

Nando's Group Holdings Limited

**Annual report and consolidated
financial statements**

**Registered number 06451677
23 February 2020**

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STRATEGIC REPORT

Highlights

Financial highlights for the period ending 23 February 2020

- Revenue up by 4.2% to £1,095.4m (2019: £1,051.1m) driven by organic growth in our key markets.
- Underlying operating profit (excl. impact of IFRS 16 and pre-exceptional items) down by 5.7% to £39.5m (2019: £41.9m) driven by above-inflation increases in National Living Wage in the UK and continued investment in the international business.
- Capital investment increased to £97.4m (2019: £87.9m) as we continued to expand our footprint by opening 48 new restaurants, taking the total to 958 during the year, maintained the existing estate and invested in new technology.

Post financial year-end events

- The trading impact of Covid-19 is not reflected in these financial statements. Since the year end, the pandemic has had a significant negative impact on our operations including the complete closure of all our restaurants in the UK during the national lockdown. The external landscape continues to be subject to change across our markets as a result of government interventions in relation to the pandemic.
- We have taken rapid and decisive action to protect colleagues and customers and to preserve cash and liquidity including a dramatic reduction in capex, salary reductions for senior management, reductions in rent, negotiating a pre-emptive waiver for our bank covenants and raising £100m in new equity from our parent company as a prudent measure to strengthen the balance sheet.
- We are grateful for the support of governments in our Covid-impacted markets. In the UK employees were put on furlough during the peak of the pandemic. We subsequently re-opened all but a handful of our UK restaurants, giving restaurant employees the option to return to work should they wish.
- The trading impact of Covid-19 has been reflected in our future financial projections and this was the main factor in a non-cash, exceptional goodwill and asset impairment charge of £62.1m for the period ended 23 February 2020.
- As we continue to navigate the effects of the global pandemic, current trading across our international footprint remains mixed. However, we remain confident in our long-term growth trajectory, underpinned by continued strong customer demand for our PERi-PERi Chicken, a growing range of innovative new menu items, improved technology and new channels to market through which we can serve our customers. This includes an acceleration of our digital strategy, through the formation of an innovative new delivery partnership with Deliveroo in the UK and the ability to order at table via a Nando's app, to support social distancing and customer safety.

Environmental, social and governance (ESG) highlights

- Across the globe, we have supported our Covid-impacted markets as part of our long-standing commitment to be part of the communities in which we operate, donating over 1million meals to healthcare workers and the needy across the US, the UK and Australia. As part of these efforts we donated over 54,000 meals to NHS workers in the UK, building on our 20 year partnership supporting the NHS and a further 60,000 meals via our partnership with Fareshare.
- Our sustainability commitments further accelerated as Nando's UK became the first restaurant group in Europe to adopt approved Science Based Targets to further reduce carbon emissions.
- Nando's UK also signed the Better Chicken Commitment, pledging to fully implement higher standards of animal welfare to ensure stronger, healthier chickens in our supply chain by 2026.

Rob Papps, Group Chief Executive of Nando's commented:

"Nando's had a robust financial year in line with our expectations. During the year we continued to grow our revenue in very competitive markets, invest for the future and make strong progress with our digital strategy, including the development of app-based and online platforms. Since the financial year end, the Covid-19 pandemic has significantly impacted our trading and we have taken decisive action to protect our balance sheet. Throughout this crisis our priority has been to help our people and communities, and we are proud that we have been able to donate over 1 million meals to hospitals and emergency services across the world as part of our long-term community partnerships.

We are grateful to governments for their support, and are pleased to have re-opened all but a handful of our UK restaurants, giving restaurant employees the option to return to work should they wish.

Whilst the current period remains extremely challenging, we remain confident in the long-term prospects for the business, underpinned by customer demand for our PERi PERi chicken, continued innovation and growth in digital channels to better serve our customers."

The directors present the Strategic Report, Directors' Report and the audited financial statements for the 52-week period ended 23 February 2020.

Values and engagement

Nando's believes its purpose is to change lives. We try to do this through the business – driving social impact by developing and then, critically, embedding programmes into our everyday operations, specifically people, communities and supply chain. We believe this enhances our efforts – building programmes sustainably, which resonate with employees and customers over the long term and activate the business as a force for good in society.

Our most important resource remains our people. 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:

- The impact of the Covid-19 pandemic has been seen across the world, including in all the markets in which Nando's operates. As a business with a longstanding commitment to make our restaurants an important part of every community, Nando's pledged early in the pandemic to mobilise our global teams and help those most in need. We are proud to have worked hard and served that effort to make a positive impact:

- o In the US, Nando's introduced the largest community service program in our history and donated more 100,000 meals to nurses, doctors and healthcare workers fighting the pandemic. The Standing Together, 6 Feet Apart program was part of our commitment to stay open to keep our employees paid and to provide free meals to healthcare workers on the frontline.

- o In Australia, we donated \$500,000, the cost of one million food bank meals, to Foodbank, which provides relief to over 815,000 needy people each month. In just four weeks, Nando's saw 618,000 meals provided to vulnerable Australians. We are glad that through this initiative, we have been able, in partnership with our customers, to help those who may be struggling due to the health crisis.

- o In the UK, Nando's donated 54,000 free meals in total to NHS workers during the pandemic. As well as participating in the UK government's Eat Out to Help Out scheme to give all customers 50% off all food and soft drinks up to £20 when dining in, Nando's also decided to pass on the government's VAT reduction to all our customers in the form of lower prices. This was effective across the whole menu (except alcohol) and we were pleased to offer this across dine-in, online collection and delivery orders as a thank you to our customers who have continued to show great loyalty to Nando's.

- o The health, safety and peace of mind for our customers is a priority for us across the world. We ensured our restaurants were ready to welcome customers back as restrictions eased in various parts of the world. In the UK we invested over £20 million into new safety measures in our restaurants, to prepare them for re-opening.

- o Our people have been at the heart of all of these initiatives, and we are immensely proud that we were able to help essential workers, particularly those on the front lines of healthcare systems around the world, those in need, and our own people during this difficult time.

- Our No Chuckin' Our Chicken program is aimed at stopping unnecessary food waste. The program provides excess food from our restaurants to those who need it most in the communities in which we operate. We are proud that since its launch in the UK in 2013, Nando's has reached the milestone of 2 million donated meals to local charities.

- Building on No Chuckin' Our Chicken, Nando's also launched this year a new food donation and employment program, aimed at helping vulnerable young people and families across some of our regions, including the UK and the US.

- o In the UK, the Fuel Your Future program is designed to make lasting impact for disadvantaged young people. The program aims to help with both the immediate need for free meals, and most importantly a long-term impact on the lives of disadvantaged young people, through supporting their futures with employment opportunities.

- o In the US, as a continuation of our focus on inclusive hiring, we partnered with Generation, whose mission is to close the skills gap for young people, empowering them to build thriving, sustainable careers. The partnership centres on recruitment of young people from disadvantaged backgrounds, who typically would not find their way into the formal job market. Over the year of our partnership, we have placed approximately 90 young people into full time work.

- Nando's is continuing our work with our PERi Farms in Mozambique, Malawi, Zimbabwe and South Africa, where 100% of our African PERi-PERi chillies come from and where we make an enormous difference to the lives of many small-scale farmers through access to the latest farming techniques, quality seedlings and finance. Since the launch of the program in 2015, we are now working with c. 1,200 farmers across 12 regions, supporting all Nando's markets. We provide the farmers with a fixed outlay for their crop and pay a premium for every kilogram of chillies harvested. Nando's is also building education, experience and innovation across these regions, investing in people to broaden their farming capabilities. 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.

- Our Portal to Africa initiative was established in 2012 and digitally connects our global restaurant network to small, emerging Southern African artisans, furniture makers and crafts people. It was created to support South African design and furniture-making industries by showcasing South African designers on a purpose made portal. The portal helps young designers set up and grow their ideas and business and is accessible by all our restaurants, which can commission specific works. Having been designed from scratch, the impact has been significant, with over 60 designers featuring on the portal at year end. We also continue to source new talent through the 'Hot Young Designer' platform and industry days.

- Nando's UK is the first restaurant group in Europe with an approved Science Based Target, which are targets that are in line with the latest climate science outlining what is necessary to meet the goals of the Paris Agreement. We are committed to achieving these targets by an absolute reduction in emissions, as opposed to carbon offsetting. Since 2015, we've already successfully reduced the carbon footprint of the average Nando's meal by 40%. Nando's has committed to achieving absolute zero direct carbon emissions and further reducing the carbon footprint of an average Nando's meal by 50% by 2030. We will achieve the additional reductions by working with our suppliers to support them on reducing their own carbon footprint, especially working with chicken suppliers and experts in the industry, such as Sustainable Restaurant Association and Soil Association, to reduce the carbon footprint of chicken feed and increasing our plant-based menu offering. We already use 100% renewable electricity and will switch to 100% renewable gas by 2022 to eliminate our direct emissions.

- Additionally, we have signed the Better Chicken Commitment, pledging to fully implement higher standards of welfare to ensure stronger, healthier chickens by 2026. We are working with suppliers and industry groups in partnership with farmers, investing in research and using a naturally slower growing breed of chicken in our supply chains. This builds on our long-standing commitment to meeting Red Tractor Standards and, in the UK, always serving 100% British chicken which is fresh, never frozen.

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 employees ('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 performance

The financial highlights include comparisons of the current year results pre-IFRS 16 adjustments and pre-exceptional items to the prior year results as set out below.

	2020 Total as reported	2020 Reversing impact of IFRS 16	2020 Reversing exceptional items	2020 Total pre-IFRS 16 and exceptional items	2019 Total as reported	Variance
	£m	£m	£m	£m	£m	£m
Revenue	1,095.4	-	-	1,095.4	1,051.1	44.3
Operating profit / (loss)	(4.7)	(17.9)	62.1	39.5	41.9	(2.4)

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.

Revenue increase by 4.2% as we grew operations in the UK, Australia and the US. There is significant growth potential in all our markets and we will continue to invest in opening new restaurants. Underlying operating profit of £39.5m (excluding the impact of IFRS 16 and pre-exceptional items) was down by 5.7%, reflecting the above-inflation increase in National Living Wage in the UK and continued investment in the international business. Group capital investment ("Capex"), defined as the cash investment in tangible, intangible and equity accounted investments and business combinations, during the year was £97.4m (2019: £87.9m), 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 before impacts of IFRS 16 decreased by £3.9m to £63.2m (2019: £67.1m). The Group made a loss before tax for the year under review of £99.4m (2019: £25.2m). Before the impacts of IFRS 16 and exceptional items, the loss before tax for the year was £23.7m, a decrease of £1.5m in comparison to the prior year. The income tax expense incurred by the Group during the year was £13.2m (2019: £13.1m). The Group also contributes further direct and indirect taxes including social security, property taxes, local taxes and value added taxes.

At year-end, the Group had net liabilities of £11.9m (2019: net assets of £103.3m). This is largely driven by impairments of goodwill and other assets of £62.1m (see note 7: Exceptional items) and the impact of IFRS 16 reducing net assets by £13.4m. Without these adjustments, the Group would have had net assets of £63.6m.

IFRS 16 adjustments

The Group has adopted IFRS 16, the new lease accounting standard, since 25 February 2019 using the modified retrospective approach. Accordingly, the Group has not restated its prior periods therefore the results for 2020 are not directly comparable to the result of 2019. To aid comparability, the financial highlights above have been presented with and without the impact of IFRS 16 for 2020. More details can be found in Note 1.3.

Exceptional items

Covid-19 has not impacted the trading results for the period ended 23 February 2020. However, the impact of Covid-19 has been assessed and the group has prepared financial forecasts incorporating this impact and the Government enforced lockdown as well as the anticipated slow recovery to pre-Covid-19 trading levels. These forecasts have been used to evaluate the value of assets within the group, and this assessment was the main factor in causing an impairment of Goodwill and other assets. The Covid-19 impact is considered to be an extraordinary event and will be disclosed as an exceptional item. Again to aid comparability, the financial highlights above have been presented with and without the impact of these exceptional items. More details can be found in Note 7.

The average number of employees during the year has grown from 21,145 in 2019 to 22,412 in 2020.

The results for the year and the financial position of the Group are disclosed on pages 17 to 21.

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 work.

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.

We have made strong progress with our digital strategy, investing in the ongoing development of app-based and online platforms. This helps us to make the customer journey easier, as well as enabling a 'single view' of our customers and how they interact with Nando's so we can better meet their needs.

International expansion

The number of restaurants in operation increased from 936 at 24 February 2019 to 958 at 23 February 2020. This total includes the 773 (2019: 740) company-owned restaurants and 185 (2019: 196) 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 £97.4m, reflecting the Group's strategy to expand its international footprint and refurbish its existing network. Nando's restaurant design continues to win awards across the globe.

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.

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 and 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 protect the balance sheet in light of ongoing uncertainty in the trading environment due to the Covid-19 pandemic, the Company raised £100m in equity from its immediate parent. Further discussion on how these risks are managed is provided in the Directors' Report, Note 29 and Note 35.

Economic Uncertainty

The Group is exposed to the risk of economic uncertainty in the markets it operates in, particularly since the Covid-19 pandemic. 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

The United Kingdom left the European Union on 31 January 2020. There is now a transition period until the end of 2020 while the UK and EU negotiate additional arrangements.

The Group continues to monitor and assess risks associated with Brexit developments, with a particular interest in availability of product, access to a quality labour force and the impact of uncertainty on consumer confidence.

Mitigation plans have been put in place where appropriate, and the overall risk assessment of these factors is not anticipated to have a material impact on the Group performance.

Stakeholder Engagement - Section 172 Companies Act 2006

Directors act in a way that they consider would most likely promote the success of the company for the benefit of its members as a whole. Nando's considers each of the following in making key decisions:

Act Fairly between all members of the company

Nando's is committed to acting fairly between all members of the company and being transparent in its activities.

The desirability of the company maintaining a reputation for high standards of business conduct and the likely long term consequences of decisions

Directors are presented at Board meetings with information on all key decisions and are briefed on potential impacts and risks for key stakeholders. Directors consider these factors before making a final decision which together they believe is in the best interest of the company. Examples are given in the Strategic Report within Operational highlights: Brand Strength, International expansion and Operational excellence.

The interest of the company's employees (Nandocas)

Our most important resource remains our people. 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. Further examples are given in the Strategic Report Values and engagement and Principal risks and uncertainties (Employees).

The relationship with suppliers, customers and others

Nando's believes its purpose is to change lives. We work closely with our stakeholders and details are given in the strategic report within the Values and engagement section.

The impacts on communities and the environment

Nando's has always placed importance on trying to change lives for the better, for our teams, customers, supply chains and local communities. Our approach is twofold: we strive to improve our environmental sustainability to help fight climate change, alongside the welfare of our chickens to build on our long legacy of working towards a healthier, happier and more environmentally sustainable planet. The details for this are given in the strategic report within the Values and Engagement section.

Subsequent events including Covid-19 Impact

On 30 January 2020, the World Health Organisation (WHO) announced Covid-19 as a global health emergency. The Covid-19 pandemic increased in prevalence throughout the markets where Nando's operates in March and April with country-wide closures of all eat-in restaurant facilities issued by some Governments, causing our restaurants to close in those markets.

In the immediate weeks after closure, the Group focused on securing cash availability and minimising cash outgoings to optimise cash flow. The Group is also grateful for Government action and support and successfully applied to Government schemes in some of the markets in which it operates.

Subsequent to those events, the Group has moved to cautiously and carefully re-open restaurants which had been closed due to lockdowns initially for off-premise sales (Collect and Delivery) before restarting on-premise dining with social distancing and other measures to ensure the safety of employees and customers. The Group's sales performance is ahead of management expectations, albeit some way below the performance in the period prior to Covid-19. Management has reflected the impact of Covid-19 in its forecasts, with this being the main factor of impairments of Goodwill and other assets. As these relate to extraordinary events, they have been treated as exceptional items (Note 7).

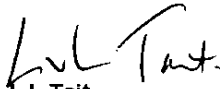
In September 2020, the Group secured additional funding from its shareholders by raising £100 million in new equity from its immediate parent.

At the date of signing, we have re-opened all but a handful of restaurants for a blend of either Eat-In, Collect or Delivery.

Going Concern

On the basis of current financial projections and committed banking facilities, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future and consequently the financial statements have been prepared on a going concern basis. See note 1 for further detail, including acknowledgement of a material uncertainty to going concern.

By order of the board


L L Tait
Director
3/11/2020

St Mary's House
42 Vicarage Crescent Battersea
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Directors' Report

The directors present their annual report for the 52 week period ended 23 February 2020.

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 (resigned 21 February 2020)
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.

Corporate Governance

The Nando's Board have chosen to report the company's corporate governance against the Wates Corporate Governance Principles for Large Private companies.

Purpose and Leadership

Nando's believes its purpose is to change lives. This is set out in the Strategic Report detailing Values and Engagement.

The Board and Director Responsibilities

The Board takes a number of steps to ensure that when making decisions there is sufficient regard to key stakeholders. During the period ended 23 February 2020 the Board has engaged significantly to understand the corporate governance needed to promote balanced decision making and the Board will look for further inclusion of all stakeholder interests in the decision making process in the period ended 28 February 2021.

The Nando's board consists of Executive Directors, Non-Executive Directors and shareholder representatives.

The Board has 3 scheduled core meetings every year with additional meetings scheduled as required. The Board receives regular and timely information on all key aspects of the business. Day to day running of the business is delegated by the Board to the "Mesa" (our executive leadership team).

The board also maintains a conflicts of interest register to ensure that decisions are made independently.

The Board have established and approved terms of reference for the Audit Committee. The Audit Committee assists the Board in responsibilities regarding financial reporting and overseeing the performance and independence of external auditors. The Audit Committee also assists the Board in matters of risk management and internal controls, including monitoring and reviewing the effectiveness of fraud policies, internal control and risk management. Membership consists of one Executive and one Non-Executive Director.

Opportunity and risk

The key operational risks and mitigations are set out in the Strategic Report above under the section entitled principle risks and uncertainties. The Audit Committee is required to give regular updates of the group risk schedule to the Board.

Remuneration

The current remuneration policy is that the CEO salary is recommended by the Chairman; Mesa (Executive Directors) and other executive management salary are recommended by the CEO and approved by the Chairman. The same principle is then cascaded down throughout management. The Chairman salary is set by the major shareholders.

Executive Director and Senior Management remuneration is assessed against a balanced scorecard comprising financial and non-financial targets (including Nandoca staff welfare and brand scores).

Stakeholder Relationships and Engagement

Further information about the key stakeholder groups and how the Board consider these groups in relation to decisions made are set out within the strategic report including Values and Engagement and Employees.

Political and charitable contributions

The Group made no political contributions during the year.

The Group made charitable donations of £435.0k (2019: £400.0k). 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 (2019: nil).

Taxation

Nando's is a responsible corporate citizen and taxpayer. The Group pays all taxes due in every jurisdiction where we operate. The corporate income tax expense incurred by the Group during the year was £13.2m (2019: £13.1m). Nando's also contributes further direct and indirect taxes including social security, property taxes, local taxes and value added taxes.

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 29.

Indemnification of directors

Qualifying third party indemnity provisions (as defined by the Companies Act 2006) are in force for the benefit of the directors who held office during the year. The Company also provides directors' and officers' liability insurance for its directors and other officers.

Future developments

An indication of likely future developments in the business due to Covid-19 have been included in the Strategic Report on page 10.

Subsequent events

Subsequent events have been included within the Strategic Report on page 10.


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


L L Tait

Director

3/11/2020

St Mary's House
42 Vicarage Crescent Battersea
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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE STATUTORY CONSOLIDATED 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
- 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 23 February 2020 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 23 February 2020 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.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that in both the Base Case and Downside scenario the Group is reliant upon agreeing waivers of covenants in May 2021 with the bank. If this is not successful further financing would be required. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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;
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

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 14, 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.

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
03 November 2020



3 November 2020

**Consolidated Income Statement and Other Comprehensive Income
for the 52 week period ended 23 February 2020 (52 week period ended 24 February 2019)**

	Note	2020 Before exceptional items £'000s	2020 Exceptional items (note 7) £'000s	2020 Total £'000s	2019 Total £'000s
Revenue	4	1,095,433	-	1,095,433	1,051,106
Cost of sales		(865,788)	-	(865,788)	(837,692)
Gross Profit		229,645	-	229,645	213,414
Other operating income	5	4,529	-	4,529	2,647
Administrative expenses	6	(175,692)	(62,117)	(237,809)	(171,742)
Share of loss of equity-accounted investees, net of tax	20	(1,106)	-	(1,106)	(2,385)
Operating profit / (loss)		57,376	(62,117)	(4,741)	41,934
Financial income	11	1,696	-	1,696	975
Financial expense	12	(96,376)	-	(96,376)	(68,062)
Net financial expense		(94,680)	-	(94,680)	(67,087)
Loss before tax		(37,304)	(62,117)	(99,421)	(25,153)
Income tax expense	13	(13,182)	-	(13,182)	(13,125)
(Loss) / profit for the period		(50,486)	(62,117)	(112,603)	(38,278)
Non-controlling interest	19	(132)	-	(132)	(184)
(Loss) / Profit for the period attributable to Nando's Group Holdings Limited		(50,618)	(62,117)	(112,735)	(38,462)
Other comprehensive income <i>Items that may not be reclassified subsequently to profit / (loss)</i>					
Exchange differences on translating foreign operations		(1,761)	-	(1,761)	1,245
Other comprehensive income for the period, net of tax		(1,761)	-	(1,761)	1,245
Total comprehensive income for the period		(52,379)	(62,117)	(114,496)	(37,217)
Total comprehensive income for the period attributable to:					
Equity holders of the parent		(52,247)	(62,117)	(114,364)	(37,033)
Non-controlling interest		(132)	-	(132)	(184)
		(52,379)	(62,117)	(114,496)	(37,217)

The Group has applied IFRS 16 for the first time at 25 February 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application (see note 1.3)

The accompanying notes form part of the financial statements.

**Consolidated Statement of Financial Position
as at 23 February 2020 (24 February 2019)**

	Note	2020 £'000s	2019 £'000s
Non-current assets			
Property plant and equipment	15	362,123	375,464
Intangible assets	16	651,652	718,689
Right of use assets	18	418,779	-
Investments in equity accounted investees	20	19,483	22,331
Deferred tax assets	21	222	1,806
Trade and other receivables	23	10,741	3,185
		1,463,000	1,121,475
Current assets			
Inventories	22	6,580	7,520
Trade and other receivables	23	33,078	33,500
Cash and cash equivalents	24	82,693	193,029
Current tax receivable		536	1,067
		122,887	235,116
Total assets		1,585,887	1,356,591
Current liabilities			
Other interest bearing loans and borrowings	25	(13,104)	(13,991)
Loans due to related parties	25	-	(125,872)
Trade and other payables	26	(162,598)	(164,933)
Tax payable		(2,141)	(361)
Provisions	28	(2,031)	(2,004)
Current lease liability	18	(65,784)	-
Derivative financial instruments	30	(98)	(136)
		(245,756)	(307,297)
Non-current liabilities			
Other interest bearing loans and borrowings	25	(296,066)	(313,230)
Loans due to related parties	25	(644,318)	(596,277)
Other payables	26	(8,664)	(30,833)
Deferred tax liabilities	21	(1,967)	(3,705)
Non current lease liability	18	(396,498)	-
Provisions	28	(4,548)	(1,988)
		(1,352,061)	(946,033)
Total liabilities		(1,597,817)	(1,253,330)
Net (liabilities)/assets		(11,930)	103,261
Equity			
Share Capital	31	180,010	180,010
Capital Contribution reserve	31	-	-
Own share reserve	31	-	-
Foreign Currency translation reserve		8,450	10,211
Retained Earnings		(201,852)	(88,290)
Equity attributable to equity holders of the parent		(13,392)	101,931
Non-controlling interest		1,462	1,330
Total equity		(11,930)	103,261

The Group has applied IFRS 16 for the first time at 25 February 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application (see note 1.3).

The accompanying notes form part of the financial statements.

Lulu Tint.
3/11/2020

Consolidated Statement of Cash Flows
for the 52 week period ended 23 February 2020 (52 week period ending 24 February 2019)

	2020	2019
	£'000s	£'000s
Cash flows from operating activities		
(Loss) / Profit for the period (from continuing operations)	(112,603)	(38,278)
<i>Adjustments for:</i>		
Depreciation and amortisation	108,227	100,115
Depreciation of right of use asset	52,076	-
Impairment loss on trade receivables	210	51
Impairment loss on non current assets (net of reversals of impairment)	61,546	721
Loss/(gain) on disposal of non current assets	9,467	3,656
Share of equity accounted investees	1,106	2,385
Share Based payment expense	(48)	5,400
Financial income	(1,696)	(975)
Financial expense	96,376	68,062
Taxation	13,182	13,125
	<u>227,843</u>	<u>154,262</u>
Decrease/(increase) in trade & other receivables	2,495	706
Decrease/(increase) in inventories	940	(1,681)
Increase/(decrease) in trade & other payables	(5,875)	12,695
Increase/(decrease) in provisions	(2,003)	1,443
	<u>223,400</u>	<u>167,425</u>
Cash generated from operations		
	<u>223,400</u>	<u>167,425</u>
Tax paid	(8,922)	(10,787)
Net cash flows from operating activities	<u>214,478</u>	<u>156,638</u>
Cash flows from investing activities		
Proceeds from disposal of Property plant and equipment	-	17
Acquisition of business combinations (net of cash acquired)	(669)	(506)
Acquisition of property, plant and equipment	(95,606)	(82,192)
Acquisition of equity accounted investments	(168)	(4,122)
Acquisition of intangible assets	(932)	(1,080)
Interest received	797	247
Dividends received	10	320
Net cash flows from investing activities	<u>(96,568)</u>	<u>(87,316)</u>
Cash flows from financing activities		
Proceeds from long term borrowings	-	5,466
Repayment of long term borrowings	(146,645)	(62,166)
Purchase of non controlling interest	-	-
Proceeds from issue of share capital	-	130,000
Lease payments (principal portion)	(37,324)	-
Interest paid	(43,948)	(11,346)
Net cash flows from financing activities	<u>(227,917)</u>	<u>61,954</u>

Consolidated Statement of Cash Flows
for the 52 week period ended 23 February 2020 (52 week period ending 24 February 2019)

	Group	Group
	2020	2019
Note	£'000s	£'000s
Net cash flows from operating activities	214,478	156,638
Net cash flows from investing activities	(96,568)	(87,316)
Net cash flows from financing activities	(227,917)	61,954
Net increase/(decrease) in cash and cash equivalents	(110,007)	131,276
Cash and cash equivalents at beginning of period	193,029	62,437
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	(329)	(684)
Cash and cash equivalents at end of period	82,693	193,029
Cash and cash equivalents per balance sheet	82,693	193,029
Bank overdrafts	-	-
Cash and cash equivalents at end of period per cash flow	82,693	193,029

The Group has applied IFRS 16 for the first time at 25 February 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application (see note 1.3)

The accompanying notes form part of the financial statements.

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent						Non-controlling interest	Total	Total Equity
	Share Capital	Contribution Reserve	Own Share Reserve	Foreign currency translation reserve	Retained earnings (Profit & loss reserve)				
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 25 February 2018	50,010	-	-	8,966	(56,567)	2,409	1,146	3,555	
Adjustment in initial application of IFRS 9	-	-	-	-	6,775	6,775	-	6,775	
Adjustment in initial application of IFRS 15	-	-	-	-	(1,705)	(1,705)	-	(1,705)	
Adjusted Balance at 26 February 2018	50,010	-	-	8,966	(51,497)	7,479	1,146	8,625	
Changes in equity for 2019									
Profit for the period	-	-	-	-	(38,462)	(38,462)	184	(38,278)	
Other comprehensive income	-	-	-	1,245	-	1,245	-	1,245	
Total Comprehensive Income for 2019	-	-	-	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	
Purchase of non controlling interest	-	-	-	-	-	-	-	-	
Balance as at 24 February 2019	180,010	-	-	10,211	(88,290)	101,931	1,330	103,261	
Balance at 24 February 2019	180,010	-	-	10,211	(88,290)	101,931	1,330	103,261	
Changes in equity for 2020									
Loss for the period	-	-	-	-	(112,735)	(112,735)	132	(112,603)	
Other comprehensive income	-	-	-	(1,761)	-	(1,761)	-	(1,761)	
Total Comprehensive Income for 2020	-	-	-	(1,761)	(112,735)	(114,496)	132	(114,364)	
Issue of share capital	-	-	-	-	-	-	-	-	
Equity settled share based payments	-	-	-	-	(827)	(827)	-	(827)	
Balance at 23 February 2020	180,010	-	-	8,450	(201,852)	(13,392)	1,462	(11,930)	

The Group has applied IFRS 16 for the first time at 25 February 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application (see note 1.3)

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 73 to 88.

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 23 February 2020 the consolidated Group had net liabilities of £11.9m, net current liabilities of £122.9m, an operating loss of £4.7m and a loss for the period then ended of £112.6m. Operating cash inflows for the year were £214.5m. The financial statements have been prepared on a going concern basis which the directors consider to be appropriate.

Borrowings at 23 February 2020 stood at £953.5m pre-IFRS 16 and at £1,415.8m post IFRS 16 with cash balances of £82.7m, creating a net debt position of £870.8m pre-IFRS 16 and £1,333.1m post IFRS 16 and undrawn facilities of £110m.

Coronavirus (Covid-19) pandemic

As at the date of approving these financial statements, the impact of Covid-19 on the Company's trading is continually being assessed.

As of the date of approval of these financial statements, all but a handful of the Group's company owned and operated restaurants have re-opened and are trading, either as 'off premise' (through a combination of Collect and Delivery channels) or as both 'off premise' and 'on premise', including the Eat-in channel.

The 'Base Case' assumption includes reforecast budgets by markets after incorporating for the impacts of Covid-19 on the financial period ending 28 February 2021's ("FY21") performance. Each market has included the Government enforced lockdown periods where restaurants were closed or trading with limited capacity and markets have estimated a slow return back to business as usual, within their reforecast budgets. Furthermore, the financial period ending 27 February 2022 ("FY22") has been estimated to have a sub-par performance with the Group not returning to its usual trading results until after FY22.

The UK market's banking facility has covenant tests based on a quarterly comparison between EBITDA and net debt levels. Steps have been taken to preserve liquidity assuming the Base Case but if the EBITDA was further reduced in FY21, covenants would not be met. Formal waivers of future covenant tests up to February 2021 have been received from the bank and would need to be obtained for the quarter thereafter. Given the historic cash generation of the business, its brand strength and gearing levels, the Directors are confident about their ability to agree waivers but this cannot be guaranteed and the Group would not have the capacity to repay this debt out of available funds in the short term.

1 **Basis of preparation (continued)**

Going concern (continued)

Base Case

During the current period, the Group continues to take appropriate measures to preserve liquidity. The following mitigating actions have been built into the Base Case scenario:

- In September 2020, the group has received shareholder funding of £100m.
- The Group has drawn down most of the £125m RCF & Overdraft available to the UK market under their financing facilities.
- A significant element of the Group's cost base relates to wages and salaries. The Group has applied to various Government schemes across its UK and Overseas markets and within the Base Case includes these Government contributions towards the wages and salaries.
- The Group has rephased significant elements of its planned capital expenditure programme. This includes a deferral of the majority of new restaurant openings (where not already largely complete pre-lockdown) and major refurbishment projects. The Group have also included one-off costs necessary to comply with Government guidelines on social distancing and in particular ensuring the safety of employees and customers as Eat-In services are increasingly permitted around the world.
- The Group continue to have an active dialogue with our landlords to seek mutually acceptable adoption of rent-free and rent-deferral periods.
- The Group have closed 21 restaurants in Canada, to reduce our cost base, where these restaurants were not generating positive cashflows.
- All other business expenditure has been reduced to elements necessary to meet legal requirement or those elements considered critical to enable the business to emerge from the lockdown period in as strong a position as possible.

Using this Base Case, the Directors have prepared cash flow forecasts for the rest of the current financial period (4 months) and the next financial period (12 months) which indicate that, if the required covenant waivers or relaxations are offered from the external banks which the UK market borrow from, the Group would be able to operate within the existing facilities that are available to it and meet its liabilities as they fall due for that period.

Downside scenario

It is currently very difficult to assess how the Covid-19 situation will evolve. The Directors believe that the Base Case scenario above is reasonable, assuming a continuation of off-premise sales in line with actual lockdown performance and a gentle and limited overlay of a suppressed volume of Eat-in sales through the next 12 months. However, it is possible that the relaxation of lockdown restrictions may be reversed temporarily at a local level, and/or that the recovery profile is slower than in the Base Case. The Directors have therefore prepared a more severe 'Downside Case' that models:

- In the UK, a complete absence of any Eat-In performance until March 2021, but with off-premise channels continuing to operate at current sales levels.
- Overseas, a further 20% reduction to gross margin, and a 10% reduction to other operating costs, with no change to rent for both the current financial period and the next financial period. Capital expenditure also drops by 20% in the current financial period and 40% in the next financial period in this scenario.
- For the Grocery division, the Group have modelled a 10% drop in EBITDA and for the central support functions the Group have modelled a 10% increase in costs.

Consistent with the Base Case, in the Downside Case the Group will be able to operate within the existing facilities that are available. The same covenant waivers described in the Base Case would be required in the Downside Case. All the plans above include the capacity constraints introduced to achieve social distancing within restaurants in line with local government guidelines.

1 Basis of preparation (continued)

Going concern (continued)

Access to wider Group facilities

The Base Case and Downside Scenario noted above depend on the UK market continuing to be funded with its external banking facility. Were the Group to require access to further liquidity, the UK market would expect to pursue facilities under the UK Government's CCFF (Covid-19 Company Funding Facility) should it be available at the time. Alternative sources of funding could also be sought, including the extension of further lending facilities. Given the Group's history of cash generation, the Group would expect to be able to raise such funds as were necessary, however there is no guarantee that such funds will be available.

The Group is not required to repay any of its current related party Deep Discounted Bonds (DDBs) until financial period ending 2023.

The circumstances of the UK market needing covenant waivers for the financial period ending 2022, in both the Base Case and the Downside Case represent a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.1 Standards issued and applied for the first time in 2020

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.

- IFRS 16 in respect of Leases is effective for accounting periods beginning on or after 1 January 2019. IFRS 16 results 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. Refer to Note 1.3 for further details.
- Amendments to IFRS 9 Financial Instruments: the amendments relate to Prepayment Features with Negative Compensation.
- Annual improvements to IFRS Standards 2015 - 2017.
- 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.
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement.
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures.

1.2 Standards and interpretations issued and not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1.3 Impact of new standards

IFRS 16 Leases

IFRS 16 'Leases' replaces IAS 17 'Leases'. The Standard is effective in the company's statutory financial statements for the period ending 23 February 2020. The Group adopted the standard without restating prior periods. Opening retained earnings has been adjusted for any difference in carrying value following adoption of IFRS 16. Changes in accounting policies resulting from the adoption of IFRS 16 have been applied retrospectively. Accordingly, the information presented for the prior period does not reflect the requirements of IFRS 16 and therefore is not comparable to the information presented for the current period under IFRS 16. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 25 February 2019.

1 Basis of preparation (continued)

1.3 Impact of new standards (continued)

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 25 February 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities of the Group on 25 February 2019 was 7.25%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- accounting for operating leases with a remaining lease term of less than 12 months as at 25 February 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4.

(ii) Measurement of lease liabilities

	£'000s
Operating lease commitments disclosed as at 24 February 2019	(628,374)
Discounted using the lessee's incremental borrowing rate of at the date of initial application	163,259
Add: finance lease liabilities recognised as at 24 February 2019	-
Add: liabilities where the Group are head lessee and hold a sub lease	(12,160)
(Less): short-term leases not recognised as a liability	232
(Less): low-value leases not recognised as a liability	-
Add/(less): contracts reassessed as lease contracts	-
Add/(less): adjustments as a result of a different treatment of extension and termination options	(8,707)
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	-
Lease liability recognised as at 25 February 2019	(485,750)

(iii) Measurement of right-of-use assets

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments or onerous lease provisions relating to that lease recognised in the balance sheet as at 24 February 2019.

1 Basis of preparation (continued)

1.3 Impact of new standards (continued)

(iv) Adjustments recognised in the balance sheet on 25 February 2019

The change in accounting policy affected the following items in the balance sheet on 25 February 2019:

- right-of-use assets – increase by £452m
- loan receivable (sub-lease) - increase by £12m
- other liabilities – decrease by £21m
- lease liabilities – increase by £485m

There is no impact on retained earnings as at 25 February 2019.

(v) Lessor accounting

The group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

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

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

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.

2.4.1 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.

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.

2 Accounting Policies (continued)

2.4 Financial instruments (continued)

2.4.1 Financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the 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.

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.

2.4 Financial instruments (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 Accounting Policies (continued)

2.5 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.

2.6 Property, plant and equipment

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

Under IAS 17, the Group had leases which were classified as finance leases as the Group had assumed substantially all the risks and rewards of ownership of the leased asset. Where land and buildings were held under leases the accounting treatment of the land was considered separately from that of the buildings. Prior to the current period, these leased assets acquired by way of finance lease were 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. The accounting treatment for these leases subsequent to transition to IFRS 16, and for leases entered into after 25 February 2019, are described below in accounting policy 2.17.

2 Accounting Policies (continued)

2.6 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.

2.7 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)

2.8 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.

2.9 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.

2.10 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)

2.11 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.

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

For the cash-settled schemes, 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 is remeasured at the balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

2.13 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.

2.14 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)

2.15 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.

2.16 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)

2.17 Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 1.3.

2.17.1 Leases - as lessor (policy applicable until 24 February 2019)

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.

2.17.2 Leases - as lessor (policy applicable from 25 February 2019)

At inception or on modification of a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see the financial instruments note). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other operating income'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period under IAS 17 were not different from IFRS 16.

2.17.3 Leases - as lessee (policy applicable until 24 February 2019)

Under IAS 17, 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.

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.

2 Accounting Policies (continued)

2.17 Leases (continued)

2.17.3 Leases - as lessee (policy applicable until 24 February 2019) (continued)

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.

2.17.4 Leases (policy applicable from 25 February 2019)

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and what purposes the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 25 February 2019.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the group is reasonably certain to exercise the termination option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 Accounting Policies (continued)

2.17 Leases (continued)

2.17.4 Leases (policy applicable from 25 February 2019) (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by some of the group, which do not have recent third party financing; and
- makes adjustments specific to the lease, eg term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to 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.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the group. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT and other equipment and small items of office furniture.

2.18 Financing income and expenses

Financing expenses include interest payable, finance charges on shares classified as liabilities and finance charges on lease liabilities (prior to 24 February 2019 finance charges on finance leases under IAS 17) 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, dividend income, interest income on lease receivables (prior to 25 February 2019 unearned finance income) 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 Accounting Policies (continued)

2.19 Borrowing costs

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

2.20 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.

2.21 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.

2.22 Exceptional items

Items that are, in aggregate, material in size or nature and not typical of ordinary trading are presented as exceptional items within their relevant income statement line.

The separate reporting of exceptional items helps provide a better indication of underlying performance of the Group. The principal items that would be considered as to if they are exceptional items are:

- Costs arising from significant strategy changes that are not considered by the Group to be part of the normal operating costs of the business. These costs may include restructuring and other associated costs (only where there is a significant or wholesale restructuring programme)
- Impairment of goodwill
- Impairment of assets or ROU assets when featuring Covid-19 inclusive forecasts
- Profit / (loss) on disposal of subsidiary undertakings
- Negative goodwill

See note 7 for further details.

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 3-year strategic planning process with steady sales growth in years 4 and 5. 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 16.1.

Leases

Leases are accounted in accordance with the requirements of IFRS 16.

Management have estimated the incremental borrowing rate which is used to calculate the lease liability.

The group has used third party specialists to help with the methodology and the data which is used to calculate the incremental borrowing rates. The group has used its third-party financing as a proxy, together with risk-free interest rates which are adjusted for credit risk for individual markets. These are then further adjusted for the individual lease type, lease term, country that the asset is present in, the currency used to make payments and the security of the asset.

The Group considers that such estimates are judgemental and therefore there is a range of reasonably possible outcomes. If the incremental borrowing rate decrease by 1%, the lease liability and right of use asset would increase by £24.9m as at 23 February 2020.

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. 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.

Leases

Leases are accounted in accordance with the requirements of IFRS 16.

Management have applied judgement to determine the lease term for those lease contracts that include an extension option or a termination (also known as break) option. The assessment of whether the Group is reasonably certain to exercise an extension option or a termination option would significantly impact the value of the lease liabilities and the right of use asset recognised on the balance sheet. It would also impact the depreciation on the right of use asset and the interest on the lease liability on the income statement.

Extension options and termination options are included within a number of our markets on our restaurant and office leases. Management have assessed each extension and termination option to determine whether it is reasonably certain that the options will be exercised. Extension periods are only included within the lease term if the Group is reasonably certain it will exercise the extension option. The lease term is only reduced by the break period if the Group is reasonably certain it will exercise the termination option.

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, if all of the extension options around the group are exercised, the lease liability and right of use asset will increase by £45.5m as at 23 February 2020.

Notes to the financial statements (continued)

4 Revenue

	2020 £'000s	2019 £'000s
<i>The Group's revenue comprises:</i>		
Sale of goods in restaurants	1,057,745	1,015,376
Grocery Sales	24,574	23,581
Royalties and franchise fees	13,114	12,149
	1,095,433	1,051,106

	2020 £'000s	2019 £'000s
<i>The Group's revenue comprises:</i>		
Products and services transferred at a point in time	1,082,319	1,038,957
Products and services transferred over time	13,114	12,149
	1,095,433	1,051,106

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.

	2020 £'000s	2019 £'000s
<i>The Group's revenue comprises:</i>		
UK & Ireland	835,294	815,249
North America	103,990	94,596
Australia and New Zealand	136,619	124,713
Other	19,530	16,548
	1,095,433	1,051,106

Revenue streams:

Sale of goods in restaurants

The performance obligations are the goods sold in the restaurant, and in some markets, the Group runs 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. Revenue is allocated to performance obligations based on standalone selling prices.

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.

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. 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.

Notes to the financial statements (continued)

4 Revenue (continued)

Contract balances

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

	2020	2019
	£'000s	£'000s
Current		
Contract liability	16,625	15,746

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 £9,532k. In addition, the deferred income balance increased due to cash received, excluding amounts recognised as revenue during the period of £10,508k.

5 Other operating income

	2020	2019
	£'000s	£'000s
Rental income	102	59
Other operating income	4,427	2,588
	<u>4,529</u>	<u>2,647</u>

6 Loss or profit before tax

The following amounts were expensed or credited during the period:

	2020	2019
	£'000s	£'000s
Depreciation of plant, property and equipment	(81,747)	(73,739)
Amortisation of intangible assets	(26,480)	(26,376)
Depreciation of right of use asset	(52,076)	-
Operating lease rentals	(3,100)	(71,613)
Impairment loss on trade receivables	(210)	(51)
Impairment loss on non current assets	(21,117)	(2,332)
Impairment of goodwill	(39,100)	-
Loss on disposal of plant, property and equipment	(9,467)	(3,656)

7 Exceptional items

		2020	2019
		£'000s	£'000s
<i>Exceptional items comprise the following:</i>	<i>Note</i>		
Impairment of goodwill	16.1	(39,100)	-
Impairment of property, plant and equipment	15. 16.2	(17,515)	-
Impairment of ROU assets	18	(3,602)	-
Impairment of investment in associates	20	(1,900)	-
		<u>(62,117)</u>	<u>-</u>

Impairment of goodwill is explained in note 16.1. Impairment of property, plant and equipment and ROU assets have been incurred with the main factor being updating the forecasted cash flows to include Covid-19 assumptions. This has resulted in local restaurant level CGU impairments, the majority of which are in Canada. The exceptional items have been charged to the 'Administrative expenses' line item.

Notes to the financial statements (continued)

8 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:

	2020	2019
	£'000s	£'000s
Fees payable to the Group's auditor for these financial statements	(238)	(124)
Audit of financial statements of subsidiaries of the company	(540)	(182)
Total audit fees	<u>(778)</u>	<u>(306)</u>
Taxation compliance services	(91)	(270)
Other tax advisory services	(733)	(225)
Total audit and non-audit fees	<u>(1,602)</u>	<u>(801)</u>

In the previous year, a number of subsidiaries were audited by another firm, and not the group auditor.

9 Staff numbers and costs

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

	2020	2019
Average number of Nandoca's employed by category		
Directors	6	2
Restaurant operatives and management	21,680	20,538
Administration	726	605
	<u>22,412</u>	<u>21,145</u>

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

	2020	2019
	£'000s	£'000s
Wages and salaries	(348,401)	(334,677)
Social security costs	(21,777)	(20,179)
Share based payments (see note 27)	48	(5,400)
Contributions to defined pension contribution plan	(6,603)	(5,307)
	<u>(376,733)</u>	<u>(365,563)</u>

10 Directors' remuneration

	2020	2019
	£'000s	£'000s
Directors' remuneration	<u>(2,158)</u>	<u>(593)</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £693k (2019: £328k), and pension contributions of £1k (2019: £Nil) were made on the Director's behalf.

The directors' remuneration consists of 5 directors (2019: 2 directors) providing services to the Group.

11 Financial income

		2020	2019
	<i>Note</i>	£'000s	£'000s
Fair value movement in derivative liability	29	38	66
Interest income	-	1,658	182
Foreign exchange gain	-	-	727
		<u>1,696</u>	<u>975</u>

Notes to the financial statements (continued)

12 Financial expense

	<i>Note</i>	2020 £'000s	2019 £'000s
Interest expense	-	(63,847)	(68,062)
Interest expense on lease liability	18	(32,019)	-
Foreign exchange loss	-	(510)	-
		<u>(96,376)</u>	<u>(68,062)</u>

Borrowing costs capitalised to qualifying assets amounted to £Nil (2019: £Nil).

13 Income tax expense

	2020 £'000s	2019 £'000s
Income Tax Expense		
Corporation tax	(13,748)	(14,283)
Adjustments for prior periods	1,272	1,796
Withholding tax	(919)	(708)
	<u>(13,395)</u>	<u>(13,195)</u>
Deferred Tax Expense		
Origination and reversal of temporary differences	641	1,402
Change in tax rate	(81)	(470)
Adjustment in respect of prior period	(347)	(862)
	<u>213</u>	<u>70</u>
Total tax expense	<u>(13,182)</u>	<u>(13,125)</u>

Reconciliation of effective tax rate

	2020 £'000s	2019 £'000s
(Loss)/Profit before taxation	<u>(99,421)</u>	<u>(25,153)</u>
Tax using the UK corporation tax rate of 19% (2019: 19%)	18,890	4,779
Reconciling items:		
Adjustments in respect of prior periods	925	934
Non-deductible expenses (including share based payment, interest restrictions and short lease premium relief)	(765)	(4,150)
Ineligible depreciation	(892)	(1,596)
Movement in un-recognised deferred tax	(23,077)	(11,375)
Increase in unrecognised deferred tax asset on IP amortisation	(4,843)	(4,080)
Impairment of goodwill	(7,606)	-
Non-taxable income	213	
Withholding tax	(919)	(708)
Difference in overseas tax rate	4,973	3,541
Change in tax rate on deferred tax balances	(81)	(470)
	<u>(13,182)</u>	<u>(13,125)</u>

Notes to the financial statements (continued)

14 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.

	2020 £'000s	2019 £'000s
Net debt		
Cash and cash equivalents	82,693	193,029
Other interest bearing loans and borrowings due within 1 year	(13,104)	(13,991)
Other interest bearing loans and borrowings due after 1 year	(296,066)	(313,230)
Loans due to related parties due within 1 year	-	(125,872)
Loans due to related parties due after 1 year	(644,318)	(596,277)
Net debt before IFRS 16	(870,795)	(856,341)
Current lease liability	(65,784)	-
Non-current lease liability	(396,498)	-
Net debt	(1,333,077)	(856,341)

	Net debt as at 24 February 2019 £'000s	Cash flows £'000s	Non-cash movements		Net debt as at 23 February 2020 £'000s
			Interest accretion £'000s	Other £'000s	
Cash and cash equivalents	193,029	(110,336)	-	-	82,693
Other interest bearing loans and borrowings due within 1 year	(13,991)	11,021	(11,929)	1,795	(13,104)
Other interest bearing loans and borrowings due after 1 year	(313,230)	20,000	-	(2,836)	(296,066)
Loans due to related parties due within 1 year	(125,872)	127,691	(1,819)	-	-
Loans due to related parties due after 1 year	(596,277)	-	(48,860)	819	(644,318)
Net debt as at 23 February 2020 before IFRS 16	(856,341)	48,376	(62,608)	(222)	(870,795)
Current lease liability	-	69,300	-	(135,084)	(65,784)
Non-current lease liability	-	-	(32,019)	(364,479)	(396,498)
Net debt as at 23 February 2020	(856,341)	117,676	(94,627)	(499,785)	(1,333,077)

Notes to the financial statements (continued)

15 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
Cost	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 25 February 2018	4,383	423,590	211,020	2,225	34,358	261	3,034	678,871
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
Balance at 24 February 2019	4,383	459,747	241,738	2,171	37,316	267	878	746,500
Costs 2020								
Balance beginning of current year	4,383	459,747	241,738	2,171	37,316	267	878	746,500
Additions	14,977	37,347	38,381	15	4,861	70	345	95,996
Transfers	-	-	-	-	-	-	-	-
Disposals	-	(21,229)	(6,351)	(96)	(189)	(1)	-	(27,866)
Effects of movement in foreign exchange	-	(432)	(1,605)	(12)	(2,325)	(4)	(68)	(4,446)
Balance at end of current year	19,360	475,433	272,163	2,078	39,663	332	1,155	810,184
Balance at 23 February 2020	19,360	475,433	272,163	2,078	39,663	332	1,155	810,184

Notes to the financial statements (continued)

15 Property, plant and equipment (continued)

	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
Accumulated depreciation and impairment								
Balance at 25 February 2018	(106)	(193,414)	(104,974)	(541)	(11,615)	(187)	-	(310,837)
Depreciation charge in the year	(61)	(40,019)	(27,371)	(424)	(5,817)	(47)	-	(73,739)
Reversal of impairment losses	-	-	-	-	1,611	-	-	1,611
Impairment losses	-	(1,928)	(88)	-	(150)	-	-	(2,166)
Disposals	-	7,426	6,777	-	1,472	7	-	15,682
Effects of movement in foreign exchange	-	(1,220)	(665)	24	273	1	-	(1,587)
Balance at 24 February 2019	(167)	(229,155)	(126,321)	(941)	(14,226)	(226)	-	(371,036)
Accumulated depreciation and impairment 2020								
Depreciation charge in the year	(1,475)	(43,008)	(31,026)	(385)	(5,814)	(39)	-	(81,747)
Impairment losses	-	(12,871)	(2,792)	-	(1,632)	-	-	(17,295)
Reversal of impairment losses	-	-	-	-	571	-	-	571
Disposals	-	13,934	4,277	39	166	-	-	18,416
Effects of movement in foreign exchange	1	726	1,134	18	1,146	5	-	3,030
Balance at 23 February 2020	(1,641)	(270,374)	(154,728)	(1,269)	(19,789)	(260)	-	(448,061)
Opening carrying value at beginning of prior period	4,277	230,176	106,046	1,684	22,743	74	3,034	368,034
Opening carrying value at beginning of current period	4,216	230,592	115,417	1,230	23,090	41	878	375,464
Closing carrying value at end of current period	17,719	205,059	117,435	809	19,874	72	1,155	362,123

Additions during the current period include £390k (2019: £425k) additions as a result of business combinations described in note 17.

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. The forecasts included the expected impact of Covid-19 on our restaurants, including the short-term closure of most restaurants as well as the delayed reopening of other restaurants. Most outcomes were binary with either no impairment arising or with impairment being recorded in full, with little judgement or estimation uncertainty being involved. Restaurants that were previously impaired were reviewed again and where the performance had significantly improved, and in exceptional cases, these impairments were reversed. Impairment losses of £17,295k (2019: £2,166k) relate to individual restaurant CGUs which are considered fully impaired. The recoverable amount for each impairment review is based on a value in use calculation and a summary of the key assumptions used in the VIU calculation are given in Note 16.1. The expense has been included in administrative expenses within the statement of comprehensive income, as an exceptional item (note 7), as the impairments were taken due to Covid-19 inclusive forecasts.

Notes to the financial statements (continued)

16 Intangible assets

		2020	2019
		£'000s	£'000s
<i>Intangible assets is made up of the following:</i>	<i>Note</i>		
Goodwill	16.1	285,471	326,504
Other intangible assets	16.2	366,181	392,185
		<u>651,652</u>	<u>718,689</u>

16.1 Goodwill

	2020
	£'000s
Cost	
Balance beginning of comparative year	418,227
Additions	28
Subsidiaries sold	-
Effects of movement in foreign exchange	187
Balance at end of comparative year	418,442
Additions	273
Effects of movement in foreign exchange	(2,231)
Balance at end of current year	<u>416,484</u>
Accumulated Amortisation and impairment	
Balance beginning of comparative year	(91,948)
Disposals	-
Effects of movement in foreign exchange	10
Balance at end of comparative year	(91,938)
Impairment losses	(39,100)
Effects of movement in foreign exchange	25
Balance at end of current year	<u>(131,013)</u>
Opening carrying value at beginning of prior period	326,279
Opening carrying value at beginning of current period	326,504
Closing carrying value at end of current period	<u>285,471</u>

Goodwill has decreased from £326.5m to £285.5m. This movement is largely as a result of impairments in North America and Other regions of £39.1m. There are other smaller changes as a result of decreases of movements in foreign currencies of £2.2m.

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:

	2020	2019
	£'000s	£'000s
United Kingdom and Ireland	259,003	259,003
North America	250	34,754
Australia and New Zealand	16,594	18,324
Other	9,624	14,423
	<u>285,471</u>	<u>326,504</u>

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.

Notes to the financial statements (continued)

16.1 Goodwill (continued)

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 3 years starting from the end of the current financial year, which have been extrapolated to years 4 and 5 for modelling purposes. 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.

Additionally, the impact of Covid-19 has been assessed and the group has prepared financial forecasts incorporating the impact of Covid-19 and the Government enforced lockdown period as well as the anticipated slow recovery to pre Covid-19 trading levels. These forecasts have been used to evaluate the value of assets within the group and this assessment was the main factor in impairment of Goodwill. The Covid-19 impact is considered to be an extraordinary event and will be disclosed as an exceptional item (Note 7).

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	2.0%	2.0 - 2.1%	1.8 - 2.1%	2.0 - 3.9%
WACC Discount rates (pre tax)	8.4%	8.9 - 9.5%	10.3 - 10.5%	9.3 - 15.4%

The results of the impairment review require that an impairment loss is recognised in the North America and Other regions. The impairment loss in North America was of £34.7m and the impairment loss in the Other regions was of £4.4m. The impairment losses are due to the expected impact from Covid-19, with some restaurants permanently closing in Canada after the period end as a result of the pandemic. 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 adequate headroom for other regions that have not been impaired 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 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 in the UK & Ireland region or the Australia & New Zealand region.

The North America region is comprised of USA and Canada. The Other region is comprised of India and the Licenced Markets business. USA, Canada and India have an estimated VIU equal to the total carrying value of assets allocated to the CGU, after impairment of all of the goodwill in these markets.

Notes to the financial statements (continued)

16.1 Goodwill (continued)

	North America £'000s	Other £'000s
Additional impairment loss in the market if discount rate increases by 1%	7,000	15,100
Additional impairment loss in the market if discounted cash flows decrease by 5%	3,200	8,200
Additional impairment loss in the market if the long term growth rate decreases by 0.5%	1,600	5,500

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

16.2 Other intangible assets

	Intellectual property patents and trademarks	Reacquired rights	Development costs	Software	Total
Cost	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 25 February 2018	481,909	11,651	2,630	304	496,494
Additions	-	140	612	370	1,122
Transfers	-	-	-	-	-
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
Cost					
Balance beginning of current year	481,833	11,260	3,092	556	496,741
Additions	2	203	533	347	1,085
Transfers	-	-	-	-	-
Disposals	-	(176)	-	(3)	(179)
Effects of movement in foreign exchange	(202)	(554)	0	(31)	(787)
Balance at 23 February 2020	481,633	10,733	3,625	869	496,860
Accumulated Amortisation and impairment					
Balance at 25 February 2018	(72,288)	(5,782)	(636)	(49)	(78,755)
Transfers	-	-	-	-	-
Amortisation charge in the year	(24,087)	(1,343)	(898)	(48)	(26,376)
Impairment losses	-	(166)	-	-	(166)
Disposals	-	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)
Accumulated Amortisation and impairment					
Amortisation charge in the year	(24,089)	(1,098)	(1,103)	(190)	(26,480)
Impairment losses	(65)	(155)	-	-	(220)
Disposals	2	174	-	3	179
Effects of movement in foreign exchange	(82)	474	-	6	398
Balance at 23 February 2020	(120,581)	(7,418)	(2,487)	(193)	(130,679)
Opening carrying value at beginning of prior period	409,621	5,869	1,994	255	417,739
Opening carrying value at beginning of current period	385,486	4,447	1,708	544	392,185
Closing carrying value at end of current period	361,052	3,315	1,138	676	366,181

Additions during the current period include £6k (2019: £42k) additions as a result of business combinations described in note 16.

Notes to the financial statements (continued)

16.2 Other intangible assets (continued)

The amortisation is recognised in the income statement within Cost of sales and Other operating expenses. The impairment expense has been included in administrative expenses within the statement of comprehensive income, as an exceptional item (note 7), as the impairments were taken due to Covid-19 inclusive forecasts.

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 £352.5m (2019: £376.0m) and the amortisation charge for the period was £23.5m (2019: £23.5m).

17 Business Combinations

The Group accounted for various business combinations, as a result of acquiring 6 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 6 franchised restaurants in Australia took place at various dates during the period for the total consideration of £465k, acquiring net identifiable assets of £192k resulting in goodwill of £273k 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 6 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:

	2020
	£'000s
Revenue	2,785
Restaurant operating profit	303

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 5 franchise restaurants (4 in Australia and 1 in New Zealand) 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.

Fair value on acquisition	2020	2019
	£'000s	£'000s
(a) Consideration transferred		
Cash	465	278
Cash purchase adjustments and transfer fees	-	-
Total cash consideration	465	278
Fair value of original investment	-	-
Total consideration	465	278

Notes to the financial statements (continued)

17 Business Combinations (continued)

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

Cash and cash equivalents	-	-
Trade receivables	-	-
Inventories	-	11
Property, plant and equipment	390	425
Intangible assets - reacquired rights	6	42
Trade payables	-	-
Provisions	-	-
Bank overdraft	(204)	(228)
Deferred tax liability	-	-
Loans and advances	-	-
Net identifiable assets and liabilities	192	250

(c) Net cash outflow on acquisition of business

Consideration in cash	465	278
Less: Cash and cash equivalents acquired (net of overdrafts)	204	228
	669	506

(d) Goodwill relating to the acquisition of businesses

Cash	465	278
Fair value of initial Investment	-	-
Purchase adjustments and transfer fees	-	-
Other adjustments	-	-
	465	278

Comprised of:

Net identifiable tangible assets	186	208
Intangible assets - reacquired rights	6	42
Intangible assets - Goodwill	273	28
	465	278

18 Leases

18.1 Leases as a lessee

This note provides information for leases where the group is a lessee.

(i) Amounts recognised in the balance sheet:

Right of use asset	Property £'000s	Other £'000s	Total £'000s
<i>Right of use assets is made up of the following:</i>			
Balance at 25/02/2019	449,420	-	449,420
Additions to right of use assets during FY20	25,008	-	25,008
Disposals to right of use assets during FY20	(654)	-	(654)
Impairment of right of use assets during FY20	(3,602)	-	(3,602)
Depreciation charge for the year	(52,076)	-	(52,076)
Effects of movement in foreign exchange	683	-	683
Balance at 23/02/2020	418,779	-	418,779

Notes to the financial statements (continued)

18.1 Leases as a lessee (continued)

(i) Amounts recognised in the balance sheet (continued):

Lease Liability	Total £'000s
<u>Maturity analysis - contractual undiscounted cash flows</u>	
Less than one year	73,223
One to five year	267,154
More than five years	318,108
Total undiscounted lease liabilities at 23 February 2020	<u>658,485</u>
 Total Lease Liability at 23/02/2020	 (462,282)
of which:	
Current Lease Liability	(65,784)
Non-Current Lease Liability	(396,498)

(ii) Amounts recognised in the statement of profit and loss:

	Property £'000s	IT/Other £'000s	Total £'000s
Depreciation charge of right of use assets			
Depreciation charge for the year	(52,076)	-	(52,076)
 Other charges recognised due to leases			Total £'000s
Interest expense (included in finance cost)			(32,019)
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)			(31)
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)			(256)
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)			(2,813)

The total cash outflow for leases in FY20 was £69.3m.

(iii) The group's leasing activities and how these are accounted for

The group leases various restaurants and offices. Rental contracts are typically made for fixed periods of 12 months to 30 years, but may have extension options as described in (v) below.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Impairment tests were performed on ROU assets due to facts and circumstances applicable to certain restaurants following a review for impairment triggers across the estate in each market. The forecasts included the expected impact of Covid-19 on our restaurants, including the short-term closure of most restaurants as well as the delayed reopening of other restaurants. ROU asset impairment losses of £3,602k (2019: nil) relate to individual restaurant CGUs which are considered fully impaired. The recoverable amount for each impairment review is based on a value in use calculation and a summary of the key assumptions used in the VIU calculation are given in Note 16.1. The expense has been included in administrative expenses within the statement of comprehensive income, as an exceptional item (note 7), as the impairments were taken due to Covid-19 inclusive forecasts.

Notes to the financial statements (continued)

18.1 Leases as a lessee (continued)

(iv) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms with percentages ranging from 6% to 23% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

A 10% increase in sales across all stores in the group with such variable lease contracts would increase total lease payments by approximately £1.3m.

(v) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

18.2 Leases as a lessor

This note provides information for leases where the group holds the head lease and sub-leases as finance leases to another party.

(i) Amounts recognised in the balance sheet:

	Total £'000s
Net investment in the leases	
<u>Maturity analysis - contractual undiscounted cash flows</u>	
Less than one year	2,666
One to five year	6,593
More than five years	3,082
Total undiscounted lease payments to be received at 23 February 2020	<u>12,341</u>
 Total Net investment in the leases at 23/02/2020	 9,628
of which:	
Current net investment in the leases	2,025
Non-Current net investment in the leases	7,603

These balances have been included in the Other debtors line items within note 23.

(ii) Amounts recognised in the statement of profit and loss:

	Total £'000s
Interest income on lease receivables	898

Notes to the financial statements (continued)

19 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
		2020	2019			
Nando's Group Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Holding company
Nando's Finance Limited ¹	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Holding company
Nando's Chickenland Limited ²	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99.7%	99.7%	UK	Ordinary	Casual Dining Restaurants
Nando's Chicken Limited ³	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99.7%	99.7%	UK	Ordinary	Holding company for lease
Vicar Lane Bradford Limited ³	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99.7%	99.7%	UK	Ordinary	Holding company for lease
Broomco Chando's Limited ³	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99.7%	99.7%	UK	Ordinary	Holding company for lease
Broomco (4061) Limited ³	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99.7%	99.7%	UK	Ordinary	Holding company
Nando's Chickenland Ireland Limited ³	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 ⁴	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	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 ⁵	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
Windeacon Pty Limited	40 Mollison Street, Abbotsford, 3067	100%	100%	Australia	Ordinary	Real Estate
Nando's Chickenland Canada Inc	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	100%	Canada	Ordinary	Holding company
Nando's PERI PERI Canada Inc ⁶	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	100%	Canada	Ordinary	Casual Dining Restaurants

Notes to the financial statements (continued)

19 Investment in subsidiaries (continued)

Subsidiary undertaking	Registered Address	Ownership		Country of Incorporation	Class of Shares Held	Principal activity
		2020	2019			
Nando's Chickenland Central Limited ⁵	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	100%	Canada	Ordinary	Casual Dining Restaurants
Nando's Chickenland West Limited ⁵	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	100%	Canada	Ordinary	Casual Dining Restaurants
8489963 Canada Inc ⁶	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	100%	Canada	Ordinary	Casual Dining Restaurants
2418836 Ontario Inc ⁶	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 ⁷	Franchise Accountants, 2g Amera Place, Huntington Park, 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 India Private Limited ⁸	Flat 10, 1105-1106, Ashoka Estate, New Delhi - 110001	100%	100%	India	Ordinary	Casual Dining Restaurants
Nando's Karnataka Restaurants Private Limited ⁹	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) ⁹	Shop No. 315 - 316, Plot No. 3 DLF Promenade Mall, Nelson Mandela Marg, Vasant Kunj, New Delhi - 110048	99%	99%	India	Ordinary	Casual Dining Restaurants
Nando's Services Limited ¹⁰	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 ¹¹	819 7th Street Nw Floor 2 Washington, DC 20001	100%	100%	UK	Ordinary	Retail food products
Nando's Peri Peri Australia (Pty) Ltd ¹¹	40 Mollison Street, Abbotsford VIC 3067 Australia	100%	100%	UK	Ordinary	Retail food products

1 - Owned by a subsidiary, Nando's Group Limited

2 - 99.7% owned by a subsidiary, Nando's Finance Limited

3 - 100% owned by a 99.7% (2019: 99.7%) owned subsidiary, Nando's Chickenland Limited

4 - Jointly owned by subsidiaries, Nando's Chickenland Limited and Nando's Limited

5 - Owned by a subsidiary, Nando's Restaurants Group Holdings Limited

6 - Owned by a subsidiary, Nando's Chickenland Canada Inc

7 - Owned by a subsidiary, Nando's New Zealand Limited

8 - Owned by a subsidiary, Nando's Sub Continent Holdings Limited

9 - Owned by a subsidiary, Nando's Services India Private Limited

10 - Owned by a subsidiary, Nando's Limited

11 - Owned by a subsidiary, Nando's Grocery International Limited

Notes to the financial statements (continued)

19 Investment in subsidiaries (continued)

The following subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 23 February 2020.

Subsidiary undertaking	Company number	Registered address
Nando's Chicken Limited	00166821	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD
Vicar Lane Bradford Limited	04505426	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD
Nando's Brand JVCo Limited	09392876	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD
Nando's Restaurant Group Holdings Limited	09389199	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD

As required, Nando's Group Holdings Limited, the parent company, guarantees all outstanding liabilities to which the subsidiary companies listed in the tables above are subject at the end of the financial year, until they are satisfied in full.

This is in accordance with Section 479C of the Companies Act 2006. The guarantee is enforceable against Nando's Group Holdings Limited as the parent undertaking, by any person to whom the subsidiary companies listed above is liable in respect of those liabilities.

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	
	2020	2019	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Nando's Chickenland Limited	0.3%	0.3%	132	184	1,462	1,330
			<u>132</u>	<u>184</u>	<u>1,462</u>	<u>1,330</u>

Summarised Financial Information

	Nando's Chickenland	
	2020 £'000s	2019 £'000s
Revenue	801,490	779,421
Profit/(loss) after tax	53,666	74,269
Current assets	30,873	45,846
Current liabilities	(451,409)	(389,551)
Non-current liabilities	(310,826)	(24,013)

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)

20 Investments accounted for using the equity method

Investments accounted for using the equity method	Registered Address	Ownership		Country of Incorporation	Class of Shares Held	Principal activity
		2020	2019			
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%	20%	Australia	Ordinary	Retail food products

The investments in Malaysia and Singapore 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 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

	2020	2019
	£'000s	£'000s
Nando's Chickenland Malaysia SDN.BHD	(6)	50
Nando's Singapore PTE. Limited	(1,100)	(985)
Nando's Grocery Australia	-	(1,450)
	<u>(1,106)</u>	<u>(2,385)</u>

Carrying value of investment in Joint Ventures and Associates

	Nando's Grocery Australia £'000s	Nando's Chickenland Malaysia SDN.BHD £'000s	Nando's Singapore PTE. Limited £'000s	Total £'000s
Group investment as at 25 February 2018	-	18,151	2,763	20,914
Additional investment	1,780	283	2,059	4,122
Dividends received	(320)			(320)
2019 Share of profit/(loss) of equity-accounted investees, net of tax	(1,450)	50	(985)	(2,385)
Group investment as at 24 February 2019	10	18,484	3,837	22,331
<u>Movement for the 2020 year</u>				
Additional investment in associate	-	-	168	168
Dividends received	(10)	-	-	(10)
Impairment loss		(1,900)		(1,900)
2020 Share of profit/(loss) of equity-accounted investees, net of tax	-	(6)	(1,100)	(1,106)
Group investment as at 23 February 2020	-	16,578	2,905	19,483

Investments are accounted for using the equity accounting method. Covid-19 was an indicator of impairment therefore the investment carrying values were measured against the higher of the value in use and the fair value.

Notes to the financial statements (continued)

20 Investments accounted for using the equity method (continued)

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 3 years starting from the end of the current financial year, which have been extrapolated to years 4 and 5 for modelling purposes. 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. 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.

The results of the impairment review require that an impairment loss is recognised to reduce the investment value in Malaysia by £1.9m. The impairment losses are due to the expected impact from Covid-19. 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 other investments that have not been impaired and therefore management are comfortable with the outcome of the impairment review.

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

	Malaysia
Long-term growth rate	2.0%
WACC Discount rates (pre tax)	11.8%

Summarised Financial Information

	Nando's Chickenland Malaysia SDN.BHD		Nando's Singapore PTE. Limited	
	2020	2019	2020	2019
	£'000s	£'000s	£'000s	£'000s
Revenue	37,177	34,323	9,577	9,575
Depreciation and amortisation	(5,830)	(2,099)	(2,062)	(588)
Interest income	26	15	-	3
Interest expense	(1,350)	(387)	(104)	(48)
Income tax	(402)	(37)	-	-
Profit/(loss) after tax	(12)	101	(2,267)	(2,010)
Other comprehensive income	-	-	-	-
Total comprehensive income / (expense)	(12)	101	(2,267)	(2,010)
Non-current assets	25,924	12,605	5,315	2,446
Current assets (less cash)	3,724	4,069	1,402	1,668
Cash and cash equivalents	1,343	1,893	382	158
Current liabilities	(9,807)	(7,443)	(3,628)	(1,604)
Non-current liabilities	(15,165)	(4,911)	(2,017)	(381)

Notes to the financial statements (continued)

21 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2020	2019	2020	2019
	£'000s	£'000s	£'000s	£'000s
Property, plant and equipment	-	-	(1,967)	(3,705)
Intangible assets	134	158	-	-
Provisions	-	498	-	-
Tax value of loss carry-forwards	-	-	-	-
Other short term timing differences	88	1,150	-	-
Tax assets/(liabilities)	222	1,806	(1,967)	(3,705)

Movement in deferred tax

	Property, Plant & Equipment	Intangible Assets	Provisions	Unused tax losses	Other short term timing differences	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at beginning of prior period	(3,438)	163	574	-	777	(1,924)
Charged to income	(280)	(1)	(68)	-	408	59
Foreign Exchange translation difference	13	(4)	(8)	-	(35)	(34)
Balance at beginning of current period	(3,705)	158	498	-	1,150	(1,899)
Charged to income	1,738	(14)	(498)	-	(1,013)	213
Foreign Exchange translation difference	0	(10)	-	-	(49)	(59)
Balance at end of current period	(1,967)	134	-	-	88	(1,745)

As at 23 February 2020, the Group has an unrecognised deferred tax asset of £47,750k (2019: £38,211k) relating to carried forward losses. The unrecognised deferred tax asset disclosed relates to unused tax losses of £175,420k (2019: £141,981k). 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 £20,438k (2019: £6,900k) of unrecognised deferred tax assets relating to other deductible timing differences.

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 23 February 2020 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by £0.2m.

22 Inventories

	2020	2019
	£'000s	£'000s
Raw materials and consumables	5,173	6,092
Finished goods	1,407	1,428
	6,580	7,520

Raw materials, consumables and changes in finished goods recognised as cost of sales in the period amounted to £266,953k (2019: £195,763k). 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)

23 Trade and other receivables

	2020	2019
	£'000s	£'000s
Current		
Amounts due from related undertakings	2,993	1,800
Trade receivables due from third parties	7,885	12,546
Other debtors	13,228	6,746
Prepayments	8,972	12,408
Total current	<u>33,078</u>	<u>33,500</u>
Non-Current		
Other trade receivables due from third parties	2,432	690
Other debtors	8,309	-
Prepayments	-	2,495
Total non-current	<u>10,741</u>	<u>3,185</u>

Included within Current and Non-Current Other debtors are amounts related to sub-leases (see note 18). Related party details are provided in note 34.

24 Cash and cash equivalents

	2020	2019
	£'000s	£'000s
Cash and cash equivalents	<u>82,693</u>	<u>193,029</u>

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

	2020	2019
	£'000s	£'000s
Non-current		
Secured bank loans	(293,915)	(310,856)
Finance lease	-	(130)
Other loans	(2,151)	(2,244)
<i>Total other interest bearing loans and borrowings</i>	<u>(296,066)</u>	<u>(313,230)</u>
Loans due to related parties	(644,318)	(596,277)
Total other interest bearing loans and borrowings	<u>(940,384)</u>	<u>(909,507)</u>
Current liabilities		
Current portion of secured bank loans	(12,983)	(13,859)
Finance lease	-	(132)
Other loans	(121)	-
<i>Total other interest bearing loans and borrowings</i>	<u>(13,104)</u>	<u>(13,991)</u>
Loans due to related parties	(0)	(125,872)
Total liabilities	<u>(13,104)</u>	<u>(139,863)</u>
Secured bank loans		
Secured bank loans	(306,898)	(324,715)
Finance lease	-	(262)
Other loans	(2,272)	(2,244)
Loans due to related parties	<u>(644,318)</u>	<u>(722,149)</u>
Total secured bank loans	<u>(953,488)</u>	<u>(1,049,370)</u>

Notes to the financial statements (continued)

25 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. There was £315m outstanding at the year end.

Included in bank loans are unamortised debt costs, relating to the above agreements, of £3.4m (2019: £4.6m). The full cost in the year of amortised debt costs is disclosed in Note 12. This includes £1.2m of fees incurred in arranging the amended loan agreement.

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 it's subsidiaries. The total value of property held as security totals £171.4m (2019: £180.8m) and is included in note 14.

Other loans

Bank loan - Australia

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

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 2022 - 2027.

Notes to the financial statements (continued)

25 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
				2020 £'000s	2020 £'000s	2019 £'000s	2019 £'000s
Secured loan							
Bank loan - term loan A	GBP	LIBOR +margin	2023	50,000	49,218	65,000	63,127
Bank loan - term loan B	GBP	LIBOR +margin	2024	250,000	242,680	250,000	241,588
Bank loan - revolving facility	GBP	LIBOR +margin	2023	15,000	15,000	20,000	20,000
Finance Leases							
Finance lease	USD					262	262
Related party							
Yellowwoods Treasury 2 SARL	GBP	8.50%	2026	51,000	75,482	51,000	69,649
Yellowwoods Treasury 2 SARL	GBP	8.35%	2025	104,250	153,354	104,250	141,615
Yellowwoods Treasury 2 SARL	GBP	8.25%	2024	93,250	136,438	93,250	126,040
Yellowwoods Treasury 2 SARL	GBP	7.50%	2019	-	-	95,615	125,872
Yellowwoods Treasury 2 SARL	GBP	8.00%	2022	120,000	173,099	120,000	160,504
Yellowwoods Treasury 2 SARL	GBP	8.25%	2024	46,106	65,343	46,106	60,270
Yellowwoods Treasury 2 SARL	GBP	8.50%	2027	26,000	35,508	26,000	32,733
Yellowwoods Treasury 2 SARL	AUD	3.50%	2023	5,094	5,094	5,466	5,466
Other loans							
Bank loan - Australia	AUD	BBSY	2023	2,067	2,067	2,208	2,208
Other loans				205	205	36	36
				762,972	953,488	879,193	1,049,370

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 29.

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)

26 Trade and other payables

	2020	2019
	£'000s	£'000s
Current		
Trade payables due to third parties	(50,157)	(41,578)
Other payables due to third parties	(3,367)	(4,586)
Contract liability	(16,625)	(15,746)
Other taxation and social security	(25,246)	(25,752)
Accruals and other creditors	(67,203)	(77,271)
	<u>(162,598)</u>	<u>(164,933)</u>
Non-current		
Accruals and other creditors	(8,664)	(30,833)
	<u>(171,262)</u>	<u>(195,766)</u>

Included within accruals and other creditors is £8,664k (2019: £30,833k) for the Group which is expected to be settled in more than 12 months. The prior year balance primarily related to liabilities arising from lease contracts. At the start of the current year, due to IFRS 16 requirements, these liabilities have been written down against the Right Of Use asset.

Related party details are provided in note 34.

27 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 L Perlman SECS, which will acquire the shares after vesting under a put and call. The acquisition of the shares by L Perlman SECS will be settled in cash.

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

	2020	2019
	Shares	Shares
Shares at beginning of the period	10,240,964	10,240,964
B1 shares issued during the period	-	-
B2 shares issued during the period	-	-
B3 shares issued during the period	-	-
Outstanding shares at end of the period	<u>10,240,964</u>	<u>10,240,964</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)

27 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>	2020	2019
	£'000s	£'000s
Share-based payment expense	(48)	1,670

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 shares did vest at the end of year, however the scheme was closed post the balance sheet date. There was no charge to the group given the scheme's closure.

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.

In 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 during the prior year. There were no charges for the scheme in the current year.

Partnership VII

During the year, Nando's Chickenland Limited issued 770,000 B2019 shares to employees and to directors. The Nando's Chickenland Partnership scheme VII has a designated compulsory holding period running from March 2018 to February 2021, during which employees and directors waive their voting and dividend rights in respect of their shares and may not transfer, charge or otherwise dispose of their shares without the consent of the Company. The shares purchased by employees under Partnership VII 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. The scheme is accounted for as an equity-settled share-based payment transaction. The grant date fair value of the shares was not considered material.

<i>Expense recognised in profit and loss in relation to Partnership VI and Partnership VII schemes:</i>	2020	2019
	£'000s	£'000s
Share-based payment expense	-	3,730

Notes to the financial statements (continued)

28 Provisions

	Onerous Lease	Asset Retirement Obligation	Other	Total
	£'000s	£'000s	£'000s	£'000s
Balance at beginning of prior period	(2,142)	0	(407)	(2,549)
Provisions made during the year	(390)	-	(1,626)	(2,016)
Utilised during the period	300	-	242	542
Effects of movement in foreign exchange	58	-	(27)	31
Balance at beginning of current period	(2,174)	-	(1,818)	(3,992)
Provisions made during the year	-	(4,247)	(1,161)	(5,408)
Reclassified on transition to IFRS 16	1,860	-	-	1,860
Utilised during the period	-	-	434	434
Provisions reversed during the year	175	-	466	641
Unwinding of discounted amount	-	(343)	-	(343)
FX translation reserve	139	-	90	229
Balance at end of current period	-	(4,590)	(1,989)	(6,579)
2019				
Non-current provisions	(1,988)	-	-	(1,988)
Current provisions	(186)	-	(1,818)	(2,004)
	(2,174)	-	(1,818)	(3,992)
2020				
Non-current provisions	-	(4,247)	(301)	(4,548)
Current provisions	-	(343)	(1,688)	(2,031)
	-	(4,590)	(1,989)	(6,579)

Onerous lease provision

Onerous lease provisions related 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 was 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 was assessed at each financial reporting date. At the start of the current year, due to IFRS 16 requirements, the onerous lease provision has been written down against the Right Of Use asset.

Asset retirement obligation

Asset retirement obligation is related to expected future costs associated with exiting leases and vacating premises. The associated cash outflows are expected to occur at the date we exit the lease arrangements in place. The present value of these expected future costs is recorded as a provision, and the provision is unwound overtime.

The present value of these costs is added to the Right Of Use asset.

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)

29 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 £19.2m (2019: £20.4m) and relates to third party debt. £3.5m (2019: £3.6m) of debt is overdue by more than 30 days and having considered the historical payment behaviour and customer credit risk, £328k has been provided as the expected loss allowance.

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.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows.

	2020
	£'000s
Balance at 24 February 2019	310
Impairment loss recognised	210
Impairment loss reversed	-
Amounts written off	(192)
Balance at 23 February 2020	<u>328</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 £82.7m (2019: £193.0m) as at the period end.

Notes to the financial statements (continued)

29 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 £306.9m (2019: £324.7m) of which £306.9m (2019: £324.7m) relates to the UK Nando's market.

As at the 23 February 2020 the Group has total undrawn facilities of £110m available, refer note 25.

The following are the contractual maturities of financial liabilities:

Group 2020	Carrying Amount £'000s	Contractual Cash flow £'000s	0 to <1yr £'000s	1 to 2 yrs £'000s	2 to 5 yrs £'000s	Over 5 yrs £'000s
Non-derivative financial liabilities						
Secured bank loans	(306,898)	(358,456)	(25,689)	(25,275)	(307,492)	-
Related party loans	(644,318)	(917,613)	-	-	(496,250)	(421,363)
Trade payables and other payables	(171,262)	(171,262)	(162,598)	(8,664)	-	-
Other Loans	(2,272)	(2,272)	-	-	(2,272)	-
Derivative financial liabilities						
Derivative Financial Liability	(98)	-	-	-	-	-
	<u>(1,124,848)</u>	<u>(1,449,603)</u>	<u>(188,287)</u>	<u>(33,939)</u>	<u>(806,014)</u>	<u>(421,363)</u>
Group 2019						
Non-derivative financial liabilities						
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)	-
Derivative financial liabilities						
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>

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.

Notes to the financial statements (continued)

29 Financial risk management (continued)

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:

	2020	2019
Effect on equity	£'000s	£'000s
AUD	(854)	(1,230)
USD	(2,307)	(3,121)
CAD	3,083	951
Other	(972)	(1,404)
Total	<u>(1,050)</u>	<u>(4,804)</u>

Interest rate risk

The Group has £953m (2019: £1,049m) of interest bearing loans and borrowings of which £644m (2019: £722m) 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 25).

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 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 23 February 2020 is £98k (2019: £136k), the fair value movement of £38k during the year was recognised in financial income, refer note 11.

Sensitivity analysis

An increase or (decrease) of 100 basis points in interest rates as at 23 February 2020 would have increased/(decreased) interest paid under this agreement by £3.2m (2019: £3.4m). 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 £2.8m (2019: £2.8m). 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.

Notes to the financial statements (continued)

29 Financial risk management (continued)

Capital management

The following table summarises the capital of the Group as at 23 February 2020 (and as at 24 February 2019):

	2020	2019
	£'000s	£'000s
Net Debt	870,795	856,341
Equity	(11,930)	103,261
	<u>858,865</u>	<u>959,602</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.

30 Derivative financial instruments

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

	2020	2019
	£'000s	£'000s
Derivative Financial Liability	<u>(98)</u>	<u>(136)</u>

The key terms of the derivative financial liability are disclosed in note 29.

Notes to the financial statements (continued)

31 Capital and reserves

Share capital

	2020	2019
	£'000s	£'000s
<i>Authorised Share Capital</i>		
50,000,000 (2019: 180,000,000) ordinary shares of £3.60 (2019: £1) each	180,000	180,000
10,777,537 (2019: 10,777,537) ordinary B shares of £0.001 each	11	11
	<u>180,011</u>	<u>180,011</u>
<i>Issued and fully paid for</i>		
50,000,000 (2019: 180,000,000) ordinary shares of £3.60 (2019: £1) each	180,000	180,000
10,240,964 (2019: 10,240,964) ordinary B shares of £0.001 each	10	10
	<u>180,010</u>	<u>180,010</u>
Reconciliation of the number of shares outstanding		
Opening balance at beginning of current period	180,010	50,010
Share consolidation of 130,000,000 shares (2019: nil)	(130,000)	
Shares issued nil (2019: 130,000,000)	-	130,000
Closing balance at end of current period	<u>50,010</u>	<u>180,010</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 27. The transfer of these shares is at the discretion of the Directors of the Company.

During the financial year, the 180,000,000 'A' shares in issue were consolidated into 50,000,000 'A' shares (a ratio of 3.6 to 1). During the prior 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 27. 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

The following dividends were recognised during the period:
£0p (2019: £0.0p) per qualifying ordinary share

2020	2019
£'000s	£'000s
-	-

Notes to the financial statements (continued)

32 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2020 £'000s	2019 £'000s
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	-	(66,206)
Between one and five years	-	(240,305)
More than five years	-	(321,863)
	<u>-</u>	<u>(628,374)</u>

Prior to 25 Feb 2019, the Group recognised operating leases in line with IAS 17. Leases where the Group does not retain substantially all the risks and rewards of ownership of the asset were classified as operating leases. Operating lease rental payments were recognised as an expense in the income statement on a straight-line basis over the lease term. From 25 Feb 2019, the Group no longer recognises operating leases in line with IAS 17 and instead recognises right-of-use assets and lease liabilities in line with IFRS 16. Refer to note 18 for further details.

33 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 £2,167k (2019: £3,854k).

34 Related parties

Nando's Group Holding's Limited is a subsidiary of L Perlman SECS which is the ultimate parent and controlling party, incorporated in Luxembourg and conducts business from 39 avenue Monterey, L-2163, Luxembourg. No consolidated accounts of this group are available.

The largest group in which the results of the group are consolidated is that headed by Nando's Group Holding's Limited. No other group financial statements include the results of Nando's Group Holding's Limited.

The Group's investments in subsidiaries, associates and joint ventures have been disclosed in notes 19 and 20.

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 by virtue of the two parties having common directors.

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 :

	2020 £'000s	2019 £'000s
Key management remuneration including social security costs	5,810	7,688
Share based remuneration	(272)	3,908
Company contributions to money purchase pension plans	14	14
	<u>5,552</u>	<u>11,610</u>

Notes to the financial statements (continued)

34 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 £445,700k (2019: £541,687k). The details and terms of the deep discounted bonds are disclosed in note 25. Included in the carrying value of the DDB's in note 25 is accrued interest payable of £198,618k (2019: £180,453k) in the Group.

Related party trading receivables

The Group have a trade receivable balance with All About Foods at period end of £1,772k (2019: £1,325k).

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 £10,547k (2019: £13,735k) and royalty income received totalled £1,409k (2019: £1,228k).

Financial expense

The Group have incurred interest expense on the deep discounted bonds issued to Yellowwoods Treasury of £51,724k (2019: £53,299k).

35 Subsequent events

Covid-19

On 30 January 2020, the World Health Organisation (WHO) announced Covid-19 as a global health emergency. The Covid-19 pandemic increased in prevalence throughout the markets where Nando's operates in March and April 2020 with country-wide closures of all eat-in restaurant facilities issued by some Governments, causing our restaurants to close in those markets.

In the immediate weeks after closure, the Group focused on securing cash availability and minimising cash outgoings to optimise cash flow. The Group is also grateful for Government action and support and successfully applied to Government schemes in some of the markets in which it operates.

Subsequent to those events, the Group has moved to cautiously and carefully re-open restaurants which had been closed due to lockdowns initially for off-premise sales (Collect and Delivery) before restarting on-premise dining with social distancing and other measures to ensure the safety of employees and customers. The Group's sales performance is ahead of management expectations, albeit some way below the performance in the period prior to Covid-19.

The impact of Covid-19 has been assessed and the group has prepared financial forecasts incorporating the impact of Covid-19 and the Government enforced lockdown period as well as the anticipated slow recovery to pre Covid-19 trading levels. These forecasts have been used to evaluate the value of assets within the group and this assessment has been the main factor in causing an impairment of Goodwill and other assets. The Covid-19 impact is considered to be an extraordinary event and will be disclosed as an exceptional item (Note 7).

At the date of signing, we have re-opened all but a handful of restaurants for a blend of either Eat-In, Collect or Delivery.

Share issue


In September 2020, the Group secured additional funding from its shareholders by raising £100 million in new equity from its immediate parent.

**Company Statement of Financial Position
as at 23 February 2020 (24 February 2019)**

	<i>Note</i>	2020 £'000s	2019 £'000s
Non-current assets			
Investment in group companies	5	205,665	263,543
Investment in equity accounted investees	5	19,644	22,349
Loans due from inter-group parties	7	168,457	-
Loans due from related parties	7	-	158,285
		393,766	444,177
Current assets			
Debtors	7	4,479	5,731
Loans due from related parties	7	-	88,753
Loans due from inter-group parties	7	71,643	-
Cash and cash equivalents	6	25,155	139,371
		101,277	233,855
Total assets		495,043	678,032
Current liabilities			
Creditors	8	(2,565)	(317)
Loans due to inter-group parties	8	(68,373)	(67,066)
Loans due to related parties	8	-	(125,860)
		(70,938)	(193,243)
Non-current liabilities			
Loans due to related parties	8	(273,949)	(253,372)
		(273,949)	(253,372)
Total liabilities		(344,887)	(446,615)
Net assets		150,156	231,417
Equity			
Share Capital	9	180,010	180,010
Share Based Payment Reserve	10	3,368	3,416
Retained Earnings		(33,222)	47,991
Total equity		150,156	231,417

The notes on pages 75 to 88 form an integral part of the financial statements.

The financial statements on pages 73 to 74 were authorised by the Board of Directors on 3/11/2020 and were signed on its behalf.



Luke Logan Tait

Director

Company registered number: 06451677

Company Statement of Changes in Equity

	Share Capital	Share Based Payment Reserve	Retained earnings (Profit & loss reserve)	Total Equity
	£'000s	£'000s	£'000s	£'000s
Balance as at 25 February 2018	50,010	1,749	40,478	92,237
Changes in equity for 2019				
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
Balance as at 24 February 2019	180,010	3,416	47,991	231,417
Balance as at 25 February 2019	180,010	3,416	47,991	231,417
Profit / (Loss) for the period	-	-	(81,213)	(81,213)
Equity Settled share based payments	-	(48)	-	(48)
Balance at 23 February 2020	180,010	3,368	(33,222)	150,156

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;
- 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;
- 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.

2 Summary of significant accounting policies (continued)

2.3 Going Concern

Refer to note 1 in the Consolidated Financial Statements for further details on the preparation of the financial statements on a going concern basis.

2.3 Standards issued and applied for the first time in 2020

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.

- IFRS 16 in respect of Leases is effective for accounting periods beginning on or after 1 January 2019. IFRS 16 results 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.
- Annual improvements to IFRS Standards 2015 - 2017.
- IFRIC 23 in respect of Uncertainty over Income Tax Treatments: IFRIC 23 provides guidance in determining how tax
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement.
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures.

2.4 Standards and interpretations issued and not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 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.

2.7 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.

2.8 Financial instruments

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.

2.8.1 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.

2.8 Financial instruments (policy applicable from 25 February 2018) (continued)

2.8.1 Financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the 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.

2.8.2 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.

2.8.3 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.

Financial instruments issued by the company 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 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.

2.8 Financial instruments

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.

Non derivative financial instruments

2.8.4 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.

2.8.5 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.

2.8.6 Trade payables

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

2.8.7 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.

2.8.8 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)

2.8.9 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.

2.8.10 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.

2.8.11 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.

2.9 Borrowing costs

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

2.10 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)

2.11 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.

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.

2.12 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.

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. Management do not consider that any of these estimates have a significant effect on the consolidated financial statements. The key area of estimation that has the most significant effect on the amounts recognised in the financial statements is the review for the impairment of investment carrying values.

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

In the process of applying the Company's accounting policies, management has made various judgements. 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 judgement, this is not significant.

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

IFRS 16 Leases is the new accounting standards that is effective for the period ended 23 February 2020. Adoption of this new standard had no impact on the Company. There are no other new standards, amendments or interpretations, effective for the first time for the period ending 23 February 2020 that had a material impact on the Company.

Notes to the financial statements (continued)

4 Directors' remuneration

	2020 £'000s	2019 £'000s
Directors' remuneration	(2,158)	(593)

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £693k (2019: £328k), and pension contributions of £1k (2019: £Nil) were made on the Director's behalf.

The directors' remuneration consists of 5 directors (2019: 2 directors) providing services to the Group.

5 Investments in subsidiaries and associates

5.1 Investments in subsidiaries

	2020 £'000s	2019 £'000s
Balance at the beginning of the period	263,543	265,547
Additional capital contribution during the period	30,676	28,524
Share based payment contributions during the year	(48)	1,667
Impairment	(88,506)	(32,195)
Balance as the end of the period	205,665	263,543

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 £88.5m (2019: £32.2m) is a result of our assessment of the medium term returns for the US, Canada, India and New Zealand markets that can be generated from our assets in those markets. The impairment losses are due to the expected impact from Covid-19, with some restaurants permanently closing in Canada after the period end as a result of the pandemic. The recoverable amount in US, Canada, India and New Zealand has been calculated using the VIU methodology.

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.

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

	US	Canada	India	New Zealand
Long-term growth rate	2.0%	2.1%	3.9%	2.1%
WACC Discount rates (pre tax)	9.5%	8.9%	15.4%	10.3%

Subsidiary undertaking	Registered Address	Ownership		Country of Incorporation	Class of Shares Held	Principal activity
		2020	2019			
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
		2020	2019			
Nando's New Zealand Limited	Franchise Accountants, 2g Amera 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

	2020 £'000s	2019 £'000s
Balance at the beginning of the period	22,349	20,914
Additional capital contribution during the period	301	2,370
Share of (loss)	(1,106)	(935)
Impairment	(1,900)	-
Balance as the end of the period	19,644	22,349

Investments	Registered Address	Ownership		Country of Incorporation	Class of Shares Held	Principal activity
		2020	2019			
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 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. For further details on the impairment in equity accounted investees, please refer to Note 20 of the Consolidated Financial Statements.

Notes to the financial statements (continued)

6 Cash and cash equivalents

	2020	2019
	£'000s	£'000s
Cash and cash equivalents	25,155	139,371

7 Debtors

	2020	2019
	£'000s	£'000s
Amounts falling due within one year		
Loans due from inter-group undertakings	71,643	88,753
Debtors due from inter-group undertakings	4,465	5,696
Other debtors	13	34
Prepayments	1	1
	<u>76,122</u>	<u>94,484</u>
Amounts falling due more than one year		
Loans due from intergroup undertakings (interest 8.50%)	168,457	158,285
	<u>168,457</u>	<u>158,285</u>

The debtors balance due within one year relates to carried forward group relief of £4,465k (2019: £5,696k) with Nando's Chickenland Limited. Included within loans due from inter-group undertakings is £34,970k (2019: £34,304k) due from The Nando's Chickenland Canada Inc which is repayable in 2020. In the period an interest waiver was agreed, therefore the accumulated interest accrued at 2.5% of £3,301k has been reversed, resulting in a credit in the current period. The remainder of the loans with the Company's subsidiaries, being £62,471k (2019: £54,449k), bear no interest, are repayable on demand and are unsecured. Provisions of £25,800k (2019: £0k) were held against the loans due from inter-group undertakings.

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 (2019: £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 £50,910k (2019: £40,738k).

The below table summarises the movement on group undertakings:

	Loans to group undertakings	Other	Total
	£'000s	£'000s	£'000s
Amounts due from inter-group undertakings			
Cost and Net book value			
As at 24 February 2019	247,038	5,696	252,734
Additions	16,627	-	16,627
Interest Accrued	10,172	-	10,172
Provision against intercompany loans	(25,800)	-	(25,800)
Repayments	(7,937)	(1,231)	(9,168)
As at 23 February 2020	<u>240,100</u>	<u>4,465</u>	<u>244,565</u>

8 Creditors

	2020	2019
	£'000s	£'000s
Current		
Creditors due to third parties	(2,565)	(317)
Creditors due to inter-group parties	(68,373)	(67,066)
Loans due to related parties	-	(125,860)
Non-Current		
Loans due to related parties	(273,949)	(253,372)
	<u>(344,887)</u>	<u>(446,615)</u>

Notes to the financial statements (continued)

8 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 2020 £'000s	Carrying amount 2020 £'000s	Face value 2019 £'000s	Carrying amount 2019 £'000s
Inter-group loans							
Nando's Group Limited	GBP	On demand	2.5%+ LIBOR	58,782	68,373	58,782	67,066
Related Party loans							
Yellowwoods Treasury 2 SARL	GBP	2019	7.50%	-	-	95,615	125,860
Yellowwoods Treasury 2 SARL	GBP	2022	8.00%	120,000	173,098	120,000	160,277
Yellowwoods Treasury 2 SARL	GBP	2024	8.25%	46,106	65,343	46,106	60,363
Yellowwoods Treasury 2 SARL	GBP	2027	8.50%	26,000	35,508	26,000	32,732
				250,888	342,322	346,503	446,298

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.

9 Share Capital

	2020 £'000s	2019 £'000s
Authorised Share Capital		
50,000,000 (2019: 180,000,000) ordinary shares of £3.60 (2019: £1) each	180,000	180,000
10,777,537 (2019: 10,777,537) ordinary B shares of £0.001 each	11	11
	180,011	180,011
Issued and fully paid for		
50,000,000 (2019: 180,000,000) ordinary shares of £3.60 (2019: £1) each	180,000	180,000
10,240,694 (2019: 10,240,964) ordinary B shares of £0.001 each	10	10
	180,010	180,010
Reconciliation of the number of shares outstanding		
Opening balance at beginning of the current period	180,010	50,010
Share consolidation of 130,000,000 shares (2019: nil)	(130,000)	-
Shares issued nil (2019: 130,000,000)	-	130,000
Closing balance at end of current period	50,010	180,010

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, no shares were issued.

Notes to the financial statements (continued)

10 Share based payments

The company 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 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:

	2020 Shares	2019 Shares
Shares at beginning of the period		
B1 shares issued during the period	10,240,964	10,240,964
B2 shares issued during the period	-	-
B3 shares issued during the period	-	-
Outstanding shares at end of the period	<u>10,240,964</u>	<u>10,240,964</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:

	Grant Date 17 January 2018	Grant Date 16 November
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
Expected maximum term	4.7 years	5.0 years
Risk free rate	0.87%	0.54%
Expected volatility	30%	30%

Expense recognised in profit and loss in relation to Group Partnership Scheme:

	2020 £'000s	2019 £'000s
Share-based payment expense	<u>(48)</u>	<u>1,667</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 2.12. The shares did vest at the end of year, however the scheme was closed post balance sheet date. There was no charge to the group given the scheme's closure.

11 Commitments and contingencies

As per note 19 of the consolidated accounts, Nando's Group Holdings Limited has taken the audit exemption for a number of subsidiaries by virtue of s479A of the Companies Act. A Parent Company guarantee has been provided for these entities under s479C of the Companies Act.

12 Related party transactions

Nando's Group Holding's Limited is a subsidiary of L Perlman SECS which is the ultimate parent and controlling party, incorporated in Luxembourg and conducts business from 39 avenue Monterey, L-2163, Luxembourg. No consolidated accounts of this group are available.

The largest group in which the results of the group are consolidated is that headed by Nando's Group Holding's Limited. No other group financial statements include the results of Nando's Group Holding's Limited.

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

Yellowwoods Treasury: Yellowwoods Treasury 2 SARL is a related party to the group by virtue of the two parties having common directors.

Notes to the financial statements (continued)

12 Related party transactions (continued)

The company have the following significant related party transactions:

Deep Discounted Bonds

The Company have issued deep discounted bonds to Yellowwoods Treasury totalling £273,949k (2019: £379,233k). Included in the carrying value of the DDB's in note 8 is accrued interest payable of £81,843k (2019: £91,658k) in the Group. The Company have incurred interest expense on the deep discounted bonds of £22,408k (2019: £27,847k). The details and terms of the deep discounted bonds are disclosed in note 8.

13 Subsequent events

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 £28,695k 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 its subsidiaries. The total value of the capital contributions extended to the subsidiaries is £6,160k up to the date of approval of these financial statements. This increase in capital is a non-adjusting event after the balance sheet date.

Share issue

In September 2020, the Group secured additional funding from its shareholders by raising £100 million in new equity from its immediate parent.