

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)

Unaudited condensed consolidated results  
for the six months ended 31 August 2018

#### Highlights

Balance sheet recapitalisation  
Secured a loan facility of up to R200 million from the Riskowitz Value Fund  
Business model reorientation – Decentralisation of branded food businesses and restructuring across the Group  
Clear Food Strategic Focus on International Brands  
Food Portfolio Review – Zebro's Disposal

#### Commentary

The first half of the 2019 financial year marked the beginning of a new dawn for the Taste Group. Successive periods of unsatisfactory results forced us to ask and answer tough questions about our business. While this was not an easy environment to operate in, given the internal revisions and external economic headwinds, I am proud of the acceptance to change that our team has demonstrated. In the short six months that we have been on this new journey, we have managed to make some significant changes to the group that will provide a strong foundation for long-term sustainability and growth.

#### The changing face of Taste

The previous strategy to manage Taste as a single business introduced a level of complexity in the Group that was not only unnecessary but also costly. The first strategic decision executed in the previous financial year was to split the Group into two distinct verticals namely the Food Division (Food) and the Luxury Goods Division (Luxury Goods). Operating these verticals as independent businesses has allowed us to focus on the unique opportunities in their respective markets with laser-focused strategies, clear financial KPIs and as far as possible separate capital and funding structures.

The Luxury Goods Division consists of retail outlets branded under NWJ, Arthur Kaplan and World's Finest Watches. In the prior financial year, we halted a process to divest from the Luxury Goods Division when it became evident that a sale was not ideal given the impact of the downturn in the local retail environment. We have backed the management team to devise an appropriate strategy to maximise value from this division over the longer term.

The Food Division is made up of three major business units namely (1) International Master Franchise Licences which comprise Domino's Pizza (Domino's) and Starbucks Coffee (Starbucks); (2) Locally-owned brands which consist of Maxi's and The Fish and Chip Co and (3) Supply Chain business, Buon Gusto which operates and manages the Food Divisions' supply chain activities.

Another noteworthy event during the previous financial year was the recapitalisation of the Group by the Riskowitz Value Fund (RVF) which at the time was a significant anchor shareholder of the Group. The funds raised through the recapitalisation were used to pay down our debt facilities which have unshackled us from a burdensome and increasingly unserviceable debt structure. This, together with RVF's long-term perspective, strategy and capital structure, has allowed the management team to divert our focus away from managing the market and the Group's capital structure onto the operations of the Group, as should be the case.

As a result of the recapitalisation, RVF increased their shareholding to a majority stake which has been a catalyst for positive change. At the time of moving into a majority position in January 2018, the Group's Board of Directors

were reconstituted and shortly thereafter, the Group CEO, at the time, resigned. The board appointed one of RVF's partners, Tyrone Moodley as the Acting Group CEO.

The new Board of Directors and CEO immediately focused on identifying the root-cause of operating losses incurred over the recent past and to determine the best way forward for the Group to maximise shareholder value. The Executive team, armed with this mandate from the Board and the unwavering support of the anchor shareholder, have put in a large amount of effort to gain a detailed understanding of the operating performance of the Group. With this in mind, we want to highlight the most critical focus areas for us going forward. These are, overhauling our investment strategy to secure long-term funding, revamping our business and operating model and lastly building a strong team to execute on strategic objectives.

#### Investing Strategy

The first critical decision we made was to pause the expansion of the Domino's and Starbucks network. Firstly, to ensure that the cash which remained in the Group post the settlement of the debt facilities is sufficient to fund the expected current operating losses of the Group but secondly and more importantly, to afford us the opportunity to review the store operating models of both brands and capital required to deliver an acceptable return on investment. Our review of the business highlighted that we could consistently deliver economic profit and create shareholder value with a shift in our operating and development strategies for both Domino's and Starbucks. At present, Domino's existing corporate store network is producing operating losses and whilst the Starbucks' store network is profitable at an EBITDA level, it is not producing the required return on the store investments. With the support and hands-on collaboration of our global partners, the teams have worked exceptionally hard to develop new store economic models, investment case metrics and market development strategies.

Given the above progress we believe that once we have secured long term funding for the Group, we can enable the expansion of the brands' networks.

#### A Purpose Driven Operating Model

As a consequence of clear deliberation between the Food and Luxury Goods Division, the franchised group shared services model no longer held relevance as it proved costly, had the unintended consequence of removing responsibility and accountability for functional operations from the brands and slowed down the decision-making process which had to go through multiple layers in the organisational structure.

We therefore made a decision during the period to adjust the Food Divisions operating model to move away from the centralised model of shared services into a decentralised model with each business having their own functional teams within their respective brand. The decentralised model is aimed at ensuring that the managing executives of the brands can take full responsibility and accountability for all aspects of their business' operations with an acute focus on owning and operating stores.

We concluded a restructure of the shared services business unit during the period resulting in the HR, finance, marketing, site acquisition and store development function being moved into the respective business units.

The restructure has resulted in the removal of the functional executive layer within shared services and replaced by functional operational managers within the business units. It is expected that restructure will result in a R9,0 million reduction in head office costs with the full effect of this reduction only being realised in the 2020 financial year.

One further area of the business model which came under review was the vertically integrated supply chain business, Buon Gusto. Our operational review concluded that the insource supply chain operations have contributed significantly to the poor performance

of the Food Division over the past few years as the business failed to shift its model from a profit centre servicing franchised stores to what is today a predominantly corporate-owned store network requiring an effective cost centre solution. It also became clear that the appropriate investments in systems and procedures in the supply chain business had not been made and would require capital in order to elevate the business to acceptable levels of performance.

In order for us to become the best restaurant operator and franchisor in the country our brands need to be supported by the best supply chain possible. Any time, capital or resources invested into these supply chain competencies would dilute focus away from owning and operating stores.

Therefore, we will begin a process during the second half of the financial year to identify the best way to move the supply chain operations into an outsourced model and to identify a leading supply chain service provider to partner with. We will retain the dough production business as this allows us to control the quality and consistency of the dough used in our Domino's network.

#### Building a World Class Team

We believe in the heuristic 'performance is a function of two key characteristics - ability and motivation.' When we appoint the right people into the right roles and empower them, the work itself becomes intrinsically valuable and rewarding, creating a sturdy foundation for long term performance. Over the period we did two things to translate this philosophy into practice; (1) decentralising our brands empowered each Brand ME to build their respective fit for purpose teams, holding them accountable for brand specific execution and performance; and (2) we made critical appointments and welcomed the assistance from our International Brand partners with strategic secondments into our market with which they bring a wealth of industry knowledge and experience. The impact of the increased cooperation was felt immediately within each brand. Although we are only in the first innings of these human capital revisions, we believe that this approach will enable us to implement the necessary changes to our business rapidly.

Some key appointments we want to highlight here are; Dylan Pienaar as Chief Operating Officer for the Food Division, and Bruce Layzell as the Domino's Managing Executive. Both Bruce and Dylan have experience in the Quick Service Restaurant (QSR) industry and more importantly experience in operating Global brands in South Africa, having operated KFC, Burger King, Dunkin Donuts and Baskin-Robbins between them. In January we welcome a new strategic Starbucks appointment who brings 17 years' experience currently operating out of the Starbucks EMEA region.

Duncan Crosson will continue to lead the Luxury Goods Division as CEO. Despite substantial external headwinds in the Luxury Goods Division, we are confident that Duncan will be able to steer the ship and mitigate risk and losses responsibly.

#### Financial overview

The South African economy continued to retract during the period under review and the compounding effects of higher fuel charges, higher VAT and income taxes on the consumers' disposable income and spending habits, had a negative impact on the financial results for this reporting period.

Over the period we have seen a contraction in consumer spend across all our brands resulting in a 3% decline in revenue. Notwithstanding the economic headwinds we've identified several areas for improvement.

The Food Division revenue increased by 13% to R319 million (2017: R282 million) with gross margins remaining constant despite not passing the VAT and fuel increases onto consumers. The Food Divisions operating costs increased by 7% largely as a result of the operating costs of Starbucks doubling since the

comparative period due to the addition of eight stores in the network and the expiration of a royalty concession granted to Taste by Domino's International.

The Luxury Goods Division encountered one of the toughest trading conditions on record. The industry was hit hard by cash-strapped consumers which resulted in decreasing jewellery and watch sales coupled with increasing pressure on discount luxury goods. Sales for the first half of the year declined by 13% to R220 million (2017: R253 million) and gross margins declined 1.9% due to increased promotional activity and deeper discounts to revolve stock. The division has focused on reducing operating costs by streamlining and optimising their cost base, which has resulted in 4.2% reduction in the operating costs of the division. Inventory continued to be well managed, supporting the business needs in the face of unpredictable trading conditions, the result was an improvement in inventory turn versus the comparable period.

An increase in equity raised the weighted average number of shares in issue to 899 million shares (2017: 410 million). The resultant headline loss was 8.0 cents per share (2017: loss of 15.9 cents per share). Cash and cash equivalents decreased to R48.5 million (2017: R86 million) at the end of the current period.

#### Operational review

##### Food

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). In June 2018, we divested from Zebro's Chicken, reducing sales of our locally-owned brands.

The slowdown in the store rollout has allowed the Food Division to realign their respective brand strategies and focus on planning their growth initiatives for the next financial period. Same-store sales in local-owned brands remained positive, albeit at 1% for the six months, while same-store sales for Domino's increased to 2.8%. Two further Starbucks stores were added in April 2018 and July 2018 which brings the total number of Starbucks stores to 12.

Although sales have increased in the Starbucks brand, there is pressure on the first four stores that can be measured on a same-store sales basis. In June 2018, Zebro's Chicken was sold which reduced sales in the locally-owned brands with The Fish and Chip Co showing slightly increased revenue through the period. The brand portfolio requires further strategic alignment in order to focus on the international brand portfolio.

##### Luxury Goods

The Luxury Goods Division consists of retail outlets branded under NWJ, Arthur Kaplan and World's Finest Watches. Through Arthur Kaplan and World's Finest Watches, Taste is a leading retailer of luxury Swiss watches in South Africa, with brands like Rolex, Omega, Breitling, Hublot, TAG Heuer, Longines, Rado, Cartier, IWC and Montblanc, 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).

The continued downturn in the retail sector has had a sustained negative impact on the results of the Luxury Goods Division. This required us to revisit the business units' operating model, to look for ways to limit the negative impact which resulted in two major components of the business undergoing a restructure:

- \* The closure of the NWJ manufacturing facility and outsource all jewellery manufacturing to third-party suppliers in an effort to increase margins.
- \* The second area was a restructure and rationalisation of the head office support structure. These changes allow us to reduce our fixed costs and better manage our variable costs, relieving some

pressure on working capital.

The division has focused on our retail footprint and has sought to manage and close poor performing stores actively. This will be an area of continued focus to maximise our investment returns.

The continuing unpredictable retail trading patterns are expected to persist and to remain challenging for the remainder of the financial year, mainly driven by uncertain macroeconomic conditions, depressed business in general and negative consumer sentiment. The division is founded on good retail locations, world-class quality brands and deep institutional knowledge within the business. We believe the changes we've made to date coupled with our strong brands will enable us to limit the economic impact on our business.

#### Subsequent events

On 1 October the Group appointed PSG Capital as its sponsor.

Shareholders are hereby advised that on 26 November 2018 Taste entered into an agreement with its anchor shareholder, Riskowitz Value Fund LP (RVF), in terms of which RVF has agreed to provide the Company with an unsecured, subordinated shareholder loan in the amount of R50 000 000 (RVF Loan), which may, at the election of RVF, be increased to R200 000 000. The initial term of the RVF Loan is 12 months and may be renewed annually at the discretion of RVF. Interest on the RVF Loan will accrue monthly at an interest rate of 16% per annum (Loan). Interest accrued on the RVF loan is payable at maturity. The full amount of the RVF Loan is available for Taste's access immediately upon applicable regulatory approvals, which is expected shortly.

#### Directorate

On 31 May 2018, Evan Tsatsarolakis resigned as Chief Financial Officer, and on the same day, we appointed Dylan Pienaar as Executive Director. Dylan, who had been appointed as the Group's Chief Operating Officer in March 2018, assumed the role of Acting Chief Financial Officer in addition to his existing responsibilities until a suitable candidate is appointed to fill the role.

#### Outlook

Despite the tremendous strides we have made in resetting our foundation to enable long-term sustainability and growth, we are acutely aware that far more work will be required before achieving profitability across all divisions and brands in the Group. Our focus during the second half of the financial year will be on growth plans in the Food Divisions and moving closer to positive EBITDA in our current store networks. The growth plans and funding requirements are based on the revised strategy of the Group which will focus on growing Domino's and Starbucks. In consultation with our global partners the pause on capital expenditure will continue until we are confident that we are able to deliver investment grade returns.

#### Divestiture of Non-Core Food Operations

We will continue investigating moving the Food Division's supply chain activities to an outsourced model. This will include identifying a leading supply chain service provider.

#### Domino's Store Profitability

Domino's was the most significant contributor to the Group's EBITDA loss for the period, predominantly due to losses from corporate stores. As mentioned previously, some of these losses are attributable to increased costs that we did not pass onto the consumer. We have identified several opportunities that will enable us to get Domino's corporate store to EBITDA break-even as-soon-as-possible. The initiatives will focus on increasing order counts and reducing food costs. We have implemented many of these initiatives, and we are confident that the positive results will start flowing through in the second part the of the financial year.

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

On behalf of the Board

TC Moodley  
Chief Executive Officer

D Pienaar  
Chief Financial Officer

27 November 2018

Condensed group consolidated statement of comprehensive income  
for the six months ended 31 August 2018

		Unaudited six months ended 31 August 2018 R'000	Unaudited six months ended 31 August 2017 R'000	Audited 12 months ended 28 February 2018 R'000
	% change			
Revenue	(3)	469 956	483 109	1 043 977
Cost of sales		(267 131)	(275 341)	(612 445)
Gross profit	(2)	202 825	207 768	431 532
Other income		2 374	633	3 591
Operating costs	(3)	(270 725)	(262 214)	(621 753)
EBITDA*	(22)	(65 526)	(53 813)	(186 630)
Amortisation and depreciation		(21 724)	(19 490)	(41 662)
Operating loss		(87 250)	(73 303)	(228 292)
Investment revenue (4)		6 092	7 079	17 295
Finance costs (5)		(2 239)	(23 351)	(44 745)
Loss before taxation	7	(83 397)	(89 575)	(255 742)
Taxation (6)		9 240	23 665	14 750
Loss for the year		(74 157)	(65 910)	(240 992)
Attributable to:				
Equity holders of the company	(13)	(74 071)	(65 839)	(241 202)
Non-controlling interest (7)		(86)	(71)	210
		(74 157)	(65 910)	(240 992)
Loss per share (cents) (8)	49	(8.2)	(16.0)	(51.0)
Diluted loss per share (cents) (8)	47	(8.2)	(15.4)	(51.0)
Headline loss per share (cents) (8)	50	(8.0)	(15.9)	(41.8)
Diluted headline loss per share (cents) (8)	48	(8.0)	(15.3)	(41.8)

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

Condensed group consolidated statement of financial position  
as at 31 August 2018

	Unaudited 31 August 2018 R'000	Unaudited 31 August 2017 R'000	Audited 28 February 2018 R'000
<b>Assets</b>			
Non-current assets	511 036	572 222	513 399
Property, plant and equipment	177 401	181 626	186 920
Intangible assets	83 870	97 024	86 027
Goodwill (9)	121 348	133 184	121 348
Net investment in Finance lease (10)	4 767	7 111	4 919
Other financial assets (11)	26 644	43 574	25 345
Deferred tax	97 006	109 703	88 840
Current assets	370 157	520 535	479 053
Inventories	262 535	311 390	296 017
Net investment in Finance lease (10)	464	544	450
Trade and other receivables	47 605	57 695	56 059
Current tax receivables	2 445	635	1 911
Advertising levies	4 708	11 765	2 914
Other financial assets (11)	2 103	10 474	5 281
Cash and cash equivalents	50 297	128 032	116 421
Total assets	881 193	1 092 757	992 452
<b>Equity and liabilities</b>			
Equity attributable to equity holders of the company	739 307	613 412	813 942

Share capital	8	4	8
Retained earnings	(383 529)	(129 417)	(308 806)
Share premium (12)	1 111 069	728 397	1 112 154
Equity-settled share-based payment reserve	11 759	14 428	10 586
Non-controlling interest	1 207	1 222	1 503
Non-current liabilities	24 809	306 077	26 031
Borrowings (13)	106	270 543	1 109
Lease equalisation	11 270	11 025	11 270
Deferred tax	13 433	24 509	13 652
Current liabilities	115 870	172 046	150 976
Current tax payable	10	796	-
Bank overdrafts	1 749	41 846	20 179
Borrowings (13)	1 922	10 962	2 662
Lease equalisation	2 657	2 480	2 755
Trade and other payables	109 532	115 962	125 380
Total equity and liabilities	881 193	1 092 757	992 452
Number of shares in issue ('000)	898 970	456 747	898 970
Net asset value per share (cents)	82.4	134.6	90.7
Net tangible asset value per share (cents) (14)	61.4	88.7	69.6

Condensed group consolidated statement of changes in equity for the six months ended 31 August 2018

Group	Share capital R'000	Share premium R'000	Equity-settled share-based payment reserve R'000	Accumulated losses R'000
Balance at 31 August 2017	4	728 397	14 428	(129 417)
Share issue	4	-	-	-
Options exercised	-	383 757	-	-
Share-based payment reserve	-	-	(3 842)	-
Comprehensive loss for the period	-	-	-	(179 388)
Balance at 1 March 2018	8	1 112 154	10 586	(308 806)
Share issue	-	(1 085)	-	-
Share-based payment reserve	-	-	1 173	-
Dividends paid	-	-	-	(652)
Comprehensive loss for the period	-	-	-	(74 071)
Balance at 31 August 2018	8	1 111 069	11 759	(383 529)

Group	Total attributable to equity holders of the group R'000	Non-controlling interest R'000	Total equity R'000
Balance at 31 August 2017	613 412	1 222	614 634
Share issue	4	-	4
Options exercised	383 757	-	383 757
Share-based payment reserve	(3 842)	-	(3 842)
Comprehensive loss for the period	(179 388)	281	(179 107)
Balance at 1 March 2018	813 942	1 503	815 445
Share issue	(1 085)	-	(1 085)
Share-based payment reserve	1 173	-	1 173
Dividends paid	(652)	-	(652)
Comprehensive loss for the period	(74 071)	(296)	(74 367)
Balance at 31 August 2018	739 307	1 207	740 514

Condensed group consolidated statement of cash flows for the six months ended 31 August 2018

Unaudited six months ended 31 August 2018 R'000	Unaudited six months ended 31 August 2017 R'000	Audited 12 months ended 28 February 2018 R'000
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Cash flows from operating activities	(33 950)	(31 098)	(101 074)
Cash utilised by operating activities	(37 482)	(14 881)	(72 828)
Investment revenue (4)	6 092	7 079	17 295
Finance costs (5)	(2 239)	(23 351)	(44 745)
Dividends paid	(652)	-	-
Taxation paid	331	55	(796)
Cash flows from investing activities	(10 916)	(5 085)	(31 080)
Acquisition of property, plant and equipment	(11 412)	(28 238)	(53 933)
Proceeds of disposals of property, plant and equipment	461	28 167	28 875
Acquisition of business	-	(14 062)	(24 173)
Investment in finance lease (10)	138	1 772	4 058
Loans paid	1 880	4 493	15 501
Net acquisition of intangibles	(1 983)	2 783	(1 408)
Cash flows from financing activities	(2 828)	137 837	243 864
Proceeds from issue of shares	(1 085)	116 791	500 552
Loans raised/(paid) (13)	(1 743)	21 046	(256 688)
Change in cash and cash equivalents	(47 694)	101 654	111 710
Cash and cash equivalents at beginning of the year	96 242	(15 468)	(15 468)
Cash and cash equivalents at end of the year	48 548	86 186	96 242

Condensed group consolidated segmental report for the six months ended 31 August 2018

	Food division	Jewellery division	Corporate services
	R'000	R'000	R'000
Unaudited six months ended 31 August 2018			
Revenue	318 728	220 715	12 450
EBITDA	(46 637)	(8 299)	(10 590)
Segment depreciation and amortisation	(15 749)	(5 165)	(810)
Operating loss	(62 386)	(13 464)	(11 400)
Investment revenue	3 995	182	1 915
Finance costs	(957)	(586)	(696)
Loss before taxation	(59 348)	(13 868)	(10 181)
Segment assets	459 982	392 604	28 607
Segment liabilities	92 365	196 202	(147 888)
Segment capital expenditure	9 992	1 420	-
Unaudited six months ended 31 August 2017			
Revenue	282 100	253 313	11 400
EBITDA	(47 501)	3 892	(10 204)
Segment depreciation and amortisation	(14 021)	(4 662)	(807)
Operating loss	(61 521)	(769)	(11 013)
Investment revenue	3 993	134	20 827
Finance costs	(13 143)	(8 274)	(19 809)
Loss before taxation	(70 670)	(8 910)	(9 995)
Segment assets	557 393	418 155	117 209
Segment liabilities	125 849	205 457	146 817
Segment capital expenditure	18 048	3 976	37
Audited year ended 28 February 2018			
Revenue	605 102	558 845	26 000
EBITDA	(177 123)	23 074	(32 581)
Segment depreciation and amortisation	(30 212)	(9 834)	(1 616)
Operating (loss)/profit	(207 335)	13 240	(34 197)
Investment revenue	8 414	3 752	40 136
Finance costs	(25 359)	(18 883)	(35 510)
Loss before taxation	(224 280)	(1 891)	(29 571)
Segment assets	463 432	424 748	104 272
Segment liabilities	100 364	212 452	(135 809)
Segment capital expenditure	48 431	5 386	116

	Inter- segment division revenues	Total
	R'000	R'000
Unaudited six months ended		
31 August 2018		
Revenue	(81 937)	469 956
EBITDA	-	(65 526)
Segment depreciation and amortisation	-	(21 724)
Operating loss	-	(87 250)
Investment revenue	-	6 092
Finance costs	-	(2 239)
Loss before taxation	-	(83 397)
Segment assets	-	881 193
Segment liabilities	-	131 854
Segment capital expenditure	-	11 412
Unaudited six months ended		
31 August 2017		
Revenue	(63 704)	483 109
EBITDA	-	(53 813)
Segment depreciation and amortisation	-	(19 490)
Operating loss	-	(73 303)
Investment revenue	(17 875)	7 079
Finance costs	17 875	(23 351)
Loss before taxation	-	(89 575)
Segment assets	-	1 092 757
Segment liabilities	-	478 123
Segment capital expenditure	-	22 061
Audited year ended 28 February 2018		
Revenue	(145 970)	1 043 977
EBITDA	-	(186 630)
Segment depreciation and amortisation	-	(41 662)
Operating (loss)/profit	-	(228 292)
Investment revenue	(35 007)	17 295
Finance costs	35 007	(44 745)
Loss before taxation	-	(255 742)
Segment assets	-	992 452
Segment liabilities	-	177 007
Segment capital expenditure	-	53 933

Notes to the condensed consolidated financial statements  
for the six months ended 31 August 2018

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 2018, 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.

#### 2. Basis of preparation

The Group's unaudited condensed consolidated interim financial statements as at and for the period ended 31 August 2018 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 2018.

#### 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 2018.

#### IFRS 15: Revenue from Contracts from Customers

New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

The Group recognises revenue when it transfers control over a product or services to a customer.

The Group has identified that only the franchise revenue received from The Fish & Chip Co brand has been impacted by this new standard however the impact is not significant.

#### IFRS 9: Financial Instruments

IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as fair value through other comprehensive income in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.

The new model introduces a single impairment model being applied to all financial instruments, as well as an expected credit loss model for the measurement of financial assets. IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition, enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

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

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

The new standard has not had significant impact on amounts reported in respect of the group's financial assets and financial liabilities.

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

5. In February 2018 the proceeds of a rights issue was used to settle the bonds therefore resulting in a reduction of finance costs of R21 million.

6. The group's effective tax rate for the current period is less than 28% as a result of continuing expenses such as intangible amortisation and IFRS 2 share-based payment expenses, which are not deductible for tax purposes. Additionally, the Food Division has not passed the deferred tax asset relative to certain losses incurred.

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

#### 8. Reconciliation of headline loss

		31 August 2018	31 August 2017	28 February 2017
Reconciliation of headline loss	% change	R'000	R'000	R'000
Loss attributable to ordinary shareholders	(13)	(74 071)	(65 839)	(249 202)
Adjusted for:				
Impairment losses		783	-	42 053
Loss on sale of property, plant and equipment and non-current assets available for sale		1 892	545	4 839
Tax effect on loss adjustments		(353)	(102)	(3 274)
Headline loss attributable to ordinary				

Shareholders	(10)	(71 749)	(65 396)	(197 584)
Weighted average shares in issue ('000)		898 970	410 155	473 060
Weighted average diluted shares in issue ('000)		907 933	426 167	489 130
Loss per share (cents)	49	(8.2)	(16.0)	(51.0)
Diluted loss per share (cents)	47	(8.2)	(15.4)	(51.0)
Headline loss per share (cents)	50	(8.0)	(15.9)	(41.8)
Diluted headline loss per share (cents)	48	(8.0)	(15.3)	(41.8)

9. The Goodwill decrease from August 2017 is attributable to impairments made in the FY2018 financial year.

10. 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.

11. 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.

12. The increase in share premium from the prior period is consequent to the rights issue of 442 222 223 at R0.90 on 29 January 2018.

13. The decrease in borrowings from the prior period is due to settlement of debt in February 2018 using the rights issue monies received as per note 12.

14. 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

Non-executive directors

GM Pattison\* (Chairperson), LCH Chou\*, NG Brimacombe\*, N Siyotula\*, AJ Maizey

\* Independent

Executive directors

TC Moodley (CEO), DJ Crosson, D Pienaar (CFO)

Registration number

2000/002239/06

Registered address

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Postal address

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Telephone: (011) 608 1999

Facsimile: 086 696 1270

Company secretary

iThemba Corporate Governance and Statutory Solutions Proprietary Limited

Transfer secretaries

Computershare Investor Services Proprietary Limited

Sponsor

PSG Corporate Services Proprietary Limited

These results and an overview of Taste are available at [www.tasteholdings.co.za](http://www.tasteholdings.co.za)