UNAUDITED CONDENSED CONSOLIDATED RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2014

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HIGHLIGHTS

- » Core revenue **increased** by **15%** to R302.2 million
- » Core EBITDA **increased** by **10%** to R23.3 million
- » Core operating profit **increased** to **R16.3 million**
- » System-wide sales **increased** by **4%** to R746 million
- » Secured exclusive master franchise **rights for Domino's Pizza**
- » **R180 million raised** from shareholders for future growth by way of a Rights Offer
- » **R1 billion** domestic medium term note programme registered
- » Core headline earnings **decreased** by **R1.1 million** to R8.8 million
- » Core headline earnings per share **decreased by 0.8 cents** to 4.3 cents

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

CONDENSED GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	% change	Unaudited six months ended 31 August 2014 R'000	Unaudited six months ended 31 August 2013 R'000	Audited 12 months ended 28 February 2014 R'000
Revenue	15	**302 257**	263 500	582 782
Cost of sales		**(189 268)**	(160 328)	(351 165)
Gross profit	10	**112 989**	103 172	231 617
Other income		**294**	189	956
Operating costs	16	**(99 536)**	(85 537)	(182 855)
Operating profit	(23)	**13 747**	17 824	49 718
Investment revenue		**1 664**	1 119	2 496
Finance costs		**(5 616)**	(3 248)	(7 889)
Profit before taxation	(38)	**9 795**	15 695	44 325
Taxation		**(2 804)**	(4 432)	(13 945)
Profit for the period	(38)	**6 991**	11 263	30 380
Other comprehensive income		**–**	–	–
Total comprehensive income for the period	(38)	**6 991**	11 263	30 380
Attributable to:				
Equity holders of the company	(38)	**6 991**	11 263	30 380
Earnings per share attributable to equity holders of the company				
Basic earnings per share (cents)	(40)	**3.5**	5.8	15.6
Diluted earnings per share (cents)	(38)	**3.4**	5.6	15.1
Dividends declared per share (cents)		**–**	–	6.2

CONDENSED GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 August 2014 R'000	Unaudited 31 August 2013 R'000	Audited 28 February 2014 R'000
ASSETS			
Non-current assets	**235 266**	185 923	201 288
Property, plant and equipment[9]	**35 084**	24 439	29 776
Intangible assets[10]	**94 391**	81 131	79 545
Goodwill[11]	**87 216**	72 235	78 756
Other financial assets[12]	**17 047**	6 941	11 910
Deferred tax	**1 528**	1 177	1 301
Non-current assets held for sale	**–**	675	–
Current assets	**289 910**	225 699	229 406
Inventories[13]	**119 272**	102 801	116 856
Trade and other receivables[14]	**106 390**	83 852	74 712
Current tax receivables	**2 125**	8 959	2 949
Advertising levies[15]	**6 749**	5 479	1 618
Other financial assets[12]	**4 951**	11 079	7 230
Cash and cash equivalents	**50 423**	13 529	26 041
Total assets	**525 176**	412 297	430 694
EQUITY AND LIABILITIES			
Equity attributable to holders of parent	**229 211**	190 824	224 943
Share capital	**2**	2	2
Retained earnings	**123 054**	109 507	128 624
Share premium[16]	**104 033**	80 343	94 545
Equity-settled share-based payment reserve	**2 122**	972	1 772
Non-current liabilities	**155 108**	72 929	77 924
Borrowings[17]	**131 815**	51 711	57 422
Deferred tax	**23 293**	21 218	20 502
Current liabilities	**140 857**	148 544	127 827
Provisions	**250**	250	250
Current tax payable	**4 440**	4 612	809
Trade and other payables[14]	**116 520**	111 584	88 277
Advertising levies	**625**	1 819	1 198
Balance due to vendors	**1 000**	1 000	1 000
Bank overdrafts	**14 408**	15 858	18 393
Dividends payable	**87**	67	55
Borrowings	**3 527**	13 354	17 845
Total equity and liabilities	**525 176**	412 297	430 694
Number of shares in issue ('000)	**202 968**	194 724	199 304
Net asset value per share (cents)	**112.9**	98.0	112.9
Net tangible asset value per share (cents)[18]	**35.3**	30.3	44.0

CONDENSED GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Total share capital R'000	Equity-settled share-based payment reserve R'000	Retained earnings R'000	Total R'000
Balance 1 September 2013	2	80 343	80 345	972	109 507	190 824
Shares issue[16]	–	13 595	13 595	–	–	13 595
Options exercised	–	607	607	–	–	607
Share-based payment	–	–	–	800	–	800
Comprehensive income for the period	–	–	–	–	19 117	19 117
Balance 1 March 2014	2	94 545	94 547	1 772	128 624	224 943
Share issue[16]	**–**	**8 501**	**8 501**	**–**	**–**	**8 501**
Options exercised	**–**	**987**	**987**	**–**	**–**	**987**
Dividends paid	**–**	**–**	**–**	**–**	**(12 561)**	**(12 561)**
Share-based payment reserve	**–**	**–**	**–**	**350**	**–**	**350**
Comprehensive income for the period	**–**	**–**	**–**	**–**	**6 991**	**6 991**
Balance	**2**	**104 033**	**104 035**	**2 122**	**123 054**	**229 211**

CONDENSED CONSOLIDATED SEGMENTAL REPORT

	% change	Unaudited six months ended 31 August 2014 R'000	Unaudited six months ended 31 August 2013 R'000	Audited 12 months ended 28 February 2014 R'000
Revenue				
Food[23]	11	**196 019**	175 827	364 823
Jewellery[25]	15	**106 238**	92 325	229 289
Corporate services	3	**8 378**	8 121	16 242
Inter-segment revenues[27]	(34)	**(8 378)**	(12 773)	(27 572)
Group revenue	15	**302 257**	263 500	582 782
Operating profit				
Food[24]	(31)	**12 520**	18 146	34 229
Jewellery[26]	11	**9 719**	8 724	32 897
Corporate services[28]	(6)	**(8 492)**	(9 046)	(17 408)
Group operating profit	(23)	**13 747**	17 824	49 718
Investment revenue				
Food	(5)	**499**	526	1 012
Jewellery	(25)	**166**	221	348
Corporate services	546	**2 402**	372	1 136
Inter-segment		**(1 403)**	–	–
Group investment revenue	49	**1 664**	1 119	2 496
Finance costs				
Food	45	**(2 849)**	(1 967)	(3 999)
Jewellery	77	**(2 111)**	(1 192)	(3 098)
Corporate services	2127	**(1 982)**	(89)	(792)
Inter-segment		**1 326**	–	–
Group finance costs	73	**(5 616)**	(3 248)	(7 889)
Profit before taxation				
Food	(40)	**10 094**	16 703	31 242
Jewellery	(10)	**6 990**	7 753	30 147
Corporate services	(17)	**(7 289)**	(8 761)	(17 064)
Group profit before taxation	(38)	**9 795**	15 695	44 325
Depreciation and amortisation				
Food	52	**(4 255)**	(2 803)	(6 104)
Jewellery	28	**(1 832)**	(1 430)	(3 052)
Corporate services	8	**(937)**	(867)	(1 750)
Group depreciation and amortisation	38	**(7 024)**	(5 100)	(10 906)

CONDENSED GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended 31 August 2014 R'000	Unaudited six months ended 31 August 2013 R'000	Audited 12 months ended 28 February 2014 R'000
Cash flows from operating activities	**(3 525)**	3 691	13 383
Cash generated by operating activities[19]	**12 162**	21 718	42 832
Investment revenue	**1 664**	1 119	2 496
Finance costs	**(5 616)**	(3 248)	(7 889)
Dividends paid	**(12 529)**	(9 898)	(9 910)
Taxation paid[20]	**794**	(6 000)	(14 146)
Cash flows from investing activities	**(37 671)**	(22 629)	(46 748)
Acquisition of property, plant and equipment	**(8 836)**	(9 194)	(16 807)
Proceeds of disposals of property, plant and equipment	**80**	141	600
Acquisition of business[21]	**(21 326)**	(5 871)	(20 478)
Loans advanced	**(2 858)**	(7 705)	(10 973)
Loans repaid	**–**	–	2 149
Acquisition of intangible assets	**(4 731)**	–	(1 239)
Cash flows from financing activities	**69 563**	9 441	33 845
Decrease in long-term employee benefits	**–**	(126)	(126)
Proceeds from issue of shares[16]	**9 488**	242	14 444
Loans raised[17]	**125 000**	9 325	25 300
Loans repaid[17]	**(64 925)**	–	(5 773)
Change in cash and cash equivalents	**28 367**	(9 497)	480
Cash and cash equivalents at beginning of the period	**7 648**	7 168	7 168
Cash and cash equivalents at end of the period	**36 015**	(2 329)	7 648

NOTES TO THE FINANCIAL INFORMATION

1. Reconciliation of headline earnings

	% change	Unaudited six months ended 31 August 2014 R'000	Unaudited six months ended 31 August 2013 R'000	Audited 12 months ended 28 February 2014 R'000
Earnings attributable to ordinary shareholders	(38)	**6 991**	11 263	30 380
Adjusted for:				
Impairment losses		**–**	–	1 223
Profit on sale of property, plant and equipment and non-current assets available for sale		**(12)**	(141)	(310)
Tax effect on headline earnings adjustments		**2**	21	(66)
Headline earnings attributable to ordinary shareholders	(37)	**6 981**	11 143	31 227
Adjusted for:				
Legal fees		**–**	–	1 159
Once-off costs of the distribution business (after tax)		**–**	–	619
Once-off and upfront Domino's Pizza costs and prior period revenue comparison adjustment (after tax)		**1 829**	(1 246)	–
Core headline earnings	(11)	**8 810**	9 897	33 005
Weighted average shares in issue ('000)		**202 583**	194 279	194 791
Weighted average diluted shares in issue ('000)		**206 339**	202 028	200 935
Basic earnings per share (cents)	(40)	**3.5**	5.8	15.6
Diluted earnings per share (cents)	(39)	**3.4**	5.6	15.1
Headline earnings per share (cents)	(40)	**3.4**	5.7	16.0
Core headline earnings per share (cents)	(16)	**4.3**	5.1	16.9
Diluted headline earnings per share (cents)	(38)	**3.4**	5.5	15.5

2. Core earnings

- Shareholders are referred to the announcement released on SENS on 10 April 2014 wherein the group announced that it had signed a 30-year exclusive Master Franchise Agreement ("MFA") to develop the global Domino's Pizza ("Domino's") brand in South Africa and six other countries (see note 29 below). The Domino's Pizza brand will become the group's leading pizza franchise offering as existing Scooters Pizza and St Elmo's franchisees will be given the opportunity and assistance to convert their stores to Domino's Pizza stores. Store conversions and new Domino's Pizza store openings are planned to start towards the end of this calendar year and consequently, the decision was made not to open new Scooters Pizza or St Elmo's stores during this financial year. As announced, there are expected once-off costs relating to the initial store conversions, establishment of a centralised dough production facility and initial training and marketing that will be incurred at least until the conversion of Scooters Pizza & St Elmo's stores to Domino's is complete.
- A large portion of these investment costs associated with launching Domino's cannot be treated as capital investment and therefore make comparable analysis of the core Taste business more difficult. Therefore, the group has disclosed Core earnings and has provided a detailed reconciliation thereof in the note below. Core earnings excludes initial once-off and up-front investment costs related to the Domino's roll-out and store conversions as explained above and in the 10 April 2014 SENS announcement. It more accurately reflects the comparable performance of the core Taste business and Taste will disclose this financial measure for as long as it is relevant to stakeholders, but at least until the conversion of Scooters Pizza & St Elmo's stores to Domino's is complete. The effect of the core earnings adjustments to the statements of financial position and the cash flows are not currently material and thus no adjustments have been made to these two financial statements.

Condensed group consolidated statement of comprehensive income
Reconciliation to core earnings

	Core earnings % change	Unaudited six months ended 31 August Actual 2014 R'000	Unaudited six months ended Core earnings adjustment 2014 R'000	Unaudited six months ended 31 August Core earnings 2014 R'000	Unaudited six months ended 31 August Core earnings 2013 R'000
Revenue[3][4]	15	**302 257**	–	302 257	261 770
Cost of sales		**(189 268)**	–	(189 268)	(160 328)
Gross profit[5]	11	**112 989**	–	112 989	101 442
Other income		**294**	–	294	189
Operating costs[6]	13	**(99 536)**	2 562	(96 974)	(85 537)
Operating profit[7]	1	**13 747**	2 562	16 309	16 094
Investment revenue	49	**1 664**	–	1 664	1 119
Finance costs[8]	73	**(5 616)**	–	(5 616)	(3 248)
Profit before taxation	(12)	**9 795**	2 562	12 357	13 965
Taxation[3]		**(2 804)**	(733)	(3 537)	(3 948)
Profit for the period	(12)	**6 991**	1 829	8 820	10 017
Other comprehensive income		**–**	–	–	–
Total comprehensive income for the period	(12)	**6 991**	1 829	8 820	10 017
Attributable to:					
Equity holders of the company	(12)	**6 991**	1 829	8 820	10 017
Earnings per share attributable to equity holders of the company adjusted for:					
Profit on sale of property, plant and equipment and non-current assets available for sale		**(12)**	–	(12)	(141)
Tax effect on headline earnings adjustments		**2**	–	2	21
Headline earnings attributable to ordinary shareholders	(11)	**6 981**	1 829	8 810	9 897
Weighted average shares in issue ('000)		**202 583**	202 583	202 583	194 279
Weighted average diluted shares in issue ('000)		**206 339**	206 339	206 339	202 028
Basic earnings per share (cents)	(15)	**3.5**	0.9	4.4	5.2
Diluted earnings per share (cents)	(14)	**3.4**	0.9	4.3	5.0
Headline earnings per share (cents)	(16)	**3.4**	0.9	4.3	5.1
Diluted headline earnings per share (cents)	(12)	**3.4**	0.9	4.3	4.9

3. The group revenue for the six months ended 31 August 2013 ("the prior period" or "2013"), has been decreased by an adjustment of R1.7 million. This adjustment represents the prior period revenue derived from store openings in the pizza division (Scooters Pizza and St Elmo's). This revenue has been excluded from core revenue as a decision was made that no new Scooters Pizza or St Elmo's stores will be opened after the signature of the Domino's Pizza MFA. The taxation in the prior period has also been adjusted accordingly for the tax on the R1.7 million.

4. Both the jewellery and food segments contributed positively to the 15% increase in group core revenue from the prior period. Jewellery segment revenue increased by 15% driven by system-wide sales growth of 5% and by the additional revenue from additional retail outlets owned in the current period when compared to the prior period. Food segment revenue increased 11% as a result of growth in the food services division and a 4% increase in system-wide sales. Despite this increase, revenue from new store openings in The Fish & Chip Co. brand declined when compared to the prior period due to a combination of lower demand from the low income consumer segment in the current period, as well as the prior period including an unusually high number of new store openings.

5. The core gross profit increase of 11% is lower than the core revenue increase due to:
- an expected decline in the core gross profit margin as the contribution from the food services division increases; and
- the fewer The Fish & Chip Co. new store openings as outlined in note 4 above.

Consequently, gross profit margin declined from 39% to 37% in the current period.

6. As indicated in note 2, operating costs have been adjusted by the initial once-off and up-front investment costs related to Domino's in order to disclose core operating costs for the current period that are comparable to the prior period. A more appropriate measure of cost control is the cost margin (core costs as a percentage of core revenue). When compared to the prior period this has improved by 0.6 percentage points to 32.1%. The nominal increase in core operating costs comprises of:
- R7.5 million as a result of owning ten additional corporate jewellery outlets during the current period when compared to the prior period. These new outlets were not owned for the full six months in the current period (see note 21 below for a detailed impact of these new stores); and
- R1.9 million increase in depreciation and amortisation due to capital expenditure incurred in the second half of the 2014 financial year for:
  i. the acquisition of stores in the jewellery segment, benefits of which are expected only in the second half of the current financial year due to the seasonal nature of the jewellery business; and
  ii. capacity expansion and continued integration of the distribution division within the food segment (see note 9); and
- R2.0 million associated with organisational changes made to the human resource structure of the food segment in the second half of the 2014 financial year in order to create scalable capacity for future growth plans; to capitalise on international brand opportunities; and acquisition potential in the local market. These additional costs are therefore not in the prior period. The benefits of the restructure of resources in the food segment have been realised to some degree through the conclusion of a MFA with Domino's and through the seamless efficient integration and operation of the Zebro's Chicken brand that was acquired in March 2014.

NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

7. A key measure for the group, core earnings before interest, taxation, depreciation and amortisation ("EBITDA") increased by 10% to R23.3 million (2013: R21.2 million). Core operating profit increased marginally by 1% with the increase in core operating profit in the jewellery segment being offset by a decrease in core operating profit in the food segment.
- The increase in the jewellery segment is attributable to continued positive same-store sales; the profits from the additional corporate owned stores when compared to the prior period; and an increase in the overall gross profit margins of the segment.
- The decline in the core operating profit of the food segment is due to fewer new store openings in The Fish and Chip Co. brand and the increase in costs due to the organisational changes and depreciation and amortisation as outlined in note 6.

8. The increase in finance costs is attributable to the capital expenditure incurred to acquire NWJ corporate stores and capital expenditure incurred for the expansion and integration of the food services business within the food segment. As per the group's stated intention this capital expenditure was funded through debt. During the current period, Taste registered a R1 billion Domestic Medium Term Note ("DMTN") programme. On 30 July 2014, in its inaugural issue under this programme, notes were issued in aggregate of R125 million, R61 million of which was used to settle existing term debt, with the remaining amount being earmarked for future acquisitions. This bond program is more closely aligned with the groups future growth plans and is more predictable and flexible than traditional term loans. This capital raised is complimentary to the capital raised through the rights offer to existing shareholders as announced on 28 August 2014.

9. The majority of the increase in property, plant and equipment over the prior period relates to capital expenditure incurred to:
- acquire an additional net ten NWJ stores; and
- continue our vehicle purchase programme in the food distribution business, where we historically rented vehicles. This programme has now proved its return in operational efficiencies and will continue, albeit at a slower pace.

In line with the group's stated intention this capital expenditure was funded from external funding.

10. The increase in intangibles over the prior period relates to acquisition of Zebro's Chicken (see note 21) as well as the securing of the 30-year exclusive MFA to develop the global Domino's Pizza brand in South Africa and six other countries (see note 29 below).

11. The increase in goodwill over the prior period is attributable to the acquisition of NWJ corporate stores as well as for the acquisition of the Zebro's Chicken brand (see note 21).

12. Other financial assets consist of:
- loans made to marketing funds of brands within the group. These loans attract interest, and are repayable in monthly instalments; and
- extended payment terms and/or financing provided to certain franchisees within the group.

13. The increase of R16.4 million in inventories consists of:
- R13.6 million increase in NWJ inventory associated with owning ten more corporate stores than in the prior period. A more appropriate measure of inventory efficiency and management is stock days. When compared to the prior period stock days have reduced by 6%; and
- an increase of R2.8 million in inventory in the food services division in line with this division's increased contribution to the food segment.

14. The increase in both trade and other receivables and payables from the 2014 financial year end results is mainly as a result of the growth of both the food services and jewellery segments.

15. Included in the current period is an amount of R2.6 million of marketing spend for Domino's Pizza.

16. The increase in share premium from the prior period is as a consequence of issuing:
- 3 729 691 shares at R3.71 per share to partly fund the Zebro's Chicken acquisition which was effective 1 March 2014;
- 2 442 792 shares at R3.48 per share to the Zebro's Chicken vendors as part payment of the purchase price; and
- shares to the Taste Holdings Share Trust in terms of the Taste Holdings Limited share option scheme.

17. The increase in borrowings from 28 February 2014 and from the prior period is due to the inaugural issue of R125 million under the DMTN programme (see note 8).

18. Net tangible asset value per share is calculated by excluding goodwill, intangible assets, and the deferred taxation liability relating to intangible assets, from net asset value.

19. Cash generated from operating activities for the current period includes R2.6 million of Domino's Pizza related once off costs as in the core earnings reconciliation in note 2 above. It also includes a further R2.6 million in Domino's marketing pre-spend (see note 15). For the six NWJ corporate stores acquired and opened in the current period, an additional investment in inventory of R4.1 million is accounted for in cash generated from operating activities. This investment relates to the additional inventory necessary to ensure that the ideal stock holdings are achieved in the new stores and is essentially an investment, although reflected in working capital. Excluding the above investment accounted for in cash generated from operations, as well as the R5.2 million pertaining to Domino's costs and Domino's marketing pre-spend, the group's operating cash conversion is 92% of core EBITDA (R23.3 million).

20. The difference in taxation paid when compared to the prior period arises as a result of the utilisation in the current period of assessed losses that were incurred during the start-up phase of the food services business.

21. Acquisition of Zebro's Chicken

On 1 March 2014 the group acquired the business operated under the brand name Zebro's Chicken. The acquisition follows Taste's stated strategy of acquiring:
- businesses that have significant overlap with the group's existing vertical integration capacity in both manufacturing and distribution; and
- additional brands targeting consumers in the LSM 4-7 category, thereby complementing the over 300 store The Fish & Chip Co. business.

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:
  I. 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;
  II. its focused menu results in easy to manage operations which promotes multiple and company store ownership; and
  III. 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 of 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 network; 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 acquisitions of Zebro's Chicken as a result of the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets recognised at the date of acquisition. None of the goodwill is expected to qualify for a tax deduction. The fair value of assets and liabilities acquired is set out below:

Provisional	Total 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. During the period Zebro's Chicken contributed R16.7 million to revenue and R1.4 million to operating profit. The revenue and operating profit as if this brand was owned for the full year cannot be disclosed, as complete and compliant financial records prior to the date of acquisition could not be obtained. None of the goodwill recognised is expected to be deductible for income tax purposes.

Acquisition of NWJ stores

Between March 2014 and July 2014, NWJ acquired the assets of three franchised NWJ stores as these stores were located in key strategic sites. The acquisition consisted of inventory and property, plant and equipment. The fair value of the assets and liabilities acquired is set out below:

Provisional	R'000
Property, plant and equipment	848
Inventory	2 638
Fair value of assets acquired	3 486
Consideration paid	(4 327)
In cash	(2 358)
Balance owed by vendors	(1 969)
Goodwill acquired	841

The purchase consideration was discharged in cash. 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. During the period that these three stores were owned by NWJ, they contributed R3 million to revenue and R0.8 million to operating profit. In total these three stores contributed 12 trading months during the current six-month period. In aggregate these stores were owned for four months during the current period. Due to the seasonal nature of the jewellery segment, historically approximately 70% of operating profit is produced in the second half of the year. 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.

22. As indicated in prior announcements Taste management reports on the jewellery division as one segment. Furthermore, the new divisional structure of the food division has resulted in a consolidation of the previous sub-divisions into one segmental view of the division. Consequent to these changes the group now discloses two 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.

23. Food segment revenue includes royalty, new store and distribution revenue from sales to franchisees. Including the revenue adjustment as explained in note 2 above, food segment revenue has increased 13%. This increase is due to the combined effect of the increase in system-wide sales of 4% and the expected growth in the food services division.

24. Including the core earnings adjustments explained in note 2, core operating profit declined by R1.4 million to R15 million (2013: R16.4 million). This decline is due to fewer new store openings in The Fish and Chip Co. brand as well as the non-comparable costs due to the organisational changes and depreciation and amortisation in the segment as described in note 6. Core EBITDA in the food segment remained unchanged at R19.3 million (2013: R19.2 million) and core EBITDA margin declined slightly to 9.9% (2013: 11%). Excluding the additional depreciation and amortisation, core operating profit remained unchanged.

25. Jewellery segment revenue includes sales from corporate-owned outlets; royalty revenue and revenue from sales to franchisees. The division manufactures, sources and distributes stock to franchisees as well as corporate stores, and earns new-store and annuity royalty revenue. At the end of the current period the division owned ten more corporate stores than at the end of the prior period. Consequently, the increase in revenue of 15% is due to a combination of system-wide sales increase of 5% driven largely by positive same-store sales and the additional revenue from the additional corporate-owned stores.

26. EBITDA in the jewellery segment increased 14% to R11.5 million (2013: R10.1 million) and the EBITDA margin remained unchanged at 11%.

27. This refers to interdivisional revenues in the food and corporate services segments that are eliminated on consolidation.

28. This amount reflects the actual expenses incurred in corporate services and reflects a decrease of 6% from the prior period.

29. Domino's Pizza

As announced on SENS on 10 April 2014, Taste Food Franchising Proprietary Limited ("TFF"), a wholly owned subsidiary of Taste, has signed an exclusive 30-year Master Franchise Agreement ("MFA") with Domino's Pizza International Franchising Inc. In terms of the MFA, TFF holds the exclusive rights to develop the international Domino's Pizza brand, initially in seven Southern African countries, namely South Africa, Lesotho, Swaziland, Namibia, Botswana, Zimbabwe and Mozambique. Zambia and Malawi will follow on the fulfilment of certain conditions. The group will assist franchisees of its Scooters Pizza and St Elmo's Pizza brands to convert their stores to Domino's Pizza outlets by the end of December 2015.

COMMENTARY

Group overview

The board of directors of Taste ("the Board") present the unaudited condensed consolidated financial results for the six months ended 31 August 2014 ("the current period"). Taste is a South African based management group that is invested in a portfolio of mostly franchised, owned and licensed, category specialist and formula driven, quick service restaurant and retail brands.

The last six months saw the group embark on its ambitious five-year growth plan. This was kick-started with the acquisition of Zebro's Chicken on 1 March 2014; and securing the exclusive Master Franchise rights for Domino's Pizza for 30 years in seven African countries in April 2014. Aligned to this growth plan was a restructure of the groups' access to capital: In July 2014, Taste registered a R1 billion Domestic Medium Term Note ("DMTN") program with an initial successful issuance of R125 million. In September 2014, the group successfully raised R180 million from shareholders through a rights offer that was fully subscribed for by existing shareholders with no need for an underwriter. This capital structure will allow the group access to capital in a more predictable manner in the future and is more closely aligned with the acquisitive opportunities in the local market; the roll-out of the Domino's Pizza conversion; and expansion opportunities in the Jewellery segment of the group.

When compared to the six months ended 31 August 2013 ("the prior period" or "2013") group system-wide sales increased 4% to R746 million (2013: R716 million). At core operating profit level the only business unit that did not perform satisfactorily over the prior period was The Fish & Chip Co. Inflationary same-store sales in the group's pizza, chicken and jewellery businesses were offset by negative same-store sales in The Fish & Chip Co. business as consumer demand in this segment slowed. Due to the relatively high weighting of this business unit same-store sales across the group decreased by 2.7%. At the end of the current period, the group had over 620 outlets trading in Southern Africa. Core revenue increased 15% to R302.2 million (2013: R261.7 million) while core EBITDA increased 10% to R23.3 million. As expected core headline earnings decreased from the prior period by R1.1 million as a result of non-comparable costs associated with restructuring the food division to create capacity to capitalise on international brands and local opportunities implemented in the second half of 2013, the fruits of which are already evident through the Domino's Pizza licence and roll-out and the Zebro's Chicken acquisition.

Segmental overview

Food

The food division consists of the Domino's Pizza, Maxi's, Scooters Pizza, St Elmo's Woodfired Pizza; Zebro's Chicken and The Fish & Chip Co. brands, as well as Buon Gusto Food services. The latter manufactures sauces, spices, dough premixes and added value meat products for the group's food brands and distributes the majority of products used by its food outlets. All five trading consumer brands are underpinned by strong value-for-money propositions within their target consumer market. The acquisition of Zebro's Chicken has extended the group's reach into the lower income consumer market, thereby balancing its portfolio across a broader segment of the South African consumer and spread its exposure to multiple protein categories. The launch of the first Domino's Pizza outlets is moving ahead as planned with the first stores still scheduled to open before the end of the calendar year.

The comparable financial performance of The Fish & Chip Co. was lower than the prior period due in the main to approximately R4 million less gross profit associated with new store openings. This gross profit has little associated costs and therefore impacts profitability directly. From a consumer perspective, the widespread inflation shock of wild-caught hake in November 2013 has resulted in other protein categories providing more value to consumers and this has contributed to the sales decline in the fish category. The Zebro's Chicken business, which serves the same consumer, has experienced double digit same-store sales growth in the last six months.

The consolidation of the food services business during the prior year has yielded expected efficiencies and consequently, savings in transport, a reduction in stock days and a lower per-kilogram cost of delivery. These continue to improve and will carry through into the next reporting period. The seamless integration of Zebro's Chicken in March 2014 has proved particularly instrumental in testing the scalability of both the newly consolidated food services business as well as the newly established shared franchise services structure established in September 2013, as detailed above. Based on this integration experience the group is confident the current structure is scalable and has future capacity to integrate other businesses in a similarly value accretive manner.

Zebro's Chicken

On 29 January 2014 the group announced on SENS that it would acquire Zebro's Chicken, a unique 15 year-old franchise chain that targets lower income consumers through a proprietary BBQ flavoured chicken recipe prepared on open coals. On 1 March 2014 the group commenced with the integration of Zebro's Chicken into the existing Taste supply chain and operations. This acquisition is in line with the groups stated intent to grow its representation among lower income consumers and is complementary to its existing The Fish & Chip Co. brand.

Domino's Pizza

On 10 April 2014 the group announced on SENS that it had signed a 30-year exclusive MFA to develop the global Domino's Pizza brand in South Africa and six other countries. Domino's Pizza is the worlds' leading pizza delivery brand with over 11 000 units in 74 countries. 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. It is anticipated that there will be once-off costs relating to the initial store conversions, establishment of a centralised dough production facility and initial training and marketing. However, the benefits of being part of a global brand with an entirely re-imaged store network; increased marketing spend and the consumer interest typically shown in new global brands, will contribute positively to store sales and overall market share in the already large and growing pizza segment.

Jewellery

NWJ is the third-largest jewellery brand in South Africa. As the only vertically-integrated franchise jewellery chain in South Africa, it owns and operates approximately 45% of the total outlets. The franchise services are comparable to the Taste food franchise division in that they offer their franchisees operational and marketing support, project management, new site growth and development, and national brand-building strategies in return for a royalty. The distribution division distributes all of the goods sold through NWJ outlets. Of these, approximately 40% is manufactured by the manufacturing facility in Durban, 22% is imported, and the remaining 38% sourced locally. This model provides in-house innovation capacity, fast routes to market, and reduces input costs through purchasing economies of scale. A further benefit of owning the manufacturing facility is that slow-moving or returned stock can be either re-worked with negligible yield loss or transferred to another location where there is known demand for the item.

The division continued its three-year positive same-store sales trend, albeit at a slower pace than in prior periods, reflective of the current consumer environment. The number of corporate owned stores increased to 39 (2013: 26) of the 77 total outlets at 31 August 2014 (2013: 74). The successful growth in corporate owned outlets over the last three years from 17 to the current 39 has developed the group's corporate store ownership skill substantially and the groups' intention is to leverage this strength in the future with further growth in corporate store ownership. It should be noted that historically the jewellery division produces 70% to 75% of its annual operating profit in the second half of the financial year.

BASIS OF PREPARATION OF THE INTERIM RESULTS

Statement of compliance

Basis of preparation and accounting policies

The unaudited condensed consolidated results have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards ("IFRS"), the presentation and disclosure requirements of IAS 34 – Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and in the manner required by the South African Companies Act 71 of 2008, as amended.

Accounting policies, which comply with IFRS, have been applied consistently by all entities in the group and are consistent with those applied in the previous financial year except for amendments and interpretations that came in to effect during the current financial year that have no impact to the group.

The condensed consolidated results have not been reviewed or audited by the group's auditors and were prepared under the supervision of Mr E Tsatsarolakis, the Chief Financial Officer of the group.

EVENTS SUBSEQUENT TO PERIOD END

Acquisition of NWJ stores

On 1 September 2014, NWJ acquired a 58% share in a company that owns and operates three franchised NWJ stores as these stores were located in key strategic sites. The acquisition consisted of inventory, property, plant and equipment and trade and other payables. The fair value of the assets and liabilities acquired is set out below:

	Total R'000
Property, plant and equipment	941
Inventory	7 280
Trade and other payables	(2 181)
Fair value of assets and liabilities	6 040
58% share of fair value of assets and liabilities acquired	3 503
Consideration paid in cash	(9 065)
Goodwill acquired	5 562

The purchase consideration was discharged in cash. 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. 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.

CHANGE IN COMPANY SECRETARY

As announced on SENS on 17 September 2014, and in compliance with section 3.59 of the JSE Limited Listings Requirements, the board of directors of the Company wish to inform shareholders that iThemba Corporate Governance and Statutory Solutions Proprietary Limited was appointed as Company secretary with effect from 17 September 2014, replacing Ms Monika Pretorius who resigned as Company Secretary with effect from 17 September 2014.

The directors are not aware of any other matter or circumstance arising since the current period up to the date of this report.

CAUTIONARY

Shareholders are referred to the cautionary announcement issued on SENS on 26 September 2014 stating that Taste has entered into negotiations in respect of a possible acquisition which, if successfully concluded, may have a material effect on the price of the company's securities. Accordingly, shareholders are reminded to exercise caution when dealing in the company's securities, until a further announcement is made.

DOMINO'S PIZZA MASTER FRANCHISE AGREEMENT UPDATE

Shareholders are referred to the SENS announcement dated 20 May 2014 in which shareholders were advised of litigation that had arisen between Taste and Domino's Pizza International ("Domino's") (on the one hand) and certain aggrieved parties (on the other) in relation to the rights secured by Taste Food Franchising Proprietary Limited ("TFF") as announced by Taste and Domino's on 10 April 2014.

Save that TFF has been joined as a third party to the proceedings, there have been no material changes to the status of that litigation. Further affidavits in relation to the litigation have been exchanged and once all affidavits and other necessary documents have been finally exchanged, application for a hearing date will be made. Shareholders will be updated in due course.

PROSPECTS

The group expects the weaker than expected sales performance of the fish category to continue while the anniversary effect of new store openings will be minimised in the future. The group is of the opinion that it is well resourced to not only offer consumers much desired value during this period, but also to grow in line with its stated strategy. The opening of new Domino's Pizza outlets this year and the conversion of Scooters Pizza & St Elmo's outlets next year to this leading global brand will drive incremental sales in the growing pizza market. The judicious value accretive application of over R200 million of the capital that has been raised in the last six months holds similarly large opportunity for future growth for the group.

DIRECTORATE

During the period under review, the following changes to the Board occurred:
- Mr Grant Pattison was appointed as independent non-executive director with effect from 1 March 2014.

DIVIDEND TO SHAREHOLDERS

In line with previous years the group has only paid a final dividend. As such no interim dividend is declared for the current period.

On behalf of the Board

C F Gonzaga
Chief Executive Officer

E Tsatsarolakis
Chief Financial Officer

9 October 2014

Corporate information

Non-executive directors: R L Daly (*Chairperson*)*, K Utian*, A Berman*, H R Rabinowitz, S Patel*, W P van der Merwe*, G M Pattison*

* *Independent*

Executive directors: C F Gonzaga (*CEO*), D J Crosson, J B Currie, E Tsatsarolakis (*CFO*)

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Sponsor: Merchantec Capital

Midnight Star