, motor vehicle allowance, medical aid benefits and bonuses they were paid a total of R4 543 175,59. The remuneration paid to directors is disclosed on page 85 of the financial statements contained in this report.

Non-executive directors' fees

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

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

To avoid any conflict of interest, non-executive directors do not and will not participate in any share-based incentive scheme or any other incentive scheme that the company may implement.

Non-executive directors' fees are tabled annually for approval by the company's shareholders. The non-executive directors' fees paid in the 2014 financial year are set out below. The remuneration committee proposed that the fees of non-executive directors are not increased in the 2015 financial year.

	2014 Paid R	2015 Proposed fee (no increase proposed) R
Board chairman	214 000	214 000
Board members	107 000	107 000
Audit and risk committee chairman	214 000	214 000
Audit and risk committee members	26 750	26 750
Social, ethics and remuneration committee chairman	35 310	35 310
Social, ethics and remuneration committee members	26 750	26 750





ANNUAL FINANCIAL STATEMENTS

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

These annual financial statements were authorised on 21 May 2014 by the board of directors.

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Directors' responsibility and approval

for the year ended February 2014

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

These annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

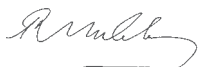
The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the annual financial records may be relied on for the preparation of the annual financial statements. However, any system of internal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

The directors have reviewed the group's cash flow forecast for the year to 28 February 2015 and, in light of this review and the current financial position, they are satisfied that the group has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

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

The external auditor is responsible for independently reviewing and reporting on the group's annual financial statements. The annual financial statements have been examined by the group's external auditor and the report is presented on page 51.

The annual financial statements set out on pages 52 to 92, which have been prepared on the going-concern basis, were approved by the board of directors on 21 May 2014 and were signed on its behalf by:



Ramsay L'Amy Daly
Non-executive Chairman

Sandton
21 May 2014



Carlo Ferdinando Gonzaga
Chief Executive Officer

Declaration by company secretary

In terms of section 88(2)(e) of the Companies Act, No 71 of 2008, I certify that to the best of my knowledge all returns and notices as are required by the Companies Act for a public company have been lodged with the Companies and Intellectual Properties Commission and that all such returns and notices are true, correct and up to date.



Monika Pretorius
Company Secretary

Sandton
21 May 2014

Preparation of financial statements

The financial statements set out on pages 45 to 94 have been prepared and supervised by the Chief Financial Officer, Evangelos Tsatsarolakis CA(SA).

Report by audit and risk committee

for the year ended February 2014

The composition of the audit and risk committee is in line with the provisions of the Companies Act of South Africa and is chaired by Anthony Berman. During the financial year ended 28 February 2014, in addition to the duties set out on page 38, the audit and risk committee:

- has reviewed the quality and effectiveness of the scope of the external audit;
- has nominated BDO South Africa Incorporated (BDO) as the registered independent auditor after satisfying itself through enquiry that BDO is independent as defined in terms of the Companies Act;
- has satisfied itself through enquiry that the audit partner, Mr Gawie Marais, is independent;
- has approved the terms of engagement and fees paid to BDO;
- has reviewed the nature of non-audit services provided by the external auditors in order to ensure that the fees for such services do not become so significant as to call to question their independence. BDO provides non-audit services to the company and the audit and risk committee has preapproved the contract for tax administration by BDO;
- no reportable irregularities were identified and reported by BDO to the committee;
- there was no material weakness in financial controls which resulted in material financial loss during the year under review;
- the audit and risk committee has considered and satisfied itself of the appropriateness of the expertise and experience of the financial director, Evangelos Tsatsarolakis, and is unanimously satisfied of his continuing suitability for the position. The committee has further assessed the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the finance function and concludes that these are adequate; and
- the audit and risk committee recommended the annual financial statements for the year ended 28 February 2014 for approval to the board. The board has subsequently approved the annual financial statements which will be open for discussion at the forthcoming annual general meeting.



Anthony Berman

Chairman – audit and risk committee

Sandton
21 May 2014

Directors' report

for the year ended February 2014

The directors have pleasure in submitting their report which forms part of the audited financial statements of the group for the year ended 28 February 2014.

Nature of business

Taste Holdings Limited is a South African-based management group listed on the JSE Limited, the recognised securities exchange in South Africa. The group is invested in a portfolio of mostly franchised, category specialist restaurant and retail brands, represented in some 600 locations throughout southern Africa. The company's brand portfolio includes Scooters Pizza, Maxi's, St Elmo's, The Fish and Chip Co. and NWJ (Natal Wholesale Jewellers). The company is involved in the establishment of new business, marketing and advertising of the brands and the operational control of the franchised outlets to ensure consistency and compliance across the chains. The company also manufactures and supplies jewellery and selected food items to its jewellery and food brands respectively.

Financial statements and results

The group results and financial position are reflected in the financial statements on pages 52 to 92. The group recorded a profit after tax for the year ended 28 February 2014 of R30.4 million (2013: R24.8 million).

Events subsequent to year-end

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

Authorised and issued share capital

The authorised and issued share capital of the company remained unchanged for the year ended 28 February 2014, details of which are set out in note 13 of the annual financial statements. On 26 February 2014, 3 729 691 ordinary shares at R3.71 were issued to Rencap Securities Proprietary Limited, under the general authority granted of the AGM on 22 August 2013, to partly fund the Zebro's Chicken acquisition, which was effective 1 March 2014. During the year 1 997 000 @ 43 cents, 679 279 @ 43 cents, 125 000 @ R2.25 and 125 000 @ R2.30 ordinary shares were issued to The Taste Holdings Share Trust. This was done in anticipation of share options being exercised in terms of the Taste Holdings share option scheme. At 28 February 2014, 3 233 278 ordinary shares were held by The Taste Holdings Share Trust. These are treated as treasury shares and have been eliminated on consolidation.

Staff share option scheme

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

Borrowings

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

Dividends

The directors declared a gross dividend of 6.2 cents per ordinary share, to be paid on 14 July 2014 to ordinary shareholders recorded in the company's register at the close of business on 11 July 2014. Further details are reflected in note 16 of the annual financial statements.

Capital expenditure

The significant capital expenditure incurred during the year is due to a combination of the acquisition of fixed assets in the food services business related to capacity expansion and continued integration of the food distribution network; and the acquisition of the 11 corporate stores by the jewellery division. In line with the group's stated intention, this capital expenditure was funded with external debt funding.

Directors

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

Name

Carlo Ferdinando Gonzaga
Duncan John Crosson
Jay Bayne Currie
Kevin Utian
Hylton Roy Rabinowitz
Luigi Gonzaga (retired 28 February 2014)
Ramsay L'Amy Daly (Bill)
Anthony Berman
Evangelos Tsatsarolakis
Wessel Petrus van der Merwe
Sebastian Patel
Grant Pattison (appointed 1 March 2014)

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

Shareholders will be asked to confirm these reappointments at the forthcoming annual general meeting.

Secretary

The secretary of the company is Monika Pretorius of:

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

Special resolutions

At a general meeting of the shareholders on 22 August 2013 the following resolutions were passed:

- General authority to directors to acquire the company's shares.
- Approval of fees payable to the non-executive directors for the year ended 28 February 2014.
- Approval of authority to directors to provide financial assistance to all subsidiaries and their inter-related companies within the Taste Holdings group of companies.

Special resolutions by trading subsidiaries

- Authority to provide financial assistance to inter-related companies within the Taste Holdings group of companies.

Directors' report continued

for the year ended February 2014

Directors' responsibility

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

Directors' interests

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

Director	Number of shares held		Total	%
	Beneficially direct	Beneficially indirect		
At 28 February 2014				
Carlo Ferdinando Gonzaga and associates		6 091 891	6 091 891	3.01
Duncan John Crosson	4 711 082	–	4 711 082	2.33
Luigi Gonzaga and associates	–	2 065 000	2 065 000	1.02
Ramsay L'Amy Daly (Bill) and associates	40 000	5 019 200	5 059 200	2.50
Jay Bayne Currie	10 061 768	–	10 061 768	4.97
Hylton Roy Rabinowitz	329 999	29 039 954	29 369 953	14.50
Kevin Utian and associates	–	1 000 000	1 000 000	0.49
Anthony Berman	1 350 000	–	1 350 000	0.67
Wessel Petrus van der Merwe		1 200 000	1 200 000	0.59
Evangelos Tsatsarolakis	100 000	–	100 000	0.05
	16 592 849	44 416 045	61 008 894	30.13
At 28 February 2013				
Carlo Ferdinando Gonzaga and associates	–	6 385 000	6 385 000	3.26
Duncan John Crosson	4 711 082	–	4 711 082	2.41
Luigi Gonzaga and associates	–	2 065 000	2 065 000	1.05
Ramsay L'Amy Daly (Bill) and associates	40 000	5 019 200	5 059 200	2.58
Jay Bayne Currie	14 561 768	–	14 561 768	7.43
Hylton Roy Rabinowitz	357 999	29 039 954	29 397 953	15.01
Kevin Utian and associates	–	2 000 000	2 000 000	1.02
Anthony Berman	1 350 000	–	1 350 000	0.69
Wessel Petrus van der Merwe	–	1 200 000	1 200 000	0.61
Evangelos Tsatsarolakis	100 000	–	100 000	0.05
	21 120 849	45 709 154	66 830 003	34.12

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

Corporate governance and sustainability

The corporate governance and sustainability report is set out on pages 36 to 43.

Shareholder spread


Details of the company's shareholder spread are recorded on page 93.

Going concern

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



Ramsay L'Amy Daly
Non-executive Chairman



Carlo Ferdinando Gonzaga
Chief Executive Officer

Report of the independent auditor

for the year ended February 2014

To the shareholders of Taste Holdings Limited

We have audited the group annual financial statements of Taste Holdings Limited, which comprise the consolidated statement of financial position as at 28 February 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 54 to 92.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the annual financial statements.

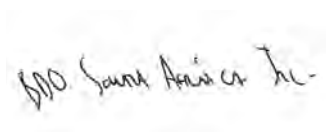
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the group annual financial statements present fairly, in all material respects, the consolidated financial position of the group as of 28 February 2014, and of their consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 28 February 2014, we have read the directors' report, the audit and risk committee's report and the company secretary's declaration for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



BDO South Africa Incorporated

Gawie Marais
Registered Auditor
Partner

21 May 2014

22 Wellington Road
Parktown
2193

Statement of financial position

for the year ended February 2014

	Notes	2014 R'000	2013 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	29 776	17 063
Intangible assets	5	79 545	83 508
Goodwill	5	78 756	69 934
Other financial assets	6	11 910	5 885
Deferred tax	7	1 301	1 354
		201 288	177 744
Non-current assets held for sale	8	–	675
Current assets			
Other financial assets	6	7 230	4 430
Advertising levies	9	1 618	1 939
Inventories	10	116 856	94 029
Trade and other receivables	11	74 712	67 541
Current tax receivables		2 949	2 978
Cash and cash equivalents	12	26 041	20 331
		229 406	191 248
Total assets		430 694	369 667
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of parent			
Share capital and share premium	13	94 547	80 103
Retained earnings		128 624	108 171
Equity-settled share-based payments reserve	29	1 772	972
		224 943	189 246
Liabilities			
Non-current liabilities			
Long-term employee benefits	14	–	126
Borrowings	15	57 422	45 046
Deferred tax	7	20 502	21 591
		77 924	66 763
Current liabilities			
Current tax payable		809	3
Advertising levies	9	1 198	–
Bank overdrafts	12	18 393	13 163
Borrowings	15	17 845	10 694
Balances due to vendors	15	1 000	1 000
Provisions		250	250
Dividends payable		55	38
Trade and other payables	17	88 277	88 510
		127 827	113 658
Total liabilities		205 751	180 421
Total equity and liabilities		430 694	369 667

Statement of comprehensive income

for the year ended February 2014

	Notes	2014 R'000	2013 R'000
Revenue	19	582 782	506 431
Cost of sales	20	(351 165)	(311 367)
Gross profit		231 617	195 064
Other income		956	496
Operating expenses		(182 855)	(152 668)
Operating profit	21	49 718	42 892
Investment revenue	22	2 496	1 956
Finance costs	23	(7 889)	(7 162)
Profit before taxation		44 325	37 686
Taxation	24	(13 945)	(12 911)
Profit for the year		30 380	24 775
Other comprehensive income		–	–
Total comprehensive income for the year		30 380	24 775
Attributable to:			
Equity holders of company		30 380	24 775
Earnings per share attributable to equity holders of company			
Basic earnings per share (cents)	34	15.6	12.8
Fully diluted earnings per share (cents)	34	15.1	12.3

Statement of changes in equity

for the year ended February 2014

	Share capital R'000	Share premium R'000	Equity-settled share-based payment reserve R'000	Retained earnings R'000	Total equity R'000
Balance at 29 February 2012	2	80 101	575	91 162	171 840
Changes in equity:					
Total comprehensive income for the year	–	–	–	24 775	24 775
Share-based payment	–	–	397	–	397
Dividends paid (refer to note 16)	–	–	–	(7 766)	(7 766)
Total changes	–	–	397	17 009	17 406
Balance at 28 February 2013	2	80 101	972	108 171	189 246
Changes in equity:					
Issue of shares	–	13 837	–	–	13 837
Options exercised	–	607	–	–	607
Total comprehensive income for the year	–	–	–	30 380	30 380
Share-based payment	–	–	800	–	800
Dividends paid (refer to note 16)	–	–	–	(9 927)	(9 927)
Total changes	–	14 444	800	20 453	35 697
Balance at 28 February 2014	2	94 545	1 772	128 624	224 943
Note	13	13	29		

Statement of cash flows

for the year ended February 2014

	Notes	2014 R'000	2013 R'000
Cash flows from operating activities			
Cash generated from operations	25	42 832	36 118
Investment revenue	22	2 496	1 956
Dividends paid	16	(9 910)	(7 745)
Finance costs	23	(7 889)	(7 162)
Income tax paid	26	(14 146)	(15 643)
Net cash from operating activities		13 383	7 524
Cash flows from investing activities			
Acquisition of property, plant and equipment	4	(16 807)	(8 600)
Proceeds on disposal of property, plant and equipment		600	322
Acquisition of intangible assets	5	(1 239)	(1 839)
Acquisition of business	18	(20 478)	(2 133)
Loans advanced		(10 973)	(5 049)
Loans repaid		2 149	1 392
Net cash from investing activities		(46 748)	(15 907)
Cash flows from financing activities			
Decrease in long-term employee benefits		(126)	(126)
Proceeds from issue of shares		14 444	–
Loans raised	15	25 300	921
Loans repaid		(5 773)	(10 782)
Net cash from financing activities		33 845	(9 987)
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		7 168	25 538
Cash and cash equivalents at end of the year	12	7 648	7 168

Notes to the annual financial statements

for the year ended February 2014

1. Accounting policies

Presentation of annual financial statements

The group and company annual financial statements have been prepared in accordance with International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and its successor, and the Companies Act, No 71 of 2008. The group annual financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below.

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

Basis of consolidation

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

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

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

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

Business combinations

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

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

Goodwill arising on business combination

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

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

Trademarks recognised as part of a business combination

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

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

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

1.1 Significant estimates and judgements

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

1. Accounting policies (continued)

1.1 Significant estimates and judgements (continued)

Trade receivables and loans and receivables

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

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

Impairment testing

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

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

- tests goodwill acquired in a business combination for impairment annually.

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

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. Key assumptions used in the calculation of the recoverable amounts are discount rates, terminal value growth rates and EBITDA growth rate.

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

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

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

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

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

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

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

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

Taxation

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

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

Notes to the annual financial statements continued

for the year ended February 2014

1. Accounting policies (continued)

1.1 Significant estimates and judgements (continued)

Allowance for slow-moving, damaged and obsolete stock

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

Provisions

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

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

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

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

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

1.2 Property, plant and equipment

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

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

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

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

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

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

Item	Average useful life
Computer software	10 years
Furniture and fixtures	6 years
General equipment	5 years
IT equipment	3 years
Kitchen equipment	5 years
Leasehold improvements	5 years
Motor vehicles	5 years
Office equipment	5 – 6 years
Plant and machinery	5 years

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

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

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

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

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

1. Accounting policies (continued)

1.3 Goodwill

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

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

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

Internally generated goodwill is not recognised as an asset. A gain on bargain purchase on acquisition is recognised directly in profit or loss.

1.4 Intangible assets

An intangible asset is recognised when:

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

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

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

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

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

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

Item	Useful life
Trademarks and intellectual property	10 – 40 years
Franchise contributions	Agreement period

1.5 Investments in subsidiaries

Group annual financial statements

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

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

1.6 Financial instruments

Initial recognition

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

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

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

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

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

Notes to the annual financial statements continued

for the year ended February 2014

1. Accounting policies (continued)

1.6 Financial instruments (continued)

Fair value determination

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

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

Loans and receivables

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

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

Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

Cash and cash equivalents are classified as loans and receivables.

Bank overdrafts and borrowings

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

Other financial liabilities

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

Other financial assets

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

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

1.7 Taxation

Current tax assets and liabilities

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

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

1. Accounting policies (continued)

1.7 Taxation (continued)

Deferred tax assets and liabilities

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

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

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

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

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

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

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

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

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

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

Tax expenses

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

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

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

1.8 Leases

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

Operating leases – lessor

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

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

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

Operating leases – lessee

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

1.9 Inventories

Inventories are initially measured at cost

Inventories are subsequently measured at the lower of cost and net realisable value on the weighted average basis.

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

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

Notes to the annual financial statements continued

for the year ended February 2014

1. Accounting policies (continued)

1.9 Inventories (continued)

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

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

1.10 Non-current assets held for sale

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

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

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

1.11 Research and development

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

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

1.12 Share capital and equity

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

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

Ordinary shares are classified as equity.

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

1.13 Equity-settled share-based payments reserve

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

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

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

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

1. Accounting policies (continued)

1.14 Employee benefits

Short-term employee benefits

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

Post-employee benefits – defined contribution plan

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

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

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

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

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

1.16 Revenue

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

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

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

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

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

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

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

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

Notes to the annual financial statements continued

for the year ended February 2014

1. Accounting policies (continued)

1.16 Revenue (continued)

Retail outlet sales are recognised from sale of goods.

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

Management fees are recognised as and when services are rendered.

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

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

1.17 Cost of sales

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

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

1.18 Borrowing costs

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

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

1.19 Advertising levies

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

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

1.20 Translation of foreign currencies

Foreign currency transactions

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

At each balance sheet date:

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

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

1.21 Segment reporting

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

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

The following amendments and revisions to issued accounting standards which are relevant to the group were adopted and are effective 1 March 2013:

- *Amendment to IFRS 7: Financial instruments – Disclosures*
The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. This amendment did not have a significant impact on the group's disclosure for the year ended 28 February 2014.
- *IFRS 10: Consolidated financial statements*
This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. Further amendments to this standard include limiting the requirements to provide adjusted comparative information. This amendment did not have a significant impact on the group's disclosure for the year ended 28 February 2014.
- *IFRS 12: Disclosures of interests in other entities*
This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special-purpose vehicles and other off-balance sheet vehicles. Further amendments to this standard include limiting the requirements to provide adjusted comparative information. This amendment did not have a significant impact on the group's disclosure for the year ended 28 February 2014.
- *IFRS 13: Fair value measurement*
This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. This amendment did not have a significant impact on the group's disclosure for the year ended 28 February 2014.
- *Amendment to IFRS 7: Financial Instruments – Disclosures*
This amendment requires entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set-off in its balance sheet and the effect of rights of set-off on the entities rights and obligations. This amendment did not have a significant impact on the group's disclosure for the year ended 28 February 2014.
- *IAS 1: Presentation of financial statements*
Annual improvements 2009 – 2011 cycle: Amendments clarifying the requirements for comparative information including minimum and additional comparative information required. This amendment did not have a significant impact on the group's disclosure for the year ended 28 February 2014.
- *IAS 27: Consolidated and separate financial statements*
Consequential amendments resulting from the issue of IFRS 10, 11 and 12. This amendment did not have a significant impact on the group's disclosure for the year ended 28 February 2014.
- *IAS 32: Financial instruments presentation*
Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations. This amendment did not have a significant impact on the group's disclosure for the year ended 28 February 2014.
- *Annual Improvements 2009 – 2011 cycle*
Amendments to clarify the tax effect of distribution to holders of equity instruments.
This amendment did not have a significant impact on the group's disclosure for the year ended 28 February 2014.

Notes to the annual financial statements continued

for the year ended February 2014

2. New standards and interpretations (continued)

2.2 New accounting standards and interpretations not yet adopted

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

– *IFRS 1: First-time Adoption of International Financial Reporting Standards*

Annual Improvements 2011 – 2013 cycle: Amendments to the Basis of Conclusion clarify the meaning of “effective IFRSs”. The standard is effective for periods beginning on or after 1 July 2014.

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

– *IFRS 2: Share-based Payment*

Amendments added the definitions of performance conditions and service conditions and amended the definitions of vesting conditions and market conditions.

The standard is effective for periods beginning on or after 1 July 2014.

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

– *IFRS 3: Business Combinations*

Amendments to the measurement requirements for all contingent consideration assets and liabilities including those accounted for under IFRS 9.

Amendments to the scope paragraph for the formation of a joint arrangement.

The standard is effective for periods beginning on or after 1 July 2014.

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

– *IFRS 8: Operating Segments*

Amendments to some disclosure requirements regarding the judgements made by management in applying the aggregation criteria, as well as those to certain reconciliations.

The standard is effective for periods beginning on or after 1 July 2014.

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

– *IFRS 9: Financial Instruments – Classification and Measurement*

IFRS 9 is the first step in the process to replace IAS 39: *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets, financial liabilities, derecognition and hedge accounting. The standard is not applicable until 1 January 2015 but is available for early adoption.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 to be subsequently measured at amortised cost or fair value. With regard to financial liabilities, the accounting for changes in the fair value of a financial liability that is designated as at fair value through profit or loss and are attributable to changes in the credit risk of that liability are recognised in profit or loss, unless it creates or enlarges an accounting mismatch in profit or loss.

It is anticipated that IFRS 9 will be adopted when the effective date has been set by the IASB. It is not anticipated that the application of the new standard will have a significant impact on amounts reported in respect of the group’s financial assets and financial liabilities as the majority of financial assets and financial liabilities are carried at amortised cost. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. New standards and interpretations (continued)

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

– IFRS 13: Fair Value Measurement

Amendments to some new guidance on fair value measurement and disclosure requirements as well as amendments to clarify the measurement requirements for those short-term receivables and payables.

The standard is effective for periods beginning on or after 1 July 2014.

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

– IAS 16: Property, Plant and Equipment

Amendments to the Revaluation Method – proportionate restatement of accumulated depreciation.

The standard is effective for periods beginning on or after 1 July 2014.

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

– IAS 24: Related Party Disclosure

Amendments to the definitions and disclosure requirements for key management personnel.

The standard is effective for periods beginning on or after 1 July 2014.

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

– IAS 38: Intangible Assets

Amendments to the Revaluation Method – proportionate restatement of accumulated depreciation.

The standard is effective for periods beginning on or after 1 July 2014.

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

Notes to the annual financial statements continued

for the year ended February 2014

3. Segment reporting

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

- Food
- Jewellery
- Corporate services

Food consists of Scooters Pizza, St Elmo's, Maxi's and The Fish and Chip Co. franchise and retail divisions as well as the food services division. Jewellery consists of NWJ franchise and wholesale retail and concession retail divisions. Corporate services consists of the holding company of all the subsidiaries within the group.

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

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

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

Segment capital expenditure has been included in the segment report as the majority of this capital expenditure was incurred for the integration of food distribution business within the food division.

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

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 subdivisions into one segmental view of the division. Consequent to these changes the group now discloses two segments, which consolidation does not impact any comparable financial results. This segmental reporting format is representative of the internal reporting structure used for management reporting.

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

	Food division R'000	Jewellery division R'000	Corporate services R'000	Inter- segment revenues R'000	Total R'000
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
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

The group's only geographic location is southern Africa.

	2014			2013		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
4. Property, plant and equipment						
Furniture and fixtures	21 525	(12 074)	9 451	16 010	(10 377)	5 633
Motor vehicles	5 979	(507)	5 472	886	(427)	459
Office equipment	1 504	(1 003)	501	1 499	(926)	573
IT equipment	3 748	(2 339)	1 409	3 813	(2 899)	914
Kitchen equipment	9 553	(3 450)	6 103	6 485	(2 057)	4 428
General equipment	574	(153)	421	406	(61)	345
Leasehold improvements	6 572	(1 363)	5 209	4 255	(737)	3 518
Computer software	1 990	(816)	1 174	1 653	(560)	1 093
Plant and machinery	1 270	(1 234)	36	1 864	(1 764)	100
Total	52 715	(22 939)	29 776	36 871	(19 808)	17 063

Reconciliation of property, plant and equipment – 2014

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

Reconciliation of property, plant and equipment – 2013

	Opening balance R'000	Additions R'000	Acquisition of business R'000	Disposals R'000	Depreciation R'000	Total R'000
Furniture and fixtures	5 699	861	992	(34)	(1 885)	5 633
Motor vehicles	228	327	–	(5)	(91)	459
Office equipment	703	68	–	(4)	(194)	573
IT equipment	518	839	–	(50)	(393)	914
Kitchen equipment	3 137	2 373	–	(81)	(1 001)	4 428
General equipment	38	356	–	–	(49)	345
Leasehold improvements	360	3 525	–	–	(367)	3 518
Computer software	1 092	197	–	(5)	(191)	1 093
Plant and machinery	78	54	–	–	(32)	100
Total	11 853	8 600	992	(179)	(4 203)	17 063

Property, plant and equipment is pledged in terms of a loan agreement (see note 15), to Rand Merchant Bank.

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

	2014 R'000	2013 R'000
Motor vehicles	4 915	270
Kitchen equipment	572	179
Furniture and fixtures	1 030	525
IT equipment	504	–

Notes to the annual financial statements continued

for the year ended February 2014

	2014			2013		
	Cost R'000	Accumulated amortisation R'000	Carrying value R'000	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
5. Intangible assets						
Trademarks and intellectual property	88 097	(12 443)	75 654	88 097	(9 361)	78 736
Franchise contributions	12 605	(8 714)	3 891	11 603	(6 831)	4 772
Total	100 702	(21 157)	79 545	99 700	(16 192)	83 508

Reconciliation of intangible assets – 2014

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

Reconciliation of intangible assets – 2013

	Opening balance R'000	Additions R'000	Acquisition of business R'000	Disposals R'000	Amortisation R'000	Total R'000
Trademarks and intellectual property	81 816	–	–	–	(3 080)	78 736
Franchise contributions	5 229	1 839	–	(643)	(1 653)	4 772
Total	87 045	1 839	–	(643)	(4 733)	83 508

	2014 R'000	2013 R'000
Trademarks and intellectual property consist of:		
NWJ trademark	53 924	55 492
The Fish and Chip Co. trademark	18 476	19 507
St Elmo's trademark	467	537
St Elmo's recipes	2 353	2 706
General recipes	434	494
	75 654	78 736

Trademarks and intellectual property

The Natal Wholesale Jewellers (NWJ) trademark originated through the acquisition of the NWJ subsidiary during the 2009 financial year. This trademark is amortised on a straight-line basis over its useful life of 40 years. The remaining amortisation period is 34.4 years.

The Fish and Chip Co. trademark originated through the purchase of the Fish and Chip Co. business on 1 February 2012. This trademark is amortised on a straight-line basis over its useful life of 20 years. The remaining amortisation period is 17.9 years.

Both the St Elmo's trademark and the St Elmo's recipe intangible originated through the purchase of the St Elmo's business during the 2011 financial year. They are both amortised, on a straight-line basis, over 10 years. Their remaining amortisation period is 6.7 years.

The general recipes trademark originated through the purchase of certain key recipes from a sauce supplier. This intangible is amortised over 10 years, on a straight-line basis. The remaining amortisation period is 7.1 years.

Franchise contributions

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

The remaining amortisation period ranges between two to five years.

At year-end there were indicators that the carrying amount of certain franchise contributions was less than their recoverable amount and subsequently impaired. This impairment loss has been recognised in profit and loss and included in the operating results of the food segment as per note 3 and note 21.

	Cost R'000	2014 Accumulated impairments R'000	Carrying value R'000	Cost R'000	2013 Accumulated impairments R'000	Carrying value R'000
5. Intangible assets (continued)						
Goodwill	78 756	–	78 756	69 934	–	69 934
Total	78 756	–	78 756	69 934	–	69 934

Reconciliation of goodwill – 2014

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

Reconciliation of goodwill – 2013

	Opening balance R'000	Additions R'000	Acquisition of business R'000	Disposals R'000	Impairment R'000	Total R'000
Goodwill	68 669	–	1 265	–	–	69 934
Total	68 669	–	1 265	–	–	69 934

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

	2014 R'000	2013 R'000
Maxi's	14 760	14 760
The Fish and Chip Co.	50 234	50 234
St Elmo's	2 333	2 333
Company-owned stores – Jewellery	11 429	2 607
Total goodwill	78 756	69 934

Between April 2013 and January 2014, the jewellery division acquired the assets of 11 franchised NWJ stores as these stores were located in key strategic sites. The goodwill acquired for these 11 stores amounts to R8.822 million.

Maxi's

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

The Fish and Chip Co.

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

Notes to the annual financial statements continued

for the year ended February 2014

5. Intangible assets (continued)

St Elmo's

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

Company-owned stores – Jewellery

This amount represents the excess of the purchase price paid over the fair value of acquired assets and liabilities of jewellery stores purchased by the jewellery division. The recoverable amount has been calculated using the value-in-use valuation method, which discounts to present value, the future after-tax cash flows, attributable to these stores, using an applicable discount rate. Cash flows were determined using projections from financial budgets approved by directors covering a three-year period, for revenue, gross profit and operating profit margin expectations. The key assumptions used in these budgets are a reflection of management's past experience in the market in which the unit operates. Cash flows beyond the three-year period, for a further two years, have been extrapolated using a steady 8% (2013: 10%) per annum growth rate. These cash flows were discounted using a discount rate of 20% (2013: 16%). The various sensitivity analyses performed by changing key variables by 1% in the calculation resulted in the recoverable amount exceeding the carrying amount in all instances.

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

	2014 R'000	2013 R'000
6. Other financial assets		
Loans and receivables		
Loans to NWJ franchised stores	35	2 118
These loans are secured over the assets of these franchised stores, are interest-bearing at prime +2% and are repayable over an average of six months.		
Extended terms to food franchise stores	4 760	1 500
These amounts represent extended payment terms given by the brands to certain franchisees. These amounts attract no interest, are secured and are repayable over an average of 24 months.		
Loans to The Fish & Chip Co. stores	4 544	506
These loans were given to certain franchisees to finance the shortfall of the new store cost. They attract interest at the prime interest rate and are generally repayable over a period ranging between 12 and 36 months.		
NWJ marketing fund	1 703	1 769
This loan is unsecured, bears interest at prime per annum and is repayable in 24 equal instalments of R143 099 per month commencing 1 March 2012.		
Scooters Pizza marketing fund	4 235	2 670
This loan is unsecured, bears interest at the prime (2013: prime) lending rate and is repayable in 60 equal instalments of R87 919 (2013: R121 972) per month commencing 1 March 2014 (2013: 1 March 2013).		
Maxis marketing fund	2 030	684
This loan is unsecured, bears interest at the prime (2013: prime) lending rate and is repayable in 120 equal instalments of R25 586 (2013: R59 737) per month commencing 1 March 2014 (2013: 1 March 2013).		
St Elmos' marketing fund	700	–
This loan is unsecured, bears interest at the prime lending rate and is repayable in 60 equal instalments of R14 529 per month commencing 1 March 2014.		
Loan to food franchise store	1 133	1 068
This loan is secured over the assets of the store, bears interest at prime and is repayable in 60 monthly instalments of R15 000 per month commencing 31 May 2013, with a lump sum payment of R681 000 on 31 May 2017.		
	19 140	10 315
Non-current assets	11 910	5 885
Current assets	7 230	4 430
	19 140	10 315

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

	2014 R'000	2013 R'000
6. Other financial assets (continued)		
The credit quality of other financial assets is as follows:		
Net past due not impaired	9 715	9 688
Past due not impaired	9 425	627
Past due – impaired	2 109	–
Provision for impairment	(2 109)	–
	19 140	10 315

Ageing of amounts past due	2014			2013		
	Past due total R'000	Provision for impairment R'000	Net past due not impaired R'000	Past due total R'000	Provision for impairment R'000	Net past due not impaired R'000
30 days	–	–	–	–	–	–
60 days	496	–	496	9	–	9
90 days	940	–	940	31	–	31
120 days	10 098	(2 109)	7 989	587	–	587
	11 534	(2 109)	9 425	627	–	627

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

Extended terms with food franchised stores have been ceded in terms of a loan agreement (see note 15) to Rand Merchant Bank.

Reconciliation of provision of other financial assets is as follows:

	2014 R'000
Opening balance	–
Provision raised	2 109
Closing balance	2 109

	2014 R'000	2013 R'000
Carrying amounts of other financial assets and trade receivables that have been renegotiated:		
Other financial assets	4 760	1 500

7. Deferred tax

Non-deductible temporary differences	–	(630)
Advertising levies and marketing funds	(2 586)	(1 231)
Prepayments	(54)	(10)
Provisions and accruals	3 220	1 981
Temporary differences relating to acquisition of business	(20 403)	(21 415)
Lay-bye deposits	376	234
Accelerated wear and tear	(353)	42
Tax losses available for set-off against future taxable income	599	792
	(19 201)	(20 237)
Deferred tax asset	1 301	1 354
Deferred tax liability	(20 502)	(21 591)
	(19 201)	(20 237)
Reconciliation of deferred tax		
At beginning of the year	(20 237)	(21 118)
Recognised through profit or loss	1 036	881
	(19 201)	(20 237)

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

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered, having reviewed the group's financial projections, except for tax losses to the value of R35 886 relating to dormant companies.

Notes to the annual financial statements continued

for the year ended February 2014

	2014			2013		
	Cost R'000	Impairment R'000	Carrying value R'000	Cost R'000	Impairment R'000	Carrying value R'000
8. Non-current assets held for sale						
Scooters stores	–	–	–	1 258	(583)	675
Total	–	–	–	1 258	(583)	675

Reconciliation of non-current assets held for sale – 2014

	Opening balance R'000	Acquisition of business R'000	Disposals R'000	Impairment R'000	Total R'000
Scooters stores	675	–	–	(675)	–
Total	675	–	–	(675)	–

Reconciliation of non-current assets held for sale – 2013

	Opening balance R'000	Acquisition of business R'000	Disposals R'000	Impairment R'000	Total R'000
Scooters stores	1 258	–	–	(583)	675
Total	1 258	–	–	(583)	675

At 2013 year-end, the above represented Scooters Pizza stores that had been acquired from franchisees and was immediately classified as non-current assets held for sale in terms of the food division's strategy to not hold retail stores. These assets are not in respect of discontinued operations. The carrying amount of these operating assets approximated their fair value at year-end.

At 2014 year-end, the group owned no Scooters Pizza stores. The impairment relates to the existing Scooters outlet whose carrying value was more than its fair value at year-end. This impairment loss has been recognised in profit or loss and included in the operating results of the food segment as per note 3 and note 21.

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

	2014 R'000	2013 R'000
9. Advertising levies		
Current asset	1 618	1 939
This amount represents advertising expenditure incurred in excess of the levies received from franchisees (refer note 1.19). This amount is recovered through controlled underspending of marketing funds in subsequent years.		
Current liabilities	(1 198)	–
This amount represents levies received from franchisees in excess of expenditure incurred. The amount will be expensed in the next 12 months.		
	420	1 939
10. Inventories		
Jewellery		
Raw materials, components	2 781	3 160
Finished goods	97 518	78 656
Packaging	3 675	2 928
Food		
Catering equipment	396	409
Raw materials, components	4 037	2 426
Finished goods	8 449	6 450
Total	116 856	94 029

All inventories have been pledged to Rand Merchant Bank in terms of a loan agreement (see note 15).

	2014 R'000	2013 R'000
11. Trade and other receivables		
Gross trade receivables	67 605	61 467
Provisions for doubtful debt	(17 974)	(16 760)
Net trade receivables	49 631	44 707
Prepayments	261	36
Deposits	492	618
Sundry debtors	16 574	13 551
VAT	275	29
Store development in advance	7 479	8 600
	74 712	67 541

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

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

The table below illustrates the ageing analysis of trade receivables:

	2014			2013		
	Gross trade receivables R'000	Provision for doubtful debt R'000	Net trade receivables R'000	Gross trade receivables R'000	Provision for doubtful debt R'000	Net trade receivables R'000
Less than 30 days	27 899	(328)	27 571	23 333	(419)	22 914
31 to 60 days	4 168	(896)	3 272	6 835	(357)	6 478
61 to 90 days	3 907	(259)	3 648	2 190	(332)	1 858
91 to 120 days	2 585	(339)	2 246	2 041	(254)	1 787
Over 120 days	29 046	(16 152)	12 894	27 068	(15 398)	11 670
	67 605	(17 974)	49 631	61 467	(16 760)	44 707

As of 28 February 2014, trade and other receivables were impaired and provided for.

The amount of the provision as of 28 February 2014 is R17 973 707 (2013: R16 759 517).

	2014 R'000	2013 R'000
Reconciliation of provision for doubtful debt of trade and other receivables is as follows:		
Opening balance	16 760	17 441
Provision for doubtful debt raised	6 245	2 614
Provision for doubtful debt reversed	(631)	(175)
Amounts written off as uncollectable	(1 403)	(948)
Bad debts recovered	(2 997)	(2 172)
	17 974	16 760

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

The group does not hold any collateral as security. All amounts receivable are denominated and recoverable in ZAR. The group debtors have been ceded, in terms of a loan agreement (see note 15), to Rand Merchant Bank.

Notes to the annual financial statements continued

for the year ended February 2014

	2014 R'000	2013 R'000
12. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	26 041	20 331
Bank overdraft	(18 393)	(13 163)
	7 648	7 168

A guarantee is in place over facilities to the amount of R149 700 (2013: R149 700) in favour of the lessor of a lease entered into by Taste Holdings Limited with the lessor.

A blanket guarantee is in place over facilities to the amount of R4 553 692 (2013: R3 676 406) in favour of the lessor for leases entered into by NWJ Fine Jewellery Proprietary Limited with these lessors.

A blanket guarantee is in place over facilities to the amount of R960 850 (2013: R1 229 750) in favour of the lessor for leases entered into by Taste Food Franchising Proprietary Limited with these lessors.

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

There is a R39 million overdraft facility in place with Rand Merchant Bank. The facility may be temporarily increased to R59 million, for the period 1 September to 7 January, each year. The bank overdraft bears the same security as the loans by Rand Merchant Bank (see note 15).

	2014 R'000	2013 R'000
Bank balances of marketing funds	2 196	3 069

	Number of shares	
	2014	2013
13. Share capital and share premium		
Ordinary share capital (par value of R0,00001 each)		
Authorised	500 000 000	500 000 000
Issued (fully paid up)	202 537 260	195 881 291
In issue at 1 March	195 881 291	195 881 291
Shares issued	5 242 969	–
Options exercised	1 413 000	–
In issue at 28 February	202 537 260	195 881 291
Treasury shares* (par value of R0,00001 each)	3 233 278	1 720 000
In issue at 28 February – excluding treasury shares*	199 303 982	194 161 291
<i>* Treasury shares held by Taste Holdings Share Trust.</i>		
297 462 740 unissued ordinary shares are under the control of directors in terms of a resolution passed at the last annual general meeting. This authority remains in force until the next annual general meeting.		
22 082 665 (2013: 23 558 000) of the unissued ordinary shares are specifically reserved for the share incentive scheme, of which 10 442 000 (2013: 10 442 000) options have already been offered to and accepted by employees.		
	2014 R'000	2013 R'000
Share capital		
Balance at 1 March	2	2
Shares issued	–	–
Balance at 28 February	2	2
Share premium		
Balance at 1 March	80 101	80 101
Shares issued	13 837	–
Options exercised	607	–
Balance at 28 February	94 545	80 101

	2014 R'000	2013 R'000
14. Long-term employee benefits		
Held at amortised cost		
Long-term performance incentive scheme. This incentive scheme is awarded to eligible employees by the remuneration committee conditional upon certain performance targets and minimum employment periods	–	126
Non-current liabilities		
At amortised cost	–	126
15. Borrowings		
Rand Merchant Bank 1	42 998	54 601
The loan bears interest at the prime rate and is repayable in quarterly instalments within five years from 1 February 2012.		
These loans are secured by:		
– cession given by NWJ Fine Jewellery (Proprietary) Limited (Reg No 2007/033055/07) (NWJ), Taste Holdings Limited (Reg No 2000/002239/06) (Taste Holdings), Taste Food Franchising (Proprietary) Limited (Reg No 2003/016093/07) (Taste Food Franchising), Maxi's Grill Marketing (Proprietary) Limited (Reg No 2000/030078/07) (Maxi's Grill), and Buon Gusto Cuisine (Proprietary) Limited (Reg No 2009/018602/07) (Buon Gusto) in form and substance acceptable to the bank, in favour of the bank of any and/or all rights, title and interest in and to their debtors;		
– cession given by NWJ, Taste Holdings, Taste Food Franchising, Maxi's Grill and Buon Gusto in form and substance acceptable to the bank, in favour of the bank of any and/or all their rights, title and interest in and to their credit balances held with the bank;		
– an unlimited cross suretyship, in form and substance acceptable to the bank, in favour of the bank, for the joint and several obligations of and between NWJ, Taste Holdings, Taste Food Franchising, Maxi's Grill and Buon Gusto;		
– registration of general notarial covering bond over all movable assets of NWJ, Taste Holdings, Taste Food Franchising, Maxi's Grill and Buon Gusto, in favour of the bank, in the aggregate amount of R85 000 000 (eighty-five million rand) plus such further amounts for costs as may be cession of short-term insurance cover over the said movable assets and noting of the bank's interest thereon.		
Rand Merchant Bank 2	25 300	–
The loan bears interest at the prime rate. Only interest is repayable quarterly within the first two years and, thereafter, interest and capital is repayable in quarterly instalments for two years commencing from 15 September 2015.		
This loan bears the same security as Rand Merchant Bank loan 1 except for a second general notarial bond over the moveable assets of NWJ, in favour of the bank, in the aggregate amount of R40 000 000 (forty million rand).		

Notes to the annual financial statements continued

for the year ended February 2014

	2014 R'000	2013 R'000
15. Borrowings (continued)		
WesBank	6 969	921
This loan bears interest at the prime rate ranging from prime less 0.5% to prime + 0.5% and is payable over a period ranging from 48 months commencing on 1 April 2013.		
Purchase of intellectual property	–	218
This loan is unsecured, interest free and is repayable in quarterly instalments in arrears within two years from August 2011 based on sales volume of this intellectual property.		
Balances due to vendors	1 000	1 000
Balances due to The Fish and Chip Co. vendors. This loan represents a portion of the purchase price that is due to the vendor for stock purchased.		
	76 267	56 740
Non-current liabilities		
Rand Merchant Bank	52 220	44 421
WesBank	5 202	625
	57 422	45 046
The carrying value of the non-current liabilities approximates their fair value because these are market related interest rates.		
Current liabilities		
Rand Merchant Bank	16 079	10 180
WesBank	1 766	296
Balance due to vendors	1 000	1 000
	18 845	11 694
	76 267	56 740
16. Dividends paid		
Gross dividends – Final 2013: 4.335 cents paid (2012: 4.0 cents)	10 049	7 836
Dividends on treasury shares held through the share incentive scheme	(122)	(70)
	9 927	7 766
<i>Less:</i> Shareholders for dividends	(17)	(21)
	9 910	7 745
In respect of the current year, a gross cash dividend of 6.2 cents per share has been declared, and paid on 14 July 2014, to shareholders recorded on the company's register at the close of business on 11 July 2014. The total dividend amounts to R12 708 763. The gross dividend is subject to 15% dividends tax resulting in a net dividend of 5.27 cents.		
The company's tax reference number is 9493089149P.		
17. Trade and other payables		
Trade payables	45 631	45 913
Development deposits	31 793	27 850
VAT	1 357	550
Payroll accruals	3 733	7 002
Other accrued expenses	4 418	6 360
Lay-by deposits	1 345	835
	88 277	88 510
The directors consider that the carrying amount of trade and other payables approximates their fair value due to their short-term nature.		

18. Acquisition of business

Acquisition of jewellery stores

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 ownership; and
- retaining key strategic sites.

The stores acquired and the month of acquisition of each store is stated below:

- NWJ Key West – April 2013
- NWJ Cresta – June 2013
- NWJ King Shaka International 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

Of the 11 stores, four were purchased in a single transaction from a franchisee. This transaction has been separately aggregated below:

Fair value of assets bought	2014			2013
	Individually material transaction R'000	Non-material stores in aggregate R'000	Total for the year R'000	NWJ stores in aggregate R'000
Property, plant and equipment	704	1 745	2 449	992
Inventory	5 893	3 314	9 207	1 513
Fair value of assets acquired	6 597	5 059	11 656	2 505
Consideration paid	(11 021)	(9 457)	(20 478)	(3 770)
In cash	(11 021)	(9 457)	(20 478)	(2 133)
Balance owed by vendors	–	–	–	(1 637)
Goodwill acquired	(4 424)	(4 398)	(8 822)	1 265

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

The purchase consideration was discharged in cash. During the period that these 11 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.

	2014 R'000	2013 R'000
19. Revenue		
Sale of goods	366 097	279 175
Services rendered and franchise revenue	119 877	149 815
Retail outlet sales	96 808	77 441
	582 782	506 431
20. Cost of sales		
Sale of goods	285 888	232 574
Services rendered	65 277	78 793
Cost of goods sold and services rendered	351 165	311 367

Notes to the annual financial statements continued

for the year ended February 2014

	2014 R'000	2013 R'000
21. Operating profit		
Operating profit for the year is stated after accounting for the following:		
Operating lease charges		
Premises	3 965	15 759
Motor vehicles	1 028	1 487
Equipment	614	754
	5 607	18 000
Profit on sale of property, plant and equipment	(310)	(120)
Depreciation of property, plant and equipment	6 252	4 203
Share-based payment expense	800	397
Employee costs	82 342	81 012
Defined contribution plan expense	–	1 599
Research and development	341	402
Profit on exchange differences	(641)	(159)
Other impairment losses	1 223	1 226
Amortisation of intangibles	4 654	4 733
22. Investment revenue		
Interest revenue	2 496	1 956
	2 496	1 956
23. Finance costs		
Bank	7 889	7 162
	7 889	7 162
24. Taxation		
Major components of the tax expense		
Current		
SA normal income tax – current period	14 834	12 706
Secondary tax on companies	–	784
SA normal income tax – recognised in current year for prior periods	129	260
Dividends tax	18	
	14 981	13 750
Deferred		
Current period	(1 410)	(1 076)
Recognised in current year for prior periods	374	237
	(1 036)	(839)
	13 945	12 911
Reconciliation of the tax expense	%	%
Reconciliation between applicable tax rate and average effective tax rate		
Applicable tax rate	28.00	28.00
Prior period underprovision	0.29	0.69
Deferred tax asset not raised	0.84	0.19
Capital gains tax	(0.09)	–
Dividend tax	0.04	–
Exempt income	(25.87)	(0.07)
Disallowable expenses	28.25	3.37
Secondary tax on companies	–	2.08
Effective rate	31.46	34.26

	2014 R'000	2013 R'000
25. Cash generated from/(used in) operations		
Profit before taxation	44 325	37 686
Adjustments for:		
Depreciation and amortisation	10 907	8 937
Profit on sale of property, plant and equipment	(310)	(120)
Investment revenue	(2 496)	(1 956)
Finance costs	7 889	7 162
Impairment loss	1 223	1 226
Share-based payment expense	800	397
Changes in working capital:		
Inventories	(13 620)	(21 940)
Trade and other receivables	(7 171)	(10 935)
Advertising levies	1 519	(504)
Trade and other payables	(233)	16 165
	42 832	36 118
26. Tax paid		
Balance at beginning of the period	2 975	1 082
Current tax for the period recognised in income statement	(14 981)	(13 750)
Balance at end of the period	(2 140)	(2 975)
	(14 146)	(15 643)
27. Commitments		
<p>The group has commitments arising from property leases for its own business operations, leases entered into to secure key sites for franchised outlets as well as contracts entered into to lease motor vehicles and equipment. With regard to leases entered into to secure sites, it is the group's policy to enter into sublease agreements with the franchisees on the same terms and conditions as those in the main lease.</p> <p>Certain property leases have contingent rental payable based on turnover clauses. Leases are subject to escalation and renewal clauses along normal commercial terms.</p> <p>The net future minimum rentals due under operating leases are as follows:</p>		
Amounts due for motor vehicles and equipment	1 709	2 155
Gross amounts due under property leases	34 876	47 851
Property leases with related parties	28 041	11 293
Property leases – other	6 835	36 558
Less amounts recoverable from sub-essees	(5 850)	(10 727)
	30 735	39 279
<p>The net future minimum rentals are repayable as follows:</p>		
Payable within the next 12 months	10 672	12 879
2 to 5 years	14 530	26 400
More than 5 years	5 533	–
	30 735	39 279

Notes to the annual financial statements continued

for the year ended February 2014

Related party	Position in group	Nature of interest
28. Related parties		
Carlo Gonzaga	Executive director	Majority shareholder in partnership with Jay Currie in 10 Taste Food Franchising outlets
Luigi Gonzaga	Executive director – Retired 28 February 2014	Majority shareholder in 10 Taste Food Franchising outlets up until November whereby Luigi has passed ownership equally to Carlo Gonzaga and Jay Currie
Jay Currie	Executive director	Majority shareholder in partnership with Carlo Gonzaga in 10 Taste Food Franchising outlets
Hylton Roy Rabinowitz	Non-executive director	Majority shareholder in the company that NWJ rents its premises from
Arvid Smedsrud	CEO – Food services division	Majority shareholder in the company that the group rents its premises, for its food production facility, from. The group also procures certain food products from this company
Timothy Fitzgerald Key management	Production manager – NWJ Refer to note 30	Majority shareholder in one NWJ outlet

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

	2014 R'000	2013 R'000
Franchise income received from related parties	2 233	3 030
Rent paid to related party	2 766	2 417
Stock sold to related parties	8 613	5 396
Stock purchased from related parties	3 548	3 366

29. Equity-settled share-based payments reserve

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

Scheme 1

This scheme confers the right to participants to acquire ordinary shares at a strike price of 43 cents per share (30-day volume-weighted average of Taste shares on the grant date). Options vest in three tranches from the second anniversary of the option grant date. Once vesting of a tranche has been triggered, a third of the options within the tranche can be exercised one year after vesting was triggered, a further third two years after the vesting was triggered and the final third three years after the vesting was triggered. The options must be exercised within five years of vesting having been triggered. Upon cessation of employment, options that have been granted and accepted but not yet vested are forfeited unless approval is obtained from the trustees.

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

Schemes 2, 3, 4

These schemes were introduced in the previous financial year. These schemes confer the right to participants to acquire ordinary shares at a strike price determined as the volume-weighted average price of an ordinary share over the 30 business days immediately preceding the option grant date. Options vest and can be exercised in four equal tranches, beginning on the second anniversary of option grant date up to the fifth anniversary of the option grant date. Upon cessation of employment, options that have been granted and accepted but not yet vested are forfeited unless approval is obtained from the trustees. All options must be exercised by no later than the 5th anniversary of the option grant date unless approval is obtained from trustees.

	2014		2013	
	Number	Weighted average exercise price (cents)	Number	Weighted average exercise price (cents)
29. Equity-settled share-based payments reserve (continued)				
Scheme 1				
No share options vested or were exercised during the year. There are no further share options available for allocation. The number of share options granted and accepted are:				
Opening balance	9 017 000	43	9 434 000	43
Granted and accepted	–	–	500 000	43
Exercised*	(1 413 000)	43	–	–
Forfeited	(1 270 000)	43	(917 000)	43
Granted and accepted – shares not issued yet	6 334 000	43	9 017 000	43
Number of share options granted to and accepted by directors	4 474 000		5 132 000	

Vesting period of options granted and accepted

Number of options	Latest vesting date
1 988 000	Year to Feb 2014
2 089 667	Year to Feb 2015
2 089 667	Year to Feb 2016
166 666	Year to Feb 2017
6 334 000	

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

	2014		2013	
	Number	Weighted average exercise price (cents)	Number	Weighted average exercise price (cents)
Scheme 2				
No share options vested or were exercised during the year. The number of share options granted and accepted are:				
Opening balance	1 425 000	254	–	–
Granted and accepted	–	–	1 425 000	254
Forfeited	–	–	–	–
Granted and accepted – shares not issued yet	1 425 000	254	1 425 000	254
Number of share options granted to and accepted by directors	–	–	–	–
Vesting period of options granted and accepted				
Number of options			Latest vesting date	
356 250			Year to Feb 2015	
356 250			Year to Feb 2016	
356 250			Year to Feb 2017	
356 250			Year to Feb 2018	
1 425 000				

Notes to the annual financial statements continued

for the year ended February 2014

	2014		2013	
	Number	Weighted average exercise price (cents)	Number	Weighted average exercise price (cents)
29. Equity-settled share-based payments reserve (continued)				
Scheme 3				
No share options vested or were exercised during the year. The number of share options granted and accepted are:				
Opening balance	1 658 335	386	–	–
Granted and accepted	–	–	–	–
Forfeited	–	–	–	–
Granted and accepted – shares not issued yet	1 658 335	386	–	–
Number of share options granted to and accepted by directors	1 052 126	–	–	–
Vesting period of options granted and accepted				
Number of options				Latest Vesting date
414 584				Year to Feb 2016
414 584				Year to Feb 2017
414 584				Year to Feb 2018
414 583				Year to Feb 2019
1 658 335				

	2014		2013	
	Number	Weighted average exercise price (cents)	Number	Weighted average exercise price (cents)
Scheme 4				
No share options vested or were exercised during the year. The number of share options granted and accepted are:				
Opening balance	–	–	–	–
Granted and accepted	2 500 000	367	–	–
Forfeited	–	–	–	–
Granted and accepted – shares not issued yet	2 500 000	367	–	–
Number of share options granted to and accepted by directors	2 500 000	–	–	–
Vesting period of options granted and accepted				
Number of options				Latest vesting date
625 000				Year to Feb 2016
625 000				Year to Feb 2017
625 000				Year to Feb 2018
625 000				Year to Feb 2019
2 500 000				

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

	Scheme 4	Scheme 3	Scheme 2	Scheme 1
29. Equity-settled share-based payments reserve (continued)				
The following assumptions were applied in determining the value of the share options granted during the year:				
Number of options granted and accepted	2 500 000	1 685 335	1 425 000	6 334 000
Weighted average fair value of options	31 cents	43 cents	37 cents	15 cents
Exercise price	367 cents	386 cents	225 – 421 cents	43 cents
Closing price of Taste share at grant date	355 cents	385 cents	230 – 400 cents	230 cents
Expected volatility of share price (%)	61.12%	66.73%	105.39% – 110.24%	110.24%
Risk-free rate for the life of the option	6.22%	6.14%	5.29% – 6.94%	6.94%
Expected life of options	5 years	5 years	5 years	6 years
Expected dividend yield	2.32%	2.32%	1.48%	1.48%

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

	2014 R'000	2013 R'000
Balance at beginning of the year	972	575
Charge to profit or loss	800	397
Incremental charge resulting from option revaluation	133	–
Charge for the year	667	397
Balance at end of the year	1 772	972

Executive – Paid by company Year ended 2014	Allowances and benefits		Incentive bonus*	Long-term employee benefits	Total R'000
	Basic R'000	R'000			
30. Directors' emoluments					
Carlo Ferdinando Gonzaga	1 778	194	–	–	1 972
Luigi Gonzaga – retired 28 February 2014	886	152	–	–	1 038
Evangelos Tsatsarolakis	1 316	111	–	–	1 427
Jay Bayne Currie [#]	834	6	–	–	840
	4 814	463	–	–	5 277
<i># Jay Bayne Currie resigned as a non-executive director of Taste Holdings Limited and joined the Taste team as an executive director of the food division on 1 September 2013.</i>					
Executive – Paid by subsidiary Year ended 2014					
Duncan John Crosson	1 502	98	–	–	1 600
	1 502	98	–	–	1 600
Prescribed officers – Paid by subsidiary Year ended 2014					
Prescribed officer A	1 355	166	–	–	1 521
Prescribed officer B	920	161	–	–	1 081
	2 275	327	–	–	2 602

Notes to the annual financial statements continued

for the year ended February 2014

	Basic R'000	Allowances and benefits R'000	Incentive bonus* R'000	Long-term employee benefits R'000	Total R'000
30. Directors' emoluments (continued)					
Executive – Paid by company					
Year ended 2013					
Carlo Ferdinando Gonzaga	1 658	142	400	33	2 233
Luigi Gonzaga	755	174	207	21	1 157
Evangelos Tsatsarolakis	1 116	84	267	–	1 467
	3 529	400	874	54	4 857
Executive – Paid by subsidiary					
Year ended 2013					
Duncan John Crosson	1 370	88	324	26	1 808
	1 370	88	324	26	1 808
Prescribed officers – Paid by subsidiary					
Year ended 2013					
Prescribed officer A	1 370	180	115	30	1 695
Prescribed officer B	854	96	–	14	964
	2 224	276	115	44	2 659

* In order to match incentive awards with the performance to which they relate, incentive bonuses above reflect the amounts accrued in respect of each year and not amounts paid in that year.

	2014 Number	2013 Number
Share options held by executive directors are detailed below:		
Carlo Ferdinando Gonzaga	2 006 000	2 006 000
Evangelos Tsatsarolakis	1 375 000	900 000
Duncan John Crosson	1 643 126	1 224 000
Luigi Gonzaga – retired 28 February 2014	1 002 000	1 002 000
Jay Bayne Currie*	2 500 000	–
	8 526 126	5 132 000

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

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

Non-executive fees	R'000	R'000
Ramsay L'Amy Daly (Bill)	249	233
Jay Bayne Currie*	80	150
Kevin Utian	134	125
Wessel Petrus van der Merwe	134	125
Anthony Berman	241	225
Hylton Roy Rabinowitz	107	100
Brimstone Investment Corporation Limited – S Patel	120	100
	1 065	1 058

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

	Notes	Loans and receivables R'000	Total R'000
31. Financial assets and liabilities by category			
Financial assets by category			
2014			
Other financial assets	6	19 140	19 140
Advertising levies	9	1 618	1 618
Trade and other receivables	11	74 176	74 176
Cash and cash equivalents	12	26 041	26 041
		120 975	120 975
2013			
Other financial assets	6	10 315	10 315
Advertising levies	9	1 939	1 939
Trade and other receivables	11	67 476	67 476
Cash and cash equivalents	12	20 331	20 331
		100 061	100 061
Financial liabilities by category			
2014			
Advertising levies	9	1 198	1 198
Bank overdrafts	12	18 393	18 393
Long-term employee benefits	14	–	–
Borrowings	15	75 267	75 267
Balances due to vendors	15	1 000	1 000
Dividends payable		55	55
Trade and other payables	17	86 920	86 920
		182 833	182 833
2013			
Bank overdrafts	12	13 163	13 163
Long-term employee benefits	14	126	126
Borrowings	15	55 740	55 740
Balances due to vendors	15	1 000	1 000
Dividends payable		38	38
Trade and other payables	17	87 960	87 960
		158 027	158 027

Notes to the annual financial statements continued

for the year ended February 2014

32. Risk management

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

Liquidity risk

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

	Notes	<1 year R'000	1 – 2 years R'000	2 – 5 years R'000	Total R'000
2014					
Advertising levies	9	1 198	–	–	1 198
Bank overdrafts	12	18 393	–	–	18 393
Long-term employee benefits	14	–	–	–	–
Borrowings	15	17 845	25 133	32 289	75 267
Balances due to vendors	15	1 000	–	–	1 000
Dividends payable		55	–	–	55
Trade and other payables	17	88 277	–	–	88 277
		126 768	25 133	32 289	184 190
2013					
Bank overdrafts	12	13 163	–	–	13 163
Long-term employee benefits	14	126	–	–	126
Borrowings	15	11 694	12 886	31 160	55 740
Balances due to vendors	15	1 000	–	–	1 000
Dividends payable		38	–	–	38
Trade and other payables	17	88 510	–	–	88 510
		114 531	12 886	31 160	158 577

Interest rate risk

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

A hypothetical increase/decrease in interest rates by 1%, with all other variables remaining constant, would increase/decrease profits after tax by R828 684 (2013: R332 137) for the group.

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

	Notes	Interest rates applicable	2014 R'000	2013 R'000
Variable rate instruments				
Assets				
Other financial assets	7	Prime	14 561	7 691
Other financial assets	7	Prime + 2%	35	2 118
Cash and cash equivalents	12	Daily call rates	26 041	20 331
Liabilities				
Bank overdraft	12	Prime	18 393	13 163
Borrowings	15	Prime less 0.5%	482	317
Borrowings	15	Prime less 0.25%	4 390	–
Borrowings	15	Prime + 0.5%	720	604
Borrowings	15	Prime + 1.5%	304	–
Borrowings	15	Prime + 2%	1 072	–
Borrowings	15	Prime	68 298	54 601

Foreign exchange risk

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

32. Risk management (continued)

As at 28 February 2014, the group had the following foreign currency denominated liabilities:

	2014 R'000	2013 R'000
Trade and other payables – Euro	1 093	(1)
Trade and other payables – US dollar	2 905	(1 659)
Total	3 998	(1 660)

Exchange rates used for conversion of foreign items were: USD10.76 (2013: USD9.075), GBP18.02 (2013: GBP13.371), and Euro 14.85 (2013: Euro 12.20).

If the foreign exchange rates change by R1 and were applied to the outstanding balances as at 28 February 2014, with all other variables held constant, the impact on post-tax profits would be R247 000 (2013: R131 660).

Credit risk

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

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

Other financial assets comprise loans and extended terms offered to franchisees.

Management evaluates credit risk relating to these receivables on an ongoing basis. The credit risk on loans to group companies is negligible due to the fact that all these group companies are commonly controlled.

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

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

	Notes	<1 year R'000	1 – 2 years R'000	2 – 5 years R'000	More than 5 years R'000	Total R'000
2014						
Other financial assets	7	7 231	4 819	6 062	1 028	19 140
Advertising levies	9	1 617	–	–	–	1 617
Trade and other receivables	11	74 176	–	–	–	74 176
Cash and cash equivalents	12	26 041	–	–	–	26 041
		109 065	4 819	6 062	1 028	120 974
2013						
Other financial assets	7	4 430	5 885	–	–	10 315
Advertising levies	9	1 939	–	–	–	1 939
Trade and other receivables	11	67 541	–	–	–	67 541
Cash and cash equivalents	12	20 331	–	–	–	20 331
		94 241	5 885	–	–	100 126

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

33. Capital management

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

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

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

In terms of existing loan covenants relating to capital management, the group may not exceed a debt:equity ratio of 100%. The group has complied with this.

Notes to the annual financial statements continued

for the year ended February 2014

	2014 Cents	2013 Cents
34. Earnings and headline earnings per share		
Earnings per share	15.6	12.8
Diluted earnings per share	15.1	12.3
Headline earnings per share	16.0	13.3
Diluted headline earnings per share	15.5	12.8
	R	R
Earnings per share is calculated on a profit for the group	30 380 399	24 774 802
Headline earnings per share is calculated on headline earnings	31 226 923	25 899 033
	Number	Number
Weighted average number of ordinary shares	194 790 561	194 161 291
The weighted average number of shares is calculated after taking into account the effect setting off 3 233 278 (2013: 1 720 000) treasury shares held by the Taste Holdings Share Trust against the issued share capital.		
	R	R
Diluted headline earnings per share is based on basic earnings	30 380 399	24 774 802
Diluted headline earnings per share is based on diluted headline earnings	31 227 253	25 899 033
	Number	Number
Weighted average diluted shares in issue	200 934 788	201 910 675
Weighted average diluted shares is calculated after taking into account the effect of the possible issue of 7 600 430 (2013: 7 749 384) ordinary shares in the future relating to the share option scheme.		
	R'000	R'000
Headline earnings have been computed as follows:		
Profit attributable to ordinary shareholders	30 380	24 775
Adjusted for profit on sale of property, plant and equipment	(310)	(120)
Impairment of assets	1 223	1 226
Gross measurements excluded from headline earnings	913	1 106
Tax effect	(66)	18
Net measurements excluded from headline earnings	847	1 124
Headline earnings	31 227	25 899

35. Going concern

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

36. Events subsequent to year-end

1. Acquisition of the Zebro's Chicken business

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

- businesses that have significant overlap with the group's existing vertical integration capacity in both manufacturing and distribution; and
- additional brands targeting consumers in the LSM 4 – 6 category, thereby complementing The Fish & Chip Co. business of more than 300 stores.

As such the rationale for the acquisition is as follows:

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

The acquisition consisted of:

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

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

None of the goodwill is expected to qualify for a tax deduction.

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

Provisional	1 March 2014 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.

The purchase price allocation has been disclosed as provisional, as permitted by IFRS 3 *Business Combinations* and will be finalised within the next 12 months. Any resulting material fair value adjustments to goodwill will be accounted for accordingly.

36. Events subsequent to year-end (continued)

2. Dominos master franchise right

On 10 April 2014, the board of directors of Taste announced that 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.

Rationale

This is a long-term strategic decision that ultimately benefits Taste franchisees as being part of a global and world-class brand providing access to a myriad of global resources including best operating practices, new product pipelines and, very importantly, access to the Domino's Pizza leading global online ordering platform. It will also see the introduction of centralised fresh dough production, adding further volume to the Taste supply chain as well as simplifying in-store operations and improving consistency of the key pizza product – dough. Through the conversion and consolidation of the Scooters Pizza and St Elmo's stores to Domino's Pizza stores (Store Conversions), the opening of new Domino's Pizza outlets, and the investment by both Taste and Domino's Pizza, Taste plans to, in the next five years, establish Domino's Pizza as the leading pizza delivery brand in southern Africa.

Timeline and effect on Taste

Store conversions and new Domino's Pizza store openings are planned to start towards the end of this financial year. Consequently, no new Scooters Pizza or St Elmo's stores will be opened for the next few months although new franchisee applications for new Domino's Pizza stores will be accepted. It is anticipated that there will be once-off costs relating to the initial store conversions, establishment of the centralised dough production facility and initial training and marketing. However, being part of a global brand and with an entirely re-imaged store network, increased marketing spend and the consumer interest in a new global brand, will contribute positively to store sales and overall market share. The conversion to Domino's Pizza gives the brand a solid foundation of over 125 outlets on which to add new Domino's Pizza stores, the goal being to, in the next five years, establish Domino's Pizza as the leading pizza delivery brand in southern Africa. The MFA is subject to certain conditions which are currently in the process of being met.

Shareholders were advised on 20 May 2014 that certain local aggrieved parties, who were unsuccessful in previous negotiations with Domino's Pizza International, are objecting to the validity of Taste's recently secured rights to Domino's Pizza as announced by both Domino's Pizza International and Taste on 10 April 2014. The application has cited Domino's Pizza International as the main respondent and Taste as second respondent. Taste received notification of the objection on the afternoon of 19 May 2014, and the legal merits of the objection are currently being investigated by both Domino's Pizza International and Taste. It has, however, been confirmed that none of the aforementioned parties have, or had, a written agreement with Domino's Pizza International. Notwithstanding this, the board of directors of Taste felt it prudent to inform shareholders timeously of the objection and will update shareholders in due course of further developments in this regard.

Shareholders' analysis

for the year ended February 2014

	Number of shareholdings	%	Number of shares	%
Shareholder spread				
1 – 999	312	16.63	116 345	0.06
1 000 – 9 999	898	47.87	3 403 678	1.68
10 000 – 99 999	563	30.01	14 170 531	7.00
100 000 shares and over	103	5.49	184 846 706	91.26
Total	1 876	100	202 537 260	100
Distribution of shareholders				
Banks	6	0.32	10 113 768	4.99
Close corporations	35	1.87	1 488 633	0.73
Endowment funds	6	0.32	5 534 423	2.73
Individuals	1 632	86.99	45 984 807	22.70
Investment companies	2	0.11	32 000	0.02
Mutual funds	4	0.21	11 297 740	5.58
Nominees and trusts	115	6.13	47 360 814	23.38
Other corporations	19	1.01	437 748	0.22
Private companies	50	2.67	47 894 896	23.65
Public companies	4	0.21	25 070 099	12.38
Retirement funds	2	0.11	4 089 054	2.02
Share trusts	1	0.05	3 233 278	1.60
Total	1 876	100.00	202 537 260	100.00
Beneficial shareholders holding 5% or more, other than directors				
Riskowitz Capital Management LLC, Protea Asset Management LLC and Midbrook Lane Proprietary Limited			11 188 939	5.5
Chickenland Proprietary Limited			26 227 632	12.95
Brimstone Investments Corporation Limited			24 540 099	12.12
Total			61 956 670	30.59
Shareholder spread				
Non-public shareholders				
Directors and their associates	21	1.12	115 009 903	56.78
Own holdings	18	0.96	61 008 894	30.13
Strategic holdings	1	0.05	3 233 278	1.59
Public shareholders	2	0.11	50 767 731	25.06
Total	1 855	98.88	87 527 357	43.22
Total	1 876	100.00	202 537 260	100.00

Shareholders' diary

for the year ended February 2014

Annual general meeting	29 July 2014
Announcement of interim results	October 2014
Financial year-end	28 February
Announcement of final results	21 May 2014

JSE performance

at February 2014

Opening price (cents)	400
Closing price (cents)	375
High for the year (cents)	405
Low for the year (cents)	327
Volume of shares traded during the year (R)	32 124 280
Value of shares traded during the year	117 456 149
Shares in issue	202 537 260
Market capitalisation (R)	759 514 725

Notice of annual general meeting

for the year ended February 2014

TASTE HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2000/002239/06)

JSE code: TAS

ISIN: ZAE000081162)

("Taste" or "the company")

Notice is hereby given that the annual general meeting of shareholders of Taste will be held at the offices of the company at 12 Gemini Street, Linbro Business Park, Sandton, on Thursday, 29 July 2014, at 12:00 to present the annual financial statements to shareholders and to consider and, if deemed appropriate, pass the ordinary and special resolutions listed below, with or without modification.

Kindly note that in terms of section 63(1) of the Companies Act of 2008, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the annual general meeting. Forms of identification that will be accepted include original and valid identity documents, driver's licenses and passports.

The board of directors of the company has determined that the record date in terms of section 62(3)(a) as read with section 59(1) of the Companies Act, No 71 of 2008, as amended ("the Companies Act") for the purpose of determining which shareholders of the company are entitled to receive notice of the annual general meeting is Friday, 20 June 2014 and the record date for purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is Friday, 18 July 2014. Accordingly, the last day to trade in the company's shares is Friday, 11 July 2014.

Shareholders are referred to the explanatory notes as attached to the notice of the annual general meeting for additional information, including abbreviated profiles of the directors standing for re-election.

Presentation of annual financial statements

The audited annual financial statements of the company for the year ended 28 February 2014, including the directors' report, the auditors' report and the report of the audit and risk committee, to be presented as required in terms of section 61(8)(a) of the Companies Act of 2008.

Report from the Social, Ethics and Remuneration Committee

In accordance with Companies Regulation 43(5)(c), issued in terms of the Companies Act of 2008, (Act 71 of 2008), as amended, the chairman of the Social, Ethics and Remuneration Committee, or in the absence of the chairman any member of the Committee, will present the Committee's report to shareholders at the annual general meeting.

Ordinary resolutions 1: Rotation and appointment of directors

Messrs Sebastian Patel and Wessel Petrus van der Merwe retire by rotation and, being eligible, offers themselves for re-election as directors of the company.

In addition, any person appointed to the board of directors following the previous annual general meeting is similarly required to retire and is eligible for re-election at the next annual general meeting.

Accordingly, shareholders are requested to consider and, if deemed fit, approve the separate ordinary resolutions set out below.

Ordinary resolutions 1.1

RESOLVED that the re-appointment of Mr Sebastian Patel as an independent non-executive director of the company be and is hereby approved.

Ordinary resolutions 1.2

RESOLVED that the re-appointment of Mr Wessel Petrus van der Merwe as an independent non-executive director of the company be and is hereby approved.

Ordinary resolutions 1.3

It is RESOLVED that the appointment of Mr Grant Pattison who joined the board on 1 March 2014 as an independent non-executive director be and is hereby ratified.

Brief biographies of the above directors are set out on pages 4 to 6.

Notice of annual general meeting continued

for the year ended February 2014

Ordinary resolutions 2: Appointment of audit and risk committee

It is proposed that the following independent non-executive directors be appointed as members of the audit and risk committee.

Ordinary resolutions 2.1

It is RESOLVED that Mr Anthony Berman be and is hereby appointed as a member and chairman of the audit and risk committee of the company until the conclusion of the next annual general meeting of the company in 2015.

Ordinary resolutions 2.2

It is RESOLVED that Mr Wessel Petrus van der Merwe be and is hereby appointed as a member of the audit and risk committee of the company until the conclusion of the next annual general meeting of the company in 2015.

Ordinary resolutions 2.3

It is RESOLVED that Mr Sebastian Patel be and is hereby appointed as a member of the audit and risk committee of the company until the conclusion of the next annual general meeting of the company in 2015.

Brief biographies of the above directors are set out on pages 4 to 6.

Ordinary resolution 3: Re-appointment of auditors

It is RESOLVED, on recommendation of the audit and risk committee, that BDO South Africa Inc. be and is hereby reappointed as independent auditors of the company, the designated auditor, Gawie Marais, meeting the requirements of S90 (2) of the Companies Act.

Ordinary resolution 4: Control of authorised but unissued ordinary shares

It is RESOLVED that the authorised but unissued ordinary shares in the capital of the company be and are hereby placed under the control and authority of the directors of the company and that the directors be and are hereby authorised to allot and issue at their discretion the unissued but authorised ordinary shares in the share capital of the company and/or grant options to subscribe for the unissued shares, to such person/s for such purposes and on such terms and conditions as they may in their discretion deem fit, subject to the provisions of the JSE Listings Requirements, sections 38 and 41 of the Companies Act and the Memorandum of Incorporation of the company and, shareholders hereby waive any pre-emptive rights thereto.

Ordinary resolution 5: Authority to issue shares for cash

It is RESOLVED that, in terms of the Listings Requirements of the JSE Limited ("JSE"), the mandate given to the directors of the company in terms of a general authority to:

- allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the company purchased by subsidiaries of the company, for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, 2008 (Act 71 of 2008), as amended, the Memorandum of Incorporation of the Company and its subsidiaries and the Listings Requirements of JSE Limited ("the JSE Listings Requirements") from time to time.

The JSE Listings Requirements currently provide, *inter alia*, that:

- that this authority shall only be valid until the next annual general meeting of the company but shall not extend beyond 15 months from the date of this meeting;
- the allotment and issue of the shares must be made to persons qualifying as public shareholders as defined in the JSE Listings Requirements;
- the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;

- that a paid press announcement giving full details, including the impact of the issue on net asset value, net tangible asset value, earnings and headline earnings per share and, if applicable, diluted earnings and diluted headline earnings per share, be published after any issue representing, on a cumulative basis within one financial year, 5% of the number of shares in issue prior to the issue concerned;
- that the issues in aggregate in any one financial year shall not exceed 15% of the number of shares of the company's issued ordinary share capital (net of treasury shares) as at the date of this notice of annual general meeting, being 30 262 016 ordinary shares;
- that in determining the price at which an issue of shares for cash will be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of the ordinary shares on the JSE, measured over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities; and
- whenever the company wishes to use repurchased shares, held as treasury stock by a subsidiary of the company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares.

Ordinary resolution 6: Advisory endorsement of the remuneration policy

To approve, as a non-binding advisory vote in terms of the King III Report on Corporate Governance, the company's remuneration policy (excluding the remuneration of the non-executive directors for their services as directors and members of board committees) as set out in the Remuneration Report contained in the Integrated Report on page 42.

Ordinary resolution number 7: Approval of amendments to the Taste Holdings Share Trust

Resolved that, in compliance with Schedule 14 of the Listings Requirements of JSE Limited, the amendments to the Taste Holdings Share Trust, which is set out in Annexure 1 to the annual report to which this notice of annual general meeting forms part of, be and is hereby approved.

Ordinary resolution 8: Signing authority

To authorise any one director or the secretary of the company to do all such things and sign all such documents as are deemed necessary to implement the resolutions set out in the notice convening the annual general meeting at which this ordinary resolution will be considered and approved at such meeting.

Special resolution 1: Approval of non-executive directors' remuneration

It is RESOLVED, as a special resolution:

- that the company be and is hereby authorised to pay remuneration to its non-executive directors for their services as non-executive directors, as contemplated in S66(8) and S66(9) of the Companies Act, (No 71 of 2008) as amended; and
- that the remuneration structure and amounts as set out below, be and are hereby approved until such time as rescinded or amended by shareholders by way of a special resolution:

Type of fee (annual fee)	Proposed fee in R 2015 (no increase proposed from 2014)
Board	
Chairman	214 000
Board member	107 000
Audit and Risk Committee	
Chairman	214 000
Member	26 750
Social, Ethics and Remuneration Committee	
Chairman	35 310
Member	26 750

Notice of annual general meeting continued

for the year ended February 2014

Special resolution 2: General authority to repurchase shares

It is RESOLVED, as a special resolution, that the mandate given to the company in terms of its Memorandum of Incorporation (or one of its wholly owned subsidiaries) ("MOI") providing authorisation, by way of a general approval, to acquire the company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, subject to the Listings Requirements of the JSE Limited ("the JSE"), sections 48 and 48 of the Companies Act of 2008, (Act 71 of 2008), as amended, and the company's MOI, be extended, subject to the following:

- this general authority be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution (whichever period is shorter);
- the repurchase being effected through the order book operated by the JSE trading system, without any prior understanding or arrangement between the company and the counterparty;
- repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which the transaction was effected;
- an announcement being published as soon as the company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the initial number of ordinary shares, and for each 3% (three percent) in aggregate of the initial number of ordinary shares repurchased thereafter, containing full details of such repurchases;
- the number of shares which may be acquired pursuant to this authority in any one financial year may not in the aggregate exceed 20% (twenty percent) of the company's issued share capital as at the date of passing of this special resolution or 10% of the company's issued share capital in the case of an acquisition of shares in the company by a subsidiary of the company;
- the company's sponsor confirming the adequacy of the company's working capital for purposes of undertaking the repurchase of ordinary shares in writing to the JSE prior to the company entering the market to proceed with the repurchase;
- the company and/or its subsidiaries not repurchasing securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless it has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement published on SENS prior to the commencement of the prohibited period;
- at any point in time the company only appointing one agent to effect any repurchases on its behalf; and
- the board of directors passing a resolution that they authorised the repurchase and that the company passed the solvency and liquidity test set out in section 4 of the Companies Act and that since the test was done there have been no material changes to the financial position of the group.

The directors of the company and its subsidiaries will only utilise the general authority to purchase the company's securities to the extent that they, having considered the effects of the maximum repurchase permitted, are of the opinion that for a period of 12 (twelve) months after the date of the notice of the annual general meeting and at the actual date of the repurchase:

- the company and the group will be able, in the ordinary course of business, to pay its debts;
- the working capital of the company and the group will be adequate for ordinary business purposes;
- the assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards, will exceed the liabilities of the company and the group;
- the company's and the group's ordinary share capital and reserves will be adequate for ordinary business purposes; and
- the directors have passed a resolution authorising the repurchase, resolving that the company has satisfied the solvency and liquidity test as defined in the Companies Act and resolving that since the solvency and liquidity test had been applied, there have been no material changes to the financial position of the group.

Additional information

The following additional information, some of which may appear elsewhere in the integrated report, is provided in terms of the JSE Listings Requirements for purposes of the general authority to repurchase the company's securities set out in special resolution number 2 above:

- directors and management – pages 4 to 6;
- major shareholders – page 93;
- directors' interests in ordinary shares – page 50; and
- share capital of the company – page 76.

Litigation statement

The directors in the office whose names appear on page 37 of the integrated report, are not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have, or have had, in the recent past, being at least the previous 12 months from the date of this integrated report, a material effect on the group's financial position.

Directors' responsibility statement

The directors in office, whose names appear on page 37 of the integrated report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in the integrated report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the company's financial year-end and the date of signature of the integrated report.

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

The directors have no specific intention, at present, for the company to repurchase any of its securities but consider that such a general authority should be put in place should an opportunity present itself to do so during the year which is in the best interests of the company and its shareholders.

Special resolution 3: Financial assistance to related and inter-related companies

It is RESOLVED, by way of a special resolution in terms of section 44 and 45 of the Companies Act, that the directors of the company be and are hereby authorised to provide any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) to all related and inter-related companies within the Taste group of companies, or to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or of a related or inter-related company, at such times and on such terms and conditions as the directors in their sole discretion deem fit and subject to all relevant statutory and regulatory requirements being met, such authority to remain in place for a period of two years or until rescinded by way of special resolution passed at a duly constituted annual general meeting of the company, provided that:

- (a) the board of directors of the company ("the Board"), from time to time, determines (i) the specific recipient or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance; (iii) the terms and conditions under which such financial assistance is provided; and
- (b) the Board may not authorise the company to provide any financial assistance pursuant to this special resolution number 3 unless the Board meets all those requirements of section 44 and 45 of the Companies Act which it is required to meet in order to authorise the company to provide such financial assistance.

Electronic participation

Should any shareholder of the company wish to participate in the annual general meeting by way of electronic participation, that shareholder shall be obliged to make application in writing (including details as to how the shareholder or its representative can be contacted) to so participate, to the company secretary at the applicable address set out below at least 5 (five) business days prior to the annual general meeting in order for the company secretary to arrange for the shareholder (and its representative) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63 (1) of the Companies Act and for the company secretary to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided. The company reserves the right not to provide for electronic participation at the annual general meeting in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the company will be borne by the shareholder so accessing the electronic participation.

Proxies

Any shareholder holding shares in certificated form or recorded on the company's subregister in electronic dematerialised form in "own name" and entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to attend, speak and on a poll vote in their stead. A proxy need not be a member of the company.

Proxy forms must be lodged at the offices of the transfer secretaries, Computershare Investor Services Proprietary Limited (70 Marshall Street, Corner Sauer Street, Johannesburg; PO Box 61051, Marshalltown, 2107), by no later than 10h00 on Friday, 25 July 2014.

Notice of annual general meeting continued

for the year ended February 2014

All beneficial owners whose shares have been dematerialised through a Central Securities Depository Participant (CSDP) or broker other than with “own name” registration, must provide the CSDP or broker with their voting instructions in terms of their custody agreement should they wish to vote at the annual general meeting. Alternatively, they may request the CSDP or broker to provide them with a letter of representation, in terms of their custody agreements, should they wish to attend the annual general meeting.

Shareholders and proxies of shareholders are advised that they will be required to present reasonably satisfactory identification in order to attend or participate in the annual general meeting as required in terms of S63(1) of the Companies Act.

Voting thresholds

Ordinary resolutions 1 to 4 and 6 and 8 are subject to a simple majority of votes.

In terms of the JSE Listings Requirements, the approval of a 75% majority of votes of all shareholders, present or represented by proxy, is required to approve ordinary resolution number 5 and 7.

The special resolutions must be supported by 75% or more of the voting rights exercised.

Voting

In terms of the JSE Listings Requirements any shares held by The Taste Share Incentive Scheme will not have its votes at the annual general meeting taken into account in determining the results of voting on ordinary resolution number 5 and special resolution number 2.

By order of the board



Monika Pretorius
Company secretary

Annual general meeting – Explanatory notes

for the year ended February 2014

Voting

A 75% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of special resolutions for these to be approved. Ordinary resolutions are approved by more than 50% of the votes cast by shareholders present or represented by proxy with exception of ordinary resolution numbers 5 and 7 which require a 75% approval.

Presentation of annual financial statements

At the annual general meeting, the directors must present the annual financial statements for the year ended 28 February 2014 to shareholders, together with the reports of the directors, the audit and risk committee, and the auditors. These are contained within the integrated report.

Ordinary resolutions 1.1 to 1.2: Rotation and appointment of directors

In accordance with the company's memorandum of incorporation, one-third of the directors are required to retire at each annual general meeting and may offer themselves for re-election. In addition, any person appointed to the board of directors following the previous annual general meeting is similarly required to retire and is eligible for re-election at the next annual general meeting.

The purpose of these resolutions is to elect, by way of separate resolutions, directors in the place of those retiring in accordance with the company's Memorandum of Incorporation. The directors retiring are Mr Sebastian Patel and Mr Wessel Petrus van der Merwe, both of whom being eligible offer themselves for re-election.

In addition, Mr Grant Michael Pattison, having been appointed as a director subsequent to the previous annual general meeting, and being eligible, offer himself for election by shareholders.

Brief biographical details of each of the above directors and the remaining members of the board are contained on pages 4 to 6 of the integrated report of which this notice forms part.

Ordinary resolutions 2.1 to 2.3: Appointment of audit and risk committee

In terms of S94(2) of the Companies Act, No 71 of 2008 ("the Act"), a public company must at each annual general meeting elect an audit and risk committee comprising at least three members who are directors and who meet the criteria of S94(4) of the Act. Regulation 42 to the Act specifies that one-third of the members of the audit and risk committee must have appropriate academic qualifications or experience in the areas as listed in the regulation.

The board of directors of the company is satisfied that the proposed members of the audit and risk committee meet all relevant requirements.

The purpose of these resolutions is to appoint, by way of separate resolutions, the following independent non-executive directors as members of the audit and risk committee:

- Mr Anthony Berman (Chairman)
- Mr Wessel Petrus van der Merwe
- Mr Sebastian Patel

Ordinary resolution 3: Re-appointment of auditors

BDO South Africa Inc has indicated its willingness to continue in office and resolution 3 proposes the reappointment of that firm as the company's auditors with effect from 1 March 2013. S90(3) of the Companies Act, No 71 of 2008 ("the Act") requires the designated auditor to meet the criteria as set out in S90(2) of the Act.

The board of directors of the company is satisfied that both BDO and the designated auditor, being Gawie Marais, meet the relevant requirements.

Ordinary resolutions 4 and 5: Control of and authority to issue authorised but unissued shares for cash

In terms of the Companies Act, No 71 of 2008 ("the Act"), directors are authorised to allot and issue the unissued shares of the company, unless otherwise provided in the company's Memorandum of Incorporation or in instances as listed in S41 of the Act. The JSE requires that the Memorandum of Incorporation should provide that shareholders in a general meeting may authorise the directors to issue unissued securities and/or grant options to subscribe for unissued securities as the directors in their discretion think fit, provided that such transaction(s) has/have been approved by the JSE and are subject to the JSE Listings Requirements. In the absence of the Memorandum of Incorporation as contemplated in the Act, ordinary resolution 4 has been included to confirm directors' authority to issue shares. Directors confirm that there is no specific intention to issue any shares, other than as part of and in terms of the rules of the company's share incentive scheme, as at the date of this notice.

Also, in terms of the JSE Listings Requirements, the authority to issue shares for cash as set out in ordinary resolution 5 requires the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting for ordinary resolution number 5 to become effective.

Annual general meeting – Explanatory notes continued

for the year ended February 2014

Ordinary resolution 6: Advisory endorsement of remuneration policy

The King Report on Corporate Governance for South Africa, 2009 recommends that the remuneration philosophy of the company be submitted to shareholders for consideration and for an advisory, non-binding vote to provide shareholders with an opportunity to indicate should they not be in support of the material provisions of the remuneration philosophy and policy of the company.

Ordinary resolution number 7: Approval of amendments to the Taste Holdings Share Trust

The reason for and effect of the amendments to clause 17 of the Taste Holdings Share Trust (as previously approved by JSE Limited and adopted by shareholders) is to extend the exercise period of the share options from five to six years in order to prevent participants from forfeiting their share options in the event that there are any share options have not been exercised by the fifth anniversary of their grant. The board of directors of Taste have therefore agreed to provide participants with an additional year in which to exercise their share options before they lapse.

Ordinary resolution 8: Signing authority

Authority is required to do all such things and sign all documents and take all such action as necessary to implement the resolutions set out in the notice and approved at the annual general meeting. It is proposed that the company secretary and/or director be authorised accordingly.

Special resolution 1: Approval of non-executive directors' remuneration

In terms of S66(8) and S66(9) of the Companies Act, No 71 of 2008, companies may pay remuneration to directors for their services as directors unless otherwise provided by the Memorandum of Incorporation and on approval of shareholders by way of a special resolution. Executive directors are not specifically remunerated for their services as directors but as employees of the company and as such, the resolution as included in the notice requests approval of the remuneration paid to non-executive directors for their services as directors of the company.

Special resolution 2: General authority to repurchase shares

S48 of the Companies Act, No 71 of 2008 ("the Act") authorises the board of directors of a company to approve the acquisition of its own shares subject to the provisions of S48 and S46 having been met. In order to ensure compliance with the requirements of the Act, the Listings Requirements of the JSE Limited and the provisions of the Memorandum of Incorporation of the company, a special resolution is proposed to provide authority to the company to repurchase its shares.

Special resolution 3: Financial assistance to related and inter-related companies

S44(2) and S45(2) of the Companies Act, No 71 of 2008 ("the Act") authorises the board to provide direct or indirect financial assistance to a related or inter-related company or to any person in connection with any securities issued or to be issued by the company or a related or inter-related company, subject to subsections (3) and (4) of S45 of the Act and unless otherwise provided in the company's Memorandum of Incorporation. In terms of S45(3) of the Act, a special resolution of shareholders is required in these instances.

The main purpose of the special resolution as set out in the notice of the meeting is to approve the granting of inter-company loans, a recognised and well known practice, details of which are also set out in the notes to the annual financial statements. In addition, the resolution will facilitate the granting of guarantees and security in connection with the borrowings by the Taste group of companies.

Special resolution number 3 will be effective only if and to the extent that such resolution is adopted by the shareholders of the company, and the provision of any such direct or indirect financial assistance by the company, pursuant to such resolution, will always be subject to the board of directors being satisfied that (i) immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 44(3)(b)(i) and 45(3)(b)(i) of the Companies Act, and (ii) the terms under which such financial assistance is to be given are fair and reasonable to the company as referred to in section 44(3)(b)(ii) and 45(3)(b)(ii) of the Companies Act.

General

Shareholders and proxies attending the annual general meeting on behalf of shareholders are reminded that S63(1) of the Companies Act, No 71 of 2008 requires that reasonably satisfactory identification be presented in order for such shareholder or proxy to be allowed to attend or participate in the meeting.

Summary of the rights established in terms of section 58 of the Act as required by section 58(7)(b)

For purposes of this summary, "shareholder" shall have the meaning ascribed thereto in the Act.

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy, to participate in, speak and vote at a shareholders' meeting on behalf of the shareholder or give or withhold written consent on behalf of such shareholder in relation to a decision contemplated in section 60 of the Act.

2. A proxy appointment must be in writing, dated and signed by the relevant shareholder, and such proxy appointment remains valid for one year after the date upon which the proxy was signed or any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in section 58(4)(c) of the Act or expires earlier as contemplated in section 58(8)(d) of the Act.
3. Except to the extent that the Memorandum of Incorporation of a company provides otherwise:
 - 3.1 a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder;
 - 3.2 a proxy may delegate their authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
 - 3.3 a copy of the instrument appointing a proxy must be delivered to the company or to any other person on behalf of the relevant company before the proxy exercises any rights of the shareholder at a shareholders' meeting.
4. Irrespective of the form of instrument used to appoint a proxy, the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company.
5. Unless the proxy appointment expressly states otherwise, the appointment of a proxy is revocable. If the appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the company.
6. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date: (a) stated in the revocation instrument, if any; or (b) upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Act.
7. If the instrument appointing a proxy or proxies has been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Act or the relevant company's Memorandum of Incorporation to be delivered by such company to the shareholder, must be delivered by such company to the shareholder or to the proxy or proxies, if the shareholder has directed the relevant company to do so in writing and paid any reasonable fee charged by the company for doing so.
8. A proxy is entitled to exercise or abstain from exercising any voting right of the relevant shareholder without direction, except to the extent that the Memorandum of Incorporation or the instrument appointing the proxy provides otherwise.
9. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy or supplies a form of instrument for appointing a proxy:
 - 9.1 such invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
 - 9.2 the invitation or form of instrument supplied by the relevant company must: (a) bear a reasonably prominent summary of the rights established in section 58 of the Act; (b) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by such shareholder; and (c) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour or against the applicable resolution/s to be put at the relevant meeting, or is to abstain from voting;
 - 9.3 the company must not require that the proxy appointment be made irrevocable; and
 - 9.4 the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Act.

Salient dates

Last day to trade in order to be recorded in the register	Friday, 11 July 2014
Record date for determining those shareholders entitled to vote at the annual general meeting	Friday, 18 July 2014
Last day to lodge forms of proxy for the annual general meeting	By 10h00 on Friday, 25 July 2014

Annexure 1 – Amendments to the Taste Holdings Share Trust

Taste intends to amend its Share Trust in order to extend the exercise period of the share options from five to six years in order to prevent participants from forfeiting their share options in the event that there are any share options have not been exercised by the fifth anniversary of their grant as set out in clause 17.3 below.

The board of directors of Taste have therefore agreed to provide participants with an additional year in which to exercise their share options before they lapse.

Accordingly, clause 17 of the trust deed will be amended to read as follows:

17. Options

- 17.1 A participant shall obtain an option by accepting a grant of option in the manner described in clause 12.3.6 and any such option may be exercised by the participant wholly or in part (and if exercised in part, from time to time), but always in multiples of 100 (one hundred) shares, at any time during the period from the option date until the 6th (sixth) anniversary of that date subject always to provisions of clause 12.
- 17.2 An option shall lapse and may be withdrawn:
 - 17.2.1 to the extent that an option is not exercised by or on the 6th (sixth) anniversary of the option date in respect of the shares which are the subject matter of the option not so exercised;
- 17.3 Subject to the discretion of the trustees to waive and/or relax the provisions of this clause 17.3 in circumstances and in respect of such participants where they deem such waiver and/or relaxation appropriate, no participant shall be entitled to exercise an option or to pay for or take delivery of or deal in any shares in respect of which an option has been granted except to the extent provided below:
 - 17.3.1 up to 25% (twenty-five per centum) of all shares which were the subject of the option on or after the 2nd (second) anniversary of the option date;
 - 17.3.2 up to 50% (fifty per centum) of all shares which were the subject of the option on or after the 3rd (third) anniversary of the option date;
 - 17.3.3 up to 75% (seventy five per centum) of all shares which were the subject of the option on or after the 4th (fourth) anniversary of the option date;
 - 17.3.4 all remaining shares which were the subject of the option on the 6th (sixth) anniversary of the option date;
- 17.4 If the employment with the group of any participant terminates:
 - 17.4.2 as a result of his death prior to the 6th (sixth) anniversary of the option date, then at any time before the finalisation of the participant's estate or within 2 (two) years of the date of his death (whichever date is the earlier), the participant's heirs or executors shall have the right and obligation, at their election, to exercise the option in respect of all of the shares which were the subject of the option and pay for such shares and have them released to them or to require that the agreement in respect of the deceased participant's shares which were the subject of the option be cancelled on the basis that the participant's estate shall be released from all liability in respect of such shares;

Form of proxy



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

Form of proxy for the annual general meeting of the company to be held at the company's offices at 12 Gemini Street, Linbro Business Park, Sandton, on Thursday, 29 July 2014 ("the annual general meeting").

Only for use by certificated shareholders, nominee companies of Central Securities Depository Participants (CSDP), brokers' nominee companies and shareholders who have dematerialised their shares and who have elected own-name registration and who wish to vote on the special and ordinary resolutions per the notice of the annual general meeting to which this form is attached.

Shareholders who have dematerialised their shares through a CSDP or broker must not complete this form of proxy and must provide their CSDP or broker with their voting instructions, except for shareholders who elected own-name registration in the subregister through a CSDP, which shareholders must complete this form of proxy and lodge it with Computershare Investor Services Proprietary Limited.

Holders of dematerialised shares, other than with own-name registration, who wish to attend the annual general meeting, must inform their CSDP or broker of such intention and request their CSDP or broker to issue them with the necessary letter of representation.

I/We (name in block letters) _____

of (address) _____

telephone number/s _____

being the holder/s of _____ ordinary shares in the company, do hereby appoint

1. _____ or failing him/her

2. _____ or failing him/her

3. the chairperson of the annual general meeting, as my/our proxy to act for me/us and on my/our behalf at the annual general meeting of the company, or any adjournment thereof, which will be held for the purpose of considering and, if deemed fit, of passing, with or without modification, the ordinary and special resolutions as detailed in the notice of annual general meeting, and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions:

	Number of votes (one vote per ordinary share)		
	For	Against	Abstain
Ordinary resolution 1.1 – Re-election of Mr Sebastian Patel as an independent non-executive director			
Ordinary resolution 1.2 – Re-election of Mr Wessel Petrus van der Merwe as an independent non-executive director			
Ordinary resolution 1.3 – Election of Mr Grant Michael Pattison as an independent non-executive director			
Ordinary resolution 2.1 – Election of Mr Anthony Berman as a member and chairman of the audit and risk committee			
Ordinary resolution 2.2 – Election of Mr Wessel Petrus van der Merwe as a member of the audit and risk committee			
Ordinary resolution 2.3 – Election of Mr Sebastian Patel as a member of the audit and risk committee			
Ordinary resolution 3 – Reappointment of BDO South Africa Inc as external auditor			
Ordinary resolution 4 – Control of authorised but unissued ordinary shares			
Ordinary resolution 5 – Authority to issue shares for cash			
Ordinary resolution 6 – Advisory endorsement of the remuneration policy			
Ordinary resolution 7 – Approval of amendments to the Taste Holdings Share Trust			
Ordinary resolution 8 – Signing authority			
Special resolution 1 – Approval of non-executive directors' remuneration			
Special resolution 2 – General authority to repurchase shares			
Special resolution 3 – Financial assistance to related and inter-related companies			

Signature _____

Signed at _____ on _____ 2014

Assisted by _____ (if applicable)

Please see notes on reverse.

Notes to the form of proxy

1. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the company) to attend, speak and vote in place of that shareholder at the annual general meeting.
2. Shareholder(s) that are certificated or own-name dematerialised shareholders may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairperson of the meeting", but any such deletion must be initialled by the shareholder(s). The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy, the chairperson shall be deemed to be appointed as the proxy.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy, in the case of any proxy other than the chairperson, to vote or abstain from voting as deemed fit and, in the case of the chairperson, to vote in favour of the resolution.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholders, but the total of the votes cast or abstained from may not exceed the total of the votes exercisable in respect of the shares held by the shareholder.
5. Forms of proxy must be lodged at or posted to Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received no later than 10h00 on Friday, 25 July 2014.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. Where there are joint holders of shares, the vote of the first joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted.
7. The chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes, provided that, in respect of acceptances, the chairperson is satisfied as to the manner in which the shareholder concerned wishes to vote.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company or Computershare Investor Services Proprietary Limited or waived by the chairperson of the annual general meeting.

Administration

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The main object of the company is to carry on business as restaurateurs and franchisors.
Directors	Carlo Ferdinando Gonzaga Duncan John Crosson Jay Bayne Currie Kevin Utian Hylton Roy Rabinowitz Grant Michael Pattison Ramsay L'Amy Daly Evangelos Tsatsarolakis Anthony Berman Wessel Petrus van der Merwe Sebastian Patel
Registered office	12 Gemini Street Linbro Business Park Sandton 2065
Business address	12 Gemini Street Linbro Business Park Sandton 2065
Postal address	PO Box 1125 Ferndale Randburg 2160
Auditors	BDO South Africa Incorporated Chartered Accountants (SA) Registered Auditors
Sponsor	Merchantec Capital
Company Secretary	Monika Pretorius
Company registration number	2000/002239/06



www.tasteholdings.co.za