A taste sensation

TASTE HOLDINGS

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

UNAUDITED CONDENSED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2008

Overview

The directors of Taste have pleasure in presenting the unaudited interim financial results for the six months ended 31 August 2008 ("interim period"). Taste is a South African-based management group invested in a portfolio of mostly franchised, category specialist retail brands that are represented in over 250 locations within South Africa.

The period under review saw the announcement and successful conclusion of the acquisition of NWJ, a 25-year old, vertically integrated jewellery franchise. The acquisition has expanded the growth opportunities for Taste beyond the food sector as well as added critical mass in certain key areas of the business.

As the NWJ transaction became unconditional on 1 August 2008, the period under review includes the results of the NWJ group for one month.

Revenue increased 95% to R31,8 million (2007: R16,3 million), with EBITDA increasing 51% to R7,6 million (2007: R5 million) for the period. Headline earnings per share ("HEPS") increased 7%, as expected, after the issue of shares to the NWJ directors as part of the sale agreement. Half-year earnings growth has historically been lower than full-year expectations due to more stores being opened in the second half of the year and historically better trading conditions in the second half of the year. This trend will become more significant with the acquisition of NWJ which historically performs substantially better in the second half of the year. Cash earnings per share ("CEPS") increased as expected by 31% to 4,6 cents (2007: 3,5 cents).

Taste's brands

All three of the group's brands target consumers in the LSM 6-10 categories and have strong value propositions within their segments. This latter attribute of the group's brands is advantageous as the average South African consumer seeks value to counter the squeeze on disposable income. The pressures on disposable income have seen consumers "buy down" into both the NWJ and Maxi's brands as a result of their strong value propositions within a repositioned, aspirational, image. The Scooters Pizza brand operates in a sector where growth has been driven by the macro trend of dual-income families that are time-starved; where convenience has become a way of life rather than an optional indulgence. Furthermore, it is a well-documented trend that consumers buy from trusted, well-established brands; when they are under financial pressure. All three of Taste's brands are well-established: Scooters Pizza being the second largest pizza delivery chain in the country; Maxi's having been established for over 15 years, and NWJ being the fourth-largest jewellery chain by outlets and having a 25-year history in South Africa.

Maxi's has gained substantial momentum and yielded positive results in the last 12 months as a result of its renewed focus on selecting only A-grade locations, and the reimaging of the network to the new positioning. The repositioning of the brand under the hand of Christo Calitz has been accepted by franchisees and landlords alike, with all new stores opening in the new image. Reimaged stores continue to experience increases in year-on-year sales in excess of 20%, a reaffirmation that the repositioning is relevant to consumers. Maxi's has signed an exclusive agreement with Caltex to convert all the existing BJ's sites on the national highways to Maxi's. The iconic bridge site over the N1 freeway in Midrand has successfully been converted and plans are in place to convert five other sites before the Christmas season.

Scooters Pizza has continued its aggressive growth and currently has 126 outlets nationally. The brand continues to focus on offering value to family consumers through its special offers and the unmatched home delivery promise of "39 minutes or it's free". The revamping of the network is gaining momentum with five stores scheduled to be revamped during the remainder of the financial year, and approximately 10 new stores planned for the second half of the year. The introduction of Pizza Alert, an SMS notification system that alerts customers when their order leaves the store, is a first in South Africa in the segment which, when combined with the recent introduction of online ordering, reinforces the innovative character of the brand.

NWJ is South Africa's fourth-largest jewellery chain by outlets and has performed better than expected despite higher gold prices and the effects of inflation and interest rates on consumer spending. The brand opened five new stores in the period under review, and plans a further five for the remainder of the year. The brand is being repositioned by Hylton Rabinowitz, the founder, to remain contemporary and relevant to consumers, while not losing its strong value position in the market. The six reimaged stores have thus far shown year-on-year sales growth of between 15% and 40%, exceeding expectations. With the majority of sales being cash sales, NWJ has, thus far, stood up well in what have been tough trading conditions and the brand is poised for aggressive expansion as it leverages the site and marketing infrastructure of the larger Taste group.

Financial results

Revenue for the interim period increased 95% to R31,8 million (2007: R16,3 million). EBITDA rose by 51% to R7,6 million (2007: R5 million), although EBITDA margin declined to 24% as the lower overall margin of NWJ is consolidated. The lower margin in NWJ is due to NWJ being vertically integrated, whereby it owns retail outlets as well as manufactures, sources and distributes 100% of the group's products. EBITDA margin for the group's food franchising division declined marginally to 43,3% (2007: 46%) on the back of higher than anticipated salary growth as the divisions invest in human capacity in anticipation of future growth. Profit after tax (after the elimination of negative goodwill arising from the NWJ transaction) grew 25% to R5,3 million (2007: R4,2 million) and this continues, despite lower margins in the overall business, to be underpinned by strong cash flows, with CEPS increasing 31% to 4,6 cents (2007: 3,5 cents). Headline earnings per share increased 7% to 3,6 cents (2007: 3,4 cents).

The nature of the company's business model is such that trade and other payables, including advertising and new store development creditors, may fluctuate significantly relative to the prior year reporting period, depending on the number and timing of new stores opened, and the company's monthly commitments to advertising spend.

Basis of preparation

Statement of compliance

The abridged financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") and the presentation and disclosure requirements of IAS 34, Interim Financial Reporting, the South African Companies Act and the Listings Requirements of the JSE Limited.

The basis of preparation is consistent with the prior comparative year.

Basis of measurement

The abridged financial statements have been prepared on the historic cost basis except for certain financial instruments measured at fair value.

Acquisitions

On 1 August 2008 the group acquired 100% of NWJ Holdings (Pty) Limited. The fair values of the assets and liabilities of the subsidiaries acquired are set out below:

	R'000
Tangible assets	82 812
Intangible assets	45 124
Liabilities	(20 195)
Net identifiable assets and liabilities	107 741
Negative goodwill on acquisition	(8 435)
Total consideration	99 306
Consideration paid in shares	18 065
Consideration paid in cash	71 241
Deferred consideration	10 000
	99 306

The purchase consideration (including transaction costs) was discharged by the issue of 45 161 291 Taste shares, a cash payment of R71,24 million and a deferred amount of R10,0 million which will be potentially released over a two-year period based on certain inventory warranties being met. The fair value of the Taste shares issued was determined to be R0,40 per share based on the market price at the time of issue.

During the one month for which the NWJ Group's results were included in these results, the NWJ Group contributed R12,4 million to revenue and operating profit of R1,8 million.

Prospects

The directors anticipate that the economic challenges of the past 12 months will continue into the near future. Consumers are expected to gravitate to brands they know and trust, and that offer value for money. All three brands have already launched fresher, contemporary images that are showing positive year-on-year sales growth. As the systems gain momentum with the reimaging they will gain market share, especially from smaller, less trusted brands. The brands are investigating different trading formats to fit current trading conditions and that will lower set-up costs. In this respect Maxi's has already launched a pilot store which is performing well. The penetration of the Maxi's brand into the Caltex network holds particular promise as does the reimaging of NWJ outlets. The vertically integrated model, particular to the NWJ business, provides various opportunities to utilise the capacity of the manufacturing, sourcing and distribution division to unlock value. Taste will continue to assess opportunities to grow its current brands through acquisition – as was the case with BJ's and their conversion to Maxis – and to add further brands to its portfolio.

Dividend policy

In line with the company's growth strategy, no dividend was declared for the six-month period.

On behalf of the board

C F Gonzaga
Chief Executive Officer

D J Crosson
Chief Financial Officer

6 October 2008

MAXI'S
More than just a meal

NWJ
Quality Jewellery
Specially for you.

SCOOTERS pizza
Hot. Tasty. Fast.

CONSOLIDATED INCOME STATEMENTS

	% increase	6 months ended 31 August 2008 Unaudited R'000	6 months ended 31 August 2007 Unaudited R'000	12 months ended 29 February 2008 Audited R'000
Revenue	95	**31 763**	16 261	33 793
Gross profit	50	**23 328**	15 547	32 327
Other income		**864**	35	58
Operating costs		**(16 593)**	(10 559)	(20 266)
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	51	**7 599**	5 023	12 119
Depreciation and amortisation		**(885)**	(176)	(404)
Profit before interest and taxation	39	**6 714**	4 847	11 715
Negative goodwill arising on acquisition		**8 435**	—	—
Net interest received		**628**	1 138	22 421
Profit before taxation	164	**15 777**	5 985	11 795
Taxation		**(2 065)**	(1 779)	(4 166)
Profit after taxation	226	**13 712**	4 206	9 970
Minority interests		—	—	31
Earnings attributable to ordinary shareholders	226	**13 712**	4 206	10 001
Reconciliation of headline earnings:				
Earnings attributable to ordinary shareholders		**13 712**	4 206	10 001
Adjusted for:				
Negative goodwill arising on acquisition		**(8 435)**	—	—
Profit on sale of property, plant and equipment		**(474)**	(4)	(20)
Headline earnings attributable to ordinary shareholders	14	**4 803**	4 202	9 981
Weighted average shares in issue ('000)		**132 527**	125 000	125 000
Shares in issue at period end ('000)		**170 161**	125 000	125 000
Earnings per share (cents)	204	**10,3**	3,4	8,0
Normalised earnings per share (cents)	18	**4,0**	3,4	8,0
Headline earnings per share (cents)	7	**3,6**	3,4	8,0

CONSOLIDATED BALANCE SHEETS

	31 August 2008 Unaudited R'000	31 August 2007 Unaudited R'000	29 February 2008 Audited R'000
ASSETS			
Non-current assets	**91 095**	18 283	18 606
Property, plant and equipment	**7 289**	1 129	1 028
Intangible assets	**66 814**	—	—
Goodwill	**14 760**	16 122	16 122
Deferred lease charges	**1 048**	439	1 004
Deferred taxation	**1 184**	593	452
Current assets	**102 144**	39 492	44 799
Inventories	**54 611**	53	67
Trade and other receivables	**28 225**	6 843	13 702
Advertising levies	**3 678**	1 252	1 982
Shareholder's loan	**89**	89	89
Other financial assets	**999**	1 402	999
Bank balances	**14 542**	29 853	27 960
Total assets	**193 239**	57 775	63 405
EQUITY AND LIABILITIES			
Capital and reserves	**76 613**	39 072	44 836
Issued capital	**2**	1	1
Distributable reserves	**33 470**	13 963	19 758
Share premium	**43 141**	25 077	25 077
Minority interest in subsidiaries	—	31	—
Non-current liabilities	**74 395**	300	276
Borrowings and other payables	**46 883**	300	276
Deferred taxation	**17 512**	—	—
Deferred payment	**10 000**	—	—
Current liabilities	**42 231**	18 403	18 293
Taxation	**4 826**	4 822	1 141
Trade and other payables	**32 573**	11 796	16 557
Bank balances	**1 220**	—	—
Current portion of borrowings	**3 612**	1 785	595
Total equity and liabilities	**193 239**	57 775	63 405
Net asset value per share (cents)	**45,0**	31,3	35,9
Tangible net asset value per share (cents)	**7,4**	18,4	23,0

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Total share capital R'000	Retained income R'000	Total R'000	Minority interests R'000	Total equity R'000
Balance 1 September 2007	1	25 077	25 078	15 034	40 112	31	40 143
Changes in equity	—	—	—	—	—	—	—
Profit for period	—	—	—	4 724	4 724	(31)	4 693
Balance 1 March 2008	1	25 077	25 078	19 758	44 836	—	44 836
Changes in equity:							
Issue of shares	1	18 064	18 065	—	18 065	—	18 065
Profit for period	—	—	—	13 712	13 712	—	13 712
Balance at 31 August 2008	2	43 141	43 143	33 470	76 613	—	76 613

CONSOLIDATED CASH FLOW STATEMENTS

	6 months ended 31 August 2008 Unaudited R'000	6 months ended 31 August 2007 Unaudited R'000	12 months ended 29 February 2008 Audited R'000
Cash flow from operating activities	**8 008**	7 040	6 629
Cash generated by operating activities	**9 019**	5 984	10 216
Net interest received	**628**	1 138	2 421
Taxation paid	**(1 639)**	(82)	(6 008)
Cash flows from investing activities	**(100 335)**	(3 229)	(3 497)
Property, plant and equipment acquired	**(1 070)**	(1 025)	(1 161)
Proceeds on disposals of property, plant and equipment	**2 851**	23	53
Loans advanced	—	(741)	(338)
Acquisition of subsidiary tangible net assets	**(52 681)**	—	—
Deferred lease charges	**(44)**	(124)	(689)
Goodwill and intangible assets acquired	**(49 391)**	(1 362)	(1 362)
Cash flows from financing activities	**77 689**	(1 190)	(2 404)
Proceeds from issue of shares	**18 065**	—	—
Loans raised	**59 624**	(1 190)	(2 404)
Change in cash and cash equivalents	**(14 638)**	2 621	728
Cash and cash equivalents at beginning of period	**27 960**	27 232	27 232
Cash and cash equivalents at end of period	**13 322**	29 853	27 960

SEGMENT REPORT

	% change	6 months ended 31 August 2008 Unaudited R'000	6 months ended 31 August 2007 Unaudited R'000	12 months ended 29 February 2008 Audited R'000
Gross revenue	95	**31 763**	16 261	33 793
Food divisions	19	**19 368**	16 261	33 793
Non-food division		**12 395**	—	—
Operating profit	41	**6 844**	4 847	11 715
Food divisions	3	**5 008**	4 847	11 715
Non-food divisions		**1 836**	—	—

Excludes amortisation of intangible assets.

Results include one month of results of the NWJ group.

Revenue

▲ 95%

to R31,8 million

EBITDA

▲ 51%

to R7,6 million

Headline earnings

▲ 14%

to R4,8 million

Normalised earnings per share

▲ 18%

to 4,0 cents

Headline earnings per share

▲ 7%

to 3,6 cents

Cash earnings per share

▲ 31%

to 4,6 cents

Corporate information

Non-executive directors
R L Daly *(Chairperson)*, K Utian, J Currie

Executive directors
C F Gonzaga *(CEO)*, D J Crosson *(CFO)*, L Gonzaga, H Rabinowitz, D Buxton*
*(*Alternate director)*

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2000/002239/06

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Transfer secretaries
Computershare Investor Services (Pty) Limited

Designated adviser
Vunani Corporate Finance

These results and an overview of Taste are available at:

www.tasteholdings.co.za

BASTION GRAPHICS