

Company Registration No. 07336115(England and Wales)

Nando's Limited
Annual Report and Financial Statements
Period Ended 25th February 2018



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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 25 February 2018.

Principal activities

The principal activity of Nando's Limited ("The company") in the year under review was to provide strategic and management services to the wider international group. The company also franchises the operation of fast casual dining restaurants to both company owned and franchisees across the world.

Financial Highlights

- Revenue is up 46% driven by an increase in franchise fees.
- Operating loss decreased by 7% largely due to a decrease in interest expense.

At the year-end, the Company has net liabilities of £59,063k (2017: £39,075k).

The results for the year and the financial position of the company are disclosed on pages 10 and 11.

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 company 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.

Principal Risks and Uncertainties

The Directors recognise that the company is exposed to a number of risks which directly affect the overall performance of the Company. 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:

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 Company's continued development.

Working capital, liquidity, other risks

The Company 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.

Economic Uncertainty

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

STRATEGIC REPORT (Continued)

Going Concern

Notwithstanding net current liabilities of £59,063k as at 25th February 2018, a loss for the period ended of £21,066k, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company, Nando's Group Holdings Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Nando's Group Holdings Limited providing additional financial support during that period. Nando's Group Holdings Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities there is no guarantee that the support will continue, although the directors have no reason to believe that it will not do so.

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

On behalf of the board of directors



Luke Logan Tait

Nando's Limited
St. Mary's House
42 Vicarage Crescent
London
SW11 3LD

25th November

2018

DIRECTORS' REPORT

The directors present their report and financial statements for the 52 week period ended 25 February 2018. The Company's Accounting Reference Date ("ARD") is 28 February.

The company has chosen, in accordance with S414 C(ii) of the Companies Act (2006), to present information that is otherwise required to be presented in the Directors report within the Strategic Report.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Directors

The directors who served during the period were:-

Andrew Lynch

Jane O'Riordan

William James O'Shea (Resigned March 2017)

Luke Tait (Appointed April 2018)

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

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.

Political and charitable contributions

The company made charitable donations of £Nil (2017: £Nil).

The company did not make any political contributions during the year.

Dividends

There were no dividends declared or paid during the period (2017: Nil).

Taxation

Nando's is a responsible tax payer and pays taxes in all jurisdictions where we operate. Nando's also contributes further direct and indirect taxes including social security, property taxes, local taxes and value added taxes.

Financial Management and Financial Instruments

The Company is exposed to liquidity risk, foreign currency risk, credit risk and leverage risk.

Liquidity Risk

Management review cash flow forecasts on a regular basis to determine whether the Company has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities. The Company's funding strategy includes use of loans from Nando's Group Holdings Limited, detailed cash flow forecasting and monitoring the maturity of financial liabilities to avoid the risk of a shortage of funds.

DIRECTORS' REPORT (Continued)**Foreign Currency Risk**

The company has a high level of foreign currency exposure and is closely monitored to limit any negative foreign currency exposure.

Credit risk

Credit risk is not a significant risk for the Company given the nature of the business activities, an immaterial value of outstanding debt remains from this period (£27k).

Leverage risk

Borrowings are spread between bank loans and intra-group loans.

Subsequent events

Subsequent to year end, the parent has extended further loans to the company. The total value of the significant loans which have been extended is £6,681k, this increase in loans payable is a non-adjusting event after the balance sheet date.

Disclosure of information to auditor

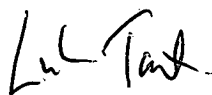
The directors who held office at the date of approval of this directors' report confirm that so far as they are aware, there is no relevant audit information of which the Company auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware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

On behalf of the board of directors

Director



Luke Logan Tait

Nando's Limited
St. Mary's House
42 Vicarage Crescent
London
SW11 3LD

29th November 2018

Statement of Directors' Responsibilities in respect of the Strategic Report, the Director's Report and the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial period. Under the law they have elected to prepare financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Policies), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs. In preparing these financial statements, the directors are required

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative to do so.

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

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

We have audited the financial statements of Nando's Limited for the period ended 25 February 2018, which comprise of the profit and loss account and other comprehensive income statement, balance sheet statement, statement of changes in equity; and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 25 February 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

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

Going concern

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Director's responsibilities

As explained more fully in their statements set out on page 7, the director's are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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



James Childs-Clarke (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House,
Tollgate,
Chandlers Ford,
SO53 3TG

Date: *29 November* 2018

Profit and Loss Account and Other Comprehensive Income
for the period ended 25 February 2018

		2018	2017
	Notes	£'000s	£'000s
Revenue	2	17,927	12,297
Gross profit		<u>17,927</u>	<u>12,297</u>
Other operating income	3	162	155
Administrative expenses	4	(28,929)	(24,328)
Operating loss		<u>(10,840)</u>	<u>(11,876)</u>
Interest payable and similar expenses		(12,320)	(12,117)
Interest receivable and similar income		1,446	838
	8	<u>(10,874)</u>	<u>(11,279)</u>
(Loss) before tax		<u>(21,714)</u>	<u>(23,155)</u>
Taxation	9	648	566
(Loss) after tax		<u><u>(21,066)</u></u>	<u><u>(22,589)</u></u>

All activities of the Company are classed as continuing.

The Company has no recognised gains and losses other than the results for the period set out as above.

The notes on pages 13 to 29 form an integral part of the financial statements.

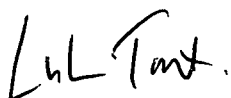
Balance Sheet

for the period ended 25 February 2018

	Notes	2018 £'000s	£'000s	2017 £'000s	£'000s
Assets					
Non-current assets					
Property, plant and equipment	10	5,334		5,092	
Intangibles	11	103,998		109,425	
			<u>109,332</u>		<u>114,517</u>
Current assets					
Debtors	12	7,250		4,222	
Loans due from intra-group parties	12	3,530		1,632	
Cash and cash equivalents		1,668		1,658	
			<u>12,448</u>		<u>7,512</u>
			<u>121,780</u>		<u>122,029</u>
Current liabilities					
Creditors	13	(5,347)		(4,845)	
Other interest bearing loans and borrowings	14	(4,698)		(18,318)	
			<u>(10,045)</u>		<u>(23,163)</u>
Net current assets			<u>2,403</u>		<u>(15,651)</u>
Total assets less current liabilities			<u><u>111,735</u></u>		<u><u>98,866</u></u>
Non current liabilities					
Loans due to intra-group parties	14	(170,798)		(137,941)	
Net liabilities			<u><u>(59,063)</u></u>		<u><u>(39,075)</u></u>
Equity					
Called up share capital	15	-		-	
Profit and loss account	16	(59,063)		(39,075)	
Total equity			<u><u>(59,063)</u></u>		<u><u>(39,075)</u></u>

The notes on pages 13 to 29 form an integral part of the financial statements.

These financial statements were approved and authorised for issue by the directors on the 29th November 2018 and are signed on their behalf by:



Luke Logan Tait

Company registration number: 07336115

Statement of Changes in Equity
for the period ended 25 February 2018

	Notes	Share Capital £'000s	Profit & loss Reserve £'000s	Total Shareholders Funds £'000s
Balance as at start of comparative period 2017		-	(16,486)	(16,486)
Loss for the period		-	(22,589)	(22,589)
Balance at end of comparative period 2017		-	(39,075)	(39,075)
Loss for the period	16	-	(21,066)	(21,066)
Equity settled share based payments			1,078	1,078
Balance as at 25 February 2018		-	(59,063)	(59,063)

Share capital authorised, allotted and unpaid is £1 as per note 15.

The notes on pages 13 to 29 form an integral part of the financial statements.

ACCOUNTING POLICIES

for the period ended 25th February 2018

1 Accounting policies

Nando's Limited ("the Company") is a private company incorporated, domiciled and registered in England. The registered number is 07336115 and the registered address is 42, St Mary's House, Vicarage Crescent, London SW11 3LD.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

1.1 Basis of preparation

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

In the transition to FRS 101 from Adopted IFRS, the Company has made no measurement and recognition adjustments.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of transactions with
- Disclosures in respect of related party transactions between two or more members of the group
- Disclosures in respect of the compensation of
- Disclosures in respect of capital management

As the consolidated financial statements of Nando's Group Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

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

1.2 Going Concern

Notwithstanding net current liabilities of £59,063k as at 25th February 2018, a loss for the period ended £21,066k, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate company, Nando's Group Holdings Limited, to meet its liabilities as they fall due for that period.

ACCOUNTING POLICIES (Continued)

1.2 Going Concern (continued)

Those forecasts are dependent on Nando's Group Holdings Limited providing additional financial support during that period. Nando's Group Holdings Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities there is no guarantee that the support will continue, although the directors have no reason to believe that it will do so.

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

1.3 Measurement Convention

The financial statements are prepared on the historical cost basis except for financial instruments classified as fair value through the profit or loss are stated at their fair value.

1.4 Foreign currencies

Foreign currency transactions

The Company has determined that the Company operates as an extension of the parent Company. On analysing the factors that determines the functional currency of an entity, the directors consider the functional currency of the Company to be Sterling. Monetary items denominated in foreign currencies are retranslated at the exchange rates applying at the reporting date. Nonmonetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

Foreign operations

The assets and liabilities of the Company 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.

1.5 Financial instruments

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

Accounting policies (continued)**1.5 Financial instruments (continued)**

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

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

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

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

Non-derivative financial instruments**1.5.1 Cash and Cash Equivalents**

Cash and cash equivalents comprises of cash balances.

1.5.2 Trade and other debtors

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

The Company considers that there is evidence of impairment if any of the following indicators are present:

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

Interest on overdue trade debtors is recognised as it accrues.

1.5.3 Trade and other creditors

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

1.5.4 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.

Accounting policies (continued)

1.5.6 Non interest-bearing loans and borrowings

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

1.5.7 Equity instruments

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

1.5.8 Inter-group financial instruments

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

1.5.9 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.

1.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

- Freehold Land and buildings	40 years
- Plant and equipment	3 - 10 years
- Fixtures and fittings	3 - 10 years
- Motor vehicles	5 years
- Capitalised pre-opening costs	4 years
- Leased plant and equipment	7 years or the life of the lease if shorter
- Shorthold leasehold property	Life of the lease

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

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

Accounting policies (continued)

1.7 Intangible assets

Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the

- Reaquired franchise reights over the term of the franchise agreement 1 - 23 years
- IT Development and software 3 years
- Intellectual Property 20 years

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

Intangible assets acquired separately

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

Intangible assets generated internally

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

Other intangible assets

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

1.8 Impairment of non-financial assets

The Company 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 Company estimates the recoverable amount of the smallest cash generating unit to which the asset is allocated.

1.9 Provisions

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

Accounting policies (continued)**1.10 Equity**

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

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

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

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

1.11 Revenue

Revenue arises from the company's principal activities: royalty income and franchise fees.

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

Royalty income and Franchise fees

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

Royalty income is received based on a percentage of total restaurant sales in accordance with the substance of the relevant MFA for that market. Royalty income is recognised on an accruals basis in line with restaurant sales.

Franchise fees are made up of store opening fees and various marketing services. Store opening fees are recognised on the day the store is opened. Marketing services income is further split into:

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

Accounting policies (continued)

1.11 Revenue (continued)

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

1.12 Borrowing costs

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

1.13 Taxation

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

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

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

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.

1.14 Accounting estimates and judgements

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

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

1.14.1 Key sources of estimation uncertainty

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

Accounting policies (continued)

1.14.2 Critical judgements in applying the Company's accounting policies

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

Notes (continued)

2	Revenue	2018	2017
		£'000s	£'000s
	Royalties	13,593	12,297
	Intra-group management recharges	4,334	-
	Total revenue	<u>17,927</u>	<u>12,297</u>
	<i>Geographical analysis of Revenue</i>	2018	2017
		£'000s	£'000s
	Australia	5,947	3,493
	Canada	776	241
	Malaysia	1,377	1,048
	Singapore	437	378
	Rest of World	9,390	7,137
		<u>17,927</u>	<u>12,297</u>
3	Other Operating Income	2018	2017
		£'000s	£'000s
	Rebate Income	162	155
		<u>162</u>	<u>155</u>
4	Administrative expenses	2018	2017
		£'000s	£'000s
	The following amounts were expensed or credited during the period:		
	Depreciation of plant, property and equipment	(446)	(138)
	Amortisation of intangible assets	(6,060)	(6,000)
	Legal and professional costs	(1,362)	(3,345)
	Other operating expenses	(21,061)	(14,845)
		<u>(28,929)</u>	<u>(24,328)</u>
5	Auditor's remuneration	2018	2017
		£'000s	£'000s
	Audit of these financial statements	(15)	(22)
	Amounts receivable by the company's auditors and it's associates in respect of:		
	Tax advisory services	(24)	(30)
		<u>(39)</u>	<u>(52)</u>

Amounts receivable by the Company's auditor and it's associates in respect of services to the Company and it's associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Nando's Group Holdings Limited.

Notes (continued)

6 Staff numbers and costs

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

	2018	2017
Average number of persons employed by category (headcount)	No. of employees	No. of employees
Directors	2	2
Management	23	7
Administration	3	12
	<u>28</u>	<u>21</u>

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

	2018	2017
	£'000s	£'000s
Wages and salaries	(3,856)	(3,026)
Social security costs	(524)	(399)
	<u>(4,380)</u>	<u>(3,425)</u>

7 Directors' remuneration

	2018	2017
	£'000s	£'000s
Directors' remuneration including Share Based payment	<u>(1,156)</u>	<u>(1,162)</u>

The total remuneration paid to the highest paid director amounted to £878k (2017: £892k). No pension contributions were made by the Company on behalf of directors.

8 Interest payable and receivable and similar expense

	2018	2017
	£'000s	£'000s
Foreign exchange (loss)	(2,006)	(1,066)
Foreign exchange gain	1,446	838
Interest payable	(10,314)	(11,053)
Net interest payable and similar expense	<u>(10,874)</u>	<u>(11,279)</u>

Interest payable and similar expenses includes fees of £14k, interest payable on loans from related parties of £128k (2017: £98k) and to the above amount £10,172k (2017: £10,955k) was payable to the parent company.

Notes (continued)

9 Taxation	2018	2017
	£'000s	£'000s
Current tax income		
Group relief credit	1,373	1,232
Foreign tax suffered	(725)	(666)
Current tax income	648	566
 Total tax income	 648	 566
 Reconciliation of effective tax rate	 2018	 2017
	£'000s	£'000s
Loss for the period	(21,066)	(22,589)
Total tax income	(648)	(566)
Loss excluding taxation	(21,714)	(23,155)
 Tax using the UK corporation tax rate of 19.1% (2017:20%)	 4,147	 4,631
Non-deductible expenses	(1,336)	(1,187)
Foreign tax	(725)	(666)
Movement in unprovided deferred tax	-	14
Change in tax rate on deferred tax balances	(11)	
Imputed management income	(1,423)	(2,226)
Difference in tax rate	(4)	-
Total tax income/(expense)	648	566

As at 25 February 2018, the Company has an unrecognised deferred tax asset of £3,150k (2017: £2,160k). This relates to tax losses carried forward between the carrying value of the IP and the tax base, which considers the acquisition price in respect of any future disposal of the asset. As the asset amortises 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 net deferred tax asset has not been recognised.

Notes (continued)

10 Property plant and equipment

	Freehold Land and Buildings £'000s	Plant and Equipment £'000s	Fixtures and Fittings £'000s	Construction in Progress £'000s	Total £'000s
Cost					
As at 27 February 2017	4,385	335	131	425	5,276
Additions	-	196	492	-	688
Transfers	-	-	425	(425)	-
As at 25 February 2018	4,385	531	1,048	-	5,964
Depreciation					
As at 27 February 2017	-	(119)	(65)	-	(184)
Charge for the period	(108)	(114)	(224)	-	(446)
Disposal charge for the period	-	-	-	-	-
As at 25 February 2018	(108)	(233)	(289)	-	(630)
Net book value					
As at 25 February 2018	4,277	298	759	-	5,334
Net book value					
As at 25 February 2017	4,385	216	66	425	5,092

Notes (continued)

11 Intangibles

	Patents & Trademarks £'000s	Development costs £'000s	Total £'000s
Cost			
At beginning of comparative period 29 February 2016	120,000	-	120,000
Additions	-	1,485	1,485
As at 26 February 2017	<u>120,000</u>	<u>1,485</u>	<u>121,485</u>
Additions	-	1,126	1,126
As at 25 February 2018	<u>120,000</u>	<u>2,611</u>	<u>122,611</u>
Depreciation			
At beginning of comparative period 29 February 2016	(6,000)	-	(6,000)
Amortisation charge in the period	(6,000)	(60)	(6,060)
As at 26 February 2017	<u>(12,000)</u>	<u>(60)</u>	<u>(12,060)</u>
Amortisation charge in the period	(6,000)	(554)	(6,554)
As at 25 February 2018	<u>(18,000)</u>	<u>(614)</u>	<u>(18,614)</u>
Net book value			
As at 25 February 2018	<u>102,000</u>	<u>1,998</u>	<u>103,998</u>
As at 26 February 2017	<u>108,000</u>	<u>1,425</u>	<u>109,425</u>

The patent and trademarks asset relates to Intellectual Property (IP) rights to the Nando's brand that has been assigned to non-UK and Ireland entities with a value of £102,000k (2017: £108,000k). At the end of the financial period, the company capitalised an internally developed software with a value of £1,126k (2017: £1,486k).

Impairment testing - Intellectual Property

Intellectual property is amortised over 20 years, at the end of the current financial period the IP has a remaining useful life of 17 years. Management have reviewed the value and performance of the IP, considering both internal and external indicators. From this review no impairment indicators have been identified. The amortisation charge on intellectual property for the period was £6,000k (2017: £6,000k).

Notes (continued)

12	Debtors	Notes	2018 £'000s	2017 £'000s
	Amounts falling due within one year			
	Debtors due from inter-group undertakings		4,623	2,280
	Debtors due from related undertakings		-	186
	Trade debtors (incl. provisions)		1,572	1,178
	Other debtors (excl. related party loans)		-	346
	Prepayments		299	232
	Accrued income		756	-
			<u>7,250</u>	<u>4,222</u>
	Current loans due from intra-group parties		2018 £'000s	2017 £'000s
	Nando's Brand JVCo Limited		1,320	800
	Nando's Chickenland Limited		2,210	832
			<u>3,530</u>	<u>1,632</u>

During the period an additional loan of £520k was issued to Nando's Brand JVCO Limited, making a total of £1,320k at the end of the financial period. The loan is interest-free and repayable on demand.

Additionally, an additional loan to Nando's Chickenland Limited, making a total of £2,210k at the end of the financial period. The loan is interest-free and repayable on demand.

13	Creditors	2018 £'000s	2017 £'000s
	Amounts falling due within one year		
	Creditors due to third parties	(299)	(197)
	Creditors due to inter-group parties	(2,627)	(2,105)
	Other creditors	-	(43)
	Non-trade payables and accrued expenses	(2,421)	(2,402)
	Other interest payable	-	(98)
		<u>(5,347)</u>	<u>(4,845)</u>

Notes (continued)

14 Other interest-bearing, non-interest bearing loans and borrowings

Other loans

During the year the company settled the loan of £4,500k which bore interest at a Bank of England (BOE) +2.5%. The company entered into a loan agreement with Capricorn Ventures Limited in May 2017. A subsequent loan of £4,600k was taken, with interest accrued of £98k bears at a Bank of England (BOE) +2.5% and matures in May 2018.

<i>Non-current loans due to intra-group parties</i>		2018 £'000s	2017 £'000s
<i>Loans payable to intra-group parties</i>	Interest		
Nandos Group Holdings Limited	Nil	-	(13,817)
Nandos Group Holdings Limited	8.50%	<u>(170,798)</u>	<u>(137,941)</u>
		<u>(170,798)</u>	<u>(151,758)</u>

Loans due are repayable on demand and unsecured.

15 Share capital	2018 £	2017 £
Authorised		
1 Ordinary share of £1 each	<u>1</u>	<u>1</u>
Allotted, called up and unpaid		
1 Ordinary share of £1 each	<u>1</u>	<u>1</u>

16 Reserves

	Profit and loss account £'000s
As at 26 February 2017	(39,075)
Loss retained for the financial period	<u>(21,066)</u>
As at 25 February 2018	<u>(60,141)</u>

Notes (continued)

17 Share based payments

The Company takes part in the Group Partnership scheme.

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

The employee share scheme is designed to remunerate the employees of the Company with shares in the Ultimate Parent Company, 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 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.

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

Measurement of fair values

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

	Grant Date 17-Jan-2018	Grant Date 16-Nov-2016
Fair value (£)	1.13	1.04
Share price (£)	11.16	10.77
Expense recognised in profit and loss	2018	2017
	£'000s	£'000s
Share-based payment expense	1,078	-

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

The number of shares expected to vest at the end of the current financial year for 16 November 2016 and 17 January 2018 grant date is £2,682,690 and £404,792 respectively. The Company will revisit the number of shares expected to vest at each reporting date and will ultimately be based on the number of shares that actually vest.

Notes (continued)

18 Related Parties

The Company's immediate parent company is Nando's Group Holdings Limited, incorporated in the United Kingdom, and having its registered office at St Mary's House, 42 Vicarage Crescent, Battersea, London, SW11 3LD.

Yellowwoods Holdings Sarl, incorporated in Luxembourg is the Company's ultimate controlling company. No consolidated accounts of this group are available. The largest group in which the results of the Company will be consolidated is Nando's Group Holdings Limited.

The Company 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.

Related party transactions

The company have the following significant related party transactions:

Revenue

The company issued royalty income to All About Foods the totalled received £713k (2017: £774k).

19 Subsequent events

Loan from parent

Subsequent to year end, the parent has extended further loans to the company. The total value of the significant loans which have been extended is £6,681k, this increase in loans payable is a non-adjusting event after the balance sheet date.