TASTE HOLDINGS

UNAUDITED CONDENSED CONSOLIDATED RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2019

HIGHLIGHTS

- Concluded a **group-wide restructure**.
- Concluded the **outsourcing of non-core operations**.
- **Group revenue** decreased by 10% to R421 million.
- **Headline loss per share** improved by 31% to 5.5 cents. The per share improvement was a function of the increase in the weighted average number of shares in issue to 1 320 million shares (2018: 910 million shares) and the financial performance.

COMMENTARY

The new financial year started with a strong focus on the Food Division specifically the outsourcing of the supply chain services. The outsourcing of the supply chain services greatly reduced the complexity of the business and allowed the team to focus on setting up each food brand as a stand-alone business.

During this period, management embarked on a process to meet with a number of potential capital providers who would be interested in funding and expansionary food strategy.

Following months of operational reviews and canvassing potential partners and capital providers on the long-term objectives for the Food Division, specifically Starbucks and Domino's, it has become evident that the capital investment required for the Food Division's expansion strategy cannot be secured, given the current structure of the business and existing market conditions.

Taste's board of directors therefore revisited the previous strategy and decided that it is in the best interest of the Company and all stakeholders to exit the food business. The outcome of this strategy would be for Taste to become a focused luxury retail group consisting of NWJ, Arthur Kaplan and World's Finest Watches.

FINANCIAL OVERVIEW

Another period of challenges has faced the South African population embedded in politics, price hikes and instability of the economy. This has placed pressure on the disposable income of fellow South Africans and resulted in spending habits being negatively impacted, specifically the Food Division.

The Group's revenue decreased to R421 million (2018: R470 million), attributable to:

- The Food Division, as revenue decreased by R45 million or 18% to R204 million. System-wide sales across the respective brands came under significant pressure.
- The Luxury Goods Division revenue decreased by 2% or R3 million to R217 million (2018: R221 million).

Group gross profit declined by 10% or R20 million to R183 million (2018: R203 million). The Food Divisions gross profit margin decreased 2% to 47% whilst the Luxury Goods Division gross profit margin increased 3% to 40%.

Operating costs decreased by 24% or R65 million to R203 million (2018: R268 million). IFRS 16 adjustments contributed to R41 million of the reduction whilst the balance is attributable to the various restructuring activities over the last year.

IFRS 16 has been adopted during the period. This resulted in the recognition of interest and depreciation expense of R11 million and R31 million respectively. Under IAS 17 Leases, a lease expense of R41 million would have been recognised. The implementation of IFRS 16 versus IAS 17 has impacted the income statement by R1.5 million.

Under IAS 17	
Food operating lease expense	R17 million
Food operating lease	R0.5 million
Luxco operating lease expense	R22 million
Luxco operating lease reversal	R1 million
Total	R40.5 million
Under IFRS 16	
Food depreciation on right-of-use	(R14 million)
Luxco depreciation on right-of-use	(R16 million)
Food finance charges on lease liability	(R5 million)
Luxco finance charges on lease liability	(R6 million)
Total	(R42 million)

EBITDA and operating loss excluding IFRS 16

Excluding IFRS 16 adjustments of R42 million, the Group recorded an EBITDA loss of R60 million (2018: R66 million) representing improvements of 8% or R5 million.

Excluding IFRS 16 adjustments of R1.5 million (R40.5 million offset by additional depreciation and finance charges totalling R42 million), the Group recorded an operating loss of R83 million (2018: R87 million) representing improvements of 5% or R4 million.

EBITDA and operating loss including IFRS 16

Including IFRS 16 adjustments, the Group EBITDA improved by 69% or R45 million to total EBITDA loss of R21 million (2018: R66 million).

Including IFRS 16 adjustments, the Group operating loss improved by 15% or R13 million to total operating loss of R74 million (2018: R87 million).

Depreciation and amortisation of R53 million (2018: R22 million) includes IFRS 16 adjustments of R31 million. Excluding this adjustment the depreciation charge is R22 million and in line with prior year as the corporate store network remains largely unchanged.

An increase in equity raised the weighted average number of shares in issue to 1 564 million shares (2018: 899 million). The resultant loss per share was 5.4 cents (2018: 8.2 cents). The resultant headline loss was 5.5 cents per share (2018: loss of 8.0 cents per share). Cash and cash equivalents decreased to R36 million (2018: R49 million) at the end of the current period.

REVIEW OF THE DIVISIONAL PERFORMANCE

		Unaudited Six months ended 31 August 2019 R'000		Unaudited Six months ended 31 August 2018 R'000	12 months ended 28 February 2019 R'000	Variance R'000	Variance %
Food		**203 872**		249 241	469 530	(45 369)	(18)
Jewellery		**217 273**		220 715	489 980	(3 442)	(2)
Group revenue		**421 145**		469 956	959 510	(48 811)	(10)
Food	47%	**96 257**	49%	121 741	218 923	(25 484)	(21)
Jewellery	40%	**86 403**	37%	81 084	186 484	5 319	7
Group gross profit	43%	**182 660**	43%	202 825	405 407	(20 165)	(10)
Food		**(131 774)**		(168 378)	(385 346)	36 604	22
Jewellery		**(63 783)**		(89 383)	(219 137)	25 600	29
Corporate Services		**(7 632)**		(10 590)	(17 319)	2 958	28
Group operating costs and other income		**(203 189)**		(268 351)	(621 802)	65 162	24
Food		**(35 517)**		(46 637)	(166 423)	11 120	24
Jewellery		**22 621**		(8 299)	(32 653)	30 920	373
Corporate services		**(7 633)**		(10 590)	(17 319)	2 957	28
Group EBITDA		**(20 530)**		(65 526)	(216 395)	44 996	69
Food		**(30 704)**		(15 749)	(32 817)	(14 955)	(95)
Jewellery		**(21 835)**		(5 165)	(10 310)	(16 670)	(323)
Corporate services		**(796)**		(810)	(1 829)	14	2
Group depreciation and amortisation		**(53 335)**		(21 724)	(44 956)	(31 611)	(146)
Food		**(66 222)**		(62 384)	(199 233)	(3 838)	(6)
Jewellery		**785**		(13 464)	(42 963)	14 249	106
Corporate services		**(8 428)**		(11 402)	(18 930)	2 974	26
Group operating loss		**(73 865)**		(87 250)	(261 126)	13 385	15
Food		**(3 294)**		—	72 041	(3 994)	
Jewellery		**(5 851)**		—	44 078	(5 851)	
Corporate services		**—**		—	—	—	
Adjustments for IAS 17 and IFRS 16 depreciation expense and once-off costs		**(9 145)**		—	113 889	(9 145)	
Food		**(69 516)**		(62 384)	(127 192)	(7 132)	(11)
Jewellery		**(5 066)**		(13 464)	1 115	8 398	62
Corporate services		**(8 428)**		(11 402)	(18 930)	2 974	26
Adjusted operating loss		**(83 010)**		(87 250)	(145 007)	4 240	5

Note: The adjusted operating loss excludes IFRS 16 finance charges.

LUXURY GOODS DIVISION

	31 August 2019 R'000	31 August 2018 R'000	28 February 2019 R'000	Variance R'000	Variance %
System-wide sales	**225 690**	234 437	506 294	(8 747)	(4)
Revenue	**217 273**	220 715	489 980	(3 442)	(2)
Adjusted EBITDA profit/(loss) – before IFRS 16 and once-off costs	**302**	(8 287)	11 425	8 589	104
Adjusted operating (loss)/profit – before IFRS 16 and once-off costs	**(5 066)**	(13 453)	1 115	8 387	62

The Luxury Goods Division consists of 54 (40 corporate and 14 franchise) NWJ retail outlets, eight Arthur Kaplan and one World's Finest Watches. Through Arthur Kaplan and World's Finest Watches, the division is a leading retailer of luxury Swiss watches in South Africa, with brands like Rolex, IWC, Cartier, Zennith, Hublot, Omega, Breitling, TAG Heuer, Longines, Tudor, Montblanc, Frederique Constant, Rado, among its custodian brands.

Its brands appeal to a diversified customer base ranging from the premium watch and jewellery buyers (Arthur Kaplan and World's Finest Watches) to first-time jewellery and fashion watch buyers (NWJ).

A key focus has been to elevate our stores to ensure their desirability and aspirational appeal, while delivering a vibrant customer experience. In March NWJ commenced rebranding and has refurbished two stores March to August with a further five planned refurbishments and a new store Sandton opening by the end of the financial year. Arthur Kaplan has rebranded and opened one new store Fourways in August and has refurbished another store in November. World's Finest Watches was refurbished and rebranded in April. The refurbished stores have been positively received by our customers with all stores reporting positive sales growth.

Arthur Kaplan's new corporate identity and rebranding was introduced with the launch of our e-commerce store in August. Performance of e-commerce has exhibited steady sales thus far exceeding expectations.

The Luxury Goods Division trading performance in a challenging environment was much improved, driven by positive same-store sales, gross margin improvement and vigilant cost containment. Inventory continued to be well managed, inventory days improved 6% over the prior period.

System-wide sales in the Luxury Goods Division reduced by 4% to R226 million (2018: R234 million) as a result of store closures in NWJ (nine stores); Arthur Kaplan (one store) and three stores being refurbished during this period. Same-store sales were +2.8% for the period; NWJ was +2.6% (corporate stores +7%; franchise stores -7.5%); Arthur Kaplan and World's Finest Watches +2.9%. Retail selling price inflation was -1%.

Revenue declined by 2% to R217 million (2018: R221 million) as a result of planned store closures and stores closed for refurbishment. This is in line with our strategy to close non-performing, unprofitable stores and actively managing our retail portfolio.

Gross profit margin has improved from 37% to 40% due to the benefits realised from closing our manufacturing facility, outsourcing to a third-party manufacturer, less discounting and optimising our supply chain. Gross profit improved 7% to R86 million (2018: R81 million).

Operating costs decreased 4%, excluding restructure costs of R1 million (2018: R0.2 million) to R86 million (2018: R90 million). The decrease is a result of cost containment, store closures and savings arising as a result of the restructure of the business.

EBITDA improved 104% to R0.3 million profit compared to the prior period R8 million loss and operating loss improved 62% to R5 million from R13.5 million prior period.

Operating loss for the current period, as reported above, excludes the following noteworthy items:

- IFRS 16 operating lease expense reversal of (R22 million).
- Reversal of previous rent-smoothing of (R1 million).
- Depreciation on IFRS 16 adjustment of R17 million.

Operating loss after IFRS 16 adjustments decreases from a R5 million loss to a R2 million profit, a nett positive effect of R7 million for the period.

Short term recovery in the consumer environment seems unlikely. The continuing unpredictable retail trading patterns are expected to persist and remain challenging for the remainder of the financial year, mainly driven by uncertain macroeconomic conditions, depressed business in general and negative consumer sentiment.

Consistent with previous years, due to the seasonality of the Luxury Goods Division, it expects sales and profits to be more heavily weighted in the second half of the financial year with Black Friday, Christmas and post Christmas promotions being the biggest contributors.

FOOD DIVISION

	31 August 2019 R'000	31 August 2018 R'000	28 February 2019 R'000	Variance R'000	Variance %
System-wide sales	**360 736**	390 087	737 744	(29 351)	(8)
Revenue	**203 872**	249 241	469 530	(45 369)	(18)
Adjusted EBITDA loss – before IFRS 16 and once-off costs	**(53 027)**	(45 743)	(94 382)	(7 284)	(16)
Adjusted operating loss – before IFRS 16 and once-off costs	**(69 516)**	(62 384)	(127 192)	(7 132)	(11)

The Food Division licences the world's leading coffee retailer and roaster – Starbucks; the world's largest pizza delivery chain – Domino's; and owns The Fish & Chip Co and Maxi's brands. Taste's food brands span across a diversified portfolio of product categories (coffee, pizza, fish, burgers and breakfasts) that appeal to middle-and-upper income consumers (Starbucks, Domino's, Maxi's) as well as lower-income consumers (The Fish & Chip Co).

The Food Division's revenue has declined by R45 million or 18% (after inter-segment eliminations) to R204 million (2018: R249 million).

The Food Divisions gross profit margin reduced from 49% to 47% which can be attributable to Domino's higher food costs and food cost inefficiencies.

EBITDA and operating loss excluding IFRS 16

Excluding IFRS 16 adjustments and once-off adjustments of R17.5 million, the food recorded an EBITDA loss of R53 million (2018: R46 million) which is a decline of 16% or R7 million.

Excluding IFRS 16 adjustments of R3.5 million (R17.5 million offset by additional depreciation totalling R14 million), food recorded an operating loss of R70 million (2018: R62 million) representing a decline of 11% or R7 million.

EBITDA and operating loss including IFRS 16

Including IFRS 16 adjustments, the food EBITDA improved by 24% or R11 million to total EBITDA loss of R36 million (2018: R47 million).

Including IFRS 16 adjustments, the food operating loss declined by 6% or R4 million to total operating loss of R66 million (2018: R62 million).

Operating costs include the following noteworthy items:

- IFRS 16 operating lease expense reversal of (R17 million).
- Reversal of previous rent-smoothing of (R0.5 million).
- Depreciation on IFRS 16 adjustment of R14 million.

Starbucks

System-wide sales in Starbucks has increased by 4% to R56 million (2018: R54 million) as a result of one additional store (Fourways Mall) being added to the network in August 2019 and two stores being Sandton City – April 2018 and The Marc – July 2019 not trading a full year. The additional store brings the total store count to 13 stores at 31 August 2019. Same-store sales (ten stores) reduced by 10% to R44 million (2018: R49 million) due to pressure on the consumer.

Domino's Pizza

System-wide sales in Domino's Pizza totalled R131 million (2018: R141 million). No additional stores were added to the network however four stores were closed in the period under review. Total store count at 31 August 2019 is 76 stores (57 corporate stores). Same-store sales (for 76 stores) declined by 7% to R131 million (2018: R141 million), this decrease is primarily due to economic headwinds which both dampened consumers purchasing appetite as well as curtailed the ability to pass on cost increases. Furthermore aggressive competitor marketing campaigns in June and July moved spend away from our brand.

We are in discussions with potential suitors to dispose of the Domino's brand.

Maxi's

System-wide sales in Maxis totalled R48 million (2018: R58 million). No additional stores were added to the network. Total store count at 31 August 2019 is 27 stores.

The Fish & Chip Co

System-wide sales in The Fish & Chip Co totalled R125 million (2018: R136 million). Two stores were added to the network. Total store count at 31 August 2019 is 108 stores.

PRO FORMA FINANCIAL INFORMATION

Any *pro forma* financial information contained in this announcement has been prepared for illustrative purposes only, in order to provide shareholders with comparable results. Because of its nature, it may not fairly present the Group's financial position, changes in equity, results of operations or cash flows. The *pro forma* financial information is provided in accordance with the JSE Listings Requirements and the Guide on *Pro Forma* Financial Information issued by SAICA and is the responsibility of the directors.

SUBSEQUENT EVENTS

Given the Group's revised strategy the Local Division, consisting of The Fish & Chip Co and Maxi's brands, as well as Starbucks was disposed of effective 2 December 2019.

CAPITAL FUNDING

Certain shareholders provided loans totalling R14 million to support Taste in executing its strategy to exit the food business. Domino's International Pizza is also providing financial support and assistance in disposing of the Domino's brand. The loans received will be used for working capital requirements.

DIRECTORATE AND COMPANY SECRETARY

No changes have been made.

Mr Jayde Moita resigned as Company Secretary on 30 September 2019 and CIS Company Secretary (Pty) Ltd has been appointed as Company Secretary effective 10 December 2019.

OUTLOOK

In line with our revised strategy, we are engaging with potential suitors to dispose of the Domino's brand.

Once Taste has exited the food business, our focus will move to the expansion and growth of the Luxury Goods Division. There has been short-term contraction in the industry but opportunities still exist for a strong value proposition and well managed business. Whilst trade has been challenging, the Luxury Goods Division will continue to focus on its strategy and believes that its efforts in respect of business optimisation, exploring new opportunities and initiatives, coupled with world-class quality brands and deep institutional knowledge within the business will positively position the division for the future.

The condensed consolidated results have not been reviewed or audited by the Group's auditors and were prepared under the supervision of Mr H Van Eeden CA(SA), the Chief Financial Officer of the Group.

On behalf of the board

DJ Crosson
Chief Executive Officer

H van Eeden
Chief Financial Officer

13 December 2019

CONDENSED CONSOLIDATED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 August 2019

	Note	% change	Unaudited six months ended 31 August 2019 R'000	Unaudited six months ended 31 August 2018 R'000	Audited 12 months ended 28 February 2019 R'000
Revenue		(10)	**421 145**	469 956	959 510
Cost of sales			**(238 485)**	(267 131)	(554 103)
Gross profit		(10)	**182 660**	202 825	405 407
Other income			**3 578**	2 374	10 438
Operating costs		(24)	**(206 768)**	(270 725)	(632 240)
EBITDA*			**(20 530)**	(65 526)	(216 395)
Amortisation and depreciation			**(53 335)**	(21 724)	(44 731)
Operating loss			**(73 865)**	(87 250)	(261 126)
Investment revenue	5		**3 379**	6 092	10 192
Finance costs	6		**(11 770)**	(2 239)	(4 668)
Loss before taxation		1	**(82 256)**	(83 397)	(255 602)
Taxation	7		**(3 247)**	9 240	(62 032)
Loss for the period			**(85 503)**	(74 157)	(317 634)
Loss from discontinued operations, net of tax			**—**	—	(804)
Total comprehensive loss for the year			**(85 503)**	(74 157)	(318 438)
Attributable to:					
Equity holders of the company		(15)	**(85 198)**	(74 071)	(318 227)
Non-controlling interest	8		**(305)**	(86)	(211)
			(85 503)	(74 157)	(318 438)
Loss per share (cents)	9		**(5.4)**	(8.2)	(35.0)
Diluted loss per share (cents)	9		**(5.4)**	(8.2)	(35.0)
Headline loss per share (cents)	9		**(5.5)**	(8.0)	(25.6)
Diluted headline loss per share (cents)	9		**(5.4)**	(8.0)	(25.6)

* *Earnings before interest, tax, depreciation and amortisation ("EBITDA")*

CONDENSED CONSOLIDATED GROUP STATEMENT OF FINANCIAL POSITION

as at 31 August 2019

	Note	Unaudited 31 August 2019 R'000	Unaudited 31 August 2018 R'000	Audited 28 February 2019 R'000
Assets				
Non-current assets		**493 225**	511 036	328 747
Property, plant and equipment		**165 700**	177 401	168 454
Right-of-use of asset	4	**169 915**	—	—
Intangible assets		**80 338**	83 870	82 501
Goodwill	10	**42 079**	121 348	40 165
Net investment in finance lease	11	**1 107**	4 767	849
Other financial assets	12	**5 964**	26 644	6 484
Deferred tax		**28 122**	97 006	30 294
Current assets		**331 425**	370 157	456 167
Inventories		**225 215**	262 535	233 276
Net investment in finance lease	11	**142**	464	849
Trade and other receivables		**64 898**	47 605	67 278
Current tax receivables		**1 483**	2 445	1 590
Advertising levies		**2 524**	4 708	2 507
Other financial assets	12	**1 692**	2 103	1 775
Cash and cash equivalents		**35 471**	50 297	148 892
Total assets		**824 650**	881 193	784 914
Equity and liabilities				
Equity attributable to holders of the company		**517 640**	739 307	621 000
Share capital		**8**	8	8
Retained earnings		**(730 158)**	(383 529)	(627 033)
Share premium	13	**1 238 522**	1 111 069	1 238 757
Equity-settled share-based payment reserve		**9 268**	11 759	9 268
Non-controlling interest		**988**	1 207	1 292
Non-current liabilities		**211 889**	24 809	27 358
Borrowings	14	**—**	106	—
Lease liability	4	**198 895**	—	—
Lease equalisation	4	**—**	11 270	11 833
Deferred tax		**12 994**	13 433	15 525
Current liabilities		**94 133**	115 870	135 264
Current tax payable		**1 076**	10	1 277
Bank overdrafts		**—**	1 749	6 978
Borrowings	14	**114**	1 922	12 353
Trade and other payables		**92 943**	109 532	112 049
Lease equalisation	4	**—**	2 657	2 607
Total equity and liabilities		**824 650**	881 193	784 914
Number of shares in issue ('000)		**2 218 970**	898 970	2 218 970
Net asset value per share (cents)		**23.3**	82.4	28.0
Net tangible asset value per share (cents)	15	**18.6**	61.4	23.1

CONDENSED CONSOLIDATED GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 August 2019

Group	Share capital R'000	Share premium R'000	Equity-settled share-based payment reserve R'000	Accu-mulated loss R'000	Total attributable to equity holders of the group R'000	Non-controlling interest R'000	Total equity R'000
Balance at 31 August 2018	8	1 111 069	11 759	(383 529)	739 307	1 207	740 514
Share issue	—	127 688	—	—	127 688	—	127 688
Share-based payment reserve	—	—	(2 491)	—	(2 491)	—	(2 491)
Comprehensive loss for the period	—	—	—	(243 504)	(243 504)	85	(243 419)
Balance at 1 March 2019	8	1 238 757	9 268	(627 033)	621 000	1 292	622 292
Share issue	**—**	**(235)**	**—**	**—**	**(235)**	**—**	**(235)**
Adjustment from adoption of IFRS 16	**—**	**—**	**—**	**(17 927)**	**(17 927)**	**—**	**(17 927)**
Comprehensive loss for the period	**—**	**—**	**—**	**(85 198)**	**(85 198)**	**(304)**	**(85 502)**
Balance at 31 August 2019	**8**	**1 238 522**	**9 268**	**(730 158)**	**517 640**	**988**	**518 628**

CONDENSED CONSOLIDATED GROUP STATEMENT OF CASH FLOWS

for the six months ended 31 August 2019

	Note	**Unaudited six months ended 31 August 2019 R'000**	Unaudited six months ended 31 August 2018 R'000	Audited 12 months ended 28 February 2019 R'000
Cash flows from operating activities		**(83 556)**	(33 950)	(65 060)
Cash utilised by operating activities		**(73 897)**	(37 482)	(70 915)
Investment revenue	5	**3 379**	6 092	10 192
Finance costs	6	**(11 770)**	(2 239)	(4 668)
Dividends paid		**—**	(652)	—
Taxation paid		**(1 268)**	331	331
Cash flows from investing activities		**(10 413)**	(10 916)	(24 453)
Acquisition of property, plant and equipment		**(9 091)**	(11 412)	(24 722)
Proceeds of disposals of property, plant and equipment		**143**	461	2 952
Acquisition of business		**(944)**	—	—
Disposal of discontinued operations, net of cash		**—**	—	67
Investment in finance lease	11	**449**	138	3 671
Loans paid		**603**	1 880	1 772
Net acquisition of intangible assets		**(1 573)**	(1 983)	(8 193)
Cash flows from financing activities		**(12 474)**	(2 828)	135 185
Proceeds from issue of shares		**(235)**	(1 085)	126 603
Disposal of discontinued operations, net of cash		**—**	—	(2 012)
Loans paid	14	**(12 239)**	(1 743)	10 594
Change in cash and cash equivalents		**(106 443)**	(47 694)	45 672
Cash and cash equivalents at beginning of the period		**141 914**	96 242	96 242
Cash and cash equivalents at end of the period		**35 471**	48 548	141 914

CONDENSED CONSOLIDATED GROUP SEGMENTAL REPORT

for the six months ended 31 August 2019

Unaudited six months 31 August 2019	**Food division R'000**	**Jewellery division R'000**	**Corporate services R'000**	**Inter-segment division revenues R'000**	**Total R'000**
Revenue	**236 864**	**217 273**	**10 426**	**(43 418)**	**421 145**
EBITDA	**(35 517)**	**22 621**	**(7 634)**	**—**	**(20 530)**
Segment depreciation and amortisation	**(30 704)**	**(21 835)**	**(796)**	**—**	**(53 335)**
Operating loss	**(66 222)**	**785**	**(8 428)**	**—**	**(73 865)**
Investment revenue	**1 286**	**135**	**1 958**	**—**	**3 379**
Finance costs	**(4 985)**	**(6 227)**	**(558)**	**—**	**(11 770)**
Loss before taxation	**(69 920)**	**(5 307)**	**(7 029)**	**—**	**(82 256)**
Segment assets	**376 036**	**420 298**	**28 316**	**—**	**824 650**
Segment liabilities	**166 176**	**287 124**	**(147 278)**	**—**	**306 022**
Segment capital expenditure	**8 677**	**8 783**	**—**	**—**	**17 460**
Unaudited six months 31 August 2018					
Revenue	318 728	220 715	12 450	(81 937)	469 956
EBITDA	(46 637)	(8 299)	(10 590)	—	(65 526)
Segment depreciation and amortisation	(15 749)	(5 165)	(810)	—	(21 724)
Operating loss	(62 386)	(13 464)	(11 400)		(87 250)
Investment revenue	3 995	182	1 915	—	6 092
Finance costs	(957)	(586)	(696)	—	(2 239)
Loss before taxation	(59 348)	(13 868)	(10 181)	—	(83 397)
Segment assets	459 982	392 604	28 607	—	881 193
Segment liabilities	92 365	196 202	(147 888)	—	140 679
Segment capital expenditure	9 992	1 420	—	—	11 412
Audited 12 months ended 28 February 2019					
Revenue	601 295	489 980	16 755	(148 520)	959 510
EBITDA	(166 423)	(32 653)	(17 319)	—	(216 395)
Segment depreciation and amortisation	(32 809)	(10 310)	(1 612)	—	(44 732)
Operating loss	(199 233)	(42 963)	(18 930)	—	(261 126)
Investment revenue	6 128	1 756	2 308	—	10 192
Finance costs	(368)	(2 618)	(1 664)	—	(4 668)
Loss before taxation	(193 491)	(43 825)	(18 286)	—	(255 602)
Loss from discontinued operations, net of tax	(804)	—	—	—	(804)
Segment assets	327 102	345 266	112 546	—	784 914
Segment liabilities	83 751	61 050	17 821	—	162 622
Segment capital expenditure	14 486	10 204	32	—	24 722

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 August 2019

Taste Holdings Limited (the "company") is a South African registered company. The condensed financial statements of the company comprise the company and its subsidiaries (together referred to as "the Group").

1. Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board in issue and effective for the Group at 31 August 2019, and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, and as a minimum contains the information required by IAS 34 Interim Financial Reporting, the JSE Listings Requirements, and the Companies Act of South Africa and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee.

2. Basis of preparation

The Group's unaudited condensed consolidated interim financial statements as at and for the period ended 31 August 2019 have been prepared on the going-concern basis. The accounting policies applied in the presentation of the condensed consolidated interim financial statements are consistent with those applied for the year ended 28 February 2019, except for the adoption IFRS 16, Leases.

The condensed consolidated results have not been reviewed or audited by the Group's auditors and were prepared under the supervision of Mr H Van Eeden CA(SA), the Chief Financial Officer of the Group.

3. Changes in accounting policies

The Group has adopted all the new, revised or amended accounting standards which were effective for the Group from 1 March 2019.

IFRS 16 Leases

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 March 2019), without restatement of comparative figures. This involved calculating what the right-of-use asset would have been had IFRS 16 been applied at inception, the straight-lining liability is taken to opening retained earnings. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases of store space, which had previously been classified as operating leases.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate of 13% as at 1 March 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions.

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

The new standard has had a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

4. The adoption of IFRS 16 has had a material impact on both the Income Statement and Balance Sheet as below:

Balance sheet	R'000
Asset	
Right-of-use of asset	169 915
Liability	
Lease liability	198 895

Under IAS 17	R'000
Food operating lease expense	17 310
Food operating lease reversal	515
Luxco operating lease expense	22 370
Luxco operating lease reversal	1 310
Total	41 505

Under IAS 17	R'000
Food depreciation on right-of-use of asset	(14 216)
Luxco depreciation on right-of-use of asset	(16 467)
Food finance charges on lease liability	(4 865)
Luxco finance charges on lease liability	(6 462)
Total	(42 010)

Opening balance 1 March 2019 was adjusted by R17.9 million to adopt correctly to the new standard.

5. Investment revenue comprises of interest charged to franchisees on conversion loans and interest received on positive cash balances.

6. This increase results from IFRS 16 adjustments totalling to R11 million.

7. The Group's effective tax rate for the current period is less than 28% as a result of continuing expenses such as intangible which are not deductible for tax purposes. Additionally, the Food Division has not raised the deferred tax asset relative to losses incurred.

8. This relates to a shareholding by the Luxury Goods Division of 58% in a company that owns three NWJ stores.

9. Reconciliation of headline loss

	% change	31 August 2019 R'000	31 August 2018 R'000	28 February 2019 R'000
Reconciliation of headline loss:				
Loss attributable to ordinary shareholders	(15)	**(85 198)**	(74 071)	(318 227)
Adjusted for:				
Impairment losses		**—**	783	85 379
(Profit)/loss on sale of property, plant and equipment and non-current assets available for sale		**(452)**	1 892	(610)
Tax effect on loss adjustments	(19)	**84**	(353)	136
Headline loss attributable to ordinary Shareholders		**(85 566)**	(71 749)	(233 322)
Weighted average shares in issue ('000)		**1 564 394**	898 970	909 819
Weighted average diluted shares in issue ('000)		**1 581 771**	907 933	927 195
Loss per share (cents)	34	**(5.4)**	(8.2)	(35.0)
Diluted loss per share (cents)	34	**(5.4)**	(8.2)	(35.0)
Headline loss per share (cents)	31	**(5.5)**	(8.0)	(25.6)
Diluted headline loss per share (cents)	33	**(5.4)**	(8.0)	(25.6)

10. During the year the Luxury Goods Division acquired two NWJ stores which contributed to R2 million in goodwill.

The rationale for these acquisitions is consistent with the brands strategy of:

- Expanding its corporate store ownership; and
- Retaining key strategic sites.

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

	R'000
Accounts receivable	3 420
Inventory	3 370
Accounts payable	(2 737)
Fair value of assets acquired	4 053
Consideration paid	(5 967)
In cash	(944)
Balance owed by vendors	(5 023)
Goodwill acquired	(1 914)

During the period that these stores were owned they contributed R4.5 million to revenue and R0.5 million to operating profit. The revenue and operating profit as if these stores were owned for a full year cannot be disclosed, as complete and compliant financial records of these stores prior to the date that they were acquired could not be obtained.

11. This amount represents the value of ovens and other pizza equipment being leased to franchisees that have converted their stores to Domino's. This amount reduces as franchisees pay as well as when stores are acquired from franchisees.

12. Other financial assets consist of:

- Loans made to marketing funds of brands within the Group, including pre-funding the Domino's marketing fund through a loan to launch the brand in South Africa.
- Conversion loans provided to Scooters and St Elmo's franchisees for the conversion of their stores to Domino's.
- Extended payment terms given to franchisees of the Group.

The conversion loans portion of Aloysius (Pty) Ltd was written off at the financial year end 28 February 2019 which explains the decrease year-on-year.

13. The increase in share premium from the prior period is consequent to the rights issue of 1 320 000 000 at R0.10 on 25 February 2019.

14. The decrease in borrowings from the prior period is due to settlement of the bridging facility derived from RVF, our major shareholder, whilst the rights offer was in progress.

15. 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.

CORPORATE INFORMATION

Taste Holdings Limited

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

Non-executive directors

GM Pattison* (*Chairperson*), LCH Chou*, TC Moodley, N Siyotula*, AJ Maizey
** Independent*

Executive directors

DJ Crosson (*CEO*), H van Eeden (*CFO*)

Registered address

12 Gemini Street, Linbro Business Park, Sandton, 2065

Postal address

PO Box 1125, Ferndale, Randburg, 2160

Telephone:	(011) 608 1999
Facsimile:	086 696 1270

Company secretary

CIS Company Secretary (Pty) Ltd

Transfer secretaries

Computershare Investor Services Proprietary Limited

Sponsor

PSG Capital

These results and an overview of Taste are available at www.tasteholdings.co.za

TASTE
HOLDINGS

www.tasteholdings.co.za