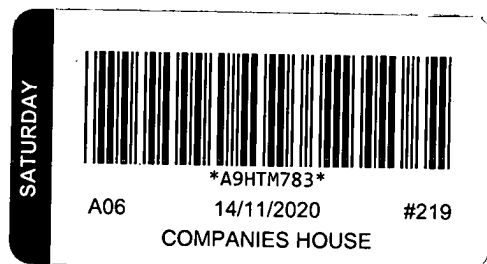


dunnhumby Limited

Annual Report and Financial Statements

Registered number 02388853

Year ended 29 February 2020



dunnhumby Limited Annual Report and Financial Statements
for the year ended 29 February 2020

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Strategic report

The directors present their Strategic report of the dunnhumby Limited Group of companies ("the Group", or "dunnhumby") for the year ended 29 February 2020. The Group, the parent of which is dunnhumby Limited ("the Company", or "parent company"), was wholly owned by the Tesco PLC group of companies throughout the year, but has elected not to apply the exemption, in terms of section 400 of the Companies Act 2006, from preparing consolidated financial statements available to intermediate holding companies.

Activities

The principal activity of the Group during the year under review was the provision of customer data science, analytics and media services, primarily to retailers and consumer goods manufacturers globally. The Group's expertise is centred on the use of data and science to:

- deliver a customer first experience by understanding retail customers better, improving their in-store and online experiences and earning their loyalty and enabling major grocery and other retailers to grow like-for-like sales and net margin; and
- deliver, sell and measure media and customer insights to consumer goods manufacturers.

Key Performance Indicators

The Group's key performance indicators are revenue and operating profit, and performance during the current financial year is covered in the Finance Review on page 2. The Group is in the process of defining new key performance indicators, which will be included in next year's Annual Report.

Business Review

There were several important business developments during the year under review and up to the date of this report:

- On 21 January 2020 it was announced that dunnhumby Germany GmbH was to move its retargeting business away from e-commerce and travel to focus its product and technology efforts towards providing an offering which is optimised and customised for multi-channel grocery retailers. The closure of the commercial operations outside of grocery retail was completed by February 2020 which resulted in an impairment of intangible assets related to the delivery of the retargeting business.
- During the year under review, the Group undertook a restructuring exercise to drive efficiencies and cost reductions. The restructure included: integrating the Group's product offerings into a single global commercial offering; streamlining and redistribution of corporate functions; and a reduction in the number of commercial regions. The restructure exercise was completed during the current financial year.
- The Group continued to implement the technology renewal programme which will ultimately lead to "on-premise" technology infrastructure being moved to third-party cloud providers. This programme will deliver cost savings, but primarily has been implemented to create greater flexibility to serve clients and enable the business to scale quickly.
- The Group continued to work on the implementation programme of cloud software across corporate functions in 2018 and 2019. Global roll out for Finance and Procurement was completed in December 2018 with implementation of a new sales order system for Europe, Asia and the Americas launched in March 2019.
- In January 2020, the Group announced a global strategic alliance with Microsoft in a move that could transform the retail sector. As part of the alliance, the Group will move its widely-used customer insights products to Azure, Microsoft's cloud platform, giving retailers and suppliers instant and secure access to the Group's customer data science tools. Because Azure can handle vast amounts of information securely and can cope with large spikes in demand, the alliance will enable more retailers and their suppliers to gain deep shopper and business insights, better understand their customers' needs and preferences and improve collaboration. The vision of the alliance with Microsoft is to diversify dunnhumby's go-to-market approach by leveraging commercial programmes and technical opportunities to drive elements of the dunnhumby Long-Term Plan ("LTP") and corporate strategy forward.

Strategic report (continued)

Business Review (continued)

- dunnhumby has been able to successfully pivot under the COVID-19 pandemic and has implemented online collaboration to deliver work to clients while ensuring internal processes are not adversely impacted. We have not furloughed any staff or utilised any government schemes in the form of loans, tax relief or grants. dunnhumby has launched a COVID-19 resource hub which has been specifically designed for existing and potential clients to help navigate the changing dynamics of the retail sector. We have used our unique position in the market as a data analytics company to issue specific reports and insights for retailers and consumer packaged goods manufacturers ("CPGs") to navigate the changing dynamics of the retail sector. The reports provide insights into existing market trends and future outlooks which will help dunnhumby and our clients prepare for the future whilst ensuring customers remain central to these plans.

Following the announcement of the COVID-19 pandemic on 11 March 2020, dunnhumby has been assessing the potential impacts on the current year and beyond to its financial performance. We expect revenue and profit to drop as a result of in-store promotional activity being reduced by retailers and CPGs. In addition to this, we have also seen a decrease in spend on consulting and digital campaigns. Further details on the current impact assessment is provided in Note 25 to the consolidated financial statements.

Finance Review

Group revenues for the year were £356.6m (2019: £372.2m). The decrease is primarily driven by the Group's decision to move its retargeting business away from e-commerce and travel to focus its product and technology efforts towards providing an offering which is optimised and customised for multi-channel grocery retailers.

Operating profit decreased to £12.2m (2019 restated: £30.1m). The decrease in operating profit is driven by the decline in revenues and increase in other general and admin costs, consisting of restructuring costs of £4.2m and an impairment charge on intangible assets of £14.1m, of which £10m relates to the change in the operating model of our retargeting business.

Net financing costs decreased to £1.4m (2019 restated: £1.8m) largely due to the release of finance costs related to an uncertain tax position.

The taxation charge has decreased by £8.2m to £7.3m (2019 restated: £15.5m). The decrease is primarily due to lower taxable profits and adjustments in prior year tax provisions.

Capital expenditure was £25.7m (2019: £24.8m). This included £3.6m of capital spend related to the technology renewal programme and a further £4.1m on data science software.

Net assets of the Group have increased by £4.3m to £220.5m (2019 restated: £216.2m). Net current assets have increased by £17.4m primarily due to lower trade and other payables and current tax payables, offset by lower cash balances. Movements in other current assets and current liabilities largely offset each other.

Cash and cash equivalents decreased to £44.0m (2019: £67.4m) The decrease is driven through delayed cash outflows to a related party for expenses incurred in the prior year as well as a higher tax payment during the current financial year which has reduced cash generated from operating activities.

During the current financial year, the Group adopted IFRS 16 'Leases' retrospectively, as if IFRS 16 had always been applied. Comparative figures have been restated from a transition date of 1 March 2018. Further details are provided in Note 2 to the consolidated financial statements.

The return on capital employed for the Group is 4.4% (2019 restated: 11.2%).

Strategic report (continued)

Section 172(1) statement

The Board of Directors of the Group consider, both individually and together, that they have acted in a way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its shareholder in the decisions taken during the year ended 29 February 2020. In particular, by reference to the approval of the Group's Long-Term Plan ("LTP"), supported by Board approval of the LTP:

- The LTP is built on our mission to use data science to help retailers and brands succeed by understanding and serving their customers better. We aim to offer the best software tools, but our people set us apart from competition through their retail and data science expertise. We will remain focussed on retailers and brands and use strategic alliances as an enabler and accelerator in achieving our LTP. Details on the Group's initiatives and business developments are provided on pages 1 and 2.
- People are at the heart of our specialist services and are fundamental to the delivery of the LTP. Further information around retaining and developing the Group's skilled workforce is provided on page 7. Every year we run a confidential employee survey which provides employees the opportunity to be heard and share how they feel at work. We also run shorter surveys a couple of times throughout the year to track our progress. The insights from the surveys will drive the decisions we make to improve ways of working.
- The Group's strategy of equipping our teams with a best-in-class product suite powered by the best science will enable us to integrate client data more readily and allow our products to be more sellable on a SaaS basis thereby driving revenue growth with existing clients and enabling us to further bring in new clients. The Group views its key suppliers as partners as evidenced by the recently announced multi-year partnership alliance with Microsoft to host dunnhumby's core products on the Azure platform. The Group also monitors its relationship with suppliers through the review of supplier payment practices which are published on the UK Government website. The latest report for dunnhumby Limited, the Group's largest entity, shows an improvement in supplier payments with 100% (2019: 98%) of invoices paid within 60 days and invoices due but not paid within agreed terms decreasing from 54% in 2019 to 28% in the current financial year.
- The Board takes into account the impact of the Group's operations on the community and environment. The Group encourages and supports its employees to support good causes and give back to the communities in which it operates. Further information around the Group's charitable donations and environmental initiatives is provided on page 6.
- As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating with the high standards of business conduct and good governance expected from our clients and shareholder. The Board has a detailed programme that ensures operational and financial performance, risk, governance, strategy, culture and stakeholder engagement are discussed at the appropriate time. At Board meetings, directors receive and consider papers and presentations from executive directors, senior management and subject-matter experts. The Board challenges management to ensure that the flow and quality of information to the Board is of a high standard.
- The Board of Directors act as an autonomous governing body for the Group with independent representation from the shareholder and dunnhumby management to allowing us to act fairly toward our shareholder.

Strategic report (continued)

Major business risks and uncertainties

Competitive environment

There is a risk that changes in the industry and advances in technology result in new competitors emerging and/or retailers developing in-house capability. The Group may also face competitive threats in the media and software industries, which are characterised by regular emergence and convergence of companies responding to new opportunities. To mitigate this risk, the Group continuously reviews client needs which are fed into product and sales roadmaps, performs quarterly reviews of all new product and service requests and reviews competitor products regularly.

Cybersecurity

There is a risk that failure to maintain control over client, customer, employee and commercial data (including personal data) leading to data loss or misuse of data. These incidents could arise through deliberate targeted action or inadvertent error, and result in reputational damage, loss of clients, regulatory investigations and potential fines. This risk is mitigated through the use of firewalls and password controls, adhering to best practice in regard to cybersecurity as well as third-party reviews of the Group's infrastructure and controls.

Brexit

Failure to prepare appropriately for the UK's departure from the EU may cause disruption to and create uncertainty around our business, not least our ability to recruit and repatriate funds. Any disruption or uncertainty could have an adverse effect on our business, financial results and operations although the impact is deemed more limited given dunnhumby uses entities in local jurisdictions to service local clients. There are mitigation measures in place through the use of currency hedges to manage non sterling-denominated repatriations.

COVID-19

The recent outbreak and global spread of the COVID-19 pandemic has had a significant impact on global economic conditions. Governments and public bodies in affected countries have introduced temporary emergency public measures such as travel bans, quarantines and public lockdowns. Many countries are now relaxing these restrictions, however, there is a risk that these may be re-imposed if the COVID-19 enters a second wave which could further increase the pressure on dunnhumby's business. Management are expecting COVID-19 to have a short-term negative impact on the Group's financial performance. In response to the risks posed by COVID-19, we have utilised our data science expertise to help clients better manage their responses which has mitigated the risk and assisted the Group in maintaining its client base. The Group has also reduced discretionary spend and hiring to conserve its cash reserves.

Financial risks

Foreign exchange risk

dunnhumby operates worldwide leaving it exposed to foreign exchange risk arising from future commercial transactions, recognised assets and liabilities and net investment in foreign operations. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group manages its foreign exchange risk through forward purchases or sales of foreign currencies. The Group has not been significantly impacted by foreign exchange rate movements since the COVID-19 pandemic.

Credit risk and cash

Revenues are in the main derived from strong and long-standing relationships with the Group's mainly blue chip clients. Most of the Group's cash balances are with HSBC PLC, a well-regarded international bank and dunnhumby continues to have positive cash reserves and no external debt. No customer accounted for more than 10% of the Group's total outstanding trade and other receivables. The Group has not noticed an impact on the recoverability of financial assets, except for the recoverability of the Group's net investment in finance lease. Refer to Note 25 to the consolidated financial statements for further details.

dunnhumby Limited Annual Report and Financial Statements
for the year ended 29 February 2020

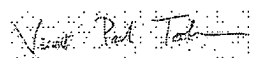
Strategic report (continued)

Major business risks and uncertainties (continued)

Tax risk

Tax provisions are recognised for uncertain tax positions where a risk of an additional tax liability has been identified and it is probable that the Group will be required to settle that tax. Measurement is dependent on management's expectation of the outcome of decisions by tax authorities in the various tax jurisdictions in which the Group operates. This is assessed on a case by case basis using in-house tax experts, professional firms and previous experience.

These financial statements have been approved by the Board of Directors and are signed on its behalf by:



V Toolan
Director
3 August 2020

dunnhumby Limited Annual Report and Financial Statements
for the year ended 29 February 2020

Directors' report

The directors present their annual report and the audited Group and Company financial statements for the year ended 29 February 2020.

As detailed in Note 11, the Group operates both through wholly-owned subsidiaries and 50% owned joint ventures. The financial results and activities of the Group's subsidiaries are fully incorporated into these financial statements and associated notes, in contrast to its joint venture interests which are accounted for as a share of profits and net assets only, and not fully consolidated. More information about the basis of consolidation is provided in Note 2. The Group has chosen, in accordance with section 414(c) of the Companies Act, 2006 to disclose other information that is relevant to the Directors' report, and which is incorporated by reference into this report, as follows:

- Principal activities (page 1)
- Section 172 statement (page 3)
- Financial risk management (page 4)

Dividends

No dividends relating to the 2020 financial year were paid or proposed (2019: £nil). No further dividends are proposed at the current time.

Charitable donations

The Group made no political donations during the year (2019: £nil) and made £21,031 of charitable donations (2019: £52,638). In addition, through the 'Helping Hands' initiative, the Group encourages and supports its employees to support good causes and go out into the community to help on local projects.

Research and development

The Group develops software tools and products which are used in the delivery of data science and media services to its clients.

Directors and directors' interests

The directors who served during the year and up to the date of signing the annual report and consolidated financial statements are:

G Bacuvier
A Morris (appointed 1 March 2019)
J Moss (appointed 1 March 2019)
R Wilson (resigned 20 September 2019)
V Toolan (appointed 21 September 2019)

At no time during the year did any of the directors have an interest in any significant contract with the Company or any of its subsidiaries.

Directors' third-party and pension scheme indemnity provisions

A qualifying third-party indemnity provision, as defined in Section 234 of the Companies Act 2006, was in place during the year and up to the date of signing the Annual Report and Financial Statements, for the benefit of each of the dunnhumby Limited directors listed above, in respect of liabilities incurred because of their office, to the extent permitted by law. In respect of those liabilities for which the directors may not be indemnified, the Company maintained a directors' and officers' liability insurance policy throughout the financial year and up to the date of signing the Annual Report and Financial Statements.

Directors' report (continued)

Employees

dunnhumby recognises the importance to its future success of retaining and developing its skilled workforce and has implemented effective human resources strategies delivered by line management to support this objective. It is dunnhumby's policy that the selection of employees for recruitment, training, development and promotion should be determined solely on their skills, abilities and other requirements relevant to the job, regardless of sex, race, religion or disability, and in accordance with UK law. dunnhumby is committed to the continued employment and training of persons who become disabled while in the Group's employment.

Regular communication occurs to inform all employees of dunnhumby's strategy and progress in its delivery, with the aim of creating awareness with all employees, of the financial and economic factors affecting the performance of the Group. The views of employees are regularly sought and taken into consideration when decisions are taken which may affect their interests. All employees have access to the Group email and intranet where information is exchanged. The Group is committed to encouraging the involvement of all employees in its performance through various financial incentive and employee recognition schemes.

The Group has two incentive schemes in the form of share-based payments open to certain employees which are tailored to drive longer-term growth. Further detail on the incentive plans is provided in Note 21 to the consolidated financial statements.

Financial instruments and derivatives

The Group finances its activities through a combination of cash and short-term deposits, as disclosed in Note 15. Overdrafts may be used to satisfy short-term cash flow requirements. Other financial assets and financial liabilities, such as trade debtors and trade creditors, arise directly from the Group's operating activities. The Group does make use of derivatives in the form of forward currency contracts. The purpose of these items is to manage the foreign currency risk arising from foreign exchange denominated operations and transactions. Hedge accounting is used when the criteria are met, as explained in Note 2. Further information around the management of various financial risks is provided in Note 16.

Environmental sustainability

dunnhumby's commitment to sustainability and the environment is activated at the grassroots by our locally established "Green Teams". Through simple but impactful initiatives, Green Teams are changing our behaviour and interaction with the environment. The Group takes steps to ensure that, where possible, it recycles consumables and follows the necessary processes to conserve energy. Examples include recyclable tea bags, biodegradable cups, cutlery and salad boxes, and changing the programming its lifts in our head office to only call one at a time thereby saving energy. The use of electronic storage and retrieval helps to minimise the use of paper and other resources.

In addition to the above, traditional cleaning chemicals have been removed from our head office, removing millions of litres of toxic chemicals from being emptied into landfill, ground water, streams, and rivers every month.

Events after the reporting period

On 11 March 2020, the World Health Organization declared COVID-19 a pandemic, the UK Government moved to a 'delay' phase on 12 March, announced social distancing measures on 16 March, and unprecedented 'stay at home' restrictions on 23 March. The UK government has published a roadmap to lift restrictions, with the caveat of re-imposing restrictions in specific geographical areas or in limited sectors where it is proportionate to do so. On 15 June, the UK entered Step 3 which allowed for all non-essential businesses to re-open with strict guidelines around social distancing.

More information can be found in the Strategic report on pages 1 to 4 and Note 25 on page 63.

dunnhumby Limited Annual Report and Financial Statements
for the year ended 29 February 2020

Directors' report (continued)

Future developments

There are advanced discussions ongoing with prospective customers to expand the core business.

Plans are being developed to further automate dunnhumby's key analytics and media propositions, to improve efficiency, the customer experience, and ultimately allow the business to scale quicker.

Despite the competitive landscape the directors are confident that executing against the existing strategies will deliver strong shareholder returns in the medium term.

Going concern

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the signing of these financial statements. In forming this expectation, the directors have considered the future profitability and liquidity of the Group based on a comprehensive forecast, covering all regions. As referenced in the Strategic report on page 2, management are expecting COVID-19 to have a short-term negative impact on the Group's financial performance, in particular impacting the Group's in-store media revenues, and have re-performed the forecast reflecting the expected impact and the uncertainties inherent in COVID-19 in the Board-approved forecasts. As part of this assessment, management have performed stress testing of this scenario including consideration of a reasonable worst-case trading scenario. In all sensitivities and tests performed, even in a reasonable worst-case trading scenario, the Group has sufficient liquidity to meet its obligations.

In addition, the directors have considered the strong financial position and debt-free capital structure in assessing the expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

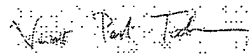
Therefore, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Auditor and disclosure of information to auditor

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

Deloitte LLP is willing to act as auditor of the Group, and a resolution that they be reappointed will be proposed at the annual general meeting.

These financial statements have been approved by the Board of Directors and are signed on its behalf by:



V Toolan
Director
3 August 2020

dunnhumby Limited Annual Report and Financial Statements
for the year ended 29 February 2020

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the parent company will continue in business.

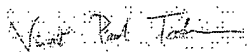
In preparing the consolidated financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors consider the Annual Report to be fair, balanced and understandable and provide the information necessary for shareholders and other stakeholders to assess the Group's performance, business model and strategy.

These financial statements have been approved by the Board of Directors and are signed on its behalf by:



V Toolan
Director
3 August 2020

dunnhumby Limited Annual Report and Financial Statements
for the year ended 29 February 2020

Independent auditor's report to the members of dunnhumby Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of dunnhumby Limited (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 29 February 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of profit or loss;
 - the consolidated statement of comprehensive income;
 - the consolidated statement of financial position;
 - the consolidated statement of changes in equity;
 - the consolidated statement of cash flows; and
 - the related notes 1 to 25.
-
- the parent company statement of comprehensive income;
 - the parent company statement of financial position;
 - the parent company statement of changes in equity; and
 - the related notes 1 to 18.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report to the members of dunnhumby Limited (continued)

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

dunnhumby Limited Annual Report and Financial Statements
for the year ended 29 February 2020

Independent auditor's report to the members of dunnhumby Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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.



Ian Whitefoot, FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

3 August 2020

dunnhumby Limited Annual Report and Financial Statements
for the year ended 29 February 2020

Consolidated statement of profit or loss

		2020	2019
	Notes	£000	(restated*) £000
Revenue	4	356,633	372,216
Direct costs		(106,010)	(125,158)
Gross profit		250,623	247,058
Employee benefits	7	(149,097)	(149,168)
Depreciation	12,14	(10,774)	(12,185)
Amortisation	13	(13,819)	(16,515)
Other general and administrative costs		(65,471)	(40,535)
Share of results of joint ventures	11	761	1,395
Operating profit	5	12,223	30,050
Finance income	8	1,307	1,405
Finance costs	8	(2,721)	(3,214)
Profit before taxation		10,809	28,241
Taxation	9	(7,290)	(15,457)
Profit for the year from continuing operations		3,519	12,784

All operations are continuing for the financial year.

The notes on pages 18 to 63 form part of these consolidated financial statements.

* Restated for the adoption of IFRS 16 as explained in Note 2.

dunnhumby Limited Annual Report and Financial Statements
for the year ended 29 February 2020

Consolidated statement of comprehensive income

	2020	2019
	£000	(restated*) £000
Profit for the year	3,519	12,784
Other comprehensive income/(loss):		
<i>Items that will not be reclassified to the consolidated statement of profit or loss:</i>		
Fair value gain on equity instruments at fair value through other comprehensive income	141	784
<i>Items that may subsequently be reclassified to the consolidated statement of profit or loss:</i>		
Exchange gain/(loss) on the translation of foreign entities	353	(761)
Reclassified and reported in the consolidated statement of profit or loss	(101)	1,326
Fair value gains/(losses) on cash flow hedges	251	(5,261)
Other comprehensive income/(loss) for the year	644	(3,912)
Tax recognised on other comprehensive income/(loss) for the year	(25)	682
Total comprehensive income for the year, net of tax	4,138	9,554

All operations are continuing for the financial year.

The notes on pages 18 to 63 form part of these consolidated financial statements.

* Restated for the adoption of IFRS 16 as explained in Note 2.

dunnhumby Limited Annual Report and Financial Statements
for the year ended 29 February 2020

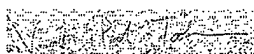
Consolidated statement of financial position

	Notes	2020 £000	2019 (restated*) £000	2018 (restated*) £000
Current assets				
Cash and cash equivalents	15	44,035	67,435	59,084
Trade and other receivables	10	100,798	98,175	73,951
Contract assets	19	22,603	28,086	13,076
Prepayments		3,222	4,367	6,909
Net investment in finance lease	14	2,125	1,642	386
Current tax receivable	9	3,746	4,576	6,760
Derivative financial assets	15	340	440	5,485
		176,869	204,721	165,651
Non-current assets				
Investments in joint ventures	11	2,128	2,722	2,718
Investments in financial assets	15	2,737	3,132	2,757
Property, plant and equipment	12	24,177	22,958	26,216
Right of use assets	14	28,432	25,883	29,543
Net investment in finance lease	14	17,287	18,450	19,113
Deferred tax assets	9	5,716	1,899	1,451
Intangible assets	13	123,377	136,058	121,513
		203,854	211,102	203,311
Current liabilities				
Trade and other payables	17	75,955	112,066	91,810
Derivative financial liabilities	15	740	535	10
Lease liabilities	14	7,588	7,141	7,427
Current tax payable	9	7,940	13,895	2,290
Provisions	18	1,706	-	-
Contract liabilities	19	10,861	14,342	10,369
		104,790	147,979	111,906
Non-current liabilities				
Deferred tax liabilities	9	3,943	2,470	5,021
Other non-current liabilities	15	7,662	5,960	-
Lease liabilities	14	42,943	41,319	45,427
Contract liabilities	19	-	-	746
Provisions	18	837	1,897	454
		55,435	51,646	51,648
Net assets		220,498	216,198	205,408
Equity				
Share capital	20	172	162	62
Share premium	20	5,932	5,670	4,420
Retained earnings		211,517	207,857	194,290
Cash flow hedge reserve		144	19	3,272
Foreign currency translation reserve		2,956	2,603	3,364
Share-based payment reserve	21	(223)	(113)	-
Total equity		220,498	216,198	205,408

The notes on pages 18 to 63 form part of these consolidated financial statements.

* Restated as explained on pages 20 and 27.

These financial statements have been approved by the Board of Directors and are signed on its behalf by:



V Toolan
Director
3 August 2020

dunnhumby Limited Annual Report and Financial Statements
for the year ended 29 February 2020

Consolidated statement of changes in equity

	Share capital £000	Share premium £000	Retained earnings £000	Cash flow hedge reserve £000	Foreign currency translation reserve £000	Share-based payment reserve £000	Total equity £000
At 1 March 2018 (as previously reported)	62	4,420	193,561	3,272	3,364	-	204,679
Effect of change in accounting policy for adoption of IFRS 16 (Note 2)	-	-	729	-	-	-	729
At 1 March 2018 (restated*)	62	4,420	194,290	3,272	3,364	-	205,408
Profit for the year (restated)	-	-	12,784	-	-	-	12,784
Other comprehensive income	-	-	784	(3,253)	(761)	-	(3,230)
Total comprehensive income for the year (restated)	-	-	13,568	(3,253)	(761)	-	9,554
Shares issue in the year	100	1,250	-	-	-	-	1,350
Share-based payment revaluation	-	-	-	-	-	(113)	(113)
At 28 February 2019 (restated)	162	5,670	207,857	19	2,603	(113)	216,198
Profit for the year	-	-	3,519	-	-	-	3,519
Other comprehensive expense	-	-	141	125	353	-	619
Total comprehensive income for the year	-	-	3,660	125	353	-	4,138
Shares issued in the year	10	262	-	-	-	-	272
Share-based payment revaluation	-	-	-	-	-	(110)	(110)
At 29 February 2020	172	5,932	211,517	144	2,956	(223)	220,498

The notes on pages 18 to 63 form part of these consolidated financial statements.

* Restated for the adoption of IFRS 16 as explained in Note 2.

dunnhumby Limited Annual Report and Financial Statements
for the year ended 29 February 2020

Consolidated statement of cash flows

		2020	2019
	Notes	£000	(restated*) £000
Operating activities			
Cash generated from operations	24	14,170	52,874
Net interest and other finance costs paid	8	(1,414)	(2,402)
Tax paid	9	(10,072)	(4,820)
Net cash flows from operating activities		2,684	45,652
Investing activities			
Trade and asset purchase, net of cash acquired		-	(10,577)
Purchase of property, plant and equipment	12	(5,389)	(5,292)
Proceeds from sale of property, plant and equipment		69	928
Purchase of intangible assets	13	(20,336)	(19,542)
Proceeds from sale of intangible assets		334	494
Purchase of assets designated as at FVTOCI	15	-	(130)
Proceeds from disposal of assets designated as at FVTOCI	15	483	1,035
Investment in joint ventures	11	-	(2,198)
Disposal of joint ventures	11	-	1
Distributions received from joint ventures	11	1,200	3,588
Proceeds from lease arrangements		680	-
Net cash flows used in investing activities		(22,959)	(31,693)
Financing activities			
Repayment of obligations under leases		(4,707)	(4,827)
Proceeds from loan with lessor		1,085	-
Net cash flows used in financing activities		(3,622)	(4,827)
Net cash generated/(utilised)		(23,897)	9,132
Effects of exchange rate movements		497	(781)
Net (decrease)/increase in cash and cash equivalents		(23,400)	8,351
Cash and cash equivalents at 1 March		67,435	59,084
Cash and cash equivalents at the end of the financial year	15	44,035	67,435

The notes on pages 18 to 63 form part of these consolidated financial statements.

* Restated for the adoption of IFRS 16 as explained in Note 2.

dunnhumby Limited Annual Report and Financial Statements
for the year ended 29 February 2020

Notes to the financial statements

1. Corporate information

The consolidated financial statements of dunnhumby Limited (collectively, "the Group") for the year ended 29 February 2020 were authorised for issue in accordance with a resolution of the directors on 3 August 2020. dunnhumby Limited ("the Company") is a private company limited by shares, registered in England and Wales, and incorporated and domiciled in the United Kingdom under Companies Act 2006. The registered office is located at 184 Shepherds Bush Road, London, England, W6 7NL.

The principal activity of the Group during the year under review was the provision of customer data science and media services to retailers and consumer goods manufacturers around the world. Information on the Group's structure is provided in Note 11. Information on other Group related party relationships is provided in Note 23.

2. Significant accounting policies

Basis of preparation

The consolidated financial statements of the Group include all the subsidiaries and have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRIC") documents, as adopted by the European Union, and the Companies Act 2006, applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, financial assets held at fair value through other comprehensive income, financial assets and contingent consideration which have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges, that would otherwise be carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The consolidated financial statements are presented in British Pound Sterling and all values are rounded to the nearest thousand (£000), except where specifically indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a degree of judgement or complexity, or where assumptions and estimates are significant are disclosed in Note 3.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future, being at 12 months after the signing of these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. Further details on the Group's going concern assessment is provided in the Directors' report on page 8.

The following standards and interpretations were adopted during the current financial year:

- IFRS 16 'Leases', which has been applied fully retrospectively;
- 2017-2017 Annual Improvements Cycle;
- Amendments to IAS 19 'Employee benefits';
- Amendments to IFRS 9 'Financial instruments';
- IFRIC 23 'Uncertainty over income tax treatments'; and
- Amendments to IAS 28 'Investments in joint ventures and associates'.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Impact of initial application of IFRS 16

IFRS 16 is effective for the accounting period commencing 1 March 2019. The Group adopted the standard retrospectively, as if IFRS 16 had always been applied, with comparatives restated from a transition date of 1 March 2018.

IFRS 16 requires lessees to recognise right of use assets and lease liabilities on the balance sheet for all leases, except short-term (less than 12 months) and low value asset leases (less than £5,000). At commencement of the lease, the lease liability equals the present value of future lease payments, and the right of use asset equals the lease liability, adjusted for payments already made, lease incentives, initial direct costs and any provision for dilapidation costs.

For pre-IFRS 16 operating leases, the rental charge is replaced by depreciation on the right of use asset and interest on the lease liability.

IFRS 16 therefore results in an increase to operating profit, which is reported prior to interest being deducted. Depreciation is charged on a straight-line basis, however, interest is charged on outstanding lease liabilities and therefore reduces over the life of the lease. As a result, the impact on the consolidated statement of profit or loss below operating profit is highly dependent on average lease maturity.

Under IFRS 16, the lease liability is remeasured upon the occurrence of certain events, such as a change in lease term or a change in future lease payments resulting from a change in an index or rate (for example, inflation-linked payments or market rate rent reviews). A corresponding adjustment is made to the right of use asset.

The Group applied the practical expedient not to reassess whether a contract is, or contains, a lease on transition. The Group has elected to recognise payments for short-term leases and leases of low value assets on a straight-line basis as an expense in the consolidated statement of profit or loss.

IFRS 16 has had an impact on the accounting for a significant sub-lease agreement. The sub-lease period is equal to the head lease period, requiring the lease to be classified as a finance lease. The Group has recognised a receivable for the net investment in finance lease of £15.3m and derecognised the portion of the head lease right of use asset transferred of £14.1m. The sub-lease was previously accounted for as an operating lease with rental income recognised on a straight-line basis in the consolidated statement of profit or loss.

The Group's lease portfolio consists of office properties.

Consolidated statement of financial position restatement

The table on the following page sets out the impact of IFRS 16 on the consolidated statement of financial position at 28 February 2018 and on the comparative period consolidated statement of financial position as at 28 February 2019. Right of use assets (net of any impairments) and lease liabilities are presented separately on the face of the Group statement of financial position. A new balance sheet items for the net investment in finance leases arising from a sub-lease agreement classified has been recognised, and trade and other receivables has decreased due to the accrued operating lease rental charges in relation to rent-free periods for the sublease. Other non-current financial liabilities has decreased due to accrued operating lease rental charges in relation to rent-free periods being derecognised. A deferred tax asset is recognised on the transition adjustment.

dunnhumby Limited Annual Report and Financial Statements
for the year ended 29 February 2020

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

	2019			2018		
	Reported £000	IFRS 16 impact £000	Restated £000	Reported £000	IFRS 16 impact £000	Restated £000
Current assets						
Cash and cash equivalents	67,435	-	67,435	59,084	-	59,084
Trade and other receivables*	104,094	(5,919)	98,175	77,825	(3,874)	73,951
Contract assets	28,086	-	28,086	13,076	-	13,076
Prepayments	4,367	-	4,367	6,909	-	6,909
Net investment in finance lease	-	1,642	1,642	-	386	386
Current tax receivable	4,576	-	4,576	6,760	-	6,760
Derivative financial assets	440	-	440	5,485	-	5,485
	208,998	(4,277)	204,721	169,139	(3,488)	165,651
Non-current assets						
Investments in joint ventures	2,722	-	2,722	2,718	-	2,718
Investments in financial assets	3,132	-	3,132	2,757	-	2,757
Property, plant and equipment	22,958	-	22,958	26,216	-	26,216
Right of use assets	-	25,883	25,883	-	29,543	29,543
Net investment in finance lease	-	18,450	18,450	-	19,113	19,113
Deferred tax assets	1,537	362	1,899	1,451	-	1,451
Intangible assets	136,058	-	136,058	121,513	-	121,513
	166,407	44,695	211,102	154,655	48,656	203,311
Current liabilities						
Trade and other payables*	112,066	-	112,066	92,533	(723)	91,810
Derivative financial liabilities	535	-	535	10	-	10
Lease liabilities	-	7,141	7,141	-	7,427	7,427
Current tax payable	13,895	-	13,895	2,290	-	2,290
Contract liabilities	14,342	-	14,342	10,369	-	10,369
	140,838	7,141	147,979	105,202	6,704	111,906
Non-current liabilities						
Deferred tax liabilities	2,470	-	2,470	5,231	(210)	5,021
Other non-current liabilities	13,548	(7,588)	5,960	7,482	(7,482)	-
Lease liabilities	-	41,319	41,319	-	45,427	45,427
Contract liabilities	-	-	-	746	-	746
Provisions	1,897	-	1,897	454	-	454
	17,915	33,731	51,646	13,913	37,735	51,648
Net assets	216,652	(454)	216,198	204,679	729	205,408
Equity						
Share capital	162	-	162	62	-	62
Share premium	5,670	-	5,670	4,420	-	4,420
Retained earnings	208,318	(461)	207,857	193,561	729	194,290
Cash flow hedge reserve	19	-	19	3,272	-	3,272
Foreign currency translation reserve	2,596	7	2,603	3,364	-	3,364
Share-based payment reserve	(113)	-	(113)	-	-	-
Total equity	216,652	(454)	216,198	204,679	729	205,408

* The opening balances of these balance have been restated for sales tax reclassifications. Refer to page 27 for further details.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Consolidated income statement restatement

The table below sets out the impact of IFRS 16 on the comparative period consolidated statement of profit or loss for the year ended 28 February 2019. Other income reduces as straight-line operating sub-lease income is replaced with interest on the net investment in finance lease. This results in lower Gross profit. Other general and administrative costs reduce and net finance costs increase as straight-line operating lease rental expense is replaced by depreciation of the right of use asset and interest on the lease liability. This results in higher operating profit.

	2019		
	Reported £000	IFRS 16 impact £000	Restated £000
Revenue	372,216	-	372,216
Other Income	2,284	(2,284)	-
Direct costs	(125,158)	-	(125,158)
Gross profit	249,342	(2,284)	247,058
Employee benefits	(149,168)	-	(149,168)
Depreciation	(7,933)	(4,252)	(12,185)
Amortisation	(16,515)	-	(16,515)
Other general and administrative costs	(47,236)	6,701	(40,535)
Share of results of joint ventures	1,395	-	1,395
Operating profit	29,885	165	30,500
Finance income	426	979	1,405
Finance costs	(729)	(2,485)	(3,214)
Profit before taxation	29,582	(1,341)	28,241
Taxation	(15,609)	152	(15,457)
Profit for the year from continuing operations	13,973	(1,189)	12,784

dunnhumby Limited Annual Report and Financial Statements
for the year ended 29 February 2020

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Consolidated statement of cash flows restatement

The table below sets out the impact of IFRS 16 on the comparative period cash flow statement for the year ended 28 February 2019. IFRS 16 has no impact on total cash flow for the year or cash and cash equivalents at the end of the year. Cash generated from operations increase as operating lease rental expenses are no longer recognised as operating cash outflows. Cash outflows are instead split between interest paid and repayments of obligations under leases, which both increase.

	2019		Restated £000
	Reported £000	IFRS 16 impact £000	
Operating activities			
Cash generated from operations	45,948	6,926	51,978
Net interest and other finance costs paid	(303)	(2,099)	(2,402)
Tax paid	(4,820)	-	(1,821)
Net cash flows from operating activities	40,825	4,827	45,652
Investing activities			
Trade and asset purchase, net of cash acquired	(10,577)	-	(10,577)
Purchase of property, plant and equipment	(5,292)	-	(5,292)
Proceeds from sale of property, plant and equipment	928	-	928
Purchase of intangible assets	(19,542)	-	(19,542)
Proceeds from sale of intangible assets	494	-	494
Purchase of assets designated as at FVTOCI	(130)	-	(130)
Proceeds from disposal of assets designated as at FVTOCI	1,035	-	1,035
Investment in joint ventures	(2,198)	-	(2,198)
Disposal of joint ventures	1	-	1
Distributions received from joint ventures	3,588	-	3,588
Net cash flows used in investing activities	(31,693)	-	(31,693)
Financing activities			
Repayment of obligations under leases	-	(4,827)	(4,827)
Net cash flows used in financing activities	-	(4,827)	(4,827)
Net cash generated/(utilised)	9,132	-	9,132
Effects of exchange rate movements	(781)	-	(781)
Net increase/(decrease) in cash and cash equivalents	8,351	-	8,351
Cash and cash equivalents at 1 March	59,084	-	59,084
Cash and cash equivalents at 28 February	67,435	-	67,435

Notes to the financial statements (continued)

2. Significant Accounting Policies (continued)

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at 29 February 2020. Control is achieved when the Company is exposed to, or has rights to, variable returns from its involvement with the investee, and can affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, it has:

- Power over the investee (i.e. existing rights that give it the ability to direct the activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

There is a presumption that having more than half of the voting rights results in control. To support this presumption, and when the Group has less than half of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. A business combination arises when an entity acquires control (as discussed above) over another entity. The cost of an acquisition is the aggregate of the consideration transferred, measured at fair value, at the acquisition date. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires control over an entity it assesses the fair value of the assets and liabilities assumed, for appropriate classification and designation, in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

If the business combination is achieved in stages, any previously-held equity interest is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

Goodwill is the difference between the Group's share of the fair value of the net assets acquired, and the fair value of the consideration transferred. It is initially measured at cost but is subject to an annual impairment test. If the fair value of the net assets acquired exceeds the consideration transferred, the Group reassesses whether it has correctly identified all the assets acquired and liabilities assumed, and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the consideration transferred, the gain is recognised in profit or loss.

Notes to the financial statements (continued)

2. Significant Accounting Policies (continued)

For the purposes of performing a goodwill impairment test, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating unit that is expected to benefit from the combination.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Investments in joint ventures

Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting interests in joint ventures are initially recognised at cost and are subsequently adjusted to recognise the Group's share of the post-acquisition profits or losses, and movements in other comprehensive income.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interest that, in substance, forms part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The financial statements of the joint ventures are prepared for the same reporting period as the Group.

After application of the equity method, the Group assesses whether it is necessary to recognise an impairment loss on its investment in its joint ventures. At each reporting date, the Group determines whether there is objective evidence that an investment in a joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and if necessary recognises the impairment loss in the statement of profit or loss.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture that relates to the portion of control lost and the proceeds from the disposal, is recognised in profit or loss.

The aggregate of the Group's share of profit or loss from a joint venture is shown on the face of the statement of profit or loss.

Notes to the financial statements (continued)

2. Significant Accounting Policies (continued)

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from the Group's development (or from the development phase of an internal project) is recognised if, and only if, all the following conditions have been met:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development; and
- the ability to reliably measure expenditure attributable to the intangible asset during its development.

The amount recognised initially for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed previously. Where no internally-generated intangible asset can be recognised the expenditure incurred is recognised as an expense in profit or loss in the period to which it relates. After initial recognition, internally-generated intangible assets are recorded at cost, less accumulated amortisation and accumulated impairment losses.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in a normal operating cycle;
- Held primarily for trading;
- Expected to be realised within twelve months after the reporting period; and
- Cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in a normal operating cycle;
- Held primarily for trading;
- Due to be settled within twelve months after the reporting period; and
- Not an unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Revenue recognition

Revenue is income arising from the sale of goods and services in the ordinary course of the Group's activities, net of value added taxes. Revenue is recognised when performance obligations are satisfied and control has transferred to the customer. Most of the Group's contractual arrangements contain one or more of the following performance obligations:

Notes to the financial statements (continued)

2. Significant Accounting Policies (continued)

Revenue recognition (continued)

- **Software access:** Customers are granted access to software platforms and analysis toolkits over a specified contractual period. The Group recognises revenue evenly over the period of the contract.
- **Consultancy services:** This is the Group's core product offer of customer data science and analytics services. The Group generally bundles insight products into on performance obligation due to the highly interdependent and interrelated nature of the services provided. Revenue is recognised over the period of the contract to reflect the pattern in which value is transferred to the customer.

The Group has two main revenue streams, retailer revenue and non-retailer revenue, a breakdown of revenue split by these main streams is provided in Note 4.

For the majority of revenue streams, there is a low level of judgement applied in determining the transaction price or the timing of transfer of control. Revenue is reduced for estimated rebates and other similar allowances. The Group has concluded that it is the principal in all its revenue arrangements since it is the primary obligor, dictates pricing and is exposed to credit risks.

Revenue arising from the provision of a service is recognised either over time or at a point in time. Revenue is recognised over time if one of the following criteria are met:

- (a) the customer simultaneously receives and consumes the benefits provided by dunnhumby as the service is performed;
- (b) dunnhumby's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) dunnhumby's performance does not create an asset with an alternative use and dunnhumby has an enforceable right to payment for work completed to date.

For services provided over time, revenue is recognised with reference to progress in fulfilling the service, utilising reliable information. Where services are provided on a 'stand ready' basis i.e. historic use of the service does not impact the amount available to use in the future, revenue is generally recognised on a straight-line basis over the period the service is expected to be utilised.

Net revenue is stated after the deduction of external bought-in media and advertising services.

Multiple element transactions

IFRS 15 requires that when a transaction contains more than one performance obligation the transaction price is allocated across each performance obligation on the basis of the relative stand-alone selling price of each distinct good or service. Should a discount be applied to the transaction, this discount is allocated proportionately to all performance obligations in the contract.

Finance income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as *fair value through other comprehensive income*, interest income is recognised using the effective interest rate ("EIR") method. The EIR is the rate that discounts the estimated future cash receipts over the expected life of the financial instrument back to the net carrying amount of the asset. Interest income is included in finance income in the statement of profit or loss.

Direct costs

Direct costs represent disbursements directly attributable to providing services and the revenue share paid to retailers.

Notes to the financial statements (continued)

2. Significant Accounting Policies (continued)

Trade receivables and trade payables

Trade receivables are non interest-bearing and are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less expected credit losses. Refer to Note 16 for further details on the Group's calculation of expected credit losses.

Trade payables are non interest-bearing and are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method.

Other receivables have been restated for sales tax payables of £4.5m in 2019 and £12.9 in 2018, which have been reclassified to taxation and payroll liabilities.

Taxes

Tax on profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is also recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, adjusted for any tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax on the following temporary differences is not recognised: 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 not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using the tax rates enacted, or substantively enacted, at the balance sheet date.

A deferred tax asset for assessed tax losses is only recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Sales tax

Income, expenses, assets and liabilities are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset, or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the relevant taxation authority is included as part of receivables or payables in the statement of financial position.

Foreign currencies

The Group's consolidated financial statements are presented in British Pound Sterling, which is also the parent company's functional currency. The Group determines the functional currency for each entity and items included in the financial statements of such entities are recognised using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are restated at the spot rates of exchange at the reporting date.

Notes to the financial statements (continued)

2. Significant Accounting Policies (continued)

Foreign currencies (continued)

Exchange differences arising on settlement or restatement of monetary items are recognised in profit or loss. These are recognised in other comprehensive income (OCI) until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to a hedge of a net investment in a foreign operation are also recorded in OCI.

Non-monetary items in a foreign currency that are accounted for on the historical cost basis are translated using the exchange rates at the dates of the initial transactions. Non-monetary foreign currency items measured at fair value are translated using the exchange rates at the date the fair value is determined. The gain or loss arising on the translation of non-monetary items measured at fair value, is treated in line with the recognition of the gain or loss from the change in fair value of the underlying item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss, are also recognised in OCI or profit or loss).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into British Pound Sterling at the closing rate of exchange ruling on the reporting date. Items of income or expense are translated at the average exchange rate for the year. The balancing figure is recorded as the foreign currency translation reserve, which is recognised as a separate component of equity. Any movements in the foreign currency translation reserve are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to the foreign operation is recognised in profit or loss.

Property, plant and equipment

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising from an acquisition, are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Tangible assets acquired are initially measured at cost and are carried at cost, net of accumulated depreciation and accumulated impairment losses. The cost might include borrowing costs for long-term construction projects if the recognition criteria to capitalise borrowing costs are met. All repairs and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Leasehold improvements: lesser of 3 to 15 years or remaining lease term;
- Furniture and fittings: 3 to 15 years;
- Motor vehicles: 4 to 8 years; and
- Computer equipment: 3 to 7 years.

Assets under construction are not depreciated before they are brought into use.

An item of property, plant and equipment and any significant part initially recognised, is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is recorded in the statement of profit or loss. The residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Notes to the financial statements (continued)

2. Significant Accounting Policies (continued)

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. A lease conveys the right to direct the use of the asset, even if that right is not explicitly specified in an arrangement and to obtain substantially of the economic benefits of an identified asset for the period of time in exchange for consideration.

The Group as a lessee

A right of use asset and corresponding lease liability are recognised at commencement of the lease. The lease liability is measured at the present value of the lease payments, discounted at the lessee's incremental borrowing rate specific to the term, country, currency and start date of the lease. Lease payments include: fixed payments, lease incentives and payments in an optional renewal period if the Group is reasonably certain to exercise an extension option or not exercise a break option.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured, with a corresponding adjustment to the right of use asset, when there is a change in future payments resulted from a rent review or change in the Group's assessment of whether it is reasonably certain to exercise an extension or break option.

The right of use asset is initially measured at cost, comprising: the initial lease liability, any lease payments already made less any lease incentives received and initial direct costs.

The right of use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The right of use asset is tested for impairment if there are any indicators of impairment.

Leases of low value assets and short-term leases of 12 months or less are expensed to the consolidated statement of profit or loss, as are variable payments dependent on usage and non-lease service components.

The Group as a lessor

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. Where the Group is an intermediate lessor, the sublease classification is assessed with reference to the head lease right of use asset. Amounts due from lessees under finance leases are discounted at the rate used for the head lease and recorded as receivables at the amount of the Group's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the lease. Rental income from operating leases is recognised on a straight-line basis over the term of the lease.

Intangible assets

Acquired intangible assets

Intangible assets acquired outside of a business combination are initially recognised at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost, less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are considered to modify the amortisation period or method and are treated as changes in accounting estimates.

Notes to the financial statements (continued)

2. Significant Accounting Policies (continued)

Intangible assets (continued)

Estimated useful lives

The cost of intangible assets is amortised on a straight-line basis over their estimated useful lives as follows:

	Internally-generated software development costs	Technology	Customer relationships
Useful life	5 years	7 years	5 years
Internally generated or acquired	Internally generated	Acquired	Acquired

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered.

If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its value in use calculations on budgets and forecast calculations for the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the third year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Notes to the financial statements (continued)

2. Significant Accounting Policies (continued)

Impairment of non-financial assets (continued)

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

A dilapidations provision is recognised, where appropriate, for the estimated expenditure required to remove any leasehold improvements. These costs are capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee benefits

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Payments to defined contribution pension schemes are recognised as an expense as they fall due.

Notes to the financial statements (continued)

2. Significant Accounting Policies (continued)

Employee benefits (continued)

Certain key management personnel (including senior executives) receive remuneration in the form of a shared-based Value Creation Plan (VCP) which is an equity-settled share-based payment to employees. The VCP is measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 21.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for share appreciation rights, which are settled in cash (cash-settled transactions). The Group applies IFRS 2 to account for these share-based payments.

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense.

Further details of the impact of IFRS 2 in the financial statement can be found in Note 21.

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is concluded and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as hedges of a risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 15. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within general and administrative costs.

Notes to the financial statements (continued)

2. Significant Accounting Policies (continued)

Derivatives and hedging activities (continued)

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'net finance costs'. When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

The cash flows hedged will occur, and will be recognised, in the statement of profit or loss within one year of the balance sheet date.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

Standards issued but not yet effective

At the date of authorisation of these financial statements, the Group has not adopted any new or amended standards early. The impact of the following is still under assessment, but is not expected to have a material impact on the Group:

- Amendments to References to the Conceptual Framework in IFRS standards
- Definition of Material (amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors")
- Definition of a Business (amendments to IFRS 3 "Business combinations")

Other standards, interpretations and amendments issued but not yet effective are not expected to have a material impact on the Group financial statements.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated Group financial statements requires management to make judgements, estimates and assumptions in applying the Group's accounting policies to determine the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions to accounting estimates applied prospectively.

Notes to the financial statements (continued)

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

The key assumptions about the future, and other key sources of estimation uncertainty at the reporting period end that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Management have carefully considered the risks to the Group and do not consider there to be any key sources of judgement or uncertainties that would have a material impact on the carrying amounts disclosed in the financial statements.

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Notes to the financial statements (continued)

4. Revenue

	2020	2019
	£000	£000
Retailer revenue	114,356	102,996
Non-Retailer revenue	242,277	269,220
	356,633	372,216

dunnhumby Group generates revenues worldwide. The below table provides a geographic split of revenues:

	2020	2019
	£000	£000
Asia	51,224	60,631
Europe, Middle East and Africa	61,990	79,603
North and South America	77,002	68,289
United Kingdom	166,417	163,693
	356,633	372,216

5. Operating profit for the year

Operating profit has been arrived at after charging/(crediting):

	2020	2019
	£000	(restated) £000
Net foreign exchange losses (Note 16)	1,384	1,472
Research and development costs (Note 13)	3,890	4,059
Depreciation of property, plant and equipment and right of use assets (Note 12 and Note 14)	10,774	12,185
(Gain)/loss on disposal of property, plant and equipment and right of use assets	414	104
Amortisation of internally-generated intangible assets (Note 13)	13,819	16,515
Loss on disposal of internally-generated intangible assets	2,483	359
Impairment loss on intangible assets (Note 13)	14,050	-
Impairment of financial assets	1,016	1,010
Sub-lease service charge income	(466)	(457)

6. Auditor's remuneration

	2020	2019
	£000	£000
Audit of the Parent company and Group financial statements	338	345
Audit of financial statements of subsidiaries of the Group	290	354
Total auditor's remuneration	628	699

Notes to the financial statements (continued)

7. Employees

Employee benefits

	2020 £000	2019 £000
Wages and salaries and termination benefits	114,470	122,210
Employee share-based payments (Note 21)	586	2,008
Restructuring costs*	4,174	-
Social security costs	16,914	13,498
Pension costs – defined contribution plans	4,846	3,355
Other staff costs	8,107	8,097
Total employee benefit expense	149,097	149,168

* Restructuring costs relates to the Group's restructuring exercise to drive efficiencies and cost reductions.

Employees

	2020 Number	2019 Number
Monthly average number of people employed*		
Commercial	903	930
Development	1,015	719
Administrative	266	340
	2,184	1,989

* Includes executive directors

Details regarding directors' emoluments can be found in Note 23.

8. Finance income and finance costs

	2020 £000	2019 (restated) £000
Interest income on short-term bank deposits	231	366
Interest income on net investment in finance lease	962	979
Other interest income	107	60
Finance income on loans to related parties	7	-
Finance income	1,307	1,405
Finance costs on lease liabilities	(2,512)	(2,485)
Other interest costs	(209)	(729)
Finance costs	(2,721)	(3,214)
Net finance costs	(1,414)	(1,809)

Notes to the financial statements (continued)

9. Taxation

	2020 £000	2019 £000
Current tax		
Current year domestic tax	10,661	15,891
Adjustments for prior years	(1,028)	1,889
Total current tax expense	9,633	17,780
Deferred tax		
Origination and reversal of temporary differences	(2,487)	(2,616)
Deferred tax - prior year adjustment	136	125
Adjustments for prior years due to tax rate change	8	168
Total deferred tax expense/(credit)	(2,343)	(2,171)
Total income tax expense for the year	7,290	15,457

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. These rate reductions were substantively enacted by the balance sheet date and therefore included in these financial statements. Temporary differences have been measured using these exacted tax rates. Legislation has been substantively enacted after the current financial year, on 11 March 2020, to repeal the reduction of the main corporation tax rate thereby maintaining the current rate of corporation tax at 19%.

Factors affecting the tax expense/(credit) for the year

The table below explains the differences between the expected tax expense at the UK corporation tax rates and the Group's total tax expense:

	2020 £000	2019 (restated) £000
Profit before tax	10,809	28,241
Income tax using the domestic corporation tax rate 19.0% (2019: 19.0%)	2,054	5,366
Effect of tax rates in foreign jurisdictions	54	1,272
Effect of tax rate change on deferred tax	8	168
Expenses not deductible for tax purposes	1,220	1,513
Other permanent differences	186	123
Tax effect of share of net income from joint ventures	300	(199)
Deferred tax on unremitted earnings	665	(215)
Deferred tax not recognised	4,694	3,581
(Recognition)/derecognition of previously recognised tax losses	(1,131)	(1,689)
Withholding taxes and unrelieved overseas taxes	205	3,268
Non-taxable income	(71)	-
Adjustments relating to prior years – deferred tax	136	380
Adjustment relating to prior years – current tax	(1,030)	1,889
Total income tax for the year	7,290	15,457
Effective tax rate	67.4%	54.7%

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Notes to the financial statements (continued)

9. Taxation (continued)

	2020	2019
	£000	£000
Tax recognised in Other Comprehensive Income (OCI)		
Deferred tax charge/(credit) relating to forward hedging contracts	25	(682)

The deferred tax charge/(credit) is reclassified to the profit and loss statement in line with the underlying treatment of the hedging contracts.

Deferred tax assets and liabilities are attributable to the following:

	2020			2019 (restated)		
	Assets	Liabilities	Net assets/ liabilities	Assets	Liabilities	Net assets/ liabilities
Property, plant and equipment	1,546	-	1,546	1,721	-	1,721
Intangible assets	2,159	(3,248)	(1,089)	-	(4,047)	(4,047)
Tax losses and allowances	598	-	598	756	-	756
Other temporary differences	2,226	(1,815)	411	1,817	(1,174)	643
Cash flow hedges	-	(31)	(31)	-	(6)	(6)
Leases	338	-	338	362	-	362
Tax assets/liabilities	6,867	(5,094)	1,773	4,656	(5,227)	(571)
Set-off of tax	(1,151)	1,151	-	(2,757)	2,757	-
Net tax assets/liabilities	5,716	(3,943)	1,773	1,899	(2,470)	(571)

Analysis of movement in the net deferred tax balance during the financial year:

	Balance at 1 March 2019	Exchange difference	(Charged)/ credited to the Income Statement	Charged directly to OCI	Balance at 29 February 2020
Property, plant and equipment	1,721	-	(175)	-	1,546
Intangible assets	(4,047)	64	2,894	-	(1,089)
Tax losses and allowances	756	(158)	-	-	598
Other temporary differences	643	4	(351)	115	411
Cash flow hedge	(6)	-	-	(25)	(31)
Leases	362	1	(25)	-	338
	(571)	(89)	2,343	90	1,773

	Balance at 1 March 2018 (restated)	Exchange difference	(Charged)/ credited to the Income Statement	Credited directly to OCI	Balance at 28 February 2019
Property, plant and equipment	1,772	-	(51)	-	1,721
Intangible assets	(6,011)	(7)	1,971	-	(4,047)
Tax losses and allowances	651	-	105	-	756
Other temporary differences	582	3	58	-	643
Cash flow hedge	(774)	-	86	682	(6)
Leases	210	-	152	-	362
	(3,570)	(4)	2,321	682	(571)

Notes to the financial statements (continued)

9. Taxation (continued)

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority.

The deferred tax liability includes £1.1m (2019 restated: £1.3m) in respect of deferred tax that would arise if temporary differences on investments in subsidiaries and joint ventures were to be realised after the balance sheet date. No deferred tax liability is recognised where the Group is able control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. The amount of unrecognised deferred tax is £2.0m (2019: £2.8m)

The Group has unused tax losses of £101.1m (2019 restated: £79.9m), comprising trade losses of £76.9m (2019 restated: £61.5m) and capital losses of £8.4m (2019 restated: £18.4m), available for offset against future profits in certain overseas jurisdictions for which no deferred tax assets have been recognised due to the unpredictability of future profit streams.

10. Trade and other receivables

	2020 £000	2019 (restated) £000
Trade receivables	63,267	71,418
Receivables from related parties	32,378	22,247
Other receivables	7,528	6,351
Expected credit losses	(2,375)	(1,841)
	100,798	98,175

Trade receivables are non-interest bearing and are generally on terms of 30 days. Details for amount receivable from related parties are provided in Note 23. Other receivables comprise withholding tax and sales tax receivables.

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Notes to the financial statements (continued)

11. Investments

The Group controlled the following subsidiaries by virtue of directly or indirectly owning 100% of the ordinary share capital of each entity at 29 February 2020:

Name of company	Country of incorporation	Registered office	Financial year end
dunnhumby Limited	UK	184 Shepherds Bush Road, London W6 7NL	29 February
dunnhumby International Limited	UK	184 Shepherds Bush Road, London W6 7NL	29 February
dunnhumby Overseas Limited	UK	184 Shepherds Bush Road, London W6 7NL	29 February
dunnhumby Trustees Limited	UK	184 Shepherds Bush Road, London W6 7NL	29 February
dunnhumby Holding Limited	UK	184 Shepherds Bush Road, London W6 7NL	29 February
dunnhumby Ireland Limited	Ireland	Floor 3, 2 Harbour Square/Crofton Road, Dun Laoghaire, Dublin	29 February
dunnhumby Spain S.L.	Spain	Paseo de General Martinez Campos, Campos nº 9 1º izquierda, 28010 Madrid	29 February
dunnhumby Russia LLC	Russia	Spasopeskovsky lane 7/1, b.1. Moscow 1210999	31 December
dunnhumby Netherlands B.V.	Netherlands	Danzigerkade 13H 2hg 1013AP Amsterdam	29 February
dunnhumby France SAS	France	48 rue Cambon, 75001 Paris	29 February
dunnhumby SARL	France	48 rue Cambon, 75001 Paris	29 February
dunnhumby Italia Srl.	Italy	Carrera 48 no. 32B, sur - 139, Envigado	29 February
dunnhumby Czech sro	Czech Republic	Tesco CR / SR, Vrsoviccka 1527 /68B, 100 00 Praha 10	29 February
dunnhumby Denmark IvS	Denmark	c/o Lundgrens Advokatpartnerselskab, Tuborg Boulevard	29 February
dunnhumby Finland Oy	Finland	c/o RSM Finland Oy, Ratamestarinkatu 7 B, 00520 Helsinki	29 February
dunnhumby Hungary Kft	Hungary	Tesco Global, 2040 Budaros, Kinizsi Ut 1-3	29 February
dunnhumby Poland Sp z o.o	Poland	Biuro Glowne, UL Kapleanka 56, 30 - 347 Krakow	29 February
dunnhumby Sp. z o.o.	Poland	Sociomantic labs Sp. z o.o. ul. Pulawska 2, 02-566 Warszawa	31 December
dunnhumby Slovakia s.r.o.	Slovakia	Tesco Stores SR, Cesta na Senec 2, Bratislava 821 04	29 February
dunnhumby Germany GmbH	Germany	Ritterstraße 6, 10969 Berlin	29 February
dunnhumby Inc	USA	c/o The Corporation Trust Company, 1209 Orange Street, Corporation Trust Center, Wilmington, DE 19801	29 February
dunnhumby Ventures LLC	USA	c/o FBT Ohio, Inc. 3300 Great American Tower, 301 East Fourth Street, Cincinnati, OH 45202	29 February
dunnhumby Canada Limited	Canada	1400-340 Albert Street, Ottawa, Ontario, K1R 0A5	29 February
dunnhumby Brasil Consultoria Ltda	Brazil	Avenida Brigadeiro Luiz, Antonio, No 3530, 6th Floor Jardim Paulista, Sao Paulo, 01402-901	31 December
dunnhumby Serviços de Promoção Digital Ltda	Brazil	Avenida Brigadeiro Luiz, Antonio, No 3530, 6th Floor Jardim Paulista, Sao Paulo, 01402-901	29 February
dunnhumby Chile SpA	Chile	c/o RSM Chile Auditores Limitada, Av. El Golf 40, 7th floor Las Condes, Santiago	29 February
dunnhumby Colombia S.A.S.	Columbia	Calle 32 b sur # 48 - 100, Envigado, Antioquia	31 December
dunnhumby Mexico S. de R.L. de C.V	Mexico	Av President Masarik No 111, Piso 1 Colina Polance V Seccion, Delegacion Miguel Hidalgo, C.P. 11560	31 December
dunnhumby Singapore Pte Ltd	Singapore	30 A Tanjong Pagar Road, Singapore, 088453	31 March
dunnhumby IT Services India Private Limited	India	S-22, Greater Kailash, Part 1, Lower Ground Floor, New Delhi 110048	31 March
dunnhumby Consulting Services India Private Limited	India	4th Floor, Tower B, Paras Twin Towers, Sector 54, Gurgaon, Haryana-HR 122002	31 March
dunnhumby Advertising (Shanghai) Co., Limited.	China	Room 886S, 8/F, 1111 Changshou Road, Jing'an District, Shanghai	31 December
dunnhumby Information Technology Consulting (Shanghai) Company Limited	China	Room 1001, Enterprise Development Tower, Unit 01 - 10th Floor, No 398 Jiangsu Road, Changning District, Shanghai 200050	31 December
dunnhumby Korea Limited	Korea	13F WeWork, Yeoksam Station 2, 14, Teheran-ro 26-gil, Gangnam-gu, Seoul 06236	29 February
dunnhumby (Malaysia) Sdn Bhd	Malaysia	Suite 13.03, 13th Floor Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur	29 February
dunnhumby (Thailand) Limited (dhTha)	Thailand	No 319 Chamchuri Square Building, 16th Floor, Unit 01 Phayathi Road, Pathumwan sub district, Pathumwan District, Bangkok 10330	29 February
dunnhumby Computer Information Technology and Consultancy Services LLC (dhTur)	Turkey	Yeni Havaalani Caddesi, No: 40 Cigli, Izmir 35610	29 February
Sociomantic Labs Internet Hizmetleri Limited Şirketi	Turkey	Istiklal Caddesi Beyoglu Is Merkezi No: 187/5 Galatasaray, Istanbul	29 February
dunnhumby Japan K.K (dh Jap)	Japan	9th Floor, Shiroyama Trust Tower, 3-1, Toranomon 4-chome, Minato-ku, Tokyo	29 February
dunnhumby South Africa (Pty) Ltd	South Africa	c/o Eversheds Sutherland, 3rd Floor, 54 Melrose Boulevard, Melrose Arch 2196	29 February
dunnhumby Australia Pty Ltd	Australia	C/- RSM AUSTRALIA PTY LTD, Level 21, 55 Collins Street, Melbourne, VIC 3000	29 February
dunnhumby New Zealand	New Zealand	RSM New Zealand, Level 2 Bldg, 60 Highbrook Drive, Auckland 2013	29 February
Sociomantic Labs Private Limited	India	C/o Vaish Associates, 106, Peninsula Centre, Dr. S. S. Rao Road, Parel Mumbai - 400012, Maharashtra	31 March

During the current financial year, the Group liquidated two of its wholly-owned subsidiaries, dunnhumby Advertising Limited and KSS Retail Ltd.

Notes to the financial statements (continued)

11. Investments (continued)

The principal activities of the subsidiaries were direct or indirect marketing and advertising services except for dunnhumby Overseas Limited and dunnhumby Trustees Limited, whose principal activities were that of holding companies and dunnhumby Ventures Inc., whose principal activities were those of an investment company.

Interests in Joint Ventures

Set out below are the joint ventures of the Group as at 29 February 2020. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. All the entities provide marketing and advertising services to retailers and consumer goods manufacturers. All entities have been equity-accounted.

Name of entity	Place of business/ country of incorporation	% of ownership interest		Class of share held
		2020	2019	
dunnhumby Norge A.S ^(a)	Norway	50%	50%	Ordinary
China Wisdom dunnhumby Limited ^(b)	Hong Kong	50%	50%	Ordinary
China Wisdom dunnhumby (Shanghai) Limited ^(c)	China	50%	50%	Ordinary
dunnhumby Mitsui Bussan Customer Science Co Ltd ^(d)	Japan	50%	50%	Ordinary

^(a) The registered office of dunnhumby Norge A.S is Rosenkrantz gate 16, 0160, Oslo, Norway.

^(b) The registered office of China Wisdom dunnhumby Limited Suite 1106-8, 11/F. Tai Yau Building, No 181 Johnston Road, Wanchai, Hong Kong.

^(c) The registered office of China Wisdom dunnhumby (Shanghai) Limited Room 501-4, No.398 Jiangsu Road, Shanghai, PRC.

^(d) The registered office of dunnhumby Mitsui Bussan Customer Science Co Ltd is 1-1-2 Marunouchi, Chiyoda-ku, Tokyo, Japan

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Notes to the financial statements (continued)

11. Investments (continued)

Carrying value of joint ventures

	Total £000
At 1 March 2018	2,718
Investments	2,198
Disposals	(1)
Share of profit	1,395
Dividends received	(3,588)
At 28 February 2019	2,722
Share of profit	761
Dividends received	(1,200)
Foreign currency translation	(155)
At 29 February 2020	2,128

The summarised financial information below reflects the amounts presented in the financial statements of the relevant joint ventures, and not the Group amounts.

Name of entity	2020			2019		
	Profit/(loss) after tax £000	Share capital £000	Reserves £000	Profit/(loss) after tax £000	Share capital £000	Reserves £000
dunnhumby Canada Limited*	-	-	-	3,012	-	-
dunnhumby Norge A.S	1,252	415	2,030	2,635	445	3,241
China Wisdom dunnhumby Limited	-	-	-	19	2,911	19
China Wisdom dunnhumby (Shanghai) Limited	(4,670)	2,945	(8,436)	(3,886)	3,013	(3,886)
dunnhumby Mitsui Bussan Customer Science Co Ltd	269	1,445	366	156	1,384	156

* During the prior financial year, the Group acquired the remaining 50% of the Ordinary share capital of dunnhumby Canada Limited, taking its shareholding to 100% of the Ordinary share capital. dunnhumby Canada Limited has been consolidated as a subsidiary undertaking from 28 February 2019.

Notes to the financial statements (continued)

12. Property, plant and equipment

	Assets under construction £000	Leasehold improvements £000	Furniture and fittings £000	Motor vehicles £000	Computer equipment £000	Total £000
Cost						
At 1 March 2018	372	20,726	3,409	20	40,508	65,035
Additions	39	486	179	-	4,589	5,292
Acquisitions	-	-	88	-	-	88
Disposals	-	(456)	(184)	-	(1,481)	(2,121)
Transfers	-	158	(310)	-	152	-
Exchange differences	-	99	71	-	624	793
At 28 February 2019	411	21,013	3,253	20	44,392	69,089
Additions	1,524	1,376	271	-	2,218	5,389
Disposals	-	(47)	(308)	-	(2,774)	(3,129)
Transfers	(20)	-	-	-	702	682
Exchange differences	(3)	(19)	13	-	142	133
At 29 February 2020	1,912	22,323	3,229	20	44,680	72,164
Accumulated depreciation						
At 1 March 2018	-	(4,363)	(2,198)	(20)	(32,238)	(38,819)
Depreciation	-	(1,767)	(441)	-	(5,725)	(7,933)
Disposals	-	98	164	-	827	1,089
Transfers	-	(153)	241	-	(88)	-
Exchange differences	-	(30)	(36)	-	(402)	(468)
At 28 February 2019	-	(6,215)	(2,270)	(20)	(37,626)	(46,131)
Depreciation	-	(1,817)	(205)	-	(4,688)	(6,710)
Disposals	-	47	106	-	2,757	2,910
Transfers	-	(132)	132	-	2,055	2,055
Exchange differences	-	9	(12)	-	(108)	(111)
At 29 February 2020	-	(8,108)	(2,249)	(20)	(37,610)	(47,987)
Net book value						
At 1 March 2018	372	16,363	1,211	-	8,270	26,216
At 28 February 2019	411	14,798	983	-	6,766	22,958
At 29 February 2020	1,912	14,215	980	-	7,070	24,177

Notes to the financial statements (continued)

13. Intangible assets

	Internally-generated software development costs* £000	Technology £000	Customer relationship £000	Goodwill £000	Total £000
Cost					
At 1 March 2018	82,247	26,530	1,287	135,308	245,372
Additions	19,542	-	-	-	19,542
Acquisitions	-	8,802	-	3,883	12,685
Disposals	(1,719)	-	-	-	(1,719)
Exchange differences	256	(369)	(18)	(320)	(451)
At 28 February 2019	100,326	34,963	1,269	138,871	275,429
Additions	19,754	582	-	-	20,336
Disposals	(7,815)	(1,146)	-	(649)	(9,610)
Transfers	485	(1,346)	-	-	(861)
Exchange differences	(212)	(5)	-	(422)	(639)
At 29 February 2020	112,538	33,048	1,269	137,800	284,655
Accumulated amortisation					
At 1 March 2018	(46,685)	(13,375)	(924)	(62,875)	(123,859)
Amortisation	(13,034)	(3,143)	(338)	-	(16,515)
Disposals	866	-	-	-	866
Exchange differences	(92)	180	14	35	137
At 28 February 2019	(58,945)	(16,338)	(1,248)	(62,840)	(139,371)
Amortisation	(8,568)	(5,230)	(21)	-	(13,819)
Transfers	(3,931)	2,056	-	-	(1,875)
Disposals	5,974	1,489	-	-	7,463
Impairment**	(13,569)	(481)	-	-	(14,050)
Exchange differences	102	(2)	-	274	374
At 29 February 2020	(78,937)	(18,506)	(1,269)	(62,566)	(161,278)
Net book value					
At 1 March 2018	35,562	13,155	363	72,433	121,513
At 28 February 2019	41,381	18,625	21	76,031	136,058
At 29 February 2020	33,601	14,542	-	75,234	123,377

* Included within internally-generated software development costs is £14.5m (2019 £10.7m) relating to work in progress.

** Includes £10.0m related to the Group's decision to move its retargeting business away from e-commerce and travel to focus on products and technology customised for multi-channel grocery retailers.

Research costs of £3.9m (2019: £4.1m) are included within Other general and administration costs for the current financial year.

Notes to the financial statements (continued)

13. Intangible assets (continued)

Impairment test for goodwill

Goodwill acquired through business combinations has been allocated to the dunnhumby Group cash-generating unit (CGU) which represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

dunnhumby Group Cash-Generating Unit ("CGU")

The recoverable amount of the goodwill attributable to the dunnhumby Group CGU has been determined on a value-in-use basis using cash flow projections based on forecasts from the financial long-term plan approved by the Board which covers a five-year period.

The discount rate applied to the cash flow projections is 6.79% (2019: 7.14%). Cash flows beyond the five-year forecast period are extrapolated using a 2% growth rate (2019: 2%).

The calculation shows that the recoverable amount of the dunnhumby CGU goodwill exceeds its carrying value and as such no impairment loss has been recognised for the year in the statement of profit or loss.

Carrying amount of goodwill allocated to the dunnhumby CGU:

	dunnhumby Group £000
At 1 March 2018	72,433
Additions	3,883
Exchange difference	(285)
At 28 February 2019	76,031
Disposals	(649)
Exchange difference	(148)
At 29 February 2020	75,234

Key assumptions used in the value-in-use calculations

The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates and expected changes in margins. Management estimates discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the business. Changes in selling prices and direct costs are based on experience and expectations of future changes in the market. Having performed a sensitivity analysis, significant changes in the input assumptions will not materially impact the recoverable amount of the CGU due to the large headroom calculated in the value-in-use calculation.

Refer to Note 25 for further detail on the impact of increased volatility on the Group's goodwill balance as a result of COVID-19.

Notes to the financial statements (continued)

14. Leases

Group as lessee

Lease liabilities represent rentals payable by the Group for certain office properties. The Group has no other leases. The leases have varying terms, purchase options, escalation clauses and renewal rights. Purchase options and renewal rights, where they occur, are at market value. Escalation clauses are in line with market practices and include inflation-linked, fixed rates, resets to market rents and hybrids of these.

Right of use assets

	Total £000
Net carrying value at 28 February 2019	25,883
Additions	7,952
Depreciation charge for the year	(4,064)
Other movements*	(1,339)
Net carrying value at 29 February 2020	28,432

* Other movements include lease terminations, modifications and reassessments, foreign exchange, and entering into finance subleases.

	Total £000
Net carrying value at 1 March 2018	29,543
Additions	548
Depreciation charge for the year	(4,252)
Other movements*	44
Net carrying value at 28 February 2019	25,883

* Refer to previous table for footnotes.

Lease liabilities

The following tables show the discounted lease liabilities included in the consolidated statement of financial position and a maturity analysis of the contractual undiscounted lease payments:

	2020	2019 (restated)
	£000	£000
Current	7,588	7,141
Non-current	42,994	41,319
Total lease liabilities	50,582	48,460

Notes to the financial statements (continued)

14. Leases (continued)

Group as lessee (continued)

Maturity analysis – contractual undiscounted lease payments

	2020	2019 (restated)
	£000	£000
Within one year	(7,588)	(7,141)
Greater than one year but less than five years	(25,765)	(27,119)
Greater than five year but less than ten years	(25,829)	(27,384)
Greater than five year but less than fifteen years	(4,538)	(9,078)
Total undiscounted lease payments	(63,720)	(70,722)

Refer to Note 8 for interest expense on the lease liabilities and the consolidated statement of cash flows for the total cash outflow for leases.

Amounts recognised in the consolidated statement of profit or loss

	2020	2019 (restated)
	£000	£000
Finance costs on lease liabilities	2,512	2,485
Expenses relating to short-term and low-value leases	290	133

Amounts recognised in the consolidated statement of cash flows

	2020	2019 (restated)
	£000	£000
Total cash outflow for leases	7,219	7,312

Future possible cash outflows not included in the lease liability

Future increases or decreases in rentals linked to an index or rate are not included in the lease liability until the change in cash flows takes effect. Approximately 8.8% (2019: 3.4%) of the Group's lease liabilities are subject to inflation-linked rentals. Rental changes linked to inflation typically occur on an annual or three-yearly basis.

The Group is not committed to any payments in relation to leases that have been signed but have not yet commenced.

Notes to the financial statements (continued)

14. Leases (continued)

Group as lessor

The Group sublets its leased property in London under a finance lease and a leased property in Berlin under an operating lease.

Amounts recognised in the consolidated statement of profit or loss

	2020	2019 (restated)
	£000	£000
Net investment in finance lease – interest income	962	979
Operating lease – rental income	14	-

Finance lease payments receivable

The net investment in the lease included in the consolidated statement of financial position is £19.4m (2019 restated: £20.1m).

Operating lease payments receivable maturity analysis

	2020	2019 (restated)
	£000	£000
Within one year	166	-
Greater than one year but less than two years	152	-
After two years	-	-
Total undiscounted operating lease receivable	318	-

Notes to the financial statements (continued)

15. Financial assets and financial liabilities

This note provides information about the Group's financial assets and financial liabilities, including:

- an overview of all assets and liabilities held by the Group;
- specific information about each type of asset or liability;
- information about determining the fair value of the assets and liabilities, including judgements and estimations involved; and
- A breakdown by level of fair value hierarchy.

The fair value hierarchy is categorised as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- **Level 3:** inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The Group holds the following financial instruments:

Financial assets	Fair value hierarchy	Assets at FVTOCI* £000	Assets at FVTPL** £000	Financial assets at amortised cost £000	Total £000
2020					
Cash and cash equivalents	-	-	-	44,035	44,035
Trade receivables, contract assets and other receivables	-	-	-	115,907	115,907
Derivative financial instruments	Level 2	-	340	-	340
Assets at FVTOCI	Level 3	2,737	-	-	2,737
		2,737	340	159,942	163,019
2019					
Cash and cash equivalents	-	-	-	67,435	67,435
Trade receivables, contract assets and other receivables	-	-	-	119,940	119,940
Derivative financial instruments	Level 2	-	440	-	440
Assets at FVTOCI	Level 3	3,132	-	-	3,132
		3,132	440	187,375	190,947

*At fair value through other comprehensive income (FVTOCI)

** At fair value through profit and loss (FVTPL)

Financial liabilities	Fair value hierarchy	Liabilities at FVTPL** £000	Financial Liabilities at amortised cost £000	Total £000
2020				
Trade and other payables	-	-	66,719	66,719
Other non-current liabilities	-	-	7,662	7,662
Derivative financial instruments	Level 2	740	-	740
		740	74,381	75,121
2019				
Trade and other payables	-	-	102,593	102,593
Other non-current liabilities	-	-	5,960	5,960
Derivative financial instruments	Level 2	535	-	535
		535	108,553	109,088

Notes to the financial statements (continued)

15. Financial assets and financial liabilities (continued)

The Group's exposure to various risks associated with the financial instruments is discussed in Note 16. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset shown above.

Reconciliation cash and cash equivalents to consolidated statement of cash flows

	At 1 March 2019 £000	Cash flow £000	Foreign exchange movement £000	At 29 February 2020 £000
Cash and cash equivalents	67,435	(23,897)	497	44,035

Cash and cash equivalents includes £8.0m (2019: £7.2m) of cash held in countries with official foreign exchange regulations.

Trade receivables and other receivables - current

	Trade receivables £000	Expected credit loss £000	Receivables from related parties £000	Other receivables £000	Total £000
At 29 February 2020	63,269	(2,375)	32,378	32	93,304
At 28 February 2019	71,418	(1,841)	22,247	30	91,854

Trade receivables overdue at the end of the current financial year is £31.2m (2019: £31.6m). The Group has no balances (2019: £nil) with any customer that exceeds 10% of the Group's trade and other receivables balance.

Classification as trade receivables and other receivables

Trade receivables are amounts due from customers for services provided in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

Other and related party receivables

Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

Fair values of trade and other receivables

Due to the short-term nature of current receivables their carrying amount is not materially different to their fair value.

Expected credit losses and risk exposure

Information about the expected credit loss on trade and other receivables and the Group's exposure to foreign currency risk and interest rate risk is provided in Note 16.

Notes to the financial statements (continued)

15. Financial assets and financial liabilities (continued)

Assets held at fair value through other comprehensive income

	2020 £000	2019 £000
Unlisted equity securities	2,737	3,132

Classification of financial assets held at fair value through other comprehensive income.

Financial assets are designated as held at fair value through other comprehensive income if they do not have fixed maturities, and fixed or determinable payments, and management intends to hold them for the medium to long term. Financial assets that are not classified into any of the other categories (at FVTPL, loans and receivables or held-to-maturity) are also included in the fair value through other comprehensive income. The fair value through other comprehensive income items are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

Impairment indicators for fair value through other comprehensive income financial assets

Refer to Note 2 for further details about the Group's impairment policies for financial assets.

Measurement

The Group accounts for its unlisted equity securities in accordance with IFRS 9 measured at fair value less costs of disposal.

Trade and other payables - current

	Trade payables £000	Payroll liabilities £000	Payables to related parties £000	Other payables £000	Total £000
At 29 February 2020	35,012	594	24,130	6,983	66,719
At 28 February 2019	50,682	2,142	41,211	8,558	102,593

Trade creditors are non-interest bearing and are normally settled within 45 days. Other creditors are non-interest bearing and have an average term of six months.

Due to the short-term nature of trade and other payables their carrying amount is not materially different to their fair value.

	2020 £000	2019 (restated) £000
Other non-current liabilities:		
Employee benefits*	7,662	5,960

* Employee benefits include employee retention schemes and Share Appreciation Rights (Note 21).

Notes to the financial statements (continued)

15. Financial assets and financial liabilities (continued)

Derivative financial instruments

Derivatives are only used for economic hedging purposes and not as trading or speculative instruments. The primary economic purpose being hedging amounts due from customers and cash flows between Group entities. The Group has the following derivative financial instruments:

	2020 £000	2019 £000
Current Assets		
Forward foreign exchange contracts – cash flow hedges	118	160
Forward foreign exchange contracts – not designated	222	280
	340	440
Current Liabilities		
Forward foreign exchange contracts – cash flow hedges	64	145
Forward foreign exchange contracts – not designated	676	390
	740	535

Where they are available the fair values of derivatives have been determined by using prices available from the markets on which they are traded. Where market prices are not available, the fair values have been calculated by discounting expected future cash flows at prevailing interest rates.

No hedge ineffectiveness has been recorded in the current year; and no ineffectiveness is expected to arise in the future due the critical terms of the hedging instruments matching the hedged items

The nominal value of open derivatives at the balance sheet date was £35.0m (2019: £56.3m).

Classification of derivatives

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as cash flow hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

The Group's accounting policy for its cash flow hedges is set out in Note 2. The Group uses forward contracts to hedge the foreign currency cost of future purchases, where those purchases are denominated in a currency other than the functional currency of the purchasing company. Where these contracts qualify for hedge accounting, fair value gains and losses are deferred in equity. These hedging instruments are primarily used to hedge purchases in Euros and US Dollars. The cash flows hedged will be recognised in the consolidated statement of profit or loss within one year of the balance sheet date.

Recognised fair value measurements

All fair value estimates are included as Level 2 except for unlisted equity securities where the fair value is based on the price of an offer received to purchase part, or all, of the securities.

Notes to the financial statements (continued)

15. Financial assets and financial liabilities (continued)

Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in Level 3 items:

	Unlisted equity securities £000
At 1 March 2018	2,757
Additions	130
Disposals	(1,035)
Fair value gain on equity investments held at FVTOCI	784
Fair value gain on equity investments held at FVTPL	414
Exchange difference	82
At 28 February 2019	3,132
Disposals	(483)
Fair value gain on equity investments held at FVTOCI	141
Exchange difference	(53)
At 29 February 2020	2,737

16. Financial risk management

The Group's main exposures to financial risk have arisen due to:

- foreign exchange fluctuations arising from its multinational operations;
- credit risk resulting from the creditworthiness both of its customer base and the banks with which cash deposits have been placed; and
- interest rate and liquidity risk arising from borrowings.

Financial risks are managed in line with the objectives and processes laid down by Tesco PLC, which is the Group's ultimate parent. This includes adherence to Tesco treasury, capital and credit management policies, including the use of derivative financial instruments, to manage financial risks.

Foreign exchange – market risk

In line with Tesco policy, the Group aims to hedge up to 80% of its forecasted foreign exchange intercompany trading cash flows, for a duration of between three and twelve months, using forward contracts transacted mainly with Tesco Group treasury. Forward contracts are only used for cash flow hedging purposes and not as trading or speculative instruments and are accounted for at fair value through profit or loss unless they are designated as cash flow hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

The Group's accounting policy for cash flow hedges is set out in Note 2.

Currency exposures arising from strategic transactions such as acquisitions and disposals are reviewed and hedged on a case by case basis by senior Tesco treasury staff.

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Notes to the financial statements (continued)

16. Financial risk management (continued)

An analysis of the Group's unsettled financial instruments by currency, including derivative financial instruments, at the end of the reporting period, expressed in GBP, are as follows:

Currency profile of financial instruments

2020	GBP	USD	EUR	Other	Total
Assets					
Cash	11,243	1,907	5,884	25,001	44,035
Trade and other receivables	49,202	4,840	9,997	29,265	93,304
Derivative financial assets	340	-	-	-	340
Assets at FVOCI	-	2,737	-	-	2,737
	60,785	9,484	15,881	54,266	140,416
Liabilities					
Trade and other payables	39,111	5,726	6,757	15,125	66,719
Other non-current liabilities	6,058	1,451	153	-	7,662
Derivative financial liabilities	740	-	-	-	740
	45,909	7,177	6,910	15,125	75,121
2019					
2019	GBP	USD	EUR	Other	Total
Assets (restated)					
Cash	28,881	3,485	4,591	30,478	67,435
Trade and other receivables	43,776	5,395	19,271	23,412	91,854
Derivative Financial Instruments	440	-	-	-	440
Assets at FVOCI	-	3,025	-	107	3,132
	73,097	11,905	23,862	53,997	162,861
Liabilities (restated)					
Trade and other payables	58,168	6,141	13,834	24,450	102,593
Other non-current liabilities	4,727	739	42	452	5,960
Derivative Financial Instruments - Current	535	-	-	-	535
	63,430	6,880	13,876	24,902	109,088

Amounts recognised in the statement of the profit or loss

During the year, the following foreign exchange related amounts were recognised in profit or loss:

	2020	2019
	£000	£000
Net foreign exchange gain/(loss) included in general and administrative costs	(1,387)	(1,472)

Group equity may be affected by changes in exchange rates on financial instruments. The table below shows the illustrative effect of possible exchange rate changes for major currencies. This analysis reflects the impact for financial instruments held at the balance sheet date. It does not reflect any changes in sales or costs that may result from changing exchange rates. Since financial instruments are largely held in the functional currency of the Group, the effect on the Group statement of profit or loss is immaterial.

Notes to the financial statements (continued)

16. Financial risk management (continued)

Impact on equity - (loss)/gain

	2020 £000	2019 £000
10% appreciation of the US dollar	231	576
5% appreciation of the Euro	449	501

A depreciation of the abovementioned currencies would have the opposite effect to that shown above.

Refer to Note 25 for commentary on the impact on sensitivity to foreign exchange rate movements adjusted for the impact of increased volatility as a result of COVID-19.

Credit risk

Credit risk arises due to the possibility of counterparty default between the date of asset recognition and the date of settlement on the following categories of transactions:

- trade receivables and contract assets owed by the Group's customers;
- finance lease receivables from the Group's sublease agreement;
- cash and cash equivalents deposited at banks; and
- unsettled "in the money" derivative financial instruments.

Trade credit risk is managed primarily by the Group's credit control staff, who assess creditworthiness and allocate credit limits based on information available from independent credit reference agencies, together with current and past collection experience. The customer base is well diversified and there is no significant concentration of credit risk.

Cash deposits are only held with high grade banks and financial institutions that are pre-approved by Tesco PLC in line with their treasury policy guidelines.

In accordance with Tesco guidelines, most derivative financial instruments are contracted directly with Tesco itself, although in certain jurisdictions this is impractical, in which case approved third party financial institutions are used.

Impairment

The Group provides for expected credit losses on trade and other receivables, contracts assets and net investment in finance lease by applying the weighted average of credit losses using the respective risks of default as the weights.

Contract assets are written off when there is no expectation of recovering any money and the provision is adjusted accordingly. All impairment losses are recognised in the statement of profit or loss within general and administrative costs. Subsequent recoveries of amounts previously written off are credited to general and administrative costs.

Refer to Note 25 for commentary on the impact on expected credit losses due to increased volatility as a result of COVID-19.

Notes to the financial statements (continued)

16. Financial risk management (continued)

Liquidity risk

Management agree an annual funding and liquidity plan with Tesco's treasury team, designed to ensure that the Group always maintains a prudent liquidity buffer, while occasionally passing excess cash to Tesco by way of intercompany loans. Cash flow forecasts that have been prepared are regularly monitored against budgets and plans.

The Group has access to financing facilities as described below, of which £51.8m was unused at the balance sheet date (2019: £50.7m). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

	2020 £000	2019 £000
Purchase Card Facility	2,571	700
Group Composite Facility	50,000	50,000
	52,571	50,700

The Group composite facility referred to above is an overdraft facility available to the company as part of the ultimate parent Tesco PLC Group Composite Facility, secured by Tesco PLC.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities based on their contractual maturity dates:

	Within 1 year £000	1-2 years £000	2-5 years £000	More than 5 years £000	Total £000
2020					
Trade and other payables	66,719	-	-	-	66,719
Derivative financial liabilities	740	-	-	-	740
Other non-current liabilities	2,596	1,521	3,545	-	7,662
	70,055	1,521	3,545	-	75,121
2019 (restated)					
Trade and other payables	102,593	-	-	-	102,593
Derivative financial liabilities	535	-	-	-	535
Other non-current liabilities	-	1,247	1,701	3,012	5,960
	103,128	1,247	1,701	3,012	109,088

The expected maturities of the financial liabilities are consistent with their contractual maturities.

Capital management

Risk management

The Group's objectives when managing capital are:

- to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a balanced capital structure with a mix of debt and equity funding which reduces the overall cost of capital, whilst maintaining sufficient equity to act as a buffer against future uncertainties.

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Notes to the financial statements (continued)

16. Financial risk management (continued)

Capital management activities, such as agreeing the dividends to be paid by the Group to its parent, and the use of surplus cash to repay borrowings, are carried out in consultation with Tesco Treasury.

The Groups main risk with regard to capital management is foreign exchange risk, further details on foreign exchange risk are provided in within this note.

dunnhumby monitors capital in relation to its gearing ratio. The Group has no external debt and the gearing ratio is nil in the current year (2019: nil).

17. Trade and other payables

	2020	2019 (restated)
	£000	£000
Trade payables	35,012	50,682
Taxation and payroll liabilities	9,830	11,615
Payables to related parties	24,130	41,211
Other payables	14,645	14,518
	83,617	118,026
Of which:		
Current	75,955	112,066
Non-current	7,662	5,960
	83,617	118,026

18. Provisions

	2020	2019
	£000	£000
Current		
Deferred consideration	1,706	-
Non-current		
Dilapidations	837	605
Deferred consideration	-	1,292
	2,543	1,897

	Dilapidations	Deferred consideration	Total
	£000	£000	£000
At 1 March 2018	454	-	454
Charged/(credited) to profit or loss			
- Additional provisions recognised	151	1,263	1,414
Exchange differences	-	29	29
At 28 February 2019	605	1,292	1,897
Charged/(credited) to profit or loss			
- Additional provisions recognised	232	-	232
- Provisions no longer required	-	(392)	(392)
Exchange differences	-	23	23
At 29 February 2020	837	1,707	2,544

Notes to the financial statements (continued)

18. Provisions (continued)

Dilapidations provision

The Group is required to restore the leased premises of certain of its offices to their original condition at the end of the lease terms. Most of the provision relates to the Group's head office at Brook Green in London. A provision has been recognised for the cost of the estimated expenditure required to remove any leasehold improvements. The provision includes estimates of the costs of wear and tear over the period of the lease term. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the lease term and the useful life of the assets.

Due to the associated uncertainty of the timing and costs of future dilapidation costs management will continually review estimates over the remaining life of the lease.

Deferred consideration provision

A provision for deferred consideration relating to a business combination was made during the prior financial year. Subsequent to the current balance sheet date, it was determined that no deferred consideration should be paid to the seller as the post-acquisition sales targets were not met.

19. Contract assets and liabilities

The following table provides analysis on significant changes to contract assets and liabilities during the current financial year:

	Contract assets £000	Contract liabilities £000
At 1 March 2019	28,086	(14,342)
Decrease due to balance transferred to trade receivables	(28,086)	-
Decrease due to income recognised in financial year	-	14,342
New contract assets	22,603	-
Increase due to cash received and not recognised as income	-	(10,861)
At 29 February 2020	22,603	(10,861)

Notes to the financial statements (continued)

20. Share capital and share premium and ultimate parent undertaking

	Number of shares			Share capital £000	Share premium £000	Total £000
	Ordinary shares 5p each	A Ordinary shares 10p each	Deferred shares 10p each			
At 29 February 2020	1,248,550	966,672	133,334	162	5,932	6,104
At 28 February 2019	1,248,550	1,000,005	-	162	5,670	5,832

Ordinary shares carry the right to vote, participate equally in respect of distributions and dividends. The shares are not redeemable and are fully paid.

A Ordinary shares carry the same rights as Ordinary shares with the exception that they do not carry a voting right nor do they carry the right to participate in respect of distribution or dividend. The A Ordinary shares have been called up but were not fully paid at the balance sheet date. Deferred shares do not carry any right to vote or participate in respect of distributions nor in respect of any dividends or capital.

The ultimate parent undertaking and controlling party is Tesco PLC, a company incorporated in the United Kingdom. Tesco PLC is the parent undertaking of the smallest and largest Group of undertakings to consolidate these financial statements at 29 February 2020. The consolidated financial statements of Tesco PLC are available from the Company Secretary at: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, Hertfordshire, AL7 1GA.

The immediate parent undertaking is Tesco Holdings Limited.

21. Share-based payments

Equity-settled share-based payments

During the prior financial year, the Group put in place a share-based Value Creation Plan (VCP) for certain key management personnel of the Group. In accordance with the terms of the plan, as approved by the parent company via a Shareholders Agreement, employees purchased 'A Ordinary' shares with put options to sell them to Tesco Holdings Limited on set dates.

The A Ordinary shares carry neither rights to dividends nor voting rights. The employees' purchase of the A Ordinary shares was funded by either long-term loans from dunnhumby Limited or long-term loans from Tesco Holdings Limited. No cash was paid to either the employee or dunnhumby Limited and a long-term related party receivable (due from the employee) is recognised by dunnhumby Limited. The loans to employees are repayable when an employee leaves dunnhumby or when the A Ordinary shares are exercised.

No amounts are paid or payable by the recipient on receipt of the A Ordinary shares. On exercise of the A Ordinary share option, each A Ordinary share entitles the holder to payment, from Tesco Holdings Limited, based on the valuation of the dunnhumby Group at the most recent year end. The A Ordinary shares may be exercised in three separate periods as follows:

Exercise period	Percentage of options able to be exercised
01/03/22 – 31/5/22	50%
01/03/23 – 31/5/23	25% (or 75% if the first option wasn't exercised)
01/03/24 – 31/5/24	Any remaining options

Notes to the financial statements (continued)

Equity-settled share-based payments

A Ordinary shares are exercisable at a price based on an external valuation of the dunnhumby Group at the year end date prior to the exercise period. The vesting period ranges from 3.4 to 5.4 years. If the options remain unexercised after a period of 5.7 years from the date of grant the options expire.

The fair value of the A Ordinary shares at grant date is estimated to be £2.6m (2019: £2.6m) using an expected return model. The Group recognised total expenses of £1.5m (2019: £0.2m) related to equity-settled share-based payment transactions in 2020. The A Ordinary shares shall be exercisable as long as the holder is an Employee or a Good Leaver as defined in the Articles of Association.

Cash-settled share-based payments

During the prior financial year, the Group issues to certain employees Share Appreciation Rights (SARs) that require the Group to pay the intrinsic value of the SAR to the employee at the date of exercise. The Group has recorded liabilities of £2.3m (2019: £1.8m) and total expenses of £0.6m during the current financial year (2019: £1.8m).

22. Capital commitments and contingencies

Capital commitments

The Group had no (2019: £nil) significant capital expenditure contracted for, but not incurred, at the end of the current financial year.

23. Related party transactions

Note 11 provides information about the Group's structure, including details of the subsidiaries and the holding company. Transactions between the Group and its joint ventures, and between the Group and other subsidiaries of Tesco PLC (the ultimate parent of the Group) are shown below:

	2020	2019 (restated)
	£000	£000
Transactions with joint ventures		
Sales	8,553	10,082
Purchases	(129)	-
Dividends from joint ventures	1,200	3,373
Balances with joint ventures		
Receivables	12,316	7,004
Payables	(3,373)	(1,527)
Transactions with Tesco group companies		
Sales	60,592	65,398
Purchases	(51,531)	(64,316)
Interest income	7	-
Balances with Tesco group companies		
Receivables	18,439	13,893
Payables	(20,757)	(39,684)

Notes to the financial statements (continued)

23. Related party transactions (continued)

Compensation of key management personnel of the Group

Members of the Board of Directors and Executive Committee of dunnhumby Limited are deemed to be key management personnel. Key management personnel compensation for the financial year was as follows:

	2020	2019
	£000	£000
Short-term benefits	3,373	3,176
Long-term benefits	169	169
Post-employment pension and medical benefits	60	52
Termination benefits	221	-
Share-based payment transactions	586	208
	4,409	3,605

The highest paid director's emoluments were as follows:

	2020	2019
	£000	£000
Total emoluments (excluding pension contributions)	790	867
Pension contributions to money purchase schemes	23	18
	813	885

All directors are members of a money purchase pension scheme. No share options were exercised.

Shares were issued in the prior financial year to six key management personnel amounts in respect of shares as part of an equity-settled share-based payments scheme (Note 21).

At the end of the year the following amounts were due to dunnhumby Limited by key management personnel:

	2020	2019
	£000	£000
Unpaid share capital	1,622	1,350

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Notes to the financial statements (continued)

24. Cash flow information

Reconciliation of profit/(loss) for the year to cash generated from operations:

	2020	2019 (restated)
	£000	£000
Profit for the year after tax	3,519	12,783
Income tax charge	7,290	15,457
Non-cash adjustments to reconcile profit/(loss) for the year to net cash flows:		
Depreciation of property plant and equipment and right of use assets	10,774	12,185
Impairment of intangible assets	14,050	-
Amortisation of intangible assets	13,819	16,515
Loss on disposal of property, plant and equipment	150	104
Loss on disposal of intangible assets	2,483	359
Loss on disposal of right of use assets	264	-
Net finance cost	1,414	1,809
Fair value gain/(loss) on derivatives	18	2,317
Share of profits from joint ventures	(761)	(1,395)
Fair value gain on equity investments	-	(497)
Share-based payment revaluation	(110)	208
Working capital changes		
Decrease/(increase) in trade and other receivables	(3,720)	(35,269)
(Decrease)/increase in trade and other payables	(35,020)	28,297
Cash generated from operations	14,170	52,874

Notes to the financial statements (continued)

25. Events after the balance sheet date

On 9 March 2020, Tesco PLC announced the proposed sale of its businesses in Thailand and Malaysia to a combination of CP Group entities. Tesco PLC further announced the sale of its business in Poland to Salling Group A/S on 18 June 2020. Both sales are subject to customary regulatory approvals.

dunnhumby has Client Service Agreements ("CSAs") with the Tesco group of companies in Thailand, Malaysia and Poland. Following the sale of these businesses by the Tesco group of companies, the CSAs will be transfer to the new owners in Thailand, Malaysia and Poland once regulatory approvals are finalised. Revenues earned by the Group in providing services to Tesco in these jurisdictions would no longer be reported as related party transactions after the sales are finalised.

Impact of COVID-19

Refer to Note 2 for details of the Group's judgement that the extent of government interventions in response to the COVID-19 pandemic only became apparent after the balance sheet date and represent a non-adjusting post balance sheet event. Given these events are of such significance, further information of the impact of COVID-19 are given below.

Impairment of non-current assets

Subsequent to the balance sheet date, there has been a reduction of in-store promotional activity which has resulted in a decrease in revenue. Data science and insight services continue to perform well under the current circumstances as retailers and CPGs attempt to navigate the changing dynamics of the retail sector. The Group's intangible assets are utilised in providing data science and insight services which, as described above, have not been significantly impacted by the pandemic and as a result, the Group expects to fully recover the carrying amount of intangible assets over the remaining useful life.

While the full financial impact of the pandemic is impossible to predict with a high degree of certainty, the Group has updated its Long -Term Plan based on the patterns observable since the pandemic became apparent. A 20% decrease in revenue over the next three financial years, which is considered the reasonable worst-case, would not indicate an impairment of the Group's cash-generating unit to which goodwill has been allocated.

Expected credit loss ("ECL") calculations

Refer to Note 16 for details of the Group's ECL calculation for financial assets. Since the COVID-19 pandemic became apparent, the Group has not noticed an impact on the recoverability of financial assets, except for the net investment in the finance lease. An increase in the probability of default has been determined which would increase the ECL provision by £0.8m against the net investment in finance lease of £19.4m at the balance sheet date. Collectability of trade receivables and contract assets have not been significantly delayed since the COVID-19 pandemic, and all other financial assets are with reputable institutions that have demonstrated resilience during the COVID-19 pandemic.

Financial risks

The foreign exchange rate sensitivity assumptions in Note 16 have been reviewed in light of the latest market data. The sensitivities shown (10% of the US dollar and 5% of the Euro) remain valid in the current economic environment. In reaching this conclusion, the Group has analysed both post- and forward-looking market data as well as movements in the relevant forward curves since the balance sheet date.

Deferred tax asset recognition

Deferred tax assets can only be recognised to the extent it is probable there will be future taxable profits. Subsequent to the balance sheet date, the Group has reviewed the current impact of COVID-19 on those future taxable profits and concluded that deferred tax assets can continue to be recognised in full.

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Parent company statement of comprehensive income

		2020	2019
	Notes	£000	(restated*) £000
Profit/(Loss) for the year		9,368	(11,295)
Other comprehensive income/(expense):			
<i>Item that may subsequently be reclassified to the parent company statement of profit or loss:</i>			
Decrease in the fair value of the cash flow hedge		249	(5,342)
Reclassified and reported in the parent company statement of profit or loss		(101)	1,326
Other comprehensive expense for the year, net of tax		148	(4,016)
Tax recognised in other comprehensive (expense)/income for the year	3	(25)	763
Total comprehensive income/(expense) for the year, net of tax		9,491	(15,178)

All operations are continuing for the current financial year.

The notes on pages 67 to 80 form part of these parent company financial statements.

* Restated for the adoption of IFRS 16 as explained in Note 2.

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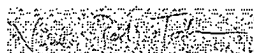
Parent company statement of financial position

	Notes	2020 £000	2019 (restated*) £000
Current assets			
Cash and cash equivalents	12	8,167	23,917
Trade and other receivables	8	78,305	43,245
Net investment in finance lease	6	2,125	1,642
Contract assets	13	8,686	10,715
Prepayments		2,390	3,477
Current tax receivable		-	2,588
Derivative financial assets	11	340	391
		100,013	85,975
Non-current assets			
Investments	7	13,444	13,643
Property, plant and equipment	4	18,692	18,002
Right of use asset	6	18,916	21,122
Net investment in finance lease	6	17,287	18,450
Deferred tax assets	3	2,117	2,367
Intangible assets	5	52,660	55,436
		123,116	129,020
Current liabilities			
Trade and other payables	9	79,084	78,209
Lease liabilities	6	4,922	5,025
Derivative financial liabilities	11	740	502
Contract liabilities	13	1,781	4,517
Current tax payable		1,543	-
Provisions	10	1,707	-
		89,777	88,253
Non-current liabilities			
Other non-current liabilities	9	5,602	4,761
Lease liabilities	6	35,468	38,294
Provisions	10	735	1,793
		41,805	44,848
Net assets		91,547	81,894
Equity			
Share capital	14	434	162
Share premium	14	5,670	5,670
Retained earnings		85,524	76,156
Cash flow hedge reserve		142	19
Share-based payment reserve		(223)	(113)
Total equity		91,547	81,894

The profit after tax recorded in the financial statements of the parent company is £9.4m (2019 restated: loss after tax of £11.9m). The notes on pages 67 to 80 form part of these parent company financial statements.

* Restated for the adoption of IFRS 16 as explained in Note 2.

These financial statements have been approved by the Board of Directors and are signed on its behalf by:



V Toolan
Director
3 August 2020
Registered number: 02388853

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Parent company statement of changes in equity

	Share capital £000	Share premium £000	Retained earnings £000	Cash flow hedge reserve £000	Share-based payment reserve £000	Total equity £000
At 1 March 2018 (as previously reported)	62	4,420	87,112	3,272	-	94,866
Effect of change in accounting policy for adoption of IFRS 16	-	-	969	-	-	969
At 1 March 2019 – (restated*)	62	4,420	88,081	3,272	-	95,835
Loss for the year (restated)	-	-	(10,720)	-	-	(10,720)
IFRS 16 adjustment to profit for the year	-	-	(1,205)	-	-	(1,205)
Other comprehensive income	-	-	-	(3,253)	-	(3,253)
Total comprehensive loss for the year	-	-	(11,925)	(3,253)	-	(15,178)
Shares issued in the year	100	1,250	-	-	-	1,350
Share-based payment revaluation	-	-	-	-	(113)	(113)
At 28 February 2019	162	5,670	76,156	19	(113)	81,894
Profit for the year	-	-	9,368	-	-	9,368
Other comprehensive expense	-	-	-	123	-	123
Total comprehensive income for the year	-	-	9,368	123	-	9,491
Shares issued in the year	272	-	-	-	-	272
Share-based payment revaluation	-	-	-	-	(110)	(110)
At 29 February 2020	434	5,670	85,524	142	(223)	91,547

The notes on pages 67 to 80 form part of these parent company financial statements.

* Restated for the adoption of IFRS 16 as explained in Note 2.

Notes to the parent company financial statements

1. Authorisation of financial statements and statement of compliance with FRS 101

The parent company financial statements of dunnhumby Limited (the "Company") for the year ended 29 February 2020 were authorised for issue by the Board of Directors on 3 August 2020 and was signed on the board's behalf by G Bacuvier. Dunnhumby Limited is a private company limited by shares registered in England and Wales and incorporated in the United Kingdom under the Companies Act 2006.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements are prepared under the historical cost convention except for certain financial instruments that have been measured at fair value. No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006.

Accounting policies basis of preparation

The accounting policies of the Company are in line with the Group policies which are set out on pages 17 to 32 of these financial statements. The Company financial statements are prepared in Sterling and are rounded to the nearest thousand pounds (£000), except where specifically indicated.

During the current financial year, the Company adopted IFRS 16 'Leases'. The adoption of this standard is in line with that of the Group financial statements further details of which can be found in the Group accounting policies on pages 18 to 22.

Investment in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures are stated at cost, less provision for impairment, where appropriate. An investment is impaired if its recoverable amount exceeds its carrying value. The recoverable amount is the higher of the value in use of the investment and its fair value less costs of disposal. The Company assesses at each balance sheet date whether there is objective evidence that an investment or Group of investments is impaired. Where there are indicators of impairment, the Company performs an impairment test. If the investment is found to be impaired the carrying is written down to the recoverable amount through the statement of profit or loss. These calculations require the use of estimates as discussed in Note 3 to the Group financial statements.

Acquisition of entities under common control

Acquisitions of assets that fall outside of the scope IFRS 3 are accounted for by bringing the assets and liabilities of the acquired entity into the financial statements at their nominal value at the date of the acquisition. Comparative information is not restated. The differences between the nominal value of assets and liabilities acquired and the fair value of the consideration given is shown as a movement on other equity in the financial statements.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payments;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of financial statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) and 122(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of financial statements;
- the requirements of IAS 7 Statement of Cash Flows;

Notes to the parent company financial statements (continued)

Accounting policies basis of preparation (continued)

- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 134(d)-(f) and 135(c)-(e) of IAS 36 Impairment of Assets
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions between two or more members of a Group if any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)- 134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The preparation of the Company's financial statements requires management to make estimates and assumptions in applying the Group's accounting policies to determine the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions to accounting estimates applied prospectively.

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Notes to the parent company financial statements (continued)

2. Employees

Employee benefits

	2020 £000	2019 £000
<i>Wages and salaries and termination benefits</i>	38,059	45,850
Employee share based payments	460	2,008
Restructuring costs	973	-
Social security costs	8,300	7,110
Pension costs – defined contribution plans	2,692	1,759
Other staff costs	4,030	3,980
Total employee benefit expense	54,514	60,707

Employees

	2020 Number	2020 Number
Monthly average number of people employed*:		
Commercial	337	372
Development	322	286
Administrative	145	136
	804	794

* Includes executive directors

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Notes to the parent company financial statements (continued)

3. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	2020			2019		
	Assets	Liabilities	Net assets/ (liabilities)	Assets	Liabilities	Net assets/ (liabilities)
Property, plant and equipment	1,546	-	1,546	1,721	-	1,721
Intangible assets	-	(1,089)	(1,089)	-	(692)	(692)
Leases	281	-	281	306	-	306
Other temporary differences	1,379	-	1,379	1,032	-	1,032
Tax assets/liabilities	3,206	(1,089)	2,117	3,059	(692)	2,367
Set-off of tax	(1,089)	1,089	-	(692)	692	-
Net tax assets/liabilities	2,117	-	2,117	2,367	-	2,367

Analysis of movement in the net deferred tax balance during the year:

	Balance at 1 March 2019	(Charged)/credited in the parent company profit or loss	Charged directly to OCI	Balance at
				29 February 2020
Property, plant and equipment	1,721	175	-	1,546
Intangible assets	(692)	(397)	-	(1,089)
Leases	306	(25)	-	281
Other temporary differences	1,032	22	(25)	1,379
	2,367	(225)	(25)	2,117

	Balance at 1 March 2018	(Charged)/credited in the parent company profit or loss	Charged directly to OCI	Balance at
				28 February 2019
Property, plant and equipment	1,772	(51)	-	1,721
Intangible assets	(1,257)	565	-	(692)
Leases	331	(25)	-	306
Other temporary differences	269	-	763	1,032
	1,115	489	763	2,367

The Company offsets current deferred tax assets and current deferred tax liabilities if, and only if, it has a legally enforceable right to do so and the assets and liabilities relate to income taxes levied by the same tax authority.

A deferred tax asset has been recognised on the basis that the company will have future taxable profits against which it can be utilised. The future profitability assumption is supported by detailed forecasts which have been prepared for the entity.

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. These rate reductions were substantively enacted by the balance sheet date and therefore included in these financial statements. Temporary differences have been measured using these exacted tax rates. Legislation has been substantively enacted after the current financial year, on 11 March 2020, to repeal the reduction of the main corporation tax rate thereby maintaining the current rate of corporation tax at 19%.

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Notes to the parent company financial statements (continued)

4. Property, plant and equipment

	Assets under construction £000	Leasehold improvements £000	Furniture and fittings £000	Motor vehicles £000	Computer equipment £000	Total £000
Cost						
At 1 March 2018	325	16,885	907	20	29,346	47,483
Additions	-	470	-	-	3,971	4,441
Disposals	(217)	(228)	(65)	-	(1,157)	(1,667)
At 28 February 2019	108	17,127	842	20	32,160	50,257
Additions	-	561	13	-	1,670	2,244
Transfers	-	-	-	-	682	682
Disposals	(8)	-	-	(20)	(2,582)	(2,610)
At 29 February 2020	100	17,688	855	-	31,930	50,573
Accumulated depreciation						
At 1 March 2018	-	(1,922)	(553)	(20)	(25,102)	(27,597)
Depreciation	-	(1,264)	(90)	-	(3,983)	(5,337)
Disposals	-	-	55	-	624	679
At 28 February 2019	-	(3,186)	(588)	(20)	(28,461)	(32,255)
Depreciation	-	(1,306)	(85)	-	(2,889)	(4,280)
Transfers	-	-	-	-	2,055	2,055
Disposals	-	-	-	20	2,579	2,599
At 29 February 2020	-	(4,492)	(673)	-	(26,716)	(31,881)
Net book value						
At 29 February 2018	325	14,963	353	-	4,246	19,886
At 28 February 2019	108	13,941	253	-	3,701	18,002
At 29 February 2020	100	13,196	182	-	5,214	18,692

Notes to the parent company financial statements (continued)

5. Intangible assets

	Internally generated software development costs*	Internally-generated software development costs (under construction)	Goodwill	Total
	£000	£000	£000	£000
Cost				
At 1 March 2018	72,866	7,776	-	80,642
Additions	24,221	2,904	3,883	31,008
Transfers	-	-	-	-
Disposals	(1,225)	-	-	(1,225)
At 28 February 2019	95,862	10,680	3,883	110,425
Additions	(60)	16,448	-	16,388
Transfers	10,019	(10,702)	-	(682)
Disposals	(7,791)	(1,573)	(639)	(10,003)
At 29 February 2020	98,030	14,853	3,244	116,127
Accumulated amortisation				
At 1 March 2018	(43,417)	-	-	(43,417)
Amortisation	(12,509)	-	-	(12,509)
Disposals	937	-	-	937
At 28 February 2019	(54,989)	-	-	(54,989)
Amortisation	(13,304)	-	-	(13,304)
Transfers	(2,055)	-	-	(2,055)
Disposals	6,881	-	-	6,881
At 29 February 2020	(63,467)	-	-	(63,467)
Net book value				
At 29 February 2018	29,449	7,776	-	37,225
At 28 February 2019	40,873	10,680	3,244	55,436
At 29 February 2020	34,563	14,853	3,244	52,660

* Included within internally-generated software development costs is £14.5m (2019: £10.7m) relating to construction in progress.

Research costs of £3.9m (2019: £4.1m) were included within Other general and administration costs during the current financial year.

Having performed a sensitivity analysis which has considered reasonably possible changes in cash flow forecasts, discount rates and long term growth rates, reasonably possible changes in the input assumptions separately or in aggregate will not materially impact the recoverable amount of the goodwill due to the large headroom calculated in the value-in-use calculation

Notes to the parent company financial statements (continued)

6. Leases

Company as lessee

Lease liabilities represent rentals payable by the Company for its office properties. The Company has no other leases.

Right of use assets

	Total £000
Net carrying value at 28 February 2019	21,122
Depreciation charge for the year	(1,942)
Other movements*	(264)
Net carrying value at 29 February 2020	18,916

*Other movements include lease terminations, modifications and reassessments, foreign exchange, and entering into a finance sublease.

	Total £000
Net carrying value at 1 March 2018	23,067
Depreciation charge for the year	(1,945)
Net carrying value at 28 February 2019	21,122

* Refer to previous table for footnote.

Lease liabilities

The following tables show the discounted lease liabilities included in the Company statement of financial position and a maturity analysis of the contractual undiscounted lease payments:

	2020 £000	2019 (restated) £000
Current	4,922	5,025
Non-current	35,468	38,295
Total lease liabilities	40,390	43,320

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Notes to the parent company financial statements (continued)

6. Leases (continued)

Company as lessee (continued)

Maturity analysis – contractual undiscounted lease payments:

	2020	2019 (restated)
	£000	£000
Within one year	4,922	5,025
Greater than one year but less than five years	19,123	19,277
Greater than five year but less than ten years	23,324	23,553
Greater than ten year but less than fifteen years	4,539	9,078
After fifteen years	-	-
Total undiscounted lease payments	51,908	56,933

Amounts recognised in the parent company income statement

	2020	2019 (restated)
	£000	£000
Interest on lease liabilities	2,044	2,137
Expenses relating to short-term leases	19	24

Future possible cash outflows not included in the lease liability

Future increases or decreases in rentals linked to an index or rate are not included in the lease liability until the change in cash flows takes effect.

The Company is not committed to any payments in relation to leases that have been signed but have not yet commenced (2019: £nil).

Notes to the parent company financial statements (continued)

6. Leases (continued)

Company as lessor

The Company leases sublets its leased head office property in London under a finance lease.

Amounts recognised in the parent company statement of comprehensive income

	2020	2019 (restated)
	£000	£000
Net investment in finance lease – interest income	962	979

Finance lease payments receivable

The net investment in finance lease included in the Company statement of financial position is £19.4m (2019 (restated): £20.1m).

7. Investments

	Subsidiary undertakings	Joint ventures	Total
	£000	£000	£000
Cost			
At 1 March 2018	172,233	275	172,508
Additions	13,789	2,178	15,967
Disposals	(2,911)	-	(2,911)
At 28 February 2019	183,111	2,453	185,564
Additions	12,340	-	12,340
Disposals	(13,186)	-	(13,186)
At 29 February 2020	182,265	2,453	184,718
Accumulated impairment			
At 1 March 2018	(108,112)	-	(108,112)
Impairment charge	(63,809)	-	(63,809)
At 28 February 2019	(171,921)	-	(171,921)
Impairment charge	(12,540)	-	(12,540)
Disposals	13,186	-	13,186
At 29 February 2020	(171,275)	-	(171,725)
Net book value			
At 1 March 2018	64,121	275	64,396
At 28 February 2019	11,190	2,453	13,643
At 29 February 2020	10,990	2,453	13,443

Details of the Company's investments are provided in Note 11 of the Group financial statements.

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Notes to the parent company financial statements (continued)

8. Trade and other receivables

	2020	2019
	£000	(restated) £000
Trade receivables	26,833	26,874
Amounts owed by Group undertakings	30,507	8,274
Amounts owed by joint ventures	4,807	349
Amounts owed by parent company	14,214	6,344
Other receivables	2,568	2,099
Expected credit loss	(624)	(695)
	78,305	43,245

Included within other receivables are amounts owed by key management personnel. Refer to Note 23 in the Group accounts for information on these balances.

Refer to Note 2 in the Group accounts for information on the Group's impairment policies.

9. Trade and other payables

Amounts falling due within one year

	2020	2019
	£000	£000
Trade Payables	18,511	27,335
Amounts owed to Group undertakings	34,243	19,480
Amounts owed to joint ventures	271	48
Amounts owed to parent company	16,007	28,610
Taxation and social security	5,639	2,175
Other payables	4,413	562
	79,084	78,210

Amounts falling due after one year

	2020	2019
	£000	(restated) £000
Employee benefits	5,602	4,761

Employee benefits include employee retention schemes and Share Appreciation Rights. Refer to Note 21 to the consolidated financial statements for further information.

10. Provisions

	2020	2019
	£000	£000
Current		
Deferred consideration	1,707	-
Non-current		
Deferred consideration	-	1,292
Dilapidations	735	501
	2,442	1,793

Notes to the parent company financial statements (continued)

10. Provisions (continued)

	Dilapidations £000	Deferred consideration £000	Total £000
At 1 March 2018	356	1,263	356
Charged/(credited) to profit or loss			
- Additional provisions recognised	145	-	1,408
Exchange differences	-	29	29
At 28 February 2019	501	1,292	1,793
Charged/(credited) to profit or loss			
- Additional provisions recognised	234	737	971
- Provisions no longer required	-	(363)	(363)
Exchange differences	-	41	41
At 29 February 2020	735	1,707	2,442

Dilapidations provision

The Company is required to restore the leased premises of certain of its offices to their original condition at the end of the lease term. Most of the provision relates to the Company's head office at Brook Green in London. The restoration costs include an amount for the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the lease term and the useful life of the assets.

Deferred consideration provision

A provision for deferred consideration relating to a business combination was made during the prior financial year. Subsequent to the current balance sheet date, it was determined that no deferred consideration should be paid to the seller as the post-acquisition sales targets were not met.

11. Derivative financial instruments

	2020 £000	2019 £000
Current Assets		
Forward foreign exchange contracts – cash flow hedges	118	174
Forward foreign exchange contracts – not designated	222	217
	340	391
Current Liabilities		
Forward foreign exchange contracts – cash flow hedges	64	367
Forward foreign exchange contracts – not designated	676	135
	740	502

Notes to the parent company financial statements (continued)

11. Derivative financial instruments (continued)

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or current liabilities if they are expected to be settled within 12 months of the reporting period.

The company's accounting policy for its cash flow hedges is set out in Note 2. The company uses forward contracts to hedge the foreign currency cost of future commitments, where those commitments are denominated in a currency other than its functional currency. Where these contracts qualify for hedge accounting, fair value gains and losses are deferred in equity. The hedging instruments are primarily used to hedge purchases in Euros and US Dollars. The cash flows hedged will occur, and will be recognised, in the statement of profit or loss within one year of the balance sheet date.

Where they are available, the fair values of derivatives have been determined by using prices from the markets on which they are traded. Where market prices are not available, the fair values have been calculated by discounting expected future cash flows at prevailing interest rates.

12. Cash and cash equivalents

	2020 £000	2019 £000
Current bank accounts	8,167	23,917

The company has access to financing facilities as described below, of which £51.8m were unused at the reporting date (2019: £50.7m). The company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

	2020 £000	2019 £000
Purchase Card Facility	2,571	700
Group Composite Facility	50,000	50,000
	52,571	50,700

The Group composite facility referred to above is an overdraft facility available to the Company as part of the ultimate parent undertaking Tesco PLC Group Composite Facility, secured by Tesco PLC.

13. Contract assets and liabilities

The following table provides analysis on significant changes to contract assets and liabilities during the current financial year:

	Contract assets £000	Contract liabilities £000
At 1 March 2019	10,715	(4,517)
Decrease due to balance transferred to trade receivables	(10,715)	-
Decrease due to income recognised in year	-	4,517
New contract assets	8,686	-
Increase due to cash received in advance and not recognised as in income in the year	-	(1,781)
At 29 February 2020	8,686	(1,781)

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Notes to the parent company financial statements (continued)

14. Share capital and share premium

	Number of shares			Share capital £000	Share premium £000	Total £000
	Ordinary shares 5p each	A Ordinary shares 10p each	Deferred shares 10p each			
At 29 February 2020	1,248,550	966,672	133,334	434	5,670	6,104
At 28 February 2019	1,248,550	1,000,005	-	162	5,670	5,832

Ordinary shares carry the right to vote, participate equally in respect of distributions and dividends. The shares are not redeemable and are fully paid up.

A Ordinary shares carry the same rights as ordinary shares with the exception that they do not carry a voting right nor do they carry the right to participate in respect of distribution or dividend. The A Ordinary shares have been called up but not fully paid. Deferred shares do not carry the right to vote or participate in respect of distributions nor in respect of any dividends or capital.

15. Auditor's remuneration

The Company paid £95,000 (2019: £95,000) to its auditor in respect of the audit of the Company financial statements.

16. Related party transactions

Note 11 of the Group financial statements provides information about the Group's structure, including details of the subsidiaries and the holding company. The Company has taken advantage of the exemption available under FRS 101 to dispense with the requirement to disclose transactions with wholly owned fellow subsidiaries of the Tesco PLC group. The following table provides the amount of transactions with joint ventures for the current and prior financial years.

	2020 £000	2019 £000
Transactions with joint ventures		
Costs recharged to joint ventures	129	-
Dividends from joint ventures	1,200	3,373
Balances with joint ventures		
Receivables	4,807	348
Payables	(271)	(48)

Key management personnel

The amounts disclosed in Note 23 of the Group financial statements are the amounts recognised as an expense during the reporting period related to key management personnel.

17. Events after the balance sheet date

Refer to Note 25 of the Group financial statements for further details of the Group's assessment of COVID-19.

Notes to the parent company financial statements (continued)

18. Ultimate parent undertaking

The immediate parent undertaking is Tesco Holdings Limited.

The ultimate parent undertaking and controlling party is Tesco PLC, a company incorporated in the United Kingdom. The registered office address of Tesco PLC is Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, Hertfordshire, AL7 1GA.

Tesco PLC is the parent undertaking of the smallest and largest Group of undertakings to consolidate these financial statements at 29 February 2020.

The consolidated financial statements of Tesco PLC are available from the Company Secretary at the registered office address mentioned above.