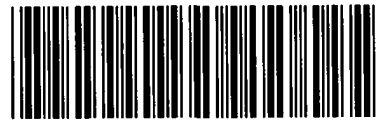


**Nando's Group Holdings Limited**

**Annual report and consolidated  
financial statements**

**Registered number 06451677  
24 February 2019**

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## STRATEGIC REPORT

The directors present the Strategic Report, Directors' Report and the audited financial statements for the 52-week period ended 24 February 2019.

### Principal activities

The principal activity of the Group in the year under review was that of operating fast casual dining restaurants (both company-owned and franchise) and the sale and distribution of branded sauces and condiments through the retail channel. The principal activity of the Company was to act as a holding Company for the Group's consolidated business.

### About Nando's

The Nando's restaurant experience is at the heart of our business, and customers receive a warm welcome from our friendly 'Nandocas'. With each restaurant boasting its own unique ambience and original Southern African works of art, our legendary flame-grilled PERi-PERi chicken is served in an atmosphere that sounds, looks and feels distinctively Afro-Portuguese.

We have a saying: "Nando's is not just about the chicken. It's never been just about the chicken. It's about the people who make the chicken". Driven by our values and behaviours which seek to embrace diversity, celebrate informality and realise talent, our Nandocas are our most important asset. Thanks to our unique culture, based on values of pride, passion, courage, integrity and family, our Nandocas feel part of more than just a restaurant group and are encouraged to be the best they can be.

Our business model is to give our customers a consistently excellent Nando's experience through the delivery of operational excellence from Nandocas who are empowered to do that.

### Financial Highlights

- Revenue up 8.4% to £1,051.1m, driven mostly by organic growth in key markets;
- Operating profit decreased by 1.9% to £41.9m in 2019 from £42.8m in 2018 largely due to higher costs as we grew the business; and
- High level of Capex of £87.9m (2018: £101.5m) as the Group continued to invest in new restaurants, its infrastructure and expanded its international footprint reflecting high levels of confidence in the business and growth prospects.

Overall, we delivered a robust performance in-line with our expectations as we grew revenue in very competitive markets and continued to invest for the future.

Our key performance indicators include revenue, operating profit and capital expenditure. Revenue for the 52-week year was £1,051.1m (2018: £969.3m). This increase of £81.8m was driven by organic growth in key markets along with increased sales associated with franchise acquisitions. Operating profit for the year under review was £41.9m, which represents a margin of 4.0% (2018: 4.4%) and reflects investment in our people, and costs associated with growing our international footprint.

The Group results include revenue and costs from smaller developing overseas markets which have restaurant expansion programmes in place. The businesses operating in overseas markets have not fully matured and the number of restaurants in these markets still need to reach critical mass. There is significant growth potential in these markets and we will continue to invest in opening new restaurants. Group capital investment "Capex" is defined as the cash investment in tangible, intangible and equity accounted investments and business combinations. The Capex during the year was £87.9m (2018: £101.5m), in line with our strategy to invest in extending our global restaurant footprint and refurbishing existing restaurants, technology and systems where necessary.

Net financing expense increased by £4.3m to £67.1m (2018: £62.8m). The income tax expense incurred by the Group during the year was £13.1m (2018: £16.1m). The Group also contributes further direct and indirect taxes including social security, property taxes, local taxes and value added taxes. The Group made a loss before tax for the year under review of £25.2m (2018: £20.0m).

At the year-end, the Group had net assets of £103.3m (2018: £3.6m). This is largely driven by the issuance of share capital of £130m.

The average number of employees during the year has grown from 19,506 in 2018 to 21,145 in 2019.

The results for the year and the financial position of the Group are disclosed on pages 13 to 17.

## **Our Strategy**

Our strategy is to add value through investing for profitable and socially responsible growth.

We aim to achieve this through:

- A globally defined, unique and distinctive brand;
- A cohesive and expanding international business;
- High-quality products and exemplary service to our customers;
- Protecting the future of the Group by pursuing innovative growth opportunities and prudent risk management;
- Greater engagement with our digital consumer through investment in technology; and
- Reinforcing our values and employee engagement.

The actions needed to deliver this strategy are predicated on creating an environment where Nandocas can have fun and are given the opportunity to realise their talent - a place where our Nandocas want to

## **Operational highlights**

The strength of our brand, core values, and unique customer experience have been key to the long-term development of Nando's' business, and in recent years, we have sought to professionalise our operations, while retaining the entrepreneurial spirit that made us successful. There have been several initiatives which have helped us achieve our strategic aims.

### *Brand Strength*

Each market has a brand plan focused on delivering consistent and aligned messaging, and international brand health is measured across all our key markets and our major franchised markets at least once a year on a consistently executed brand health tracker.

Our new internal-external brand model has recently been completed and rolled-out. This allows each market to better align internal- and external-facing communications and marketing activities, resulting in more impactful communication.

### *International expansion*

Nando's restaurant design continues to win awards across the globe. The number of restaurants in operation decreased from 937 at 25 February 2018 to 936 at 24 February 2019. This total includes the 740 (2018: 711) company owned restaurants and 196 (2018: 226) restaurants run on a franchise basis.

Key markets for the Group include the United Kingdom, Ireland, USA, Canada, India, Australia, New Zealand, Malaysia and Singapore. Our franchise operated markets include the United Arab Emirates, Saudi Arabia and Qatar in the Middle East, and multiple countries in Southern Africa.

Capex for the year was £87.9m, reflecting the Group's strategy to expand its international footprint and refurbish its existing network.

The group also continued to build more collaboration across its growing international portfolio via functional forums, management conferences and employee secondments and transfers.

### *Operational excellence*

Nando's flame-grilled PERi PERi chicken remains at the core of what we deliver. Around the world, our food teams are fully aligned behind one food manifesto, ensuring that our food offer is consistently and excellently executed across all markets.

Nando's continually drives innovation through new menu ideas, service models, and technology.

The digital journey is central to our strategy, and during the year under review, the Group invested heavily in its technology infrastructure for both back-of-house and consumer-facing systems. The group has developed and implemented systems and platforms that enable more efficient collaboration across the Nando's portfolio and enhance engagement with consumers.

### *Values and engagement*

Our most important resource remains our people, our Nandocas. We have articulated the behaviours that support our values of pride, passion, courage, integrity and family, and have instilled these into everything we do – our recruitment, training, development and reward structures. This philosophy extends to the communities in which we operate:

- Nando's Fighting Malaria – With the help of our customers and Nandoca's, we have raised £400k to the Global Fund to help in the fight against malaria in Mozambique. The money was raised across a range of activities including bracelet sales, contributions through the sale of a popular menu item, 2M (a Mozambican beer), as well as sauce bottle packs sold in our UK restaurants.
- The Sourcing Hub initiative digitally connects our global restaurant network to small, emerging Southern African partners who supply bespoke tableware, furniture and art. This has been extended to the supply of selected uniform items.
- Harambee is a programme that recruits young unemployed people, who would typically struggle to enter the labour market, develops them and gives them the skills to get ready to enter the workplace. We're working on similar inclusive hiring programmes in other parts of the world using the South African model as inspiration. This has led to the kick-off of a strategic impact recruitment and training partnership with Project Generation in the USA.
- PERi-Farms in Southern Africa supplied 100% of our African Bird's Eye Chilli requirements and makes an enormous difference to the lives of many small-scale farmers through access to the latest farming techniques, quality seedlings and finance. Now working with more than 1,400 farmers across 18 growing regions in Mozambique, Malawi, Zimbabwe and South Africa, we give them a fixed outlay for their crop and pay a premium for every kilogram of chillies harvested. The initiative is being extended to cover more ingredients and across a wider geography and our initial trials with cayenne pepper and paprika have been successful.
- Nando's Music Exchange continues to grow with aspiring young musicians travelling from Australia, South Africa and Canada to join their counterparts in the UK. There they were given expert tuition and advice from seasoned music professionals and the opportunity to record their own tracks.

### **Principal risks and uncertainties**

The directors recognise that Nando's is exposed to a number of risks which directly affect the overall performance of the Group. Risks identified are reviewed in detail to ensure the appropriate processes are adopted to manage and mitigate them. The key business risks are set out below:

#### *Health and safety*

Maintaining excellent health and safety standards in the development and operation of our restaurants is central to our business. The health and safety of our Nandocas, our customers and our contractors are of primary importance to Nando's. We achieve this by setting the highest standards of health and safety, performing restaurant audits to ensure we maintain our high standards. This ensures every meal served in Nando's is prepared in a safe environment and is safe to eat.

### *Employees (Nandocas)*

Our Nandocas are our greatest asset; failure to attract and retain the best people would be detrimental to both the Nando's experience and our brand reputation. In an industry which traditionally has high staff turnover, Nandocas are key to the Group's continued development.

Numerous training and growth opportunities exist at all levels – both within restaurants and central support functions. These are designed to not only motivate, develop and retain employees, but to empower them to be the best they can be. Wherever possible, we promote from within and believe strongly in recognising and rewarding Nandocas. We also believe in playing as hard as we work, so fun days, conferences, outings and team charity work also feature in the mix.

### *Product*

Our commercial teams continuously develop new products to maintain an exciting and varied menu. Seasonal changes are taken into account, as are market related requirements, for example, in the Middle East, we offer non-alcoholic designer drinks, while in India we have a larger than usual vegetarian offering. This ongoing focus on menu innovation throughout the Group has allowed us to successfully launch a range of new products, tapping into new occasions and consumer segments and an ongoing need for variety.

The key arrangements the Group has in place with several raw material suppliers are constantly reviewed and monitored to ensure quality standards remain high.

### *Competition*

The Company operates in a competitive and fragmented market, one that constantly brings new concepts and products to an ever-expanding customer base.

We believe that customers' interactions with Nandocas, the restaurant designs, ambience and superior quality food all combine to create a unique experience – one which gives Nando's a strong competitive advantage. By focusing on the innovation of our products and service, as well as proactively meeting the needs of our customers, we are confident of not only maintaining, but also growing our market share.

### *Working capital, liquidity, other risks*

The Group continually monitors cash flow and forecasts the maturity of financial liabilities to avoid the risk of a shortage of funds. In May 2019 a Yellowwoods Treasury loan matured. Further discussion on how these risks are managed is provided in the Directors' Report and Note 27.

### *Economic Uncertainty*

The Group is exposed to the risk of economic uncertainty in the markets it operates in. The Directors perform various risk-based assessments to ensure the Group is proactive in taking appropriate actions where necessary to reduce the related risks associated with economic uncertainty. The Group has planned additional steps to mitigate foreign exchange risk and keep a close control over business cost, whilst continuing to ensure we invest in maintaining high standards of customer service.

## **Brexit**

There is uncertainty around the outcome of Brexit, which brings an additional risk to the Group. As at the date of approval of these financial statements, there isn't a clear outcome that is likely to occur. Within the UK and Group Operations teams, there are plans being put in place and contingent strategies being discussed to help reduce the impact on the Group, regardless of the outcome of Brexit.

The risks are higher if there is a "no-deal" Brexit, in which case the UK would follow World Trade Organization rules to trade with the EU and other countries, while trying to negotiate free-trade deals. In such an event, certain sections of our supply chain are likely to be impacted in the short-term as certain goods are imported from the EU. Contingency plans have been put in place where available and where appropriate to minimise the potential impact.

In addition to this, as some of the UK employee base is EU nationals, there is likely to be an impact on the employees depending on the outcome from a "no-deal" Brexit. There has been constant communication with them to ensure they are aware of the circumstances and where they can find support from the Group.

Given the contingency plans in place, a "no-deal" Brexit is not expected to have a material impact on the Group's operations or forecasts, however the uncertainty surrounding Brexit does mean that the risk can grow, which the Group would have to mitigate further.

## **Future Development**

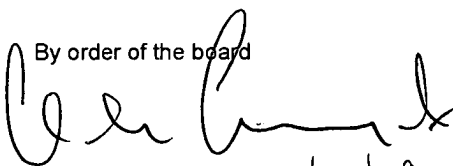
We continue our efforts into 2019 to monitor and review the ever changing consumer trends and seek to innovate to meet this rapidly changing environment. Our research and development efforts are focussed on exploring opportunities on developing appealing menu options, creative technological solutions and effective ways of serving our customers.

## **Going Concern**

As at 24 February 2019 the consolidated Group had net assets of £103.3m, net current liabilities of £72.2m, an operating profit of £41.9m and a loss for the year then ended of £38.5m. Operating cash inflows for the year were £156.6m. The financial statements have been prepared on a going concern basis which the directors consider to be appropriate.

Borrowings at 24 February 2019 stood at £1,049m with cash balances of £193m, creating a net debt position of £856m and undrawn facilities of £105m. Since that date surplus cash has been used to repay debt of £128m but the net debt position remains broadly similar and undrawn facilities remains broadly similar. Following these debt repayments the Group has no significant further debt repayments falling due until 2022 and the undrawn facility is available until 2023. The directors have prepared cash flow forecasts for the rest of the current financial period and the next financial period which indicate that, taking account of overseas expansion plans and reasonably possible downsides, the company will have sufficient funds, through its existing facilities, to meet its liabilities as they fall due for that period.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis.

By order of the board  
  
C F Luyckx  
Director  
01/10/19

St Mary's House  
42 Vicarage Crescent Battersea  
London  
SW11 3LD

## Directors' Report

The directors present their annual report for the 52 week period ended 24 February 2019.

The Company has chosen, in accordance with S414 C(11) of the Companies Act (2006), to present information that is otherwise required to be presented in the Director's Report within the Strategic Report.

The consolidated financial statements are prepared under International Financial Reporting Standards as adopted by the EU (IFRS) as permitted by the Companies Act (2006).

## Directors

The directors who held office during the year or have since been appointed were as follows:

R A G T'Hooft  
C F Luyckx  
A P Lynch (Appointed 25 April 2019)  
R S Papps (Appointed 25 April 2019)  
L Perlman (Appointed 25 April 2019)  
L L Tait (Appointed 25 April 2019)

## Employees (Nandocas)

The Group's policy is to encourage the employment of disabled people where reasonably practical. Full and fair consideration is given to employment applications from disabled persons having regard to their aptitude and abilities.

The Group encourages the involvement of all Nandocas in the Group's performance using various methods, including staff surveys, employee forums and incentive schemes.

The employee forums and staff surveys are also conducted to obtain the views of Nandocas, share financial information, to ensure all Nandocas are kept informed on all matters of concern to them.

The Group takes all reasonable steps to ensure that all employment conditions are applied regardless of sex, race colour, ethnic background, religion or disability. So far as is practicable, arrangements are made to continue the employment of an employee who becomes disabled and to provide them with training and career development.

## Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political contributions during the year.

The Group made charitable donations of £400k (2018: £10.8k). These donations represent direct charity giving only and therefore capture only a small element of the work and time we dedicate directly to charities both internationally and in the communities in which we operate.

## Dividends

No dividends were paid during the year (2018: nil).

## Taxation

Nando's is a responsible corporate citizen and tax payer. The Group pays all taxes due in every jurisdiction where we operate. The income tax expense incurred by the Group during the year was £13.1m (2018: £16.1m). Nando's also contributes further direct and indirect taxes including social security, property taxes, local taxes and value added taxes.



**Directors' Report** (continued)

**Financial Management and Financial Instruments**

The Group's Financial Risk management objectives and policies, including entering hedging arrangements to manage the interest rate risk, and the main risks arising from the Group's financial assets and liabilities are summarised in note 27.

**Future developments**

An indication of likely future developments in the business have been included in the Strategic Report. During the year the Group was involved in certain research and development activities relating to the development of certain technology solutions, this is expected to continue in the future, the detail is summarised in Strategic Report.

**Subsequent events**

*Share Consolidation*

During the financial year, the company issued 130 million A Shares in a debt for equity swap in order to finance the redemption of a Deep Discounted Bond held by Yellowwoods Treasury 2 S.à r.l. which was required to be redeemed in May 2019. After this equity issue, there were 180,000,000 million 'A' shares and 10,240,964 'B' shares in issue. This share issue of 'A' shares had the effect of diluting the 'B' shareholders, reducing the 'B' Share Equity Value. The 'B' shares previously represented 17% of the company and therefore shared in growth in value of the company at the rate of 17% above the Hurdle. If the effects of the dilution were not corrected, the B Shares would only share in that growth above the hurdle at c.5.69%. This is not fully mitigated by the increase in value due to the reduction in debt.

In September 2019, the 180,000,000 'A' shares in issue were consolidated into 50,000,000 A shares (a ratio of 3.6 to 1), combined with an increase in the hurdle per share, to ensure the Equity Value of the B Shares does not increase. The effect of the share consolidation is that the rights of the B shareholders are preserved. As the effect of the changes in capital structure have had no adverse or beneficial effect on the B shareholders, no adjustment to the share based payment charge has arisen as a result of the modifications to the share based payment scheme after the year end.

*Loan repayment*

Subsequent to the year end, the Company repaid a deep discounted bond to Yellowwoods Treasury 2 SARL, the total value repaid was £127.7m on final maturity date, being four years after subscription date on 10 May 2019.

**Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

  
C F Luyckx  
Director

01/10/19

St Mary's House  
42 Vicarage Crescent Battersea  
London  
SW11 3LD

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NANDO'S GROUP HOLDINGS LIMITED**

### **Opinion**

We have audited the financial statements of Nando's Group Holdings Limited ("the company") for the 52 week period ended 24 February 2019 which comprise the Consolidated Income Statement and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes In Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes In Equity and related notes, including the accounting policies in notes 1 to 3.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 24 February 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of intangibles, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NANDO'S GROUP HOLDINGS LIMITED (CONTINUED)

### Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### Directors' responsibilities

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Hugh Green (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

KPMG LLP  
Chartered Accountants  
Gateway House  
Tollgate  
Chandlers Ford  
Southampton  
SO53 3TG

Date:

2 October 2019



**Consolidated Income Statement and Other Comprehensive Income  
for the 52 week period ended 24 February 2019 (52 week period ended 25 February 2018)**


	<i>Note</i>	2019 £'000s	2018 £'000s
<b>Revenue</b>	4	1,051,106	969,297
Cost of sales		<u>(837,692)</u>	<u>(764,790)</u>
<b>Gross Profit</b>		<u>213,414</u>	<u>204,507</u>
Other operating income	5	2,647	2,391
Administrative expenses	6	(171,742)	(162,928)
Share of loss of equity-accounted investees, net of tax	18	(2,385)	(1,207)
<b>Operating profit</b>		<u>41,934</u>	<u>42,763</u>
Financial income	10	975	3,212
Financial expense	11	<u>(68,062)</u>	<u>(66,013)</u>
<b>Net financial expense</b>		<u>(67,087)</u>	<u>(62,801)</u>
<b>Loss before tax</b>		<u>(25,153)</u>	<u>(20,038)</u>
Income tax expense	12	(13,125)	(16,075)
<b>(Loss) / profit for the period</b>		<u>(38,278)</u>	<u>(36,113)</u>
Non-controlling interest	17	(184)	(182)
<b>(Loss) / Profit for the period attributable to Nando's Group Holdings Limited</b>		<u>(38,462)</u>	<u>(36,295)</u>
<b>Other comprehensive income</b>			
<i>Items that may not be reclassified subsequently to profit / (loss)</i>			
Exchange differences on translating foreign operations		1,245	(14,535)
<b>Other comprehensive income for the period, net of tax</b>		<u>1,245</u>	<u>(14,535)</u>
<b>Total comprehensive income for the period</b>		<u>(37,033)</u>	<u>(50,648)</u>
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the parent		(37,217)	(50,830)
Non-controlling interest		<u>184</u>	<u>182</u>
		<u>(37,033)</u>	<u>(50,648)</u>

The accompanying notes form part of the financial statements.

**Consolidated Statement of Financial Position  
as at 24 February 2019 (25 February 2018)**

	Note	2019 £'000s	2018 £'000s
<b>Non-current assets</b>			
Property plant and equipment	14	375,464	368,034
Intangible assets	15	718,689	744,018
Investments in equity accounted investees	18	22,331	20,914
Deferred tax assets	19	1,806	1,514
Trade and other receivables	21	3,185	2,511
		<b>1,121,475</b>	<b>1,136,991</b>
<b>Current assets</b>			
Inventories	20	7,520	5,839
Trade and other receivables	21	33,500	34,880
Cash and cash equivalents	22	193,029	62,437
Current tax receivable		1,067	5,562
		<b>235,116</b>	<b>108,718</b>
<b>Total assets</b>		<b>1,356,591</b>	<b>1,245,709</b>
<b>Current liabilities</b>			
Other interest bearing loans and borrowings	23	(13,991)	(35,675)
Loans due to related parties	23	(125,872)	-
Trade and other payables	24	(164,933)	(154,131)
Tax payable		(361)	(273)
Provisions	26	(2,004)	(519)
Derivative financial instruments	28	(136)	(202)
		<b>(307,297)</b>	<b>(190,800)</b>
<b>Non-current liabilities</b>			
Other interest bearing loans and borrowings	23	(313,230)	(353,890)
Loans due to related parties	23	(596,277)	(663,056)
Other payables	24	(30,833)	(28,940)
Deferred tax liabilities	19	(3,705)	(3,438)
Provisions	26	(1,988)	(2,030)
		<b>(946,033)</b>	<b>(1,051,354)</b>
<b>Total liabilities</b>		<b>(1,253,330)</b>	<b>(1,242,154)</b>
<b>Net assets</b>		<b>103,261</b>	<b>3,555</b>
<b>Equity</b>			
Share Capital	29	180,010	50,010
Capital Contribution reserve	29	-	-
Own share reserve	29	-	-
Foreign Currency translation reserve		10,211	8,966
Retained Earnings		(88,290)	(56,567)
<b>Equity attributable to equity holders of the parent</b>		<b>101,931</b>	<b>2,409</b>
Non-controlling interest		1,330	1,146
<b>Total equity</b>		<b>103,261</b>	<b>3,555</b>

The accompanying notes form part of the financial statements.

  
01/10/19

**Consolidated Statement of Cash Flows**

**for the 52 week period ended 24 February 2019 (52 week period ending 25 February 2018)**

	2019 £'000s	2018 £'000s
<b>Cash flows from operating activities</b>		
(Loss) / Profit for the period (from continuing operations)	(38,278)	(36,113)
<i>Adjustments for:</i>		
Depreciation and amortisation	100,115	95,226
Impairment loss on trade receivables	51	101
Impairment loss on non current assets (net of reversals of impairment)	721	1,423
Loss/(gain) on disposal of non current assets	3,656	1,701
Share of equity accounted investees	2,385	1,207
Share Based payment expense	5,400	1,749
Financial income	(975)	(3,212)
Financial expense	68,062	66,013
Taxation	13,125	16,075
	<u>154,262</u>	<u>144,170</u>
(Increase)/decrease in trade & other receivables	706	(5,459)
Increase/(decrease) in trade & other payables	12,695	33,259
(Increase)/decrease in inventories	(1,681)	(498)
(Decrease)/increase in provisions	1,443	(135)
	<u>167,425</u>	<u>171,337</u>
Tax paid	(10,787)	(20,031)
<b>Net cash flows from operating activities</b>	<u><b>156,638</b></u>	<u><b>151,306</b></u>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of Property plant and equipment	17	3,135
Acquisition of business combinations (net of cash acquired)	(506)	(8,244)
Acquisition of property, plant and equipment	(82,192)	(91,752)
Acquisition of equity accounted investments	(4,122)	(60)
Acquisition of intangible assets	(1,080)	(1,172)
Interest received	247	124
Dividends received	320	-
<b>Net cash flows from investing activities</b>	<u><b>(87,316)</b></u>	<u><b>(97,969)</b></u>
<b>Cash flows from financing activities</b>		
Proceeds from long term borrowings	5,466	14,600
Repayment of long term borrowings	(62,166)	(23,064)
Purchase of non controlling interest	-	(4,009)
Proceeds from issue of share capital	130,000	-
Interest paid	(11,346)	(15,433)
<b>Net cash flows from financing activities</b>	<u><b>61,954</b></u>	<u><b>(27,906)</b></u>

**Consolidated Statement of Cash Flows**

**for the 52 week period ended 24 February 2019 (52 week period ending 25 February 2018)**

	<b>Group</b>	<b>Group</b>
	<b>2019</b>	<b>2018</b>
<i>Note</i>	<b>£'000s</b>	<b>£'000s</b>
Net cash flows from operating activities	156,638	151,306
Net cash flows from investing activities	(87,316)	(97,969)
Net cash flows from financing activities	61,954	(27,906)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>131,276</b>	<b>25,431</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>62,437</b>	<b>36,904</b>
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	(684)	102
<b>Cash and cash equivalents at end of period</b>	<b>22 193,029</b>	<b>62,437</b>
Cash and cash equivalents per balance sheet	193,029	62,437
Bank overdrafts	-	-
<b>Cash and cash equivalents at end of period per cash flow</b>	<b>22 193,029</b>	<b>62,437</b>

The accompanying notes form part of the financial statements.



Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent					Total	Non-controlling interest	Total Equity
	Share Capital	Capital Contribution Reserve	Own Share Reserve	Foreign currency translation reserve	Retained earnings (Profit & loss reserve)			
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Balance at 26 February 2017</b>	50,009	8,401	1,604	23,501	(29,324)	54,191	2,271	56,462
<b>Changes in equity for 2018</b>								
Profit for the period	-	-	-	-	(36,295)	(36,295)	182	(36,113)
Other comprehensive income	-	-	-	(14,535)	-	(14,535)	-	(14,535)
<b>Total Comprehensive Income for 2018</b>	-	-	-	(14,535)	(36,295)	(50,830)	182	(50,648)
Issue of share capital	1	-	-	-	-	1	-	1
Transfer of reserves	-	(8,401)	(1,604)	-	10,005	-	-	-
Transfer of non controlling interest on disposal of subsidiary	-	-	-	-	1,749	1,749	-	1,749
Purchase of non controlling interest (Note 17)	-	-	-	-	(2,702)	(2,702)	(1,307)	(4,009)
<b>Balance as at 25 February 2018</b>	<b>50,010</b>	<b>-</b>	<b>-</b>	<b>8,966</b>	<b>(56,567)</b>	<b>2,409</b>	<b>1,146</b>	<b>3,555</b>
<b>Balance at 26 February 2018</b>	50,010	-	-	8,966	(56,567)	2,409	1,146	3,555
Adjustment in initial application of IFRS 9 (Note 1.3)	-	-	-	-	6,775	6,775	-	6,775
Adjustment in initial application of IFRS 15 (Note 34)	-	-	-	-	(1,705)	(1,705)	-	(1,705)
<b>Adjusted Balance at 26 February 2018</b>	<b>50,010</b>	<b>-</b>	<b>-</b>	<b>8,966</b>	<b>(51,497)</b>	<b>7,479</b>	<b>1,146</b>	<b>8,625</b>
<b>Changes in equity for 2019</b>								
Loss for the period	-	-	-	-	(38,462)	(38,462)	184	(38,278)
Other comprehensive income	-	-	-	1,245	-	1,245	-	1,245
<b>Total Comprehensive Income for 2019</b>	-	-	-	1,245	(38,462)	(37,217)	184	(37,033)
Issue of share capital	130,000	-	-	-	-	130,000	-	130,000
Equity settled share based payments	-	-	-	-	1,669	1,669	-	1,669
<b>Balance at 24 February 2019</b>	<b>180,010</b>	<b>-</b>	<b>-</b>	<b>10,211</b>	<b>(88,290)</b>	<b>101,931</b>	<b>1,330</b>	<b>103,261</b>

The accompanying notes form part of the financial statements.

## Notes to the financial statements

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently for all the periods presented, unless otherwise stated.

### 1 Basis of preparation

Nando's Group Holdings Limited (the "Company") is a private company, limited by shares, incorporated, registered and domiciled in the England. The registered number is 06451677 and the registered address is St Mary's House, 42 Vicarage Crescent, Battersea, London, SW11 3LD.

The Nando's Group Holdings Limited Group includes the company and entities controlled by it and its subsidiaries and equity account the Group's interest in associates and joint ventures ("the Group"). The Group financial statements consolidate those of the Company and its subsidiaries. The directors have prepared these financial statements on a going concern basis.

The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 68 to 82.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements, are disclosed in note 3.

The consolidated financial statements are presented in Pound Sterling, which is the Group's presentation currency. The functional currency of the Company is Pounds Sterling.

#### *Going concern*

As at 24 February 2019 the consolidated Group had net assets of £103.3m, net current liabilities of £72.2m, an operating profit of £41.9m and a loss for the year then ended of £38.5m. Operating cash inflows for the year were £156.6m. The financial statements have been prepared on a going concern basis which the directors consider to be appropriate.

Borrowings at 24 February 2019 stood at £1,049m with cash balances of £193m, creating a net debt position of £856m and undrawn facilities of £105m. Since that date surplus cash has been used to repay debt of £128m but the net debt position remains broadly similar and undrawn facilities remains broadly similar. Following these debt repayments the Group has no significant further debt repayments falling due until 2022 and the undrawn facility is available until 2023. The directors have prepared cash flow forecasts for the rest of the current financial period and the next financial period which indicate that, taking account of overseas expansion plans and reasonably possible downsides, the company will have sufficient funds, through its existing facilities, to meet its liabilities as they fall due for that period.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis.

### 1.1 Standards issued and applied for the first time in 2019

The following new and revised Standards and Interpretations have been adopted in the current period. Unless otherwise disclosed, their adoption has had no material impact on the amounts reported in these financial statements. Amendments to:

- IFRS 15 in respect of Revenue from Contracts with Customers is effective for accounting periods beginning on or after 1 January 2018. IFRS 15 replaces IAS 18 and IAS 11 (and the related interpretations) and introduces the principal that revenue is recognised when control of a good or service transfers to a customer.
- Amendments to IFRS 2 in respect of Share-based Payment Transactions is effective for accounting periods beginning on or after 1 January 2018. The amendments provide additional guidance with respect to the classification and measurement requirements of cash-settled share-based payment transactions as well as transactions where the entity has to withhold amounts due to local tax requirements.
- Annual improvements to IFRS Standards 2014 - 2016 cycle relating to IFRS 1 First time adoption of IFRS and IAS 28 Investments in Associates and Joint Ventures which will be effective on periods commencing on or after 1 January 2018 and has been endorsed for adoption by EU.

## **1 Basis of preparation (continued)**

### **1.1 Standards issued and applied for the first time in 2019 (continued)**

- IFRIC 22 Foreign Currency Transactions and Advance Consideration is effective for accounting periods beginning on or after 1 January 2018. IFRIC 22 provides clarification of the dates of exchange rate to be used for an advance payment or receipt.
- IFRS 9 in respect of Financial Instruments is effective for the accounting periods beginning on or after 1 January 2018. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

### **1.2 Standards and interpretations issued and not yet effective**

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective or not yet endorsed for the period presented:

- Amendments to IFRS 9 Financial Instruments: the amendments relate to Prepayment Features with Negative Compensation. IFRS 9 has been endorsed for adoption by the EU but is effective for the accounting periods beginning on or after 1 January 2019.
- IFRS 16 in respect of Leases which will be effective for accounting periods beginning on or after 1 January 2019. IFRS 16 will result in almost all leases being recognised in the statement of financial position, as the distinction between finance and operating leases is removed. Under this standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term leases and low value leases. IFRS 16 has been endorsed for adoption by the EU but is not yet effective.
- Annual improvements to IFRS Standards 2015 - 2017, This amendment has an effective date of 1 January 2019.
- IFRIC 23 in respect of Uncertainty over Income Tax Treatments: IFRIC 23 provides guidance in determining how tax treatment adopted in a tax return should be reflected in the financial statements. IFRIC 23 is applicable for accounting periods beginning on or after 1 January 2019.
- Amendments to IAS 28 Investments in Associates and Joint Ventures: the amendment to IAS 28 clarifies that IFRS 9 applies, including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendment to IAS 28 has now been endorsed.

### **1.3 Impact of new standards**

#### *IFRS 9 Financial Instruments*

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The Standard is effective in the company's statutory financial statements for the year ending 24 February 2019. The Group adopted the standard without restating prior periods. Here opening retained earnings has been adjusted for any difference in carrying value following adoption of IFRS 9. Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. Accordingly, the information presented for the prior period does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for the current period under IFRS 9.

**1 Basis of preparation (continued)**

**1.3 Impact of new standards (continued)**

*IFRS 9 Financial Instruments (continued)*

The standard covers three elements:

(a) Classification and measurement changes to a more principle based approach to classify financial assets as either held at amortised costs, fair value through other comprehensive income (FVOCI) or fair value through profit and loss, dependent on the business model and cash flow characteristics of the financial asset.

(b) Impairment, this moves to an impairment model based on a three stage approach; and

(c) Hedge accounting requirements are designed to allow hedge accounting to be more closely aligned with the Group's underlying risk management.

The Group's retained earnings has increased by £6.8m following adoption of IFRS 9. This gain relates to a substantial loan modification that occurred during the prior financial year. This measurement change was required under IFRS 9.

The financial impact of moving to the expected credit loss model was not material. Hedge accounting was not applied before transition to IFRS 9 and has not been applied since, so this change has had no effect. There are no other material measurement or classification changes. Refer to note 34 for further details for IFRS 9.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 'Revenue from Contracts with Customers' is effective in the company's statutory financial statements for the year ending 24 February 2019. The Group has adopted the standard using the cumulative catch up method. Here the comparative period has not be adjusted to reflect the new standard and continues to be reported under IAS 18. The cumulative impact of applying the new standard has been adjusted into the opening balance of equity at the date of the initial application.

IFRS 15 introduces a five step approach to the timing of revenue recognition based on performance obligations in customer contracts. The core principle of IFRS 15 is that the entity should recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration of which the entity expects to be entitled in exchange for those good or services.

*Sale of goods*

The performance obligations are the goods sold in the restaurant, and in some markets we run a loyalty programme, which is deemed to be a material right to the customer. Revenues allocated to the goods sold in the restaurant are recognised at a point in time when the customer obtains the goods, and revenues allocated to the loyalty programme are recognised at a point in time when the customer uses the loyalty points or if the points expire.

Under IFRS 15 revenue is to be allocated to performance obligations based on standalone selling prices; accordingly a higher proportion of consideration has been allocated to the loyalty programme in one market and a lower proportion of consideration has been allocated to the loyalty programme in another market but overall, this has resulted in a higher value of deferred revenue of £0.4m as at 26 February 2018. There are no other material impacts on the sale of goods in restaurants as a result of applying IFRS 15.

*Royalty income and Franchise fees*

The performance obligation is the licence to trade in the market. Revenues are allocated to the licence and this is recognised overtime of the agreement.

Under IFRS 15, the initial franchise fee is not considered as a distinct performance obligation and as a result, the amounts billed to customers for this are allocated to the licence performance obligation and recognised overtime of the agreement. This has resulted in deferred income of £1.3m recognised in the financial statements as at 26 February 2018. There are no other material impacts on the royalty income and franchise fees as a result of applying IFRS 15.

**1 Basis of preparation (continued)**

**1.3 Impact of new standards (continued)**

*IFRS 15 Revenue from Contracts with Customers (continued)*

*Grocery Sales*

The performance obligation is the sale of goods to distributors. Revenue is recognised at a point in time when control passes over to the distributor. There are no material impacts on this revenue stream as a result of applying IFRS 15.

Refer to note 34 for further details for IFRS 15.

**1.4 Impact of future standards**

*IFRS 16 Leases*

IFRS 16 'Leases' will be effective in the company's statutory financial statements for the year ending 23 February 2020. Under IFRS 16, the Group will be required to account for its operating leases by recognising a right-of-use asset and related lease liability on the balance sheet. This will additionally impact the depreciation and interest amounts recognised in the income statement. The measurement of overall cash flows of the Group will remain unchanged, although there will be classification changes within the cash flow statement as a result of adopting IFRS 16. Furthermore, extensive disclosures will be required by IFRS 16. There are recognition exemptions for short term leases and leases of low value items which the group intends to take advantage of.

The Group has considered its entire lease portfolio majority of which relates to land and buildings. As at 24 February 2019, the Group's future minimum lease payments under non-cancellable operating leases amounted to £628m on an undiscounted basis (see note 30).

In addition, the nature of expenses will now change as IFRS 16 replaces the straight line operating lease expense with depreciation charge for right of use assets and interest expense on lease liabilities. The Group's operating lease expense for the period ending 24 February 2019 amounted to £71.6.

The Group intends to adopt IFRS 16 in the Group's statutory financial statements for the year ending 23 February 2020.

The impact of the standard on the Group is currently being assessed and it is not yet practicable to quantify the effect of IFRS 16 on these consolidated Financial Statements. The Group plans on transitioning to IFRS 16 using the modified retrospective approach.

The initial findings have helped identify that there are 651 leases that would be above the low-value threshold set by the group. These leases have an average rental charge of £103k per year and have an average remaining term of 9.3 years, with the longest individual lease having a term of 49 years. The Group is still assessing the overall impact on the financial statements.

## **2 Accounting Policies**

### **2.1 Measurement convention**

The financial statements are prepared on the historical cost basis except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below.

### **2.2 Basis of consolidation**

The consolidated accounts of Nando's Group Holdings Limited includes the company and entities controlled by it and its subsidiaries.

Control is achieved when the investor

- has power over the investee;
- is exposed or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

If facts and circumstances indicate that there are changes to one or more of the three elements of control listed above, the investor shall reassess whether it controls the investee.

An investor can have power over an investee even if it holds less than a majority of the voting rights of an investee. All facts and circumstances are considered in assessing whether or not voting rights in an investee are sufficient to give it power, for example, through:

- contractual arrangements with other vote holders;
- rights from other contractual arrangements that indicate that the company has the current ability to direct the relevant activities of the investee;
- the size of the company's holding of voting rights relative to the size and dispersion of holdings of other vote holders; or
- potential voting rights held by the company that are substantive.

The Group enters into franchise arrangements with third parties which confer the right to operate the Nando's brand restaurant in designated locations. In exchange, the Group receives a variable royalty as described in note 2.15. The facts and circumstances of each franchise agreement are considered when determining whether control is achieved. Whilst the franchise arrangements provide for the group to have certain protective rights over the franchisees use of the Nando's brand, these rights do not constitute power and therefore control over the franchisees.

### **Investment in subsidiaries**

Consolidation of a subsidiary begins from the date the investor gains control of an investee and ceases when the investor loses control of an investee. The purchase, or acquisition, method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of the acquisition is measured as the fair value of assets transferred, equity instruments issued and liabilities incurred at the date of exchange. Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

## **2 Accounting Policies (continued)**

### **2.2 Basis of consolidation (continued)**

#### ***Investment in subsidiaries (continued)***

Non-controlling interests in subsidiaries are presented in the consolidated statement of financial position separately from the equity attributable to equity owners of the parent company. Non-controlling shareholders' interest may initially be measured either at fair value or at the non-controlling shareholders' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on each acquisition individually. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Acquisitions or disposals of non-controlling interests which do not affect the parent company's control of the subsidiary are accounted for as transactions with equity holders. Any difference between the fair value of the amount paid or received and the change in non-controlling interests is recognised directly in equity.

When the Group ceases to have control of a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost with the adjustment being recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (this may mean that these amounts are reclassified to profit or loss or transferred to another category of equity as specified by applicable IFRS).

#### ***Investment in Associates***

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The investment in an associate is initially recognised at cost and adjusted for the Group's share of in the net assets of the investee after the date of acquisition, and for any impairment in value (equity method), except when the investment is classified as held-for-sale in accordance with IFRS 5 Non-current assets held-for-sale and discontinued operations. The Group recognises losses to the extent there is a legal or constructive obligation in relation to those losses.

#### ***Joint venture***

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. In classifying whether an investee is jointly controlled, management considers the rights and obligations of the parties to the arrangement. This includes the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and other facts and circumstances. The investment in a joint venture is initially recognised at cost and adjusted for the Group's share of in the net assets of the investee after the date of acquisition, and for any impairment in value (equity method), except when the investment is classified as held-for-sale in accordance with IFRS 5 Non-current assets held-for-sale and discontinued operations. The Group recognises losses to the extent there is a legal or constructive obligation in relation to those losses. When the Group loses joint control, it proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. If an investment remains, it is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

## **2 Accounting Policies (continued)**

### **2.3 Foreign currencies**

#### **Foreign currency transactions**

Transactions in foreign currencies are recorded in the respective functional currencies of the entities within the Group. Monetary items denominated in foreign currencies are retranslated at the exchange rates applying at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise, except for:

- exchange differences on foreign currency borrowings which are regarded as adjustments to interest costs, where those interest costs qualify for capitalisation to assets under construction;
- exchange differences on loans to or from a foreign operation for which settlement is neither planned nor likely to occur and therefore forms part of the net investment in the foreign operation, which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

#### **Foreign operations**

The assets and liabilities of the Group's foreign operations are translated to Pounds Sterling using exchange rates at period end. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rate on transaction date is used. Goodwill acquired in business combinations of foreign operations are treated as assets of that operation and translated at the closing rate.

Exchange differences are recognised in other comprehensive income and accumulated in a separate category of equity.

On the disposal of a foreign operation, the accumulated exchange differences of that operation, which is attributable to the Group are recognised in profit or loss.

### **2.4 Financial instruments (policy applicable from 25 February 2018)**

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument.



## 2 **Accounting Policies (continued)**

### 2.4 **Financial instruments (policy applicable from 25 February 2018) (continued)**

#### 2.4.1 **Financial assets**

Financial assets comprise cash and cash equivalents and trade and other receivables.

Trade receivables are initially recognised when they are originated and are initially measured at fair value where there is a significant financing component. Trade receivables without a significant financing component is initially measured at the transaction price.

Trade receivables are subsequently measured at amortised cost as they meets both of the following conditions:

- they are held within a business model whose objective is to hold assets to collect contractual cash flows; and
- their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Trade receivables are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment using the expected credit loss approach.

The Group recognises loss allowances for expected credit losses (ECLs) on trade receivables using the simplified expected credit loss model which is measured at an amount equal to lifetime ECL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held) or the financial asset is more than 90 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

For the comparative period, the Group reported under IAS 39 and therefore trade receivables were impaired if objective evidence indicated that a loss event had occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

## **2 Accounting Policies (continued)**

### **2.4 Financial instruments (policy applicable from 25 February 2018) (continued)**

#### **2.4.2 Financial liabilities (other than derivative financial instruments)**

Financial liabilities comprise loans and borrowings and trade and other payables. Financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### **2.4.3 Derivative financial instruments**

The Group holds derivative financial instruments to hedge its market and interest rates risk exposures and mitigate risks to its cash flow. Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

#### **2.4.4 Equity instruments**

Equity instruments issued by the Group are recorded at the value of proceeds received, net of costs directly attributable to the issue of the instruments.

### **2.5 Financial instruments (policy applicable prior to 25 February 2018)**

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its financial assets and liabilities in the following categories:

- Financial assets at fair value through profit and loss;
- Loans and receivables;
- Financial liabilities at fair value through profit or loss;
- Other financial liabilities.

Financial instruments are recognised initially at fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial instrument, except for financial assets at fair value through profit or loss, which are initially measured at fair value, excluding transaction costs (which is recognised in profit or loss).

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

## **2 Accounting Policies (continued)**

### **2.5 Financial instruments (policy applicable prior to 25 February 2018) (continued)**

#### **Non derivative financial instruments**

##### **2.5.1 Cash and cash equivalents**

Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short-term. Bank overdrafts are shown within borrowing in current liabilities.

##### **2.5.2 Trade receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

Trade receivables that are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables appropriate allowances for estimated irrecoverable amounts is recognised. The Group considers that there is evidence of impairment if any of the following indicators are present:

- Significant financial difficulties of the debtor
- Probability that the debtor will enter bankruptcy or financial reorganisation
- Default or delinquency in payments

Interest on overdue trade receivables is recognised as it accrues.

##### **2.5.3 Trade payables**

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

##### **2.5.4 Bank overdrafts and interest-bearing borrowings**

Bank overdrafts and interest-bearing borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Certain borrowings of the Group are deep-discounted bonds upon which no periodic interest is payable. Such borrowings are accounted for at amortised cost using the effective interest rate of the bond over its life.

##### **2.5.5 Non interest-bearing loans and borrowings**

Non-interest loans are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

##### **2.5.6 Equity instruments**

Equity instruments issued by the Group are recorded at the value of proceeds received, net of costs directly attributable to the issue of the instruments.

##### **2.5.7 Impairment of financial assets**

All financial assets measured at amortised cost are assessed for indicators of impairment at each reporting date. These impairment losses are recognised in profit or loss, unless the financial asset is measured at fair value and the fair value adjustments are recognised in other comprehensive income, in which case the impairment is recognised in other comprehensive income to the extent that fair value adjustments exist. Any excess is recognised in profit or loss.

#### **Derivative financial instruments**

##### **2.5.8 Derivative financial instruments**

The Group holds derivative financial instruments to hedge its market and interest rates risk exposures and mitigate risks to its cash flow. Derivative financial instruments are recognised at fair value and the gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

The derivative instrument will be derecognised when the obligation is extinguished and the liability is settled.

## **2 Accounting Policies (continued)**

### **2.6 Business combinations**

Business combinations are accounted for using the acquisition method. The consideration for acquisition is measured at the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in order to obtain control of the acquiree (at the date of exchange). Costs incurred in connection with the acquisition are recognised in profit or loss as incurred. Where a business combination is achieved in stages, previously held interests in the acquiree are re-measured to fair value at the acquisition date (date the Group obtains control) and the resulting gain or loss, is recognised in profit or loss. Adjustments are made to fair values to bring the accounting policies of acquired businesses into alignment with those of the Group. The costs of integrating and reorganising acquired businesses are charged to the post acquisition profit or loss.

If the initial accounting is incomplete at the reporting date, provisional amounts are recorded. These amounts are subsequently adjusted during the measurement period, or additional assets or liabilities are recognised when new information about its existence is obtained during this period.

Non-measurement period adjustments to contingent consideration(s) classified as equity are not remeasured. Non-measurement period adjustments to other contingent considerations are remeasured at fair value with changes in fair value recognised in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

The Group measures the identifiable assets acquired and the liabilities assumed at their acquisition date fair values, the fair value is determined by reference to the asset or liability being exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. The value of the reacquired rights are separately valued on the basis of the remaining contractual term of the franchisee agreement using the income approach.

Non financial assets are measured at fair value at acquisition date with reference to the highest and best use of the asset, specifically if the highest and best use of the asset is to use the asset in combination with other assets. The fair value of Property, plant and equipment is determined using the depreciated replacement cost approach.

The Group measures goodwill at the acquisition date as the:

- fair value of the consideration transferred; plus
- recognised amount of any non-controlling interests in the acquiree; plus
- fair value of the existing equity interest in the acquiree; less
- net recognised amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

### **2.7 Property, plant and equipment**

All property, plant and equipment assets are stated at cost less accumulated depreciation and accumulated impairment

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

## 2 **Accounting Policies (continued)**

### 2.7 **Property, plant and equipment (continued)**

Depreciation of property, plant and equipment is provided to write off the cost, less residual value, on a straight line basis over the estimated useful lives as follows:

• Buildings	40 years
• Plant and equipment	3-10 years
• Fixtures and fittings	3-10 years
• Motor vehicles	4-5 years
• Capitalised pre-opening costs	4 years
• Leased plant and equipment	7 years or the life of the lease if shorter
• Short leasehold property	Life of the lease
• Land is not depreciated	

Pre-opening costs which are capitalised include project management costs, stamp duty and legal costs directly associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These costs comprise primarily a proportion of payroll costs for named individuals involved in these Project Management teams and are directly attributable to these restaurant fit outs. All other pre-opening costs are expensed directly to the Profit and Loss Account as incurred.

Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

Gains or losses on disposal are included in profit or loss.

### 2.8 **Intangible assets**

#### **Amortisation**

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible asset unless such lives are indefinite. These charges are included in administrative expenses. Intangible assets with an indefinite useful life are tested for impairment annually. Other intangible assets are amortised from the date they are available for use. The useful lives are as follows:

• Reacquired franchise rights over the term of the franchise agreement	1 - 23 years
• IT Development and software	3 years
• Intellectual Property	20 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

#### **Intangible assets acquired separately**

Intangible assets acquired separately are shown at historical cost less accumulated amortisation and impairment losses.

#### **Intangible assets generated internally**

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

#### **Intangible assets recognised in a business combination**

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date.

#### **Other intangible assets**

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred. Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

## **2 Accounting Policies (continued)**

### **2.9 Goodwill**

Goodwill on acquisitions comprises the excess of the aggregate of the fair value of the consideration transferred, the fair value of any previously held interests, and the recognised value of the non-controlling interest in the acquiree over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units before it is tested for impairment annually. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

### **2.10 Inventories**

Inventories are valued at the lower of cost and net realisable value on a weighted average basis. Cost comprises the purchase cost of goods, and, where applicable to the Grocery division of the Group, it also includes direct labour and overheads related to manufacture. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

### **2.11 Impairment of non-financial assets**

The Group assesses annually whether there is any indication that any of its assets have been impaired, other than inventories and deferred tax assets. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where it is impossible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest cash generating unit to which the asset is allocated.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, an impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the impairment loss is recognised as revaluation decrease.

For goodwill, intangible assets that have an indefinite life, and intangible assets not yet available for use, the recoverable amount is estimated annually and at the end of each reporting period if there is an indication of impairment.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## **2 Accounting Policies (continued)**

### **2.12 Retirement benefits**

The Group operates defined contribution pension schemes. The Group pays fixed contributions into a separate entity from the Group, in an independently administered fund. These contributions are expensed in the period in which the employees rendered the services entitling them to the benefits.

### **2.13 Share-based payments**

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group. Share-based payment transactions in which the Group receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Group's equity instruments are accounted for as cash-settled share-based payments. All current arrangements are equity-settled arrangements, with one of the schemes being converted into cash-settled during the period, before being finalised.

For the equity-settled schemes, the fair value of a share plan is recognised as an expense over the expected vesting period with a corresponding entry to retained earnings. The fair value of the share plans is determined at the date of grant. Non-market based vesting conditions (i.e. Group profitability targets) are taken into account in estimating the number of awards likely to vest, which is reviewed at each accounting date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment for past service is made during the vesting date even if the options are forfeited, or are not exercised. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

For the cash-settled scheme which has now been finalised, the fair value of the amount payable to employees was recognised as an expense, with a corresponding increase in liabilities, over the remaining period in which the employees became unconditionally entitled to payment. The liability was remeasured at the balance sheet date and at settlement date. Any changes in the fair value of the liability were recognised as personnel expense in profit or loss.

The fair value of the share plan is measured using the Monte Carlo method.

### **2.14 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

### **2.15 Equity**

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- a. they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and
- b. where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the group's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital exclude amounts in relation to those shares.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as a result of share buy-back, the consideration paid, including any directly incremental costs (net of taxes) is deducted from equity attributable to the owners of the Group as treasury shares until such time that the shares are cancelled or reissued.

## **2 Accounting Policies (continued)**

### **2.16 Revenue**

Revenue arises from the Group's principal activities: the sale of goods in the operation of fast casual dining restaurants, the sale of grocery products, royalty income and franchise fees.

Revenue is recognised when the performance obligations are satisfied and control has transferred to the customer. Revenue is measured based on the transaction price, net of returns, discounts and sales taxes (such as VAT and similar).

#### *Sale of goods*

The performance obligations are the goods sold in the restaurant, and in some markets we run a loyalty programme, which is deemed to be a material right to the customer. Revenues allocated to the goods sold in the restaurant are recognised at a point in time when the customer obtains the goods, and revenues allocated to the loyalty programme are recognised at a point in time when the customer uses the loyalty points or if the points expire.

The Group operates customer loyalty schemes which are deemed to be material rights to the customer. The Group recognises the deferred income balances arising through the operation of such loyalty schemes by deferring a proportion of restaurant revenue based on the proportionate stand alone selling prices of the material right, which is calculated using the value of the discount and the expected customer redemption records, and the goods sold in the restaurant. Revenue is deferred and is recognised as revenue when the Group has fulfilled its obligations to supply the discounted or free of charge products under the terms of the programme or when it is no longer possible that the points under the programme can be redeemed as the points expire.

#### *Royalty income and Franchise fees*

The performance obligation is the licence to trade in the market. Revenues are allocated to the licence and this is recognised over the period of the agreement.

Initial franchise fees billed to the customer are not deemed to be a distinct performance obligation and as a result, the amounts are allocated to the licence performance obligation and as a result, it is recognised as deferred income and is recognised as revenue overtime of the agreement.

Royalty income and marketing income is received based on a percentage of total restaurant sales in accordance with the substance of the relevant MFA for that market. Royalty income is recognised on an accruals basis in line with restaurant sales. This is in line with the exemption in IFRS 15 which allows sales based royalties to be booked as and when the subsequent sale occurs.

#### *Grocery sales*

The performance obligation is the sale of goods to distributors. Revenue is recognised at a point in time when control passes over to the distributor.

Recognition of revenue arising from the sale of grocery products depends on the individual terms of the sales agreement, the transfer usually occurs when the goods are delivered to the customer; however, for some international shipments the transfer occurs on loading the goods onto the relevant carrier at the port.

### **2.17 Cost of sales**

Cost of sales includes those costs directly attributable to the provision of goods and services to customers. Receipts from suppliers in respect of volume-based rebates and other incentives are recorded within cost of sales as the group becomes entitled to receive the rebate. Where there is a short term timing difference between the rebate becoming contractually due and the receipt from the supplier, the receivable is included within other receivables.



## **2 Accounting Policies (continued)**

### **2.18 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### **2.18.1 As Lessor**

##### **Operating leases**

Rental and franchise income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Any balloon payments and rent free periods are taken into account when determining the straight-line charge.

#### **2.18.2 As Lessee**

##### **Finance leases**

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or if lower, at the present value of the minimum lease payments. The related liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between interest expenses and capital redemption of the liability. Interest is recognised immediately in profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period, unless attributable to qualifying assets, in which case they are capitalised to the cost of those assets. The assets are depreciated over the shorter of the lease term and its useful lives.

Contingent rentals are recognised as expenses in the periods in which they are incurred.

##### **Operating leases**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except if another systematic basis is more representative of the time pattern in which economic benefits will flow to the Group.

Contingent rentals arising under operating leases are recognised in the period in which they are incurred.

Lease incentives and similar arrangements of incentives are taken into account when calculating the straight-line expense.

### **2.19 Financing income and expenses**

Financing expenses include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy).

Financing income comprise interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

### **2.20 Borrowing costs**

The Group does not construct material qualifying assets and therefore borrowing costs are expensed in the period they are incurred.

## **2 Accounting Policies (continued)**

### **2.21 Taxation**

Tax on profit or loss for the period comprises current and deferred tax. Current and deferred tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Income tax for the period is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

The Group does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. It is the Group's policy to reinvest undistributed profits arising in group companies.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same tax authority. Current tax assets and liabilities are offset where the entity has a legal enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### **2.22 Discontinued operations**

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

### **3 Accounting estimates and judgements**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are as follows:

#### **3.1 Key sources of estimation uncertainty**

In the process of applying the Group's accounting policies, management has made various estimates. Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items.

##### *Goodwill*

In assessing the recoverability of goodwill, management's approach is to use operating cash flows derived from the five year strategic planning process. Cash flows after the five-year period are extrapolated using a terminal value calculation. There are a number of areas of judgement and key assumptions used across revenue and expenses as part of this process. Further detail on the key assumptions used to calculate the present value of these cash flows is given in Note 15.1.

##### *Customer Loyalty Scheme*

Certain markets operate Customer Loyalty programmes based on a points system, which results in deferred revenue being recognised.

The Group operates loyalty programmes where certain products are provided when a specific number of points are collected. The fair value of the points issued are estimated based on stand alone selling price of the discount offered and offered until such time that the loyalty programme rewards are redeemed. The fair value of the points is based on a calculation of factual information such as the level of points earned but not redeemed, frequency of visits and historical value of rewards redeemed. Management estimation is used on further elements of the calculation, these estimates are expiration of rewards and likelihood unregistered cards being registered. This is in line with material right accounting as per the requirements of IFRS 15.

The balance of deferred revenue arising from loyalty programmes is £14,599k (2018: £13,789k).

The Group considers that such estimates can be made with a reasonable degree of accuracy and therefore the range of reasonably possible outcomes is considered small. However, in the unlikely event that all points in issue were assumed to be converted to rewards and redeemed by customers, the fair value of the redemption of those awards would be greater than the amount of revenue deferred by £10,400k as at 25 February 2018 (2018: £11,000k).

##### *Deferred tax assets*

The Group includes operations in certain markets which are at an early stage of development and therefore incurring losses which may be available for deduction against future profits. Estimation uncertainty exists in estimating the occurrence and timing of future profits and therefore evaluating the likelihood of losses being utilised against taxable profits in the future. In assessing the recoverability of tax losses, management's approach is to use the five-year strategic plan which shows cash flow and taxable profit information. We assess the recoverability of deferred tax assets by focussing on the shorter terms cash flows in these forecasts due to the greater uncertainty of undiscounted longer-term forecasts. The resolution of the uncertainty is not expected to occur until the relevant markets demonstrate taxable profits which may take several years. The carrying value of Deferred tax assets in respect of losses is £nil (2016: £nil). The aggregate value of unrecognised deferred tax assets is provided in note 19.

#### **3.2 Critical judgements in applying the Group's accounting policies**

In the process of applying the Group's accounting policies, management has made various judgements. Management do not consider that any of these judgements, other than those involving estimation uncertainty as described above, have a significant effect on the consolidated financial statements.

**Notes to the financial statements (continued)**

**4 Revenue**

	2019 £'000s	2018* £'000s
<i>The Group's revenue comprises:</i>		
Sale of goods in restaurants	1,015,376	943,157
Grocery Sales	23,581	15,069
Royalties and franchise fees	12,149	11,071
	<u>1,051,106</u>	<u>969,297</u>
	2019 £'000s	2018 £'000s
<i>The Group's revenue comprises:</i>		
Products and services transferred at a point in time	1,038,957	958,226
Products and services transferred over time	12,149	11,071
	<u>1,051,106</u>	<u>969,297</u>

\*The company has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated.

*Geographical Analysis of Revenue*

All restaurant revenue for the period was derived from sales in the UK, Ireland, Australia, USA, Canada, New Zealand, and India.

Grocery revenue for the period was derived from sales in the UK, Ireland, Australia, USA, Canada, New Zealand, Malaysia, Singapore and United Arab Emirates.

Royalties and franchise fee revenue was derived from Canada, Australia, New Zealand, Fiji, Malaysia, Singapore, United Arab Emirates, Qatar, Oman, Bahrain, Zimbabwe, Mauritius, Zambia, Pakistan, Saudi Arabia and Bangladesh.

*Contract balances*

The following table provides information about opening and closing contract liability balances from contracts with customers:

	2019 £'000s	2018 £'000s
<b>Current</b>		
Contract liability	15,746	15,046

The contract liability balance primarily relate to the loyalty programmes in place for restaurant sales and the initial franchise fee received from customers for access to intellectual property, marketing services and branded materials.

The amount of revenue recognised in current period that was included in the deferred income balance at the beginning of the period was £14,521k. In addition, the deferred income balance increased due to cash received, excluding amounts recognised as revenue during the period of £15,221k.

**5 Other operating income**

	2019 £'000s	2018 £'000s
Rental income	59	102
Other operating income	2,588	2,289
	<u>2,647</u>	<u>2,391</u>

**6 Loss or profit before tax**

The following amounts were expensed or credited during the period:

	2019 £'000s	2018 £'000s
Depreciation of plant, property and equipment	(73,739)	(68,747)
Amortisation of intangible assets	(26,376)	(26,479)
Operating lease rentals	(71,613)	(67,858)
Impairment loss on trade receivables	(51)	(101)
Impairment loss on non current assets	(2,332)	(1,423)
Loss on disposal of plant, property and equipment	(3,656)	(1,701)

**Notes to the financial statements (continued)**

**7 Auditor's remuneration**

The Group paid the following amounts to its auditor in respect of the audit of the financial statements and for services provided to the Group:

	2019 £'000s	2018 £'000s
Fees payable to the Group's auditor for these financial statements	(124)	(95)
Audit of financial statements of subsidiaries of the company	(182)	(166)
Total audit fees	<u>(306)</u>	<u>(261)</u>
Taxation compliance services	(270)	(139)
Other tax advisory services	(225)	(440)
Total audit and non-audit fees	<u>(801)</u>	<u>(840)</u>

**8 Staff numbers and costs**

The average number of persons employed by the Group (including directors) during the period, analysed by category, was as follows:

	2019 £'000s	2018 £'000s
Average number of Nandoca's employed by category		
Directors	2	2
Restaurant operatives and management	20,538	18,928
Administration	605	576
	<u>21,145</u>	<u>19,506</u>

The aggregate payroll costs of these persons (including directors) were as follows:

	2019 £'000s	2018 £'000s
Wages and salaries	(334,677)	(308,258)
Social security costs	(20,179)	(17,206)
Share based payments (see note 25)	(5,400)	(1,749)
Contributions to defined pension contribution plan	(5,307)	(4,098)
	<u>(365,563)</u>	<u>(331,311)</u>

**9 Directors' remuneration**

	2019 £'000s	2018 £'000s
Directors' remuneration	(593)	(400)

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £328.0k (2018: £369.6k), and pension contributions of £Nil (2018: £Nil) were made on the Director's behalf.

**10 Financial income**

	2019 £'000s	2018 £'000s
Fair value movement in derivative liability	66	3,088
Interest income	182	124
Foreign exchange gain	727	-
	<u>975</u>	<u>3,212</u>

**11 Financial expense**

	2019 £'000s	2018 £'000s
Interest expense	(68,062)	(65,304)
Net foreign exchange loss	-	(709)
	<u>(68,062)</u>	<u>(66,013)</u>

Borrowing costs capitalised to qualifying assets amounted to £Nil (2018: £Nil).

Notes to the financial statements (continued)

**12 Income tax expense**

	2019 £'000s	2018 £'000s
<b>Income Tax Expense</b>		
Corporation tax	(14,283)	(14,668)
Adjustments for prior periods	1,796	1,300
Withholding tax	(708)	(725)
	<u>(13,195)</u>	<u>(14,093)</u>
<b>Deferred Tax Expense</b>		
Origination and reversal of temporary differences	1,402	(1,033)
Change in tax rate	(470)	(34)
Adjustment in respect of prior period	(862)	(915)
	<u>70</u>	<u>(1,982)</u>
<b>Total tax expense</b>	<u>(13,125)</u>	<u>(16,075)</u>

**Reconciliation of effective tax rate**

	2019 £'000s	2018 £'000s
<b>(Loss)/Profit before taxation</b>	(25,153)	(20,038)
Tax using the UK corporation tax rate of 19% (2018: 19.1%)	4,779	3,827
<b>Reconciling items:</b>		
Adjustments in respect of prior periods	934	385
Non-deductible expenses (including share based payment, interest restrictions and short lease premium relief)	(4,150)	(2,201)
Ineligible depreciation	(1,596)	(1,367)
Movement in un-recognised deferred tax	(11,375)	(16,499)
Increase in unrecognised deferred tax asset on IP amortisation	(4,080)	(4,583)
Withholding tax	(708)	(725)
Difference in overseas tax rate	3,541	5,122
Change in tax rate on deferred tax balances	(470)	(34)
	<u>(13,125)</u>	<u>(16,075)</u>

Notes to the financial statements (continued)

**13 Reconciliation of Net Debt**

This section sets out an analysis of net debt and the movement in net debt for each of the periods presented.

	2019 £'000s	2018 £'000s
<b>Net debt</b>		
Cash and cash equivalents	193,029	62,437
Other interest bearing loans and borrowings due within 1 year	(13,991)	(35,675)
Other interest bearing loans and borrowings due after 1 year	(313,230)	(353,890)
Loans due to related parties due within 1 year	(125,872)	-
Loans due to related parties due after 1 year	(596,277)	(663,056)
<b>Net debt</b>	<b>(856,341)</b>	<b>(990,184)</b>

	Cash and cash equivalents £'000s	Other interest bearing loans and borrowings due within 1 year £'000s	Other interest bearing loans and borrowings due after 1 year £'000s	Loans due to related parties due within 1 year £'000s	Loans due to related parties due after 1 year £'000s	Total £'000s
<b>Net debt as at 27 February 2017</b>	36,904	(21,938)	(376,451)	-	(613,514)	(974,999)
Cash flows	25,431	23,897	-	-	-	49,328
Acquisition of finances leases	-	(93)	(164)	-	-	(257)
Non cash movements						
Interest accretion	-	(15,762)	-	-	(49,542)	(65,304)
Foreign exchange adjustments	102	-	(360)	-	-	(258)
Other non cash movements	-	(21,779)	23,085	-	-	1,306
<b>Net debt as at 25 February 2018</b>	<b>62,437</b>	<b>(35,675)</b>	<b>(353,890)</b>	<b>-</b>	<b>(663,056)</b>	<b>(990,184)</b>
<b>Net debt as at 25 February 2018</b>	<b>62,437</b>	<b>(35,675)</b>	<b>(353,890)</b>	<b>-</b>	<b>(663,056)</b>	<b>(990,184)</b>
Cash flows	131,276	20,060	24,534	-	-	175,870
Acquisition of finances leases	-	(39)	34	-	-	(5)
Non cash movements						
Interest accretion	-	(8,969)	-	(8,641)	(50,452)	(68,062)
Foreign exchange adjustments	(684)	-	(360)	-	-	(1,044)
Other non cash movements	-	10,632	16,452	(117,231)	117,231	27,084
<b>Net debt as at 24 February 2019</b>	<b>193,029</b>	<b>(13,991)</b>	<b>(313,230)</b>	<b>(125,872)</b>	<b>(596,277)</b>	<b>(856,341)</b>

Notes to the financial statements (continued)

14 Property, plant and equipment

	Freehold Land and buildings	Short Leasehold Property	Plant and equipment	Leased Plant & Equipment	Fixtures & fittings	Motor vehicles	Construction in progress	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Cost</b>								
Balance at 27 February 2017	4,385	397,183	180,705	1,659	29,388	272	2,127	615,719
Additions	-	43,244	36,076	423	9,557	3	5,399	94,702
Transfers	-	-	3,446	357	-	-	(3,803)	-
Disposals	-	(8,521)	(5,693)	(7)	(1,596)	(1)	(1)	(15,819)
Effects of movement in foreign exchange	(2)	(8,316)	(3,514)	(207)	(2,991)	(13)	(688)	(15,731)
<b>Balance at 25 February 2018</b>	<b>4,383</b>	<b>423,590</b>	<b>211,020</b>	<b>2,225</b>	<b>34,358</b>	<b>261</b>	<b>3,034</b>	<b>678,871</b>
<b>Costs 2019</b>								
Additions	-	39,943	36,367	-	4,825	13	1,468	82,616
Transfers	-	2,958	649	-	94	-	(3,701)	-
Disposals	-	(10,373)	(7,436)	(1)	(1,473)	(8)	(47)	(19,338)
Effects of movement in foreign exchange	-	3,629	1,138	(53)	(488)	1	124	4,351
<b>Balance at 24 February 2019</b>	<b>4,383</b>	<b>459,747</b>	<b>241,738</b>	<b>2,171</b>	<b>37,316</b>	<b>267</b>	<b>878</b>	<b>746,500</b>



Notes to the financial statements (continued)

14 Property, plant and equipment (continued)

	Freehold Land and buildings £'000s	Short Leasehold Property £'000s	Plant and equipment £'000s	Leased Plant & Equipment £'000s	Fixtures & fittings £'000s	Motor vehicles £'000s	Construction in progress £'000s	Total £'000s
<b>Accumulated depreciation and impairment</b>								
Balance at 27 February 2017	-	(164,436)	(87,670)	(196)	(6,259)	(165)	-	(258,726)
Depreciation charge in the year	(108)	(38,038)	(23,376)	(415)	(6,781)	(29)	-	(68,747)
Impairment losses	-	-	-	-	(1,339)	-	-	(1,339)
Disposals	-	6,072	4,355	3	1,397	0	-	11,827
Effects of movement in foreign exchange	2	2,988	1,717	67	1,367	7	-	6,148
Balance at 25 February 2018	(106)	(193,414)	(104,974)	(541)	(11,615)	(187)	-	(310,837)
<b>Accumulated depreciation and impairment 2019</b>								
Depreciation charge in the year	(61)	(40,019)	(27,371)	(424)	(5,817)	(47)	-	(73,739)
Impairment losses	-	(1,928)	(88)	-	(150)	-	-	(2,166)
Reversal of impairment losses	-	-	-	-	1,611	-	-	1,611
Disposals	-	7,426	6,777	-	1,472	7	-	15,682
Effects of movement in foreign exchange	(0)	(1,220)	(665)	24	273	1	-	(1,587)
Balance at 24 February 2019	(167)	(229,155)	(126,321)	(941)	(14,226)	(226)	-	(371,036)
Opening carrying value at beginning of prior period	4,385	232,747	93,035	1,463	23,129	107	2,127	356,993
Opening carrying value at beginning of current period	4,277	230,176	106,046	1,684	22,743	74	3,034	368,034
Closing carrying value at end of current period	4,216	230,592	115,417	1,230	23,090	41	878	375,464

Additions during the current period include £425k (2018: £2,951k) additions as a result of business combinations described in note 16.

Impairment tests were performed due to facts and circumstances applicable to certain restaurants following a review for impairment triggers across the estate in each market. Most outcomes were binary with either no impairment arising or with impairment being recorded in full, with little judgement or estimation uncertainty being involved. Impairment losses of £2,166k (2017: £1,339k) relate to individual restaurants which are considered impaired. Restaurants that were previously impaired were reviewed again and where the performance had significantly improved, and in exceptional cases, these impairments were reversed. The expense has been included in administrative expenses within the statement of comprehensive income.

Notes to the financial statements (continued)

15 Intangible assets

		2019 £'000s	2018 £'000s
<i>Intangible assets is made up of the following:</i>	<i>Note</i>		
Goodwill	15.1	326,504	326,279
Other intangible assets	15.2	392,185	417,739
		<u>718,689</u>	<u>744,018</u>

15.1 Goodwill

	2019 £'000s
<b>Cost</b>	
Balance beginning of comparative year	423,119
Additions	1,858
Subsidiaries sold	-
Effects of movement in foreign exchange	(6,750)
<b>Balance at end of comparative year</b>	<u>418,227</u>
Additions	28
Effects of movement in foreign exchange	187
<b>Balance at end of current year</b>	<u>418,442</u>
<b>Accumulated Amortisation and impairment</b>	
Balance beginning of comparative year	(91,985)
Disposals	-
Effects of movement in foreign exchange	37
<b>Balance at end of comparative year</b>	<u>(91,948)</u>
Impairment losses	-
Effects of movement in foreign exchange	10
<b>Balance at end of current year</b>	<u>(91,938)</u>
<b>Opening carrying value at beginning of prior period</b>	331,134
<b>Opening carrying value at beginning of current period</b>	326,279
<b>Closing carrying value at end of current period</b>	<u>326,504</u>

Goodwill has increased from £326.3m to £326.5m. This movement is largely as a result of increases to the fair value as a result of movements in foreign currencies of £0.2m.

Goodwill considered significant in comparison to the Group's total carrying amount of goodwill has been allocated to cash generating units or groups of cash generating units referred to as markets as follows:

	2019 £'000s	2018 £'000s
United Kingdom and Ireland	259,003	259,003
North America	34,754	32,826
Australia and New Zealand	18,324	19,113
Other	14,423	15,337
	<u>326,504</u>	<u>326,279</u>

**Notes to the financial statements (continued)**

**15.1 Goodwill (continued)**

The recoverable amounts of goodwill acquired in a business combination are measured annually. The recoverable amount is the higher of an asset's fair value less costs of disposal (FVLDC) and its value in use (VIU). Goodwill is assessed for impairment on an annual basis.

Management have considered both VIU and FVLDC in determining the recoverable amount. The recoverable amount for each impairment review is based on a value in use calculation.

The assessment of value in use has been based on cash flow forecasts as derived from forecast EBITDA in the Group strategic plan which have then been extrapolated and adjusted for forecast capital expenditure and tax. The forecasts are for 5 years starting from the end of the current financial year. A number of assumptions have been utilised in calculating these cash flows, including sales growth projections, budgeted gross margins, direct and indirect cost growth rates and expected capital expenditure levels. In line with IFRS requirements, capital and non capital expenditure relating to maintaining the assets in their current condition has been included whereas forecast capex for enhancing assets and new restaurant openings has been excluded along with the incremental cash flows that such enhancements would be expected to generate. Similarly, where current costs exclusively relate to the future openings of new restaurants, these have been excluded from the value in use calculation. Goodwill is allocated to, and tested for impairment at, market level as this is the level at which the performance of the goodwill arises and can be assessed. The disclosures provided have been aggregated to the region in which the market resides in line with the way the Group results are considered.

After applying these assumptions, the five-year cash flows have been discounted using the weighted average cost of capital (WACC). The terminal value is based on the discounted fifth year forecast cash flows taking into account expectations of growth thereafter. The WACC has been provided by a third-party valuation specialist and reflects current market assessments of the time value of money and the risks specific to the asset in question.

A summary of the key assumptions used in the VIU calculation are given below:-

	UK & Ireland	North America	Australia and New Zealand	Other
Long-term growth rate	1.3%	1.3 - 1.4%	2.1 - 2.2%	1.9 - 6.1%
WACC Discount rates (post tax)	9%	9 - 10%	11.75%	9 - 16.75%

The results of the impairment review do not require an impairment to be recognised in any of the markets. Management have based their assumptions on past experience and external sources of information, such as industry sector reports and market expectations. The results of the impairment review show that there is headroom for all these regions and therefore management are comfortable with the outcome of the impairment review.

**Sensitivity analysis**

As part of the impairment review, management considered reasonably possible changes in key assumptions. Sensitivity analysis has been performed on each of three of the key assumptions with the other variables held constant. The Directors consider that for each market, except for Canada which is part of the North America region, a reasonably possible change would be an increase of 1% in the discount rate, a 0.5% decrease in the long term growth rate or a decrease of 5% in the discounted cash flows throughout the forecast period and into perpetuity. Such a change does not result in any material impairment charges arising. The North America region is comprised of USA and Canada. The USA has an estimated VIU exceeding total carrying value of assets of £10.4m, whereas Canada has an estimated VIU which is equivalent to the total carrying value of assets. In Canada, if the discount rate increases by 1%, the discounted cash flows decrease by 10% or the long term growth rate decreases by 0.5%, this leads to the impairment which is disclosed below. This is due to challenging trading conditions in the Canadian restaurants.

	North America £'000s
Impairment loss in the market if discount rate increases by 1%	5,093
Impairment loss in the market if discounted cash flows decrease by 10%	3,745
Impairment loss in the market if the long term growth rate decreases by 0.5%	2,662

The assumptions are considered to be realistic however it is possible that impairment would arise in other markets if the any of the sensitivities were changed significantly beyond these amounts.

Notes to the financial statements (continued)

15.2 Other intangible assets

	Intellectual property patents and trademarks	Reacquired rights	Development costs	Software	Total
Cost	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 27 February 2017	490,543	-	1,604	1,136	493,283
Additions	-	3,462	1,126	242	4,830
Transfers	(9,077)	9,077	-	-	-
Disposals	(6)	-	(86)	(1,153)	(1,245)
Effects of movement in foreign exchange	449	(888)	(14)	79	(374)
Balance at 25 February 2018	481,909	11,651	2,630	304	496,494
Cost					
Additions	-	140	612	370	1,122
Disposals	-	(322)	(154)	-	(476)
Effects of movement in foreign exchange	(76)	(209)	4	(118)	(399)
Balance at 24 February 2019	481,833	11,260	3,092	556	496,741
<b>Accumulated Amortisation and impairment</b>					
Balance at 27 February 2017	(52,677)	-	(98)	(338)	(53,113)
Transfers	4,531	(4,531)	-	-	-
Amortisation charge in the year	(24,095)	(1,814)	(557)	(13)	(26,479)
Impairment losses	-	(85)	-	-	(85)
Disposals	-	-	6	394	400
Effects of movement in foreign exchange	(47)	648	13	(92)	522
Balance at 25 February 2018	(72,288)	(5,782)	(636)	(49)	(78,755)
<b>Accumulated Amortisation and impairment</b>					
Amortisation charge in the year	(24,087)	(1,343)	(898)	(48)	(26,376)
Impairment losses	-	(166)	-	-	(166)
Disposals	(0)	322	154	-	476
Effects of movement in foreign exchange	28	156	(4)	85	265
Balance at 24 February 2019	(96,347)	(6,813)	(1,384)	(12)	(104,556)
<b>Opening carrying value at beginning of prior period</b>	437,866	-	1,506	798	440,170
<b>Opening carrying value at beginning of current period</b>	409,621	5,869	1,994	255	417,739
<b>Closing carrying value at end of current period</b>	<b>385,486</b>	<b>4,447</b>	<b>1,708</b>	<b>544</b>	<b>392,185</b>

Additions during the current period include £42k (2018: £3,657k) additions as a result of business combinations described in note 16.

The amortisation and impairment charge is recognised in the income statement within Cost of sales and Other operating expenses.

*Impairment testing - Intellectual Property*

Intellectual property is amortised over 20 years, at the end of the current financial period the IP has a remaining useful life of 16 years. Management have reviewed the value and performance of the IP, considering both internal and external indicators. From this review no impairment indicators have been identified. The carrying value of the IP at year end was £376.0m (2017: £399.5m) and the amortisation charge for the period was £23.5m (2018: £23.5m).

**Notes to the financial statements (continued)**

**16 Business Combinations**

The Group accounted for various business combinations, this was as a result of acquiring 5 franchise restaurants during the period. The acquisitions reflect managements continued intent to strengthen the management of the Nando's brand and further development of the business.

The acquisition of 5 franchised restaurants (4 in Australia and 1 in New Zealand) took place at various dates during the period for the total consideration of £278k, acquiring net identifiable assets of £250k resulting in goodwill of £28k being recognised. The net identifiable assets assumed are considered to constitute a business, as defined. As none of the individual transactions were significant to the Group, these acquisitions have been aggregated for the purposes of the disclosures below.

The goodwill has arisen on acquisition because the fair value of the consideration is greater than the value of the net assets acquired and represents the additional value relating to the staff and market opportunity that come with the acquired businesses, as well as the opportunity to leverage our existing support functions across these operations. The assets and liabilities identified as part of the business combinations are measured at acquisition date fair value.

The acquisition in Australia of 4 restaurants was the most significant acquisition during the period.

The following are the results of the acquirees since the acquisition date included in the consolidated statement of comprehensive income for the reporting period:

	<b>2019</b>
	<b>£'000s</b>
Revenue	1,664
Restaurant operating profit	48

The Profit / (Loss) for the period attributable to Nando's Group Holdings Limited will not have changed materially had the acquisition of the business combination taken place at the beginning of the year.

In the prior year the Group reacquired 24 franchise restaurants (20 in Australia and 4 in New Zealand) took place at various dates during the period for the total consideration of £7,660k, acquiring net identifiable assets of £5,802k resulting in goodwill of £1,858k being recognised.

<b>Fair value on acquisition</b>	<b>2019</b>	<b>2018</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>(a) Consideration transferred</b>		
Cash	278	7,412
Cash purchase adjustments and transfer fees	-	248
<b>Total cash consideration</b>	<u>278</u>	<u>7,660</u>
Fair value of original investment	-	-
<b>Total consideration</b>	<u><u>278</u></u>	<u><u>7,660</u></u>

**Notes to the financial statements (continued)**

**16 Business Combinations (continued)**

**(b) Assets acquired and liabilities assumed at date of acquisition**

Cash and cash equivalents	-	-
Trade receivables	-	-
Inventories	11	87
Property, plant and equipment	425	2,951
Intangible assets - reacquired rights	42	3,657
Trade payables	-	-
Provisions	-	-
Bank overdraft	(228)	(832)
Deferred tax liability	-	(61)
Loans and advances	-	-
<b>Net identifiable assets and liabilities</b>	<b>250</b>	<b>5,802</b>

**(c) Net cash outflow on acquisition of business**

Consideration in cash	278	7,412
Less: Cash and cash equivalents acquired (net of overdrafts)	228	832
	<b>506</b>	<b>8,244</b>

**(d) Goodwill relating to the acquisition of businesses**

Cash	278	7,412
Fair value of initial investment	-	-
Purchase adjustments and transfer fees	-	248
Other adjustments	-	-
	<b>278</b>	<b>7,660</b>

**Comprised of:**

Net identifiable tangible assets	208	2,145
Intangible assets - reacquired rights	42	3,657
Intangible assets - Goodwill	28	1,858
	<b>278</b>	<b>7,660</b>

**Notes to the financial statements (continued)**

**17 Investment in subsidiaries**

The Group has the following investments in subsidiaries, all subsidiaries have been included in the consolidated financial statements of the Group:

Subsidiary undertaking	Registered Address	Ownership		Country of Incorporation	Class of Shares Held	Principal activity
		2019	2018			
Nando's Group Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Holding company
Nando's Finance Limited*	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Holding company
Nando's Chickenland Limited**	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99.7%	99.7%	UK	Ordinary	Casual Dining Restaurants
Nando's Chicken Limited***	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99.7%	99.7%	UK	Ordinary	Holding company for lease
Vicar Lane Bradford Limited***	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99.7%	99.7%	UK	Ordinary	Holding company for lease
Broomco Chando's Limited***	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99.7%	99.7%	UK	Ordinary	Holding company for lease
Broomco (4061) Limited***	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99.7%	99.7%	UK	Ordinary	Holding company
Nando's Chickenland Ireland Limited***	2nd Floor, 11/12 Warrington Place, Dublin 2	99.7%	99.7%	Republic of Ireland	Ordinary	Casual Dining Restaurants
Nando's Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Management, IP company & Franchisor
Nando's Brand JVCo Limited****	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	67%	67%	UK	Ordinary	Management company
Nando's Restaurant Group Holdings Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Holding company
Nando's Restaurants Group Inc *****	819 7th Street, Washington, DC 20001	100%	100%	USA	Ordinary	Casual Dining Restaurants
Nando's Australia Pty Limited	40 Mollison Street, Abbotsford, 3067	100%	100%	Australia	Ordinary	Casual Dining Restaurants
Nando's Chickenland Canada Inc	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	100%	Canada	Ordinary	Holding company
Nando's PERI PERI Canada Inc *****	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	100%	Canada	Ordinary	Casual Dining Restaurants
Nando's Chickenland Central Limited *****	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	100%	Canada	Ordinary	Casual Dining Restaurants
Nando's Chickenland West Limited *****	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	100%	Canada	Ordinary	Casual Dining Restaurants
8489963 Canada Inc *****	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	100%	Canada	Ordinary	Casual Dining Restaurants
2418836 Ontario Inc *****	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	100%	Canada	Ordinary	Casual Dining Restaurants
Nando's Services (Pty) Limited	10A Victoria Road, Lorentzville, Johannesburg, 2094	100%	100%	South Africa	Ordinary	Management company
Nando's New Zealand Limited	Franchise Accountants, 2g Amera Place, Huntington Park, Auckland, 2013, New Zealand	100%	100%	New Zealand	Ordinary	Casual Dining Restaurants
Nando's New Zealand Restaurants Limited *****	Franchise Accountants, 2g Amera Place, Huntington Park, Auckland, 2013, New Zealand	100%	100%	New Zealand	Ordinary	Casual Dining Restaurants
Nando's Sub Continent Holdings	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Holding company

**Notes to the financial statements (continued)**

**17 Investment in subsidiaries (continued)**

Subsidiary undertaking	Registered Address	Ownership		Country of Incorporation	Class of Shares Held	Principal activity
		2019	2018			
Nando's Services India Private Limited*****	Flat 10, 1105-1106, Ashoka Estate, New Delhi - 110001	100%	100%	India	Ordinary	Casual Dining Restaurants
Nando's Karnataka Restaurants Private Limited*****	G9/10, Ascendas Park Square Mall, ITPL, Whitefield, Bangalore-560066, Karnataka	100%	100%	India	Ordinary	Casual Dining Restaurants
Delhi NCR JV (Janpath Restaurants Private Limited)*****	Shop No. 315 - 316, Plot No. 3 DLF Promenade Mall, Nelson Mandela Marg, Vasant Kunj, New Delhi-110070	99%	99%	India	Ordinary	Casual Dining Restaurants
Nando's Services Limited *****	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Management company
Nando's Grocery International Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Retail food products
Nando's Peri Peri USA Inc *****	819 7th Street Nw Floor 2 Washington, DC 20001	100%	0%	UK	Ordinary	Retail food products
Nando's Peri Peri Australia (Pty) Ltd *****	40 Mollison Street, Abbotsford VIC 3067 Australia	100%	0%	UK	Ordinary	Retail food products

\* Owned by a subsidiary, Nando's Group Limited.

\*\* 99.7% owned by a subsidiary, Nando's Finance Limited

\*\*\* 100% owned by a 99.7% (2018: 99.7%) owned subsidiary, Nando's Chickenland Limited

\*\*\*\* Jointly owned by subsidiaries, Nando's Group Limited and Nando's Limited

\*\*\*\*\* Owned by a subsidiary, Nando's Restaurants Group Holdings Limited.

\*\*\*\*\* Owned by a subsidiary, Nando's Chickenland Canada Inc.

\*\*\*\*\* Owned by a subsidiary, Nando's New Zealand Limited.

\*\*\*\*\* Owned by a subsidiary, Nando's Sub Continent Holdings Limited.

\*\*\*\*\* Owned by a subsidiary, Nando's Services India Private Limited.

\*\*\*\*\* Owned by a subsidiary, Nando's Limited.

\*\*\*\*\* Owned by a subsidiary, Nando's Grocery International Limited

\*\*\*\*\* On August 1st 2018, Nando's Grocery International Limited incorporated a Australia-based subsidiary, Nando's Peri Peri Australia (Pty) Ltd. The purpose of this subsidiary will be the sale of Nando's Peri Peri sauces and condiments to Australia and New Zealand retailers.



**Notes to the financial statements (continued)**

**17 Investment in subsidiaries (continued)**

Details of non-wholly owned subsidiaries that have material non-controlling interests (NCI)

Name of Subsidiary	% of NCI ownership held		Profit allocated to NCI		Accumulated non-controlling interests	
	2019	2018	2019	2018	2019	2018
			£'000s	£'000s	£'000s	£'000s
Nando's Chickenland Limited	0.3%	0.3%	184	182	1,330	1,144
			<u>184</u>	<u>182</u>	<u>1,330</u>	<u>1,144</u>

**Summarised Financial Information**

	Nando's Chickenland	
	2019	2018
	£'000s	£'000s
Revenue	779,421	722,362
Depreciation and amortisation	(66,911)	(63,101)
Interest income	870	83
Interest expense	(12,310)	(12,830)
<b>Profit/(loss) after tax</b>	<b>74,269</b>	<b>65,415</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>74,269</b>	<b>65,415</b>
Non-current assets	543,408	548,975
Current assets (less cash)	45,846	36,014
Cash	7,603	28,066
Current liabilities	(389,551)	(401,354)
Non-current liabilities	(24,013)	(21,875)
<b>Net assets</b>	<b>183,293</b>	<b>189,826</b>

**Significant restrictions**

There are no significant restrictions on the company's or subsidiary's ability to access or use the assets and settle the liabilities of the Group.

**Financial support**

The Group has not given any financial support to a consolidated structured entity.

Notes to the financial statements (continued)

18 Investments accounted for using the equity method

Ownership						
Investments accounted for using the equity method	Registered Address	2019	2018	Country of Incorporation	Class of Shares Held	Principal activity
Nando's Chickenland Malaysia SDN.BHD	Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1 A/46, 47301, Petaling Jaya, Selangor Darul Ehsan	49%	49%	Malaysia	Ordinary	Casual Dining Restaurants
Nando's Singapore PTE. Limited	16 Raffles Quay, No. 11-03 Hong Leong Building, Singapore, 048581	49%	49%	Singapore	Ordinary	Casual Dining Restaurants
Nando's Grocery Australia	40 Mollison Street, Abbotsford VIC 3067 Australia	20%	0%	Australia	Ordinary	Retail food products

The investments in Malaysia and Singapore, which are considered to be individually immaterial, have a different period end of 31 December to the Group due to local compliance reasons.

The investment in Nando's Grocery Australia was made in the year as 20% of the shares were acquired. This is deemed to be an associate as it is an entity over which the Group has significant influence, being the power to participate in the financial and operating policy decisions of the investee (but not control or joint control). The investment is being accounted for using the equity method.

There are no restrictions on the ability of associates or joint ventures to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the entity. The debt of Nando's Chickenland Malaysia has been guaranteed by Nando's Group Holdings Limited.

The Group's interests in equity accounted for investments are analysed as follows:

Investments

Share of profit/(loss) of equity-accounted investees, net of tax

	2019	2018
	£'000s	£'000s
Nando's Chickenland Malaysia SDN.BHD	50	(396)
Nando's Singapore PTE. Limited	(985)	(811)
Nando's Grocery Australia	(1,450)	-
	<u>(2,385)</u>	<u>(1,207)</u>

Carrying value of investment in Joint Ventures and Associates

Group investment as at 26 February 2017  
Additional investment  
2018 Share of loss of equity-accounted investees, net of tax  
Group investment as at 25 February 2018

	Nando's Grocery Australia	Nando's Chickenland Malaysia SDN.BHD	Nando's Singapore PTE. Limited	Total
	£'000s	£'000s	£'000s	£'000s
Group investment as at 26 February 2017	-	18,547	3,514	22,061
Additional investment	-	-	60	60
2018 Share of loss of equity-accounted investees, net of tax	-	(396)	(811)	(1,207)
Group investment as at 25 February 2018	-	18,151	2,763	20,914
<b>Movement for the 2019 year</b>				
Additional investment in associate	1,780	283	2,059	4,122
Dividends received	(320)	-	-	(320)
Share of profit / (loss) of equity-accounted investees, net of tax	(1,450)	50	(985)	(2,385)
Group investment as at 24 February 2019	<u>10</u>	<u>18,484</u>	<u>3,837</u>	<u>22,331</u>

Notes to the financial statements (continued)

18 Investments accounted for using the equity method (continued)

Summarised Financial Information

	Nando's Chickenland Malaysia SDN.BHD		Nando's Singapore PTE. Limited	
	2019	2018	2019	2018
	£'000s	£'000s	£'000s	£'000s
Revenue	34,323	31,847	9,575	10,467
Depreciation and amortisation	(2,099)	(1,964)	(588)	(821)
Interest income	15	22	3	-
Interest expense	(387)	(466)	(48)	(78)
Profit/(loss) after tax	101	(808)	(2,010)	(1,655)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income / (expense)</b>	<b>101</b>	<b>(808)</b>	<b>(2,010)</b>	<b>(1,655)</b>
Non-current assets	12,605	10,893	2,446	3,162
Current assets (less cash)	4,069	4,120	1,668	1,573
Cash	1,893	1,333	158	(177)
Current liabilities	(7,443)	(8,638)	(1,604)	(3,812)
Non-current liabilities	(4,911)	(2,342)	(381)	(316)
<b>Net assets</b>	<b>6,213</b>	<b>5,366</b>	<b>2,287</b>	<b>430</b>
Cash flows from operating activities	3,081	1,500	(634)	(844)
Cash flows from investing activities	(3,238)	(882)	(476)	(135)
Cash flows from financing activities	717	(51)	1,445	1,069
<b>Net cash flows for the period</b>	<b>560</b>	<b>567</b>	<b>335</b>	<b>90</b>

19 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2019	2018	2019	2018
	£'000s	£'000s	£'000s	£'000s
Property, plant and equipment	-	-	(3,705)	(3,438)
Intangible assets	158	163	-	-
Provisions	498	574	-	-
Other short term timing differences	1,150	777	-	-
<b>Tax assets/(liabilities)</b>	<b>1,806</b>	<b>1,514</b>	<b>(3,705)</b>	<b>(3,438)</b>

**Notes to the financial statements (continued)**

**19 Deferred tax assets and liabilities - Group (continued)**

<i>Movement in deferred tax</i>	<b>Property, Plant &amp; Equipment</b>	<b>Intangible Assets</b>	<b>Provisions</b>	<b>Unused tax losses</b>	<b>Other short term timing differences</b>	<b>Total</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
Balance at beginning of prior period	(3,912)	367	2,622	-	923	0
Charged to income	405	(172)	(2,053)	-	(162)	(1,982)
Foreign Exchange translation difference	69	(32)	5	-	16	58
<b>Balance at beginning of current period</b>	<b>(3,438)</b>	<b>163</b>	<b>574</b>	<b>-</b>	<b>777</b>	<b>(1,924)</b>
Charged to income	(280)	(1)	(68)	-	408	59
Foreign Exchange translation difference	13	(4)	(8)	-	(35)	(34)
<b>Balance at end of current period</b>	<b>(3,705)</b>	<b>158</b>	<b>498</b>	<b>-</b>	<b>1,150</b>	<b>(1,899)</b>

As at 24 February 2019, the Group has an unrecognised deferred tax asset of £38,211k (2018: £29,599k) relating to carried forward losses. The unrecognised deferred tax asset disclosed relates to unused tax losses of £141,981k (2018: £105,922k). Such losses are appraised at each reporting date based on the expected taxable profits from the Group's strategic planning process. In determining the probability of available taxable profits against which to utilise these losses, the Group focusses on the short term forecasts given the risk associated with the longer term plans. Accordingly, these deferred tax assets remain unrecognised. In the US and Canada, after 20 years any remaining losses expire and could no longer be used to reduce taxable income.

The Group also has £15,980k (2018: £12,780k) of unrecognised deferred tax assets relating to the carrying value of IP and the tax base. This considers the acquisition price in respect of any future disposal of assets. As the assets amortise below the purchase price a deferred tax asset arises but is not recognised, as based on the strength of the business performance and the integrity of the IP to this performance, the directors currently believe the business will be operated utilising this IP for the foreseeable future.

The Group also has £6,900k (2018: £5,074k) of unrecognised deferred tax assets relating to other deductible timing differences.

**20 Inventories**

	<b>2019 £'000s</b>	<b>2018 £'000s</b>
Raw materials and consumables	6,092	5,081
Finished goods	1,428	758
	<b>7,520</b>	<b>5,839</b>

Raw materials, consumables and changes in finished goods recognised as cost of sales in the period amounted to £195,763k (2018: £215,632k). There were no material charges or credits from either the write-down of inventories to net realisable value nor from reversals. Any such amounts are included in Cost of Sales. All of the inventory is expected to be recoverable within 12 months.

Notes to the financial statements (continued)

21 Trade and other receivables

	2019 £'000s	2018 £'000s
<b>Current</b>		
Amounts due from related undertakings	1,800	1,221
Trade receivables due from third parties	12,546	14,518
Other debtors	6,746	5,225
Prepayments	12,408	13,916
<b>Total current</b>	<b>33,500</b>	<b>34,880</b>
<b>Non-Current</b>		
Other trade receivables due from third parties	690	682
Other debtors	-	-
Prepayments	2,495	1,829
<b>Total non-current</b>	<b>3,185</b>	<b>2,511</b>

Related party details are provided in note 32.

22 Cash and cash equivalents

	2019 £'000s	2018 £'000s
Cash and cash equivalents	193,029	62,437

23 Other interest bearing, finance leases, non interest bearing loans and related party loans

	2019 £'000s	2018 £'000s
<b>Non-current liabilities</b>		
Secured bank loans	(310,856)	(353,693)
Finance lease liabilities	(130)	(164)
Other loans	(2,244)	(33)
<i>Total other interest bearing loans and borrowings</i>	<i>(313,230)</i>	<i>(353,890)</i>
Loans due to related parties	(596,277)	(663,056)
<b>Total other interest bearing loans and borrowings</b>	<b>(909,507)</b>	<b>(1,016,946)</b>
<b>Current liabilities</b>		
Current portion of secured bank loans	(13,859)	(30,982)
Finance lease liabilities	(132)	(93)
Other loans	-	(4,600)
<i>Total other interest bearing loans and borrowings</i>	<i>(13,991)</i>	<i>(35,675)</i>
Loans due to related parties	(125,872)	-
	<b>(139,863)</b>	<b>(35,675)</b>
<b>Total liabilities</b>		
Secured bank loans	(324,715)	(384,675)
Finance lease liabilities	(262)	(257)
Other loans	(2,244)	(4,633)
Loans due to related parties	(722,149)	(663,056)
	<b>(1,049,370)</b>	<b>(1,052,621)</b>

**Notes to the financial statements (continued)**

**23 Other interest-bearing, non-interest bearing loans and borrowings (continued)**

**Secured bank loans**

The bank loans relates to Nando's Finance Limited.

*Bank loans: Nando's Finance Limited Term Loan A, B and Revolving facility*

Nando's Finance Limited has a £500m facility which bears interest at LIBOR plus a margin between 1.75% and 2.25% with interest payable on a monthly or quarterly basis; this facility includes the revolving facility and Term loans A and B, which continue to be available to the group until 2023 and 2024 respectively. In the prior year, Nando's Finance Limited entered into an amended loan agreement with its banks. This agreement was assessed to be a non-substantial modification as the carrying value after modification was less than 10% different to the discounted cashflow before modification. This led to a £6.8m reduction in the carrying value of the loan at the start of the year. This was not recorded under the previous standard, IAS 39 and has been recorded under IFRS 9 as an adjustment to opening retained earnings.

Included in bank loans are unamortised debt costs, relating to the above agreements, of £4.6m (2018: £5.3m).

The loans are secured by debentures and unlimited guarantees from Nando's Chickenland Limited and a first legal charge over the short leasehold property held by Nando's Finance Limited and its subsidiaries. The total value of property held as security totals £180.8m (2018: £178.8m) and is included in note 14.

There is currently £335m which is drawn down on the facility and £105m which is still available to draw down.

Nando's Australia Pty Ltd had a fixed term bank facility which was available until November 2018. This was not renewed by Nando's Australia Pty Ltd.

**Other loans**

*Capricorn Ventures Limited*

During the year Nando's Limited settled the loan of £4.6m which bore interest at a Bank of England (BOE) +2.5%.

*Bank loan - Australia*

During the year Nando's Australia Pty Ltd set up a new fixed term bank facility which is available until May 2023, which bears interest at the Bank Bill Swap Bid Rate (BBSY).

**Finance lease liabilities**

The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments are, as follows:

	2019 £'000s	2018 £'000s
Less than one year	151	100
Between one and five years	163	197
More than five years	-	-
Total minimum lease payments	314	297
Less amounts representing finance charges	(52)	(40)
Present value of minimum lease payments	262	257

**Loans due to related parties (Group)**

Yellowwoods Holdings SARL Deep Discounted Bonds (DDB) continue to be available to the Group, the effective interest payable at the time of maturity of the DDB's have effective interest rates between 3.5% and 8.5%, are unsecured and mature on various dates ranging from 2019 - 2027.

**Notes to the financial statements (continued)**

**23 Other interest-bearing, non-interest bearing loans and borrowings (continued)**

**Group**

The bank loans, related party loans and other loans included in other interest-bearing loans, non-interest bearing loans and borrowings are summarised in the table of terms and conditions below.

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
				2019 £'000s	2019 £'000s	2018 £'000s	2018 £'000s
<b>Secured loan</b>							
Bank loan - term loan A	GBP	LIBOR +margin	2023	65,000	63,127	95,000	93,530
Bank loan - term loan B	GBP	LIBOR +margin	2024	250,000	241,588	250,000	246,133
Bank loan - revolving facility	GBP	LIBOR +margin	2023	20,000	20,000	35,000	35,000
Bank loan - Australia	AUD	6.30%	2018	-	-	10,010	10,010
<b>Finance Leases</b>							
Finance lease	USD			262	262	257	257
<b>Related party loans</b>							
Yellowwoods Treasury 2 SARL	GBP	8.50%	2026	51,000	69,649	51,000	64,244
Yellowwoods Treasury 2 SARL	GBP	8.35%	2025	104,250	141,615	104,250	130,804
Yellowwoods Treasury 2 SARL	GBP	8.25%	2024	93,250	126,040	93,250	116,805
Yellowwoods Treasury 2 SARL	GBP	7.50%	2019	95,615	125,872	95,615	117,235
Yellowwoods Treasury 2 SARL	GBP	8.00%	2022	120,000	160,504	120,000	148,435
Yellowwoods Treasury 2 SARL	GBP	8.25%	2024	46,106	60,270	46,106	55,687
Yellowwoods Treasury 2 SARL	GBP	8.50%	2027	26,000	32,733	26,000	30,174
Yellowwoods Treasury 2 SARL	AUD	3.50%	2023	5,466	5,466	-	-
<b>Other loans</b>							
Capricorn Ventures Limited	GBP	BOE +2.5%	2018	-	-	4,600	4,600
Bank loan - Australia	AUD	BBSY	2023	2,208	2,208		
Other loans				36	36	34	37
				879,193	1,049,370	931,122	1,052,951

This note provides information about the contractual terms of the Group's interest-bearing loans and non-interest bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 27.

Face value of debt represents amounts initially borrowed, while the carrying value of debt includes accrued interest where the terms of the instrument require repayment of interest at the end of the loan term.

**Notes to the financial statements (continued)**

**24 Trade and other payables**

	<b>2019</b>	<b>2018</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>Current</b>		
Trade payables due to third parties	(41,578)	(45,666)
Other payables due to third parties	(4,586)	(4,909)
Contract liability	(15,746)	(12,580)
Other taxation and social security	(25,752)	(24,664)
Accruals and other creditors	(77,271)	(66,312)
	<u>(164,933)</u>	<u>(154,131)</u>
<b>Non-current</b>		
Accruals and other creditors	(30,833)	(28,940)
	<u>(195,766)</u>	<u>(183,071)</u>

Included within accruals and other creditors is £30,833k (2018: £28,940k) for the Group which is expected to be settled in more than 12 months. This primarily relates to liabilities arising from lease contracts.

Related party details are provided in note 32.

**25 Share based payments**

The Group has two share-based payment schemes in place, Partnership VI and the Group Partnership scheme.

*Group Partnership Scheme*

The Group has formed an employee share scheme during the prior year which is designed to remunerate the employees of the Group with shares in the Company.

The Group Partnership scheme is deemed to be equity settled, therefore the fair value of amounts payable to the employees is recognised as an expense in the employing company with a corresponding increase in equity to represent the contribution received.

Under the employee share scheme the employees hold the shares immediately on award, but there is a designated compulsory holding period running from November 2016 to November 2020, during which employees waive their voting and dividend rights in respect of their shares and may not transfer, charge or otherwise dispose of their shares without consent of the Company. The shares granted to employees under the scheme shall vest under performance related criteria as well as individual personal targets; if they do not vest, then they are returned to the Company.

The Group retains the beneficial rights to the unvested shares held by employees. As the shares are not publicly traded and therefore cannot be easily realised, a separate arrangement has been put into place between the employees and a related undertaking Yellowwoods SARL, which will acquire the shares after vesting under a put and call. The acquisition of the shares by Yellowwoods SARL will be settled in cash.

Shares in issue to the employees of Nando's Group Holdings Limited's subsidiaries:

	<b>2019</b>	<b>2018</b>
	<b>Shares</b>	<b>Shares</b>
Shares at beginning of the period	10,240,964	9,343,667
B1 shares issued during the period	-	-
B2 shares issued during the period	-	-
B3 shares issued during the period	-	897,297
<b>Outstanding shares at end of the period</b>	<u><b>10,240,964</b></u>	<u><b>10,240,964</b></u>

*Measurement of fair values*

The fair value of the B Shares has been measured using the Monte Carlo valuation model. Service and non market performance conditions attached to the arrangements were not taken into account in measuring fair value. The inputs used in the measurement of the fair values at grant date of the B Shares were as follows:



**Notes to the financial statements (continued)**

**25 Share based payments (continued)**

	Grant Date 17 January 2018	Grant Date 16 November 2016
Fair value (£)	1.13	1.04
Share price (£)	11.16	10.77
Hurdle (Exercise price) (£)	12.26	12.26
Capped value (average) (£)	16.10	16.10
Expected average exercise date	3.7 years	4.0 years
Risk free rate	0.87%	0.54%
Expected volatility	30%	30%

<i>Expense recognised in profit and loss in relation to Group Partnership Scheme:</i>	<b>2019</b>	<b>2018</b>
	<b>£'000s</b>	<b>£'000s</b>
Share-based payment expense	1,670	1,749

Due to the mandatory holding period, no shares were exercisable at the end of the period. These share based payment schemes have been recognised in accordance with IFRS 2 and the accounting policy described in 2.12. The charges for the prior period were not material.

The number of shares expected to vest at the end of the current financial year for 16 November 2016 and 17 January 2018 grant date is 5,289,789 and 344,819 respectively. The Group will revisit the number of shares expected to vest at each reporting date and will ultimately be based on the number of shares that actually vest.

**Partnership VI**

The employee benefit programme operates in a manner similar to the Group Partnership scheme. However, unlike the group partnership scheme, Partnership VI is designed to allow Nando's Chickenland Limited's employees to invest in the business and participate in the risks and rewards of ownership of the business in this way. Accordingly, employees hold shares in Nando's Chickenland Limited with a designated holding period running from March 2015 to February 2018.

The shares granted to employees under Partnership VI shall vest under a ratcheted performance-related criteria, whereby below a minimum level of EBITDA no vesting shall occur. The consideration of vested shares shall be based on a defined EBITDA multiple valuation methodology.

On 1 October 2018, Nando's Finance Limited was assigned the right to acquire the shares issued under the Nando's Chickenland Partnership Scheme VI. The assignment resulted in a reclassification of the scheme to a cash-settled scheme and a charge of £3.7m made to Administrative Expenses.

<i>Expense recognised in profit and loss in relation to Partnership VI scheme:</i>	<b>2019</b>	<b>2018</b>
	<b>£'000s</b>	<b>£'000s</b>
Share-based payment expense	3,730	-

Notes to the financial statements (continued)

**26 Provisions**

	<b>Onerous Lease</b>	<b>Other</b>	<b>Total</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
<b>Balance at beginning of prior period</b>	(2,147)	(536)	(2,683)
Provisions made during the year	(183)	(241)	(424)
Provisions used during the year	-	186	186
Effects of movement in foreign exchange	188	184	372
<b>Balance at beginning of current period</b>	(2,142)	(407)	(2,549)
Provisions made during the year	(390)	(1,626)	(2,016)
Utilised during the period	300	242	542
FX translation reserve	58	(27)	31
<b>Balance at end of current period</b>	<b>(2,174)</b>	<b>(1,818)</b>	<b>(3,992)</b>
<b>2018</b>			
Non-current provisions	(1,839)	(191)	(2,030)
Current provisions	(303)	(216)	(519)
	<b>(2,142)</b>	<b>(407)</b>	<b>(2,549)</b>
<b>2019</b>			
Non-current provisions	(1,988)	-	(1,988)
Current provisions	(186)	(1,818)	(2,004)
	<b>(2,174)</b>	<b>(1,818)</b>	<b>(3,992)</b>

**Onerous lease provision**

Onerous lease provisions relate to leases where the obligations under the lease arrangement exceed the economic benefits expected to be received. The provision is recorded by comparing the estimated future cash flows associated with a particular restaurant with the minimum committed future lease payments. Where the minimum future lease payments exceed the expected estimated future cash flows, a provision is created to reflect the onerous element of the lease obligation. In determining the existence of an onerous lease obligation, a degree of uncertainty exists in the estimation of future cash flows associated with such sites. The value of the provision is assessed at each financial reporting date.

**Other provisions**

Other provisions are made up of a number of individually insignificant provisions, from matters such as legal claims. The value of each provision is assessed individually at each financial reporting date.

**Notes to the financial statements (continued)**

**27 Financial risk management**

The Group's operations expose it to a number of financial risks. A risk management programme has been established to protect the Group against the potential adverse effects of these financial risks. There has been no significant change in these financial risks since the prior period. As a holding entity, the Company is not exposed the risks outlined below.

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

A small amount of the Group's revenue transactions are completed with the granting of credit because payment is after the receipt of goods or services. This primarily relates to the Grocery and Franchise revenue streams. Prior to sales on credit, customers are assessed for creditworthiness and where appropriate, the Group obtains security for its exposure to the risk of default. Credit limited are also imposed on customers and reviewed regularly.

The Group's maximum exposure to credit risk totals £20.4m (2018: £20.5m) and relates to third party debt. £3.6m (2018: £2.5m) of debt is overdue by more than 30 days and having considered the historical payment behaviour and customer credit risk, £310k has been provided as the expected loss allowance. There was no material impact on the expected loss allowance on moving from IAS 39 to IFRS 9.

A summary of the Group's exposure to credit risk for trade receivables by credit risk rating grade is not presented given the expected credit loss is not material. There is no material difference between IAS 39 and IFRS 9 for expected credit loss allowance therefore comparative information is not presented.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows. Comparative amounts for 2018 represent the allowance account for impairment losses under IAS 39.

	<b>2019</b>
	<b>£'000s</b>
Balance at 25 February 2018 per IAS 39	435
Adjustment in initial application of IFRS 9	-
Balance at 25 February 2018 per IFRS 9	435
Impairment loss recognised	156
Impairment loss reversed	-
Amounts written off	(281)
Balance at 24 February 2019	<u>310</u>

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group maintains sufficient cash reserves. Management review cash flow forecasts on a regular basis to determine whether the Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities. The Group's funding strategy includes use of overdraft facilities, detailed cash flow forecasting and monitoring the maturity of financial liabilities to avoid the risk of a shortage of funds. The Group has access to sufficient funding and banking facilities. The Group had cash of £193.0m (2018: £62.4m) as at the period end.

**Notes to the financial statements (continued)**

**27 Financial risk management (continued)**

The majority of the secured bank loans relate to borrowing within the principal UK market that in the current period accounts for the majority of trade. Secured bank loans total £324.7m (2018: £384.7m) of which £324.7m (2018: £374.7m) relates to the UK Nando's market, and £0m (2018: £10.0m) to Australia.

As at the 24 February 2019 the Group has total undrawn facilities of £105m available, refer note 23.

The following are the contractual maturities of financial liabilities:

<b>Group 2019</b>	<b>Carrying Amount</b>	<b>Contractual Cash flow</b>	<b>0 to &lt;1yr</b>	<b>1 to 2 yrs</b>	<b>2 to 5 yrs</b>	<b>Over 5 yrs</b>
<b>Non-derivative financial liabilities</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
Secured bank loans	(324,715)	(389,560)	(26,103)	(25,689)	(83,871)	(253,897)
Related party loans	(722,149)	(1,045,654)	(127,691)	-	(401,452)	(516,511)
Trade payables and other payables	(195,766)	(195,766)	(164,933)	(30,833)	-	-
Other Loans	(2,244)	(2,244)	-	-	(2,244)	-
<b>Derivative financial liabilities</b>						
Derivative Financial Liability	(136)	-	-	-	-	-
	<u>(1,245,010)</u>	<u>(1,633,224)</u>	<u>(318,727)</u>	<u>(56,522)</u>	<u>(487,567)</u>	<u>(770,408)</u>
<b>Group 2018</b>	<b>Carrying Amount</b>	<b>Contractual Cash flow</b>	<b>0 to &lt;1yr</b>	<b>1 to 2 yrs</b>	<b>2 to 5 yrs</b>	<b>Over 5 yrs</b>
<b>Non-derivative financial liabilities</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
Secured bank loans	(384,675)	(447,093)	(43,932)	(28,374)	(62,912)	(311,875)
Related party loans	(663,056)	(1,040,200)	-	(127,700)	(205,700)	(706,800)
Trade payables and other payables	(183,071)	(180,209)	(149,864)	(30,345)	-	-
Other Loans	(4,633)	(4,760)	(4,727)	-	(33)	-
<b>Derivative financial liabilities</b>						
Derivative Financial Liability	(202)	(318)	(120)	(120)	(78)	-
	<u>(1,235,637)</u>	<u>(1,672,580)</u>	<u>(198,643)</u>	<u>(186,539)</u>	<u>(268,723)</u>	<u>(1,018,675)</u>

**Notes to the financial statements (continued)**

**27 Financial risk management (continued)**

**Market risk**

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. The Group is exposed to the following market risks: foreign currency risk and interest rate risk.

*Foreign currency risk*

Foreign currency risk refers to the risk that the value of a financial commitment of recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group is mostly exposed to foreign currency risk on net investments in foreign subsidiaries. There are no hedging arrangements in place to mitigate this exposure but the Group manages the exchange risk on translation of investments in foreign companies with borrowings denominated in the same currency.

Within foreign restaurant markets, foreign currency exposure is managed because revenue is generated in the local functional currency and the vast proportion of the costs incurred are in the same currency denomination. Remaining foreign exchange exposure in the Group arises on intergroup trade, which is limited to management fees and royalties on franchise income. Within the Grocery business, where practicable, foreign currency exposure on manufacturing costs is reduced by collecting customer revenue denominated in the same currency as those manufacturing costs.

*Foreign currency sensitivity analysis*

A 10% strengthening of the following currencies against the pound sterling would have increased / (decreased) equity by the amounts shown below, the weakening of the same currencies will have equal and opposite effects. The strengthening of these currencies would not have been a significant effect to Profit / (loss). This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant:

	2019	2018
Effect on equity	£'000s	£'000s
AUD	(1,230)	(1,703)
USD	(3,121)	(3,334)
CAD	951	(26)
Other	(1,404)	(1,550)
Total	<u>(4,804)</u>	<u>(6,613)</u>

**Interest rate risk**

The Group has £1,049m (2018: £1,053m) of interest bearing loans and borrowings of which £722m (2018: £663m) is a fixed rate deep discounted bond and has no interest rate sensitivity. The remaining debt is made of various loans and facilities with variable rates (refer note 23).

The Group's main interest rate risk arises from the Group's banking facilities with variable rates, which expose the Group to cash flow interest rate risk. The policy of the Group is to review cash flows and forecasts on a regular basis in order to repay the revolving portion of the facility when not required. This policy will reduce the exposure to any interest rate fluctuations.

In response to this risk, during the period ending February 2016 the Group entered into a five year derivative which covers £250m of the £335m (2018: £385m) bank debt. The derivative provides a cap on the LIBOR rate of 2.5% and a floor of 0.75% to help mitigate any significant exposure to interest rate risk. While the instrument provides an economic hedge to help manage the cash flow interest rate risk, hedge accounting is not applied.

The fair value of the derivative financial liability as at 24 February 2019 is £136k (2018: £202k), the fair value movement of £66k during the year was recognised in financial income, refer note 11.

## Notes to the financial statements (continued)

### 27 Financial risk management (continued)

#### Interest rate risk (continued)

##### Sensitivity analysis

An increase or (decrease) of 100 basis points in interest rates as at 24 February 2019 would have increased/(decreased) interest paid under this agreement by £3.4m (2018: £3.8m). This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

The derivative instrument provides a cap on the LIBOR rate of 2.5% and a floor of 0.75%. As LIBOR was below 0.75% for much of the last year; payments were made under this contract which had LIBOR been higher by 100 basis points, no payments would have been made, and had LIBOR been lower by 100 bps payments would have been greater by £2,758,000 (2018: £2,500,000). Had that different level of LIBOR endured at the balance sheet date, there would have been a further impact of fair value movements on the derivative however these are not expected to have been material to the company.

There would be no other material impact on reserves as a result of changes in interest rate.

#### Capital management

The following table summarises the capital of the Group as at 24 February 2019 (and as at 25 February 2018):

	2019	2018
	£'000s	£'000s
Net Debt	856,341	990,184
Equity	103,261	3,555
	<u>959,602</u>	<u>993,739</u>

The Group's policy is to use banking arrangements and loans from related parties to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are loaned internally or contributed as equity to certain subsidiaries if they require funding for new restaurants. The Group does not routinely make additional issues of capital, other than for the purpose of raising finance to fund significant acquisitions or developments.

#### Fair values

The derivative liability is the only balance held at fair value, which is calculated by discounting the expected cash outflows at the contract interest rate. The inputs used in these discounted cash flow calculations are at level 2 in the hierarchy.

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 - Unobservable inputs for the asset or liability

There are no level 3 assets or liabilities held and there are no transfers between classes during the period (or comparative).

The fair values of all other financial instruments, included within trade and other receivables, or within financial liabilities, are not considered to be materially different from their carrying amounts.

### 28 Derivative financial instruments

The Groups derivative financial instruments are carried at fair value in the financial statements:

	2019	2018
	£'000s	£'000s
Derivative Financial Liability	<u>(136)</u>	<u>(202)</u>

The key terms of the derivative financial liability are disclosed in note 27.

**Notes to the financial statements (continued)**

**29 Capital and reserves**

**Share capital**

	2019 £'000s	2018 £'000s
<i>Authorised Share Capital</i>		
180,000 000 ordinary shares of £1 each (2018: 50,000,000 ordinary shares of £1 each)	180,000	50,000
10,777,537 (2018: 10,777,537) ordinary B shares of £0.001 each	11	11
	<u>180,011</u>	<u>50,011</u>
<i>Issued and fully paid for</i>		
180,000 000 ordinary shares of £1 each (2018: 50,000,000 ordinary shares of £1 each)	180,000	50,000
10,240,964 (2018: 10,240,964) ordinary B shares of £0.001 each	10	10
	<u>180,010</u>	<u>50,010</u>
<i>Reconciliation of the number of shares outstanding</i>		
Opening balance at beginning of current period	50,010	50,009
Shares issued 130,000,000 (2018: 897,297)	130,000	1
Closing balance at end of current period	<u>180,010</u>	<u>50,010</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Ordinary B shares are held by employees under share based scheme. The holders of ordinary B shares are not entitled to receive any income or capital until the hurdle amount per share has been reached in respect of that ordinary B Share, the detail relating to the hurdle amount is detailed in Note 25. The transfer of these shares is at the discretion of the Directors of the Company.

During the year the Company issued 130,000,000 ordinary shares of £1 each to its immediate parent L Perlman SECS, settled in cash.

**Foreign currency translation reserve**

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

**Capital contribution reserve**

The Capital Contribution Reserve reflected the credit entries in respect of past share schemes, which resulted in a corresponding charge to employee costs in previous accounting periods. As these schemes are now fully vested, the balance on the reserve has been transferred to retained earnings during the period to give a clearer presentation.

**Own share reserve**

Under the Group Partnership Scheme the company has issued shares to employees, employees of certain subsidiaries, and employees of L Perlman SECS who are providing services to the Group. The schemes in place are detailed in Note 25. The company retains the beneficial rights of the shares required to settle rewards granted under equity-settled share-based payment plans. The reserve has been transferred to retained earnings during the period.

**Dividends**

	2019 £'000s	2018 £'000s
The following dividends were recognised during the period:		
£0p (2018: £0.0p) per qualifying ordinary share	<u>-</u>	<u>-</u>

**Notes to the financial statements (continued)**

**30 Operating leases**

Non-cancellable operating lease rentals are payable as follows:

	2019 £'000s	2018 £'000s
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	(66,206)	(61,038)
Between one and five years	(240,305)	(225,853)
More than five years	(321,863)	(327,312)
	<u>(628,374)</u>	<u>(614,203)</u>

Across much of the estate a variety of renewal options are in place, though the terms vary in line with market practice. The analysis above does not assume the exercise of these options. There are no restrictions placed on the group as a result of those leases.

Lease payments recognised in the Group profit for the period amounted to £71,613k (2018: £67,858k).

**31 Commitments and contingencies**

**Capital commitments**

At the period end the Group has outstanding capital commitments in respect of capital expenditure contracted but not provided for in the financial statements for £3,854k (2018: £7,554k).

**Contingent liabilities**

The Group is liable for certain franchisee non-cancellable operating lease payments. The liability is contingent as the Group is only liable in the event the franchisee defaults on their rental payments and at this stage this is not considered probable. The total contingent liability which has arisen in Nando's Australia Pty Ltd is £13,293k (2018: £13,501k).

**32 Related parties**

The Group is controlled by L Perlman SECS, incorporated in Luxembourg and conducting business from 39 Avenue Monterey, L-2163, Luxembourg. Yellowwoods Holdings SARL, incorporated in Luxembourg, is the Group's ultimate controlling company. No consolidated accounts of this group are available. The Group's investments in subsidiaries, associates and joint ventures have been disclosed in notes 17 and 18.

The Group has identified the following related parties, which have been disclosed accordingly;

All About Foods Limited: All About Foods Limited is a related party to group by virtue of the two parties having common directors.

Yellowwoods Treasury: Yellowwoods Treasury 2 SARL is a related party to the group as both parties are controlled by the common ultimate controlling party, as set out above.

**Group**

**Transactions with key management personnel**

Key management personnel include directors of the company and senior managers across a number of companies within the Group.

The compensation of key management personnel is as follows :

	2019 £'000s	2018 £'000s
Key management remuneration including social security costs	7,688	6,986
Share based remuneration	3,908	1,749
Company contributions to money purchase pension plans	14	9
	<u>11,610</u>	<u>8,744</u>



**Notes to the financial statements (continued)**

**32 Related parties (continued)**

**Related party balances**

The Group has the following significant related party balances:

*Deep Discounted Bonds*

The Group have issued deep discounted bonds to Yellowwoods Treasury totalling £541,687k (2018: £536,221k). The details and terms of the deep discounted bonds are disclosed in note 23. Included in the carrying value of the DDB's in note 23 is accrued interest payable of £180,453k (2018: £128,877k) in the Group.

*Related party trading receivables*

The Group have a trade receivable balance with All About Foods at period end of £1,325k (2018: £1,199k).

**Related party transactions**

The Group have the following significant related party transactions:

*Revenue*

The Group have the following transactions with All About Foods. Sale of goods for the period totalled £13,735k (2018: £8,724k) and royalty income received totalled £1,228k (2018: £713k).

*Financial expense*

The Group have incurred interest expense on the deep discounted bonds issued to Yellowwoods Treasury of £53,299k (2018: £51,585k).

**33 Subsequent events**

*Share consolidation*

During the financial year, the company issued 130 million A Shares in a debt for equity swap in order to finance the redemption of a Deep Discounted Bond held by Yellowwoods Treasury 2 S.à r.l. which was required to be redeemed in May 2019. After this equity issue, there were 180,000,000 million 'A' shares and 10,240,964 'B' shares in issue. This share issue of 'A' shares had the effect of diluting the 'B' shareholders, reducing the 'B' Share Equity Value. The 'B' shares previously represented 17% of the company and therefore shared in growth in value of the company at the rate of 17% above the Hurdle. If the effects of the dilution were not corrected, the B Shares would only share in that growth above the hurdle at c.5.69%. This is not fully mitigated by the increase in value due to the reduction in debt.

In September 2019, the 180,000,000 'A' shares in issue were consolidated into 50,000,000 A shares (a ratio of 3.6 to 1), combined with an increase in the hurdle per share, to ensure the Equity Value of the B Shares does not increase. The effect of the share consolidation is that the rights of the B shareholders are preserved. As the effect of the changes in capital structure have had no adverse or beneficial effect on the B shareholders, no adjustment to the share based payment charge has arisen as a result of the modifications to the share based payment scheme after the year end.

*Loan repayment*

Subsequent to the year end, the Company repaid a deep discounted bond to Yellowwoods Treasury 2 SARL, the total value repaid was £127.7m on final maturity date, being four years after subscription date on 10 May 2019.

**Notes to the financial statements (continued)**

**34 Change in significant accounting policies**

The Group has applied IFRS 15 using the retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 26 February 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The details of the significant changes and quantitative impact of the changes are set out below.

The Group has three revenue streams:

*Sale of goods in restaurants*

The performance obligations are the goods sold in the restaurant, and in some markets we run a loyalty programme, which is deemed to be a material right to the customer. Revenues allocated to the goods sold in the restaurant are recognised at a point in time when the customer obtains the goods, and revenues allocated to the loyalty programme are recognised at a point in time when the customer uses the loyalty points or if the points expire.

Under IFRS 15 revenue is to be allocated to performance obligations based on standalone selling prices; accordingly a higher proportion of consideration has been allocated to the loyalty programme in one market and a lower proportion of consideration has been allocated to the loyalty programme in another market but overall, this has resulted in a higher value of deferred revenue of £0.8m (2018: £0.4m). There are no other material impacts on the sale of goods in restaurants as a result of applying IFRS 15.

*Royalty income and Franchise fees*

The performance obligation is the licence to trade in the market. Revenues are allocated to the licence and this is recognised overtime of the agreement.

Under IFRS 15, the initial franchise fee is not considered as a distinct performance obligation and as a result, the amounts billed to customers for this are allocated to the licence performance obligation and recognised overtime of the agreement. This has resulted in deferred income of £1.1m (2018: £1.3m) recognised in the financial statements. There are no other material impacts on the royalty income and franchise fees as a result of applying IFRS 15.

*Grocery sales*

The performance obligation is the sale of goods to distributors. Revenue is recognised at a point in time when control is transferred to the distributor. There are no material impacts on this revenue stream as a result of applying IFRS 15.

The following tables summarise the quantitative impact of adopting IFRS 15 on the Group's financial statements for the year ending 24 February 2019:

	Impact of adoption of IFRS 15		
	As reported as	Adjustments	Balances without
	at 24 February 2019		adoption of IFRS 15
	£'000s	£'000s	£'000s
<b>Balance sheet</b>			
Deferred income	15,746	(1,888)	13,858
<b>Income statement</b>			
Revenue	1,051,106	1,888	1,052,994

**Notes to the financial statements (continued)**

**34 Change in significant accounting policies (continued)**

The Group has adopted IFRS 9 with a date of initial application of 25 February 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement.

*Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively.

The nature and effects of the key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below.

The Group's retained earnings has increased by £6.8m following adoption of IFRS 9. This gain relates to a non-substantial loan modification that occurred during the previous financial year.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 25 February 2018:

£'000s	Original classification under IAS 39	New classification under IFRS	Original carrying amount under IAS 39	New carrying amount under IFRS 9
<b>Financial assets</b>				
Trade and other receivables	Loans and receivables	Amortised cost	21,646	21,646
<b>Total financial assets</b>			<u>21,646</u>	<u>21,646</u>
<b>Financial liabilities</b>				
Trade payables due to third parties	Other financial liabilities	Other financial liabilities	(45,666)	(45,666)
Other payables due to third parties	Other financial liabilities	Other financial liabilities	(4,909)	(4,909)
Accruals and other creditors	Other financial liabilities	Other financial liabilities	(95,252)	(95,252)
Secured bank loans	Other financial liabilities	Other financial liabilities	(384,675)	(377,900)
Other loans	Other financial liabilities	Other financial liabilities	(4,633)	(4,633)
Loans due to related parties	Other financial liabilities	Other financial liabilities	(663,056)	(663,056)
<b>Total financial liabilities</b>			<u>(1,198,191)</u>	<u>(1,191,416)</u>

The following table summarises the impact of transition to IFRS 15 and IFRS 9 on retained earnings at 25 February 2018.


	Impact of adopting IFRS 15 and IFRS 9
<b>Retained earnings</b>	
Balance before adopting IFRS 15 and IFRS 9 at 25 February 2018	(56,567)
Revenue deferral under IFRS 15	(1,705)
Recognition of loan modification under IFRS 9	6,775
<b>Balance under IFRS 15 and IFRS 9 at 26 February 2018</b>	<u>(51,497)</u>

**Company Statement of Financial Position  
as at 24 February 2019 (25 February 2018)**

	<b>Note</b>	<b>2019 £'000s</b>	<b>Restated 2018 £'000s</b>
<b>Non-current assets</b>			
Investment in group companies	5	263,543	265,547
Investment in equity accounted investees	5	22,349	20,914
Loans due from related parties	8	158,285	148,113
		<b>444,177</b>	<b>434,574</b>
<b>Current assets</b>			
Debtors	8	5,731	14
Loans due from related parties	8	88,753	68,569
Cash and cash equivalents	7	139,371	2,318
		<b>233,855</b>	<b>70,901</b>
<b>Total assets</b>		<b>678,032</b>	<b>505,475</b>
<b>Current liabilities</b>			
Creditors	9	(317)	(37)
Loans due to inter-group parties		(67,066)	(61,670)
Loans due to related parties	9	(125,860)	-
		<b>(193,243)</b>	<b>(61,707)</b>
<b>Non-current liabilities</b>			
Loans due to related parties	9	(253,372)	(351,531)
		<b>(253,372)</b>	<b>(351,531)</b>
<b>Total liabilities</b>		<b>(446,615)</b>	<b>(413,238)</b>
<b>Net assets</b>		<b>231,417</b>	<b>92,237</b>
<b>Equity</b>			
Share Capital	10	180,010	50,010
Share Based Payment Reserve	11	3,416	1,749
Retained Earnings		47,991	40,478
<b>Total equity</b>		<b>231,417</b>	<b>92,237</b>

The notes on pages 70 to 84 form an integral part of the financial statements.

The financial statements on pages 68 to 69 were authorised by the Board of Directors on 01/10/19 and were signed on its behalf.

  
**Luke Logan Tait**  
Director

Company registered number: 06451677

The primary statement has been restated as set out in note 6.

**Company Statement of Changes in Equity**

	Share Capital	Share Based Payment Reserve	Retained earnings (Profit & loss reserve)	Total Equity
	£'000s	£'000s	£'000s	£'000s
<b>Balance at 26 February 2017</b>	50,009	-	43,804	93,813
<b>Changes in equity for 2018</b>				
Profit / (Loss) for the period	-	-	(3,326)	(3,326)
Issue of share capital	1	-	-	1
Equity Settled share based payments	-	1,749	-	1,749
<b>Balance as at 25 February 2018</b>	<b>50,010</b>	<b>1,749</b>	<b>40,478</b>	<b>92,237</b>
<b>Balance at 26 February 2018</b>	50,010	1,749	40,478	92,237
Profit / (Loss) for the period	-	-	7,513	7,513
Issue of share capital	130,000	-	-	130,000
Equity Settled share based payments	-	1,667	-	1,667
<b>Balance at 24 February 2019</b>	<b>180,010</b>	<b>3,416</b>	<b>47,991</b>	<b>231,417</b>

The accompanying notes form part of the financial statements.

## Notes to the financial statements

### 1 General information

Nando's Group Holdings Limited (the "Company") is a private company, limited by shares, incorporated, registered and domiciled in the England. The registered number is 06451677 and the registered address is St Mary's House, 42 Vicarage Crescent, Battersea, London, SW11 3LD.

The Company is a holding company for an international chain of casual dining restaurants.

### 2 Summary of significant accounting policies

#### 2.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. In the transition to FRS 101 from Adopted IFRS, the Company has made no measurement and recognition adjustments.

The principal accounting policies outlined below.

#### 2.2 Disclosure exemptions adopted

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the correction of error (see note 6);
  
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As permitted by section s408(3) of the Companies Act 2006, the company is exempt from the requirement to present its own profit and loss account. As the consolidated financial statements of Nando's Group Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures.

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.
- IFRS 2 Share Based Payments in respect of group settled share based payments.

#### Prior Period Restatement

During the period, the Directors recognised that the loan receivable from Nando's Limited (including accrued interest) which is repayable in 2022 had been incorrectly classified as a current balance in the prior year financial statements. The 2018 comparatives have been restated to reflect the reclassification of this balance of £148,113,000 as due after more than one year. This reclassification had no impact on the reported net assets or equity of the Company as at 25 February 2018 nor of its profit for the period then ended. It also had no impact on the consolidated financial statements of the Group of which the Company is the holding company. (see note 6).

## **2 Summary of significant accounting policies (continued)**

### **2.3 Standards issued and applied for the first time in 2019**

The following new and revised Standards and Interpretations have been adopted in the current period. Unless otherwise disclosed, their adoption has had no material impact on the amounts reported in these financial statements. Amendments to:

- IFRS 15 in respect of Revenue from Contracts with Customers is effective for accounting periods beginning on or after 1 January 2018. IFRS 15 replaces IAS 18 and IAS 11 (and the related interpretations) and introduces the principal that revenue is recognised when control of a good or service transfers to a customer.
- Amendments to IFRS 2 in respect of Share-based Payment Transactions is effective for accounting periods beginning on or after 1 January 2018. The amendments provide additional guidance with respect to the classification and measurement requirements of cash-settled share-based payment transactions as well as transactions where the entity has to withhold amounts due to local tax requirements.
- Annual improvements to IFRS Standards 2014 - 2016 cycle relating to IFRS 1 First time adoption of IFRS and IAS 28 Investments in Associates and Joint Ventures which will be effective on periods commencing on or after 1 January 2018 and has been endorsed for adoption by EU.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration is effective for accounting periods beginning on or after 1 January 2018. IFRIC 22 provides clarification of the dates of exchange rate to be used for an advance payment or receipt.
- IFRS 9 in respect of Financial Instruments is effective for the accounting periods beginning on or after 1 January 2018. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

### **2.4 Standards and interpretations issued and not yet effective**

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective or not yet endorsed for the period presented:

- Amendments to IFRS 9 Financial Instruments: the amendments relate to Prepayment Features with Negative Compensation. IFRS 9 has been endorsed for adoption by the EU but is effective for the accounting periods beginning on or after 1 January 2019.
- IFRS 16 in respect of Leases which will be effective for accounting periods beginning on or after 1 January 2019. IFRS 16 will result in almost all leases being recognised in the statement of financial position, as the distinction between finance and operating leases is removed. Under this standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term leases and low value leases. IFRS 16 has been endorsed for adoption by the EU but is not yet effective.
- Annual improvements to IFRS Standards 2015 - 2017. This amendment has an effective date of 1 January 2019.
- IFRIC 23 in respect of Uncertainty over Income Tax Treatments: IFRIC 23 provides guidance in determining how tax treatment adopted in a tax return should be reflected in the financial statements. IFRIC 23 is applicable for accounting periods beginning on or after 1 January 2019.
- Amendments to IAS 28 Investments in Associates and Joint Ventures: the amendment to IAS 28 clarifies that IFRS 9 applies, including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendment to IAS 28 has now been endorsed.

### **2.5 Measurement Convention**

The financial statements are prepared on the historical cost basis except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below.

## **2.6 Foreign currencies**

### *Foreign currencies transactions*

Exchange differences are recognised in profit or loss in the period in which they arise, except for:

- exchange differences on foreign currency borrowings which are regarded as adjustments to interest costs, where those interest costs qualify for capitalisation to assets under construction;
- exchange differences on loans to or from a foreign operation for which settlement is neither planned nor likely to occur and therefore forms part of the net investment in the foreign operation, which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

## **2.7 Financial instruments (policy applicable from 25 February 2018)**

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument.

### **2.7.1 Financial assets**

Financial assets comprise cash and cash equivalents and trade and other receivables.

Trade receivables are initially recognised when they are originated and are initially measured at fair value where there is a significant financing component. Trade receivables without a significant financing component is initially measured at the transaction price.

Trade receivables are subsequently measured at amortised cost as they meets both of the following conditions:

- they are held within a business model whose objective is to hold assets to collect contractual cash flows; and
- their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Trade receivables are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment using the expected credit loss approach.

The Company recognises loss allowances for expected credit losses (ECLs) on trade receivables using the simplified expected credit loss model which is measured at an amount equal to lifetime ECL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.



## **2.7 Financial instruments (policy applicable from 25 February 2018) (continued)**

### **2.7.1 Financial assets (continued)**

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held) or the financial asset is more than 90 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

For the comparative period, the Company reported under IAS 39 and therefore trade receivables were impaired if objective evidence indicated that a loss event had occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

### **2.7.2 Financial liabilities (other than derivative financial instruments)**

Financial liabilities comprise loans and borrowings and trade and other payables. Financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

### **2.7.3 Equity instruments**

Equity instruments issued by the Company are recorded at the value of proceeds received, net of costs directly attributable to the issue of the instruments.

## **2.8 Financial instruments (policy applicable prior to 25 February 2018)**

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial assets and liabilities in the following categories:

- Financial assets at fair value through profit and loss;
- Loans and receivables;
- Financial liabilities at fair value through profit or loss;
- Other financial liabilities.

## **2.8 Financial instruments (policy applicable prior to 25 February 2018) (continued)**

Financial instruments are recognised initially at fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial instrument, except for financial assets at fair value through profit or loss, which are initially measured at fair value, excluding transaction costs (which is recognised in profit or loss).

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

### **Non derivative financial instruments**

#### **2.8.1 Cash and cash equivalents**

Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short-term. Bank overdrafts are shown within borrowing in current liabilities.

#### **2.8.2 Trade receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

Trade receivables that are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables appropriate allowances for estimated irrecoverable amounts is recognised. The Company considers that there is evidence of impairment if any of the following indicators are present:

- Significant financial difficulties of the debtor
- Probability that the debtor will enter bankruptcy or financial reorganisation
- Default or delinquency in payments

Interest on overdue trade receivables is recognised as it accrues.

#### **2.8.3 Trade payables**

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

#### **2.8.4 Bank overdrafts and interest-bearing borrowings**

Bank overdrafts and interest-bearing borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Certain borrowings of the Company are deep-discounted bonds upon which no periodic interest is payable. Such borrowings are accounted for at amortised cost using the effective interest rate of the bond over its life.

#### **2.8.5 Non interest-bearing loans and borrowings**

Non-interest loans are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

## **2 Summary of significant accounting policies (continued)**

### **2.8 Financial instruments (policy applicable prior to 25 February 2018) (continued)**

#### **2.8.6 Inter-group financial instruments**

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

#### **2.8.7 Equity instruments**

Equity instruments issued by the Company are recorded at the value of proceeds received, net of costs directly attributable to the issue of the instruments.

#### **2.8.8 Impairment of financial assets**

All financial assets measured at amortised cost are assessed for indicators of impairment at each reporting date. These impairment losses are recognised in profit or loss, unless the financial asset is measured at fair value and the fair value adjustments are recognised in other comprehensive income, in which case the impairment is recognised in other comprehensive income to the extent that fair value adjustments exist. Any excess is recognised in profit or loss.

## 2 Summary of significant accounting policies (continued)

### 2.9 Equity

Financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and
- where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital exclude amounts in relation to those shares.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the company's equity instruments, for example as a result of share buy-back, the consideration paid, including any directly incremental costs (net of taxes) is deducted from equity attributable to the owners of the Company as treasury shares until such time that the shares are cancelled or reissued.

### 2.10 Borrowing costs

The company does not construct material qualifying assets and therefore borrowing costs are expensed in the period they are incurred.

### 2.11 Taxation

Tax on profit or loss for the period comprises current and deferred tax. Current and deferred tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Income tax for the period is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

The Company does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same tax authority. Current tax assets and liabilities are offset where the entity has a legal enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## **2 Summary of significant accounting policies (continued)**

### **2.12 Impairment of non-financial assets**

The Group assesses annually whether there is any indication that any of its assets have been impaired, other than inventories and deferred tax assets. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where it is impossible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest cash generating unit to which the asset is allocated.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, an impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the impairment loss is recognised as revaluation decrease.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## **3 Accounting estimates and judgements**

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying profit or loss.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are as follows:

### **3.1 Key sources of estimation uncertainty**

In the process of applying the company's accounting policies, management has made various estimates. Those which management has assessed to have the most significant effect on the amounts recognised in the financial statements have been discussed in the individual notes of the related financial statement line items. While subject to some degree of estimation, this is not significant.

### **3 Accounting estimates and judgements (continued)**

#### **3.2 Critical judgements in applying the Company's accounting policies**

In the process of applying the Company's accounting policies, management has made various judgements. Management do not consider that any of these judgements, other than those involving estimation uncertainty as described above, have a significant effect on the consolidated financial statements. The key area of judgement that has the most significant effect on the amounts recognised in the financial statements is the review for the impairment of investment carrying values.

#### **3.3 Disclosure for new accounting standards effective during the current period**

IFRS9 Financial Instruments and IFRS15 Revenue from Contracts with Customers are new accounting standards that are effective for the period ended 24 February 2019. Adoption of these new standards had no material impact on the Company. There are no other new standards, amendments or interpretations, effective for the first time for the period ending 24 February 2019 that had a material impact on the Company.

#### **3.4 Investments**

##### *Investments in subsidiaries*

The value of the investment in each subsidiary held by the Company is recorded at cost less any impairment in the Company's balance sheet.

##### *Investments in associates*

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The investment in an associate is initially recognised at cost and adjusted for the Company's share of in the net assets of the investee after the date of acquisition, and for any impairment in value (equity method), except when the investment is classified as held-for-sale in accordance with IFRS 5 Non-current assets held-for-sale and discontinued operations. The Company recognises losses to the extent there is a legal or constructive obligation in relation to those losses.

#### **3.5 Share based payment policy**

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company. Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. All current arrangements are equity-settled arrangements.

For the equity-settled schemes, the fair value of a share plan is recognised as an expense over the expected vesting period with a corresponding entry to retained earnings. The fair value of the share plans is determined at the date of grant. Non-market based vesting conditions (i.e. Group profitability targets) are taken into account in estimating the number of awards likely to vest, which is reviewed at each accounting date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment for past service is made during the vesting date even if the options are forfeited, or are not exercised. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the share plan is measured using the Monte Carlo method.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

Notes to the financial statements (continued)

**4 Directors' remuneration**

	2019 £'000s	2018 £'000s
Directors' remuneration	(593)	(400)

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £328.0k (2018: £369.6k), and pension contributions of £Nil (2018: £Nil) were made on the Director's behalf.

**5 Investments In subsidiaries and associates**

**5.1 Investments in subsidiaries**

	2019 £'000s	2018 £'000s
Balance at the beginning of the period	265,547	227,269
Additional capital contribution during the period	28,524	46,140
Share based payment contributions during the year	1,667	1,749
Impairment	(32,195)	(9,611)
Balance as the end of the period	263,543	265,547

The Company made additional capital contributions within the year, which related to investments made within the Australia, New Zealand, Canada, United States and India markets.

The Company assesses the carrying value of its investments at each reporting date to determine whether this is objective evidence of impairment. An impairment analysis has been performed across the individual investment values using a discounted cash flow methodology.

The result of this impairment review of the Company investment in subsidiaries require an impairment loss. The impairment loss of £32m (2018:£9.6m) is a result of our assessment of the medium term returns for the Indian and United States markets that can be generated from our assets in those markets. The discount rate used for India and USA is 16.75% and 10.00% respectively.

A number of assumptions have been utilised in calculating these cash flows, including sales growth projections, budgeted gross margins, direct and indirect cost growth rates and expected capital expenditure levels. In line with IFRS requirements, capital and non capital expenditure relating to maintaining the assets in their current condition has been included whereas forecast capex for enhancing assets and new restaurant openings has been excluded along with the incremental cash flows that such enhancements would be expected to generate. Similarly, where current costs exclusively relate to the future openings of new restaurants, these have been excluded from the value in use calculation.

The Company have the following investments in subsidiaries:

Subsidiary undertaking	Registered Address	Ownership		Country of Incorporation	Class of Shares Held	Principal activity
		2019	2018			
Nando's Group Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Holding company
Nando's Chickenland Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99.7%	99.7%	UK	Ordinary	Casual Dining Restaurants
Nando's Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Management, IP company & Franchisor
Nando's Restaurant Group Holdings Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Holding company
Nando's Australia Pty Limited	40 Mollison Street, Abbotsford, 3067	100%	100%	Australia	Ordinary	Casual Dining Restaurants
Nando's Chickenland Canada Inc	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	100%	Canada	Ordinary	Holding company
Nando's Grocery International Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Retail food products
Nando's Services (Pty) Limited	10A Victoria Road, Lorentzville, Johannesburg, 2094	100%	100%	South Africa	Ordinary	Management company

Notes to the financial statements (continued)

5 Investments in subsidiaries and associates (continued)

5.1 Investments in subsidiaries (continued)

Subsidiary undertaking	Registered Address	Ownership		Country of Incorporation	Class of Shares Held	Principal activity
		2019	2018			
Nando's New Zealand Limited	Franchise Accountants, 2g Avera Place, Auckland, 2013, New Zealand	100%	100%	New Zealand	Ordinary	Casual Dining Restaurants
Nando's Sub Continent Holdings Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Holding company
Nando's Services Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Management company

5.2 Investment in equity accounted investees

	2019 £'000s	2018 £'000s
Balance at the beginning of the period	20,914	22,061
Additional capital contribution during the period	2,370	60
Share of (loss)	(935)	(1,207)
Balance as the end of the period	22,349	20,914

Investments	Registered Address	Ownership		Country of Incorporation	Class of Shares Held	Principal activity
		2019	2018			
Nando's Services India Private Limited****	Flat 10, 1105-1106, Ashoka Estate, New Delhi - 110001	5%	5%	India	Ordinary	Casual Dining Restaurants
Nando's Karnataka Restaurants Private Limited****	G9/10, Ascendas Park Square Mall, ITPL, Whitefield,	5%	5%	India	Ordinary	Casual Dining Restaurants
Nando's Chickenland Malaysia SDN.BHD	Level 8, Symphony House, Block D13, Pusat Dagangan	49%	49%	Malaysia	Ordinary	Casual Dining Restaurants
Nando's Singapore PTE. Limited	16 Raffles Quay, No. 11-03 Hong Leong Building, Singapore,	49%	49%	Singapore	Ordinary	Casual Dining Restaurants

The investments in Malaysia and Singapore, which are considered to be individually immaterial, have a different period end of 31 December to the Group due to local compliance reasons. There are no restrictions on the ability of associates to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the entity. The debt of Nando's Chickenland Malaysia has been guaranteed by Nando's Group Holdings Limited.



Notes to the financial statements (continued)

**6 Prior Period Restatement**

During the period, the Directors recognised that the loan receivable from Nando's Limited (including accrued interest) which is repayable in 2022 had been incorrectly classified as a current balance in the prior year financial statements. The 2018 comparatives have been restated to reflect the reclassification of this balance as due after more than one year. The effect of the restatement is set out below:

	Balance as previously reported	Reclassification	Restated balance as at 25 February 2018
	£'000s	£'000s	£'000s
<b>Balance sheet</b>			
<b>Current assets</b>			
<i>Amounts falling due within one year</i>			
Loans due from inter-group undertakings	216,682	(148,113)	68,569
<b>Non-current assets</b>			
<i>Amounts falling due more than one year</i>			
Loans due from inter-group undertakings	-	148,113	148,113
<b>Total assets</b>	<u>216,682</u>	<u>-</u>	<u>216,682</u>

**7 Cash and cash equivalents**

	2019 £'000s	2018 £'000s
Cash and cash equivalents	139,371	2,318

**8 Debtors**

	2019 £'000s	Restated 2018 £'000s
<i>Amounts falling due within one year</i>		
Loans due from inter-group undertakings	88,753	68,569
Debtors due from inter-group undertakings	5,696	-
Other debtors	34	13
Prepayments	1	1
	<u>94,484</u>	<u>68,583</u>
<i>Amounts falling due more than one year</i>		
Loans due from intergroup undertakings (interest 8.50%)	158,285	148,113
	<u>158,285</u>	<u>148,113</u>

The debtors balance due within one year relates to carried forward group relief £5,696k (2018: £5,613k) with Nando's Chickenland Limited. In 2018 the £5,613k was aggregated with other loans due from inter-group undertakings. Included within loans due from inter-group undertakings is £34,304k (2018: £28,757k) due from The Nando's Chickenland Canada Inc which is repayable in 2020 and accrues interest at 2.5%. The remainder of the loans with the Company's subsidiaries, being £54,449k (2018: £39,812k), bear no interest, are repayable on demand and are unsecured.

Amounts owed from Group undertakings due more than one year are due from Nando's Limited, upon which interest is charged at 8.5%. The amount of interest accrued for the period is £10,172k (2018: £10,172k). This loan facility is repayable in 2022 and is unsecured. Included in the carrying value of total inter-group loans is accrued interest receivable of £40,738k (2018: £29,867k).

The below table summarises the movement on group undertakings:

	Loans to group undertakings £'000s	Other £'000s	Total £'000s
<b>Amounts due from inter-group undertakings</b>			
<b>Cost and Net book value</b>			
As at 25 February 2018	211,069	5,613	216,682
Additions	57,971	356	58,327
Repayments	(22,275)	-	(22,275)
As at 24 February 2019	<u>246,765</u>	<u>5,969</u>	<u>252,734</u>

**9 Creditors**

	2019 £'000s	2018 £'000s
<b>Current</b>		
Creditors due to third parties	(317)	(37)
Creditors due to inter-group parties	(67,066)	(61,670)
Loans due to related parties	(125,860)	-
<b>Non-Current</b>		
Loans due to related parties	(253,372)	(351,531)
	<u>(446,615)</u>	<u>(413,238)</u>

Notes to the financial statements (continued)

9 Creditors (continued)

The loans due to related parties and inter-group undertakings are interest bearing loans and borrowings which are summarised in the table of terms and conditions below:

	Currency	Year of maturity	Nominal interest rate	Face value 2019 £'000s	Carrying amount 2019 £'000s	Face value 2018 £'000s	Carrying amount 2018 £'000s
<b>Inter-group loans</b>							
Nando's Group Limited	GBP	On demand	2.5%+ LIBOR	58,782	67,066	58,782	61,670
<b>Related Party loans</b>							
Yellowwoods Treasury 2 SARL	GBP	2019	7.50%	95,615	125,860	95,615	117,235
Yellowwoods Treasury 2 SARL	GBP	2022	8.00%	120,000	160,277	120,000	148,435
Yellowwoods Treasury 2 SARL	GBP	2024	8.25%	46,106	60,363	46,106	55,687
Yellowwoods Treasury 2 SARL	GBP	2027	8.50%	26,000	32,732	26,000	30,174
				<b>346,503</b>	<b>446,298</b>	<b>346,503</b>	<b>413,201</b>

This note provides information about the contractual terms of the Company's interest bearing loans and borrowings, which are measured at amortised cost. Face value of debt represents amounts initially borrowed, while the carrying value of debt includes accrued interest where the terms of the instrument require repayment of interest at the end of the loan term plus any amortised upfront costs of the loan.

10 Share Capital

	2019 £'000s	2018 £'000s
<b>Authorised Share Capital</b>		
180,000,000 ordinary shares of £1 each (2018: 50,000,000 ordinary shares of £1 each)	180,000	50,000
10,777,537 (2018: 10,777,537) ordinary B shares of £0.001 each	11	11
	<b>180,011</b>	<b>50,011</b>
<b>Issued and fully paid for</b>		
180,000,000 ordinary shares of £1 each (2018: 50,000,000 ordinary shares of £1 each)	180,000	50,000
10,240,694 (2018: 10,240,964) ordinary B shares of £0.001 each	10	10
	<b>180,010</b>	<b>50,010</b>
<b>Reconciliation of the number of shares outstanding</b>		
Opening balance at beginning of the current period	50,010	50,009
Shares Issued 130,000,000 (2018: 897,297)	130,000	1
Closing balance at end of current period	180,010	50,010

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Ordinary B shares are held by employees under share based scheme. The holders of ordinary B shares are not entitled to receive any income or capital until the hurdle amount per share has been reached in respect of that ordinary B Share, the detail relating to the hurdle amount is detailed in the Group accounts. The transfer of these shares is at the discretion of the Directors of the Company.

During the year, 130,000,000 shares were issued at £1 each resulting in share capital being recognised.

**Notes to the financial statements (continued)**

**11 Share based payments**

The Company takes part in the Group Partnership scheme.

As the scheme is deemed equity settled, the fair value of amounts payable to the employees is recognised as an expense in the employing company with a corresponding increase in equity to represent the contribution received.

The employee share scheme is designed to remunerate the employees of its subsidiaries with shares in the Company.

Under the employee share scheme the employees hold the shares immediately on award, but there is a designated compulsory holding period running from November 2016 to November 2020, during which employees waive their voting and dividend rights in respect of their shares and may not transfer, charge or otherwise dispose of their shares without consent of the Company. The shares granted to employees under the scheme shall vest under performance related criteria as well as individual personal targets; if they do not vest, then they are returned to the Company.

The Company retains the beneficial rights to the unvested shares held by employees. As the shares are not publicly traded and therefore cannot be easily realised, a separate arrangement has been put into place between the employees and a related undertaking Yellowwoods SARL, which will acquire the shares after vesting under a put and call. The acquisition of the shares by Yellowwoods SARL will be settled in cash.

Shares in issue to the employees of Nando's Group Holdings Limited's subsidiaries:

	2019	2018
	Shares	Shares
Shares at beginning of the period		
B1 shares issued during the period	10,240,964	9,343,667
B2 shares issued during the period	-	-
B3 shares issued during the period	-	-
Outstanding shares at end of the period	-	897,297
	<u>10,240,964</u>	<u>10,240,964</u>
	2019	2018
	£'000s	£'000s
Share-based payment expense	<u>1,667</u>	<u>1,749</u>

Due to the mandatory holding period, no shares were exercisable at the end of the period. These share based payment schemes have been recognised in accordance with IFRS 2 and the accounting policy described in 3.5. The charges for the prior period were not material.

The number of shares expected to vest at the end of the current financial year for 16 November 2016 and 17 January 2018 grant date is 5,289,789 and 344,819 respectively. The Group will revisit the number of shares expected to vest at each reporting date and will ultimately be based on the number of shares that actually vest.

**12 Related party transactions**

The Company is controlled by L Perlman SECS, incorporated in Luxembourg and conducting business from 39 Avenue Monterey, L-2163, Luxembourg. Yellowwoods Holdings SARL, incorporated in Luxembourg, is the Group's ultimate controlling company. No consolidated accounts of this group are available.

The Group has identified the following related parties, which have been disclosed accordingly;

**All About Foods Limited:** All About Foods Limited is a related party to group by virtue of the two parties having a common members of key management personnel and their roles within each organisation.

**Yellowwoods Treasury:** Yellowwoods Treasury 2 SARL is a related party to the group as both parties are controlled by the common ultimate controlling party, as set out above.

The company have the following significant related party transactions:

**Deep Discounted Bonds**

The Company have issued deep discounted bonds to Yellowwoods Treasury 2 SARL totalling £379,233k (2018: £351,531k). Included in the carrying value of the DDB's in note 9 is accrued interest payable of £91,658k (2018: £63,811k) in the Group. The Company have incurred interest expense on the deep discounted bonds of £27,847k (2018: £25,627k). The details and terms of the deep discounted bonds are disclosed in note 9.

Notes to the financial statements (continued)

**13 Subsequent events**

*Share consolidation*

During the financial year, the company issued 130 million A Shares in a debt for equity swap in order to finance the redemption of a Deep Discounted Bond held by Yellowwoods Treasury 2 S.à r.l. which was required to be redeemed in May 2019. After this equity issue, there were 180,000,000 million 'A' shares and 10,240,964 'B' shares in issue. This share issue of 'A' shares had the effect of diluting the 'B' shareholders, reducing the 'B' Share Equity Value. The 'B' shares previously represented 17% of the company and therefore shared in growth in value of the company at the rate of 17% above the Hurdle. If the effects of the dilution were not corrected, the B Shares would only share in that growth above the hurdle at c.5.69%. This is not fully mitigated by the increase in value due to the reduction in debt.

In September 2019, the 180,000,000 'A' shares in issue were consolidated into 50,000,000 A shares (a ratio of 3.6 to 1), combined with an increase in the hurdle per share, to ensure the Equity Value of the B Shares does not increase. The effect of the share consolidation is that the rights of the B shareholders are preserved. As the effect of the changes in capital structure have had no adverse or beneficial effect on the B shareholders, no adjustment to the share based payment charge has arisen as a result of the modifications to the share based payment scheme after the year end.

*Loans to Subsidiaries*

Subsequent to the year end, the Company has extended further loans to its subsidiaries. The total value of the significant loans which have been extended to subsidiaries is £14,265k up to the date of approval of these financial statements. This increase in loans receivable is a non-adjusting event after the balance sheet date.

*Capital Contributions to Subsidiaries*

Subsequent to the year end, the Company has contributed capital to various subsidiaries. These non-adjusting events after the balance sheet date resulted in the Company having paid an aggregate of £14,021k to subsidiaries.

*Loans to Related Parties*

Subsequent to the year end, the Company repaid a deep discounted bond to Yellowwoods Treasury 2 SARL, the total value repaid was £127.7m on final maturity date, being four years after subscription date on 10 May 2019.

*Dividends*

A dividend was declared and received by Nando's Group Limited on the 3rd May 2019 for £30m.