**Nando's Group Holdings Limited**

**Annual report and consolidated financial statements**

**Registered number 06451677**
**25 February 2018**

**Contents**

## STRATEGIC REPORT

The directors present the Strategic Report, Directors' Report and the audited financial statements for the 52-week period ended 25 February 2018.

### 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 sauces and condiments through the retail channel. The principal activity of the Company was to act as a holding Company for the Group's consolidated business.

### About Nando's

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

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

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

### Financial Highlights

- Revenue up 14.3% to £969.3m, driven mostly by organic growth in key markets
- Operating profit decreased to £42.8m in 2018 from £46.7m in 2017 largely due to higher costs as we grew the business
- Continued high level of Capex at £101.2m (2017: £151.4m) reflecting high levels of confidence in the business and growth prospects as we invested in new restaurants, infrastructure and expanded its international footprint

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 for the 52-week year was £969.3m (2017: £847.9m). This increase of £121.4m was driven by organic growth in key markets along with increased sales associated with new restaurants and franchise acquisitions. Operating profit for the year under review was £42.8m, which represents a margin of 4.41% (2017: 5.51%) and reflects investment in our people and growing our international footprint.

These results include revenue and costs from smaller developing overseas markets which have restaurant expansion programmes in place. The businesses operating in overseas markets have not fully matured and the number of restaurants in these markets still need to reach critical mass. There is significant growth potential in these markets and we will continue to invest in opening new restaurants. Group capital investment "Capex" is defined as the cash investment in tangible, intangible, investment in equity accounted investments and business combinations. The Capex during the year was £101.2m (2017: £151.4m), in line with our strategy to invest in extending our global restaurant footprint and refurbishing existing restaurants, technology and systems where necessary.

During the period the Group acquired various franchisees, the details of these acquisitions are reflected in note 18. The results of the acquisition is a reduction in Royalty and Franchisee income and is also a contributing factor of the increase in revenue year on year.

Net financing expense decreased by £0.9m to £62.8m (2017: £63.7m). The direct corporate taxes which the Group has paid to national governments in the 2018-year amounts to £20.0m (2017: £17.7m). The Group also contributes further direct and indirect taxes including social security, property taxes, local taxes and value added taxes. The Group made a loss before tax for the year under review of £20.0m (2017: £17.0m).

At the year-end, the Group had net assets of £3.6m (2017: £56.5m).

The average number of employees during the year has grown from 17,675 in 2017 to 19,506 in 2018.

The results for the year and the financial position of the Group are disclosed on pages 12 to 18.

## 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*

Our new visual identity pays homage to our Southern African roots and has been rolled out across our global markets. It is now used consistently in all consumer-facing and internal communication materials, and on our new packaging range.

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

*International expansion*

Nando's restaurant design continues to win awards across the globe, and our expansion programme continued, with 29 net new restaurants opened during the 52-week period. The number of restaurants in operation increased from 908 at 28 February 2017 to 937 at 25 February 2018. This total includes the 711 company owned restaurants and 226 restaurants run on a franchise basis.

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

Capex for the year was £101.2m, reflecting the Group's strategy to expand its international footprint and refurbish its existing network.

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

*Operational excellence*

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

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

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

*Values and engagement*

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

• This year's initiatives include the launch of the Nando's Fighting Malaria campaign across the UK restaurants. This has been hugely successful in increasing awareness of the campaign and raising funds to eradicate Malaria in Southern Africa.
• The Sourcing Hub initiative digitally connects our global restaurant network to small, emerging Southern African partners who supply bespoke tableware, furniture and art.
• Harambee is a programme that recruits young unemployed people, develops them and gives them the skills to get ready to enter the workplace. We're working on similar programmes in other parts of the world using our South African model as inspiration.
• PERi-Farms in Southern Africa supplied 100% of our African Bird's Eye Chilli requirements and makes an enormous difference to the lives of many small-scale farmers through access to the latest farming techniques, quality seedlings and finance. Now working with more than 1,400 farmers across 18 growing regions in Mozambique, Malawi, Zimbabwe and South Africa, we give them a fixed outlay for their crop and pay a premium for every kilogram of chillies harvested. The initiative is being extended to cover more ingredients and across a wider geography.
• Nando's Music Exchange brings together influences from Southern Africa with the best emerging and established musicians from around the world, for collaborative mentoring, workshops and events. This ground-breaking project fosters talent and helps to ensure that Nando's remains relevant and exciting to Gen Zs in the UK. This year saw the opening of a ground breaking special space for emerging creative talent, in our newly refurbished Soho restaurant in London.

## Principal risks and uncertainties

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

*Health and safety*

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

*Employees (Nandocas)*

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

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

*Product*

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

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

*Competition*

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

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

*Working capital, liquidity, other risks*

The Group continually monitors cash flow and forecasts the maturity of financial liabilities to avoid the risk of a shortage of funds. In May 2019 a Yellowwoods Treasury loan matures and L Perlman SECS has provided written confirmation of its intention and ability to successfully refinance this loan. Further discussion on how these risks are managed is provided in the Directors' Report and Note 31.

*Economic Uncertainty*

The Group is exposed to the risk of economic uncertainty in the markets it operates in, including the effect of Brexit in the UK. 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.

Going Concern

As at 25 February 2018 the consolidated Group had net assets of £3.6m, net current liabilities of £82.1m, an operating profit of £42.8m and a loss for the year then ended of £36.1m. Operating cash inflows for the year were £151.3m. The financial statements have been prepared on a going concern basis which the directors consider to be appropriate.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of overseas expansion plans and reasonably possible downsides, the company will have sufficient funds, through its existing facilities and funding from its controlling party, L Perlman SECS, to meet its liabilities as they fall due for that period.

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

By order of the board

29/11/18

C F Luyckx
Director

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

## DIRECTORS' REPORT

The directors present their annual report for the 52-week period ended 25 February 2018.

The Company has chosen, in accordance with S414 C(ii) 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 were as follows:

R A G T'Hooft
C F Luyckx

### 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. So far as is practicable, arrangements are made to continue the employment of an employee who becomes disabled.

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.

### Political and charitable contributions

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

The Group made charitable donations of £10.8k (2017: £78.2k). 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 (2017: nil).

### Taxation

Nando's is a responsible corporate citizen and tax payer. The Group pays all taxes due in every jurisdiction where we operate. The direct corporate taxes paid in the 2018 financial year totalled £20.0m (2017: £17.7m). Nando's also contributes further direct and indirect taxes including social security, property taxes, local taxes and value added taxes.

Directors' Report *(continued)*

### Financial Management and Financial Instruments

The Group's Financial Risk management objectives and policies, including entering hedging arrangements to manage the interest rate risk, and the main risks arising from the Group's financial assets and liabilities are summarised in note 31.

### Future developments

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

### Subsequent events

There are no significant events subsequent to year end.

### Disclosure of information to auditor

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

### Auditor

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

By order of the board

C F Luyckx
Director
29/11/18

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

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

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRS and applicable law.

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 and prudent;
• state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
• 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 25 February 2018 which comprise the Consolidated Income Statement and Other Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated and Company Statement of Cash Flows and related notes, including the accounting policies.

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 25 February 2018 and of the group's loss for the period then ended;

• the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);

• the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; 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.

### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### Strategic report and directors' report

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

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

• we have not identified material misstatements in the strategic report and the directors' report;

• in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

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

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

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

• adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

• the parent company financial statements are not in agreement with the accounting records and returns; or

• certain disclosures of directors' remuneration specified by law are not made; or

• we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 9, 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.

W. Smith

**William Smith (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*

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

29th November 2018

**Consolidated Income Statement and Other Comprehensive Income**
***for the 52 week period ended 25 February 2018 (52 week period ending 26 February 2017)***

| | Note | 2018 £'000s | Restated 2017 £'000s |
|---|---|---|---|
| **Revenue** | 5 | **969,297** | **847,914** |
| Cost of sales | | (764,790) | (653,164) |
| **Gross Profit** | | **204,507** | **194,750** |
| Other operating income | 6 | 2,391 | 1,401 |
| Administrative expenses | 7 | (162,928) | (149,034) |
| Share of loss of equity-accounted investees, net of tax | 20 | (1,207) | (388) |
| **Operating profit** | | **42,763** | **46,729** |
| Financial income | 11 | 3,212 | 8,712 |
| Financial expense | 12 | (66,013) | (72,433) |
| **Net financial expense** | | **(62,801)** | **(63,721)** |
| **Loss before tax** | | **(20,038)** | **(16,992)** |
| Income tax expense | 13 | (16,075) | (14,216) |
| **Loss after tax from continuing operations** | | **(36,113)** | **(31,208)** |
| Profit from discontinued operations, net of tax | 14 | - | 50,752 |
| **(Loss) / profit for the period** | | **(36,113)** | **19,544** |
| Non-controlling interest | 19 | (182) | (982) |
| **(Loss) / Profit for the period attributable to Nando's Group Holdings Limited** | | **(36,295)** | **18,562** |
| **Other comprehensive income** | | | |
| *Items that may not be reclassified subsequently to profit / (loss)* | | | |
| Exchange differences on translating foreign operations | | (14,535) | 19,521 |
| **Other comprehensive income for the period, net of tax** | | **(14,535)** | **19,521** |
| **Total comprehensive income for the period** | | **(50,648)** | **39,065** |
| **Total comprehensive income for the period attributable to:** | | | |
| Equity holders of the parent | | (50,830) | 38,083 |
| Non-controlling interest | | 182 | 982 |
| | | (50,648) | 39,065 |

Unless explicitly stated otherwise, all items within the income statement were derived from continuing operations.
The primary statement has been restated as set out in note 4.
The accompanying notes form part of the financial statements.

**Consolidated Statement of Financial Position**
***as at 25 February 2018 (26 February 2017)***

| **Group** | *Note* | **2018 £'000s** | **Restated 2017 £'000s** |
|---|---|---|---|
| **Non-current assets** | | | |
| Property plant and equipment | *16* | 368,034 | 356,994 |
| Intangible assets | *17* | 744,018 | 771,304 |
| Investments in equity accounted investees | *20* | 20,914 | 22,061 |
| Deferred tax assets | *21* | 1,514 | 3,912 |
| Trade and other receivables | *24* | 2,511 | 2,772 |
| | | **1,136,991** | **1,157,043** |
| **Current assets** | | | |
| Inventories | *23* | 5,839 | 5,254 |
| Trade and other receivables | *24* | 34,880 | 29,260 |
| Cash and cash equivalents | *25* | 62,437 | 36,904 |
| Current tax receivable | | 5,562 | 744 |
| | | **108,718** | **72,162** |
| **Total assets** | | **1,245,709** | **1,229,205** |
| **Current liabilities** | | | |
| Other interest bearing loans and borrowings | *26* | (35,675) | (21,938) |
| Trade and other payables | *27* | (154,131) | (124,668) |
| Tax payable | | (273) | (2,392) |
| Provisions | *29* | (519) | (716) |
| Derivative financial instruments | *32* | (202) | (3,290) |
| | | **(190,800)** | **(153,004)** |
| **Non-current liabilities** | | | |
| Other interest bearing loans and borrowings | *26* | (353,890) | (376,451) |
| Loans due to related parties | *26* | (663,056) | (613,514) |
| Other payables | *27* | (28,940) | (23,895) |
| Deferred tax liabilities | *21* | (3,438) | (3,912) |
| Provisions | *29* | (2,030) | (1,967) |
| | | **(1,051,354)** | **(1,019,739)** |
| **Total liabilities** | | **(1,242,154)** | **(1,172,743)** |
| **Net assets** | | **3,555** | **56,462** |
| **Equity** | | | |
| Share Capital | *30* | 50,010 | 50,009 |
| Capital Contribution reserve | *30* | - | 8,401 |
| Own share reserve | *30* | - | 1,604 |
| Foreign Currency translation reserve | | 8,966 | 23,501 |
| Retained Earning | | (56,567) | (29,324) |
| **Equity attributable to equity holders of the parent** | | **2,409** | **54,191** |
| Non-controlling interest | | 1,146 | 2,271 |
| **Total equity** | | **3,555** | **56,462** |

The primary statement has been restated as set out in note 4.
The accompanying notes form part of the financial statements.

**Company Statement of Financial Position**
***as at 25 February 2018***

| Company | Note | 2018 £'000s | Restated 2017 £'000s |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in group companies | *19* | 265,547 | 227,269 |
| Investments in equity accounted investees | *20* | 20,914 | 22,515 |
| | | **286,461** | **249,784** |
| **Current assets** | | | |
| Loans due from related parties | *22* | 216,682 | 192,007 |
| Trade and other receivables | *24* | 14 | 9 |
| Cash and cash equivalents | *25* | 2,318 | 106 |
| | | **219,014** | **192,122** |
| **Total assets** | | **505,475** | **441,906** |
| **Current liabilities** | | | |
| Trade and other payables | *27* | (37) | (38) |
| Loans due to related parties | *26* | (61,670) | (22,150) |
| | | **(61,707)** | **(22,188)** |
| **Non-current liabilities** | | | |
| Loans due to related parties | *26* | (351,531) | (325,906) |
| | | **(351,531)** | **(325,906)** |
| **Total liabilities** | | **(413,238)** | **(348,094)** |
| **Net assets** | | **92,237** | **93,812** |
| **Equity** | | | |
| Share capital | *30* | 50,010 | 50,009 |
| Retained earnings | | 42,227 | 43,803 |
| **Equity attributable to equity holders of the parent** | | **92,237** | **93,812** |
| **Total equity** | | **92,237** | **93,812** |

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on 29 November 2018:

C F Luyckx
*Director*

The primary statement has been restated as set out in note 4.
The accompanying notes form part of the financial statements.

**Consolidated Statement of Changes in Equity**

| | Attributable to equity holders of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share Capital | Capital Contribution Reserve | Own Share Reserve | Foreign currency translation reserve | Retained earnings (Profit & loss reserve) | Total | Non-controlling interest | Total Equity |
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s |
| **Balance at 28 February 2016** | 50,000 | 8,401 | 1,604 | 3,980 | (32,525) | 31,460 | 10,928 | 42,388 |
| **Changes in equity for 2017** | | | | | | | | |
| Profit for the period* | - | - | - | - | 18,562 | 18,562 | 982 | 19,544 |
| Other comprehensive income* | - | - | - | 19,521 | - | 19,521 | - | 19,521 |
| **Total Comprehensive Income for 2017*** | **-** | **-** | **-** | **19,521** | **18,562** | **38,083** | **982** | **39,065** |
| Issue of share capital | 9 | - | - | - | - | 9 | - | 9 |
| Transfer of non controlling interest on disposal of subsidiary | - | - | - | - | 1,678 | 1,678 | (1,678) | - |
| Purchase of non controlling interest (Note 19) | - | - | - | - | (17,039) | (17,039) | (7,961) | (25,000) |
| **Balance as at 26 February 2017*** | **50,009** | **8,401** | **1,604** | **23,501** | **(29,324)** | **54,191** | **2,271** | **56,462** |
| | | | | | | | | |
| **Balance at 27 February 2017** | 50,009 | 8,401 | 1,604 | 23,501 | (29,324) | 54,191 | 2,271 | 56,462 |
| **Changes in equity for 2018** | | | | | | | | |
| Loss for the period | - | - | - | - | (36,295) | (36,295) | 182 | (36,113) |
| Other comprehensive income | - | - | - | (14,535) | - | (14,535) | - | (14,535) |
| **Total Comprehensive Income for 2018** | **-** | **-** | **-** | **(14,535)** | **(36,295)** | **(50,830)** | **182** | **(50,648)** |
| Issue of share capital | 1 | - | - | - | - | 1 | - | 1 |
| Transfer of reserves | - | (8,401) | (1,604) | - | 10,005 | - | - | - |
| Equity settled share based payments | - | - | - | - | 1,749 | 1,749 | - | 1,749 |
| Purchase of non controlling interest (Note 19) | - | - | - | - | (2,702) | (2,702) | (1,307) | (4,009) |
| **Balance at 25 February 2018** | **50,010** | **-** | **-** | **8,966** | **(56,567)** | **2,409** | **1,146** | **3,555** |

*The line items have been restated as set out in note 4.
The accompanying notes form part of the financial statements.

**Company Statement of Changes in Equity**

| | Share Capital | Retained earnings (Profit & loss reserve) | Total |
|---|---|---|---|
| | £'000s | £'000s | £'000s |
| **Balance at 28 February 2016** | 50,000 | 9,035 | 59,035 |
| **Changes in equity for 2017** | | | |
| Profit for the period* | - | 34,768 | 34,768 |
| Other comprehensive income* | - | - | - |
| **Total Comprehensive Income for 2017*** | - | **34,768** | **34,768** |
| Issue of share capital | 9 | - | 9 |
| **Balance as at 26 February 2017*** | **50,009** | **43,803** | **93,812** |
| **Balance at 27 February 2017** | 50,009 | 43,803 | 93,812 |
| **Changes in equity for 2018** | | | |
| Loss for the period | - | (3,325) | (3,325) |
| Other comprehensive income | - | - | - |
| **Total Comprehensive Income for 2018** | - | **(3,325)** | **(3,325)** |
| Equity settled share based payments | - | 1,749 | 1,749 |
| Issue of share capital | 1 | - | 1 |
| **Balance at 26 February 2018** | **50,010** | **42,227** | **92,237** |

*The line items have been restated as set out in note 4.
The accompanying notes form part of the financial statements.

**Consolidated and Company Statement of Cash Flows**
*for the 52 week period ended 25 February 2018*

| | **Group 2018 £'000s** | *Restated* Group 2017 £'000s | **Company 2018 £'000s** | *Restated* Company 2017 £'000s |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| (Loss) / Profit for the period (from continuing operations) | (36,113) | (31,208) | (3,325) | 34,768 |
| *Adjustments for:* | | | | |
| Depreciation and amortisation | 95,226 | 82,080 | - | - |
| Impairment loss on trade receivables | 101 | - | 9,611 | - |
| Impairment loss on non current assets | 1,423 | 13,353 | - | - |
| Loss/(gain) on sale of fixed assets | 1,701 | (5) | - | - |
| Gain on disposal of discontinued operations (net of tax) | - | - | - | (43,345) |
| Share of equity accounted investees | 1,207 | 388 | 1,661 | - |
| Share Based payment expense | 1,749 | - | - | - |
| Dividends received | - | - | (26,000) | - |
| Financial income | (3,212) | (8,712) | (10,832) | (16,704) |
| Financial expense | 66,013 | 72,433 | 28,921 | 26,148 |
| Taxation | 16,075 | 14,216 | (547) | (1,707) |
| | 144,170 | 142,545 | (511) | (840) |
| (Increase)/decrease in trade & other receivables | (5,459) | (6,622) | 357 | 563 |
| Increase/(decrease) in trade & other payables | 33,259 | 9,804 | (1) | (613) |
| (Increase)/decrease in inventories | (498) | (2,050) | - | - |
| (Decrease)/increase in provisions | (135) | 317 | - | - |
| Cash generated from operations | 171,337 | 143,994 | (155) | (890) |
| Tax paid | (20,031) | (17,659) | 110 | - |
| Net cash flows from continuing operating activities | 151,306 | 126,335 | (45) | (890) |
| Net cash flows from discontinued operations | - | 3,255 | - | - |
| **Net cash flows from operating activities** | **151,306** | **129,590** | **(45)** | **(890)** |
| **Cash flows from investing activities** | | | | |
| Proceeds from disposal of Property plant and equipment | 3,135 | 3,905 | - | - |
| Disposal of discontinued operations (net of cash disposed) | - | 64,045 | - | 66,224 |
| Acquisition of business combinations (net of cash acquired) | (8,244) | (7,099) | - | - |
| Acquisition of property, plant and equipment | (91,752) | (132,457) | - | - |
| Acquisition of equity accounted investments | (60) | (9,792) | | (9,792) |
| Acquisition of intangible assets | (1,172) | (2,095) | - | - |
| Advance of loans due from related parties | - | - | (23,726) | (17,812) |
| Repayment of loans due from related parties | | - | 7,574 | - |
| Interest received | 124 | - | 76 | 106 |
| Dividends received | - | - | 26,000 | - |
| **Net cash flows from investing activities** | **(97,969)** | **(83,493)** | **9,924** | **38,726** |
| **Cash flows from financing activities** | | | | |
| Proceeds from long term borrowings | 14,600 | 93,296 | - | - |
| Proceeds of loans from related parties | - | - | 38,000 | 76,000 |
| Repayment of loans from related parties | - | - | - | (76,688) |
| Repayment of long term borrowings | (23,064) | (91,688) | - | - |
| Purchase of non controlling interest | (4,009) | (25,000) | - | - |
| Further investment in subsidiaries | - | - | (46,139) | (45,500) |
| Interest paid | (15,433) | (17,525) | - | (1,485) |
| Net cash flows from financing activities | **(27,906)** | **(40,917)** | **(8,139)** | **(47,673)** |

## Consolidated and Company Statement of Cash Flows

*for the 52 week period ended 25 February 2018*

| | Note | Group 2018 £'000s | Restated Group 2017 £'000s | Company 2018 £'000s | Restated Company 2017 £'000s |
|---|---|---|---|---|---|
| Net cash flows from operating activities | | 151,306 | 129,590 | (45) | (890) |
| Net cash flows from investing activities | | (97,969) | (83,493) | 9,924 | 38,726 |
| Net cash flows from financing activities | | (27,906) | (40,917) | (8,139) | (47,673) |
| **Net increase/(decrease) in cash and cash equivalents** | | 25,431 | 5,180 | 1,740 | (9,837) |
| **Cash and cash equivalents at beginning of period** | | 36,904 | 34,180 | 106 | 9,943 |
| Effects of foreign exchange rate changes on the balance of cash held in foreign currencies | | 102 | (2,456) | 472 | - |
| **Cash and cash equivalents at end of period** | *25* | 62,437 | 36,904 | 2,318 | 106 |
| Cash and cash equivalents per balance sheet | | 62,437 | 36,904 | 2,318 | 106 |
| Bank overdrafts | | - | - | - | - |
| Cash and cash equivalents at end of period per cash flow | *25* | 62,437 | 36,904 | 2,318 | 106 |

The primary statement has been restated as set out in note 4.
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 UK. 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 parent company financial statements present information about the Company as a separate entity and not about its group. The directors have prepared these financial statements under on a going concern basis.

Both the parent Company financial statements and the Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

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 and Company's presentation currency. The functional currency of the Company is Pounds Sterling.

*Prior Period Restatement*

During the year the Financial Reporting Council (FRC) communicated with the Directors regarding the Group's annual report for the year ended 26 February 2017. Following the review by FRC it was recognised that an interest rate cap and floor instrument did not result in an effective hedge of the interest rate risk in the hedged item and therefore hedge accounting should not have been applied.

It was also recognised that the instrument's carrying value was reported on the 2017 balance sheet as a liability at fair value and an amount offset against interest bearing loans, whereas the latter should have been eliminated. The prior year Financial Statements have been restated to both correct the value of the instrument and reflect the change in the fair value through the Income Statement as opposed to the Statement of Other Comprehensive Income. The Consolidated Statement of Cash Flows has been updated but this change has no impact on the cash position of the Group. Furthermore, the tax charge has been updated as a result of the above changes.

An equivalent restatement was made in the accounts of the relevant subsidiary and as a consequence that subsidiary did not have sufficient distributable reserves for a £5m dividend declared in April 2016. Therefore, the dividend received in the parent company has been re-classified as an inter-company loan receivable in the separate Company Financial Statements upon which interest has been charged at market rate. This matter had no effect to the Group Consolidated Financial Statements.

The FRC have concluded their review and there were no further changes affecting the Group's primary Financial Statements.

The FRC review did not benefit from detailed knowledge of our business or an understanding of the underlying transactions and their review is limited to certain aspects of the annual report and accounts, there are therefore inherent limitations relating to the review.

The effect of the restatement has been summarised in Note 4.

These matters had no effect at 28 February 2016.

During the Group reporting process for the current year, it was noted that the consolidated accounts for the year ended 26 February 2017 incorrectly classified the Company cash flows from related party loans. The Company Statement of Cash Flows has been updated to reclassify the cash flows of the related party loans from financing activities to investing activities. This reclassification had no impact on the net cash flows of the Company and no adjustment was required in the Company Statement of Financial Position. This restatement had no effect on the Consolidated Statements.

## 1 *Basis of preparation (continued)*

*Going concern*
As at 25 February 2018 the consolidated Group had net assets of £3.6m, net current liabilities of £82m, an operating profit of £42.8m and a loss for the year then ended of £36m. Operating cash inflows for the year were £150m. The financial statements have been prepared on a going concern basis which the directors consider to be appropriate.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of overseas expansion plans and reasonably possible downsides, the company will have sufficient funds, through its existing facilities and funding from its controlling party, L Perlman SECS, to meet its liabilities as they fall due for that period.

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

### 1.1 *Standards issued and applied for the first time in 2018*
The following new and revised Standards and Interpretations have been adopted in the current period. Unless otherwise disclosed, their adoption has had no material impact on the amounts reported in these financial statements. Amendments to:

- amendments to IAS 7: the amendments require disclosures that enable evaluation of changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. For example, a reconciliation between the opening and closing balances for liabilities arising from financing activities would meet this new disclosure requirement.

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

- IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. IFRS 9 has been endorsed for adoption by the EU but is not yet effective.
- Amendments to IFRS 9 Financial Instruments: the amendments relate to Prepayment Features with Negative Compensation. IFRS 9 has been endorsed for adoption by the EU but is effective for the accounting periods beginning on or after 1 January 2019.
- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting periods beginning on or after 1 January 2018. IFRS 15 replaces IAS 18 and IAS 11 (and the related interpretations) and introduces the principal that revenue is recognised when control of a good or service transfers to a customer. IFRS 15 has been endorsed for adoption by the EU but is not yet effective.
- Amendments to IFRS 2 in respect of Share-based Payment Transactions will be effective for accounting periods beginning on or after 1 January 2018. The amendments provide additional guidance with respect to the classification and measurement requirements of cash-settled share-based payment transactions as well as transactions where the entity has to withhold amounts due to local tax requirements. IFRS 2 has been endorsed for adoption by the EU but is not yet effective.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration will be effective for accounting periods beginning on or after 1 January 2018. IFRIC 22 provides clarification of the dates of exchange rate to be used for an advance payment or receipt.

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

- IFRS 16 in respect of Leases which will be effective for accounting periods beginning on or after 1 January 2019. IFRS 16 will result in almost all leases being recognised in the statement of financial position, as the distinction between finance and operating leases is removed. Under this standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term leases and low value leases. IFRS 16 has been endorsed for adoption by the EU but is not yet effective.
- 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.
- Annual improvements to IFRS Standards 2014 - 2016 cycle relating to IFRS 1 First time adoption of IFRS and IAS 28 Investments in Associates and Joint Ventures which will be effective on periods commencing on or after 1 January 2018 and has been endorsed for adoption by EU.
- Annual improvements to IFRS Standards 2015 - 2017. This amendment is expected to have an effective date of 1 January 2018 and has not been endorsed for adoption by EU.
- Amendments to IAS 28 Investments in Associates and Joint Ventures: the amendment to IAS 28 clarifies that IFRS 9 applies, including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The ammendment to IAS 28 has not yet been endorsed.

### 1.3 *Impact of new standards*

*IFRS 9 Financial Instruments*

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The Standard will be effective in the company's statutory financial statements for the year ending 24 February 2019. The company intends to adopt the standard without restating prior periods. Here opening retained earnings will be adjusted for any difference in carrying value following adoption of IFRS 9.

The standard covers three elements:

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

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

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

Following a review of the Company balance sheet as at 25 February 2018 the Company expects that retained earnings will increase by £6.8m following adoption of IFRS 9. This gain relates to a substantial loan modification that occurred during this financial year. This measurement change is required under IFRS 9.

It is not anticipated that there are any impairment or hedge accounting changes following adoption of IFRS 9. There are no other material measurement or classification changes expected.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 'Revenue from Contracts with Customers' will be effective in the company's statutory financial statements for the year ending 24 February 2019. The company intends to adopt the standard using the cumulative catch up method. Here the comparative period will not be adjusted to reflect the new standard. Any cumulative impact of applying the new standard will be adjusted into the opening balance of equity at the date of the initial application.

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

The company has reviewed its performance obligations in light of moving to IFRS 15 however the impact of this is still being quantified.

## 1 *Basis of preparation (continued)*

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

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

Sale of goods

Revenue arising from the sale of goods in the operation of fast casual dining restaurants is recognised on receipt of the goods by the customer, subject to deferral of loyalty scheme points. Under IFRS 15 revenue should be allocated to performance obligations based on standalone selling prices; accordingly a lower proportion of consideration may be allocated to this loyalty programme, resulting in a lower value of deferred revenue. As a result of this review the company does not expect a material impact.

The Group's grocery division has contracts with customers that in some cases are subject to volume rebate arrangements. The Group is analysing these terms under IFRS 15 to see if the timing of revenue recognised will change. Similarly, the Group is analysing the nature of the contracts with customers to confirm if any changes will be required in terms of the identification of the Group's customer given the nature of the distribution agreements that are in place to determine if this will impact the quantum of revenue recognised. Neither impact is expected to be material to the Group taken as a whole.

*Royalty income and Franchise fees*

The Group is required to analyse its contracts with franchisees in order to identify the relevant performance obligations under IFRS 15. In particular this requires analysis of the distinctness of the various services and rights offered to franchisees under the contract. The impact for the group is not expected to be material but the exact impact is still being quantified.

IFRS 16 Leases

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

The Group has considered its entire lease portfolio majority of which relates to land and buildings. As at 26 February 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to £614.2m on an undiscounted basis (See note 33).

In addition, the nature of expenses will now change as IFRS 16 replaces the straight line operating lease expense with depreciation charge for right of use assets and interest expense on lease liabilities. The Group's operating lease expense for the period ending 26 February 2018 amounted to £67.9m, of which £3.7m is linked to turnover which will continue to be recorded as a rent charge within Cost of Sales.

The Group intends to adopt IFRS 16 in the Group's statutory financial statements for the year ending 23 February 2020. The impact of the standard on the Group is currently being assessed and it is not yet practicable to quantify the effect of IFRS 16 on these consolidated Financial Statements.

## 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.

In the parent Company financial statements, all investments in subsidiaries are carried at cost less impairment. The investment in an associate and joint venture 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.

***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.

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).

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

***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.

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

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

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

## 2 *Accounting Policies (continued)*

### 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.

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

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

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

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

**Non derivative financial instruments**

#### 2.4.1 *Cash and cash equivalents*

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

#### 2.4.2 *Trade receivables*

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

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

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

Interest on overdue trade receivables is recognised as it accrues.

#### 2.4.3 *Trade payables*

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

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

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

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

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

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

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

### 2.4 *Financial instruments (continued)*

#### 2.4.6 *Equity instruments*

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

#### 2.4.7 *Impairment of financial assets*

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

**Derivative financial instruments**

#### 2.4.8 Derivative financial instruments

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

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

### 2.5 *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 seperately 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** ***Accounting Policies** (continued)*

**2.6** ***Property, plant and equipment***

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

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:

| | |
|---|---|
| • Freehold Land and buildings | 40 years |
| • Plant and equipment | 3-10 years |
| • Fixtures and fittings | 3-10 years |
| • Motor vehicles | 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 |

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 tested for impairment annually. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

### 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 and distribution.

### 2.10 ***Impairment of non-financial assets***
The Group assesses annually whether there is any indication that any of its assets have been impaired. 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.

### 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.

The fair value of a share plans is recognised as an expense over the expected vesting period with a corresponding entry to retained earnings, net of deferred tax. 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.

### 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.

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

**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 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 Group as treasury shares until such time that the shares are cancelled or reissued.

**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 significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, discounts and sales taxes (such as VAT and similar).

The timing of the transfer of risk and rewards varies depending on the type of revenue.

*Sale of goods*

Revenue arising from the sale of goods in the operation of fast casual dining restaurants is recognised on receipt of the goods by the customer, subject to deferral of loyalty scheme points.

The Group operates customer loyalty schemes and recognises the deferred liability arising through the operation of such loyalty schemes by deferring a proportion of restaurant revenue based on estimates of fair value and historical customer redemption records. Revenue is deferred and is recognised as revenue when the Group has fulfilled its obligations to supply the discounted products under the terms of the programme or when it is no longer probable that the points under the programme will be redeemed.

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.

*Royalty income and Franchise fees*

The Master Franchise Agreement (MFA) provides the franchisee with ongoing access to intellectual property, marketing services and branded materials.

Royalty 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.

Franchise fees are made up of various marketing services which are further split into:

- planned marketing campaigns;
- Nandoca training;
- Nandoca engagement review and customer engagement review.

Recognition of revenue arising from marketing services depends on when the service was rendered. Revenue relating to Nandoca training is recognised once the training has been delivered; planned marketing campaign revenue is recognised when the campaign is complete; and revenue from Nandoca Engagement reviews and customer enagagment reviews is recognised once the review is complete.

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

### 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.

### 2.17 *Leases*

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

#### 2.17.1 *As Lessor*

***Operating leases***

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

#### 2.17.2 *As Lessee*

***Finance leases***

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

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

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

***Operating leases***

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

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

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

### 2.18 *Borrowing costs*

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

### 2.19 *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.

## 2 *Accounting Policies (continued)*

### 2.19 *Taxation (continued)*

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.

### 2.20 *Discontinued operations*

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

## 3 *Accounting estimates and judgements*

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

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

### 3.1 *Key sources of estimation uncertainty*

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

*Goodwill*

In assessing the recoverability of goodwill, management's approach is to use operating cash flows derived from the five year strategic planning process. Cash flows after the five-year period are extrapolated using a terminal value calculation. There are a number of areas of judgement and key assumptions used across revenue and expenses as part of this process. Further detail on the key assumptions used to calculate the present value of these cash flows is given in Note 17.1.

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

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

The Group operates a loyalty programme where certain products are provided when a specific number of points are collected. The fair value of the points issued are estimated and offered until such time that the loyalty programme rewards are redeemed. The fair value of the points is based on a calculation of factual information such as the level of points earned but not redeemed, frequency of visits and historical value of rewards redeemed. Management estimation is used on further elements of the calculation, these estimates are expiration of rewards and likelihood unregistered cards being registered.

The balance of deferred revenue arising from loyalty programmes is £12,580k (2017: £10,832k).

The Group considers that such estimates can be made with a reasonable degree of accuracy and therefore the range of reasonably possible outcomes is considered small. However, in the unlikely event that all points in issue were assumed to be converted to rewards and redeemed by customers, the fair value of the redemption of those awards would be greater than the amount of revenue deferred by £11m as at 25 February 2018 (2017: £8.5m).

*Deferred tax assets*
The Group includes operations in certain markets which are at an early stage of development and therefore incurring losses which may be available for deduction against future profits. Estimation uncertainty exists in estimating the occurrence and timing of future profits and therefore evaluating the likelihood of losses being utilised against taxable profits in the future. In assessing the recoverability of tax losses, management's approach is to use the five-year strategic plan which shows cash flow and taxable profit information. We assess the recoverability of deferred tax assets by focussing on the shorter terms cash flows in these forecasts due to the greater uncertainty of undiscounted longer-term forecasts. The resolution of the uncertainty is not expected to occur until the relevant markets demonstrate taxable profits which may take several years. The carrying value of Deferred tax assets in respect of losses is £nil (2016: £nil) . The aggregate value of unrecognised deferred tax assets is provided in note 21.

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

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

**Notes to the financial statements**

**4 Prior period Restatement**

The Group has restated the financial statements for the year ended 26 February 2017 as set out in note 1. The effect of this restatement is set out below:

| | Amount as previously reported | Hedge accounting adjustment | Overstated derivative adjustment | Tax adjustment | Dividend adjustment | Interest adjustment | Restated amount |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| ***Consolidated Income Statement and Other Comprehensive Income*** | | | | | | | |
| Finance expense | (68,364) | (3,290) | (779) | - | - | - | (72,433) |
| Taxation expense | (15,024) | - | - | 808 | - | - | (14,216) |
| *(Loss) / profit for the period* | 22,805 | (3,290) | (779) | 808 | - | - | 19,544 |
| *Other comprehensive income* | | | | | | | |
| Cash flow hedge reserve movement | (3,290) | 3,290 | - | - | - | - | - |
| ***Consolidated Statement of Financial Position*** | | | | | | | |
| *Current liabilities* | | | | | | | |
| Other interest bearing loans and borrowings | (21,725) | - | (213) | - | - | - | (21,938) |
| Tax payable | (3,200) | - | - | 808 | - | - | (2,392) |
| *Non-current liabilities* | | | | | | | |
| Other interest bearing loans and borrowings | (375,885) | - | (566) | - | - | - | (376,451) |
| *Equity* | | | | | | | |
| Retained Earning | (26,063) | (3,290) | (779) | 808 | - | - | (29,324) |
| Cash flow hedging reserve | (3,290) | 3,290 | - | - | - | - | - |
| ***Consolidated Statement of Changes in Equity*** | | | | | | | |
| Hedge reserve | (3,290) | 3,290 | - | - | - | - | - |
| Retained earnings | (26,063) | (3,290) | (779) | 808 | - | - | (29,324) |
| ***Consolidated Statement of Cash Flows*** | | | | | | | |
| *Cash flows from operating activities* | | | | | | | |
| (Loss) / Profit for the period (from continuing operations) | (27,947) | (3,290) | (779) | 808 | - | - | (31,208) |
| Financial expense | 68,364 | 3,290 | 779 | - | - | - | 72,433 |
| Taxation | 15,024 | - | - | (808) | - | - | 14,216 |
| ***Company Statement of Financial Position*** | | | | | | | |
| *Current liabilities* | | | | | | | |
| Loans due to related parties | (17,024) | - | - | - | (5,000) | (126) | (22,150) |
| *Equity* | | | | | | | |
| Retained earnings | 48,929 | - | - | - | (5,000) | (126) | 43,803 |
| ***Company Statement of Changes in Equity*** | | | | | | | |
| Retained earnings | 48,929 | - | - | - | (5,000) | (126) | 43,803 |
| ***Company Statement of Cash Flows*** | | | | | | | |
| (Loss) / Profit for the period (from continuing operations) | 39,894 | - | - | - | (5,000) | (126) | 34,768 |
| Dividends received | (5,000) | - | - | - | 5,000 | - | - |
| Financial income | 26,022 | - | - | - | - | 126 | 26,148 |

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

## 5 Revenue

| | 2018 £'000s | 2017 £'000s |
|---|---|---|
| *The Group's revenue comprises:* | | |
| Sale of goods | 958,226 | 834,094 |
| Royalties and franchise fees | 11,071 | 13,820 |
| | 969,297 | 847,914 |

*Geographical Analysis of Revenue*

All revenue for the period was derived from sales in the UK, Ireland, Australia, USA, Canada, New Zealand, and India. Royalty revenue was derived from Canada, Australia, New Zealand, Fiji, Malaysia, Singapore, India, United Arab Emirates, Qatar, Oman, Bahrain, Zimbabwe, Mauritius, Zambia, Pakistan, and Bangladesh.

## 6 Other operating income

| | 2018 £'000s | 2017 £'000s |
|---|---|---|
| Rental income | 102 | 72 |
| Other operating income | 2,289 | 1,324 |
| Profit on disposal of plant, property and equipment | - | 5 |
| | 2,391 | 1,401 |

## 7 Loss or profit before tax

The following amounts were expensed or credited during the period:

| | 2018 £'000s | 2017 £'000s |
|---|---|---|
| Depreciation of plant, property and equipment | (68,747) | (55,787) |
| Amortisation of intangible assets | (26,479) | (26,299) |
| Operating lease rentals | (67,858) | (63,984) |
| Impairment loss on trade receivables | (101) | - |
| Impairment loss on non current assets | (1,423) | (13,353) |
| Loss on disposal of plant, property and equipment | (1,701) | - |

## 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:

| | 2018 £'000s | 2017 £'000s |
|---|---|---|
| Fees payable to the Group's auditor for these financial statements | (95) | (95) |
| Audit of financial statements of subsidiaries of the company | (166) | (184) |
| Total audit fees | (261) | (279) |
| | | |
| Taxation compliance services | (139) | (43) |
| Other tax advisory services | (440) | (378) |
| Total audit and non-audit fees | **(840)** | **(700)** |

## 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:

| | 2018 £'000s | 2017 £'000s |
|---|---|---|
| Average number of Nandoca's employed by category | | |
| Directors | 2 | 2 |
| Restaurant operatives and management | 18,928 | 17,132 |
| Administration | 576 | 541 |
| | 19,506 | 17,675 |

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

## 9 Staff numbers and costs (continued)

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

| | 2018 £'000s | 2017 £'000s |
|---|---|---|
| Wages and salaries | (308,258) | (222,690) |
| Social security costs | (17,206) | (12,130) |
| Share based payments (see note 28) | (1,749) | - |
| Contributions to defined pension contribution plan | (4,098) | (2,493) |
| | (331,311) | (237,313) |

## 10 Directors' remuneration

| | 2018 £'000s | 2017 £'000s |
|---|---|---|
| Directors' remuneration | (400) | (351) |

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £369.6k (2017: £287.4k), and pension contributions of £Nil (2017: £Nil) were made on the Director's behalf.

## 11 Financial income

| | 2018 £'000s | 2017 £'000s |
|---|---|---|
| Fair value movement in derivative liability | 3,088 | - |
| Interest income | 124 | 406 |
| Foreign exchange gain | - | 8,306 |
| | 3,212 | 8,712 |

## 12 Financial expense

| | 2018 £'000s | Restated 2017 £'000s |
|---|---|---|
| Fair value movement in derivative liability | - | (3,290) |
| Interest expense | (65,304) | (64,596) |
| Foreign exchange loss | - | (4,547) |
| Net foreign exchange loss | (709) | - |
| | (66,013) | (72,433) |

Borrowing costs capitalised to qualifying assets amounted to £Nil (2017: £Nil).

## 13 Income tax expense

| | 2018 £'000s | Restated 2017 £'000s |
|---|---|---|
| **Income Tax Expense** | | |
| Corporation tax | (14,668) | (12,341) |
| Adjustments for prior periods | 1,300 | - |
| Withholding tax | (725) | (703) |
| | (14,093) | (13,044) |
| **Deferred Tax Expense** | | |
| Origination and reversal of temporary differences | (1,033) | (1,095) |
| Change in tax rate | (34) | 65 |
| Adjustment in respect of prior period | (915) | (142) |
| | (1,982) | (1,172) |
| Total tax expense | (16,075) | (14,216) |

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

### 13 *Income tax expense (continued)*

**Reconciliation of effective tax rate**

| | 2018<br>£'000s | Restated<br>2017<br>£'000s |
|---|---|---|
| **(Loss)/Profit before taxation** | (20,038) | (16,992) |
| Tax using the UK corporation tax rate of 19.1% (2017: 20.0%) | 3,827 | 3,398 |
| **Reconciling items:** | | |
| Adjustments in respect of prior periods | 385 | (142) |
| Non-deductible expenses (including share based payment and short lease premium relief) | (2,201) | (350) |
| Ineligible depreciation | (1,367) | (1,205) |
| Movement in un-recognised deferred tax | (16,499) | (12,033) |
| Ineligible amortisation on IP | (4,583) | (4,700) |
| Impairment of goodwill | - | (2,538) |
| Withholding tax | (725) | (703) |
| Difference in overseas tax rate | 5,122 | 3,992 |
| Change in tax rate on deferred tax balances | (34) | 65 |
| | (16,075) | (14,216) |

### 14 Discontinued operations

There were no discontinued operations during the year. During the prior period, the Group disposed of GBK Restaurant Limited, and its related subsidiaries, this resulted in a loss of control over GBK Restaurant Limited and its subsidiaries.

GBK Restaurants Limited is considered to be a discontinued operation following the disposal of this separate major line of business. Had the group been required to apply the requirements of IFRS 8: Operating segments, the disposal group would have constituted a separately disclosable operating segment. This is on the basis of the results for the segment being reviewed separately from other Nando's operating segments when assessing business performance and allocating resources.

*Profit/(loss) from discontinued operations is made up of the following (net of tax):*

| | 2017<br>7 months<br>£'000s |
|---|---|
| Revenue | 45,948 |
| Cost of sales | (28,062) |
| Operating expenses | (18,767) |
| Depreciation | (3,125) |
| Amortisation | (6) |
| Finance expenses | (1,075) |
| (Loss) / profit before tax from discontinued operations | (1,957) |
| Income tax from discontinued operations | - |
| Group profit on disposal of subsidiary | 52,710 |
| Profit from discontinued operations, net of tax | 50,752 |
| *The profit (after tax) from discontinued operations are attributable to:* | |
| Equity holders of the parent | 50,222 |
| Non-controlling interest | 530 |

There was no income tax expense for the period and no tax is payable on the group profit on disposal as a result of the gain being exempt from corporation tax through the provisions laid out in Schedule 7AC of the Taxation of Chargeable Gains Act (1992). This is also known as the Substantial Shareholding Exemption.

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

**14 Discontinued operations** (continued)

*Cash flows from discontinued operations is summarised as follows:*

| | 2017 7 months £'000s |
|---|---|
| Cash flows from operating activities | 3,255 |
| Cash flows from investing activities (excluding consideration received on disposal) | (12,513) |
| Cash flows from financing activities | 10,096 |
| Net cash flows for the period | 838 |

| | |
|---|---|
| *Effect of the disposals on individual assets and liabilities:* | |
| Property plant and equipment | 54,551 |
| Intangibles | 10,319 |
| Trade and other receivables | 5,289 |
| Inventories | 1,450 |
| Cash and cash equivalents | 3,230 |
| Bank overdrafts | (1,051) |
| Trade and other payables | (22,231) |
| Taxation payable | (123) |
| Other interest bearing loans and borrowings | (38,403) |
| Loans due to related parties | - |
| Deferred tax liabilities | (1,072) |
| Net identifiable assets and liabilities | 11,959 |
| | |
| Consideration received, satisfied in cash: | 66,224 |
| Cash disposed of | (2,179) |
| Net cash inflow | 64,045 |

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

**15 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.

| | Group 2018 £'000s | Group 2017 £'000s | Company 2018 £'000s | Company 2017 £'000s |
|---|---|---|---|---|
| **Net debt** | | | | |
| Cash and cash equivalents | 62,437 | 36,904 | 2,318 | 106 |
| Other interest bearing loans and borrowings due within 1 year | (35,675) | (21,938) | - | - |
| Other interest bearing loans and borrowings due after 1 year | (353,890) | (376,451) | - | - |
| Loans due to related parties due within 1 year | - | - | (61,670) | (22,150) |
| Loans due to related parties due after 1 year | (663,056) | (613,514) | (351,531) | (325,906) |
| Net debt | (990,184) | (974,999) | (410,883) | (347,950) |

| Group | Cash and cash equivalents £'000s | Other interest bearing loans and borrowings due within 1 year £'000s | Other interest bearing loans and borrowings due after 1 year £'000s | Loans due to related parties due within 1 year £'000s | Loans due to related parties due after 1 year £'000s | Total £'000s |
|---|---|---|---|---|---|---|
| **Net debt as at 27 February 2017** | 36,904 | (21,938) | (376,451) | - | (613,514) | (974,999) |
| Cash flows | 25,431 | 23,897 | - | - | - | 49,328 |
| Acquisition of finances leases | - | (93) | (164) | - | - | (257) |
| Non cash movements | | | | | | |
| Interest accretion | - | (15,762) | - | - | (49,542) | (65,304) |
| Foreign exchange adjustments | 102 | - | (360) | - | - | (258) |
| Other non cash movements | - | (21,779) | 23,085 | - | - | 1,306 |
| **Net debt as at 25 February 2018** | 62,437 | (35,675) | (353,890) | - | (663,056) | (990,184) |

| Company | Cash and cash equivalents £'000s | Other interest bearing loans and borrowings due within 1 year £'000s | Other interest bearing loans and borrowings due after 1 year £'000s | Loans due to related parties due within 1 year £'000s | Loans due to related parties due after 1 year £'000s | Total £'000s |
|---|---|---|---|---|---|---|
| **Net debt as at 27 February 2017** | 106 | - | - | (22,150) | (325,906) | (347,950) |
| Cash flows | 1,740 | - | - | (38,000) | - | (36,260) |
| Non cash movements | | | | | | |
| Interest accretion | - | - | - | - | (25,625) | (25,625) |
| Foreign exchange adjustments | 472 | - | - | - | - | 472 |
| Other non cash movement | - | - | - | (1,520) | - | (1,520) |
| **Net debt as at 25 February 2018** | 2,318 | - | - | (61,670) | (351,531) | (410,883) |

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

**16 Property, plant and equipment**

| | Freehold Land and | Short Leasehold | Plant and equipment | Leased Plant & | Fixtures & fittings | Motor vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s |
| <u>Cost</u> | | | | | | | | |
| **Balance beginning of comparative year** | - | 386,196 | 148,918 | - | 20,005 | 356 | 8,503 | 563,978 |
| Additions | 4,385 | 74,611 | 42,919 | 1,827 | 15,405 | 121 | (1,671) | 137,597 |
| Disposals | - | (10,370) | (4,008) | - | (65) | (81) | - | (14,524) |
| Subsidiaries sold | - | (62,109) | (11,108) | - | (10,150) | (129) | (5,124) | (88,620) |
| Effects of movement in foreign exchange | (0) | 8,855 | 3,984 | (168) | 4,193 | 5 | 419 | 17,288 |
| **Balance at end of comparative year** | 4,385 | 397,183 | 180,705 | 1,659 | 29,388 | 272 | 2,127 | 615,719 |
| Additions | - | 43,244 | 36,076 | 423 | 9,557 | 3 | 5,399 | 94,702 |
| Transfers | - | - | 3,446 | 357 | - | - | (3,803) | - |
| Disposals | - | (8,521) | (5,693) | (7) | (1,596) | (1) | (1) | (15,819) |
| Effects of movement in foreign exchange | (2) | (8,316) | (3,514) | (207) | (2,991) | (13) | (689) | (15,732) |
| **Balance at end of current year** | 4,383 | 423,590 | 211,020 | 2,225 | 34,358 | 261 | 3,033 | 678,870 |

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

**16 Property, plant and equipment** (continued)

| | Freehold Land and | Short Leasehold | Plant and equipment | Leased Plant & | Fixtures & fittings | Motor vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s |
| Accumulated depreciation and impairment | | | | | | | | |
| **Balance beginning of comparative year** | - | (158,270) | (76,136) | - | (3,196) | (274) | - | (237,876) |
| Depreciation charge in the year | - | (34,521) | (19,791) | (184) | (4,379) | (37) | - | (58,912) |
| Impairment losses | - | - | - | - | (663) | - | - | (663) |
| Disposals | - | 7,835 | 2,624 | - | 124 | 41 | - | 10,624 |
| Subsidiaries sold | - | 23,193 | 7,493 | - | 3,194 | 118 | - | 33,998 |
| Effects of movement in foreign exchange | - | (2,673) | (1,860) | (12) | (1,339) | (13) | - | (5,897) |
| **Balance at end of comparative year** | - | (164,436) | (87,670) | (196) | (6,259) | (165) | - | (258,726) |
| Depreciation charge in the year | (108) | (38,038) | (23,376) | (415) | (6,781) | (29) | - | (68,747) |
| Impairment losses | - | - | - | - | (1,339) | - | - | (1,339) |
| Disposals | - | 6,072 | 4,355 | 3 | 1,397 | 0 | - | 11,827 |
| Effects of movement in foreign exchange | 2 | 2,988 | 1,717 | 67 | 1,367 | 7 | - | 6,148 |
| **Balance at end of current year** | (106) | (193,414) | (104,974) | (541) | (11,615) | (187) | - | (310,837) |
| **Opening carrying value at beginning of prior period** | - | 227,926 | 72,782 | - | 16,809 | 82 | 8,503 | 326,102 |
| **Opening carrying value at beginning of current period** | 4,385 | 232,747 | 93,035 | 1,463 | 23,129 | 107 | 2,127 | 356,993 |
| **Closing carrying value at end of current period** | 4,277 | 230,176 | 106,046 | 1,684 | 22,743 | 74 | 3,033 | 368,034 |

*Notes to Group Property Plant and Equipment*

Additions during the current period include £2,951k (2017: £4,088k) additions as a result of business combinations described in note 18.

Impairment losses of £1,339k (2017: £663k) relate to individual restaurants which are considered impaired. The expense has been included in administrative expenses within the statement of comprehensive income.

*The Company is a holding company and does not hold any property, plant and equipment assets.*

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

## 17 Intangible assets

| | Note | 2018 £'000s | 2017 £'000s |
|---|---|---|---|
| *Intangible assets is made up of the following:* | | | |
| Goodwill | **17.1** | 326,279 | 331,134 |
| Other intangible assets | **17.2** | 417,739 | 440,170 |
| | | 744,018 | 771,304 |

### 17.1 Goodwill

| | 2018 £'000s |
|---|---|
| **Cost** | |
| **Balance beginning of comparative year** | 423,214 |
| Additions | 3,222 |
| Subsidiaries sold | (14,727) |
| Effects of movement in foreign exchange | 11,410 |
| **Balance at end of comparative year** | 423,119 |
| Additions | 1,858 |
| Effects of movement in foreign exchange | (6,750) |
| **Balance at end of current year** | 418,227 |
| | |
| **Accumulated Amortisation and impairment** | |
| **Balance beginning of comparative year** | (81,661) |
| Impairment losses | (12,691) |
| Disposals | 1,587 |
| Effects of movement in foreign exchange | 780 |
| **Balance at end of comparative year** | (91,985) |
| Impairment losses | - |
| Effects of movement in foreign exchange | 37 |
| **Balance at end of current year** | (91,948) |
| | |
| **Opening carrying value at beginning of prior period** | 341,553 |
| **Opening carrying value at beginning of current period** | 331,134 |
| **Closing carrying value at end of current period** | 326,279 |

Goodwill has decreased from £331.1m to £326.3m. This movement is a result of decreases to the fair value as a result of movements in foreign currencies of £6.8m, this is offset by £1.9m of additions through the business combination described in note 18.

Taking into account these movements, the carrying amount of goodwill is allocated to each region as follows:-

| | 2018 £'000s | 2017 £'000s |
|---|---|---|
| United Kingdom and Ireland | 259,003 | 259,002 |
| North America | 32,826 | 36,422 |
| Australia and New Zealand | 19,113 | 20,211 |
| Other | 15,337 | 15,499 |
| | 326,279 | 331,134 |

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

**17.1 Goodwill** *(continued)*

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

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

The assessment of value in use has been based on cash flow forecasts as derived from forecast EBITDA in the Group strategic plan which have then been extrapolated and adjusted for forecast capital expenditure. 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 EBITDA cash flows have been discounted using the weighted average cost of capital (WACC). The terminal value is based on the discounted fifth year forecast EBITDA 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.

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

| | **UK & Ireland** | **North America** | **Australia and New Zealand** | **Other** |
|---|---|---|---|---|
| Long-term growth rate | 1.9% | 2 - 2.2% | 2.2 - 2.2% | 1.9 - 4.2% |
| WACC Discount rates (post tax) | 10.5% | 9 - 9.75% | 12.5% | 10.5 - 16% |

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

Our assessment of the discount rate applied in Australia and New Zealand has decreased to 12.5% (2017: 13.5%). The decrease reflects current markets assessments of the time value of money as set out above.

*Sensitivity analysis*
As part of the impairment review; management considered reasonably possible changes in key assumptions. Sensitivity analysis has been performed on each of two 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 or a decrease of 3% in the discounted cash flows throughout the forecast period and into perpetuity. Such a change would not result in any material impairment charges arising. The assumptions are considered to be realistic however it is possible that impairment would arise if the any of the sensitivities were changed significantly beyond these amounts.

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

### 17.2 Other intangible assets

| | Intellectual property patents and trademarks | Reacquired rights | Development costs | Software | Total |
|---|---|---|---|---|---|
| **Cost** | **£'000s** | **£'000s** | **£'000s** | **£'000s** | **£'000s** |
| Balance beginning of comparative year | 487,966 | - | 11 | 544 | 488,521 |
| Additions | 782 | - | 1,572 | 543 | 2,897 |
| Disposals | (32) | - | - | (50) | (82) |
| Subsidiaries sold | (248) | - | - | - | (248) |
| Effects of movement in foreign exchange | 2,075 | - | 21 | 99 | 2,195 |
| Balance at end of comparative year | 490,543 | - | 1,604 | 1,136 | 493,283 |
| **Cost** | | | | | |
| Balance beginning of current year | 490,543 | - | 1,604 | 1,136 | 493,283 |
| Additions | - | 3,462 | 1,126 | 242 | 4,830 |
| Transfers | (9,077) | 9,077 | - | - | - |
| Disposals | (6) | - | (86) | (1,153) | (1,245) |
| Effects of movement in foreign exchange | 449 | (888) | (14) | 79 | (374) |
| Balance at end of current year | 481,909 | 11,651 | 2,630 | 304 | 496,494 |
| **Accumulated Amortisation and impairment** | | | | | |
| Balance beginning of comparative year | (25,804) | - | (13) | (96) | (25,913) |
| Amortisation charge in the year | (26,035) | - | (63) | (201) | (26,299) |
| Disposals | 35 | - | - | - | 35 |
| Subsidiaries sold | 37 | - | - | - | 37 |
| Effects of movement in foreign exchange | (910) | - | (22) | (41) | (973) |
| Balance at end of comparative year | (52,677) | - | (98) | (338) | (53,113) |
| **Accumulated Amortisation and impairment** | | | | | |
| Balance beginning of current year | (52,677) | - | (98) | (338) | (53,113) |
| Transfers | 4,531 | (4,531) | - | - | - |
| Amortisation charge in the year | (24,095) | (1,814) | (557) | (13) | (26,479) |
| Impairment losses | - | (85) | - | - | (85) |
| Disposals | - | - | 6 | 394 | 400 |
| Effects of movement in foreign exchange | (47) | 648 | 13 | (92) | 522 |
| Balance at end of current year | (72,288) | (5,782) | (636) | (49) | (78,755) |
| **Opening carrying value at beginning of prior period** | 462,162 | - | (2) | 448 | 462,608 |
| **Opening carrying value at beginning of current period** | 437,866 | - | 1,506 | 798 | 440,170 |
| **Closing carrying value at end of current period** | **409,621** | **5,869** | **1,994** | **255** | **417,739** |

Additions during the current period include £3,657k (2017: £775k) additions as a result of business combinations described in note 18.

The Group previously combined Intellectual Property, Patents, trademarks and reacquired rights. Due to the increasing value of reacquired rights these have been separately disclosed in the current year.

The Company is a holding company and does not hold any intangible assets.

*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 17 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 £399.5m (2017: £423.0m) and the amortisation charge for the period was £23,5m (2017: £23,5m).

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

## 18 Business Combinations

The Group accounted for various business combinations, this was as a result of reacquiring 24 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 24 franchised restaurants (20 in Australia and 4 in New Zealand) took place at various dates during the period for the total consideration of £7,660k, acquiring net identifiable assets of £5,802k resulting in goodwill of £1,858k being recognised. 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 10 restaurants was the most significant acquisition during the period.

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

| | **2018** |
|---|---|
| | **£'000s** |
| Revenue | 20,591 |
| Restaurant operating profit | 2,197 |

The (Loss) / Profit 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 acquired a subsidiary, Janpath Restaurants Private Limited, on 24 May 2016 for a cash consideration of £2,611k when the fair value of the original investment was £1,303k and the value of assets acquired was £2,000k resulting in goodwill of £1,916k being recognised in the Group. The Group also reacquired 31 franchise restaurants (21 in Australia, 5 in New Zealand and 5 in India) took place at various dates during the period for the total consideration of £5,061k, acquiring net identifiable assets of £3,916k resulting in goodwill of £1,206k being recognised.

| **Fair value on acquisition** | **2018** | **2017** |
|---|---|---|
| | **£'000s** | **£'000s** |
| **(a) Consideration transferred** | | |
| Cash | 7,412 | 7,199 |
| Cash purchase adjustments and transfer fees | 248 | 474 |
| **Total cash consideration** | 7,660 | 7,673 |
| Fair value of original investment | - | 1,303 |
| **Total consideration** | 7,660 | 8,976 |

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

## 18 Business Combinations (continued)

| | | |
|---|---|---|
| **(b) Assets acquired and liabilities assumed at date of acquisition** | | |
| Cash and cash equivalents | - | 573 |
| Trade receivables | - | 214 |
| Inventories | 87 | 229 |
| Property, plant and equipment | 2,951 | 4,088 |
| Intangible assets - reacquired rights | 3,657 | 775 |
| Trade payables | - | (280) |
| Provisions | - | (28) |
| Bank overdraft | (832) | - |
| Deferred tax liability | (61) | (39) |
| Loans and advances | - | 384 |
| **Net identifiable assets and liabilities** | 5,802 | 5,916 |

| | | |
|---|---|---|
| **(c) Net cash outflow on acquisition of business** | | |
| Consideration in cash | 7,412 | 7,672 |
| Less: Cash and cash equivalents acquired | 832 | (573) |
| | 8,244 | 7,099 |

| | | |
|---|---|---|
| **(d) Goodwill relating to the acquisition of businesses** | | |
| Cash | 7,412 | 7,199 |
| Fair value of initial Investment | - | 1,303 |
| Purchase adjustments and transfer fees | 248 | 474 |
| Other adjustments | - | 61 |
| | 7,660 | 9,037 |

| | | |
|---|---|---|
| **Comprised of:** | | |
| Net identifiable tangible assets | 2,145 | 5,140 |
| Intangible assets - reacquired rights | 3,657 | 775 |
| Intangible assets - Goodwill | 1,858 | 3,122 |
| | 7,660 | 9,037 |

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

## 19 Investment in subsidiaries

### Investments in group companies

| | Group 2018 £'000s | Group 2017 £'000s | Company 2018 £'000s | Company 2017 £'000s |
|---|---|---|---|---|
| Balance at the beginning of the period | - | - | 227,269 | 183,378 |
| Additional capital contributions during the period | - | - | 46,140 | 66,885 |
| Share based Payment contributions during the year | - | - | 1,749 | - |
| Impairment | - | - | (9,611) | - |
| Disposals during the period | - | - | - | (22,994) |
| Balance at the end of the period | - | - | 265,547 | 227,269 |

The Group assesses the carrying value of its investments at each reporting date to determine whether there is objective evidence of impairment. An impairment analysis has been performed across the individual investment values using a discounted cash flow methodology, consistent with the approach described in note 17.1.

The result of this impairment review of the Company investment in subsidiaries require that an impairment loss. The impairment loss of £9.6m is a result of our assessment of the medium term returns for the Indian market that can be generated from our assets in that market. The recoverable amount of this investment is £6m, this has been calculated using the VIU methodology outlined in note 18.1 and is included in the "Other" region.

The United States is being maintained by an ongoing level of investment, commensurate with it's early stage of development. Part of this investment is for the development of central support teams which have the scale required to drive the expected future long-term growth and profitability within this market, as well as to provide the right level of support for the growing number of restaurants and Nandocas. Management therefore expects the long term growth in the United States to continue to support the carrying value of the investments and further headroom will be generated in future periods. No imparment charge is required during the current period.

For the remining regions, management are satisfied that the current value of the investments can be supported as a result of the impairment analysis and there is significant headroom for all those investments. The Directors believe that no reasonably possible change in the key assumptions would lead to the need for further material impairment charges.

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

| Subsidiary undertaking | Registered Address | Ownership 2018 | Ownership 2017 | Country of Incorporation | Class of Shares Held | Principal activity |
|---|---|---|---|---|---|---|
| Nando's Group Limited | St Mary's House, 42 Vicarage Crescent, London, SW11 3LD | 100% | 100% | UK | Ordinary | Holding company |
| Nando's Finance Limited | St Mary's House, 42 Vicarage Crescent, London, SW11 3LD | 100% | 100% | UK | Ordinary | Holding company |
| Nando's Chickenland Limited* | St Mary's House, 42 Vicarage Crescent, London, SW11 3LD | 99.7% | 99.3% | UK | Ordinary | Casual Dining Restaurants |
| Nando's Chicken Limited* | St Mary's House, 42 Vicarage Crescent, London, SW11 3LD | 99.7% | 99.3% | UK | Ordinary | Holding company for lease |
| Vicar Lane Bradford Limited* | St Mary's House, 42 Vicarage Crescent, London, SW11 3LD | 99.7% | 99.3% | UK | Ordinary | Holding company for lease |
| Broomco Chando's Limited* | St Mary's House, 42 Vicarage Crescent, London, SW11 3LD | 99.7% | 99.3% | UK | Ordinary | Holding company for lease |
| Broomco (4061) Limited* | St Mary's House, 42 Vicarage Crescent, London, SW11 3LD | 99.7% | 99.3% | UK | Ordinary | Holding company |
| Nando's Chickenland Ireland Limited* | 2nd Floor, 11/12 Warrington Place, Dublin 2 | 99.7% | 99.3% | 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 |

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

**19 Investment in subsidiaries** (continued)

| Subsidiary undertaking | Registered Address | Ownership 2018 | Ownership 2017 | Country of Incorporation | Class of Shares Held | Principal activity |
|---|---|---|---|---|---|---|
| Nando's Brand JVCo Limited** | St Mary's House, 42 Vicarage Crescent, London, SW11 3LD | 67% | 67% | UK | Ordinary | Management company |
| Nando's Restaurant Group Holdings | St Mary's House, 42 Vicarage Crescent, London, SW11 3LD | 100% | 100% | UK | Ordinary | Holding company |
| Nando's Restaurants Group Inc *** | 819 7th Street, Washington, DC 20001 | 100% | 100% | USA | Ordinary | Casual Dining Restaurants |
| Nando's Australia Pty Limited | 40 Mollison Street, Abbotsford , 3067 | 100% | 95% | Australia | Ordinary | Casual Dining Restaurants |
| Windeacon Pty Limited | 40 Mollison Street, Abbotsford , 3067 | 100% | 95% | 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 | 5865 Kennedy Road, Mississauga, ON, L4Z 2G3 | 100% | 100% | Canada | Ordinary | Casual Dining Restaurants |
| Nando's Chickenland Central Limited | 5865 Kennedy Road, Mississauga, ON, L4Z 2G3 | 100% | 100% | Canada | Ordinary | Casual Dining Restaurants |
| Nando's Chickenland West Limited | 5865 Kennedy Road, Mississauga, ON, L4Z 2G3 | 100% | 100% | Canada | Ordinary | Casual Dining Restaurants |
| 8489963 Canada Inc | 5865 Kennedy Road, Mississauga, ON, L4Z 2G3 | 100% | 100% | Canada | Ordinary | Casual Dining Restaurants |
| 2418836 Ontario Inc | 5865 Kennedy Road, Mississauga, ON, L4Z 2G3 | 100% | 100% | Canada | Ordinary | Casual Dining Restaurants |
| Nando's Services (Pty) Limited | 10A Victoria Road, Lorentzville, Johannesburg, 2094 | 100% | 100% | South Africa | Ordinary | Management company |
| Nando's New Zealand Limited | Franchise Accountants, 2g Amera Place, Huntington Park, Auckland, 2013 , New Zealand | 100% | 100% | New Zealand | Ordinary | Casual Dining Restaurants |
| Nando's New Zealand Restaurants Limited | Franchise Accountants, 2g Amera Place, Huntington Park, Auckland, 2013 , New Zealand | 100% | 100% | New Zealand | Ordinary | Casual Dining Restaurants |
| Nando's Sub Continent Holdings Limited | St Mary's House, 42 Vicarage Crescent, London, SW11 3LD | 100% | 100% | UK | Ordinary | Holding company |
| Nando's Services India Private Limited**** | Flat 10, 1105-1106, Ashoka Estate, New Delhi - 110001 | 100% | 100% | India | Ordinary | Casual Dining Restaurants |
| Nando's Karnataka Restaurants Private Limited**** | G9/10, Ascendas Park Square Mall, ITPL, Whitefield, Bangalore-560066, Karnataka | 100% | 100% | India | Ordinary | Casual Dining Restaurants |
| Delhi NCR JV (Janpath Restaurants Private Limited)**** | Shop No. 315 - 316, Plot No. 3 DLF Promenade Mall, Nelson Mandela Marg, Vasant Kunj, New Delhi-110070 | 99% | 99% | India | Ordinary | Casual Dining Restaurants |
| Nando's Services Limited | St Mary's House, 42 Vicarage Crescent, London, SW11 3LD | 100% | 100% | UK | Ordinary | Management company |
| Nando's Grocery International Limited | St Mary's House, 42 Vicarage Crescent, London, SW11 3LD | 100% | 100% | UK | Ordinary | Retail food products |
| Nando's Peri Peri USA Inc ***** | 819 7th Street Nw Floor 2 Washington, DC 20001 | 100% | 0% | UK | Ordinary | Retail food products |

* 100% owned by a 99.7% (2017: 99.3%) owned subsidiary, Nando's Chickenland Limited

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

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

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

***** On November 6th 2017, Nando's Grocery International Limited incorporated a US-based subsidiary, Nando's Peri Peri USA Inc. The purpose of this subsidiary will be the sale of Nando's Peri Peri sauces and condiments to US retailers.

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

**19 Investment in subsidiaries** (continued)

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

| Name of Subsidiary | % of NCI ownership held | | Profit allocated to NCI | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 £'000s | 2017 £'000s | 2018 £'000s | 2017 £'000s |
| Nando's Chickenland Limited | 0.3% | 0.7% | 182 | 453 | 1,144 | 2,271 |
| GBK Restaurants Limited | 0% | 0% | - | 529 | - | - |
| | | | 182 | 982 | 1,144 | 2,271 |

*Summarised Financial Information*

| | Nando's Chickenland 2018 £'000s | Nando's Chickenland 2017 £'000s |
|---|---|---|
| Revenue | 722,362 | 646,772 |
| Depreciation and amortisation | (63,101) | (55,757) |
| Interest income | 83 | 356 |
| Interest expense | (12,830) | (14,280) |
| **Profit/(loss) after tax** | **65,415** | **65,532** |
| **Other comprehensive income** | **-** | **-** |
| **Total comprehensive income** | **65,415** | **65,532** |
| | | |
| Non-current assets | 548,975 | 547,200 |
| Current assets | 36,014 | 29,859 |
| Cash | 28,066 | 15,663 |
| Current liabilities | (401,354) | (403,285) |
| Non-current liabilities | (21,875) | (16,612) |
| **Net assets** | 189,826 | 172,825 |
| | | |
| Cash flows from operating activities | 156,723 | 93,349 |
| Cash flows from investing activities | (66,320) | (70,902) |
| Cash flows from financing activities | (78,000) | (13,000) |
| **Net cash flows for the period** | 12,403 | 9,447 |

***Change in the Group's ownership interest in a subsidiary***

During both the period under review and the comparative period, a proportion of the non-controlling interest in Chickenland Limited was bought back by Nando's Finance Limited for £4m (2017: £25m). The non-controlling interest has been reduced relative to the proportion of the shares bought back. The Group disposed of subsidiary, GBK Restaurants Limited in the year ended 26 February 2017.

***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 | Registered Address | Ownership 2018 | Ownership 2017 | Country of | Class of | Principal activity |
|---|---|---|---|---|---|---|
| Nando's Chickenland Malaysia SDN.BHD | Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1 A/46, 47301, Petaling Jaya, Selangor Darul Ehsan | 49% | 49% | Malaysia | Ordinary | Casual Dining Restaurants |
| Nando's Singapore PTE. Limited | 16 Raffles Quay, No. 11-03 Hong Leong Building, Singapore, 048581 | 49% | 49% | Singapore | Ordinary | Casual Dining Restaurants |

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

During the prior period the Group increased it's ownership in Janpath Restaurants Private Limited, the change in ownership resulted in the Group classifying the investment as a subsidiary from 24 April 2016, refer note 19 for further disclosure.

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

| **Investments** | **Share of loss of equity-accounted investees, net of tax 2018 £'000s** | **2017 £'000s** |
|---|---|---|
| Nando's Chickenland Malaysia SDN.BHD | (396) | (152) |
| Nando's Singapore PTE. Limited | (811) | (180) |
| Janpath Restaurants Private Limited | - | (56) |
| | (1,207) | (388) |

| **Carrying value of investment in Joint Venture** | **Nando's Chickenland Malaysia SDN.BHD £'000s** | **Nando's Singapore PTE. Limited £'000s** | **Janpath Restaurants Private Limited** | **Total £'000s** |
|---|---|---|---|---|
| Group investment as at 29 February 2016 | 18,699 | 3,694 | 1,391 | 23,784 |
| 2017 Share of loss of equity-accounted investees, net of tax | (152) | (180) | (56) | (388) |
| Transfer to Investments in subsidiaries | - | - | (1,335) | (1,335) |
| Group investment as at 26 February 2017 | 18,547 | 3,514 | - | 22,061 |
| Movement for the 2018 year | | | | |
| Additional investment in associate | - | 60 | - | 60 |
| Share of loss of equity-accounted investees, net of tax | (396) | (811) | - | (1,207) |
| Group investment as at 25 February 2018 | 18,151 | 2,763 | - | 20,914 |

The Company, Nando's Group Holdings Limited, has an investment in equity accounted investments of £20,914k (2017: £22,515k). There was an additional investment in associates of £60k (2017: £11,015k).

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

## 20 Investments accounted for using the equity method (continued)

***Summarised Financial Information***

| | Nando's Chickenland Malaysia SDN.BHD | | Nando's Singapore PTE. Limited | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **£'000s** | **£'000s** | **£'000s** | **£'000s** |
| Revenue | 31,847 | 30,053 | 10,467 | 10,831 |
| Depreciation and amortisation | (1,964) | (1,925) | (821) | (618) |
| Interest income | 22 | 1 | - | - |
| Interest expense | (466) | (519) | (78) | (56) |
| Profit/(loss) after tax | (808) | (468) | (1,655) | (584) |
| Other comprehensive income | - | - | - | - |
| **Total comprehensive income** | (808) | (468) | (1,655) | (584) |
| | | | | |
| Non-current assets | 10,893 | 12,180 | 3,162 | 4,357 |
| Current assets | 4,120 | 3,578 | 1,573 | 1,623 |
| Cash | 1,282 | 839 | 532 | 672 |
| Current liabilities | (8,638) | (8,347) | (3,812) | (3,342) |
| Non-current liabilities | (2,342) | (2,190) | (316) | (422) |
| **Net assets** | 5,315 | 6,060 | 1,139 | 2,888 |
| | | | | |
| Cash flows from operating activities | 1,500 | 1,241 | (844) | 198 |
| Cash flows from investing activities | (882) | (1,894) | (135) | (642) |
| Cash flows from financing activities | (51) | 989 | 1,069 | 862 |
| **Net cash flows for the period** | 567 | 336 | 90 | 418 |

## 21 Deferred tax assets and liabilities - Group

***Recognised deferred tax assets and liabilities***

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **£'000s** | £'000s | **£'000s** | £'000s |
| Property, plant and equipment | - | - | (3,438) | (3,912) |
| Intangible assets | 163 | 368 | - | - |
| Provisions | 574 | 2,622 | - | - |
| Other | 777 | 922 | - | - |
| Tax assets/(liabilities) | 1,514 | 3,912 | (3,438) | (3,912) |

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

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

| ***Movement in deferred tax*** | **Property, Plant & Equipment** | **Intangible Assets** | **Provisions** | **Unused tax losses** | **Other** | **Total** |
|---|---|---|---|---|---|---|
| | **£'000s** | **£'000s** | **£'000s** | **£'000s** | **£'000s** | **£'000s** |
| Balance at beginning of prior period | (4,595) | 378 | 2,154 | - | 1,681 | (382) |
| Charged to income | (271) | (86) | 32 | - | (847) | (1,172) |
| Included in disposal group | 1,072 | - | - | - | - | 1,072 |
| Foreign Exchange translation difference | (118) | 75 | 436 | - | 89 | 482 |
| **Balance at beginning of current period** | **(3,912)** | **367** | **2,622** | **-** | **923** | **-** |
| Charged to income | 405 | (172) | (2,053) | - | (162) | (1,982) |
| Foreign Exchange translation difference | 69 | (32) | 5 | - | 16 | 58 |
| **Balance at end of current period** | **(3,438)** | **163** | **574** | **-** | **777** | **(1,924)** |

As at 25 February 2018, the Group has an unrecognised deferred tax asset of £29,599k (2017: £29,725k) relating to carried forward losses. The unrecognised deferred tax asset disclosed relates to unused tax losses of £105,922k (2017: £88,593k). 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.

The Group also has £12,780k (2017: £8,580k) of unrecognised deferred tax assets relating to the carrying value of IP and the tax base. This considers the acquisition price in respect of any future disposal of assets. As the assets amortise below the purchase price a deferred tax asset arises but is not recognised, as based on the strength of the business performance and the integrity of the IP to this performance, the directors currently believe the business will be operated utilising this IP for the foreseeable future.

The Group also has £5,074k (2017: £1,467k) of unrecognised deferred tax assets relating to other deductible timing differences.

The Company has no deferred tax assets or liabilities.

**22 Loans due from related parties**

| *The Company has the following related party loans receivable at period end:* | **2018** | 2017 |
|---|---|---|
| | **£'000s** | £'000s |
| Interest bearing loans | 202,239 | 183,587 |
| Non interest bearing loans | 14,443 | 8,420 |
| | 216,682 | 192,007 |

The Company has various loans with its' subsidiaries, the loans are repayable on demand and unsecured. Interest is charged at market related rates on the interest bearing loans, interest accrued for the period is £10,832k (2017: £12,306k). Included in the carrying value of the related party loans is accrued interest payable of £29,867k (2017: £19,604k).

**23 Inventories**

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **£'000s** | £'000s | **£'000s** | £'000s |
| Raw materials and consumables | 5,081 | 4,088 | - | - |
| Finished goods | 758 | 1,166 | - | - |
| | 5,839 | 5,254 | - | - |

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the period amounted to £215,632k (2017: £179,193k). 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.

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

## 24 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| **Current** | **£'000s** | **£'000s** | **£'000s** | **£'000s** |
| Amounts due from related undertakings | 1,221 | 1,200 | 6 | - |
| Trade receivables due from third parties | 14,518 | 8,760 | - | - |
| Other debtors | 5,225 | 7,515 | 8 | 9 |
| Prepayments | 13,916 | 11,785 | - | - |
| **Total current** | 34,880 | 29,260 | 14 | 9 |
| | | | | |
| **Non-Current** | | | | |
| Other trade receivables due from third parties | 682 | 757 | - | - |
| Other debtors | - | 33 | - | - |
| Prepayments | 1,829 | 1,982 | - | - |
| **Total non-current** | 2,511 | 2,772 | - | - |

Related party details are provided in note 35.

## 25 Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **£'000s** | **£'000s** | **£'000s** | **£'000s** |
| **Cash and cash equivalents** | 62,437 | 36,904 | 2,318 | 106 |

## 26 Other interest bearing, finance leases, non interest bearing loans and related party loans

| | Group | | Company | |
|---|---|---|---|---|
| | | **Restated** | | **Restated** |
| | **2018** | **2017** | **2018** | **2017** |
| | **£'000s** | **£'000s** | **£'000s** | **£'000s** |
| **Non-current liabilities** | | | | |
| Secured bank loans | (353,693) | (376,452) | - | - |
| Finance lease liabilities | (164) | - | - | - |
| Other loans | (33) | - | - | - |
| *Total other interest bearing loans and borrowings* | (353,890) | (376,452) | - | - |
| Loans due to related parties | (663,056) | (613,514) | (351,531) | (325,906) |
| Total other interest bearing loans and borrowings | (1,016,946) | (989,966) | (351,531) | (325,906) |
| | | | | |
| **Current liabilities** | | | | |
| Current portion of secured bank loans | (30,982) | (17,438) | - | - |
| Finance lease liabilities | (93) | - | - | - |
| Other loans | (4,600) | (4,500) | - | - |
| *Total other interest bearing loans and borrowings* | (35,675) | (21,938) | - | - |
| Loans due to related parties | - | - | (61,670) | (22,150) |
| | (35,675) | (21,938) | (61,670) | (22,150) |
| **Total liabilities** | | | | |
| Secured bank loans | (384,675) | (393,890) | - | - |
| Finance lease liabilities | (257) | - | - | - |
| Other loans | (4,633) | (4,500) | - | - |
| Loans due to related parties | (663,056) | (613,514) | (413,201) | (348,056) |
| | (1,052,621) | (1,011,904) | (413,201) | (348,056) |

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

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

***Secured bank loans***

The bank loans relate to Nando's Finance Limited and Nando's Australia (Pty) Ltd.

*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 2021 and 2022 respectively. During the year the Nando's Finance Limited entered into an amended agreement with its banks, this was assessed to be a non-substantive modification.

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 £178.8m (2017: £173.4m) and is included in note 16.

There is currently £380m which is drawn down on the facility and £120m which is still available to draw down.

*Bank loan: Nando's Australia Pty Ltd*

Nando's Australia has a fixed term bank facility of AU$28.8m (2017: £28.8m) which is available to the Group until November 2018 (2017: November 2017). The facility bears interest at the Bank Bill Swap Bid Rate (for the period) + 1% margin and is secured by a guarantee of AU$10.0m (£5.6m) from NGHL. The remaining balance is repaid in monthly instalments of AU$420k (£236k). Of this facility, AU$17.8m (£10.0m) was drawn down as at 25 February 2018, with AU$10.0m (£5.6m) being available to be drawn down.

***Other loans***

*Capricorn Ventures Limited*

During the year Nando's Limited settled the loan of £4.5m which bore interest at a Bank of England (BOE) +2.5%. Nando's Limited entered into a loan agreement with Capricorn Ventures Limited in May 2017. The loan of £4.6m bears interest at a Bank of England (BOE) +2.5% and matures in May 2018.

***Finance lease liabilities***

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

| | **Group** | |
|---|---|---|
| | **2018** | **2017** |
| | **£'000s** | **£'000s** |
| Less than one year | 100 | - |
| Between one and five years | 197 | - |
| More than five years | - | - |
| Total minimum lease payments | 297 | - |
| Less amounts representing finance charges | (40) | |
| Present value of minimum lease payments | 257 | - |

The company has no finances lease liabilities

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

Yellowwoods Deep Discounted Bonds (DDB) continue to be available to the Group and Company, the effective interest payable at the time of maturity of the DDB's have effective interest rates between 7.5% and 8.5%, are unsecured and mature on various dates ranging from 2019 - 2027.

The Company loans due to related parties also include a loan payable to Nando's Group Limited of £61.7m (2017: £22.0m).

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

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

**Group and Company**

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 (Restated) |
|---|---|---|---|---|---|---|---|
| | | | | 2018 | 2018 | 2017 | 2017 |
| | | | | £'000s | £'000s | £'000s | £'000s |
| ***Secured loan*** | | | | | | | |
| Bank loan - term loan A | GBP | LIBOR +margin | 2021 | 95,000 | 93,530 | 95,000 | 93,927 |
| Bank loan - term loan B | GBP | LIBOR +margin | 2022 | 250,000 | 246,133 | 250,000 | 245,337 |
| Bank loan - revolving facility | GBP | LIBOR +margin | 2021 | 35,000 | 35,000 | 40,000 | 40,000 |
| Bank loan - Australia | AUD | 6.30% | 2018 | 10,010 | 10,010 | 17,736 | 14,590 |
| Other loans | GBP | | | 33 | 33 | 34 | 37 |
| ***Finance Leases*** | | | | | | | |
| Finance lease | USD | | | 257 | 257 | - | - |
| ***Related party loans*** | | | | | | | |
| Yellowwoods Treasury | GBP | 8.50% | 2026 | 51,000 | 64,244 | 51,000 | 59,232 |
| Yellowwoods Treasury | GBP | 8.35% | 2025 | 104,250 | 130,804 | 104,250 | 120,767 |
| Yellowwoods Treasury | GBP | 8.30% | 2024 | 93,250 | 116,805 | 93,250 | 107,609 |
| Yellowwoods Treasury* | GBP | 7.50% | 2019 | 95,615 | 117,235 | 95,615 | 108,818 |
| Yellowwoods Treasury* | GBP | 8.00% | 2022 | 120,000 | 148,435 | 120,000 | 137,753 |
| Yellowwoods Treasury* | GBP | 8.30% | 2024 | 46,106 | 55,687 | 46,106 | 51,524 |
| Yellowwoods Treasury* | GBP | 8.50% | 2027 | 26,000 | 30,174 | 26,000 | 27,810 |
| ***Other loans*** | | | | | | | |
| Capricorn Ventures Limited | GBP | BOE +2.5% | 2017 | - | - | 4,500 | 4,500 |
| Capricorn Ventures Limited | GBP | BOE +2.5% | 2018 | 4,600 | 4,600 | - | - |
| | | | | 931,121 | 1,052,947 | 943,491 | 1,011,904 |

* This loan relates to the Company and Group

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and non-interest bearing loans and borrowings, which are measured at amortised cost. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see note 31.

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 unamortised upfront costs of the

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

## 27 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **£'000s** | £'000s | **£'000s** | £'000s |
| **Current** | | | | |
| Trade payables due to third parties | (45,666) | (35,157) | (10) | - |
| Other payables due to third parties | (4,909) | (3,619) | - | - |
| Deferred income in relation to customer loyalty schemes | (12,580) | (10,832) | - | - |
| Other taxation and social security | (24,664) | (22,523) | | |
| Accruals and other creditors | (66,312) | (52,537) | (27) | (38) |
| | (154,131) | (124,668) | (37) | (38) |
| **Non-current** | | | | |
| Accruals and other creditors | (28,940) | (23,895) | - | - |
| | (183,071) | (148,563) | (37) | (38) |

Included within accruals and other creditors is £28,940k (2017: £23,895k) for the Group and £Nil (2016: £Nil) for the Company expected to be settled in more than 12 months. This primarily relates to liabilities arising from lease contracts.

Related party details are provided in note 35.

## 28 Share based payments

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

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

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

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

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

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

| | **2018** | **2017** |
|---|---|---|
| | **Shares** | **Shares** |
| Shares at beginning of the period | 9,343,667 | - |
| B1 shares issued during the period | - | 8,597,517 |
| B2 shares issued during the period | - | 746,150 |
| B3 shares issued during the period | 897,297 | - |
| **Outstanding shares at end of the period** | **10,240,964** | **9,343,667** |

*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)

**28 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% |

| *Expense recognised in profit and loss* | Group | |
|---|---|---|
| | 2018 | 2017 |
| | £'000s | £'000s |
| Share-based payment expense | 1,749 | - |

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

The number of shares expected to vest at the end of the current financial year for 16 November 2016 and 17 January 2018 grant date is 5,000,554 and 404,792 respectively. The Group will revisit the number of shares expected to vest at each reporting date and will ultimately be based on the number of shares that actually vest.

*Partnership VI*

The employee benefit programme operates in a manner similar to the Group Partnership scheme. However, unlike the group partnership scheme, Partnership VI is designed to remunerate the employees of the Group's subsidiary, Nando's Chickenland Limited. Accordingly, employees hold shares in Nando's Chickenland Limited with a designated holding period running from November 2015 to February 2018.

All other features are consistent with the Group Partnership scheme. The scheme was introduced in the previous year and the fair value of the awards under this scheme are not material to either accounting period.

**29 Provisions**

***Group***

| | Onerous Lease | Other | Total |
|---|---|---|---|
| | £'000s | £'000s | £'000s |
| **Balance at beginning of prior period** | (1,064) | (1,302) | (2,366) |
| Provisions made during the year | (1,449) | (623) | (2,072) |
| Provisions used during the year | 624 | 1,564 | 2,188 |
| Effects of movement in foreign exchange | (258) | (175) | (433) |
| **Balance at beginning of current period** | (2,147) | (536) | (2,683) |
| Provisions made during the year | (183) | (241) | (424) |
| Utilised during the period | - | 186 | 186 |
| FX translation reserve | 188 | 184 | 372 |
| **Balance at end of current period** | (2,142) | (407) | (2,549) |
| **2017** | | | |
| Non-current provisions | (1,678) | (289) | (1,967) |
| Current provisions | (469) | (247) | (716) |
| | (2,147) | (536) | (2,683) |
| **2018** | | | |
| Non-current provisions | (1,839) | (191) | (2,030) |
| Current provisions | (303) | (216) | (519) |
| | (2,142) | (407) | (2,549) |

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

## 29 Provisions

***Onerous lease provision***

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

***Other provisions***

Other provisions are made up of a number of individually insignificant provisions. The value of each provision is assessed individually at each financial reporting date.

***Company***

The Company has no provisions

## 30 Capital and reserves

***Share capital***

| | 2018 £'000s | 2017 £'000s |
|---|---|---|
| *Authorised Share Capital* | | |
| 50,000 000 ordinary shares of £1 each | 50,000 | 50,000 |
| 10,777,537 (2017: 9,880,240) ordinary B shares of £0.001 each | 11 | 10 |
| | 50,011 | 50,010 |
| *Issued and fully paid for* | | |
| 50,000 000 ordinary shares of £1 each | 50,000 | 50,000 |
| 10,240,964 (2017: 9,343,667) ordinary B shares of £0.001 each | 10 | 9 |
| | 50,010 | 50,009 |
| Reconciliation of the number of shares outstanding | | |
| Opening balance at beginning of current period | 50,009 | 50,000 |
| Shares issued 897,297 (2017: 9,343,667) | 1 | 9 |
| Closing balance at end of current period | 50,010 | 50,009 |

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 29. The transfer of these shares is at the discretion of the Directors of the Company.

The share issue relates to the group share based payment scheme which is detailed in Note 28.

***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 28. 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 earning reserve during the period.

***Dividends***

| | 2018 £'000s | 2017 £'000s |
|---|---|---|
| The following dividends were recognised during the period: | | |
| £0p (2016: £0.0p) per qualifying ordinary share | - | - |

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

## 31 Financial risk management

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

### *Credit risk*

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

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

The Group's maximum exposure to credit risk totals £20.5m (2017: £15.8m) and relates to third party debt. £2.5m (2017: £2.7m) of debt is overdue by more than 30 days and having considered the historical payment behaviour and customer credit risk, £435k has been provided.

### *Liquidity risk*

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 £62.4m (2017: £36.9m) as at the period end and the Company £2,316k (2017: £106k).

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 £384.7m (2017: £393m) of which £374.7m (2017: £378.4m) relates to the UK Nando's market, and £10m (2017: £14.5m) to Australia.

As at the 25 February 2018 the Group has total undrawn facilities of £130.1m available, refer note 26.

The following are the contractual maturities of financial liabilities:

| **Group 2018** | **Carrying Amount** | **Contractual Cash flow** | **0 to <1yr** | **1 to 2 yrs** | **2 to 5 yrs** | **Over 5 yrs** |
|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | **£'000s** | **£'000s** | **£'000s** | **£'000s** | **£'000s** | **£'000s** |
| Secured bank loans | (384,675) | (447,093) | (43,932) | (28,374) | (62,912) | (311,875) |
| Related party loans | (663,056) | (1,040,200) | - | (127,700) | (205,700) | (706,800) |
| Other Loans | (4,633) | (4,760) | (4,727) | - | (33) | - |
| Trade payables and other payables | (183,071) | (183,071) | (154,131) | (28,940) | - | - |
| **Derivative financial liabilities** | | | | | | |
| Derivative Financial Liability | (202) | (318) | (120) | (120) | (78) | - |
| | (1,235,637) | (1,675,442) | (202,910) | (185,134) | (268,723) | (1,018,675) |

| **Group 2017** | **Carrying Amount** | **Contractual Cash flow** | **0 to <1yr** | **1 to 2 yrs** | **2 to 5 yrs** | **Over 5 yrs** |
|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | **£'000s** | **£'000s** | **£'000s** | **£'000s** | **£'000s** | **£'000s** |
| Secured bank loans | (393,889) | (452,757) | (31,327) | (29,950) | (140,209) | (251,271) |
| Related party loans | (613,514) | (1,040,200) | - | - | (127,700) | (912,500) |
| Trade payables and other payables | (148,563) | (148,563) | (124,668) | (23,895) | - | - |
| Other Loans | (4,500) | (4,635) | (4,635) | - | - | - |
| **Derivative financial liabilities** | | | | | | |
| Derivative Financial Liability | (3,290) | (4,195) | (1,071) | (1,136) | (1,988) | - |
| | (1,163,756) | (1,650,350) | (161,701) | (54,981) | (269,897) | (1,163,771) |

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

## 31 Financial risk management (continued)

***Market risk***

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

*Foreign currency risk*

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

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

*Foreign currency sensitivity analysis*

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

| Effect on equity | 2018<br>£'000s | 2017<br>£'000s |
|---|---|---|
| AUD | (1,703) | (1,516) |
| USD | (3,334) | (3,803) |
| CAD | (26) | (290) |
| Other | (1,550) | (1,458) |
| Total | (6,613) | (7,067) |

***Interest rate risk***

The Company's exposure to market risk for changes in interest rates is Nil (2017: Nil)

The Group has £1,053m of interest bearing loans and borrowings of which £663m is a fixed rate deep discounted bond and has no interest rate sensitivity. The remaining debt is made of various loans and facilities with variable rates (refer note 26).

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.

To measure this risk, during the period ending February 2016 the Group entered into a five year derivative which covers £250m of the £385m (2017: £394m) 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 amount of bank debt not covered by the derivative will be repaid in advance of that which is covered by the agreement.

The fair value of the derivative financial liability as at 25 February 2018 is £202k (2017: £3,290k), the fair value movement of £3,088k during the year was recognised in financial income, refer note 11.

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

## 31 Financial risk management (continued)

***Interest rate risk (continued)***

*Sensitivity analysis*
An increase or (decrease) of 100 basis points in interest rates as at 25 February 2018 would have increased/(decreased) interest paid under this agreement would have increased/(decreased) by £3.8m. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

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

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

***Fair values***
The derivative liability is the only balance held at fair value, which is not materially different from carrying value. The fair value 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).

## 32 Derivative financial instruments

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

| | 2018 | 2017 |
|---|---|---|
| | £'000s | £'000s |
| Derivative Financial Liability | (202) | (3,290) |

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

## 33 Operating leases

| | Group | | Company | |
|---|---|---|---|---|
| Non-cancellable operating lease rentals are payable as follows: | 2018 | 2017 | 2018 | 2017 |
| | £'000s | £'000s | £'000s | £'000s |
| Future minimum lease payments under non-cancellable operating leases: | | | | |
| Less than one year | (61,038) | (56,217) | - | - |
| Between one and five years | (225,853) | (207,983) | - | - |
| More than five years | (327,312) | (321,804) | - | - |
| | (614,203) | (586,004) | - | - |

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

In addition contingent lease rentals are payable dependent on future revenues derived from certain leased premises. Contingent rentals paid total £3.7m (2017:£3.2m).

Lease payments recognised in the Group profit for the period amounted to £67,858k (2017: £63,984k). No expenses relating to operating leases were recognised in the Company profit for the period (2017: nil).

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

## 34 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 £7,554k (2017: £7,413k).

At the period end the Company has no outstanding capital commitments (2017: nil).

***Contingent liabilities***
The Group is liable for certain franchisee non-cancellable operating lease payments. The liability is contingent as the Group is only liable in the event the franchisee defaults on their rental payments and at this stage this is not considered probable. The total contingent liability which has arisen in Nando's Australia Pty Ltd is £13,501k (2017: £24,061k), the significant decrease in the contingent liability is due to the acquisition of 20 franchisee's described in note 18.

The Company has no contingent liabilities.

## 35 Related parties
The Group is controlled by L Perlman SECS, incorporated in Luxembourg and conducting business from 39 Avenue Monterey, L-2163, Luxembourg. Yellowwoods Holdings SARL, incorporated in Luxembourg, is the Group's ultimate controlling company. No consolidated accounts of this group are available. The Group's investments in subsidiaries, associates and joint ventures have been disclosed in notes 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 a common members of key management personnel and their roles within each organisation.

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

***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 :

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **£'000s** | **£'000s** | **£'000s** | **£'000s** |
| Key management remuneration including social security costs | 6,986 | 6,713 | - | - |
| Share based remuneration | 1,749 | - | - | - |
| Company contributions to money purchase pension plans | 9 | 7 | - | - |
| | 8,744 | 6,720 | - | - |

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

## 35 Related parties (continued)

**Related party balances**
The Group and Company have the following significant related party balances:

*Deep Discounted Bonds*
The Group have issued deep discounted bonds to Yellowwoods Treasury totalling £536,221k (2017: £536,221k) of which the Company, Nando's Group Holdings Limited, issued £287,721k (2017: £287,721k). 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 26 is accrued interest payable of £128,877k (2017: £77,292k) in the Group and £63,811k (2017: £38,184k) in the Company.

*Loans and borrowings*
The Company has a loan payable to Nando's Group Limited of £61.7m (2017: £22.0m). The 2017 balance has been restated, the details of this restatement are disclosed in note 4.

*Loans due from related parties*
The Company has various loan receivable balances with it's subsidiaries, the details of these are disclosed in note 22.

*Related party trading receivables*
The Group have a trade receivable balance with All About Foods at period end of £1,199k (2017: £1,194k).

***Related party transactions***
The Group and Company 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 £8,724k (2017: £4,876k) and royalty income received totalled £713k (2017: £774k).

*Financial expense*
The Group have incurred interest expense on the deep discounted bonds issued to Yellowwoods Treasury of £51,585k (2017: £48,074k) with the Company interest expense totalling £25,627k (2017: £25,608k) for the period.
The Company has various interest income received from it's subsidiaries, the details are disclosed in note 22.

## 36 Subsequent events

**Group**

There are no subsequent events identified at the date of signing of this report.

**Company**

*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 £22.0m up the date of approval of these financial statements. This increase in loans receivable is a non-adjusting event after the balance sheet date.

*Capital contributions to subsidiaries*
Subsequent to the year end, the company has contributed capital to various subsidiaries. These non-adjusting events after the balance sheet date resulted in the company having paid an aggregate of £21.3m to subsidiaries.