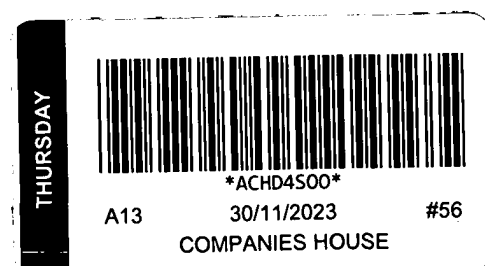


Nando's Group Holdings Limited

**Annual report and consolidated
financial statements**

**Registered number 06451677
26 February 2023**



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STRATEGIC REPORT

Highlights

The financial year ending February 2023 showed a continued steady recovery for Nando's Group Holdings Limited and its controlled subsidiaries ('The Group') with sales exceeding pre-pandemic levels and a return to operating profit. As predicted in the previous years' accounts, cost pressures remained a challenge and are continuing into the current trading year, ending February 2024. Most significantly wage inflation, increases in the cost of goods and higher energy costs have resulted in a challenging trading environment across the sector.

Financial highlights for the period ending 26 February 2023

- Revenue increased significantly to £1,270.7m (2022: £1,066.3m) with sales for the Group in excess of pre-pandemic levels.
- Operating profit/loss before exceptional items¹ returned to a profit of £17.0m for the first time since 2020 (2022: Loss £1.2m), as margin on returning sales exceeded our fixed operating costs.
- Capital investment has increased with a spend of £78.2m compared to the prior year² (2022: £54.9m) as the Group continues to open new restaurants (17 in the year; 12 in the UK and Ireland), refurbish sites and invest in technology to improve operations and the customer experience.

Inflation and Cost Pressures

Heightened commodity prices, the continued conflict in Ukraine and the impact on the global economy of the resultant decade-high inflation levels have seen significant cost challenges across all markets in which the Group operates.

Current Trading

Whilst we continue to navigate the challenging market conditions, we have been extremely encouraged by the strength of customer demand for our PERi-PERi chicken supported by our brand and customer proposition.

In the first quarter of the financial year ending February 2024, sales across the Group continued to grow, nevertheless cost inflation remains at elevated levels. The Group is actively managing the impact of cost pressures through Group wide and local market actions, however we expect these factors to remain a significant drag on our overall performance in the current financial year.

We continue to provide customers with innovation in our menu and are investing in digital technology to make it both easy to order a Nando's online or via an app, as well as to give us valuable insight into how people interact with us.

With strong sales momentum, we are continuing to open new restaurants across all of our international footprint, in particular increasing the number of company-owned restaurants.

Key Performance Indicators

Financial and non-financial key performance indicators (KPIs) include revenue, 'like for like' GM %, restaurant EBITDA, operational audit score, Nandoca engagement and customer and Nandoca net promoter score (NPS).

Environmental, social and governance (ESG) highlights

- We continue to support many local initiatives in our communities, both in the UK, Southern Africa and worldwide. For example, in the financial year ending February 2023, we have donated nearly 800,000 meals to over 300 UK based charities and protected an estimated 100,000 people from malaria through our Nando's Fighting Malaria spraying program.
- Our sustainability commitments remain ahead of our sector with the continued progress against our approved Science Based Targets to further reduce carbon emissions. We have been carbon neutral² in the UK since November 2021 and have embedded our sustainability commitments into our operations and food policy for suppliers to address. In 2022 Nando's UK and Ireland won The Management Consultancies Association (MCA) inaugural sustainability brand of the year award for achievements and leadership in this space.
- Nando's UK also signed the Better Chicken Commitment, pledging to fully implement higher standards of animal welfare to ensure stronger, healthier chickens in our supply chain by 2026 and signed the UK Soy Manifesto committing to purchase deforestation and conversion free soy only.

1. In the year-ending February 2023 there were no exceptional items for the group. A reconciliation of operating profit/loss before exceptional items for the year-ending February 2022 can be found within note 7 of the financial statements, and exceptional items are defined in note 2.22.

2. Becoming carbon neutral means that Nando's CO2 emissions are fully balanced by a combination of CO2 reductions and/or offset by removals, a key action to take in the global fight against climate change.

Strategic Report (continued)

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

"The 2023 financial year saw Nando's deliver a steady recovery to pre-pandemic sales and a return to operating profit driven by strong consumer demand for our flame-grilled PERi-PERi chicken supported by our brand and customer proposition.

Despite the improved sales performance, cost pressures including higher energy, labour and food prices remained a challenge.

The macro-economic outlook for 2024 remains uncertain but we are continuing to invest for the future, with further menu innovation, enhancements to our digital capabilities and new restaurant openings planned in all our markets, including 14 in the UK."

The directors present the Strategic Report, Directors' Report and the audited financial statements for Nando's Group Holdings Limited for the 52-week period ended 26 February 2023.

Principal activities

The principal activity of the Group in the year under review was that of operating fast casual dining restaurants (both company-owned and franchise) and the sale and distribution of branded sauces and condiments through the retail channel. The principal activity of the Company was to act as a holding company for the Group's consolidated business. Key markets include the United Kingdom, Ireland, USA, Canada, India, Australia, New Zealand, Malaysia and Singapore. Franchise operated markets include multiple countries in the Middle East and Southern Africa.

About Nando's

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

We have a saying: "It's the people that make the chicken" and our Nandocas are our most important asset. Our culture, values and behaviours seek to embrace diversity, celebrate informality and realise talent. Guided by values of Pride, Passion, Courage, Integrity and Family, all Nandocas feel part of more than just a restaurant group and are encouraged to be the best they can be.

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

Financial performance

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

	2023	2022	Variance
	£m	£m	£m
Revenue	1,270.7	1,066.3	204.4
Operating profit / (loss) before exceptional items	17.0	(1.2)	18.2
Operating profit / (loss) after exceptional items	17.0	(5.0)	22.0

Overall, the business continued to recover well in a challenging macro-economic environment.

Revenue increased significantly across the Group, and the increased level of sales resulted in a return to operating profit of £17.0m (2022: Loss £5.0m). The Group made a loss before tax for the year under review of £86.2m (2022: £99.5m).

In the year there were no exceptional items (2022: £3.8m relating to Covid-19 driven exceptional impairment of non-current assets), as no costs met the group definition of exceptional items. Group capital investment ("Capex"), defined as the cash investment in tangible, intangible and equity accounted investments and business combinations, was £78.2m (2022: £54.9m), in line with our strategy to invest in extending our global restaurant footprint and refurbishing existing restaurants, technology and systems. In the medium term, there is significant growth potential in all of our markets and we will continue to invest in opening new restaurants.

Net financing expense increased by £8.7m to £103.2m (2022: £94.5m) with market interest rate rises a contributing factor. The income tax expense for the Group during the year was £3.3m (2022 £4.8m). The Group also contributes direct and indirect taxes including social security, property taxes, local taxes and value added taxes.

Strategic Report (continued)

At year-end, the Group had net liabilities of £330.9m (2022: net liabilities of £245.3m). The increase is predominantly driven by interest accrued on the Group's loans and borrowings. Current liabilities decreased to £310.7m (2022: £486.9m) as a result of the repayment of a short-term loan of £205.7m during the year which was replaced with a new long-term loan of £206.0m (for further details, see note 25 of the financial statements).

During the year, the Group also replaced the existing term loan and revolving facility which had a balance of £300m outstanding as at 27 February 2022 with a new £50m term loan and £235m revolving facility. This is a sustainability-linked loan facility which has a five-year term with options to extend up to seven years.

The number of employees across all regions during the year increased from 22,460 in 2022 to 25,573 in 2023.

The results for the 52 week period ending 26 February 2023, and the financial position of the Group as at this date (2022: 52 week period, 27 February 2022) are disclosed on pages 16 to 19.

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 all Nandocas want to work.

Operational highlights

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

Brand Strength

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

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

International expansion

The number of restaurants in operation increased from 879 at 27 February 2022 to 893 at 26 February 2023. This total includes 753 (2022: 744) company-owned restaurants and 140 (2022: 135) restaurants run on a franchise basis.

Capex for the year was £78.2m (2022: £54.9m), reflecting the Group's strategy to expand its international footprint, refurbish its existing estate and invest in technology to improve its operations and customer experience. Nando's restaurant design continues to win awards across the globe.

Operational excellence

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

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

Strategic Report (continued)

Values and Engagement

Nando's is driven by its purpose to change lives through programmes focused on People, Planet, South African Heritage and Communities. Over the past year, all markets have continued to work hard on these four areas of impact focus:

1. People

People are at the heart of everything we do. We believe we can unlock opportunities for our Nandocas (our teams) and, in doing that, can change their lives. Our global values of Pride, Passion, Courage, Integrity, and Family are supported by clearly articulated behaviours which have been instilled into everything we do, from recruitment and training to development and reward structures.

Building on the success of our Fuel Your Future (which was established during Covid-19 as a food donation and employment programme for vulnerable young people and their families), the UK market has undertaken research on its communities and Nandocas. The findings suggest over 50% of our restaurants operate in lower social economic areas and 26% of our Nandocas were eligible for free school meals, far higher than the UK average of 11%, demonstrating that we are able to unlock opportunities for our team and the communities we operate in.

Additionally, we took on 106 apprentices in the UK in the financial year and launched a school leaver programme in August 2023. We have partnered with the charity FareShare to offer jobs to individuals using their food bank service. Our ambition is to employ at least 500 people within the next two years.

In Singapore, over the past seven years we have employed more than 375 Nandocas through the Yellow Ribbon Project, a government funded project which supports ex-offenders getting back into the workplace. Most joined for a defined placement of six or twelve months, but on average they stayed nine months after the end of their initial placement.

Our Everyone's Welcome agenda continues to be a focus for the company. Inspired by our Southern African heritage we value the richness that diversity brings, not just in running a successful business, but in creating a better world for us all to live in.

In the UK we are striving for the makeup of our business to be reflective of the teams in our restaurants (50/50 gender and 30/70 ethnicity). We have made good progress over the past year by focusing on three key elements to drive change: inclusive culture, education and awareness, and encouraging Nandocas to be the best versions of themselves.

This year we have seen a higher representation of women across all quartiles of the business, with our UK Gender Pay Gap Mean figure decreasing to 3.8%. We have partnered with WHITL, an organisation which aims to increase diversity and inclusion in the hospitality, travel and leisure sector on a variety of different development programs for underrepresented groups, including a specific programme, Level Up, to increase the confidence and skills of Nandocas from ethnic backgrounds. We continue run training and awareness days, as well as conducting listening forums to gain further understanding.

2. Planet

Our focus is on carbon reduction and waste elimination as areas of high impact. This has been driven through our UK business as the largest in the company, allowing us to leverage good practice quickly into other markets.

Nando's UK and Ireland was the first restaurant group in Europe to put in place approved Science Based Targets³. We are committed to achieving these targets through an absolute reduction in emissions, as opposed to just carbon offsetting.

Since 2015, we have reduced the carbon footprint of the average Nando's meal by 40% and have been carbon neutral since November 2021. Additionally, we aim to be Net Zero⁴ by 2030. So far, Nando's UK has boosted procurement of renewable electricity and green gas and has met 97% of its ambition of achieving absolute zero Scope 1 and 2 (direct) carbon emissions. This 97% reduction is measured against our 2019 carbon footprint as a baseline.

We will continue to reduce our emissions and will work with partners that offer carbon removal projects in our homeland of Southern Africa. We have set ourselves the following goals in the UK:

- Achieving 100% renewable energy by 2022, a target that was reached in all UK restaurants
- Supporting Nando's suppliers to reduce their own carbon footprint
- Increasing plant-based menu offerings
- Building new and existing partnerships to influence wider industry change
- Committing to transparent Science Based Target reporting

³ Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.
⁴ For Nando's, Net Zero means ensuring that the emissions associated with our business operations and products are reduced towards zero as far as possible, with residual emissions balanced by carbon removals.

Strategic Report (continued)

In the UK, we are trialling a new gas grill that should reduce gas consumption by a third. We joined Mondra, along with a number of other retailers, suppliers and food service companies to reduce Scope 3 emissions through data sharing and consistent life cycle assessments. We continued to offset our carbon footprint, investing in a new project with African Parks in Malawi to build a partnership between carbon and the PERI-Farms we work with in the country.

In addition to the work on carbon reduction, we are signatories of the Better Chicken Commitment, pledging to implement higher standards of welfare to ensure stronger, healthier chickens. We are working with suppliers and industry groups in partnership with farmers, investing in research and using a naturally slower-growing breed of chicken in our supply chains. We also understand the impact the soy in our chicken feed has and, alongside our suppliers, we signed the UK Soy Manifesto in November 2021 to prevent deforestation and habitat destruction.

Our UK business is leading the charge on our environmental initiatives and have laid the foundations for our other markets to learn and begin the same journey. We have commenced a process to understand our carbon footprint across the world. Once we understand our global impact, we will set global carbon reduction targets and engage suppliers on those targets. Our Australian business will set Science Based Targets in the next year while our other markets will actively develop decarbonisation plans.

3. South African Heritage

We are proud of our African origins and heritage and work hard to catalyse opportunities in that part of the world.

We have continued our work with small-scale peri farms in Mozambique, Malawi, Zimbabwe and South Africa, from where we source 100% of the African PERI-PERI chillies used in restaurants and grocery products.

We already make an enormous difference to the lives of many small-scale farmers through a programme which invests in people and provides access to the latest farming techniques, quality seedlings and finance. We now work with 724 Farmers, in 4 countries, across 13 Growing regions, supporting all Nando's markets. Our programme provides the farmers with capital and we pay a premium for the chillies harvested.

The initiative is being extended to cover more ingredients and across a wider geography, and our initial trials with cayenne pepper and paprika have been successful.

Our Portal to Africa initiative was established over 10 years ago and digitally connects our global restaurant network to small, emerging Southern African artisans, furniture makers and crafts people. It was created to support Southern African design and furniture-making. The portal helps young designers connect with the business, and our restaurants can then commission specific works. More than 60 designers are featured on the portal. We also continue to source new talent through the 'Hot Young Designer' platform and industry days.

4. Communities

Nando's comes from modest beginnings and one of the ways we always stay humble is by having good relationships with our local communities. We make a positive contribution to the communities we operate in by supporting causes that matter most to them, from fundraising and sponsorships to food donations and anything in-between.

- In the UK, the support for our local communities continues with a focus on building better relationships with the charities we partner with through our 'No Chuckin' our Chicken' programme. We launched a national partnership with FareShare to better support their core food donation programme and last year alone donated nearly 800,000 meals, our best ever year, while helping to rebuild the programme after the pandemic. We are also working with charities representing vulnerable people to help reduce social poverty in the communities where we operate.
- No Chuckin' Our Chicken also runs in Australia and New Zealand where it partners with local food banks and charities. In each market the teams look for ways to support the charities throughout the year, for example in Australia and New Zealand in December 2022, we fed 1,750 disadvantaged people a full-service Christmas dinner.
- In North America, our focus in this area is engaging customers and Nandocas to become active participants in their communities. We provide free meals in exchange for new supplies for a school in the local area. We also facilitate volunteering at the same school. These initiatives benefit the school and us by creating local goodwill.

Strategic Report (continued)

Principal risks and uncertainties

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

Health and safety

Maintaining excellent health and safety standards in the development and operation of our restaurants is central to our business. The health and safety of our Nandocas, our customers and our contractors are of primary importance to Nando's. We achieve this by setting the highest standards of health and safety and performing restaurant audits to ensure we maintain our high standards, including allergen information. 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 host regular fun days, conferences, outings and team charity work.

GDPR and Cyber

A detailed review of cyber security processes is performed on a regular basis in order to highlight any gaps and address any challenges in order to mitigate the risk of ransomware attacks which could result in a loss of revenue or customer trust and possible regulatory breaches. Increased focus on protecting the business against potential cyber-attacks has resulted in the implementation of additional controls to mitigate against such risks and ensure compliance with relevant legislation.

Product & Supply Chain

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. The Group has extensive procedures to ensure we mitigate risks to our customers and teams as far as possible. We have clear procedures and standards in place and to enforce these, we perform audits and carry out benchmarking of our restaurants.

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. During the year, the Group continued to be in a cash generative position with £176.5m cash inflows from operating activities (2022: £216.1m inflow). Further discussion on how these risks are managed is provided in the Directors' Report and Note 29.

Economic Uncertainty

The Group is exposed to the risk of economic uncertainty in the markets it operates in, particularly in the current economic climate. 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 in the forecasting cycle 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.

Strategic Report (continued)

Stakeholder Engagement – Section 172 Companies Act 2006

Directors act in a way that they consider would most likely promote the success of the company for the benefit of its stakeholders as a whole.

When making key decisions Nando's considers each of the following stakeholders:

1. Act fairly between all members of the company.
2. Maintaining a reputation for high standards and long-term consequences of decisions.
3. Have our employees' (Nandocas') best interests at heart.
4. Foster good relationships with suppliers, customers and our communities and care for the environment in which we operate.

Act Fairly

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

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

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

Nandocas first

We believe Nandocas are our greatest asset and are key to the company's development. We therefore work hard to attract and develop the best people we can.

Our values of Pride, Passion, Courage, Integrity and Family underpin everything we do – from the way in which we recruit and train – to the way in which we develop and reward.

Further examples are given in the Strategic Report, Values and Engagement.

The relationship with suppliers, customers and others

We work closely with our stakeholders and details are given in the Strategic Report.

The impacts on communities and the environment

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

Greenhouse Gas Emissions

The following figures show the consumption and associated emissions for this reporting year for the UK operations, with figures from the previous reporting period included for comparison.

- Scope 1 consumption and emissions relate to direct combustion of fuels such as natural gas.
- Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day-to-day business operations.
- Scope 3 consumption and emissions relate to emissions resulting from sources not directly owned by the reporting company.

Nando's has worked to reduce carbon emissions through the procurement of renewable gas and electricity. As such, a dual reporting approach has been taken, with location and market-based emissions calculated for the reporting period. Location based methodology reflects average emissions intensity on grids on which energy consumption occurs. Market based methodology reflects the actual emissions factors of renewable electricity and green gas Nando's purchased in the reporting period.

Strategic Report (continued)

The total consumption (kWh) figures for energy supplies reportable by Nando's are as follows:

Utility and Scope	2023 consumption (kWh)	2022 consumption (kWh)
Grid-Supplied Electricity (Scope 2)	131,729,372	116,017,392
Gaseous and other fuels (Scope 1)	104,806,243	97,658,912
Transportation (Scope 3)	1,201,218	442,448
Total	237,736,833	214,118,752

The total emission (tCO₂e) figures for energy supplies reportable by Nando's are as follows. Conversion factors utilised in these calculations are detailed in the appendix:

Utility and Scope	2023 emissions (tCO ₂ e) (location based)	2023 emissions (tCO ₂ e) (market based)
Grid-Supplied Electricity (Scope 2)	25,474	4,563
Gaseous and other fuels (Scope 1)	20,291	20,291
Transportation (Scope 3)	281	281
Total	46,046	25,135
Utility and Scope	2022 emissions (tCO ₂ e) (location based)	2022 emissions (tCO ₂ e) (market based)
Grid-Supplied Electricity (Scope 2)	24,634	2,010
Gaseous and other fuels (Scope 1)	17,887	940
Transportation (Scope 3)	103	103
Total	42,624	3,053

Nando's are signed up to the Science Based Targets initiative (SBTi) which does not accept market based Scope 1 emission reduction certificates. This means that gas procured under RGGO contracts is counted as normal gas supply in market based emissions reporting. This has resulted in the significant year-on-year increase, as in the prior year Scope 1 emission reduction certificates were included in the market based emission reporting.

An intensity metric of tCO₂e per m² restaurant floor area has been applied for the annual total emissions of Nando's. The methodology of the intensity metric calculations are detailed below, and results of this analysis is as follows:

Intensity Metric	2023 intensity metric (location based)	2023 intensity metric (market based)
tCO ₂ e / m ² restaurant floor area	0.30	0.16
Intensity Metric	2022 intensity metric (location based)	2022 intensity metric (market based)
tCO ₂ e / m ² restaurant floor area	0.27	0.02

Reporting Methodology: Scope 1 and 2 consumption and CO₂e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance.

Location based emissions are the country grid average emissions. This has been calculated through DEFRA's conversion factors. Market based emissions are calculated through the actual energy purchased and is a mix of renewable and grid average emissions. As per the SECR regulation we have to disclose the location based emissions but due to our procurement of green energy we have chosen to disclose market based emissions as well showing the impact and reduction of emissions Nando's UK is having.

The increases seen in electricity, gas and transport emissions are due to increased operations following the recovery from the pandemic, with the increase in transport emissions also impacted by improved data collection.

Strategic Report (continued)

Going Concern

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

By order of the board



M E Bennison
Director

28 November 2023

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 26 February 2023.

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

The consolidated financial statements are prepared under UK-adopted international accounting standards.

Directors

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

R A G T'Hooft
C F Luyckx
R S Papps
L Perlman
L L Tait (resigned 14 October 2022)
M E Bennison (appointed 14 October 2022)

Employees (Nandocas)

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 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's policy is to encourage the employment of disabled people where reasonably practical. Full and fair consideration is given to employment applications from disabled people.

The Group takes all reasonable steps to ensure that all employment conditions are applied regardless of sex, race colour, ethnic background, religion or disability. So far as is practicable, arrangements are made to continue the employment of an employee who becomes disabled and to provide them with training and career development. Further information can be found in the Employees (Nandocas) and Values and Engagement: People sections of the Strategic Report.

Corporate Governance

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

Purpose and Leadership

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

The Board and Director Responsibilities

The Board takes a number of steps to ensure that when making decisions there is sufficient regard to key stakeholders. During the period ended 26 February 2023 the Board has engaged significantly to understand the corporate governance needed to promote balanced decision making.

The Nando's board consists of Executive Directors, Non-Executive Directors and shareholder representatives. The Directors' are in the process of assessing how a best practice board composition as outlined by the Wates principals would be appropriately structured for Nando's. The composition of the board does not change on a frequent basis, however upon election of future board members the Director's will consider the diversity of the board as part of its decision making process.

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

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

Directors are kept aware of their legal and governance responsibilities. Regular updates are provided at each board meeting and director duty training is provided periodically. The Board have established and approved terms of reference for the Audit Committee. The Audit Committee assists the Board in responsibilities regarding financial reporting and overseeing the performance and independence of external auditors.

Directors' Report (Continued)

The Audit Committee also assists the Board in matters of risk management and internal controls, including monitoring and reviewing the effectiveness of fraud policies, internal control and risk management. Membership consists of one Executive and one Non-Executive Director.

During the prior year the Audit Committee established an internal audit programme throughout the group which reports regularly to the committee.

Opportunity and risk

The key operational risks and mitigations are set out in the Strategic Report above under the section entitled principle risks and uncertainties. A risk monitoring process has been established. Key risks are regularly updated and presented to the board twice per year. The Audit Committee is required to give regular updates of the group risk schedule to the Board.

Remuneration

The current remuneration policy is that the CEO salary is recommended by the Non-Executive Directors; Executive Directors and other executive management salaries are recommended by the CEO and approved by the Board. The same principle is then cascaded down throughout management.

Executive Director and senior management remuneration is assessed against a balanced scorecard comprising financial and non-financial targets (including staff welfare and brand scores). Diversity and inclusion metrics, including gender pay gap reporting are regularly reviewed by the Board. The processes of the Remuneration Committee of Non-Executive Directors and Executive Directors have been formalised during the year.

Stakeholder Relationships and Engagement

Further information about the key stakeholder groups and how the Board consider these groups in relation to decisions made are set out within the Strategic Report including values and engagement and employees.

Political and charitable contributions

The Group made no political contributions during the year. The Group made charitable donations of £272.6k (2022: £229.0k). These donations represent direct charity giving only and therefore capture only a small element of the work and time we dedicate directly to charities both internationally and in the communities in which we operate. These are cash donations and do not include any of the programs mentioned in the values and engagement section above.

Dividends

No dividends were paid during the year (2022: £nil).

Taxation

Nando's is a responsible corporate citizen and taxpayer. The Group pays all taxes due in every jurisdiction where we operate. The corporation tax charge for the Group during the year was £3.3m (2022 tax charge: £4.8m). Nando's also contributes further direct and indirect taxes including social security, property taxes, local taxes and value added taxes.

Financial Management and Financial Instruments

The Group's Financial Risk management objectives and policies and the main risks arising from the Group's financial assets and liabilities are summarised in note 29.

Indemnification of directors

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

Future developments

An indication of likely future developments in the business have been included in the Strategic Report on page 3.

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.

Directors' Report (Continued)

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



M E Bennison
Director

28/11/23

St Mary's House
42 Vicarage Crescent
Battersea
London

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE STATUTORY CONSOLIDATED FINANCIAL STATEMENTS

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

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

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

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

Opinion

We have audited the financial statements of Nando's Group Holdings Limited ("the Company") for the period ended 26 February 2023 which comprise the Consolidated Income Statement and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, Company Statement of Financial Position, Company Statement of Changes in Equity and related notes, including the accounting policies in note 1 to 3 to both the Group and Company financial statements.

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 26 February 2023 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group and the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and metrics related to debt covenants over this period were the impact of rising UK and global inflation on consumer confidence and costs.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected cash and facilities. Our procedures also included:

We critically assessed assumptions in the base case and downside scenario relevant to liquidity and covenant metrics, in particular in relation to revenue and cost growth assumptions by comparing published growth and economic forecasts, historical trends and overlaying knowledge of the entity's plans and the sector in which it operates.

We also compared past budgets to actual results to assess the directors' track record of budgeting accurately. We inspected the confirmation from the lender of the level of committed financing, and the associated covenant requirements.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities.

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee and management, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board minutes;
- Considering remuneration schemes and performance targets for management and directors; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to full scope component audit teams of relevant fraud risks identified at the group level and request to full scope component audit teams to report to the group audit team any instances of fraud that could give rise to a material misstatement at the group.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as the impairment of investments in group companies. On this audit we do not believe there is a fraud risk related to revenue recognition because of the straightforward revenue recognition policies with no material areas of judgement or estimation. This limits the opportunity for fraudulent revenue recognition. We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and other consolidation adjustments, comparing the identified entries to supporting documentation. These included entries posted to revenue and cash for which the other side of the journal was posted to an unexpected account; and
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance. This included communication from the group to full-scope component audit teams of relevant laws and regulations identified at the group level, and a request for full scope component auditors to report to the group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, the Food Act (including food hygiene regulations), employment law, GDPR, PCI compliance, and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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 period 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 15, 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.

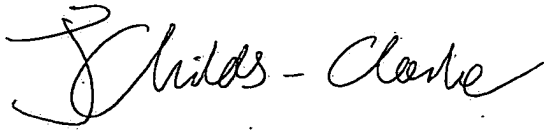
Auditor's responsibilities

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.



James Childs-Clarke

(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG LLP
Gateway House
Tollgate
Chandler's Ford
Eastleigh
SO53 3TG

28 November 2023

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME FOR THE 52 WEEK PERIOD ENDED 26 FEBRUARY 2023 (52 WEEK PERIOD ENDED 27 FEBRUARY 2022)

	Note	2023 Before exceptional items £'000s	2023 Exceptional items (note 7) £'000s	2023 Total £'000s	2022 Before exceptional items £'000s	2022 Exceptional items (note 7) £'000s	2022 Total £'000s
Revenue	4	1,270,666	-	1,270,666	1,066,250	-	1,066,250
Cost of sales		(1,039,553)	-	(1,039,553)	(872,172)	-	(872,172)
Gross Profit		231,113	-	231,113	194,078	-	194,078
Other operating income	5	3,655	-	3,655	4,172	-	4,172
Administrative expenses		(217,281)	-	(217,281)	(197,738)	(3,756)	(201,494)
Share of loss of equity-accounted investees, net of tax	20	(465)	-	(465)	(1,755)	-	(1,755)
Operating profit / (loss)		17,022	-	17,022	(1,243)	(3,756)	(4,999)
Financial income	11	2,525	-	2,525	4,487	-	4,487
Financial expense	12	(105,745)	-	(105,745)	(98,981)	-	(98,981)
Net financial expense		(103,220)	-	(103,220)	(94,494)	-	(94,494)
Loss before tax		(86,198)	-	(86,198)	(95,737)	(3,756)	(99,493)
Income tax expense	13	(3,317)	-	(3,317)	(4,795)	-	(4,795)
Loss for the period		(89,515)	-	(89,515)	(100,532)	(3,756)	(104,288)
Other comprehensive income							
Items that may not be reclassified subsequently to profit / (loss)							
Exchange differences on translating foreign operations		3,736	-	3,736	(2,221)	-	(2,221)
Other comprehensive income for the period, net of tax		3,736	-	3,736	(2,221)	-	(2,221)
Total comprehensive income for the period		(85,779)	-	(85,779)	(102,753)	(3,756)	(106,509)
Total comprehensive income for the period attributable to:							
Equity holders of the parent		(85,827)	-	(85,827)	(102,760)	(3,756)	(106,516)
Non-controlling interest	19	48	-	48	7	-	7
		(85,779)	-	(85,779)	(102,753)	(3,756)	(106,509)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 26 FEBRUARY 2023 (27 FEBRUARY 2022)

	Note	2023 £'000s	2022 £'000s
Non-current assets			
Property plant and equipment	15	298,637	289,543
Intangible assets	16	597,821	624,786
Right of use assets	18	318,183	343,383
Investments in equity accounted investees	20	9,866	10,331
Deferred tax assets	21	5,269	4,226
Trade and other receivables	23	6,484	7,017
		<u>1,236,240</u>	<u>1,279,286</u>
Current assets			
Inventories	22	11,219	9,276
Trade and other receivables	23	61,499	36,723
Cash and cash equivalents	24	130,898	110,938
Current tax receivable		368	690
		<u>183,984</u>	<u>157,627</u>
Total assets		<u>1,420,244</u>	<u>1,436,913</u>
Current liabilities			
Other interest bearing loans and borrowings	25	(29,687)	(214,860)
Trade and other payables	26	(232,227)	(219,010)
Tax payable		(51)	(281)
Provisions	28	(1,549)	(2,266)
Current lease liability	18	(47,157)	(50,455)
		<u>(310,671)</u>	<u>(486,872)</u>
Non-current liabilities			
Other interest bearing loans and borrowings	25	(270,652)	(270,634)
Loans due to related parties	25	(810,819)	(553,432)
Other payables	26	(2,602)	(1,866)
Deferred tax liabilities	21	(2,351)	
Non current lease liability	18	(348,611)	(364,746)
Provisions	28	(5,486)	(4,662)
		<u>(1,440,521)</u>	<u>(1,195,340)</u>
Total liabilities		<u>(1,751,192)</u>	<u>(1,682,212)</u>
Net liabilities		<u>(330,948)</u>	<u>(245,299)</u>
Equity			
Share Capital	30	280,000	280,000
Share Premium	30	176	176
Foreign Currency translation reserve		8,709	4,973
Retained Earnings		(621,102)	(531,669)
Equity attributable to equity holders of the parent		<u>(332,217)</u>	<u>(246,520)</u>
Non-controlling interest	19	1,269	1,221
Total equity		<u>(330,948)</u>	<u>(245,299)</u>

The accompanying notes form part of the financial statements.

These financial statements were approved by the board of directors on its behalf by:



M E Bennisson Director

Company registered number: 06451677

28/11/2023 and were signed on

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 52 WEEK PERIOD ENDED 26 FEBRUARY 2023 (52 WEEK PERIOD ENDED 27 FEBRUARY 2022)

	2023	2022
	£'000s	£'000s
Cash flows from operating activities		
Loss for the period (from continuing operations)	(89,515)	(104,288)
Adjustments for:		
Depreciation and amortisation	99,023	101,183
Depreciation of right of use asset	49,314	48,827
Impairment reversals on trade receivables	(270)	(575)
Impairment loss on non current assets	3,149	3,821
Reversal of impairments	-	(1,057)
Release of lease liabilities (lease modifications and rent concessions)	-	(2,225)
Loss on disposal of non current assets	101	965
Share of equity accounted investees	465	1,755
Share Based payment expense	130	87
Financial income	(2,525)	(4,487)
Financial expense	105,745	98,981
Taxation	3,317	4,795
	<u>168,934</u>	<u>147,782</u>
(Increase)/decrease in trade & other receivables	(840)	2,261
Increase in inventories	(1,943)	(1,130)
Increase in trade & other payables	12,144	57,146
Increase in provisions	107	620
Cash generated from operations	<u>178,402</u>	<u>206,679</u>
Tax (paid)/received	(1,918)	9,394
Net cash flows from operating activities	<u>176,484</u>	<u>216,073</u>
Cash flows from investing activities		
Acquisition of business (net of cash acquired)	(119)	(287)
Acquisition of property, plant and equipment	(70,949)	(40,820)
Acquisition of intangible assets	(7,181)	(13,808)
Net cash flows from investing activities	<u>(78,249)</u>	<u>(54,915)</u>
Cash flows from financing activities		
Proceeds from long term borrowings	281,677	-
Repayment of long term borrowings	(275,659)	(90,000)
Proceeds from issue of share capital	-	176
Lease payments (principal portion)	(46,426)	(39,715)
Interest paid - long term borrowings	(11,275)	(11,396)
Interest paid - lease liabilities	(28,403)	(28,970)
Net cash flows from financing activities	<u>(80,086)</u>	<u>(169,905)</u>
Net cash flows from operating activities	176,484	216,073
Net cash flows from investing activities	(78,249)	(54,915)
Net cash flows from financing activities	(80,086)	(169,905)
Net increase/(decrease) in cash and cash equivalents	<u>18,149</u>	<u>(8,747)</u>
Cash and cash equivalents at beginning of period	110,938	119,697
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	1,811	(12)
Cash and cash equivalents at end of period	<u>24 130,898</u>	<u>110,938</u>
Cash and cash equivalents per balance sheet	130,898	110,938
Bank overdrafts	-	-
Cash and cash equivalents at end of period per cash flow	<u>24 130,898</u>	<u>110,938</u>

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEK PERIOD ENDED 26 FEBRUARY 2023 (52 WEEK PERIOD ENDED 27 FEBRUARY 2022)

	Attributable to equity holders of the parent						Total	Non-controlling interest	Total Equity
	Share Capital	Share Premium	Capital Contribution Reserve	Own Share Reserve	Foreign currency translation reserve	Retained earnings (Profit & loss reserve)			
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 28 February 2021	280,000	-	-	-	7,194	(427,461)	(140,267)	1,214	(139,053)
Changes in equity for 2022									
Loss for the period	-	-	-	-	-	(104,295)	(104,295)	7	(104,288)
Other comprehensive income	-	-	-	-	(2,221)	-	(2,221)	-	(2,221)
Total Comprehensive Income for 2022	-	-	-	-	(2,221)	(104,295)	(106,516)	7	(106,509)
Dividends	-	-	-	-	-	-	-	-	-
Issue of share capital	-	176	-	-	-	-	176	-	176
Equity settled share based payments	-	-	-	-	-	87	87	-	87
Balance at 27 February 2022	280,000	176	-	-	4,973	(531,669)	(246,520)	1,221	(245,299)
Changes in equity for 2023									
Loss for the period	-	-	-	-	-	(89,563)	(89,563)	48	(89,515)
Other comprehensive income	-	-	-	-	3,736	-	3,736	-	3,736
Total Comprehensive Income for 2023	-	-	-	-	3,736	(89,563)	(85,827)	48	(85,779)
Dividends	-	-	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-	-	-
Equity settled share based payments	-	-	-	-	-	130	130	-	130
Balance at 26 February 2023	280,000	176	-	-	8,709	(621,102)	(332,217)	1,269	(330,948)

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

1 *Basis of preparation*

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

The Nando's Group Holdings Limited consolidated 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 directors have prepared these financial statements on a going concern basis.

The Group consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards ("UK-adopted IFRS") and applicable law. The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 68 to 79.

The preparation of financial statements in conformity with IFRS as adopted by the UK 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 Pounds Sterling, which is the Group's presentation currency. The functional currency of the Company is Pounds Sterling.

Nando's Group Holdings Limited has an accounting reference date of 28th February. The financial statements are prepared up to the Sunday closest to this year-end date, which in the current year is 26th February 2023. The period covered for the current year is 52 weeks, however this methodology results in some financial periods covering a 53 week period.

Going concern

As at 26 February 2023 the consolidated Group had net liabilities of £330.9m (2022: £245.3m), net current liabilities of £126.7m (2022: £329.2m) and a loss for the period then ended of £89.5m (2022: £104.3m). The Group has significant non-cash depreciation and amortisation expense, and as a result has operating cash inflows of £176.5m (2022: £216.1m). Of total borrowings of £1,111.2m, an amount of £836.7m does not require interest to be paid until the redemption date of the loans which are shown in Note 25. The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

Borrowings at 26 February 2023 stood at £1,111.2m (2022: £1,038.9m) before lease liabilities and at £1,506.9m (2022: £1,454.1m) including lease liabilities with cash balances of £130.9m (2022: £110.9m), creating a net debt position of £980.3m (2022: £928.0m) before lease liabilities and £1,376.0m (2022: £1,343.2m) including lease liabilities.

Of these borrowings, £286.2m fall due within the going concern period (being twelve months from the date of approval of these financial statements). Subsequent to the year-end, a deep discounted bond (DDB) with a carrying value of £173.2m as at 26 February 2023 has been extended. This variation extends the maturity date to November 2029 and increases the interest rate from 8.25% to 10%.

In addition, subsequent to the year-end, an amount of £88.0m has been issued as share capital by the Group. Funds received from this share issue were utilised to make a full and early repayment of the outstanding balance of the DDB with a maturity date of November 2024 and a carrying amount of £82.8m as at 26 February 2023.

The remaining £25.0m is forecast to be paid within the going concern period of twelve months from the date of approval of the financial statements. There are further available undrawn facilities of £10.0m (2022: £105.0m).

The Group generated significant cash flows from operations during the year to 26 February 2023, and continues to post year-end.

The Directors have prepared base case and downside cash flow forecasts for a period of 12 months up to November 2024.

Base Case

The 'Base Case' assumption is derived from budgets prepared by operating entities reflecting expectations for trading performance in the year-ended 25 February 2024 and the first 9 months of the following financial period (ending 24 February 2025). These budgets include a continuation of the current sales momentum and margin trends at existing restaurants as well as the opening of new restaurants in line with budget.

Notes to the Consolidated Financial Statements (continued)

These forecasts indicate that the Group would be able to operate within the existing facilities that are available to it, including the scheduled loan repayments of £25.0m and interest payments on £274.5m of existing variable rate borrowings, without breaking any covenants and meet its liabilities as they fall due for that period. Facility covenants are discussed in note 25.

Downside scenario

While the Directors believe that the Base Case scenario above is reasonable, it is possible that the wider macro-economic climate could impact consumers more severely than forecast in the Base Case scenario and result in a reduction in sales across the Group. The Directors have therefore prepared a reverse stress test to identify the level of sales reduction from Base Case levels across all markets in which the Group operates that would result in no cash headroom in the forecast period. The Directors believe that such a reduction in sales was not plausible given historic performance and current market trends and therefore in any severe but plausible 'Downside scenario' the Group will be able to operate within the facilities that are available for the twelve months following the signing date of these financial statements.

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 twelve 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 this year

The following new and revised Standards and Interpretations have been adopted in the current period and had an impact on the Group's accounting policies. Unless otherwise disclosed, their adoption has had no material impact on the amounts reported in these financial statements.

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020

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 management expect to have an impact on the business and have not been applied in these financial statements, were in issue but not yet effective or not yet endorsed for the period presented:

- Definition of Accounting Estimate (Amendments to IAS 8)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2)
- Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)
- IFRS 17 – Insurance Contracts

These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Accounting Policies

2.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: certain financial assets and financial liabilities (including derivatives) measured at fair value. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

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.

Notes to the Consolidated Financial Statements (continued)

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

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

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

The Group enters into franchise arrangements with third parties which confer the right to operate the Nando's brand restaurant in designated locations. In exchange, the Group receives a variable royalty as described in note 2.15. The facts and circumstances of each franchise agreement are considered when determining whether control is achieved.

Whilst the franchise arrangements provide for the group to have certain protective rights over the franchisees use of the Nando's brand, these rights do not constitute power and therefore control over the franchisees.

Investment in subsidiaries

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

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

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

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

Investment in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The investment in an associate is initially recognised at cost and adjusted for the Group's share of or 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 its share of losses until the carrying amount reaches nil, and continues to recognise losses beyond that only 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.

Notes to the Consolidated Financial Statements (continued)

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 its share of losses until the carrying amount reaches nil, and continues to recognise losses beyond that only 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 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 arising on business combinations of foreign operations are treated as assets of that operation and translated at the closing rate. Exchange differences are recognised in other comprehensive income and accumulated in a separate category of equity. On the disposal of a foreign operation, the accumulated exchange differences of that operation, which is attributable to the Group are recognised in profit or loss.

2.4 Financial instruments

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

2.4.1 Financial assets

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

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

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

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

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement. Cash and cash equivalents include short term timing differences for credit card receivables which are received within 3 days.

2.4.2 Financial liabilities (other than derivative financial instruments)

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

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

Upon the modification of a financial liabilities that is a debt instruments, first an assessment is made as to whether the modification has substantially different terms from the original financial liability. In accordance with IFRS 9, terms are considered substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

- If the terms are substantially different the original financial liability is extinguished and a new financial liability is recognised at fair value. Any differences between the fair value of the new debt and the carrying value of the existing debt are recognised as a gain or a loss within financial income or expense in the profit or loss. Costs incurred as part of the modification are recognised as part of the gain or loss on extinguishment.
- If the terms are not substantially different, the modification is accounted for as an adjustment to the existing liability. The liability is restated to the net present value of the revised cash flows and is discounted at the original effective interest rate. Adjustments to the amortised cost of the liability is recognised in the profit or loss. Costs or fees incurred as part of the modification are added to the liability and amortised over the term of the modified liability.

The Group derecognises a financial liability in when its contractual obligations are discharged, cancelled, or become expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

Notes to the Consolidated Financial Statements (continued)

2.4.3 Equity instruments

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

2.5 Business combinations

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

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

Non-measurement period adjustments to contingent consideration(s) classified as equity are not remeasured. Non-measurement period adjustments to other contingent considerations are remeasured at fair value with changes in fair value recognised in profit or loss. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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

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

The Group measures goodwill at the acquisition date as the:

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

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

2.6 Property, plant and equipment

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

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

• Buildings	40 years
• Plant and equipment	3-10 years
• Fixtures	3-10 years
• Motor vehicles	4 years
• Capitalised pre-opening costs	4 years
• Leasehold improvements	Life of the lease
• Land is not depreciated	

Notes to the Consolidated Financial Statements (continued)

Pre-opening costs which are capitalised include project management 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 and these are presented within leasehold improvements. 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 | 40 years |
| • IT Development and software | 3-10 years |
| • Intellectual Property | 3-20 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.

2.8 Goodwill

Goodwill on acquisitions comprises the excess of the aggregate of the fair value of the consideration transferred, the fair value of any previously held interests, and the recognised value of the non-controlling interest in the acquiree over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to groups of cash-generating units before it is tested for impairment annually. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Notes to the Consolidated Financial Statements (continued)

2.9 Inventories

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

2.10 Impairment of non-financial assets

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

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, an impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the impairment loss is recognised as revaluation decrease. For goodwill, intangible assets that have an indefinite life, and intangible assets not yet available for use, the recoverable amount is estimated annually and at the end of each reporting period if there is an indication of impairment. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future post-tax cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

2.11 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.

For the equity-settled schemes, the fair value of a share plan is recognised as an expense over the expected vesting period with a corresponding entry to retained earnings. The fair value of the share plans is determined at the date of grant.

Non-market based vesting conditions (i.e. Group profitability targets and Scorecard) are taken into account in estimating the number of awards likely to vest, which is reviewed at each accounting date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment for past service is made during the vesting date even if the options are forfeited, or are not exercised. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Notes to the Consolidated Financial Statements (continued)

2.13 Provisions

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

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

2.14 Equity

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

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

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

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

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

2.15 Revenue

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

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

Sale of goods in restaurants

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

Royalty income and Franchise licence fees

The performance obligations are the licences to trade in the markets whilst accessing the group's intellectual property. Revenues are allocated to the franchise licence fee and this is recognised over the period of the agreement.

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

Royalty income is received based on a percentage of total restaurant sales in accordance with the substance of the relevant Master Franchise Agreement for that market. Royalty income is recognised on an accruals basis in line with restaurant sales. This is in line with the exemption in IFRS 15 for which revenue is recognised for sales-based royalty on the later of a) when the subsequent sale or usage occurs; and b) when the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied.

Notes to the Consolidated Financial Statements (continued)

Grocery sales

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

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

2.16 Cost of sales

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

2.17 Leases

2.17.1 Leases as lessor

At inception or on modification of a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract applying IFRS 15. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see the financial instruments note). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other operating income'.

2.17.2 Leases as lessee

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

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

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

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

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

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

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

To determine the incremental borrowing rate, the group:

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

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

In response to the COVID-19 pandemic, the International Accounting Standards Board issued amendments to IFRS 16 Leases to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions. As a lessee we have applied the practical expedient and are not required to assess whether eligible rent concessions are lease modifications. Accordingly, where the Group has agreed concessions in the form of a one-off reduction in rent, they have been accounted for as a variable lease payment and have been recognised in profit or loss.

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

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

Right-of-use assets are generally depreciated over the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

Notes to the Consolidated Financial Statements (continued)

2.18 *Financing income and expenses*

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

Financing income comprise interest receivable on funds invested, dividend income, interest income on lease receivables and net foreign exchange gains.

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

2.19 *Borrowing costs*

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

2.20 *Taxation*

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

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

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

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

The Group does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with the initial recognition of 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. The Group does not recognise deferred tax liabilities on temporary differences associated with the initial recognition of goodwill. It is the Group's policy to reinvest undistributed profits arising in group companies.

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

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

2.21 *Discontinued operations*

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

2.22 *Exceptional items*

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

Notes to the Consolidated Financial Statements (continued)

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

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

See note 7 for further details.

2.23 Government Grants

The Group has accessed government support measures in the geographies in which it operates. In accordance with IAS 20, the funding received is recognised in the period.

The grants are recognised at fair value when the Group has reasonable assurance that it will comply with any conditions attached to the grant and that the grant will be received. The funding received is included within the cash flows from operating activities in the consolidated statement of cash flows.

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. There are no estimates and judgements identified that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Non-significant areas that include a degree of estimation uncertainty are as follows:

Loyalty scheme

The balance of deferred revenue arising from loyalty programmes is £20,694k (2022: £20,125k). The Company 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 deferred by £5.3m as at 26 February 2023 (2022: £7.0m).

Impairment of assets

Impairment testing of assets, including goodwill and other intangible assets, property, plant and equipment, right of use assets and investments in equity accounted investees involves estimation uncertainty in relation to key assumptions in the VIU calculations, however this estimation uncertainty is deemed to be low. For further details of the key assumptions used see note 16.1 and note 20.

Leases

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

Non-significant areas that include judgements are as follows:

Depreciation and amortisation

The Group exercises judgement to determine the useful lives and the residual values of intangibles; property, plant and equipment. The assets are depreciated down to their residual values over their estimated useful lives.

Leases

Management have applied judgement to determine the lease term for those lease contracts that include an extension option or a termination (also known as break) option. Management have assessed each extension and termination option to determine whether it is reasonably certain that the options will be exercised.

Extension periods are only included within the lease term if the Group is reasonably certain it will exercise the extension option. The lease term is only reduced by the break period if the Group is reasonably certain it will exercise the termination option.

Notes to the Consolidated Financial Statements (continued)

4 Revenue

	2023 £'000s	2022 £'000s
<i>The Group's revenue comprises:</i>		
Restaurant sales	1,216,270	1,020,926
Grocery sales	37,578	31,449
Royalties and franchise fees	16,818	13,875
	1,270,666	1,066,250
	2023 £'000s	2022 £'000s
<i>The Group's revenue comprises:</i>		
Products and services transferred at a point in time	1,253,848	1,052,375
Products and services transferred over time	16,818	13,875
	1,270,666	1,066,250

Geographical Analysis of Revenue

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

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

Royalties and franchise licence fee revenue was derived from Canada, Australia, New Zealand and multiple countries in the Middle East and Southern Africa.

	2023 £'000s	2022 £'000s
<i>The Group's revenue comprises:</i>		
UK & Ireland	976,500	819,281
North America	103,464	85,290
Australia and New Zealand	161,535	143,792
Other	29,167	17,887
	1,270,666	1,066,250

Contract balances

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

	2023 £'000s	2022 £'000s
Current		
Contract liability	20,694	20,125

The contract liability balance primarily relates to the loyalty programmes in place for restaurant sales and the initial franchise license fee received from customers for access to intellectual property, marketing services and branded materials. The majority of the contract liability is expected to be recognised as revenue within 12 months.

The amount of revenue recognised in current period that was included in the contract liability balance at the beginning of the period was £10,336k. (2022: £9,427k). In addition, the contract liability balance increased due to cash received, excluding amounts recognised as revenue during the period of £10,814k (2022: £7,836k).

5 Other operating income

	2023 £'000s	2022 £'000s
Rental income	142	184
Other operating income	3,513	3,988
	3,655	4,172

Notes to the Consolidated Financial Statements (continued)

6 Loss or profit before tax

	2023	2022
	£'000s	£'000s
<i>The following amounts were expensed or credited during the period:</i>		
Depreciation of plant, property and equipment	(60,948)	(63,530)
Amortisation of intangible assets	(38,075)	(37,653)
Depreciation of right of use asset	(49,314)	(48,827)
Impairment reversals on trade receivables	270	575
Impairment loss on non current assets	(3,149)	(3,756)
Loss on disposal of plant, property and equipment	(101)	(965)

7 Exceptional items

		2023	2022
		£'000s	£'000s
<i>Exceptional items comprise the following:</i>			
Impairment of property, plant and equipment and intangibles	Note 15, 16.2	-	(889)
Impairment of ROU assets	18	-	(2,867)
		-	(3,756)

In the prior year, due to continued business interruption experienced as a result of the Covid-19 pandemic, impairment of property, plant and equipment and ROU assets was recognised as an exceptional item as the main factor was the continued impact of Covid-19 on restaurant performance. The exceptional items were charged to the 'Administrative expenses' line item.

Whilst there have been impairments of non-current assets in the current year, the Covid-19 pandemic is no longer seen as the dominant cause of these impairments. As a result, impairments of non-current assets in the current year have not been included within exceptional items.

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:

	2023	2022
	£'000s	£'000s
Fees payable to the Group's auditor for these financial statements	(269)	(266)
Audit of financial statements of subsidiaries of the company	(726)	(587)
Total audit fees	(995)	(853)
Taxation compliance services	-	(20)
Audit related assurance services	(8)	(16)
Total audit and non-audit fees	(1,003)	(889)

Notes to the Consolidated Financial Statements (continued)

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:

	2023	2022
Average number of Nandoca's employed by category		
Directors	5	5
Restaurant operatives and management	24,859	21,756
Administration	709	699
	25,573	22,460

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

	2023	2022
	£'000s	£'000s
Wages and salaries*	(412,160)	(363,749)
Social security costs	(24,602)	(22,304)
Share based payments (see note 27)	(130)	(87)
Contributions to defined pension contribution plan	(7,526)	(6,602)
	(444,418)	(392,742)

*Government grant funds of £1.1m (2022: £12.7m) has been netted against the wages and salaries. The current year grant relates to the Ireland Employment Wage Subsidy Scheme which closed in April 2022.

10 Directors' remuneration

	2023	2022
	£'000s	£'000s
Directors' remuneration	(2,353)	(1,882)
Pension contributions	(2)	(1)
	(2,355)	(1,883)

The remuneration of the highest paid director was £939k (2022: £898k), and pension contributions of £1k (2022: £1k) were made on the Director's behalf. During the period, benefits were accruing to one (2022: 1) director under the defined contribution scheme.

11 Financial income

	2023	2022
	£'000s	£'000s
Interest income	747	1,087
Net foreign exchange gain	1,778	3,400
	2,525	4,487

12 Financial expense

	2023	2022
	£'000s	£'000s
Interest expense	(77,342)	(70,011)
Interest expense on lease liability	(28,403)	(28,970)
	(105,745)	(98,981)

Borrowing costs capitalised to qualifying assets amounted to £nil (2022: £Nil).

Notes to the Consolidated Financial Statements (continued)

13 Income tax expense

	2023 £'000s	2022 £'000s
Income Tax Expense		
Corporation tax	(1,353)	(1,124)
Adjustments in respect of prior periods	(43)	(1,715)
Withholding tax	(872)	(769)
	<u>(2,268)</u>	<u>(3,608)</u>
Deferred Tax Expense		
Reversal of timing differences	(1,173)	(2,284)
Change in tax rate	-	890
Adjustments in respect of prior periods	124	207
	<u>(1,049)</u>	<u>(1,187)</u>
Total tax expense	<u>(3,317)</u>	<u>(4,795)</u>

Reconciliation of effective tax rate

	2023 £'000s	2022 £'000s
Loss on ordinary activities before tax	(86,198)	(99,493)
Tax using the UK corporation tax rate of 19% (2022: 19%)	16,378	18,904
Reconciling items:		
Adjustments in respect of prior periods	81	(1,508)
Non-deductible expenses (including share based payment, interest restrictions and short lease premium relief)	(218)	(247)
Ineligible depreciation	(2,938)	(661)
Movement in un-recognised deferred tax	(20,720)	(20,308)
Non-deductible IP amortisation	(3,321)	(4,623)
Impairment of goodwill and investments	-	(157)
Non-taxable income	-	(131)
Difference in overseas tax rate	4,302	2,969
Change in tax rate on deferred tax balances	1,515	890
Other	1,604	77
	<u>(3,317)</u>	<u>(4,795)</u>

14 Changes in liabilities from financing activities

This section sets out an analysis of interest bearing loans and borrowings and lease liabilities and the changes in liabilities from financing activities.

	2023 £'000s	2022 £'000s
Other interest bearing loans and borrowings due within 1 year	(3,808)	(12,832)
Loans due to related parties due within 1 year	(25,879)	(202,028)
Total current interest bearing loans and borrowings	<u>(29,687)</u>	<u>(214,860)</u>
Other interest bearing loans and borrowings due after 1 year	(270,652)	(270,634)
Loans due to related parties due after 1 year	(810,819)	(553,432)
Total non-current interest bearing loans and borrowings	<u>(1,081,471)</u>	<u>(824,066)</u>
Total interest bearing loans and borrowings	<u>(1,111,158)</u>	<u>(1,038,926)</u>
Current lease liability	(47,157)	(50,455)
Non-current lease liability	(348,611)	(364,746)
Total interest bearing loans and borrowings and lease liabilities	<u>(1,506,926)</u>	<u>(1,454,127)</u>

Notes to the Consolidated Financial Statements (continued)

14 Changes in liabilities from financing activities (continued)

	Interest bearing loans and borrowings £000s	Loans due to related parties £000s	Total current other interest bearing loans and borrowings £000s	Interest bearing loans and borrowings £000s	Loans due to related parties £000s	Total non- current other interest bearing loans and borrowings £000s	Lease liabilities £000s	Total £000s
Balance at 28 February 2021	(12,824)	-	(12,824)	(358,575)	(697,799)	(1,056,374)	(436,284)	(1,505,482)
Changes from financing cash flows								
Repayment from loans and borrowings	15,000	-	15,000	75,000	-	75,000	-	90,000
Lease payments (principal portion)	-	-	-	-	-	-	39,715	39,715
Interest paid	408	-	408	10,988	-	10,988	28,970	40,366
Total changes from financing cash flows	15,408	-	15,408	85,988	-	85,988	68,685	170,081
The effects of changes in foreign exchange	-	-	-	-	-	-	823	823
Other changes								
New leases	-	-	-	-	-	-	(8,551)	(8,551)
Lease modifications	-	-	-	-	-	-	(15,457)	(15,457)
Lease disposals	-	-	-	-	-	-	2,327	2,327
Interest expense	(408)	-	(408)	(11,943)	(57,660)	(69,603)	(28,970)	(98,981)
Other changes	(8)	-	(8)	(1,105)	-	(1,105)	2,226	1,113
Transfer	(15,000)	(202,028)	(217,028)	15,000	202,028	217,028	-	-
Total other changes	(15,416)	(202,028)	(217,444)	1,952	144,368	146,320	(48,425)	(119,549)
Balance at 27 February 2022	(12,832)	(202,028)	(214,860)	(270,635)	(553,431)	(824,066)	(415,201)	(1,454,127)

Notes to the Consolidated Financial Statements (continued)

14 Changes in liabilities from financing activities (continued)

	Interest bearing loans and borrowings £000s	Loans due to related parties £000s	Total current other interest bearing loans and borrowings £000s	Interest bearing loans and borrowings £000s	Loans due to related parties £000s	Total non- current other interest bearing loans and borrowings £000s	Lease liabilities £000s	Total £000s
Balance at 27 February 2022	(12,832)	(202,028)	(214,860)	(270,635)	(553,431)	(824,066)	(415,201)	(1,454,127)
<i>Changes from financing cash flows</i>								
Repayment from loans and borrowings	15,000	260,659	275,659	-	-	-	-	275,659
Proceeds from long term borrowings	-	(75,000)	(75,000)	(677)	(206,000)	(206,677)	-	(281,677)
Lease payments (principal portion)	-	-	-	-	-	-	46,426	46,426
Interest paid	336	-	336	10,939	-	10,939	28,403	39,678
Total changes from financing cash flows	15,336	185,659	200,995	10,262	(206,000)	(195,738)	74,829	80,086
The effects of changes in foreign exchange	-	-	-	-	-	-	(5,134)	(5,134)
<i>Other changes</i>								
New leases	-	-	-	-	-	-	(15,267)	(15,267)
Lease modifications	-	-	-	-	-	-	(10,489)	(10,489)
Lease disposals	-	-	-	-	-	-	3,395	3,395
Interest expense	(2,312)	(9,510)	(11,822)	(14,089)	(51,431)	(65,520)	(28,403)	(105,745)
Other changes	-	-	-	(190)	43	(147)	502	355
Transfer	(4,000)	-	(4,000)	4,000	-	4,000	-	-
Total other changes	(6,312)	(9,510)	(15,822)	(10,279)	(51,388)	(61,667)	(50,262)	(127,751)
Balance at 26 February 2023	(3,808)	(25,879)	(29,687)	(270,652)	(810,819)	(1,081,471)	(395,768)	(1,506,926)

Notes to the Consolidated Financial Statements (continued)

15 Property, plant and equipment

	Freehold Land and buildings £'000s	Leasehold improvements £'000s	Plant and equipment £'000s	Fixtures & fittings £'000s	Motor vehicles £'000s	Construction in progress £'000s	Total £'000s
Costs 2022							
Balance at 28 February 2021	19,363	479,644	297,193	42,390	334	682	839,606
Additions	-	17,884	18,876	1,565	-	2,752	41,077
Transfers	-	(12,503)	(18,561)	(18)	-	-	(31,082)
Disposals	-	(4,502)	(5,529)	(63)	(106)	-	(10,200)
Effect of movements in foreign exchange	(3)	(396)	(1,077)	(71)	(4)	(16)	(1,567)
Balance at 27 February 2022	19,360	480,127	290,902	43,803	224	3,418	837,834
Costs 2023							
Balance at beginning of current year	19,360	480,127	290,902	43,803	224	3,418	837,834
Additions	-	32,149	28,084	2,828	-	7,927	70,988
Transfers	-	21,837	(4,996)	(16,896)	-	(1,032)	(1,087)
Disposals	-	(17,367)	(14,940)	(16,574)	(61)	(19)	(48,961)
Effect of movements in foreign exchange	-	5,195	6,936	(3,399)	(6)	262	8,988
Balance at 26 February 2023	19,360	521,941	305,986	9,762	157	10,556	867,762

Notes to the Consolidated Financial Statements (continued)

15 Property, plant and equipment (continued)

Accumulated depreciation and impairment 2022

	Freehold Land and buildings £'000s	Leasehold improvements £'000s	Plant and equipment £'000s	Fixtures & fittings £'000s	Motor vehicles £'000s	Construction in progress £'000s	Total £'000s
Balance at 28 February 2021	(2,134)	(292,766)	(185,021)	(23,445)	(312)	-	(503,678)
Depreciation charge in the year	(489)	(28,961)	(29,059)	(4,998)	(23)	-	(63,530)
Impairment losses	-	(889)	-	-	-	-	(889)
Reversal of impairment losses	-	410	452	195	-	-	1,057
Transfers	-	6,488	2,993	-	-	-	9,481
Disposals	-	3,218	4,240	56	106	-	7,620
Effects of movement in foreign exchange	3	318	1,035	286	6	-	1,648
Balance at 27 February 2022	(2,620)	(312,182)	(205,360)	(27,906)	(223)	-	(548,291)

Accumulated depreciation and impairment 2023

Depreciation charge in the year	(481)	(32,115)	(26,414)	(1,935)	(3)	-	(60,948)
Impairment losses	-	(2,016)	134	25	-	-	(1,857)
Reversal of impairment losses	-	-	-	-	-	-	-
Transfers	-	(15,281)	5,476	9,804	1	-	-
Disposals	-	16,365	14,465	16,474	61	-	47,365
Effects of movement in foreign exchange	(1)	2,561	(2,091)	(5,889)	26	-	(5,394)
Balance at 26 February 2023	(3,102)	(342,668)	(213,790)	(9,427)	(138)	-	(569,125)

Opening carrying value at beginning of prior period	17,229	186,878	112,172	18,945	22	682	335,928
Opening carrying value at beginning of current period	16,740	167,945	85,542	15,897	1	3,418	289,543
Closing carrying value at end of current period	16,258	179,273	92,196	335	19	10,556	298,637

Notes to the Consolidated Financial Statements (continued)

15 Property, plant and equipment (continued)

Additions during the current period include £38k (2022: £257k) additions as a result of business combinations described in note 17.

Impairment tests were performed at a restaurant level, which are assessed to be CGUs, due to facts and circumstances applicable to certain restaurants following a review for impairment triggers across the estate in each market. Most outcomes were binary with either no impairment arising or with the carrying value of the assets being impaired in full, with little judgement or estimation uncertainty being involved. Restaurants that were previously impaired were reviewed again and where the performance had significantly improved, and in exceptional cases, these impairments were reversed. Impairment losses of £1,857k (2022: £889k) relate to individual restaurant CGUs which are considered fully impaired. The recoverable amount for each impairment review is based on a value in use calculation and a summary of the key assumptions used in the VIU calculation are given in Note 16.1. The expense has been included in administrative expenses.

During the year property, plant and equipment with a carrying value of £1,087k were transferred to intangible assets. This transfer relates to software assets and has been reclassified due to better meeting the definition of intangible assets. During the prior year, plant and equipment with a carrying value of £21,601k were transferred to intangible assets. This prior year transfer related to software assets and was reclassified due to better meeting the definition of intangible assets.

Further assets were transferred between the categories of property, plant and equipment during the period in order to better meet the definitions of the asset categories.

16 Intangible assets		2023	2022
		£'000s	£'000s
<i>Intangible assets is made up of the following:</i>	<i>Note</i>		
Goodwill	16.1	288,721	285,926
Other intangible assets	16.2	309,100	338,860
		<u>597,821</u>	<u>624,786</u>

Notes to the Consolidated Financial Statements (continued)

16.1 Goodwill

	Total £'000s
Cost	
Balance at 28 February 2021	415,305
Additions	30
Effects of movement in foreign exchange	1,146
Balance at 27 February 2022	<u>416,481</u>
Cost	
Balance beginning of current year	416,481
Additions	29
Transfers	57
Effects of movement in foreign exchange	3,052
Balance at 26 February 2023	<u>419,619</u>
Accumulated impairment	
Balance at 28 February 2021	(130,108)
Impairment losses	-
Effects of movement in foreign exchange	(447)
Balance at 27 February 2022	<u>(130,555)</u>
Impairment losses	(355)
Effects of movement in foreign exchange	12
Balance at 26 February 2023	<u>(130,898)</u>
Opening carrying value at beginning of prior period	285,197
Opening carrying value at beginning of current period	285,926
Closing carrying value at end of current period	<u>288,721</u>

Goodwill has increased from £285.9m to £288.7m. This movement is largely as a result of movements in foreign currencies of £3.1m.

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

	2023 £'000s	2022 £'000s
United Kingdom and Ireland	259,003	259,003
North America	326	250
Australia and New Zealand	20,439	17,459
Other	8,953	9,214
	<u>288,721</u>	<u>285,926</u>

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

The assessment of value in use has been based on cash flow forecasts as derived from forecast EBITDA in the Group strategic plan which have then been extrapolated and adjusted for forecast capital expenditure and tax. For certain markets these cashflow are risk adjusted for the possibility of deviations from forecast. The forecasts are for 3 years starting from the end of the current financial year, which have been extrapolated to years 4 and 5 for modelling purposes. A number of assumptions have been utilised in calculating these cash flows, including sales growth projections, budgeted gross margins, direct and indirect cost growth rates, expected capital expenditure levels and expected expenditure to reach the Group's climate related targets. 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.

Notes to the Consolidated Financial Statements (continued)

Similarly, where current costs exclusively relate to the future openings of new restaurants, these have been excluded from the value in use calculation. Goodwill is allocated to, and tested for impairment at, the market level as this is the level at which the performance of the goodwill is monitored for management reporting purposes. The disclosures provided have been aggregated to the region in which the market resides in line with the way the Group results are considered.

After applying these assumptions, the five-year post-tax cash flows have been discounted using post-tax discount rates derived using the Capital Asset Pricing Model: the Weighted Average Cost of Capital adjusted for risks specific to the business. The terminal value is based on the discounted fifth year forecast cash flows taking into account expectations of growth thereafter. The discount rate has been provided by a third-party valuation specialist and reflects current market assessments of the time value of money and the risks specific to the asset in question. Long-term growth rates have been provided by a third-party valuation specialist and are considered appropriate based on management's knowledge of expected long-term economic conditions in markets.

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 – 2023	2.8%	1.6 – 2.1%	2.3 – 3.5%	1.7 – 4.5%
Long-term growth rate - 2022	2.0%	2.0 – 2.2%	2.2%	1.5 – 4.7%
Discount rates (post tax) - 2023	8.5%	11.1 – 11.4%	10.1 – 11.5%	10.0 – 15.5%
Discount rates (post tax) - 2022	9.1%	10.8 – 11.0%	9.0 – 9.2%	8.7 – 13.1%

As a result of the impairment review, the Group has recognised smaller impairment charges arising on reacquired franchisee restaurants that have subsequently been closed. Management have performed a full impairment assessment on remaining goodwill balances held by the group with no further impairment required to be recognised. Management have based their assumptions on past experience and external sources of information, such as industry sector reports and market expectations.

The results of the impairment review show that there is headroom for all these regions and therefore management are comfortable with the outcome of the impairment review.

Sensitivity analysis

As part of the impairment review, management considered reasonably possible changes in key assumptions. Sensitivity analysis has been performed on each of three of the key assumptions with the other variables held constant. The Directors consider that for each market a reasonably possible change would be an increase of 2.0% in the discount rate, a 1.0% decrease in the long term growth rate or a decrease of 5% in the discounted cash flows throughout the forecast period and into perpetuity for mature markets, and absolute decreases for less established markets. Such a change does not result in material impairment charges arising in any of the markets.

The assumptions are considered to be realistic but it is possible that impairment would arise in markets if the any of the sensitivities were changed significantly beyond these amounts. However, such a significant change is beyond what management consider plausible, and no reasonably possible change in assumptions would give rise to a material impairment.

Notes to the Consolidated Financial Statements (continued)

16.2 Other intangible assets

	Intellectual property patents and trademarks	Reacquired rights	Development costs	Software	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Cost 2022					
Balance beginning of previous year	482,335	11,100	1,373	812	495,620
Additions	-	-	544	13,264	13,808
Transfers	-	-	-	31,082	31,082
Disposals	(357)	-	(18)	(7)	(382)
Effects of movement in foreign exchange	(119)	(289)	1	19	(388)
Balance at end of previous year	481,859	10,811	1,900	45,170	539,740
Cost 2023					
Balance beginning of current year	481,859	10,811	1,900	45,170	539,740
Additions	50	51	58	7,022	7,181
Transfers	-	-	-	1,087	1,087
Disposals	-	(314)	-	(303)	(617)
Effects of movement in foreign exchange	89	2,207	-	135	2,431
Balance at end of current year	481,998	12,755	1,958	53,111	549,822
Accumulated Amortisation and impairment 2022					
Balance beginning of previous year	(145,068)	(8,747)	(535)	(365)	(154,715)
Amortisation charge in the year	(24,331)	(961)	(560)	(11,801)	(37,653)
Transfers	-	-	-	(9,481)	(9,481)
Impairment losses	(65)	-	-	-	(65)
Disposals	357	-	7	-	364
Effects of movement in foreign exchange	805	(125)	-	(10)	670
Balance at end of previous year	(168,302)	(9,833)	(1,088)	(21,657)	(200,880)
Accumulated Amortisation and impairment 2023					
Amortisation charge in the year	(24,069)	(481)	(397)	(13,128)	(38,075)
Impairment losses	-	-	-	-	-
Disposals	-	224	-	303	527
Effects of movement in foreign exchange	(394)	(1,803)	1	(98)	(2,294)
Balance at end of current year	(192,765)	(11,893)	(1,484)	(34,580)	(240,722)
Opening carrying value at beginning of prior period	337,267	2,353	838	447	340,905
Opening carrying value at beginning of current period	313,557	978	812	23,513	338,860
Closing carrying value at end of current period	289,233	862	474	18,531	309,100

Additions during the current period include £51k (2022: £nil) additions as a result of business combinations described in note 17.

During the year property, plant and equipment with a carrying value of £1.087k (2022: £21.601k) were transferred to intangible assets. This transfer relates to software assets and has been reclassified due to better meeting the definition of intangible assets.

Amortisation and impairment charges have been included in administrative expenses within the income statement.

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 12 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. As part of the goodwill impairment testing, the IP has been allocated to a group of CGUs and no impairments were proposed as a result of the testing. The carrying value of the IP at year end was £289.2m (2022: £313.6m) and the amortisation charge for the period was £24.1m (2022: £24.3m).

Notes to the Consolidated Financial Statements (continued)

17 Business Combinations

The Group accounted for various business combinations, as a result of acquiring 3 franchise restaurants during the period. The acquisitions reflect management's continued intent to strengthen the management of the Nando's brand and further development of the business.

The acquisition of 3 franchised restaurants in Australia took place at various dates during the period for the total consideration of £119k, acquiring net identifiable assets of £90k resulting in goodwill of £29k 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 following are the results of the acquirees since the acquisition date included in the consolidated statement of comprehensive income for the reporting period:

	2023
	£'000s
Revenue	1,576
Restaurant operating profit	113

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

In the prior year the Group acquired 3 franchised restaurants in Australia at various dates during the period for the total consideration of £125k, acquiring net identifiable assets of £95k resulting in goodwill of £30k being recognised.

Fair value on acquisition	2023	2022
	£'000s	£'000s
(a) Consideration transferred		
Cash	119	125
Cash purchase adjustments and transfer fees	-	-
Total cash consideration	119	125
Fair value of original investment	-	-
Total consideration	119	125
(b) Assets acquired and liabilities assumed at date of acquisition		
Cash and cash equivalents	-	-
Trade receivables	1	-
Property, plant and equipment	38	257
Intangible assets - reacquired rights	51	-
Bank overdraft	-	(162)
Net identifiable assets and liabilities	90	95
(c) Net cash outflow on acquisition of business		
Consideration in cash	119	125
Less: Cash and cash equivalents acquired (net of overdrafts)	-	162
	119	287
(d) Goodwill relating to the acquisition of businesses		
Cash	119	125
	119	125
Comprised of:		
Net identifiable tangible assets	39	95
Intangible assets - reacquired rights	51	-
Intangible assets - Goodwill	29	30
	119	125

Notes to the Consolidated Financial Statements (continued)

18 Leases

18.1 Lease as a lessee

(i) Amounts recognised in the balance sheet:

Right of use asset	Property £'000s
<i>Right of use assets is made up of the following:</i>	
Balance at 28 February 2021	377,642
Additions to right of use assets during FY22	9,911
Modifications to right of use assets during FY22	9,529
Disposals to right of use assets during FY22	(1,295)
Impairment of right of use assets during FY22	(2,867)
Depreciation charge for prior year	(48,827)
Effects of movement in foreign exchange	(710)
Balance at 27 February 2022	<u>343,383</u>
Additions to right of use assets during FY23	14,461
Modifications to right of use assets during FY23	10,489
Disposals to right of use assets during FY23	(3,164)
Impairment of right of use assets during FY23	(937)
Depreciation charge for the year	(49,314)
Effects of movement in foreign exchange	3,265
Balance at 26 February 2023	<u><u>318,183</u></u>

Lease Liability

Maturity analysis - contractual undiscounted cash flows	2023 £'000s	2022 £'000s
Less than one year	71,390	71,909
One to five year	236,069	241,813
More than five years	240,020	264,599
Total undiscounted lease liabilities	<u>547,479</u>	<u>578,321</u>

Total Lease Liability	(395,768)	(415,201)
of which:		
Current Lease Liability	(47,157)	(50,455)
Non-Current Lease Liability	(348,611)	(364,746)

Lease Liability	2023 £'000s	2022 £'000s
Opening Total Lease Liability	(415,201)	(436,284)
Additions to Lease Liability	(15,267)	(8,551)
Modifications of Lease Liability	(9,987)	(15,457)
Lease Disposals	3,395	2,327
Interest Expense	(28,403)	(28,970)
Covid-19 related rent concessions	-	2,226
Rental Payments	74,829	68,685
Effects of movement in foreign exchange	(5,134)	823
Closing Total Lease Liability	<u>(395,768)</u>	<u>(415,201)</u>

Notes to the Consolidated Financial Statements (continued)

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

	2023	2022
	£'000s	£'000s
Depreciation charge of right of use assets		
Depreciation charge for the year	(49,314)	(48,827)
Other charges recognised due to leases		
Interest expense (included in finance cost)	(28,403)	(28,970)
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	(2,347)	(229)

The total cash outflow for leases in FY23 was £74.8m (2022: £68.7m).

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

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

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

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

Impairment tests were performed on ROU assets due to facts and circumstances applicable to certain restaurants following a review for impairment triggers across the estate in each market. ROU asset impairment losses of £937k (2022: £2,867k) relate to individual restaurant CGUs which are considered fully or partially impaired. The recoverable amount for each impairment review is based on a value in use calculation and a summary of the key assumptions used in the VIU calculation are given in Note 16.1. The expense has been included in administrative expenses within the statement of comprehensive income.

(iv) Variable lease payments

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

A 10% increase in sales across all stores in the group with such variable lease contracts would increase total lease payments by approximately £1.2m.

(v) Extension and termination options

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

Notes to the Consolidated Financial Statements (continued)

18.2 Leases as a lessor

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

(i) Amounts recognised in the balance sheet:

Net investment in the leases	2023 £'000s	2022 £'000s
<u>Maturity analysis - contractual undiscounted cash flows</u>		
Less than one year	1,414	1,877
One to five year	3,839	4,704
More than five years	831	1,428
Total undiscounted lease payments to be received at year end	<u>6,084</u>	<u>8,009</u>
Total Net investment in the leases	4,880	5,977
of which:		
Current net investment in the leases	1,055	1,387
Non-Current net investment in the leases	3,825	4,590

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

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

	2023 £'000s	2022 £'000s
Interest income on lease receivables	481	769

19 Investment in Subsidiaries

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

Subsidiary undertaking	Registered Address	Ownership		Country of Incorporation	Class of Shares Held	Principal activity
		2023	2022			
Nando's Group Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Holding company
Nando's Finance Limited ¹	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Holding company
Nando's Chickenland Limited ²	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99.7%	99.7%	UK	Ordinary	Casual Dining Restaurants
Nando's Chicken Limited ³	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99.7%	99.7%	UK	Ordinary	Holding company for lease
Vicar Lane Bradford Limited ³	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99.7%	99.7%	UK	Ordinary	Holding company for lease
Broomco Chando's Limited ³	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99.7%	99.7%	UK	Ordinary	Holding company for lease
Broomco (4061) Limited ³	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99.7%	99.7%	UK	Ordinary	Holding company

Notes to the Consolidated Financial Statements (continued)

Subsidiary undertaking	Registered Address	Ownership		Country of Incorporation	Class of Shares Held	Principal activity
		2023	2022			
Nando's Chickenland Ireland Limited ³	2nd Floor, 11/12 Warrington Place, Dublin 2	99.7%	99.7%	Republic of Ireland	Ordinary	Casual Dining Restaurants
Nando's Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Management, IP company & Franchisor
Nando's Brand JVCo Limited ⁴	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Management company
Nando's Restaurant Group Holdings Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Holding company
Nando's Restaurants Group Inc ⁵	819 7th Street, Washington, DC 20001	100%	100%	USA	Ordinary	Casual Dining Restaurants
Nando's Australia Pty Limited	40 Mollison Street, Abbotsford, 3067	100%	100%	Australia	Ordinary	Casual Dining Restaurants
Nando's Chickenland Canada Inc	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	100%	Canada	Ordinary	Holding company
Nando's Canada Corporate Inc ⁶	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	-	Canada	Ordinary	Management company
Nando's Canada Franchising Limited ⁶	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	-	Canada	Ordinary	Casual Dining Restaurants
Nando's PERI PERI Canada Inc ⁶	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	-	100%	Canada	Ordinary	Casual Dining Restaurants
1251671 B.C. Ltd ⁶	Suite 2100, Scotia Plaza 40 King St. West Toronto, Ontario, Canada	-	100%	Canada	Ordinary	Management company
Nando's Chickenland West Limited ⁶	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	-	100%	Canada	Ordinary	Casual Dining Restaurants
Nando's Services (Pty) Limited	10A Victoria Road, Lorentzville, Johannesburg, 2094	100%	100%	South Africa	Ordinary	Management company
Nando's New Zealand Limited	Franchise Accountants, 2g Amera Place, Huntington Park, Auckland, 2013, New Zealand	100%	100%	New Zealand	Ordinary	Casual Dining Restaurants
Nando's New Zealand Restaurants Limited ⁷	Franchise Accountants, 2g Amera Place, Huntington Park, Auckland, 2013, New Zealand	100%	100%	New Zealand	Ordinary	Casual Dining Restaurants
Nando's Sub Continent Holdings Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Holding company
Nando's Karnataka Restaurants Private Limited ⁸	G9/10, Ascendas Park Square Mall, ITPL, Whitefield, Bangalore-560066, Karnataka	100%	100%	India	Ordinary	Casual Dining Restaurants
Janpath Restaurants Private Limited ⁸	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

Notes to the Consolidated Financial Statements (continued)

Subsidiary undertaking	Registered Address	Ownership		Country of Incorporation	Class of Shares Held	Principal activity
		2023	2022			
Nando's Services Limited ⁹	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 ¹⁰	819 7th Street Nw Floor 2 Washington, DC 20001	100%	100%	UK	Ordinary	Retail food products
Nando's Peri Peri Australia (Pty) Ltd ¹⁰	40 Mollison Street, Abbotsford VIC 3067 Australia	100%	100%	UK	Ordinary	Retail food products

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

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

3 - 100% owned by a 99.7% (2022: 99.7%) owned subsidiary, Nando's Chickenland Limited

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

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

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

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

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

9 - Owned by a subsidiary, Nando's Limited.

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

The following subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 26 February 2023.

Subsidiary undertaking	Company number	Registered address
Nando's Chicken Limited	00166821	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD
Vicar Lane Bradford Limited	04505426	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD
Nando's Group Limited	06530077	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD
Nando's Brand JVCo Limited	09392876	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD
Nando's Restaurant Group Holdings Limited	09389199	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD
Broomco Chandos Limited	06036167	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD
Broomco (4061) Limited	06011406	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD
Nando's Sub Continent Holdings Limited	06011406	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD

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

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

Notes to the Consolidated Financial Statements (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	
	2023	2022	2023 £'000s	2022 £'000s	2023 £'000s	2022 £'000s
Nando's Chickenland Limited	0.3%	0.3%	48	7	1,269	1,221
			48	7	1,269	1,221

Summarised Financial Information

	Nando's Chickenland	
	2023 £'000s	2022 £'000s
Revenue	928,895	780,279
Profit after tax	23,420	965
Current assets	87,896	62,945
Current liabilities	(459,798)	(468,528)
Non-current liabilities	(293,379)	(298,136)

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.

20 Investments accounted for using the equity method

Subsidiary undertaking	Registered Address	Ownership		Country of Incorporation	Class of Shares Held	Principal activity
		2023	2022			
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 have a different period end of 31 December to the Group due to local compliance reasons. There are no restrictions on the ability of associates or joint ventures to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the entity. The debt of Nando's Chickenland Malaysia has been guaranteed by Nando's Group Holdings Limited. The Group's interests in equity accounted for investments are analysed as follows:

Investments

	Share of profit/(loss) of equity-accounted investees, net of tax	
	2023 £'000s	2022 £'000s
Nando's Chickenland Malaysia SDN.BHD	(225)	(1,617)
Nando's Singapore PTE. Limited	(240)	(138)
	(465)	(1,755)

Notes to the Consolidated Financial Statements (continued)

	Nando's Chickenland Malaysia SDN.BHD	Nando's Singapore PTE. Limited	Total
	£'000s	£'000s	£'000s
Carrying value of investment in Joint Ventures and Associates			
Group investment as at 28 February 2021	9,991	2,095	12,086
2022 Share of loss of equity-accounted investees, net of tax	(1,617)	(138)	(1,755)
Group investment as at 27 February 2022	8,374	1,957	10,331
Movement for the 2023 year			
2023 Share of loss of equity-accounted investees, net of tax	(225)	(240)	(465)
Group investment as at 26 February 2023	8,149	1,717	9,866

Investments are accounted for using the equity accounting method. The losses in the year were indicators of impairment therefore the investment carrying values were measured against the higher of the value in use and the fair value.

The assessment of value in use has been based on cash flow forecasts as derived from forecast EBITDA in the Group strategic plan which have then been extrapolated and adjusted for forecast capital expenditure and tax. For certain markets these cashflow are risk adjusted for the possibility of deviations from forecasts. The forecasts are for 3 years starting from the end of the current financial year, which have been extrapolated to years 4 and 5 for modelling purposes. A number of assumptions have been utilised in calculating these cash flows, including sales growth projections, budgeted gross margins, direct and indirect cost growth rates and expected capital expenditure levels. In line with IFRS requirements, capital and non capital expenditure relating to maintaining the assets in their current condition has been included whereas forecast capex for enhancing assets and new restaurant openings has been excluded along with the incremental cash flows that such enhancements would be expected to generate. Similarly, where current costs exclusively relate to the future openings of new restaurants, these have been excluded from the value in use calculation. After applying these assumptions, the five-year post-tax cash flows have been discounted using post-tax discount rates derived using the Capital Asset Pricing Model: the Weighted Average Cost of Capital adjusted for risks specific to the business. The terminal value is based on the discounted fifth year forecast cash flows taking into account expectations of growth thereafter.

The impairment review did not indicate an impairment in either investment value. In the prior year the impairment review did not indicate an impairment in either investment value. Management have based their assumptions on past experience and external sources of information, such as industry sector reports and market expectations.

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

	Malaysia (2023)	Malaysia (2022)	Singapore (2023)	Singapore (2022)
Long-term growth rate	2.7%	2.2%	1.7%	1.4%
WACC Discount rates (post tax)	12.4%	10.5%	10.0%	8.7%

Summarised Financial Information

	Nando's Chickenland Malaysia SDN.BHD	Nando's Singapore PTE. Limited		
	2023	2022	2023	2022
	£'000s	£'000s	£'000s	£'000s
Revenue	36,959	22,729	8,700	6,187
Depreciation and amortisation	(2,079)	(2,002)	(2,224)	(2,043)
Interest expense	(236)	(235)	(196)	(117)
Income tax	(117)	338	-	(41)
Profit/(loss) after tax	(459)	(3,301)	(489)	(281)
Other comprehensive income	-	-	-	-
Total comprehensive income / (expense)	(459)	(3,301)	(489)	(281)
Non-current assets	9,252	9,726	6,146	3,489
Current assets (less cash)	2,074	1,667	1,322	1,048
Cash and cash equivalents	1,219	1,942	367	482
Current liabilities	10,624	(10,144)	(3,289)	(2,961)
Non-current liabilities	2,156	(2,976)	(3,727)	(882)

Notes to the Consolidated Financial Statements (continued)

21 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Property, plant and equipment	-	-	(10,570)	(5,508)	(10,570)	(5,508)
Intangible assets	-	-	-	-	-	-
Tax value of loss carry-forwards	2,597	3,196	-	-	2,597	3,196
Other short term timing differences	10,891	6,538	-	-	10,891	6,538
Tax assets/(liabilities)	13,488	9,734	(10,570)	(5,508)	2,918	4,226

Movement in deferred tax

	Property, Plant & Equipment	Intangible Assets	Unused tax losses	Other short term timing	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 28 February 2021	(2,792)	180	3,196	4,908	5,492
Charged to income	(2,594)	(180)	-	1,587	(1,187)
Foreign Exchange translation difference	(122)	-	-	43	(79)
Balance at 27 February 2022	(5,508)	-	3,196	6,538	4,226
Charged to income	(5,049)	-	(599)	4,599	(1,049)
Included in disposal group	-	-	-	-	-
Foreign Exchange translation difference	(13)	-	-	(246)	(259)
Balance at 26 February 2023	(10,570)	-	2,597	10,891	2,918

As at 26 February 2023, the Group has an unrecognized deferred tax asset of £99,303k (2022: £79,558k) relating to carried forward losses. The unrecognized deferred tax asset disclosed relates to unused tax losses of £377,463k (2022: £286,844k). Such losses are appraised at each reporting date based upon 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 focuses on the short term forecasts given the risk associated with the longer term plans. Accordingly, these deferred tax assets remain unrecognized. In the US and Canada, after 20 years any remaining losses expire and could no longer be used to reduce taxable income.

The Group also has £53,527k (2022: £48,432k) of unrecognized deferred tax assets relating to other deductible timing differences.

A tax increase to 25% (effective from 1 April 2023) was announced in the Budget on 3 March 2021. This increase resulted in an increase in the deferred tax asset recognised at 26 February 2023.

Global minimum tax

To address concerns about uneven profit distribution and tax contributions of large multinational corporations, various agreements have been reached at the global level, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15%. In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework, followed by detailed guidance released in March 2022, that is expected to be used by individual jurisdictions that signed the agreement to amend their local tax laws. Once changes to the tax laws in any jurisdiction in which the Group operations are enacted or substantively enacted, the Group may be subject to the top-up tax. At the date when the financial statements were authorised for issue, the UK had substantively enacted the Global Minimum Tax rules. The Group may be potentially subject to the top-up tax because it has a subsidiary in Ireland where the statutory tax rate is 12.5%. Management is closely monitoring the progress of the legislative process in each jurisdiction the Group operations in. At 26 February 2023, the Group did not have sufficient information to determine the potential quantitative impact but it is not expected to be a material financial impact although additional reporting will be required.

Notes to the Consolidated Financial Statements (continued)

22 Inventories

	2023	2022
	£'000s	£'000s
Raw materials and consumables	5,702	5,152
Finished goods	5,517	4,124
	<u>11,219</u>	<u>9,276</u>

Raw materials, consumables and changes in finished goods recognised as cost of sales in the period amounted to £331,911k (2022: £255,680k). There were no material charges or credits from either the write-down of inventories to net realisable value nor from reversals. Any such amounts are included in Cost of Sales. All of the inventory is expected to be recoverable within 12 months.

23 Trade and other receivables

	2023	2022
	£'000s	£'000s
Current		
Trade receivables due from related parties	9,406	4,480
Trade receivables due from third parties	16,404	11,887
Other receivables	6,552	12,833
Prepayments	9,137	7,523
Total current	<u>41,499</u>	<u>36,723</u>
Non-Current		
Other trade receivables due from third parties	1,760	1,631
Other receivables	4,724	5,386
Prepayments	-	-
Total non-current	<u>6,484</u>	<u>7,017</u>

Included within Current and Non-Current other receivables are amounts related to sub-leases (see note 18) and receivables due from delivery partners. Related party details are provided in note 32.

24 Cash and cash equivalents

	2023	2022
	£'000s	£'000s
Cash and cash equivalents	130,898	110,938

Notes to the Consolidated Financial Statements (continued)

25 Other interest bearing loans and borrowings

	2023	2022
	£'000s	£'000s
Non-current liabilities		
Secured bank loans	(270,641)	(268,437)
Other loans	(11)	(2,198)
<i>Total other interest bearing loans and borrowings</i>	<i>(270,652)</i>	<i>(270,635)</i>
Loans due to related parties	(810,819)	(553,432)
Total other interest bearing loans and borrowings	(1,081,471)	(824,067)
Current liabilities		
Current portion of secured bank loans	(1,525)	(12,826)
Other loans	(2,283)	(6)
Loans due to related parties	(25,879)	(202,028)
Total other interest bearing loans and borrowings	(29,687)	(214,860)
Total liabilities		
Secured bank loans	(272,166)	(281,263)
Other loans	(2,294)	(2,204)
Loans due to related parties	(836,698)	(755,459)
	(1,111,158)	(1,038,926)

Secured bank loans

The bank loans relates to Nando's Finance Limited.

Bank loans: Nando's Finance Limited Term Loan and Revolving facility

On 14 February 2023 the Group entered into a new £285m term loan and revolving credit facility, comprised of a £50m term loan and a £235m revolving facility. This facility has a five-year term with options to extend up to seven years and bears interest at SONIA plus a margin between 2.00% and 3.25%. There was £275m outstanding at the year-end, with £10m undrawn from the revolving facility. The facility is a sustainability-linked loan, with an element of the margin dependent on a number of ESG related KPIs, and includes a covenant in relation to financial leverage calculated as a ratio of the UK & Ireland market EBITDA and net debt. The new facility was assessed to be substantially different from the original facility under the '10 per cent' test detailed in section 2.4.2 of the accounting policies. The new facility was therefore accounted for as a substantial modification.

This facility replaced the existing £500m Term Loan A, B and Revolving facility that was in place at 27 February 2022. This facility bore interest at SONIA plus a margin between 1.5% and 2.75% and included a covenant in relation to financial leverage. There was £300m outstanding at the prior year-end. The new facility was assessed to be a substantial modification of the original agreement, with the existing financial liability extinguished and a new financial liability recognised. The extinguishment of the previous facility resulted in a finance expense of £2.6m.

Included in bank loans are unamortised debt costs of £2.8m in relation to the new facility (2022: £1.1m, previous facility). The full cost in the year of amortised debt costs is included within interest expense in Note 12.

Other loans

Bank loan – Australia

Nando's Australia Pty Ltd had a fixed term bank facility was available until May 2023. Post year end, this loan was extended to July 2024 and bears interest at the Bank Bill Swap Bid Rate (BBSY).

Loans due to related parties (Group)

Yellowwoods Holdings SARL Deep Discounted Bonds (DDB) continue to be available to the Group, the effective interest payable at the time of maturity of the DDB's have effective interest rates between 3.5% and 8.5%, are unsecured and mature on various dates ranging from May 2024 - May 2027.

Notes to the Consolidated Financial Statements (continued)

Group interest bearing loans and borrowings

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

	Currency	Nominal interest rate	Date of maturity	Face value 2023 £'000s	Carrying amount 2023 £'000s	Face value 2022 £'000s	Carrying amount 2022 £'000s
Secured loan							
Bank loan - term loan A	GBP	SONIA +margin	Aug-23	-	-	35,000	34,540
Bank loan - term loan B	GBP	SONIA +margin	Aug-24	-	-	250,000	246,723
Bank loan - term loan	GBP	SONIA +margin	Feb-28	50,000	49,525	-	-
Bank loan - revolving facility	GBP	SONIA +margin	Feb-28	235,000	222,641	-	-
Related party loans							
Yellowwoods Treasury 2 SARL	GBP	8.50%	May-26	51,000	96,672	51,000	89,016
Yellowwoods Treasury 2 SARL	GBP	8.35%	May-25	104,250	195,476	104,250	180,493
Yellowwoods Treasury 2 SARL	GBP	8.25%	May-24	93,250	173,215	93,250	160,047
Yellowwoods Treasury 2 SARL	GBP	8.00%	May-22	-	-	120,000	202,028
Yellowwoods Treasury 2 SARL	GBP	8.25%	Nov-24	46,618	82,806	46,618	76,634
Yellowwoods Treasury 2 SARL	GBP	8.50%	May-27	26,000	45,391	26,000	41,845
Yellowwoods Treasury 2 SARL	GBP	7.00%	May-26	206,000	217,259	-	-
Yellowwoods Treasury 2 SARL	GBP	7.00%	Jan-24	20,000	20,243	-	-
Yellowwoods Treasury 2 SARL	AUD	BBSY + 3.5%	May-23	5,636	5,636	5,396	5,396
Other loans							
Bank loan - Australia	AUD	BBSY	May-23	2,277	2,277	2,180	2,180
Other loans				17	17	24	24
				840,048	1,111,158	733,718	1,038,926

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 29.

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

Subsequent to year-end, there was a variation of the DDB with a carrying amount of £173.2m as at 26 February 2023. This variation extended the maturity date to November 2029 from an original maturity date of May 2024. The nominal interest rate of the DDB was also increased from 8.25% to 10.0% to reflect current market pricing.

Subsequent to year-end, the Group also made a full and early repayment of the DDB with a maturity date of November 2024 and a carrying amount of £82.8m as at 26 February 2023.

Notes to the Consolidated Financial Statements (continued)

26 Trade and other payables

	2023	2022
	£'000s	£'000s
Current		
Trade payables due to third parties	(69,426)	(70,713)
Trade payables due to related parties	(1,572)	(981)
Contract liability	(20,694)	(20,125)
Other taxation and social security	(42,219)	(23,448)
Accruals and other payables	(98,316)	(103,743)
	<u>(232,227)</u>	<u>(219,010)</u>
Non-current		
Accruals and other payables	(2,602)	(1,866)
	<u>(234,829)</u>	<u>(220,876)</u>

Included within accruals and other payables is £2,602k (2021: £1,866k) for the Group which is expected to be settled in more than 12 months. Related party details are provided in note 32.

27 Share based payments

2022 Group Partnership Scheme

The Group formed a new employee share scheme in the year ending 27 February 2022 designed to give employees of the Company the opportunity to benefit from the potential future successes of the Group.

Under the employee share scheme the employees hold the shares immediately on award. The holders of the shares are not entitled dividends or voting rights, and may not transfer, charge or otherwise dispose of their shares without consent of the Group. The shares granted to employees under the scheme shall vest under company value and performance related criteria; if they do not vest, then they are returned to the Group.

As the shares are not publicly traded and therefore cannot be easily realised, a separate arrangement has been put into place between the employees and L Perlman SECS, the immediate parent of the Group, which will acquire the shares after vesting under a put and call. The acquisition of the shares by L Perlman SECS will be settled in cash. This transaction is accounted for as an equity settled shared-based payment transaction as outlined in note 1.

Shares in issue to the employees of Nando's Group Holdings Limited's subsidiaries relating to the 2022 Group Partnership Scheme:

	2023	2022
	Shares	£'000s
Shares at beginning of the period	90,486	-
B1 shares issued during the period	-	19,066
B2 shares issued during the period	-	45,583
B3 shares issued during the period	-	25,837
Redeemed during the period	-	-
Outstanding shares at end of the period	<u>90,486</u>	<u>90,486</u>

Notes to the Consolidated Financial Statements (continued)

Measurement of fair values

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

	Grant Date 30 June 2021
Fair value (£)	16.94
Share price (£)	1.72
Contractual life of options	3.6 - 10.6 years
Expected average exercise date	6.7 years
Risk free rate	0.46%
Expected volatility	22%

Expense recognised in profit and loss in relation to 2022 Group Partnership Scheme

	2023 £'000s	2022 £'000s
Share-based payment expense	130	87

28 Provisions

	Asset Retirement Obligation £'000s	Other £'000s	Total £'000s
Balance at 28 February 2021	(4,453)	(1,855)	(6,308)
Provisions made during the year	(370)	(974)	(1,344)
Utilised during the period	345	227	572
Provisions reversed during the year	-	146	146
Unwinding of discounted amount	(122)	-	(122)
Effects of movement in foreign exchange	(20)	148	128
Balance at 27 February 2022	(4,620)	(2,308)	(6,928)
Provisions made during the year	(221)	(1,914)	(2,135)
Utilised during the period	123	1,947	2,070
Provisions reversed during the year	-	58	58
Unwinding of discounted amount	(88)	-	(88)
Effects of movement in foreign exchange	(190)	178	(12)
Balance at 26 February 2023	(4,996)	(2,039)	(7,035)
2022			
Non-current provisions	(4,498)	(164)	(4,662)
Current provisions	(122)	(2,144)	(2,266)
	(4,620)	(2,308)	(6,928)
2023			
Non-current provisions	(4,908)	(578)	(5,486)
Current provisions	(88)	(1,461)	(1,549)
	(4,996)	(2,039)	(7,035)

Asset retirement obligation

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

Other provisions

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

Notes to the Consolidated Financial Statements (continued)

29 Financial risk management

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

Credit risk

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

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

The Group's maximum exposure to credit risk totals £29.4m (2022: £31.7m) from third party debt and £9.4m (2022: £4.5m) from related party debt. £12.6m (2022: £6.0m) of total debt is overdue by more than 30 days and having considered the historical payment behaviour and customer credit risk, £0.6m (2022: £0.8m) has been provided as the expected loss allowance.

Outstanding trade receivables are regularly reviewed to monitor any changes in credit risk with concentrations of credit risk considered to be limited given that the Group's customer base is large and unrelated.

The Group applies the simplified approach and records lifetime expected credit losses for trade receivables using historical cash collection data for periods of at least 36 months wherever possible and grouped into various customer segments based on product or customer type. The historical loss rates are adjusted where macroeconomic factors, for example changes in interest rates or unemployment rates, or other commercial factors are expected to have a significant impact when determining future expected credit loss rates.

For trade receivables the expected credit loss provision is calculated using a provision matrix, in which the provision increases as balances age.

A summary of the Group's exposure to credit risk for trade receivables by credit risk rating grade is not presented given the expected credit loss is not material.

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

Expected credit loss of trade receivables	Total £'000s
Balance at 28 February 2021	1,397
Impairment loss recognised	(575)
Balance at 27 February 2022	<u>822</u>
Balance at 27 February 2022	822
Impairment loss reversed	(270)
Balance at 26 February 2023	<u>552</u>

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group maintains sufficient cash reserves. Management review cash flow forecasts on a regular basis to determine whether the Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities. The Group's funding strategy includes use of overdraft facilities, detailed cash flow forecasting and monitoring the maturity of financial liabilities to avoid the risk of a shortage of funds. The Group has access to sufficient funding and banking facilities. The Group had cash of £130.9m (2022: £110.9m) as at the period end.

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 £272.2m (2022: £281.2m) of which £272.2m (2022: £281.2m) relates to the UK Nando's market.

As at the 26 February 2023 the Group has total undrawn facilities of £10m (2022: £105m) available.

Notes to the Consolidated Financial Statements (continued)

The following are the undiscounted contractual maturities of financial liabilities:

Group 2023	Carrying Amount £'000s	Contractual Cash flow £'000s	0 to <1yr £'000s	1 to 2 yrs £'000s	2 to 5 yrs £'000s	Over 5 yrs £'000s
Secured bank loans	(272,166)	(275,000)	(2,000)	(2,000)	(6,000)	(265,000)
Related party loans	(836,698)	(997,106)	(20,244)	(285,475)	(691,387)	-
Trade payables and other payables	(234,829)	(234,829)	(232,227)	(2,602)	-	-
Other Loans	(2,294)	(2,294)	(2,294)	-	-	-
	<u>(1,345,987)</u>	<u>(1,509,229)</u>	<u>(256,765)</u>	<u>(290,077)</u>	<u>(697,387)</u>	<u>(265,000)</u>

Group 2022	Carrying Amount £'000s	Contractual Cash flow £'000s	0 to <1yr £'000s	1 to 2 yrs £'000s	2 to 5 yrs £'000s	Over 5 yrs £'000s
Secured bank loans	(281,263)	(307,840)	(24,997)	(282,843)	-	-
Related party loans	(755,459)	(912,497)	(205,659)	-	(643,056)	(63,782)
Trade payables and other payables	(220,876)	(220,876)	(219,010)	(1,866)	-	-
Other Loans	(2,204)	(2,204)	-	(2,204)	-	-
	<u>(1,259,802)</u>	<u>(1,443,417)</u>	<u>(449,666)</u>	<u>(286,913)</u>	<u>(643,056)</u>	<u>(63,782)</u>

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	2023 £'000s	2022 £'000s
AUD	390	561
USD	(518)	(990)
CAD	3,447	2,995
Other	(366)	(629)
Total	<u>2,953</u>	<u>1,937</u>

Notes to the Consolidated Financial Statements (continued)

Interest rate risk

The Company's exposure to market risk for changes in interest rates is Nil (2022: Nil). The Group's exposure to market risk for changes in interest rates is outlined below, including sensitivity analysis.

The Group has £1,111m (2022: £1,039m) of interest bearing loans and borrowings of which £837m (2022: £755m) is a fixed rate deep discounted bond and has no interest rate sensitivity. The remaining debt is made of various loans and facilities with variable rates (refer note 25).

	£'000s	% of borrowings
Variable rate borrowings	274,460	25%
Other long term borrowings	836,698	75%
	<u>1,111,158</u>	<u>100%</u>

Sensitivity analysis

An increase or (decrease) of 100 basis points in interest rates as at 26 February 2023 would have increased/(decreased) interest paid under this agreement by £2.7m (2022: £3.3m). This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date, being variable rate borrowings only.

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

Capital management

The following table summarises the capital of the Group as at 26 February 2023 (and as at 27 February 2022):

	2023 £'000s	2022 £'000s
Net debt		
Total loans and borrowings	1,111,158	1,038,926
Less cash and cash equivalents	<u>(130,898)</u>	<u>(110,938)</u>
	980,260	927,988
Total equity		
Share capital	280,000	280,000
Share premium	176	176
Foreign currency translation reserve	8,709	4,973
Retained earnings	<u>(621,102)</u>	<u>(531,669)</u>
Non-controlling interest	1,269	1,221
	<u>(330,948)</u>	<u>(245,299)</u>
	<u>649,312</u>	<u>682,689</u>

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

The Group monitors capital using a ratio of 'net debt' to 'total equity'. Net debt is calculated as total loans and borrowings less cash and cash equivalents. Total equity comprises all components of equity. No distinction is made between individual elements of total equity when managing capital as a Group.

Fair values

Fair value 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).

Notes to the Consolidated Financial Statements (continued)

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

30 Capital and reserves

Share capital & Share Premium

	2023 £'000s	2022 £'000s
Issued and fully paid for 77,777,778 (2022: 77,777,778) ordinary shares of £3.60 (2022: £3.60) each	280,000	280,000
90,486 (2022: 90,486) ordinary B shares of £0.001 each (2022: £0.001)	-	-
	<u>280,000</u>	<u>280,000</u>
Reconciliation of the number of shares outstanding		
Opening balance at beginning of current period	77,868	77,778
Disposal of nil ordinary B shares (2022: nil)	-	-
Nil shares issued (2022: 90,486)	-	90
Closing balance at end of current period	<u>77,868</u>	<u>77,868</u>

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

Ordinary B shares are held by employees under share based scheme. The shares granted to employees under the scheme shall vest under company value and performance related criteria; prior to this, and if they do not vest, the holders of ordinary B shares are not entitled to receive any income or capital. During the prior year the issue of 90,486 ordinary B shares resulted in share premium of £176,000. There was no issue of shares in the current year.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

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 had been transferred to retained earnings in previous periods.

Own share reserve

Under the Group Partnership Scheme the company has issued shares to employees, employees of certain subsidiaries, and employees of L Perlman SECS who are providing services to the Group. The schemes in place are detailed in Note 27. The reserve had been transferred to retained earning reserve in previous periods.

Dividends

	2023 £'000s	2022 £'000s
The following dividends were recognised during the period: £0.0p (2022: £0.0p) per qualifying ordinary share	-	-

31 Commitments and contingencies

Capital commitments

At the period end the Group has outstanding capital commitments in respect of capital expenditure contracted but not provided for in the financial statements for £328k (2022: £741k).

The Group has no contingent liabilities.

Notes to the Consolidated Financial Statements (continued)

32 Related parties

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

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

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

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

Group

Transactions with key management personnel

The definition of key management personnel has been updated for the period across the Group. Key management personnel include directors of the company and directors of subsidiary companies within the Group.

The compensation of key management personnel is as follows:

	2023	2022
	£'000s	£'000s
Key management remuneration including social security costs	3,564	3,216
Share based remuneration	81	54
Company contributions to money purchase pension plans	4	8
	<u>3,649</u>	<u>3,278</u>

Related party balances

Related party trading receivables

The Group have a trade receivable balance with All About Foods at period end of £5,205k (2022: £1,683k).

Deep discounted bonds

The Group have issued deep discounted bonds to Yellowwoods Treasury totalling £552,754k (2022: £446,514k). The details and terms of the deep discounted bonds are disclosed in Note 25. Included in the carrying value of the deep discounted bonds in Note 25 is accrued interest payable of £283,944k (2022: £308,946k) in the Group.

Related party transactions

The Group have the following significant related party transactions:

Revenue

The Group have the following transactions with All About Foods. Sale of goods for the period totalled £19,267k (2022: £14,652k) and royalty income received totalled £3,842k (2022: £3,822k).

Financial expense

The Group have incurred interest expense on the deep discounted bonds issued to Yellowwoods Treasury of £60,942k (2022: £57,660k).

33 Subsequent events

Share issue

Subsequent to the year-end, the Group issued 24,444,444 ordinary shares to its immediate parent at the nominal value of £3.60 per share for a total consideration of £88.0m. Funds received from this share issue were utilised to make a full and early repayment of the DDB with a maturity date of November 2024 and a carrying amount of £82.8m as at 26 February 2023.

DDB variation

Subsequent to year-end, there was a variation of the deep discounted bond (DDB) with a carrying amount of £173.2m as at 26 February 2023. This variation extended the maturity date to November 2029 from an original maturity date of May 2024. The nominal interest rate of the DDB was also increased from 8.25% to 10.0% to reflect current market pricing.

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 26 FEBRUARY 2023 (27 FEBRUARY 2022)

	<i>Note</i>	2023 £'000s	2022 £'000s
Non-current assets			
Investment in subsidiaries	5	266,198	248,078
Investment in equity accounted investees	5	9,691	10,156
Loans due from inter-group parties	7	179,996	232,870
		<u>455,885</u>	<u>491,104</u>
Current assets			
Trade and other accounts receivable	7	7,533	6,978
Loans due from inter-group parties	7	-	16,256
Cash and cash equivalents	6	26,849	27,802
		<u>34,382</u>	<u>51,036</u>
Total assets		<u>490,267</u>	<u>542,140</u>
Current liabilities			
Trade and other accounts payables	8	(6,673)	(4,711)
Loans due to inter-group parties	8	(90,014)	(84,413)
Loans due to related parties	8	(20,243)	(202,028)
		<u>(116,930)</u>	<u>(291,152)</u>
Non-current liabilities			
Loans due to related parties	8	(345,456)	(118,479)
		<u>(345,456)</u>	<u>(118,479)</u>
Total liabilities		<u>(462,386)</u>	<u>(409,631)</u>
Net asset		<u>27,881</u>	<u>132,509</u>
Equity			
Share Capital	9	280,000	280,000
Share Premium	9	176	176
Share Based Payment Reserve	10	87	87
Retained Earnings		(252,382)	(147,754)
Total equity		<u>27,881</u>	<u>132,509</u>

The notes on pages 70 to 80 form an integral part of the financial statements.

The financial statements on pages 68 to 69 were authorised by the Board of Directors on 28/11/ 2023 and were signed on its behalf.



M E Bennison
Director

Company registered number: 06451677

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Share Based Payment Reserve	Retained earnings (Profit & loss reserve)	Total Equity
	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 28 February 2021	280,000	-	3,529	(103,298)	180,231
Changes in equity for 2022					
Loss for the period	-	-	-	(47,985)	(47,985)
Issue of share capital	-	176	-	-	176
Equity Settled share based payments	-	-	87	-	87
Transfer of reserves to retained earnings	-	-	(3,529)	3,529	-
Balance at 27 February 2022	280,000	176	87	(147,754)	132,509
Loss for the period	-	-	-	(104,628)	(104,628)
Issue of share capital	-	-	-	-	-
Equity Settled share based payments	-	-	-	-	-
Balance at 26 February 2023	280,000	176	87	(252,382)	27,881

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

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

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

2 Summary of significant accounting policies

2.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The principal accounting policies outlined below.

2.2 Disclosure exemptions adopted

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("UK-adopted conforms"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken:

- A Cash Flow Statement and related notes;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of related party transactions between two or more members of the group;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures in respect of capital management;
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

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

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

2.3 Going Concern

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

2.4 Standards issued and applied for the first time this year

The following new and revised Standards and Interpretations have been adopted in the current period and had an impact on the Company's accounting policies. Unless otherwise disclosed, their adoption has had no material impact on the amounts reported in these financial statements.

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Annual Improvements to IFRS Standards 2018-2020

2.5 Measurement Convention

The financial statements are prepared on the historical cost basis, as explained in the accounting policies below.

Notes to the Consolidated Financial Statements (continued)

2.6 Investments

Investments in subsidiaries

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

Investments in associates

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

2.7 Foreign currencies

Foreign currencies transactions

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

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

2.8 Financial instruments

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

2.8.1 Financial assets

Financial assets comprise cash and cash equivalents and trade and other receivables, including loans receivables. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

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.

Subsequent measurement for these assets are measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

2.8.2 Loans and receivables

Loans 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.

2.8.3 Cash and cash equivalents

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

2.8.4 Financial liabilities

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

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

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or become expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

2.8.5 Bank overdrafts and interest-bearing borrowings

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

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

2.8.6 Trade payables

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

2.9 Borrowing costs

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

2.10 Taxation

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

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

Notes to the Consolidated Financial Statements (continued)

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

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

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

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

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

2.11 Impairment of non-financial assets

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

2.12 Share based payment policy

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

For the equity-settled schemes, the fair value of a share plan is recognised as an expense over the expected vesting period with a corresponding entry to retained earnings. The fair value of the share plans is determined at the date of grant.

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

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

Notes to the Consolidated Financial Statements (continued)

3 Accounting estimates and judgements

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying profit or loss. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are considered significant.

Significant areas that include a degree of estimation uncertainty are as follows:

Impairment of investments in group companies

The impairment assessment performed over the investments held in group companies involves estimation uncertainty in relation to key assumptions in the VIU calculations. The key assumptions of long-term growth rate and the discount rate as well as other assumptions including sales growth projections, budgeted growth margins, direct and indirect cost growth rates, overhead costs, and expected capital expenditure levels are all subjective and linked to estimates about future conditions, which gives inherent estimation risk. Due to the lower headroom on certain investments held by the company, the carrying value of investments in group companies could exceed the value in use in future financial periods resulting in further impairment if there is a difference between the assumptions used in the impairment testing and market conditions at the time.

Significant areas that include judgements are as follows:

Recoverability of intercompany loans

The assessment of the recoverable amount of an intercompany loan receivable with a carrying value of £227.4m includes the significant judgement as to whether a proposed re-organisation of intercompany balances and cross-charges will occur. There is a further judgement as to the form of the reorganisation, and whether this will facilitate either the repayment of the intercompany loan or the capitalisation of the loan into an investment. In the absence of the proposed re-organisation the intercompany loan receivable would be fully credit impaired under IFRS 9. This judgement has a significant risk of causing a material adjustment to the carrying value of the intercompany loan receivable. This risk relates to the parent company only and has no impact on the Consolidated Nando's Group Holding Limited Profit and Loss, Balance Sheet or Cash Flow Statement.

4 Directors' remuneration

	2023	2022
	£'000s	£'000s
Directors' remuneration	(2,353)	(1,882)
Pension contributions	(2)	(1)
	<u>(2,355)</u>	<u>(1,883)</u>

The remuneration of the highest paid director was £939k (2022: £898k), and pension contributions of £1k (2022: £1k) were made on the Director's behalf. During the period, benefits were accruing to one (2021: one) director under the defined contribution scheme.

5 Investments in subsidiaries and associates

5.1 Investments in subsidiaries

	2023	2022
	£'000s	£'000s
Balance at the beginning of the period	248,078	183,355
Additional capital contribution during the period	63,416	71,622
Impairment	(45,296)	(6,899)
Balance as the end of the period	<u>266,198</u>	<u>248,078</u>

The Company made additional capital contributions within the year, which related to investments made within the Australia, New Zealand and franchise markets. This includes amounts of £48,316k reduced from the receivable from Nando's Limited, a subsidiary of the Company. See note 7 for further detail.

The Company 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 to determine the recoverable amount using a value in use discounted cash flow model. The result of this impairment review of the Company investment in subsidiaries require an impairment loss.

Notes to the Consolidated Financial Statements (continued)

The impairment loss of £45.3m (2022: £6.9m) is a result of our assessment of the medium term returns for the US, Australia and New Zealand markets that can be generated from our assets in that market as a result of the business performance and current economic climate. The other investments were not sensitive to the inputs of the impairment testing.

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, overhead costs, expected capital expenditure levels and expected expenditure to reach the Group's climate related targets. In line with IFRS requirements, capital and non capital expenditure relating to maintaining the assets in their current condition has been included whereas forecast capex for enhancing assets and new restaurant openings has been excluded along with the incremental cash flows that such enhancements would be expected to generate. Similarly, where current costs exclusively relate to the future openings of new restaurants, these have been excluded from the value in use calculation.

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

	Australia	NZ	US
Long-term growth rate 2023	2.3%	3.5%	2.1%
Long-term growth rate 2022	2.2%	2.2%	2.2%
Discount rates (post tax) 2023	10.1%	11.5%	11.4%
Discount rates (post tax) 2022	9.0%	9.2%	11.0%

The Company has investments in the following subsidiaries:

Subsidiary undertaking	Registered Address	Ownership		Country of Incorporation	Class of Shares Held	Principal activity
		2023	2022			
Nando's Group Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Holding company
Nando's Chickenland Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99.7%	99.7%	UK	Ordinary	Casual Dining Restaurants
Nando's Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Management, IP company & Franchisor
Nando's Restaurant Group Holdings Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Holding company
Nando's Australia Pty Limited	40 Mollison Street, Abbotsford, 3067	100%	100%	Australia	Ordinary	Casual Dining Restaurants
Nando's Chickenland Canada Inc	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	100%	Canada	Ordinary	Holding company
Nando's Grocery International Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Retail food products
Nando's Services (Pty) Limited	10A Victoria Road, Lorentzville, Johannesburg, 2094	100%	100%	South Africa	Ordinary	Management company
Nando's New Zealand Limited	Franchise Accountants, 2g Amera Place, Auckland, 2013, New Zealand	100%	100%	New Zealand	Ordinary	Casual Dining Restaurants
Nando's Sub Continent Holdings Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Holding company
Nando's Services Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Management company

Notes to the Consolidated Financial Statements (continued)

5.2 Investment in equity accounted investees

	2023	2022
	£'000s	£'000s
Balance at the beginning of the period	10,156	11,911
Share of (loss)	(465)	(1,755)
Balance as the end of the period	<u>9,691</u>	<u>10,156</u>

Investments	Registered Address	Ownership		Country of Incorporation	Class of Shares Held	Principal activity
		2023	2022			
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 have a different period end of 31 December to the Group due to local compliance reasons. There are no restrictions on the ability of associates to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the entity. The debt of Nando's Chickenland Malaysia has been guaranteed by Nando's Group Holdings Limited. For further details on the impairment in equity accounted investees, please refer to Note 20 of the Consolidated Financial Statements.

6 Cash and cash equivalents

	2023	2022
	£'000s	£'000s
Cash and cash equivalents	26,849	27,802

7 Trade and other Receivables

	2023	2022
	£'000s	£'000s
Current		
Loans due from inter-group undertakings	-	16,256
Receivables due from inter-group undertakings	7,339	6,929
Other receivables	101	22
Prepayments	93	27
	<u>7,533</u>	<u>23,234</u>
Non-Current		
Loans due from inter-group undertakings	179,996	232,870
	<u>179,996</u>	<u>232,870</u>

The receivables balance due within one year relates to carried forward group relief of £7,339k (2022: £6,929k) with Nando's Chickenland Limited which is expected to be settled within the next financial year.

Included within loans due from inter-group undertakings in the prior year was £16,256k due from Nando's Finance Limited, upon which interest was charged at 8.0%, which was settled during the current year.

Amounts owed from Group undertakings due more than one year include £150,853k (2022: £188,997k) due from Nando's Limited, upon which interest is charged at 8.5%. This loan facility is repayable on demand and is unsecured. Included in the carrying value of total inter-group loans is accrued interest receivable of £30,853k (2022: £72,451k). The remainder of the loans with the Company's subsidiaries, being £29,143k (2022: £33,957k), bear no interest, are repayable on demand and are unsecured. Amounts owed from Group undertakings do not include any amounts owed from subsidiaries for which impairment has been recognised on the investment balance in the current period. An expected credit loss of £43,142k (2022: £27,063k) has been recognised against the loans due from inter group undertakings. There has been an increase year on year as a result of changes to lifetime expected credit losses. These debtors are classified as falling due more than one year as they are not expected to be recalled within the next financial year.

Notes to the Consolidated Financial Statements (continued)

The below table summarises the movement on group undertakings:

Amounts due from inter-group undertakings	Cost and Net book value		As at 27 February 2022	Additions	Repaid balances	Interest Accrued	Loan settlement of uncharged management services	Increase in provision against intercompany loans	As at 26 February 2023
	Loans to group undertakings	Other							
	£'000s	£'000s							
Total	256,105	7,069	249,127	6,978	555	6,514	(21,882)	10,632	(48,316)
	187,529	7,533	179,996	-	-	-	(16,079)	-	(16,079)

During the prior year amounts due to the Company of £48,037k were converted into share capital and share premium in subsidiary companies, resulting in additional investment recognised of £48,037k.

During 2023, the Company identified that uncharged management services provided by Nando's Limited to Nando's Chickentland Limited met the definition of a distribution. Nando's Limited and Nando's Chickentland Limited are both subsidiaries of the Company. As Nando's Limited has not historically had sufficient reserves available to make a legal distribution, this has been corrected by Nando's Group Holdings Limited investing £48,316k in Nando's Limited in the current year. This amount is equal to the total value of the services provided since 2017, including £42,368k for services up to February 2022. This has resulted in an increased investment holding in Nando's Limited (see note 5.1) and a reduction in the amount owed by Nando's Limited to the Company via a reduction in the non-current loans due from inter-group undertakings. There is no impact on the Company's total assets, net assets or profit for the year.

Current year expected credit loss assessment on debt held with intercompany entities resulted in an increase in provision against loans of £16.1m.

8 Trade and other payables

Current	2023	£'000s	Trade payables due to third parties	Trade payables due to inter-group undertakings	Other interest-bearing loans and borrowings	2022	£'000s
			(2,327)	(4,711)			-
			(4,346)				
			(6,673)				(4,711)
Current	2023	£'000s	Loans due to related parties	Loans due to inter-group undertakings	Non-Current	2022	£'000s
			(20,243)	(84,413)			
			(90,014)				
			(110,257)				(286,441)
			(345,456)				(345,456)
			(118,479)				(118,479)

Notes to the Consolidated Financial Statements (continued)

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

	Currency	Year of maturity	Nominal interest rate	Face value 2023 £'000s	Carrying amount 2023 £'000s	Face value 2022 £'000s	Carrying amount 2022 £'000s
Inter-group loans							
Nando's Group Limited	GBP	On demand	2.5%+ SONIA	67,743	79,448	58,782	70,943
Related Party loans							
Yellowwoods Treasury 2 SARL	GBP	2022	8.00%	-	-	120,000	202,028
Yellowwoods Treasury 2 SARL	GBP	2024	8.25%	46,618	82,806	46,618	76,634
Yellowwoods Treasury 2 SARL	GBP	2027	8.50%	26,000	45,391	26,000	41,845
Yellowwoods Treasury 2 SARL	GBP	2026	7.00%	206,000	217,259	-	-
Yellowwoods Treasury 2 SARL	GBP	2024	7.00%	20,000	20,243	-	-
				366,361	445,147	251,400	391,450

This note provides information about the contractual terms of the Company's interest bearing loans and borrowings, which are measured at amortised cost. Face value of debt represents amounts initially borrowed, while the carrying value of debt includes accrued interest where the terms of the instrument require repayment of interest at the end of the loan term plus any amortised upfront costs of the loan. The Company also has non-interest bearing loans with a total carrying value of £10,566k (2022: £13,470k) held with inter-group parties.

Subsequent to the year-end, the Company made a full and early repayment of the DDB with a maturity date of November 2024 and a carrying amount of £82.8m as at 26 February 2023.

9 Share Capital & Share Premium

	2023 £'000s	2022 £'000s
<i>Issued and fully paid for</i>		
77,777,778 (2022: 77,777,778) ordinary shares of £3.60 (2022: £3.60) each	280,000	280,000
90,486 (2022: 90,486) ordinary B shares of £0.001 each (2022: £0.001)	-	-
	280,000	280,000
<i>Reconciliation of the number of shares outstanding</i>		
Opening balance at beginning of current period	77,868	77,778
Disposal of nil ordinary B shares (2022: nil)	-	-
Nil shares issued (2022: 90,486)	-	90
Closing balance at end of current period	77,868	77,868

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 shares granted to employees under the scheme shall vest under company value and performance related criteria; prior to this, and if they do not vest, the holders of ordinary B shares are not entitled to receive any income or capital. The previous share scheme was closed during the prior year, with all shares redeemed as the scheme did not pay out. A new share scheme was set up in the prior year as detailed in Note 10. The issue of ordinary B shares in the prior year resulted in share premium of £176,000. There was no issue of shares in the current year.

Notes to the Consolidated Financial Statements (continued)

10 Share based payments

2022 Group Partnership Scheme

The Group formed a new employee share scheme in the year ending 27 February 2022 designed to give employees of the Company the opportunity to benefit from the potential future successes of the Group.

Under the employee share scheme the employees hold the shares immediately on award. The holders of the shares are not entitled dividends or voting rights, and may not transfer, charge or otherwise dispose of their shares without consent of the Group. The shares granted to employees under the scheme shall vest under company value and performance related criteria; if they do not vest, then they are returned to the Group.

As the shares are not publicly traded and therefore cannot be easily realised, a separate arrangement has been put into place between the employees and L Perlman SECS, the immediate parent of the Group, which will acquire the shares after vesting under a put and call. The acquisition of the shares by L Perlman SECS will be settled in cash. This transaction is accounted for as an equity settled shared-based payment transaction as outlined in note 1.

Shares in issue to the employees of Nando's Group Holdings Limited's subsidiaries relating to the 2022 Group Partnership Scheme:

	2023 £'000s	2022 £'000s
Shares at beginning of the period	90,486	-
B1 shares issued during the period	-	19,066
B2 shares issued during the period	-	45,583
B3 shares issued during the period	-	25,837
Redeemed during the period	-	-
Outstanding shares at end of the period	90,486	90,486

Measurement of fair values

The options outstanding at year-end have a contractual life of 3.6 to 10.6 years and an expected exercise life of 6.7 years. Share-based payment expense of £130k was incurred in the year in relation to this scheme (2022: £87k).

11 Commitments and contingencies

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

12 Related party transactions

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

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

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

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

The company have the following significant related party transactions:

Deep Discounted Bonds

The Company have issued deep discounted bonds to Yellowwoods Treasury totalling £365,699k (2022: £320,507k). Included in the carrying value of the DDB's in note 8 is accrued interest payable of £67,081k (2022: £127,889k) in the Company. The Company have incurred interest expense on the deep discounted bonds of £24,852k (2022: £24,019k). The details and terms of the deep discounted bonds are disclosed in note 8.

Notes to the Consolidated Financial Statements (continued)

13 Subsequent events

Loan drawdown

Subsequent to the year-end, the Company made a further drawdown of £10.0m on the related party loan held with Yellowwoods Treasury. This increase in borrowings is a non-adjusting event after the balance sheet date.

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 £24.0m up to the date of approval of these financial statements. This increase in loans receivable is a non-adjusting event after the balance sheet date.

Capital contributions to subsidiaries

Subsequent to the year-end, the Company has contributed capital to its subsidiaries. The total value of the capital contributions extended to the subsidiaries is £26.0m up to the date of approval of these financial statements.

Share issue

Subsequent to the year-end, the Company issued 24,444,444 ordinary shares to its immediate parent at the nominal value of £3.60 per share for a total consideration of £88.0m. Funds received from this share issue were utilised to make a full and early repayment of the DDB with a maturity date of November 2024 and a carrying amount of £82.8m as at 26 February 2023.