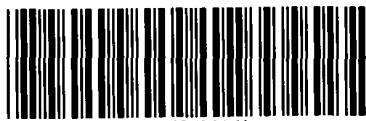


Nando's Group Holdings Limited

**Annual report and consolidated
financial statements**

**Registered number 06451677
26 February 2017**

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STRATEGIC REPORT

The Directors present the Strategic Report, Directors' Report and the audited financial statements for the 52 week period ended 26 February 2017.

Principal activities

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

About Nando's

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

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

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

Financial Highlights

- Revenue up 13.9% to £847.9m, driven by organic growth in key markets
- Gross profit rose to £194.8m in 2017 from £189.0m in 2016
- Significant increase in capex to £151.4m (2016: £107.3m) as the Group invested in new restaurants, infrastructure and expanded its international footprint

Revenue for the 52 week period was £847.9m (2016: £744.2m). This increase of £103.7m was driven by organic growth in key markets along with increased sales associated with new restaurants and franchise acquisitions. Gross profit for the period under review was £194.8m which represents a margin of 23.0% (2016: 25.4%) and reflects investment in our people and growing international footprint. Operating profit for the period was £46.7m (2016: £65.9m), reflecting higher administrative costs as we grow our global business. There was also a goodwill impairment charge of £12.7m recognised in the Australia and Asia region reflecting lower than anticipated growth from recent investments and difficult trading conditions.

These results include revenue and costs from smaller developing overseas markets which have restaurant expansion programmes in place. The businesses operating in overseas markets have not fully matured and the number of restaurants in these markets still need to reach critical mass. We expect significant growth potential in these markets and will continue to invest in opening new restaurants. Group capital investment (including investment in tangible, intangible, investment in equity accounted investments and business combinations) for the period rose to £151.4m (2016: £107.3m), in line with our strategy to invest in extending our global restaurant footprint and refurbishing existing restaurants, technology and systems where necessary.

As a consequence of this investment, financing costs increased to £68.4m (2016 : £47.7m). The direct corporate taxes which the Group has paid to national Governments in the 2017 year amounts to £17.7m (2016 : £10.5m). The Group also contributes further direct and indirect taxes including social security, property taxes, local taxes and value added taxes. The Group made a loss before tax for the year under review of £12.9m (2016 : profit before tax of £19.1m).

During the period the group disposed of its subsidiary, GBK Retail Limited and its related subsidiaries. The effect of the discontinued operations is disclosed in note 13 and separately in the Statement of Comprehensive Income.

At the period-end, the group had net assets of £56.4m (2016: £42.4m).

The average number of employees during the period has grown from 14,430 in 2016 to 16,625 in 2017.

The results for the period and the financial position of the Group are disclosed on pages 11 to 17.

Our Strategy

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

We aim to achieve this through:

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

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

Operational highlights

- A new visual identity rolled out across our global markets, used consistently in all consumer-facing and internal materials
- Continued restaurant expansion programme, with net 47 new restaurants opened during the period
- Heavy investment in innovation and technology - both back-of-house and consumer-facing
- Group values reinforced through engagement with Nandocas and community initiatives such as PERi-Farms and Nando's Music Exchange

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 during the period under review which have helped us achieve our strategic aims.

Brand Strength

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

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

International expansion

Nando's restaurant design continues to win awards across the globe, and our expansion programme continued, with 47 net new restaurants opened during the 52 week period. The number of restaurants in operation increased from 861 at 28 February 2016 to 908 at 26 February 2017. This total includes the owned restaurants and 241 restaurants run on a franchise basis. The total excludes 85 restaurants relating to GBK operations which were disposed of during the period under review.

Key markets for the group include the United Kingdom, Ireland, USA, Canada, India, Australia, New Zealand, Malaysia and Singapore. Expansion also continues in our franchise operated markets including the United Arab Emirates, Qatar and Botswana.

Capital investment for the year was £151.4m, reflecting the group's strategy to expand its international footprint and refurbish its existing network. During the year, the group acquired an increased stake in its Singaporean and Malaysian businesses, taking ownership from 30% in each to 49%. In addition, the group successfully opened its first franchise restaurant in the Kingdom of Saudi Arabia.

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

Operational excellence

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

Innovation

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

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

Values and engagement

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

This philosophy extends to the communities in which we operate:

- PERi-Farms in Southern Africa supplied 100% of our African Bird's Eye Chilli requirements and makes an enormous difference to the lives of many small-scale farmers through access to the latest farming techniques, quality seedlings and finance. Now working with more than 1,400 farmers across 18 growing regions in Mozambique, Malawi, Zimbabwe and South Africa, we give them a fixed outlay for their crop and pay a premium for every kilogram of chillies harvested.
- Nando's Music Exchange brings together influences from Southern Africa with the best emerging and established musicians from around the world, for collaborative mentoring, workshops and events. This ground-breaking project - run in conjunction with the Roundhouse, the UK's leading independent creative venue – fosters talent and helps to ensure that Nando's remains relevant and exciting to Gen Z's in the UK.

Principal risks and uncertainties

The directors recognise that Nando's is exposed to a number of risks which directly affect the overall performance 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 is 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 ensuring every meal served in Nando's is prepared in a safe environment and is safe to eat.

Employees (Nandocas)

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

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

Product

Our commercial teams continuously develop new products to maintain an exciting and varied menu. Seasonal changes are taken into account, as are market related requirements, for example, in the Middle East, we offer non-alcoholic designer drinks, while in India we have a larger than usual vegetarian offering.

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

Competition

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

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

Working capital, liquidity, other risks

The Group continually monitors cash flow and forecasts the maturity of financial liabilities to avoid the risk of a shortage of funds. Further discussion on how these risks are managed is provided in the Directors' Report and Note 29.

Economic Uncertainty

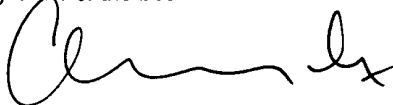
The Group is exposed to the risk of economic uncertainty in the markets it operates in, the effect of Brexit on UK operated businesses is still a major uncertainty for Nando's. The Directors perform various risk based assessments to ensure the Group is proactive in taking appropriate actions where necessary to reduce the related risks associated with economic uncertainty. The Group has implemented further controls over cash to limit exposure to the negative effects of foreign exchange. The Group has also taken appropriate action to control costs as well as focusing on maintaining high standards of customer service.

Going Concern

As at 26 February 2017 the consolidated entity has net assets of £56.4m, net current liabilities of £81.4m, generated an operating profit of £46.7m and generated net cash flows from continuing operating activities of £123.5m. The group satisfied all its financial covenants in relation to current facility agreements.

Based on the financial forecasts of the Group, which cover a period of more than 12 months from the date of approval of these financial statements and which factor in normal business uncertainties and business risk, the group is able to comfortably generate sufficient cash to meet its day to day working capital requirements and fund capital expansion, supplemented by other available financing facilities, all of which show considerable headroom to the existing financial covenants outlined in note 24. The group has sufficient existing financing facilities in place with both third parties and related parties throughout the going concern assessment period. The directors are satisfied that the Group will remain a going concern for the foreseeable future, and not for less than 12 months from the date of approval of these financial statements.

By order of the board



C F Luyckx
Director

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

28/11/2017

Directors' Report

The directors present their annual report for the 52 week period ended 26 February 2017.

The company has chosen, in accordance with S414 C(ii), to present information that is otherwise required to be presented in the Directors report within the Strategic Report.

The consolidated financial statements are prepared under International Financial Reporting Standards (IFRS) as permitted by the Companies Act (2006). IFRS has been adopted to ensure consistency of reporting for the Group following the business restructuring and acquisition of the Nando's overseas entities by the Company.

Directors

The directors who held office during the year were as follows:

R A G T'Hooft
C F Luyckx

Employees (Nandocas)

The Company's policy is to encourage the employment of disabled people where reasonably practical. The requirements of job applicants and existing employees who have a disability will be reviewed to ensure that wherever possible reasonable adjustments are made to enable them to perform as well as possible during the recruitment process and while employed by the Company.

Opportunities for promotion, access to benefits and facilities of employment will not be unreasonably limited and all reasonable adjustments will be made. All reasonable measures will be taken to ensure that disabled employees are given the opportunity to participate fully in the workplace in training and career opportunities.

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

Political and charitable contributions

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

The Group made charitable donations of £78.2k (2016: £15.2k). These donations represent direct charity giving.

Dividends

No dividends were paid during the year (2016: nil).

Taxation

Nando's is a responsible tax payer and pays taxes in all jurisdictions where we operate. The direct corporate taxes which Nando's has paid to national Governments in the 2017 financial year will total £17.7m. Nando's also contributes further direct and indirect taxes including social security, property taxes, local taxes and value added taxes.

Directors' Report (continued)

Financial Management and Financial Instruments

The Group is exposed to liquidity risk, foreign currency risk, credit risk and leverage risk. From time to time, the Group enters hedging arrangements to manage market interest rate risk.

Liquidity Risk

The Group maintains sufficient cash and marketable securities. 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. See note 29 for the repayment profile of its debt.

Foreign currency risk

Foreign currency risk on receivables and payables is not considered to be significant as the Group companies make sales and purchases mostly in the currency in which they operate.

Credit risk

The Group is exposed to third party credit risk from its operating activities in the Grocery business, as well as some small third party receivables balances in other business units. Customer credit risk is managed by each business unit and the credit quality of a customer is assessed using credit rating agencies. Individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored with an analysis being performed annually on for all significant customers. Trade terms and, if necessary, recoverability, are updated accordingly.

Leverage risk

Borrowings are spread between bank loans and deep discounted bonds. Net debt is £974.2m (2016: £964.3m), of which £356.2m (2016: £386.4m) is net bank debt. The Group met all its debt covenants during the year. The Group monitors headroom on its covenants closely and forecasts performance against covenants as part of its reporting to Directors.

Subsequent events

Subsequent to year end the Group entered into and completed an agreement to purchase 10 franchisees in the Australian market, the group also refinanced its third party secured debt. The details of these transactions have been disclosed in note 34.

Disclosure of information to auditor

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

Auditor

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

By order of the board



C F Luyckx
Director

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

28/11/2017 -

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

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

Company law requires the directors to prepare group and parent company financial statements for each financial period. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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

In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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 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

We have audited the financial statements of Nando's Group Holdings Limited (Registration number 06451677) for the period ended 26 February 2017 set out on pages 11 to 53. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on 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 2017 and of the group's profit for the period then ended;
- group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- financial statements have been prepared in accordance with the requirements of the Companies Act

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and reading the Strategic report and the Directors report:

- we have not identified material misstatements in those reports; 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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.



William Smith (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

KPMG LLP (UK),
Chartered Accountants,
Gateway House,
Tollgate,
Chandlers Ford,
SO53 3TG

30th November 2017

**Consolidated Income Statement and Other Comprehensive Income
for the 52 week period ended 26 February 2017**

	Note	2017 £'000s	Restated 2016 £'000s
Revenue	4	847,914	744,167
Cost of sales		(653,164)	(555,158)
Gross Profit		194,750	189,009
Other operating income	5	1,401	252
Administrative expenses	6	(149,034)	(123,131)
Share of loss of equity-accounted investees, net of tax	18	(388)	(255)
Operating profit		46,729	65,875
Financial income	10	8,712	957
Financial expense	11	(68,364)	(47,714)
(Loss) / profit before tax		(12,923)	19,118
Income tax expense	12	(15,024)	(17,204)
(Loss) / profit after tax from continuing operations		(27,947)	1,914
Profit from discontinued operations, net of tax	13	50,752	1,141
Profit for the period		22,805	3,055
Non-controlling interest	17	(982)	(3,585)
Profit / (Loss) for the period attributable to Nando's Group Holdings Limited		21,823	(530)
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit / (loss):</i>			
Cash flow hedge reserve movement		(3,290)	-
<i>Items that may not be reclassified subsequently to profit / (loss)</i>			
Exchange differences on translating foreign operations		19,521	3,980
Other comprehensive income for the period, net of tax		16,231	3,980
Total comprehensive income for the period		39,036	7,035
Total comprehensive income for the period attributable to:			
Equity holders of the parent		38,054	3,450
Non-controlling interest		982	3,585
		39,036	7,035

Unless explicitly stated otherwise, all items within the income statement were derived from continuing operations.

The accompanying notes form part of the financial statements.

**Consolidated Statement of Financial Position
as at 26 February 2017**

Group	Note	2017 £'000s	2016 £'000s
Non-current assets			
Property plant and equipment	14	356,994	326,104
Intangible assets	15	771,304	804,161
Investments in equity accounted investees	18	22,061	12,769
Deferred tax assets	19	3,912	2,762
Trade and other receivables	22	2,772	2,371
		1,157,043	1,148,167
Current assets			
Inventories	21	5,254	4,654
Trade and other receivables	22	29,260	28,329
Cash and cash equivalents	23	36,904	34,939
Current tax receivable		745	281
		72,163	68,203
Total assets		1,229,206	1,216,370
Current liabilities			
Bank overdrafts	23	-	(759)
Other interest bearing loans and borrowings	24	(21,725)	(15,928)
Loans due to related parties	24	-	(465)
Trade and other payables	25	(124,667)	(155,816)
Tax payable		(3,201)	(7,509)
Provisions	27	(716)	(1,415)
Other financial liabilities	30	(3,290)	-
		(153,599)	(181,892)
Non-current liabilities			
Other interest bearing loans and borrowings	24	(375,885)	(415,624)
Loans due to related parties	24	(613,514)	(567,199)
Other payables	25	(23,895)	(5,173)
Deferred tax liabilities	19	(3,913)	(3,143)
Provisions	27	(1,967)	(951)
		(1,019,174)	(992,090)
Total liabilities		(1,172,773)	(1,173,982)
Net assets		56,433	42,388
Equity			
Share capital		50,009	50,000
Capital contribution reserve		8,401	8,401
Own share reserve		1,604	1,604
Cash flow hedge reserve		(3,290)	-
Foreign exchange translation reserve		23,501	3,980
Retained earnings		(26,063)	(32,525)
Equity attributable to equity holders of the parent		54,162	31,460
Non-controlling interest		2,271	10,928
Total equity		56,433	42,388

The accompanying notes form part of the financial statements.

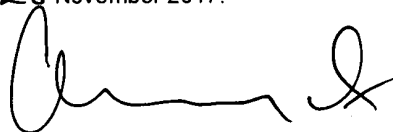
**Company Statement of Financial Position
as at 26 February 2017**

Company

	Note	2017 £'000s	2016 £'000s
Non-current assets			
Investment in group companies	17	227,269	183,378
Investments in equity accounted investees	18	22,515	12,032
		<u>249,784</u>	<u>195,410</u>
Current assets			
Loans due from related parties	20	192,008	174,080
Trade and other receivables	22	9	572
Cash and cash equivalents	23	106	9,943
		<u>192,123</u>	<u>184,595</u>
Total assets		<u>441,907</u>	<u>380,005</u>
Current liabilities			
Trade and other payables	25	(39)	(652)
Loans due to related parties	24	(17,024)	(18,263)
		<u>(17,063)</u>	<u>(18,915)</u>
Non-current liabilities			
Loans due to related parties	24	(325,906)	(302,055)
		<u>(325,906)</u>	<u>(302,055)</u>
Total liabilities		<u>(342,969)</u>	<u>(320,970)</u>
Net assets		<u>98,938</u>	<u>59,035</u>
Equity			
Share capital		50,009	50,000
Retained earnings		48,929	9,035
Equity attributable to equity holders of the parent		<u>98,938</u>	<u>59,035</u>
Total equity		<u>98,938</u>	<u>59,035</u>

The accompanying notes form part of the financial statements.

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on 28 November 2017:



C F Luyckx
Director

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent					Retained earnings (Profit & loss reserve) £'000s	Total £'000s	Non- controlling interest £'000s	Total Equity £'000s
	Share Capital £'000s	Capital Contribution Reserve £'000s	Own Share Reserve £'000s	Cash flow hedge reserve £'000s	Foreign currency translation reserve £'000s				
Balance at 1 March 2015	50,000	8,401	1,604	-	-	(13,590)	46,415	13,937	60,352
Changes in equity for 2016									
(Loss) / profit for the period	-	-	-	-	-	(530)	(530)	3,585	3,055
Other comprehensive income	-	-	-	-	3,980	-	3,980	-	3,980
Total Comprehensive Income for 2016	-	-	-	-	3,980	(530)	3,450	3,585	7,035
Dividends	-	-	-	-	-	-	-	-	-
Equity settled share based payments	-	-	-	-	-	1	1	-	1
Own shares acquired	-	-	-	-	-	(18,406)	(18,406)	(6,594)	(25,000)
Balance as at 28 February 2016	50,000	8,401	1,604	-	3,980	(32,525)	31,460	10,928	42,388
Balance at 1 March 2016	50,000	8,401	1,604	-	3,980	(32,525)	31,460	10,928	42,388
Changes in equity for 2017									
Profit for the period	-	-	-	-	-	21,823	21,823	982	22,805
Other comprehensive income	-	-	-	(3,290)	19,521	-	16,231	-	16,231
Total Comprehensive Income for 2017	-	-	-	(3,290)	19,521	21,823	38,054	982	39,036
Transfer of non controlling interest on disposal of subsidiary	-	-	-	-	-	1,678	1,678	(1,678)	-
Dividends	-	-	-	-	-	-	-	-	-
Equity settled share based payments	-	-	-	-	-	-	-	-	-
Own shares acquired	-	-	-	-	-	(17,039)	(17,039)	(7,961)	(25,000)
Issue of share capital	9	-	-	-	-	-	9	-	9
Balance at 26 February 2017	50,009	8,401	1,604	(3,290)	23,501	(26,063)	54,162	2,271	56,433

The accompanying notes form part of the financial statements.

Company Statement of Changes in Equity

	Share Capital	Retained earnings (Profit & loss reserve)	Total
	£'000s	£'000s	£'000s
Balance at 1 March 2015	50,000	16,672	66,672
Changes in equity for 2016			
Loss for the period	-	(7,637)	(7,637)
Other comprehensive income	-	-	-
Total Comprehensive Income for 2016	-	(7,637)	(7,637)
Dividends	-	-	-
Issue of share capital	-	-	-
Balance as at 28 February 2016	<u>50,000</u>	<u>9,035</u>	<u>59,035</u>
Balance at 1 March 2016	50,000	9,035	59,035
Changes in equity for 2017			
Profit for the period	-	39,894	39,894
Other comprehensive income	-	-	-
Total Comprehensive Income for 2017	-	39,894	39,894
Dividends	-	-	-
Issue of share capital	9	-	9
Balance at 26 February 2017	<u>50,009</u>	<u>48,929</u>	<u>98,938</u>

The accompanying notes form part of the financial statements.

Consolidated and Company Statement of Cash Flows
for the 52 week period ended 26 February 2017

	Note	Restated		Company 2017 £'000s	Company 2016 £'000s
		Group 2017 £'000s	Group 2016 £'000s		
Cash flows from operating activities					
(Loss) / Profit for the period (from continuing operations)		(27,947)	1,914	39,894	(7,637)
<i>Adjustments for:</i>					
Depreciation & amortisation		82,080	70,238	-	-
Impairment loss		13,353	-	-	-
Loss/(gain) on sale of fixed assets		(5)	7	-	-
Gain on disposal of discontinued operations (net of tax)		-	-	(43,345)	-
Share of equity accounted investees		388	255	-	-
Dividends received		-	-	(5,000)	-
Financial income		(8,712)	(957)	(16,704)	(8,164)
Financial expense		68,364	47,714	26,022	16,069
Foreign exchange losses		-	(160)	-	-
Taxation		15,024	17,204	(1,707)	(1,921)
		142,545	136,215	(840)	(1,653)
(Increase)/decrease in trade & other receivables		(6,622)	(4,217)	563	125
Increase/(decrease) in trade & other payables		9,804	(36,465)	(613)	(2,508)
(Increase)/decrease in inventories		(2,050)	(590)	-	-
(Decrease)/increase in provisions		317	3,382	-	-
Cash generated from operations		143,994	98,325	(890)	(4,036)
Interest received		-	-	106	-
Tax paid		(17,659)	(10,515)	-	-
Net cash flows from continuing operating activities		126,335	87,810	(784)	(4,036)
Net cash flows from discontinued operations		3,255	2,722	-	-
Net cash flows from operating activities		129,590	90,532	(784)	(4,036)
Cash flows from investing activities					
Proceeds from disposal of Property plant and equipment		3,905	2,029	-	-
Disposal of discontinued operations (net of cash disposed)		64,045	-	66,224	-
Acquisition of business combinations (net of cash acquired)		(7,099)	-	-	-
Acquisition of property, plant and equipment		(132,457)	(104,999)	-	-
Acquisition of equity accounted investments		(9,792)	-	(9,792)	-
Acquisition of intangible assets		(2,095)	(2,342)	-	-
Net cash flows from investing activities		(83,493)	(105,312)	56,432	-
Cash flows from financing activities					
Movement in related parties loans		-	-	(17,812)	-
Proceeds from long term borrowings		93,296	792,226	76,000	302,055
Repayment of long term borrowings		(91,688)	(752,475)	(76,688)	(223,114)
Purchase of non controlling interest		(25,000)	(25,000)	-	-
Further investment in subsidiaries		-	-	(45,500)	(67,114)
Interest paid		(17,525)	(16,745)	(1,485)	(7,907)
Net cash flows from financing activities		(40,917)	(1,994)	(65,485)	3,920

Consolidated and Company Statement of Cash Flows
for the 52 week period ended 26 February 2017

	Group	<i>Restated</i> Group	Company	Company
	2017	2016	2017	2016
<i>Note</i>	£'000s	£'000s	£'000s	£'000s
Net cash flows from operating activities	129,590	90,532	(784)	(4,036)
Net cash flows from investing activities	(83,493)	(105,312)	56,432	-
Net cash flows from financing activities	(40,917)	(1,994)	(65,485)	3,920
Net increase/(decrease) in cash and cash equivalents	5,180	(16,774)	(9,837)	(116)
Cash and cash equivalents at beginning of period	34,180	51,297	9,943	10,059
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	(2,456)	(343)	-	-
Cash and cash equivalents at end of period	36,904	34,180	106	9,943
	23			
Cash and cash equivalents per balance sheet	36,904	34,939	106	9,943
Bank overdrafts	-	(759)	-	-
Cash and cash equivalents at end of period per cash flow	36,904	34,180	106	9,943
	23			

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 and domiciled in the UK. The registered number is 06451677 and the registered address is St Mary's House, 42 Vicarage Crescent, Battersea, London, SW11 3LD.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in associates and Joint Ventures. The parent company financial statements present information about the Company as a separate entity and not about its group. The directors have prepared these financial statements under on a going concern basis.

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

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

The consolidated financial statements are presented in Pound Sterling, which is the group's presentation currency and company's presentation currency.

Prior period Restatement

During the current period the group disposed of GBK Retail Limited and its subsidiaries (GBK). GBK is a disposal group whose operations and cash flows can be clearly distinguished to that of the Group. The related GBK operations, including proceeds on disposal of GBK investment, and cash flows have therefore been restated in the group financial statements as discontinued operations. The effect of the restatement has been summarised in note 13.

During the period the FRC communicated with the company regarding the company's annual report for the period ended 28 February 2016. Following their review of the annual report, it was agreed that the Group would restate the classification of cash outflows from the acquisition of Non-Controlling Interest from investing activities to financing activities within the consolidated cash flow statement. This reclassification had no impact on the net cash flows of the Group and no adjustment was required in the consolidated income statement nor the consolidated statement of financial position. The FRC have concluded their review and there were no further changes affecting the primary financial statements.

1.1 Standards issued and applied for the first time in 2017

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

- amendment to IFRS 3 Business Combinations: the amendment clarifies that all contingent consideration arrangements classified as liabilities or assets arising from a business combination must be subsequently measured at fair value through profit and loss whether or not they fall within the scope of IFRS 9 (or IAS 39 as applicable). This amendment did not have an impact on the financial performance of the Group.
- amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: the amendments are in relation to the revaluation method and the proportionate restatement of accumulated depreciation/amortisation. As the Group does not apply a revaluation method, this amendment did not have an impact on the financial performance of the Group.
- amendment to IAS 24 Related Party Disclosures: the amendment clarifies that a management entity (an entity which provides key management personnel services) is a related party subject to the related party disclosures. In addition, the entity that uses a management entity is required to disclose the expense incurred for management services. This amendment did not have an impact on the financial performance of the Group.

1 **Basis of preparation (continued)**

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

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

- Amendments to IFRS 2 in respect of Share-based Payment Transactions will be effective for accounting periods beginning on or after 1 January 2018 and has not yet been endorsed by the EU. The amendments provide additional guidance with respect to the classification and measurement requirements of cash-settled share-based payment transactions as well as transactions where the entity has to withhold amounts due to local tax requirements.
- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting periods beginning on or after 1 January 2018. IFRS 15 replaces IAS 18 and IAS 11 (and the related interpretations) and introduces the principle that revenue is recognised when control of a good or service transfers to a customer. IFRS 15 has been endorsed for adoption by the EU but is not yet effective.
- IFRS 16 in respect of Leases which will be effective for accounting periods beginning on or after 1 January 2019 and has not yet been endorsed for adoption by the EU. IFRS 16 will result in almost all leases being recognised in the statement of financial position, as the distinction between finance and operating leases is removed. Under this standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term leases and low value leases.
- IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. IFRS 9 has been endorsed for adoption by the EU but is not yet effective.
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses. This amendment is not yet endorsed for adoption by the EU and has an expected effective date 1 Jan 2018.
- IFRS 14 Regulatory Deferral Accounts, not yet endorsed by EU. IASB effective date 1 Jan 2016.
- Annual improvements to IFRS Standards 2014 - 2016 cycle. This amendment is expected to have an effective date of 1 January 2018 and has not yet been endorsed by EU.

The group is still in the process of evaluating the impact of the above standards on the financial statements however the group has a sizeable portfolio of operating leases, so the adoption of IFRS 16 is expected to have a significant impact.

2 **Accounting Policies**

2.1 **Measurement convention**

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

2.2 **Basis of consolidation**

The consolidated Nando's Group Holdings Limited Group includes the company and entities controlled by it and its subsidiaries ("the Group").

Control is achieved when the investor

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

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

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

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

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

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

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).

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.

Non-controlling interests in subsidiaries are presented in the consolidated statement of financial position separately from the equity attributable to 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.

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

2.2 Basis of consolidation (continued)
The group enters into franchise arrangements with third parties which confer the right to operate the Nando's brand restaurant in designated locations. In exchange, the group receives a variable royalty as described in note 2.15. The facts and circumstances of each franchise agreement are considered when determining whether control is achieved. Whilst the franchise arrangements provide for the group to have certain protective rights over the franchisees use of the Nando's brand, these rights do not constitute power and therefore control over the franchisees. In the parent company financial statements, all investments in subsidiaries, joint ventures, and associates are carried at cost less impairment.

2 Accounting Policies (continued)

2 Accounting Policies (continued)

2.3 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to 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 transactions entered into to hedge foreign currency risks (assuming all hedge accounting tests are met); and
- exchange differences on loans to or from a foreign operation for which settlement is neither planned nor likely to occur and therefore forms part of the net investment in the foreign operation, which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

Foreign operations

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

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

- Cash and cash equivalents
- Loans and receivables;
- Financial liabilities at amortised cost

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

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

2.4.1 Cash and cash equivalents

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

2 Accounting Policies (continued)

2.4 Financial instruments (continued)

2.4.2 Trade receivables

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

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

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

Interest on overdue trade receivables is recognised as it accrues.

2.4.3 Trade payables

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

2.4.4 Bank overdrafts and interest-bearing borrowings

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

2.4.5 Non interest-bearing loans and borrowings

Non-interest loans are recognised at amortised cost using an effective interest rate method in order to allocate interest charges over the life of the loan.

2.4.6 Equity instruments

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

2.4.7 Derivative financial instruments

Derivative financial instruments are used by the Group to manage exposure to market risk and mitigate risks to its cash flow. Currently, the Group utilises only one derivative instrument, a cash flow hedge, to reduce the exposure to movements in market interest rate fluctuations. Further details of this hedging arrangement are given in Note 30.

2.4.8 Impairment of financial assets

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

2 Accounting Policies (continued)

2.5 Business combinations

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

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

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

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

The Group measures 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.

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

- | | |
|---------------------------------|------------|
| • Buildings | 40 years |
| • Plant and equipment | 3-10 years |
| • Fixtures and fittings | 3-10 years |
| • Motor vehicles | 5 years |
| • Capitalised pre-opening costs | 4 years |

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

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

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

2 **Accounting Policies (continued)**

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 other expenses in profit or loss. Intangible assets with an indefinite useful life are tested for impairment annually. Other intangible assets are amortised from the date they are available for use. The useful lives are as follows:

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

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

Intangible assets acquired separately

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

Intangible assets generated internally

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

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.

2.8 **Goodwill**

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

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.9 **Inventories**

Inventories are valued at the lower of cost and net realisable value on a weighted average basis. Cost comprises the purchase cost of goods, and, where applicable to the Grocery division of the Group, it also includes direct labour and overheads related to manufacture and distribution.

2.10 **Impairment of non-financial assets**

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

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

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

2 Accounting Policies (continued)

2.11 Retirement benefits

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

2.12 Share-based payments

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

2.13 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

2.14 Equity

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

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 activity, the operation of fast casual dining restaurants and the sale of goods to customers, the sale of grocery products, royalties and franchise fees.

Revenue recognised excludes sales taxes (such as VAT and similar). Consideration received from customers is only recorded as revenue to the extent that the Group has performed its contractual obligations in respect of that consideration. The Group operates customer loyalty schemes and recognises the deferred liability arising through the operation of such loyalty schemes by deferring a proportion of restaurant revenue based on estimates of fair value and historical customer redemption records. Revenue is deferred until the loyalty programme rewards are redeemed.

Royalty and franchise fees revenue is received based on a percentage of total sales in accordance with the substance of the relevant Master Franchise Agreement (MFA) for that market. Revenue is recognised on an accruals basis in line with sales. The MFA provides the franchisee with ongoing access to intellectual property, marketing services and branded materials.

2.16 Cost of sales

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

2.17 Leases

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

2 Accounting Policies (continued)

2.17 Leases (continued)

2.17.1 As Lessor

Operating leases

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

2.17.2 As Lessee

Finance leases

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

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

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

Operating leases

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

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

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

2.18 Borrowing costs

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

2.19 Taxation

Income tax for the period is based on the taxable income for the period. Taxable income differs from profit as reported in the statement of comprehensive income for the period as there are some items which may never be taxable or deductible for tax and other items which may be deductible or taxable in other periods. 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. Current and deferred tax is recognised in profit or loss, 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.

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

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

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

2 Accounting Policies (continued)

2.20 Discontinued operations

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

3 Accounting estimates and judgements

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

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

3.1 Key sources of estimation uncertainty

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

Goodwill

In assessing the recoverability of goodwill, management's approach is to use operating cash flows derived from the five year strategic planning process. Cash flows after the five-year period are extrapolated using a terminal value calculation. There are a number of areas of judgement and key assumptions used across revenue and expenses as part of this process. Further detail on the key assumptions used to calculate the present value of these cash flows is given in Note 15.

Customer Loyalty Scheme

Certain markets operate a Customer Loyalty programme based on a points system, which results in deferred revenue being recognised. There is estimation uncertainty in determining the value of deferred revenue. The estimation uncertainty arises due to the need to make assumptions as to the programme breakage rates, being the proportion of loyalty points awarded to customers that do not go on to redeem them. The Group considers a range of assumptions in estimating potential breakage rates and the Group has significant experience and knowledge from historical breakage rates to form the estimations in determining the value of deferred revenue. The uncertainty related to breakage assumptions is expected to be resolved as customers redeem their awards, which are typically valid until 12 months from the date of award. The balance of deferred revenue arising from loyalty programmes is £10,832k (2016: £10,816k).

The group considers that such estimates can be made with a reasonable degree of accuracy and therefore the range of reasonably possible outcomes is considered small. However, in the unlikely event that all points in issue were assumed to be converted to rewards and redeemed by customers, the maximum possible deferral of revenue would be £20m at the year end.

Deferred tax assets

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

3.2 Critical judgements in applying the Group's accounting policies

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

Notes to the financial statements (continued)

4 Revenue

	2017	Restated
	£'000s	2016
		£'000s
<i>The Group's revenue comprises:</i>		
Sale of goods	834,094	731,059
Royalties and franchise fees	13,820	13,108
	847,914	744,167

Geographical Analysis of Revenue

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

5 Other operating income

	2017	Restated
	£'000s	2016
		£'000s
Rental income	1,416	245
Other operating income	(10)	-
(Loss) / profit on disposal of plant, property and equipment	(5)	7
	1,401	252

6 Administrative expenses

The following amounts were expensed or credited during the period:

	2017	Restated
	£'000s	2016
		£'000s
Depreciation of plant, property and equipment	(55,787)	(44,460)
Amortisation of intangible assets	(26,293)	(25,778)
Operating lease rentals	(63,984)	(56,170)
Impairment loss on trade receivables	8	(200)
Impairment charge	(13,353)	(49)
Loss on disposal of plant, property and equipment	5	(3)

7 Auditor's remuneration

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

	2017	Restated
	£'000s	2016
		£'000s
Fees payable to the Group's auditor for these financial statements	95	54
Audit of financial statements of subsidiaries of the company	184	136
Total audit fees	279	190
Taxation compliance services	43	49
Other tax advisory services	378	171
Total audit and non-audit fees	700	410

Notes to the financial statements (continued)

8 Staff numbers and costs

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

	2017 £'000s	Restated 2016 £'000s
Average number of Nandoca's employed by category		
Directors	2	2
Store operatives and management	16,141	13,955
Administration	482	473
	<u>16,625</u>	<u>14,430</u>

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

	2017 £'000s	Restated 2016 £'000s
Wages and salaries	(258,589)	(222,690)
Social security costs	(14,139)	(12,130)
Share based payments	-	(1)
Contributions to defined pension contribution plan	(3,273)	(2,493)
	<u>(276,001)</u>	<u>(237,314)</u>

9 Directors' remuneration

	2017 £'000s	Restated 2016 £'000s
Directors' remuneration	(351)	(316)

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £287k (2016: £253k), and pension contributions of £Nil (2016:£Nil) were made.

10 Financial income

	2017 £'000s	Restated 2016 £'000s
Interest Income	405	185
Net Foreign Exchange Gains	8,307	772
	<u>8,712</u>	<u>957</u>

11 Financial expense

	2017 £'000s	Restated 2016 £'000s
Interest Expense	(64,117)	(47,145)
Net Foreign Exchange Loss	(4,247)	(569)
	<u>(68,364)</u>	<u>(47,714)</u>

Borrowing costs capitalised to qualifying assets amounted to £Nil (2016: £Nil).

Notes to the financial statements (continued)

12 Income tax expense

	2017 £'000s	Restated 2016 £'000s
Current tax expense		
Corporation tax	13,149	13,541
Adjustments for prior periods	0	240
Withholding tax	703	504
	<u>13,852</u>	<u>14,285</u>
Deferred Tax Expense		
Origination and reversal of temporary differences	1,095	1,943
Change in tax rate	(65)	(24)
Adjustment in respect of prior period	142	1,000
	<u>1,172</u>	<u>2,919</u>
Total tax expense	<u>15,024</u>	<u>17,204</u>

Reconciliation of effective tax rate

	2017 £'000s	Restated 2016 £'000s
(Loss)/Profit for the period	(27,947)	1,914
Total tax expense	15,024	17,204
(Loss)/Profit before taxation	<u>(12,923)</u>	<u>19,118</u>
Tax using the UK corporation tax rate of 20.0% (2016: 20.1%)	2,585	(3,843)
Adjustments in respect of prior periods	(142)	(1,176)
Change in tax rate on deferred tax balances	65	(40)
Non-deductible expenses	(350)	(1,052)
Short lease premium relief	-	29
Depreciation on assets not eligible for tax relief	(1,205)	(513)
Movement in unrecognised deferred tax	(12,033)	(4,547)
Amortisation on assets not eligible for tax relief	(4,700)	(4,818)
Impairment of goodwill	(2,538)	-
Withholding tax	(703)	(504)
Difference in overseas tax rate	3,997	382
Other	-	(1,122)
Total tax expense	<u>(15,024)</u>	<u>(17,204)</u>

13 Discontinued operations

During the period, the group disposed of GBK Restaurant Limited, and its related subsidiaries, this resulted in a loss of control over GBK Restaurant Limited and its subsidiaries.

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

Notes to the financial statements (continued)

13 Discontinued operations (continued)

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

	2017	Restated
	7 months	12 months
	£'000s	£'000s
Revenue	45,948	64,469
Cost of sales	(28,062)	(38,632)
Operating expenses	(18,767)	(22,257)
Depreciation	(3,125)	(4,560)
Amortisation	(6)	(5)
Finance expenses	(1,075)	(509)
(Loss) / profit before tax from discontinued operations	(1,957)	2,149
Income tax from discontinued operations	-	(1,008)
Group profit on disposal of subsidiary	52,710	-
Profit from discontinued operations, net of tax	50,752	1,141

The profit (after tax) from discontinued operations are attributable to:

Equity holders of the parent	50,222	561
Non-controlling interest	530	580

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

Cash flows from discontinued operations is summarised as follows:

	2017	Restated
	7 months	12 months
	£'000s	£'000s
Cash flows from operating activities	3,255	2,722
Cash flows from investing activities	(12,513)	(7,853)
Cash flows from financing activities	10,096	4,272
Net cash flows for the period	<u>838</u>	<u>(859)</u>

Effect of the disposals on individual assets and liabilities:

Property plant and equipment	54,551	45,698
Intangibles	10,319	9,790
Trade and other receivables	5,289	5,033
Inventories	1,450	1,334
Cash and cash equivalents	3,230	2,192
Bank overdrafts	(1,051)	(759)
Trade and other payables	(22,231)	(19,409)
Taxation payable	(123)	(492)
Other interest bearing loans and borrowings	(38,403)	(25,607)
Loans due to related parties	-	(2,700)
Deferred tax liabilities	(1,072)	(1,072)
Net identifiable assets and liabilities	<u>11,959</u>	<u>14,008</u>

Consideration received, satisfied in cash:	66,224
Cash disposed of	(2,179)
Net cash inflow	<u>64,045</u>

Notes to the financial statements (continued)

14 Property, plant and equipment

	Freehold Land and buildings £'000s	Short Leasehold Property £'000s	Plant and equipment £'000s	Leased Plant & Equipment £'000s	Fixtures & fittings £'000s	Leased Fixtures & fittings £'000s	Motor vehicles £'000s	Construction in progress £'000s	Total £'000s
Costs									
Opening cost at beginning of prior period	83	329,960	125,192	-	8,322	2	335	3,630	467,524
Additions	-	61,615	26,208	-	11,540	-	16	4,708	104,087
Transfers	-	-	-	-	2	(2)	-	-	-
Disposals	(83)	(8,038)	(3,265)	-	(33)	-	-	-	(11,419)
Effects of movement in foreign exchange	-	2,658	783	-	175	-	6	166	3,788
Opening cost at beginning of current period	-	386,195	148,918	-	20,006	-	357	8,504	563,980
Additions	4,385	74,611	42,919	1,827	15,405	-	121	(1,671)	137,597
Disposals	-	(10,370)	(4,008)	-	(65)	-	(81)	0	(14,524)
Subsidiaries sold	-	(62,109)	(11,108)	-	(10,150)	-	(129)	(5,122)	(88,618)
Effects of movement in foreign exchange	0	8,855	3,984	(168)	4,193	-	5	419	17,288
Closing cost at end of current period	4,385	397,182	180,705	1,659	29,389	-	273	2,130	615,723

Notes to the financial statements (continued)

14 Property, plant and equipment (continued)

	Freehold Land and buildings	Short Leasehold Property	Plant and equipment	Leased Plant & Equipment	Fixtures & fittings	Leased Fixtures & fittings	Motor vehicles	Construction in progress	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Accumulated depreciation/impairment									
Opening balance at beginning of prior period	-	(130,389)	(62,752)	-	(405)	(2)	(209)	-	(193,757)
Depreciation	(4)	(30,410)	(15,681)	-	(2,614)	-	(63)	-	(48,772)
Transfers	-	-	-	-	(2)	2	-	-	-
Impairment losses	-	64	64	-	-	-	-	-	128
Disposals	4	3,547	2,699	-	12	-	-	-	6,262
Effects of movement in foreign exchange	-	(1,080)	(466)	-	(189)	-	(2)	-	(1,737)
Opening balance at beginning of current period	-	(158,268)	(76,136)	-	(3,198)	-	(274)	-	(237,876)
Depreciation	-	(34,521)	(19,791)	(184)	(4,379)	-	(37)	-	(58,912)
Impairment losses	-	-	-	-	(663)	-	-	-	(663)
Disposals	-	7,835	2,624	-	124	-	41	-	10,624
Subsidiaries sold	-	23,193	7,493	-	3,194	-	118	-	33,998
Effects of movement in foreign exchange	-	(2,673)	(1,860)	(13)	(1,340)	-	(14)	-	(5,900)
Closing balance at end of current period	-	(164,434)	(87,670)	(197)	(6,262)	-	(166)	-	(258,729)
Opening carrying value at beginning of prior period	83	199,571	62,440	-	7,917	-	126	3,630	273,767
Opening carrying value at beginning of current period	-	227,927	72,782	-	16,808	-	83	8,504	326,104
Closing carrying value at end of current period	4,385	232,748	93,035	1,462	23,127	-	107	2,130	356,994

Notes to Group Property Plant and Equipment

Additions during the current period include £4,088k additions as a result of business combinations described in note 16.

Impairment losses of £663,000 (2016: £128,000 reversal) relate to individual restaurants which are considered impaired. The expense has been included in administrative expenses within the statement of comprehensive income.

No borrowing costs were capitalised to Plant, Property and Equipment during the period under review.

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

Notes to the financial statements (continued)

15 Intangible assets		2017	2016
		£'000s	£'000s
<i>Intangible assets is made up of the following:</i>			
Goodwill	Note 15.1	331,133	341,552
Other intangible assets	15.2	440,170	462,609
		<u>771,303</u>	<u>804,161</u>

15.1 Goodwill

	2017	
	£'000s	
Cost		
Opening costs at beginning of prior period	425,234	
Additions	396	
Measurement period adjustment	(4,343)	
Effects of movement in foreign exchange	1,926	
Opening cost at beginning of current period	<u>423,213</u>	
Additions	3,122	
Subsidiaries sold	(14,728)	
Effects of movement in foreign exchange	11,511	
Closing cost at end of current period	<u>423,118</u>	
Accumulated Amortisation		
Balance beginning of prior period	(81,481)	
Amortisation charge in the period	-	
Impairment losses	(180)	
Effects of movement in foreign exchange	-	
Balance at beginning of current period	<u>(81,661)</u>	
Amortisation charge in the period	-	
Impairment losses	(12,691)	
Subsidiaries sold	1,587	
Effects of movement in foreign exchange	780	
Balance at end of current period	<u>(91,985)</u>	
Opening carrying value at beginning of prior period	343,753	
Opening carrying value at beginning of current period	341,552	
Closing carrying value at end of current period	<u>331,133</u>	
	2017	2016
	£'000s	£'000s
UK & Ireland	259,002	271,308
Overseas	72,131	70,244
	<u>331,133</u>	<u>341,552</u>

Goodwill is allocated to and monitored at the level of the market, being UK & Ireland, Australia, New Zealand, USA, Canada and our franchising business. These are then aggregated at a regional level aligned to their geography (and with franchises in other) for the purpose of the following disclosure.

Goodwill has decreased from £341.6m to £331.1m. This movement is a result of increases to the fair value of £12.3m as a result of movements in foreign currencies and £3.1m of additions. This is offset by disposals of £13.1m and impairment losses of £12.7m.

Notes to the financial statements (continued)

15.1 Goodwill (continued)

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

	2017	2016
	£'000s	£'000s
United Kingdom and Ireland	259,002	271,308
North America	36,422	32,443
Australasia and Asia	20,211	26,440
Other	15,498	11,361
	331,133	341,552

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 impairment assessment has been based on EBITDA cash flow forecasts from the Group strategic planning process which have then been extrapolated and adjusted for forecast capital expenditure. A number of assumptions have been utilised in calculating these cash flows, including sales growth projections, budgeted gross margins, direct and indirect cost growth rates and expected capital expenditure levels. In line with IFRS requirements, only capital expenditure relating to maintaining the assets in their current condition has been included.

After applying these assumptions, the five-year EBITDA cash flows have been discounted using the mid-point of a weighted average cost of capital (WACC) range which has been provided by a third-party valuation specialist. The WACCs reflect current market assessments of the time value of money and the risks specific to the asset.

Cash flows after the five-year period have been derived by taking the present value of the fifth year forecast EBITDA and multiplying this by an exit multiple. The exit multiple represents the mid-point of a range of multiples which have been sourced by valuation specialists and benchmarked to recent global comparable company transactions. The table below shows the perpetuity growth rates which are implied as a result of this approach.

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

	UK & Ireland	North America	Australasia and Asia	Other
Implied long-term profit growth rate	2%	1.5% - 3.4%	4.7% - 8.5%	3%
Discount rates	10.5%	8.5%	13.50%	10.5% - 17.5%

The results of the impairment review require that an impairment loss is recognised in the Australasia and Asia region. The impairment loss of £12.7m is a result of the deterioration of market conditions since acquisition both reducing the return generated from our recent investments and requiring us to reassess the medium term returns that can be generated from our assets. The recoverable amount for this region is calculated using the VIU methodology using the assumptions in the table above. In prior year financial statements, the recoverable amount was estimated using the fair value less cost of disposal approach. In the current, the fair value less cost of disposal calculation does not exceed the value in use calculation.

For the remaining regions, the results of the impairment review show that there is significant headroom for all these regions and therefore management are comfortable with the goodwill valuation. Management has based their assumptions on past experience and external sources of information, such as industry sector reports and market expectations. Following the impairment recorded, the Directors believe that no reasonably possible change in key assumptions would lead to the need for further impairment charges which would be material.

Notes to the financial statements (continued)

15.2 Other intangible assets

	Intellectual Property Patents and trademarks	Development costs	Software	Total
	£'000s	£'000s	£'000s	£'000s
Cost				
Opening costs at beginning of prior period	485,639	3	209	485,851
Additions	1,575	4	367	1,946
FX translation reserve	752	5	8	765
Opening cost at beginning of current period	487,966	12	584	488,562
Additions*	782	1,572	516	2,870
Disposals	(32)	-	(50)	(82)
Subsidiaries sold	(248)	-	-	(248)
Effects of movement in foreign exchange	2,075	21	126	2,222
Closing cost at end of current period	490,543	1,605	1,176	493,324
Accumulated depreciation/impairment				
Opening balance at beginning of prior period	(3)	-	-	(3)
Amortisation	(25,647)	(8)	(128)	(25,783)
Effect of movements in foreign exchange	(154)	(4)	(9)	(167)
Opening balance at beginning of current period	(25,804)	(12)	(137)	(25,953)
Amortisation	(26,035)	(63)	(201)	(26,299)
Subsidiaries sold	37	-	-	37
Disposals	35	-	-	35
Effects of movement in foreign exchange	(913)	(20)	(41)	(974)
Closing balance at end of current period	(52,680)	(95)	(379)	(53,154)
Opening carrying value at beginning of prior period	485,636	3	209	485,848
Opening carrying value at beginning of current period	462,162	-	447	462,609
Closing carrying value at end of current period	437,863	1,510	797	440,170

*Additions during the current period include £775k additions as a result of business combinations described in note 16.

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

Impairment testing - Intellectual Property

Intellectual property is amortised over 20 periods, at the end of the current financial period the IP has a remaining useful life of 18 periods. It is managements assertion that there are no indications of impairment to this asset as of 26 February 2017. The amortisation charge on intellectual property for the period was £26,035k (2016: £25,647k).

16 Business Combinations

The Group has accounted for various business combinations; the Group acquired a subsidiary and reacquired 31 franchise restaurants during the period. The acquisitions reflect managements continued intent to strengthen the management of the Nando's brand and further development of the business.

The acquisition of the subsidiary, Janpath Restaurants Private Limited, was a result of the increase in the Group's shareholding during the period to 99% (2016: 26%). The acquisition took place on 24 May 2016 for a cash consideration of £2,611k when the fair value of the original investment was £1,303k and the value of assets acquired was £2,000k resulting in goodwill of £1,916k being recognised in the Group.

The acquisition of 31 franchised restaurants (21 in Australia, 5 in New Zealand and 5 in India) took place at various dates during the period for the total consideration of £5,061k, acquiring net identifiable assets of £3,916k resulting in goodwill of £1,206k being recognised.

Notes to the financial statements (continued)

16 Business Combinations (continued)

The goodwill has risen 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.

Details of business combinations	2017 £'000s Fair value on acquisition
(a) Consideration transferred	
Cash	7,199
Cash purchase adjustments and transfer fees	474
Total cash consideration	7,673
Fair value of original investment	1,303
Total consideration	8,976
(b) Assets acquired and liabilities assumed at date of acquisition	
Cash and cash equivalents	573
Inventories	229
Property, plant and equipment	4,088
Deferred tax liability	(39)
Intangible assets	775
Trade receivables	214
Trade payables	(280)
Provisions	(28)
Loans and advances	384
Net identifiable assets and liabilities	5,916
(c) Net cash outflow on acquisition of business	
Consideration in cash	7,672
Less: Cash and cash equivalents acquired	(573)
	7,099
(d) Goodwill relating to the acquisition of businesses	
Cash	7,199
Fair value of initial Investment	1,303
Purchase adjustments and transfer fees	474
Other adjustments	61
	9,037
Comprised of:	
Tangible assets acquired	5,140
Intangible assets - Other	775
Intangible assets - Goodwill	3,122
	9,037

Notes to the financial statements (continued)

17 Investment in subsidiaries

Investments in group companies

	Group 2017 £'000s	Group 2016 £'000s	Company 2017 £'000s	Company 2016 £'000s
Balance at the beginning of the period	-	-	183,378	116,273
Additional capital contributions during the period	-	-	66,885	67,105
Disposals during the period	-	-	(22,994)	-
Balance at the end of the period	-	-	227,269	183,378

The Group assesses the carrying value of its investments at each reporting date to determine whether there is objective evidence of impairment. An impairment analysis has been performed across the individual investment values using a discounted cash flow methodology, consistent with the approach described in note 15. Management are satisfied that the current value of the investments can be supported as a result of impairment analysis. The overseas markets, particularly in India and the US, are being maintained by an ongoing level of investment, commensurate with their early stage of development. Part of this investment is for the development of central support teams which have the scale required to drive the expected future long-term growth and profitability within these markets, as well as to provide the right level of support for the growing number of restaurants and Nandocas. Management therefore expects that the long term growth in these markets will continue to support the carrying value of investments and further headroom will be generated in future periods.

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

Subsidiary/undertaking	Registered Address	Ownership 2017	Ownership 2016	Country of Incorporation	Class of Shares Held	Principal activity
Nando's Group Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Holding company
Nando's Finance Limited*	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Holding company
Nando's Chickentland Limited*	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99%	95%	UK	Ordinary	Casual Dining Restaurants
Nando's Chicken Limited*	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99%	95%	UK	Ordinary	Holding company for lease
Vicar Lane Bradford Limited*	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99%	95%	UK	Ordinary	Holding company for lease
Broomco Chando's Limited*	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99%	95%	UK	Ordinary	Holding company for lease
Broomco (4061) Limited**	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	99%	95%	UK	Ordinary	Holding company
Nando's Chickentland Ireland Limited*	2nd Floor, 11/12 Warrington Place, Dublin 2	99%	95%	Republic of Ireland	Ordinary	Casual Dining Restaurants
GBK Restaurants Limited**	Suite C1, Lindsey Street, London, EC1A 9HP	0%	73%	UK	Ordinary	Holding company
GBK Franchise Limited**	Suite C1, Lindsey Street, London, EC1A 9HP	0%	73%	UK	Ordinary	Franchising
Gourmet Burger Kitchen Limited**	Suite C1, Lindsey Street, London, EC1A 9HP	0%	73%	UK	Ordinary	Casual Dining Restaurants
Gourmet Burger Kitchen (Ireland) Limited**	Suite C1, Lindsey Street, London, EC1A 9HP	0%	73%	Republic of Ireland	Ordinary	Dormant
GBK Retail Limited**	Suite C1, Lindsey Street, London, EC1A 9HP	0%	73%	UK	Ordinary	Retail food products
Nando's Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Management & IP company

Notes to the financial statements (continued)

17 Investment in subsidiaries (continued)

Nando's Restaurant Group Holdings Limited***	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Holding company
Hackremco (No. 2639) Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	0%	100%	UK	Ordinary	Liquidated during the period
Nando's Sub Continent Holdings Limited****	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	100%	UK	Ordinary	Holding company
Nando's Brand JVCo Limited*****	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	67%	67%	UK	Ordinary	Management company
Nando's Restaurants Group Inc	819 7th Street, Washington, DC 20001	100%	100%	USA	Ordinary	Casual Dining Restaurants
Nando's Chickenland Canada Inc	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	100%	Canada	Ordinary	Holding company
Nando's PERI PERI Canada Inc	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	100%	Canada	Ordinary	Casual Dining Restaurants
Nando's Chickenland Central Limited	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	100%	Canada	Ordinary	Casual Dining Restaurants
Nando's Chickenland West Limited	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	100%	Canada	Ordinary	Casual Dining Restaurants
8489963 Canada Inc	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	100%	Canada	Ordinary	Casual Dining Restaurants
2418836 Ontario Inc	5865 Kennedy Road, Mississauga, ON, L4Z 2G3	100%	100%	Canada	Ordinary	Casual Dining Restaurants
Nando's Services (Pty) Limited	10A Victoria Road, Lorentzville, Johannesburg, 2094	100%	100%	South Africa	Ordinary	Management company
Nando's Australia Pty Limited	ESSENDON VIC 3040	95%	95%	Australia	Ordinary	Casual Dining Restaurants
Windeacon Pty Limited	ESSENDON VIC 3040	95%	95%	Australia	Ordinary	Real Estate
Nando's New Zealand Limited	Franchise Accountants, 2g Amera Place, Huntington Park, Auckland, 2013, New Zealand	100%	100%	New Zealand	Ordinary	Casual Dining Restaurants
Nando's New Zealand Restaurants Limited	Franchise Accountants, 2g Amera Place, Huntington Park, Auckland, 2013, New Zealand	100%	100%	New Zealand	Ordinary	Casual Dining Restaurants
Nando's Services India Private Limited****	Flat 10, 1105-1106, Ashoka Estate, New Delhi - 110001	100%	100%	India	Ordinary	Casual Dining Restaurants
Nando's Karnataka Restaurants Private Limited*****	G9/10, Ascendas Park Square Mall, ITPL, Whitefield, Bangalore-560066, Karnataka	100%	100%	India	Ordinary	Casual Dining Restaurants
Delhi NCR JV (Janpath Restaurants Private Limited)****	Shop No. 315 - 316, Plot No. 3 DLF Promenade Mall, Nelson Mandela Marg, Vasant Kunj, New Delhi-110070	99%	26%	India	Ordinary	Casual Dining Restaurants
Nando's Services Limited	St Mary's House, 42 Vicarage Crescent, London, SW11 3LD	100%	0%	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

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

** Shareholding of GBK Restaurant Limited was disposed of during the current period

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

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

***** Owned by a subsidiary, Nando's Brand JVCO Limited.

Notes to the financial statements (continued)

17 Investment in subsidiaries (continued)

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

Name of Subsidiary	% of NCI ownership held		Profit allocated to NCI		Accumulated non-controlling interests	
	2017	2016	2017	2016	2017	2016
			£'000s	£'000s	£'000s	£'000s
Nando's Chickenland Limited	0.7%	5.1%	453	3,004	2,271	9,779
GBK Restaurants Limited	0%	27%	529	580	-	1,149
			<u>982</u>	<u>3,584</u>	<u>2,271</u>	<u>10,928</u>

During both the period under review and the comparative period, a proportion of the non-controlling interest in Chickenland Limited was bought back by Nando's Finance Limited for £25m (2016: £25m). The non-controlling interest has been reduced relative to the proportion of the shares bought back. The Group also reduced non-controlling interest by £1,678k due to the disposal of subsidiary, GBK Restaurants Limited, during the period.

Summarised Financial Information

	Nando's Chickenland	
	2017	2016
	£'000s	£'000s
Revenue	646,772	602,031
Depreciation and amortisation	(55,757)	(51,396)
Interest income	356	560
Interest expense	(14,280)	(13,621)
Profit/(loss) after tax	65,532	60,072
Other comprehensive income	-	-
Total comprehensive income	65,532	60,072
Non-current assets	547,200	533,010
Current assets	29,859	31,233
Cash	15,663	6,216
Current liabilities	(403,285)	(420,735)
Non-current liabilities	(16,612)	(1,431)
Net assets	172,825	148,293
Cash flows from operating activities	93,349	30,517
Cash flows from investing activities	(70,902)	(54,465)
Cash flows from financing activities	(13,000)	-
Net cash flows for the period	9,447	(23,948)

Change in the Group's ownership interest in a subsidiary

A further 4.3% interest in Nando's Chickenland was acquired by the Group during the period, increasing its continuing interest to 99.3%. The difference between the consideration paid of £25,000k and the decrease in the non-controlling interest of £7,958k has been credited to retained earnings.

Significant restrictions

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

Financial support

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

Notes to the financial statements (continued)

18 Investments accounted for using the equity method

Investments	Registered Address	Ownership		Country of	Class of	Principal activity
		2017	2016			
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%	30%	Malaysia	Ordinary	Casual Dining Restaurants
Nando's Singapore PTE. Limited	16 Raffles Quay, No. 11-03 Hong Leong Building, Singapore, 048581	49%	30%	Singapore	Ordinary	Casual Dining Restaurants

During the period under review the Company increased its ownership in its associates based in Malaysia and Singapore. The further 19% interest in both associate entities resulted in an increased interest of 49%, this together with the changes to the terms of shareholders agreement has resulted in the classification the investments as a joint venture from the 25 May 2016. The investments in Malaysia and Singapore, which are considered to be individually immaterial, have a different period end of 31 December to the Group due to local compliance reasons.

During the period under review the Group increased its ownership in Janpath Restaurants Private Limited. The further 73% interest in was acquired by the Group during the period, increasing its continuing interest to 99%. The change in ownership has resulted in the Group classifying the investment as a subsidiary from 24 April 2016, refer to note 17 for further disclosure.

There are no restrictions on the ability of associates to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the entity.

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

Investments	Share of loss of equity-accounted investees, net of tax		
	2017	2016	
	£'000s	£'000s	
Nando's Chickenland Malaysia SDN.BHD	(152)	(38)	
Other investments	(236)	(217)	
	<u>(388)</u>	<u>(255)</u>	

Carrying value of investment in Joint Venture	Nando's		
	Malaysia SDN.BHD	Other investments	Total
	£'000s	£'000s	£'000s
Initial investment as at 28 February 2016	10,000	3,025	13,025
2016 Share of loss of equity-accounted investees, net of tax	(38)	(217)	(255)
Group investment as at 28 February 2016	<u>9,962</u>	<u>2,808</u>	<u>12,770</u>
Additional investment in associate	8,737	2,278	11,015
2017 Share of loss of equity-accounted investees, net of tax	(152)	(236)	(388)
Transfer to Investments in subsidiaries	-	(1,335)	(1,335)
Group investment as at 26 February 2017	<u>18,547</u>	<u>3,515</u>	<u>22,062</u>

The Company, Nando's Group Holdings Limited, has an investment in equity accounted investments of £22,515 (2016: £12,032).

Notes to the financial statements (continued)

18 Investments accounted for using the equity method (continued)

Summarised Financial Information

	Other investments		Nando's Chickenland Malaysia SDN.BHD	
	2017 £'000s	2016 £'000s	2017 £'000s	2016 £'000s
Revenue	10,831	9,290	30,053	25,076
Depreciation and amortisation	(618)	(468)	(1,925)	(1,629)
Interest income	-	-	1	4
Interest expense	(56)	(39)	(519)	(302)
Profit/(loss) after tax	(584)	(261)	(468)	(125)
Other comprehensive income	-	-	-	-
Total comprehensive income	(584)	(261)	(468)	(125)
Non-current assets	4,357	3,883	12,180	11,353
Current assets	1,623	1,397	3,578	3,069
Cash	672	448	839	374
Current liabilities	(3,342)	(3,995)	(8,347)	(8,437)
Non-current liabilities	(422)	(569)	(2,190)	(2,450)
Net assets	2,888	1,164	6,060	3,909
Cash flows from operating activities	198	219	1,241	67
Cash flows from investing activities	(642)	(1,072)	(1,894)	(2,457)
Cash flows from financing activities	862	380	989	2,458
Net cash flows for the period	418	(473)	336	68

19 Deferred tax assets and liabilities - Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2017 £'000s	2016 £'000s	2017 £'000s	2016 £'000s
Property, plant and equipment	-	-	(3,913)	(4,595)
Intangible assets	368	378	-	-
Provisions	2,622	2,154	-	-
Tax value of loss carry-forwards	-	-	-	-
Other	922	230	-	1,452
Tax assets/(liabilities)	3,912	2,762	(3,913)	(3,143)

Notes to the financial statements (continued)

19 Deferred tax assets and liabilities - Group (continued)

<i>Movement in deferred tax</i>	Property, Plant & Equipment	Intangible Assets	Provisions	Unused tax losses	Other	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at beginning of prior period	(6,262)	1,914	348	4,935	1,906	2,841
Foreign Exchange translation difference	339	(49)	(10)	225	(66)	439
Charged to income	1,329	(1,487)	1,816	(5,160)	(159)	(3,661)
Balance at beginning of current period	(4,594)	378	2,154	-	1,681	(381)
Charged to income	(271)	(86)	33	-	(848)	(1,172)
Included in disposal group	1,072	-	-	-	-	1,072
Foreign Exchange translation difference	(118)	75	435	-	88	480
Balance at end of current period	(3,911)	367	2,622	-	921	(1)

As at 26 February 2017, the Group has an unrecognised deferred tax asset of £29,725k (2016: £15,930k) relating to carried forward losses. The unrecognised deferred tax asset disclosed relates to unused tax losses of £88,593k (2016: £45,644k). Such losses are appraised at each reporting date based on the expected taxable profits from the Group's strategic planning process. In determining the probability of available taxable profits against which to utilise these losses, the Group focusses on the short term forecasts given the risk associated with the longer term plans. Accordingly, these deferred tax assets remain unrecognised.

The Group also has £8,580k (2016: £4,320k) of unrecognised deferred tax assets relating to the carrying value of IP and the tax base. This considers the acquisition price in respect of any future disposal of assets. As the assets amortise below the purchase price a deferred tax asset arises but is not recognised, as based on the strength of the business performance and the integrity of the IP to this performance, the directors currently believe the business will be operated utilising this IP for the foreseeable future.

The Group also has £1,467k (2016: £3,685k) of unreconciled deferred tax assets relating to other deductible timing differences.

The Company has no deferred tax assets or liabilities.

20 Loans due from related parties

The Company has the following related party loans receivable at period end:

	2017	2016
	£'000s	£'000s
Interest bearing loans	183,588	150,119
Non interest bearing loans	8,420	23,961
	<u>192,008</u>	<u>174,080</u>

The Company has various loans with its' subsidiaries, the loans are repayable on demand and unsecured. Interest is charged at market related rates on the interest bearing loans, interest accrued for the period is £12,306k (2016: £8,164k).

21 Inventories

	Group		Company	
	2017	2016	2017	2016
	£'000s	£'000s	£'000s	£'000s
Raw materials and consumables	4,088	4,139	-	-
Finished goods	1,166	515	-	-
	<u>5,254</u>	<u>4,654</u>	<u>-</u>	<u>-</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the period amounted to £179,193k (2016: £153,917k). The write-down of inventories to net realisable value amounted to £Nil (2016: nil). There was no reversal of write-downs (2016: £Nil). The write-down and reversal are included in cost of sales.

Notes to the financial statements (continued)

22 Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	£'000s	£'000s	£'000s	£'000s
Current				
Amounts due from related undertakings	1,200	1,513	-	-
Other trade receivables due from third parties	7,518	8,125	-	572
Other debtors	8,760	5,529	9	-
Prepayments	11,782	13,162	-	-
Total current	29,260	28,329	9	572
Non-Current				
Other trade receivables due from third parties	760	19	-	-
Other debtors	30	197	-	-
Prepayments	1,982	2,155	-	-
Total non-current	2,772	2,371	-	-

Included within trade and other receivables is £2,772k (2016: £2,371k) for the Group and £Nil (2016: £Nil) for the Company expected to be recovered in more than 12 months.

Related party details are provided in note 33.

23 Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	£'000s	£'000s	£'000s	£'000s
Cash and cash equivalents per balance sheet	36,904	34,939	106	9,943
Bank overdrafts	-	(759)	-	-
Cash and cash equivalents per cashflow statements	36,904	34,180	106	9,943

24 Other interest-bearing, non-interest bearing loans and related party loans

	Group		Company	
	2017	2016	2017	2016
	£'000s	£'000s	£'000s	£'000s
Non-current liabilities				
Secured bank loans	(375,885)	(405,383)	-	-
Other loans	-	(10,241)	-	-
Loans due to related parties	(613,514)	(567,199)	(325,906)	(302,055)
	(989,399)	(982,823)	(325,906)	(302,055)
Current liabilities				
Current portion of secured bank loans	(17,225)	(15,928)	-	-
Other loans	(4,500)	-	-	-
Loans due to related parties	-	(465)	(17,024)	(18,263)
	(21,725)	(16,393)	(17,024)	(18,263)
Total liabilities				
Secured bank loans	(393,110)	(421,311)	-	-
Other loans	(4,500)	(10,241)	-	-
Loans due to related parties	(613,514)	(567,664)	(342,930)	(320,318)
	(1,011,124)	(999,216)	(342,930)	(320,318)

Finance lease liabilities

Neither the Group nor the Company have any finance lease liabilities.

Related party liabilities (Group and Company)

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

The Company loans due to related parties also include a loan payable to NGL of £17,024 (2016: £18,263).

Notes to the financial statements (continued)

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

Third party liabilities

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

Bank loans: Term Loan A, B and revolving facility

The £500m facility available to Nando's Finance Limited bears interest at LIBOR plus 2.25% and 2.75% with interest payable on a monthly or quarterly basis. The fixed term loans continue to be available to the Group and extend until 2021 2022 respectively.

The loans are secured by debentures and unlimited guarantees from Nando's Chickenland Limited and a first legal charge over the short leasehold property held by Nando's Finance Limited and its subsidiaries. The total value of property held as security totals £212.7m and is included in note 14.

Bank loan - Australia

Nando's Australia has a fixed term bank facility of AU\$28.8m which is available to the group until 2017. The facility bears interest at the Bank Bill Swap Bid Rate (for the period) + 1% margin and is secured by a guarantee of AU\$10.0m from NGH. The remaining balance is repaid in monthly instalments of AU\$420k.

Capricorn Ventures Limited

Nando's Limited entered into a loan agreement with Capricorn Ventures Limited. The loan of £4.5m bears interest at a Bank of England (BOE) +2.5% and matures in 2022.

Group and Company

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

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Amount payable on maturity	Carrying amount
				2017	2017	2016	2016
				£'000s	£'000s	£'000s	£'000s
Secured loan							
Bank loan - term loan A	GBP	LIBOR	2021	95,000	93,146	110,000	107,659
Bank loan - term loan B	GBP	LIBOR	2022	250,000	245,337	250,000	244,145
Bank loan - revolving facility	GBP	LIBOR	2021	40,000	40,000	40,000	40,000
Bank loan	GBP	LIBOR	Revolving	-	-	15,400	15,400
Bank loan - Australia	AUD	6.30%	2021	17,736	14,590	14,790	14,107
Other loans	GBP			34	37	34	34
Related party loans							
Yellowwoods Treasury	GBP	8.50%	2026	51,000	59,232	51,000	54,480
Yellowwoods Treasury	GBP	8.35%	2025	104,250	120,767	104,250	111,238
Yellowwoods Treasury	GBP	8.30%	2024	93,250	107,609	93,250	99,426
Yellowwoods Treasury*	GBP	7.50%	2019	95,615	108,818	95,615	101,372
Yellowwoods Treasury*	GBP	8.00%	2022	120,000	137,753	120,000	127,706
Yellowwoods Treasury*	GBP	8.30%	2024	46,106	51,524	46,106	46,618
Short term loan:	GBP	6.80%	2017	-	-	25,000	26,359
Yellowwoods Treasury*							
Yellowwoods Treasury*	GBP	8.50%	2027	26,000	27,810	-	-
Other loans							
Nando's Malta Trading Ltd	ZAR	Nil	Current	-	-	465	465
Zero Coupon Loan Stock – Capricorn Ventures Limited	GBP	Nil	2016	-	-	10,488	10,207
Capricorn Ventures Limited	GBP	BOE +2.5%	2022	4,500	4,500	-	-
				943,491	1,011,123	976,398	999,216

* This loan relates to the Company and Group

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

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

Notes to the financial statements (continued)

25 Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	£'000s	£'000s	£'000s	£'000s
Current				
Trade payables due to third parties	(35,157)	(39,186)	-	(119)
Trade payables due to related parties	(0)	(231)	-	(200)
Other trade payables	(3,619)	(420)	-	-
Deferred income in relation to customer loyalty schemes	(10,832)	(10,816)	-	-
Other taxation and social security	(22,523)	(23,729)	-	-
Accruals and other creditors	(52,536)	(81,434)	(39)	(333)
	<u>(124,667)</u>	<u>(155,816)</u>	<u>(39)</u>	<u>(652)</u>
Non-current				
Accruals and other creditors	(23,895)	(5,173)	-	-
	<u>(148,562)</u>	<u>(160,989)</u>	<u>(39)</u>	<u>(652)</u>

Included within accruals and other creditors is £23,895k (2016: £5,173k) for the Group and £Nil (2016: £Nil) for the Company expected to be settled in more than 12 months. This primarily relates to liabilities arising from lease contracts.

Related party details are provided in note 33.

26 Share based payments

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

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

Group Partnership Scheme

The Group has formed an employee share scheme during the year which is designed to remunerate the directors and employees of the Group with shares in the company, i.e. Nando's Group Holdings Limited.

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

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

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

	2017
	Shares
Ordinary B shares	
B1 shares at beginning of the period	-
B2 shares at beginning of the period	-
Total outstanding shares at beginning of the period	<u>-</u>
B1 shares issued during the period	8,597,567
B2 shares issued during the period	746,150
Outstanding shares at end of the period	<u><u>9,343,717</u></u>

Due to the mandatory holding period, no shares were exercisable at the end of the period. These share based payment schemes have been recognised in accordance with IFRS 2 and the accounting policy described in 2.12. The charges for the period are not material. Further details are provided under note 28, Capital and reserves.

Notes to the financial statements (continued)

26 Share based payments (continued)

Partnership VI

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

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

27 Provisions

Group

	Onerous Lease £'000s	Other £'000s	Total £'000s
Balance at beginning of prior period	(939)	(1,716)	(2,655)
Provisions made during the period	(332)	(845)	(1,177)
Utilised during the period	221	1,276	1,497
FX translation reserve	(14)	(17)	(31)
Balance at beginning of current period	<u>(1,064)</u>	<u>(1,302)</u>	<u>(2,366)</u>
Provisions made during the year	(1,495)	(623)	(2,118)
Utilised during the period	624	1,564	2,188
FX translation reserve	(212)	(175)	(387)
Balance at end of current period	<u>(2,147)</u>	<u>(536)</u>	<u>(2,683)</u>
2016			
Non-current provisions	(669)	(282)	(951)
Current provisions	(395)	(1,020)	(1,415)
	<u>(1,064)</u>	<u>(1,302)</u>	<u>(2,366)</u>
2017			
Non-current provisions	(1,678)	(289)	(1,967)
Current provisions	(469)	(247)	(716)
	<u>(2,147)</u>	<u>(536)</u>	<u>(2,683)</u>

Onerous lease provision

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

Other provisions

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

Company

The Company has no provisions

Notes to the financial statements (continued)

28 Capital and reserves

Share capital

	Ordinary Shares	
	2017	2016
	£'000s	£'000s
<i>Authorised Share Capital</i>		
50,000 ordinary shares of £1 each	50,000	50,000
9,880,240 ordinary B shares of £0.001 each	10	-
	50,010	50,000
 <i>Issued and fully paid for</i>		
50,000 ordinary shares of £1 each	50,000	50,000
9,343,717 ordinary B shares of £0.001 each	9	-
	50,009	50,000
 <i>Reconciliation of the number of shares outstanding</i>		
Opening balance at beginning of current period	50,000	50,000
Shares issued	9	-
Closing balance at end of current period	50,009	50,000

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.

Own share reserve

Under the Group Partnership Scheme the company has issued shares to employees, employees of certain subsidiaries, and employees of L Perlman SECS who are providing services to the Group. The schemes in place are detailed in Note 27. The company retains the beneficial rights of the shares required to settle rewards granted under equity-settled share-based payment plans.

Capital contribution reserve

The Capital Contribution Reserve arises in relation to contributions received in respect of past share schemes, which resulted in a corresponding charge to employee costs in previous accounting periods.

Dividends

The following dividends were recognised during the period:
£0p (2016: £0.0p) per qualifying ordinary share

	2017	2016
	£'000s	£'000s
	-	-
	-	-

Notes to the financial statements (continued)

29 Financial risk management

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

Given the nature of the business activities, most sales transactions are completed with the granting of credit as payment is after the receipt of goods. Prior to sales on credit, customers are assessed for credit worthiness and where appropriate the Group obtains security for its exposure to the risk of default. Credit limits are also imposed on customers and reviewed regularly.

The Group's maximum exposure to credit risk totals £15.8m and relates to third party debt of which £2.7m is past due. Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and analysis of customer credit risk, including underlying customers' credit ratings if they are available.

Liquidity risk

The Group maintains sufficient cash and marketable securities. Management reviews 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 £36.9m as at the period end (2016: £34.2m) and the Company £106k (2016: £9.9m).

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 £393m (2016: £421.3m) of which £378.4m (2016: £391.8m) relates to the UK Nando's market, and £14.5m (2016: £14.1m) to Australia. The following are the contractual maturities of financial liabilities:

Group 2017	Carrying Amount	Contractual Cash flow	0 to <1yr	1 to 2 yrs	2 to 5 yrs	Over 5 yrs
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Non-derivative financial liabilities						
Secured bank loans	(393,111)	(452,757)	(31,327)	(29,950)	(140,209)	(251,271)
Related party loans	(613,513)	(1,040,200)	-	-	(127,700)	(912,500)
Trade payables and other payables	(148,562)	(148,562)	(124,667)	(23,895)	-	-
Other Loans	(4,500)	(4,635)	(4,635)	-	-	-
Derivative financial liabilities						
Hedge Liability	(3,290)	(4,195)	(1,071)	(1,136)	(1,988)	-
	<u>(1,162,976)</u>	<u>(1,650,349)</u>	<u>(161,700)</u>	<u>(54,981)</u>	<u>(269,897)</u>	<u>(1,163,771)</u>
Group 2016						
	Carrying Amount	Contractual Cash flow	0 to <1yr	1 to 2 yrs	2 to 5 yrs	Over 5 yrs
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Non-derivative financial liabilities						
Secured bank loans	(421,311)	(497,646)	(29,527)	(31,327)	(29,950)	(406,842)
Related party loans	(567,664)	(954,365)	(26,465)	-	-	(927,900)
Trade payables and other payables	(160,989)	(160,989)	(155,816)	(5,173)	-	-
Bank overdrafts	(759)	(759)	(759)	-	-	-
Other Loans	(10,241)	(10,241)	(10,207)	-	-	(34)
	<u>(1,160,964)</u>	<u>(1,624,000)</u>	<u>(222,774)</u>	<u>(36,500)</u>	<u>(29,950)</u>	<u>(1,334,776)</u>

Notes to the financial statements (continued)

29 Financial risk management (continued)

Market risk

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

Foreign currency risk

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

The Group's foreign currency risk exposure from recognised assets and liabilities arises primarily from investments in foreign companies (notes 17 & 18). The Group manages the exchange risk on translation of investments in foreign companies with borrowings denominated in the same currency.

Foreign currency sensitivity analysis

A 10% strengthening of the following currencies against the pound sterling at 26 February 2017 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	2017
	£'000s
AUD	(1,516)
USD	(3,803)
CAD	(290)
Other	(1,458)
Total	<u>(7,067)</u>

Interest rate risk

The Company's exposure to market risk for changes in interest rates is Nil (2016: Nil).

The Group's exposure to market risk for changes in interest rates relates to the Group's bank facility, which was taken out at the end of the period. The policy of the Group going forward is to draw down on average only 20% of the overdraft facility to stabilise cash flows. This policy will reduce the Group's exposure to any interest rate fluctuations. At the period end no interest had been charged.

In accordance with IFRS 7, the Group has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared based on the assumption that the Group uses on average 20% of the overdraft facility at the interest rate of base + 2.25%. The non-utilisation interest is assumed to be base + 1.10%.

Under these assumptions, a 1% change in interest rates would affect the Group's profit before tax by approximately £2,865k.

Notes to the financial statements (continued)

30 Other financial liabilities

Below is a comparison of carry amounts and fair values of the Groups derivative financial instruments carried in the financial statements:

	Carrying Value 2017 £'000s	Carrying Value 2016 £'000s	Fair Value 2017 £'000s	Fair Value 2016 £'000s
Financial Liabilities				
Hedge Liability	3,290	-	3,290	-

The fair value of the 5 year hedge agreement is calculated by discounting the expected cash outflows at the contract interest rate. The inputs used in these discounted cash flow calculations are at level 2 in the hierarchy.

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

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

Level 3 - Unobservable inputs for the asset or liability

31 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2017 £'000s	2016 £'000s	2017 £'000s	2016 £'000s
Future minimum lease payments under non-cancellable operating leases:				
Less than one year	63,496	61,198	-	-
Between one and five years	222,425	224,369	-	-
More than five years	324,144	377,952	-	-
	<u>610,065</u>	<u>663,519</u>	<u>-</u>	<u>-</u>

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

In addition contingent lease rentals are payable dependent on future revenues derived from certain leased premises. Contingent rentals paid total £3,169k for the current period.

Lease payments recognised in the Group profit for the period amounted to £63,984k (2016: £56,170k). No expenses relating to operating leases were recognised in the Company profit for the period (2016: nil).

32 Commitments and contingencies

Capital commitments

At the period end the Group has outstanding capital commitments in respect of capital expenditure contracted but not provided for in the financial statements for £7,413k (2016: £1,312k).

At the period end the Company has no outstanding capital commitments (2016: nil).

Contingent liabilities

The Group is liable for certain franchisee non-cancellable operating lease payments. The liability is contingent as the Group is only liable in the event the franchisee defaults on their rental payments. The total contingent liability is £24,061k (2016: £22,629).

The Company has no contingent liabilities.

Notes to the financial statements (continued)

33 Related parties

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

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

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

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

Group

Transactions with key management personnel

The compensation of key management personnel including the directors is as follows:

	Group		Company	
	2017	2016	2017	2016
	£'000s	£'000s	£'000s	£'000s
Key management remuneration including social security costs	6,713	5,418	-	-
Share based remuneration	-	-	-	-
Company contributions to money purchase pension plans	7	3	-	-
	<u>6,720</u>	<u>5,421</u>	<u>-</u>	<u>-</u>

Related party balances and transactions

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

Group and Company

Deep Discounted Bonds

The Group have issued deep discounted bonds to Yellowwoods Treasury totalling £536,221k (2016: £510,221k) of which the Company, Nando's Group Holdings Limited, issued £287,721k (2016: £261,721k). The details and terms of the deep discounted bonds are disclosed in note 24. Included in the carrying value of the DDB's in note 24 is accrued interest payable of £77,292k (2016: £31,978k) in the Group and £38,184k (2016: £15,334k) in the Company.

Loans and borrowings

The Group and Company, Nando's Group Holdings Limited, had a short term loan payable to Yellowwoods Treasury of Nil (2016: £26,359k), this was repaid during the period.

The Group also had borrowings from Nando's Malta Trading Limited of £Nil (2016: £465k), this was repaid during the period.

The Company has a loan payable to Nando's Limited of £17m (2016: £16.6m)

Loans due from related parties

The Company has various loan receivable balances with it's subsidiaries, the details of these are disclosed in note 20.

Related party trading receivables

The Group have a trade receivable balance with All About Foods at period end of £1,194k (2016: £1,215).

Related party transactions

The Group have the following transactions with All About Foods. Sale of goods for the period totalled £4,876k (2016: £5,052k) and royalty income received totalled £774k (2016: £838k).

The Group have incurred interest expense on the deep discounted bonds issued to Yellowwoods Treasury of £48,074k (2016: £31,978) with the Company interest expense totalled £25,608k (2016: £15,334k) for the period.

The Company has various interest income received from it's subsidiaries, the details are disclosed in note 20.

Notes to the financial statements (continued)

34 Subsequent events

Group

Multivic Acquisition

On May 17th 2017, a subsidiary of Nando's Group Holdings Limited, Nando's Australia Pty, acquired 10 restaurant sites from Multivic Pty Ltd. The restaurant sites were already being operated under the Nando's brand as franchises. The exercise to assess the fair value of the assets acquired and liabilities assumed is still ongoing as of the date of finalising these accounts.

Debt re-financing

On August 23rd 2017, the bank loans held by Nando's Finance Limited were re-financed. The term of two of these tranches of funding ("Bank loan – term loan A" and "Bank loan – revolving facility") have been extended to 2023. Another ("Bank loan – term loan B") has been extended to 2024. The nominal interest rates for the Term Loan A, the revolving facility, and the Term Loan B have been reduced by 0.25%, 0.25% and 0.50% respectively.

Company

Loans to subsidiaries

Subsequent to the year end, the company has extended further loans to its subsidiaries. The total value of the significant loans which have been extended to subsidiaries is £9.2m up the date of approval of these financial statements. This increase in loans receivable is a non-adjusting event after the balance sheet date.

Capital contributions to subsidiaries

Subsequent to the year end, the company has contributed capital to various subsidiaries. These non-adjusting events after the balance sheet date resulted in the company having paid an aggregate of £16.6m to subsidiaries.