

dunnhumby Limited

Annual Report and Financial Statements

Registered number: 02388853

Year ended: 28 February 2021



dunnhumby Limited
Annual Report and Financial Statements
for the year ended 28 February 2021

Group Annual Report and Financial Statements

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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 28 February 2021 ("FY21").

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 packaged goods manufacturers (CPGs) globally.

The Group's expertise is centred on the use of data and science to help retailers and brands succeed by understanding and serving their customers better, thereby improving people's lives by helping businesses engage them as individuals.

Key Performance Indicators

The Group's key financial performance indicators are revenue, cash and operating profit. The Group's performance during the current financial year is covered in the Finance Review on page 2.

Our key non-financial performance indicators are "Active Customers under Management" and "Employee engagement"

- Active Customers under Management refers to the number of active customers' data managed as part of the business' service offerings to retailer clients, and is used to track the scale of our ability to improve customers' lives through data and insight. As at 28 February 2021 we had 336.5m active customers. Comparative data is not available as this was not monitored previously.
- People are at the heart of our specialist services and are critical to the delivery of the business plan. The engagement of our people is captured through an annual survey and measured as the average of 12 key questions. The score in the last annual survey completed in December 2020 was 4.05, an increase of 0.29 vs. the prior year score of 3.76.

Business Review

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

- The Group's business model has proven to be resilient throughout the pandemic. The business experienced a reduction in revenues in the first half of the year as our retailer clients adapted their business models to manage through the early stages of the pandemic by reducing promotional and media activity. However, the business recovered strongly over the course of the second half of the year as retailers and Consumer Packaged Goods companies (CPGs) normalised their activities. dunnhumby was able to deliver work to clients by successfully adapting its internal processes using online collaboration.
- During the year, dunnhumby did not furlough any staff or use any government schemes in the form of loans, tax relief or grants. At the beginning of the pandemic, dunnhumby launched a COVID-19 resource hub specifically designed for existing and potential clients to help navigate the changing dynamics of the retail sector. The business has used its unique position as a data analytics company to issue reports and insights for retailers and CPGs to navigate the changing dynamics of the retail sector.
- In the second half of the year, the Group made the decision to stop supporting, deploying and developing new features of a loss-making promotions collaboration platform. This resulted in a full impairment charge of £10.7m which has been recognised in the consolidated income statement.
- The Group continues to successfully attract new business in its key markets, and in January 2021 agreed a 5 year data insights monetisation contract with a global retailer.
- Claire Soper-Lorains was appointed interim CEO on 1 April 2021. Claire has extensive experience in retail, telecoms, marketing and buying and will steer the Group during its next phase of growth

Strategic Report (continued)

Finance Review

Revenue for the year was £309.9m (2020: £356.6m). The decrease is primarily driven by FY21 including the final two months of revenue from a license agreement with Kroger Inc., combined with lower revenues associated with the decision to close the programmatic business in the previous financial year.

Operating profit decreased by £10.0m to £2.2m (2020: £12.2m). The decrease is driven by:

- £30.8m reduction in revenue net of direct costs, reflecting the drivers described above
- £4.3m impairment loss arising from a modification to a sublease agreement
- £15.0m expected credit losses, which includes the Group's receivables from a related party (£8.5m), finance sublease receivable (£6.2m) and the change in expected credit losses on trade receivables (£0.3m).
- £12.3m impairment charge on intangible assets, of which £10.7m relates to the Group's decision to stop supporting the promotions collaboration platform (refer to Business Review on page 1).

The above factors were partially offset by:

- £24.6m reduction in employee expenses during FY21 due to lower variable compensation
- £14.1m one-off impairment losses on intangible assets in the prior year relating to the closure of the Sociomantic business
- Cost reductions in discretionary areas in FY21 reflecting the strong internal focus to mitigate the revenue impact of the pandemic.

Net financing costs increased slightly to £1.5m (2020: £1.4m) primarily due to lower interest income on bank balances.

The tax credit of £6.6m includes a current tax credit of £4.6m relating to a claim made during the year in the US for a federal tax refund for prior tax years under the Coronavirus Aid, Relief and Economic Security (CARES) Act. In addition, the Group recognised a £2.6m deferred tax asset in relation to previously unrecognised losses, which the Group now considers can be offset through future taxable profit based on its long-term forecasts.

Capital expenditure was £23.1m (2020: £25.7m). Capital expenditure was lower than FY20 due to lower technology hardware and infrastructure purchases. Included within capital expenditure during the current financial year is £19.2m of investment in our products, platforms and data science software.

Cash and cash equivalents decreased to £39.5m (2020: £44.0m) The decrease in cash was primarily driven by lower revenue in the first half of the financial year, as well as the timing of payroll and tax payments. These cash outflows were partially offset by improved cash receipts in the UK and the timing of revenue-share payments to Tesco Group.

Net assets of the Group have increased to £223.5m (2020: £220.5m). The increase is driven primarily by higher taxation assets as set out above and the timing of supplier and lease payments.

Strategic Report (continued)

Section 172(1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires directors to have regard to, amongst other matters, the:

- likely consequences of any decisions in the long-term;
- interests of the Group's employees;
- need to foster the Group's business relationships with suppliers, customers and others;
- impact of the Group's operations on the community and environment;
- desirability of the Group maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the Group.

In discharging our section 172 duties we have regard to the factors set out above. In addition, we also have regard to other factors which we consider relevant to the decision being made. By considering the Group's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we aim to make sure that our decisions are consistent and appropriate in all the circumstances.

We delegate authority for day-to-day management of the Group to senior management in setting, approving and overseeing execution of the business strategy and related policies. We review matters relating to financial and operational performance; business strategy; market risks; stakeholder-related matters; health and safety; diversity and inclusivity; environmental matters; governance; compliance; legal and regulatory matters of the course of the financial year. This is done through regular meetings and dialogue with senior management, the consideration of reports which are sent in advance of each Board meeting and through presentations to the Board.

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.

The Group's key stakeholders are its colleagues, customers, suppliers and the local communities in which it operates. The views of and the impact of the Group's activities on those stakeholders are an important consideration for the directors when making relevant decisions.

The Group has not declared or proposed a dividend in the current financial year (2020: £nil). In making our decision we considered a range of factors. These included the long-term viability of the Group; its expected cash flow and financing requirements; the ongoing need for strategic investment in our business and the expectations of our shareholder as the supplier of long-term equity capital to the Group.

Examples of how we have had regard to the matters set out in section 172(1)(a) - (f) when discharging our section 172 duty and the effect of that on decisions taken by us are set out overleaf.

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Strategic Report (continued)

Section 172(1) statement (continued)

Board activity	Board consideration
Financial and operational performance	<p>The Board regularly reviewed the financial and operational position of the Group to consider the strategic direction and long-term viability of the Group and ensure that future liabilities could be met.</p> <p>The Board reviewed the Group's business plan and performance against the plan, together with updates on sales, profit and cash generation.</p>
Employees	<p>People are at the heart of our specialist services and are fundamental to the delivery of the business plan. Further information around retaining and developing the Group's skilled workforce is provided on page 8. Employee engagement is a new non-financial key performance indicator for the Group, refer to page 1 for further details.</p> <p>The Group has not furloughed any employees as a result of COVID-19.</p>
Supplier relationships	<p>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 largest entity in the Group shows 99% (2020: 100%) of supplier invoices paid within 60 days and invoices due but not paid within agreed terms decreasing to 11% in FY21 from 54% in FY20.</p>
Environment and community	<p>The Board considers 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 through its "Helping Hands" initiatives. Further information around the Group's charitable donations and environmental initiatives is provided on page 8.</p>
Shareholder engagement	<p>The Board of Directors act as an autonomous governing body for the Group with an independent Chair, independent representation from the shareholder and dunnhumby management to allowing us to act fairly toward our shareholder.</p>

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.

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 has been an increase in COVID cases and restrictions in Asia and Latin America which could further increase the pressure on dunnhumby's business. As announced in our prior year annual report, COVID-19 had a relatively short-term negative impact on the Group's financial performance during the first half of the current financial year.

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 to maintain its client base. The Group has also reduced discretionary spend to conserve 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 transactions 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.

Liquidity risk and credit risk

Revenues are primarily 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 experienced an impact on the recoverability of financial assets, except for impairments recognised in the current year in relation to the Group's sublease receivable and a receivable from a related party. Refer to Note 12 and Note 22 to the consolidated financial statements for further details.

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Strategic Report (continued)

Financial risks (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, external professional advice and previous experience.

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

A handwritten signature in black ink, appearing to read "Vinod Paul Toor". The signature is written in a cursive style with a long horizontal stroke at the end.

V Toolan
Director
2 July 2021

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Directors' report

The directors present their annual report and the audited Group and Company financial statements for the year ended 28 February 2021.

As detailed in Note 7 and page 72, 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 5)

Dividends

No dividends relating to the current financial year were paid or proposed (2020: £nil). No further dividends are proposed at the date of this report.

Charitable donations

The Group made no political donations during the year (2020: £nil) and made charitable donations of £14,179 (2020: £21,031). 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. Refer to Note 10 of the consolidated financial statements for further details.

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 (resigned 31 March 2021)
C Soper-Lorains (appointed 1 April 2021)
A Morris
J Moss
V Toolan

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 20 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 13. 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 14.

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 of 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 thousands of litres of toxic chemicals from being emptied into landfill, ground water, streams, and rivers every month.

The Group is not required to report Streamlined Energy and Carbon Reporting (SECR) disclosures as the data is included within the ultimate parent company's group SECR disclosures.

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Directors' report (continued)

Events after the reporting period

Refer to the Strategic report on pages 1 to 6 and Note 25 on page 56 for details of events after the reporting period.

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 grow revenue and profit.

Despite the competitive landscape, the directors are confident that executing the current strategy 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. Refer to Note 2 of the Group financial statements for further details.

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
2 July 2021

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 are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Parent Company financial statements must be prepared 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.

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



V Toolan
Director
2 July 2021

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 28 February 2021 and of the group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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";
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent statement of financial position;
- the consolidated and Parent Company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 25 and the related Parent Company notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty

We discussed among the audit engagement team including significant component audit teams regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Revenue: we identified a risk of fraud pinpointed to non-standard customer contracts and the revenue recognition of such contracts. We obtained all non-standard customer contracts and performed an assessment of the identifiable performance obligations, the amount of revenue allocated to each obligation and the period over which revenue should be recognised. This was compared with the position reached by management in order to conclude on the reasonableness of revenue recognised.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance

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 (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

2 July 2021

dunnhumby Limited
Annual Report and Financial Statements
for the year ended 28 February 2021

Consolidated income statement

	Notes	2021 £000	2020 £000
Revenue	4	309,875	356,633
Direct costs		(90,019)	(106,010)
Employee benefits	5	(124,455)	(149,097)
Amortisation	6	(15,348)	(13,819)
Depreciation	6	(10,308)	(10,774)
Share of results of joint ventures	7	1,918	761
Other general and administrative costs		(53,998)	(64,937)
Impairment loss on financial assets*	14	(15,493)	(534)
Operating profit	6	2,172	12,223
Finance income	8	1,079	1,307
Finance expenses	8	(2,617)	(2,721)
Profit before taxation		634	10,809
Taxation credit/(charge)	9	6,517	(7,290)
Profit for the year from continuing operations		7,151	3,519

* Impairment loss on financial assets has been presented separately from Other general and administrative costs. Refer to Note 2 for further details.

Gross profit is no longer presented on the consolidated income statement as it is not considered a relevant metric for the Group.

All operations are continuing for the financial year.

The notes on pages 20 to 56 form part of these consolidated financial statements.

dunnhumby Limited
Annual Report and Financial Statements
for the year ended 28 February 2021

Consolidated statement of comprehensive income

	Notes	2021 £000	2020 £000
Profit for the year		7,151	3,519
Other comprehensive income/(loss)			
<i>Items that will not be reclassified to the consolidated income statement:</i>			
Fair value (loss)/gain on equity instruments at fair value through other comprehensive income	13	(245)	141
Remeasurement of long-term benefit plan		(692)	-
<i>Items that may subsequently be reclassified to the consolidated income statement:</i>			
Exchange (loss)/gain on the translation of foreign entities		(2,918)	353
Fair value gains on cash flow hedges		90	251
Fair value losses on cash flow hedges reclassified to the consolidated income statement		(374)	(101)
Other comprehensive (loss)/income for the year		(4,139)	644
Taxation credit/(charge) recognised on other comprehensive (loss)/income for the year	9	155	(25)
Total comprehensive income for the year, net of tax		3,167	4,138

The notes on pages 20 to 56 form part of these consolidated financial statements.

dunnhumby Limited
Annual Report and Financial Statements
for the year ended 28 February 2021

Consolidated statement of financial position

	Notes	2021 £000	2020 £000
Non-current assets			
Investments in joint ventures	7	2,978	2,128
Deferred tax assets	9	4,647	5,716
Intangible assets	10	115,820	123,377
Property, plant and equipment	11	21,189	24,177
Right of use assets	12	26,023	28,432
Net investment in finance sublease	12	7,814	17,287
Investments in financial assets	13	1,522	2,737
		179,993	203,854
Current assets			
Current tax receivable	9	11,950	3,746
Net investment in finance sublease	12	386	2,125
Derivative financial assets	13	1,036	340
Cash and cash equivalents	14	39,802	44,035
Trade and other receivables	15	99,097	100,798
Contract assets	16	23,521	22,603
Prepayments		3,795	3,222
		179,587	176,869
Non-current liabilities			
Deferred tax liabilities	9	-	3,943
Lease liabilities	12	38,114	42,943
Other non-current liabilities	13	2,423	7,662
Provisions	17	1,235	837
		41,772	55,435
Current liabilities			
Current tax payable	9	1,416	7,940
Lease liabilities	12	7,349	7,588
Derivative financial liabilities	13	526	740
Contract liabilities	16	13,826	10,861
Provisions	17	75	1,706
Trade and other payables	18	70,932	75,955
		94,124	104,790
Net assets		223,684	220,498
Equity			
Share capital	19	172	172
Share premium	19	5,932	5,932
Retained earnings		217,870	211,517
Cash flow hedge reserve		(125)	144
Foreign currency translation reserve		39	2,956
Share-based payment reserve	20	(204)	(223)
		223,684	220,498

The notes on pages 20 to 56 form part of these consolidated financial statements.

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



V Toolan
Director
2 July 2021

dunnhumby Limited
Annual Report and Financial Statements
for the year ended 28 February 2021

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 28 February 2019	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
Profit for the year	-	-	7,151	-	-	-	7,151
Other comprehensive expense	-	-	(798)	(269)	(2,917)	-	(3,984)
Total comprehensive loss for the year	-	-	6,353	(269)	(2,917)	-	3,167
Share-based payment revaluation	-	-	-	-	-	19	19
At 28 February 2021	172	5,932	217,870	(125)	39	(204)	223,684

The notes on pages 20 to 56 form part of these consolidated financial statements.

dunnhumby Limited
Annual Report and Financial Statements
for the year ended 28 February 2021

Consolidated statement of cash flows

	Notes	2021 £000	2020 £000
Operating activities			
Cash generated from operations	24	38,379	14,170
Net finance income and finance costs paid	8	(1,538)	(1,414)
Taxation paid	9	(11,085)	(10,072)
Net cash generated from operating activities		25,756	2,684
Investing activities			
Purchase of property, plant and equipment	11	(3,952)	(5,389)
Proceeds from sale of property, plant and equipment	11	-	69
Purchase of intangible assets	10	(21,119)	(20,336)
Proceeds from sale of intangible assets	10	-	334
Proceeds from disposal of assets designated as at FVTOCI	13	238	483
Dividends received from joint ventures	7	984	1,200
Proceeds from lease arrangements	12	653	680
Net cash flows used in investing activities		(23,196)	(22,959)
Financing activities			
Repayment of obligations under leases	12	(5,165)	(4,707)
Proceeds from loan with lessor	12	-	1,085
Net cash flows used in financing activities		(5,165)	(3,622)
Net cash utilised		(2,605)	(23,897)
Effects of exchange rate movements		(1,628)	497
Net decrease in cash and cash equivalents		(4,233)	(23,400)
Cash and cash equivalents at 1 March		44,035	67,435
Cash and cash equivalents at the end of the financial year	13	39,802	44,035

The notes on pages 20 to 56 form part of these consolidated financial statements.

Notes to the financial statements

1. Corporate information

The consolidated financial statements of dunnhumby Limited (collectively, "the Group") for the year ended 28 February 2021 were authorised for issue in accordance with a resolution of the directors on 2 July 2021. 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 10 and page 73. Information on other Group related party relationships is provided in Note 22.

2. Significant accounting policies

a. Basis of preparation

The consolidated financial statements of the Group include all the subsidiaries and have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Refer to page 73 for a list of the Group's related undertakings.

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.

Going concern

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 least 12 months after 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. The directors have considered the uncertainties relevant to the business including those caused by COVID-19.

In addition, the directors have considered the current strong financial and liquidity 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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

a. Basis of preparation (continued)

The Group has adopted the 'Definition of a business' amendment to IFRS 3, 'Business combinations' in the current financial year, and has applied its guidance when evaluating whether acquisitions in the period are asset acquisitions or business combinations. The Group has elected not to apply the exemption granted in the 'COVID-19-related rent concessions' amendment to IFRS 16, 'Leases', as the Group has not received material COVID-19-related rent concessions as a lessee.

Other standards, interpretations and amendments effective in the current financial year have not had a material impact on the Group financial statements. The accounting policies set out below have been applied consistently to all periods in these financial statements.

b. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at 28 February 2021. 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 other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to subsidiary financial statements to bring their accounting policies in line with the Group's. 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.

c. 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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

c. Business combinations and goodwill (continued)

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.

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.

d. Investment 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 consolidated income statement.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

d. Investment in joint ventures (continued)

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 consolidated income statement.

e. 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.

f. Current/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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

g. 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:

- **Software access:** Customers are granted access to software platforms and analysis toolkits over a specified contractual period, with control of the software always retained by the Group. The Group recognises revenue evenly over the period of the contract for the reasons listed in points (a) and (b) further below.
- **Consultancy services:** This is the Group's core product offer of customer data science and analytics services. The Group generally bundles insight products into one 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.
- **Media services:** The Group provides printed point of sale materials, digital signage, mobile communications, radio and magazine campaigns as well as in-store sampling. Revenue is recognised at the point of satisfying the performance obligation, which is when the media services are delivered.

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 most revenue streams, there is a low level of judgement applied in determining the transaction price or the timing of transfer of benefit to the customer. Revenue is reduced for estimated rebates and other similar allowances. The Group has concluded that it is the principal in most of 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. The Group recognises revenue 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; or
- (b) 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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

g. Revenue recognition (continued)

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 consolidated income statement.

Direct costs

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

h. 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 14 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.

i. Taxes

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

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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

i. Taxes (continued)

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.

j. Foreign currencies

The consolidated financial statements are presented in Pounds Sterling, which is the ultimate Parent Company's functional currency. Transactions in foreign currencies are translated to the functional currency at the exchange rate on the date of the transaction.

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated to the functional currency at the rates prevailing at the balance sheet date. Exchange differences are recognised in the consolidated income statement in the period in which they arise, apart from exchange differences on transactions entered into to hedge certain foreign currency risks, and exchange differences on monetary items forming part of the net investment in a foreign operation.

Foreign operations

The assets and liabilities of the Group's foreign operations are translated into Pounds Sterling at exchange rates prevailing at the balance sheet date. Profits and losses are translated at average exchange rates for the relevant accounting periods. Exchange differences arising are recognised in the Group statement of comprehensive income/(loss) and are included in the Group's foreign currency translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

k. 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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

k. Property, plant and equipment (continued)

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 consolidated income statement. The residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

l. 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 income statement, as are variable payments dependent on usage and non-lease service components.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

l. Leases (continued)

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.

m. 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.

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: 5 years;
- Technology: 7 years; and
- Customer relationships: 5 years.

n. 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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

n. Impairment of non-financial assets (continued)

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 profit or loss 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.

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.

o. 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.

p. 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 consolidated income statement net of any reimbursement.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

p. Provisions (continued)

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.

q. 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 due to the short-term nature of the liability.

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.

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 which 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 the share-based payment reserve.

Employees (including senior executives) of the Group receive remuneration in the form of a cash-settled share-based payment under the Value Creation Incentive Plan (VCIP), whereby employees render services as consideration for share appreciation rights, which are settled in cash by the Group.

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date, using the Black Scholes model, 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 20.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

r. 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 14. 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.

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 consolidated income statement 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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

s. 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.

t. Income statement presentation

The Group now presents "Impairment (loss)/reversal on financial assets" on a separate line on the face of the consolidated income statement, following a significant increase in expected credit losses in the current financial year. Prior year comparatives have been reclassified.

Notes to the financial statements (continued)

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.

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 are discussed below:

Expected credit losses

The measurement of expected credit losses on the Group's financial assets requires the use of complex models and significant assumptions about future macroeconomic conditions and credit behaviour, such as the likelihood of debtors defaulting and the resulting losses. Key assumptions and sensitivities for expected credit losses on finance sublease receivables as receivables due from related parties are disclosed in Note 12 and Note 22 respectively.

Critical accounting judgements

Critical accounting judgements, apart from those involving estimations, that are applied in the preparation of the consolidated financial statements are discussed below:

Cash-generating unit

While the Group is not required to disclose operating segments under IFRS 8 "Operating Segments", potential reportable operating segments have been considered for the purposes of the Group's impairment review as IAS 36 "Impairment of Assets" considers that cash-generating units (CGUs) must be recognised at least at the level of operating segments. The Group considers that it operates in a single operating segment and also considers that it is a single CGU. While the Group reports Customer Data Science (CDS) and Media within its internal management reporting to the Chief Executive Officer, the distinction is aligned to products as opposed to being indicators of separate CGUs. The requirement for separate CGUs, based on largely independent cash flows has not been met. Most Media revenue is tied to CDS contracts with retailers. As such, Media inflows are contractually tied to CDS inflows and do not represent largely independent cash flows. The Group also has no clear way of separating the assets associated with the Media business. Furthermore, the CDS and Media revenue streams are serviced internally by shared technology and corporate support teams. While the Group operates in many locations around the world, discrete financial information for geographical regions is not available and reported to the Chief Executive Officer in internal management reporting due to the interdependencies of worldwide revenue on the intellectual property held in the UK.

Notes to the financial statements (continued)

4. Revenue

	2021	2020
	£000	£000
Retailer revenue	81,760	114,356
Non-retailer revenue	228,115	242,277
	309,875	356,633

The table below provides a geographic split of the Group's worldwide revenues:

	2021	2020
	£000	£000
Asia	34,161	51,224
Europe, Middle East and Africa	49,946	61,990
North and South America	56,911	77,002
UK and ROI	168,857	166,417
	309,875	356,633

5. Employees

Employee benefits

	2021	2020
	£000	£000
Wages, salaries and termination benefits	95,296	114,470
Employee share-based payments (income)/expense ¹	(1,066)	586
Restructuring costs ²	4,440	4,174
Social security costs	13,010	16,914
Pension costs – defined contribution plans	4,588	4,846
Other staff costs ³	8,187	8,107
Total employee benefit expense	124,455	149,097

¹ The credit of £1m is driven by the reversal of a liability related to the VCIP scheme (refer to Note 20).

² The Group incurred £4.4m (2020: £4.2m) of redundancy costs due to the changing operating model of the Group.

³ Other staff costs include healthcare, car allowances and other benefits.

Employees

	2021	2020
Monthly average number of people employed*:	Number	Number
Commercial	948	903
Development	1,111	1,015
Administrative	246	266
	2,305	2,184

* Includes executive directors

Details regarding directors' emoluments can be found in Note 22.

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Notes to the financial statements (continued)

6. Operating profit for the year

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

	2021	2020
	£000	£000
Net foreign exchange losses (Note 14)	1,793	1,384
Research costs (Note 10)	4,896	3,890
Impairment loss on intangible assets (Note 10)	12,315	14,050
Impairment loss on property, plant and equipment (Note 11)	179	-
Loss on renegotiation of net investment in finance sublease (Note 12)	4,339	-
Loss on disposal of property, plant and equipment and right of use assets	-	414
Loss on disposal of internally-generated intangible assets	-	2,483
Sub-lease service charge income	(726)	(466)

7. Investments in joint ventures

Set out below are the joint ventures of the Group as at 28 February 2021. 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 joint ventures provide marketing and advertising services to retailers and consumer goods manufacturers, and their results have been equity-accounted in the consolidated financial statements.

Name of entity	Country of incorporation	2021	2020	Class of share
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.

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	2021			2020		
	Profit/ (loss) after tax	Share capital	Reserves	Profit/ (loss) after tax	Share capital	Reserves
dunnhumby Norge A.S	3,065	414	3,430	1,252	415	2,030
China Wisdom dunnhumby Limited	-	2,758	-	-	-	-
China Wisdom dunnhumby (Shanghai) Limited	(941)	2,928	(9,329)	(4,670)	2,945	(8,436)
dunnhumby Mitsui Bussan Customer Science Co Ltd	770	1,347	805	269	1,445	366

Notes to the financial statements (continued)

7. Investments in joint ventures (continued)

Carrying value of joint ventures

	Total £000
At 1 March 2019	2,722
Share of profit	761
Dividends received	(1,200)
Foreign currency translation	(155)
At 29 February 2020	2,128
Share of profit	1,918
Dividends received	(984)
Foreign currency translation	(84)
At 28 February 2021	2,978

8. Finance income and finance costs

	2021 £000	2020 £000
Interest income on short-term bank deposits	61	231
Interest income on net investment in finance sublease	893	962
Other interest income	96	107
Finance income on loans to related parties	29	7
Finance income	1,079	1,307
Finance costs on lease liabilities	(2,421)	(2,512)
Other interest costs	(196)	(209)
Finance costs	(2,617)	(2,721)
Net finance costs	(1,538)	(1,414)

9. Taxation

	2021 £000	2020 £000
Current tax		
Current year domestic tax	3,090	10,661
Adjustments for prior years	(6,555)	(1,028)
Total current tax (credit)/charge	(3,465)	9,633
Deferred tax		
Origination and reversal of temporary differences	(3,538)	(2,487)
Deferred tax - prior year adjustment	663	136
Adjustments for prior years due to tax rate change	(177)	8
Total deferred tax credit	(3,052)	(2,343)
Total income tax (credit)/charge for the year	(6,517)	7,290

Notes to the financial statements (continued)

9. Taxation (continued)

The Finance Act 2020 included legislation to maintain the main rate of UK corporation at 19%, rather than reducing it to 17% from 1 April 2020. The change to the main rate of corporation tax was substantively enacted by the balance sheet date and therefore included in these financial statements. Temporary differences have been remeasured using these enacted tax rates that are expected to apply when the liability is settled or the asset realised. The UK Budget announcements on 3 March 2021 included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. This change was not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances. The impact of the change in future tax rates will not have a material impact on the Group.

Factors affecting the tax (credit)/charge 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:

	2021	2020
	£000	£000
Profit before tax	634	10,809
Income tax using the domestic corporation tax rate 19.0% (2020: 19.0%)	120	2,054
Effect of tax rates in foreign jurisdictions	465	54
Effect of tax rate change on deferred tax	(177)	8
Expenses not deductible for tax purposes	1,027	1,220
Other permanent differences	(241)	186
Tax effect of share of net income from joint ventures	(364)	300
Deferred tax on unremitted earnings	736	665
Deferred tax not recognised	213	4,694
Recognition of previously unrecognised tax losses ¹	(2,386)	(1,131)
Withholding taxes and unrelieved overseas taxes	369	205
Non-taxable income	(387)	(71)
Adjustments relating to prior years – deferred tax	663	136
Adjustment relating to prior years – current tax ²	(6,555)	(1,030)
Total income tax for the year	(6,517)	7,290
Effective tax rate	(1,027.9)%	67.4%

¹ The Group recognised a £2.4m deferred tax asset in relation to previously unrecognised losses, which the Group now considers can be offset through future taxable profit based on its long-term forecasts

² Includes a current income tax credit of £4.6m relating to a claim made during the year in the US for a federal tax refund for prior tax years under the Coronavirus Aid, Relief and Economic Security (CARES) Act.

Tax credited/(charged) in Other comprehensive income

	2021	2020
	£000	£000
Deferred tax charge on forward hedging contracts	17	(25)
Deferred tax charge on remeasurement of defined benefit pension scheme	138	-

The deferred tax charge on forward hedging contracts is reclassified to the consolidated income statement in line with the underlying treatment of the hedging contracts. Deferred tax on remeasurement of the long-term benefit plan will not be subsequently reclassified to the consolidated income statement.

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Notes to the financial statements (continued)

9. Taxation (continued)

Deferred tax assets and liabilities are attributable to the following:

	2021 £000			2020 £000		
	Assets	Liabilities	Net assets/ liabilities	Assets	Liabilities	Net assets/ liabilities
Property, plant and equipment	1,573	-	1,573	1,546	-	1,546
Intangible assets	-	(2,657)	(2,657)	2,159	(3,248)	(1,089)
Employee benefits	138	-	138	-	-	-
Tax losses and allowances	8,141	-	8,141	598	-	598
Other temporary differences	377	(3,052)	(2,675)	2,226	(1,815)	411
Cash flow hedges	17	(31)	(14)	-	(31)	(31)
Leases	141	-	141	338	-	338
Tax assets/liabilities	10,387	(5,740)	4,647	6,867	(5,094)	1,773
Set-off of tax	(5,740)	5,740	-	(1,151)	1,151	-
Net tax assets/liabilities	4,647	-	4,647	5,716	(3,943)	1,773

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

2021	Balance at 1 March 2020	Exchange difference	(Charged)/ credited to profit or loss	Charged directly to OCI	Balance at 28 February 2021
Property, plant and equipment	1,546	-	27	-	1,573
Intangible assets	(1,089)	-	(1,568)	-	(2,657)
Employee benefits	-	-	-	138	138
Tax losses and allowances	598	(159)	7,702	-	8,141
Other temporary differences	411	(174)	(2,912)	-	(2,675)
Cash flow hedge	(31)	-	-	17	(14)
Leases	338	-	(197)	-	141
	1,773	(333)	3,052	155	4,647

2020	Balance at 1 March 2019	Exchange difference	(Charged)/ credited to profit or loss	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)
Employee benefits	-	-	-	-	-
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

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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 £2.5m (2020: £1.1m) 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 Group does not have any balances in respect of unrecognised deferred tax (2020: £2.0m).

The Group has unused tax losses of £108.5m (2020: £101.1m), comprising trade losses of £90.1m (2020: £76.9m) and capital losses of £18.4m (2020: £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. Intangible assets

	Internally-generated software development costs ¹	Technology	Customer relationship	Goodwill	Total
Cost	£000	£000	£000	£000	£000
At 1 March 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
Additions	17,833	3,285	-	-	21,118
Fully-amortised assets ²	(74,018)	(1,612)	-	-	(75,630)
Exchange differences	1,253	-	-	(1,435)	(182)
At 28 February 2021	57,606	34,721	1,269	136,365	229,961
Accumulated amortisation					
At 1 March 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)
Amortisation	(10,504)	(4,844)	-	-	(15,348)
Fully-amortised assets ²	74,018	1,612	-	-	75,630
Impairment ³	(1,616)	(10,699)	-	-	(12,315)
Exchange differences	(1,228)	-	-	398	(830)
At 28 February 2021	(18,267)	(32,437)	(1,269)	(62,168)	(114,141)
Net carrying value					
At 29 February 2020	33,601	14,542	-	75,234	123,377
At 28 February 2021	39,339	2,284	-	74,197	115,820

¹ Included within internally-generated software development costs is £17.5m (2020: £14.5m) relating to work in progress.

² During the current financial year, the Group performed a comprehensive review of fully-amortised assets held in the Group's fixed asset register, and removed £75.6m of cost and accumulated amortisation relating to those fully-amortised assets which are no longer in use by the Group.

³ Includes £10.7m related to the Group's decision to stop supporting the promotions collaboration platform.

Notes to the financial statements (continued)

10. 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 11.26% (2020: 6.79%). Cash flows beyond the five-year forecast period are extrapolated using a 1.9% growth rate (2020: 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 consolidated income statement.

Carrying amount of goodwill allocated to the dunnhumby CGU:

	Total £000
At 1 March 2019	76,031
Disposals	(649)
Exchange difference	(148)
At 29 February 2020	75,234
Exchange difference	(1,037)
At 28 February 2021	74,197

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.

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Notes to the financial statements (continued)

11. Property, plant and equipment

	Assets under construction	Leasehold improvements	Furniture and fittings	Motor vehicles	Computer equipment	Total
Cost	£000	£000	£000	£000	£000	£000
At 1 March 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
Additions	11	322	70	-	3,549	3,952
Disposals	-	(490)	(359)	-	(662)	(1,511)
Transfers	(1,649)	1,649	-	-	-	-
Exchange differences	63	(471)	(120)	-	(1,216)	(1,745)
At 28 February 2021	337	23,332	2,820	20	46,351	72,860
Accumulated depreciation						
At 1 March 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)
Depreciation	-	(2,038)	(224)	-	(4,139)	(6,401)
Disposals	-	490	356	-	661	1,507
Impairments	-	-	(19)	-	(160)	(179)
Transfers	-	-	-	-	-	-
Exchange differences	-	312	86	-	991	1,389
At 28 February 2021	-	(9,344)	(2,050)	(20)	(40,257)	(51,671)
Net carrying value						
At 29 February 2020	1,912	14,215	980	-	7,070	24,177
At 28 February 2021	337	13,988	770	-	6,094	21,189

Notes to the financial statements (continued)

12. Leases

Group as lessee

Lease liabilities represent rentals payable by the Group for leases of office properties and servers. 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 29 February 2020	28,432
Additions	1,892
Depreciation charge for the year	(3,908)
Other movements*	(393)
Net carrying value at 28 February 2021	26,023

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

	Total £000
Net carrying value at 1 March 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

* Refer to previous table for footnote.

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:

	2021 £000	2020 £000
Current	7,349	7,588
Non-current	38,114	42,994
Total lease liabilities	45,463	50,582

Maturity analysis – contractual undiscounted lease payments

	2021 £000	2020 £000
Within one year	7,353	7,588
Greater than one year but less than five years	29,881	25,765
Greater than five year but less than ten years	19,124	25,829
Greater than five year but less than fifteen years	-	4,538
Total undiscounted lease payments	56,358	63,720

Notes to the financial statements (continued)

12. Leases (continued)

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 income statement:

	2021	2020
	£000	£000
Finance costs on lease liabilities	2,421	2,512
Expenses relating to short-term and low-value leases	24	290

Amounts recognised in the consolidated statement of cash flows:

	2021	2020
	£000	£000
Total cash outflow for leases	7,586	7,219

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 8.2% (2020: 8.8%) 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.

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 income statement:

	2021	2020
	£000	£000
Net investment in finance sublease – interest income	893	962
Operating lease – rental income	227	14

Net investment in finance sublease

The net investment in the finance sublease included in the consolidated statement of financial position is £8.2m (2020: £19.4m).

During the current financial year, a modification loss of £4.3m was recognised following the renegotiation of future lease payments agreed with the tenant. Furthermore, due to a significant increase in the tenant's credit risk, lifetime expected credit losses of £6.2m (2020: £nil) have further reduced the receivable.

Key source of estimation uncertainty

The lifetime expected credit losses on the net investment in finance sublease is calculated by deriving a probability of default based on the credit spread on publicly-traded debt of the lessee, which can vary significantly due to market fluctuations. The probability of default is applied to the outstanding balance at the end of each financial year of the remaining lease term to determine the lifetime expected credit loss on the receivable. A 10% increase/decrease in the cumulative probability of default increases/decreases the lifetime expected credit losses by £1.5m.

Notes to the financial statements (continued)

12. Leases (continued)

Group as lessor (continued)

<i>Operating lease payments receivable maturity analysis</i>	2021	2020
	£000	£000
Within one year	331	166
Greater than one year but less than two years	-	152
After two years	-	-
Total undiscounted operating lease receivable	331	318

13. Financial assets and 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

The Group holds the following financial instruments:

Financial assets	Fair value hierarchy	Assets at FVOCI¹ £000	Assets at FVTPL² £000	Financial assets at amortised cost £000	Total £000
2021					
Cash and cash equivalents	-	-	-	39,802	39,802
Trade receivables, contract assets and other receivables	-	-	-	87,719	87,719
Derivative financial instruments	Level 2	-	1,036	-	1,036
Assets at FVTOCI	Level 2	1,522	-	-	1,522
		1,522	1,036	127,521	130,079
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 2	2,737	-	-	2,737
		2,737	340	159,942	163,019

¹ At fair value through other comprehensive income (FVTOCI)

² At fair value through profit and loss (FVTPL)

Notes to the financial statements (continued)

13. Financial assets and liabilities (continued)

Financial liabilities	Fair value hierarchy	Liabilities at FVTPL ² £000	Financial Liabilities at amortised cost £000	Total £000
2021				
Trade and other payables	-	-	59,357	59,357
Other non-current liabilities	-	-	2,423	2,423
Derivative financial instruments	Level 2	526	-	526
		526	61,780	62,306
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

² Refer to previous table for footnote

The Group's exposure to various risks associated with the financial instruments is discussed in Note 14. 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 of cash and cash equivalents to consolidated statement of cash flows

	At 1 March 2020 £000	Cash flow £000	Foreign exchange movement £000	At 28 February 2021 £000
Cash and cash equivalents	44,035	(2,603)	(1,630)	39,802

Cash and cash equivalents include £3.4m (2020: £8.0m) 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 28 February 2021	77,548	(11,647)	21,818	-	87,719
At 29 February 2020	63,269	(2,375)	32,378	32	93,304

Trade receivables overdue at the end of the current financial year is £31.2m (2020: £31.2m). The Group has no balances (2020: £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.

Notes to the financial statements (continued)

13. Financial assets and liabilities (continued)

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 14.

Assets held at fair value through other comprehensive income

	2021	2020
	£000	£000
Unlisted equity securities	1,522	2,737

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 consolidated financial statements 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 28 February 2021	25,549	650	26,519	6,639	59,357
At 29 February 2020	35,012	594	24,130	6,983	66,719

* Relates primarily to revenue-share payables to the Tesco Group.

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.

Other non-current liabilities

	2021	2020
	£000	£000
Employee benefits (Note 20)	2,423	7,662

Notes to the financial statements (continued)

13. Financial assets and 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:

	2021	2020
	£000	£000
Current Assets		
Forward foreign exchange contracts – cash flow hedges	247	118
Forward foreign exchange contracts – not designated	789	222
	1,036	340
Current Liabilities		
Forward foreign exchange contracts – cash flow hedges	287	64
Forward foreign exchange contracts – not designated	239	676
	526	740

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 £30.2m (2020: £35.0m).

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 income statement 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)

13. Financial assets and liabilities (continued)

Financial assets at fair value through other comprehensive income

	Unlisted equity securities
	£000
At 1 March 2019	3,132
Disposals	(483)
Fair value gain on equity investments held at FVTOCI	141
Exchange difference	(53)
At 29 February 2020	2,737
Disposals	(752)
Fair value loss on equity investments held at FVTOCI	(245)
Exchange difference	(218)
At 28 February 2021	1,522

14. 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. 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 the directors and senior Tesco treasury staff in collaboration with the dunnhumby treasury team.

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Notes to the financial statements (continued)

14. 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:

2021	GBP £000	USD £000	EUR £000	Other £000	Total £000
Assets					
Cash	16,386	1,579	5,492	16,345	39,802
Trade and other receivables	52,886	7,972	6,355	20,506	87,719
Derivative financial assets	1,036	-	-	-	1,036
Assets at FVOCI	-	1,522	-	-	1,522
	70,308	11,073	11,847	36,851	130,079
Liabilities					
Trade and other payables	38,541	2,395	5,260	13,161	59,357
Other non-current liabilities	1,589	516	73	245	2,423
Derivative financial liabilities	472	-	-	54	526
	40,602	2,911	5,333	13,460	62,306

2020	GBP £000	USD £000	EUR £000	Other £000	Total £000
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

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:

	2021 £000	2020 £000
Net foreign exchange loss included in general and administrative costs	1,793	1,387

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 consolidated income statement is immaterial.

Notes to the financial statements (continued)

14. Financial risk management (continued)

Impact on equity - (loss)/gain

	2021	2020
	£000	£000
10% appreciation of the US dollar	816	231
5% appreciation of the Euro	326	449

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

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.

Expected credit losses and contract asset impairment

The Group provides for expected credit losses on trade and other receivables by applying the weighted average of credit losses using the respective risks of default as the weights. Refer to Note 15 and Note 22. The Group's net investment in finance sublease is tested for expected credit losses annually by applying the lessee's probability of default to the outstanding balance. Refer to Note 12 for further details.

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 consolidated income statement within general and administrative costs. Subsequent recoveries of amounts previously written off are credited to general and administrative costs.

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 £52.5m was unused at the balance sheet date (2020: £51.8m). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

Notes to the financial statements (continued)

14. Financial risk management (continued)

	2021 £000	2020 £000
Purchase card facility	2,564	2,571
Group composite facility	-	50,000
	2,564	52,571

The Group composite facility referred to above was an overdraft facility available to the Group as part of the ultimate parent Tesco PLC Group Composite Facility, secured by Tesco PLC. This facility was removed on 21 March 2021.

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
2021					
Trade and other payables	59,357	-	-	-	59,357
Other non-current liabilities	727	1,696	-	-	2,423
Derivative financial liabilities	526	-	-	-	526
	60,610	1,696	-	-	62,306

	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
Other non-current liabilities	2,596	1,521	3,545	-	7,662
Derivative financial liabilities	740	-	-	-	740
	70,055	1,521	3,545	-	75,121

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.

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 (2020: nil).

Notes to the financial statements (continued)

15. Trade and other receivables

	2021	2020
	£000	£000
Trade receivables	77,548	63,267
Receivables from related parties	21,818	32,378
Taxation receivables	11,378	7,528
Expected credit losses*	(11,647)	(2,375)
	99,097	100,798

* Included within expected credit losses is £8.5m relating to a receivable from a related party (2020: £nil). Refer to Note 22 for further details.

Trade receivables are non-interest bearing and are generally on terms of 30 days. Details of amounts receivable from related parties are provided in Note 22.

16. Contract assets and liabilities

	Contract assets	Contract liabilities
	£000	£000
At 1 March 2020	22,603	(10,861)
Decrease due to balance transferred to trade receivables	(22,603)	-
Decrease due to income recognised in financial year	-	10,861
New contract assets	23,521	-
Increase due to cash received and not recognised as income	-	(14,254)
At 28 February 2021	23,521	(14,254)

17. Provisions

	Dilapidations	Deferred consideration	Total
	£000	£000	£000
At 1 March 2019	605	1,292	1,897
Amount provided in the year	232	392	624
Exchange differences	-	23	23
At 29 February 2020	837	1,707	2,544
Amount provided in the year	486	75	561
Amount released in the year	(74)	(1,707)	(1,781)
Exchange differences	(14)	-	(15)
At 28 February 2021	1,235	75	1,310
Current provisions	-	75	75
Non-current provisions	1,235	-	1,235

The Group is required to restore the leased premises of certain of its offices to their original condition at the end of the lease term. The restoration costs include an amount for the estimated expenditure required to remove any leasehold improvements.

A provision for deferred consideration relating to a business combination was made during 2019, which was no longer required as the post-acquisition sales targets were not met. The additional deferred consideration of £75k relates to the acquisition of Reefknot Technologies Limited.

Notes to the financial statements (continued)

18. Trade and other payables

	2021 £000	2020 £000
Trade payables	25,549	35,012
Taxation and payroll liabilities	12,225	9,830
Payables to related parties	26,519	24,130
Other payables	9,061	14,645
	73,354	83,617
Of which:		
Current	70,932	75,955
Non-current	2,423	7,662

19. Share capital and share premium and ultimate parent undertaking

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 28 February 2021. 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.

	Ordinary shares 5p each	A Ordinary shares 10p each	Deferred shares 10p each	Share capital £000	Share premium £000	Total £000
At 28 February 2021	1,248,550	966,672	133,334	172	5,932	6,104
At 29 February 2020	1,248,550	966,672	133,334	172	5,932	6,104

20. Share-based payments

Equity-settled share-based payments

During 2019, 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.

Notes to the financial statements (continued)

20. Share-based payments (continued)

Equity-settled share-based payments (continued)

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

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 was estimated to be £2.6m using an expected return model. The Group recognised total expenses of £0.7m (2020: £1.5m) related to equity-settled share-based payment transactions in 2021. 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 (Value Creation Incentive Plan – “VCIP”)

During 2019, the Group issued 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 £0.5m (2020 £2.3m) and total income of £1.7m during the current financial year (2020: expense of £0.6m).

21. Capital commitments and contingencies

The Group had no (2020: £nil) significant capital expenditure contracted for, but not incurred, at the end of the current financial year.

22. Related party transactions

Note 11 and page 73 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:

	2021 £000	2020 £000
Transactions with joint ventures		
Sales	8,034	8,553
Purchases	(148)	(129)
Dividends from joint ventures	984	1,200
Balances with joint ventures		
Receivables*	13,865	12,316
Payables	(3,034)	(3,373)

* The Group has recognised an expected credit loss allowance of £8.5m (2020: £nil) on receivables from joint ventures. Refer to following page for further details.

Notes to the financial statements (continued)

22. Related party transactions (continued)

Key source of estimation uncertainty

The estimation of expected credit losses on receivables from joint ventures requires the estimation of the joint ventures' prospects of generating cash and settling balances owed to the Group. In assessing the joint ventures' prospects, a forecast for the next three years was prepared by the joint venture. To account for the estimation uncertainty, the forecasts were modified for changes in growth rates to provide a range of possible outcomes. A 25% increase/decrease in the compound annual growth rate of the related party's revenue results in a £0.8m lower/higher expected credit loss allowance.

	2021	2020
	£000	£000
Transactions with Tesco group companies		
Sales	52,573	60,592
Purchases	(53,992)	(51,531)
Interest income	29	7
Balances with Tesco group companies		
Receivables	7,233	18,439
Payables	(23,845)	(20,757)

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:

	2021	2020
	£000	£000
Short-term benefits	2,738	3,373
Post-employment pension and medical benefits	66	60
Termination benefits	-	221
Share-based payment transactions*	(1,066)	586
	1,738	4,240

*The credit of £1m is driven by the reversal of a liability related to the VCIP scheme (refer to Note 20).

The highest paid director's emoluments were as follows:

	2021	2020
	£000	£000
Total emoluments (excluding pension contributions)	692	692
Pension contributions to money purchase schemes	14	23
	706	715

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 20).

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

	2021	2020
	£000	£000
Unpaid share capital	1,622	1,622

Notes to the financial statements (continued)

23. Auditor's remuneration

	2021	2020
	£000	£000
Audit of the Parent company and Group financial statements	347	338
Audit of financial statements of subsidiaries of the Group	332	290
	679	628

24. Cash flow information

	2021	2020
	£000	£000
Profit for the year after tax	7,151	3,519
Income tax charge	(6,517)	7,290
Non-cash adjustments to reconcile profit for the year to net cash flows:		
Depreciation of property, plant and equipment and right of use assets	10,308	10,774
Impairment of intangible assets	12,315	14,050
Impairment of property, plant and equipment	179	-
Modification loss on finance sublease	4,339	-
Impairment of financial assets (including finance sublease)	15,493	-
Amortisation of intangible assets	15,348	13,819
Loss on disposal of property, plant and equipment	-	150
Loss on disposal of intangible assets	-	2,483
Loss on disposal of right of use assets	-	264
Net finance cost	1,538	1,414
Fair value loss on derivatives	213	18
Share of profits from joint ventures	(1,918)	(761)
Share-based payments	19	(110)
Provisions	(1,219)	624
Gain on disposal of investments	(60)	-
Working capital changes		
Increase in trade and other receivables	(9,060)	(3,720)
Decrease in trade and other payables	(9,750)	(34,396)
Cash generated from operations	38,379	14,170

25. Events after the balance sheet date

Disposal by Tesco of its operations in Poland

During the year, the Tesco Board approved plans to dispose of its operations in Poland. The disposal of Tesco's corporate business in Poland completed after the balance sheet date on 16 March 2021.

dunnhumby has Client Service Agreements ("CSAs") with Tesco's corporate business in Poland. Following the sale of the business by Tesco, CSAs will transfer to the new owner. Revenues earned by the Group in providing services to the disposed Tesco Poland corporate business will no longer be reported as related party transactions after 16 March 2021.

CEO departure

Claire Soper-Lorains was appointed interim CEO on 1 April 2021. Claire has extensive experience in retail, telecoms, marketing and buying and will steer the Group during its next phase of growth

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Parent Company statement of comprehensive income

	Notes	2021 £000	2020 £000
Profit for the year		4,713	9,368
Other comprehensive (loss)/income			
<i>Items that may subsequently be reclassified to the income statement:</i>			
Fair value (loss)/gain on cash flow hedges		215	249
Fair value losses on cash flow hedges reclassified to the income statement		(430)	(101)
Other comprehensive (loss)/income for the year		(215)	148
Tax recognised on other comprehensive (loss)/income for the year	3	(9)	(25)
Total comprehensive income for the year, net of tax		4,489	9,491

The notes on pages 60 to 73 form part of these Parent Company financial statements.

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Parent Company statement of financial position

	Notes	2021 £000	2020 £000
Non-current assets			
Investments	7	7,446	13,444
Property, plant and equipment	4	15,896	18,692
Right of use asset	6	18,245	18,916
Net investment in finance sublease	6	7,814	17,287
Deferred tax assets	3	3,331	2,117
Intangible assets	5	46,469	52,660
		99,201	123,116
Current assets			
Cash and cash equivalents	12	14,483	8,167
Trade and other receivables	8	85,487	78,305
Net investment in finance sublease	6	386	2,125
Contract assets	13	9,931	8,686
Prepayments		2,495	2,390
Current tax receivable		5,752	-
Derivative financial assets	11	1,005	340
		119,539	100,013
Non-current liabilities			
Deferred tax	3	-	-
Other non-current liabilities	9	1,588	5,602
Lease liabilities	6	33,047	35,468
Provisions	10	921	735
		35,556	41,805
Current liabilities			
Trade and other payables	9	78,585	79,084
Lease liabilities	6	5,078	4,922
Derivative financial liabilities	11	463	740
Contract liabilities	13	2,928	1,781
Current tax payable		-	1,543
Provisions	10	75	1,707
		87,129	89,777
Net assets		96,055	91,547
Equity			
Share capital	14	172	172
Share premium	14	5,932	5,932
Retained earnings		90,237	85,524
Cash flow hedge reserve		(82)	142
Share-based payment reserve		(204)	(223)
Total equity		96,055	91,547

The profit after tax recorded in the financial statements of the Parent Company is £4.7m (2020: £9.4m). The notes on pages 60 to 73 form part of these Parent Company financial statements.

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



V Toolan

Director

2 July 2021

Registered number: 02388853

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Parent Company statement of changes in equity

	Share capital	Share premium	Retained earnings	Share- based payment reserve	Cash flow hedge reserve	Total equity
	£000	£000	£000	£000	£000	£000
At 28 February 2019	162	5,670	76,156	(113)	19	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	10	262	-	-	-	272
Share-based payment revaluation	-	-	-	(110)	-	(110)
At 29 February 2020	172	5,932	85,524	(223)	142	91,547
Profit for the year	-	-	4,713	-	-	4,713
Other comprehensive expense	-	-	-	-	(224)	(224)
Total comprehensive income for the year	-	-	4,713	-	(224)	4,489
Share-based payment revaluation	-	-	-	19	-	19
At 28 February 2021	172	5,932	90,237	(204)	(82)	96,055

The notes on pages 60 to 73 form part of these Parent Company financial statements.

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 for the year ended 28 February 2021 were authorised for issue by the Board of Directors on 2 July 2021 and was signed on the board's behalf by Vincent Toolan. 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 Parent Company are in line with the Group policies which are set out on pages 19 to 34 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.

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 income statement. 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.

Notes to the Parent Company financial statements (continued)

2. Employees

Employee benefits

	2021	2020
	£000	£000
Wages, salaries and termination benefits	37,047	38,059
Employee share-based payments ¹	(1,006)	460
Restructuring costs ²	-	973
Social security costs	6,288	8,300
Pension costs – defined contribution plans	2,618	2,692
Other staff costs ³	3,617	4,030
Total employee benefit expense	48,564	54,514

¹ The credit of £1m is driven by the reversal of a liability related to the VCIP scheme (refer to Note 20 of the consolidated financial statements).

² The Parent Company incurred £nil (2020: £1m) of redundancy costs due to the changing operating model of the Group.

³ Other staff costs include healthcare, car allowances and other benefits.

Employees

	2021	2020
Monthly average number of people employed*:	Number	Number
Commercial	214	337
Development	429	322
Administrative	125	145
	768	804

* Includes executive directors

3. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

Name of entity	2021			2020		
	Assets	Liabilities	Net assets/ liabilities	Assets	Liabilities	Net assets/ liabilities
Property, plant and equipment	1,573	-	1,573	1,546	-	1,546
Intangible assets	-	(2,656)	(2,656)	-	(1,089)	(1,089)
Tax losses	3,102	-	3,102	-	-	-
Leases	84	-	84	281	-	281
Other temporary differences	1,228	-	1,228	1,379	-	1,379
Tax assets/liabilities	5,987	(2,656)	3,331	3,206	(1,089)	2,117
Set-off of tax	(2,656)	2,656	-	(1,089)	1,089	-
Net tax assets/liabilities	3,331	-	3,331	2,117	-	2,117

Notes to the Parent Company financial statements (continued)

3. Deferred tax (continued)

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

	Balance at 1 March 2020	(Charged)/credited in the Parent Company profit or loss	Charged directly to OCI	Balance at 28 February 2021
2021				
Property, plant and equipment	1,546	27	-	1,573
Intangible assets	(1,089)	(1,567)	-	(2,656)
Tax losses	-	3,102	-	3,102
Leases	281	(197)	-	84
Other temporary differences	1,379	(168)	17	1,228
	2,117	1,197	17	3,331

	Balance at 1 March 2019	(Charged)/credited in the Parent Company profit or loss	Charged directly to OCI	Balance at 29 February 2020
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

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 2020 included legislation to maintain the main rate of UK corporation at 19%, rather than reducing it to 17% from 1 April 2020. The change to the main rate of corporation tax was substantively enacted by the balance sheet date and therefore included in these financial statements. Temporary differences have been remeasured using these enacted tax rates that are expected to apply when the liability is settled or the asset realised. The UK Budget announcements on 3 March 2021 included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances.

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Notes to the Parent Company financial statements (continued)

4. Property, plant and equipment

	Assets under construction	Leasehold improvements	Furniture and fittings	Motor vehicles	Computer equipment	Total
Cost	£000	£000	£000	£000	£000	£000
At 1 March 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
Additions	18	46	-	-	1,354	1,417
Disposals	-	-	-	-	(593)	(593)
At 28 February 2021	118	17,734	855	-	32,690	51,397
Accumulated depreciation						
At 1 March 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)
Depreciation	-	(1,310)	(67)	-	(2,677)	(4,054)
Impairment	-	-	-	-	(160)	(160)
Disposals	-	-	-	-	593	593
At 28 February 2021	-	(5,802)	(740)	-	(28,959)	(35,501)
Net carrying value						
At 29 February 2020	100	13,196	182	-	5,214	18,692
At 28 February 2021	118	11,932	115	-	3,731	15,896

Notes to the Parent Company financial statements (continued)

5. Intangible assets

Cost	Internally-generated software development costs ¹	Internally-generated software development costs (under construction)	Goodwill	Total
	£000	£000	£000	£000
At 1 March 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
Additions	3,262	17,533	-	20,795
Transfers	25,062	(25,062)	-	-
Fully-amortised assets ²	(37,677)	(895)	-	(38,572)
At 28 February 2021	88,677	6,429	3,244	98,350
Accumulated amortisation				
At 1 March 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)
Amortisation	(15,021)	-	-	(15,021)
Fully-amortised assets ²	37,677	895	-	38,572
Impairments ³	(11,965)	-	-	(11,965)
At 28 February 2021	(52,776)	895	-	(37,861)
Net carrying value				
At 29 February 2020	34,563	14,853	3,244	52,660
At 28 February 2021	35,901	7,324	3,244	46,469

¹ Included within internally-generated software development costs is £17.5m (2020: £14.5m) relating to work in progress.

² During the current financial year, the Parent Company performed a comprehensive review of fully-amortised assets held in the Parent Company's fixed asset register, and removed £38.6m of cost and accumulated amortisation relating to those fully-amortised assets which are no longer in use by the Parent Company.

³ Includes £10.7m related to the Group's decision to stop supporting the EPM product.

Research costs of £4.9m (2020: £3.9m) 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

Parent 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 29 February 2020	18,916
Depreciation charge for the year	(2,029)
Other movements*	1,358
Net carrying value at 28 February 2021	18,245

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

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

* Refer to previous table for footnote.

Lease liabilities

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

	2021 £000	2020 £000
Current	5,078	4,922
Non-current	33,047	35,468
Total lease liabilities	38,125	40,390

Maturity analysis – contractual undiscounted lease payments

	2021 £000	2020 £000
Within one year	5,078	4,922
Greater than one year but less than five years	24,472	19,123
Greater than five year but less than ten years	18,327	23,324
Greater than five year but less than fifteen years	-	4,539
Total undiscounted lease payments	47,877	51,908

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Notes to the Parent Company financial statements (continued)

6. Leases (continued)

Amounts recognised in the income statement:

	2021	2020
	£000	£000
Finance costs on lease liabilities	1,794	2,044
Expenses relating to short-term and low-value leases	5	19

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 (2020: £nil).

Parent Company as lessor

The Parent Company sublets one two floors of a building under a finance lease.

Amounts recognised in the Parent Company income statement:

	2021	2020
	£000	£000
Net investment in finance sublease – interest income	893	962

Finance lease payments receivable

The net investment in finance sublease included in the Parent Company statement of financial position is £8.2m (2020: £19.4m).

During the current financial year, a modification loss of £4.3m was recognised following the renegotiation of future lease payments agreed with the tenant. Furthermore, due to a significant increase in the tenant's credit risk, lifetime expected credit losses of £6.2m (2020: £nil) have further reduced the receivable.

Notes to the Parent Company financial statements (continued)

7. Investments

	Subsidiary undertakings £000	Joint ventures £000	Total £000
Cost			
At 1 March 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
Additions	1,665	-	1,665
Disposals	(446)	-	(446)
At 28 February 2021	183,485	2,453	185,938
Accumulated impairment			
At 1 March 2019	(171,921)	-	(171,921)
Impairment charge	(12,540)	-	(12,540)
Disposals	13,186	-	13,186
At 29 February 2020	(171,275)	-	(171,725)
Impairment charge	(5,735)	(1,482)	(7,217)
At 28 February 2021	(177,010)	(1,482)	(178,492)
Net carrying value			
At 29 February 2020	10,990	2,453	13,443
At 28 February 2021	6,475	971	7,446

Details of the Parent Company's direct and indirect investments are provided on page 73.

8. Trade and other receivables

	2021 £000	2020 £000
Trade receivables	46,744	26,833
Amounts owed by Group undertakings	29,209	30,507
Amounts owed by joint ventures	6,762	4,807
Amounts owed by Parent Company	5,507	4,214
Other receivables	5,192	2,568
Expected credit loss	(7,927)	(624)
	85,487	78,305

Included within Other receivables are taxation receivables as well as amounts owed by key management personnel (Refer to Note 22 in the consolidated financial statements).

Refer to Note 14 in the consolidated financial statements for information on the Group's impairment policies.

Notes to the Parent Company financial statements (continued)

9. Trade and other payables

Amounts falling due within one year

	2021	2020
	£000	£000
Trade Payables	15,015	18,511
Amounts owed to Group undertakings	34,334	34,243
Amounts owed to joint ventures	28	271
Amounts owed to Parent Company	21,514	16,007
Taxation and social security	5,970	5,639
Other payables	1,724	4,413
	78,585	79,084

Amounts falling due after one year

	2021	2020
	£000	£000
Employee benefits	1,588	5,602

Employee benefits include employee retention schemes and Share Appreciation Rights. Refer to Note 20 of the consolidated financial statements for further information.

10. Provisions

	Dilapidations	Deferred consideration	Total
	£000	£000	£000
At 1 March 2019	501	1,292	1,793
Amount provided in the year	234	392	626
Exchange differences	-	23	23
At 29 February 2020	735	1,707	2,442
Amount provided in the year	186	75	261
Amount released in the year	-	(1,707)	(1,707)
At 28 February 2021	921	75	996
Current provisions	-	75	75
Non-current provisions	921	-	921

Dilapidations provision

The Parent 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.

Deferred consideration provision

A provision for deferred consideration relating to a business combination was made during the prior financial year, which was no longer required as the post-acquisition sales targets were not met. The additional deferred consideration of £75k relates to the acquisition of Reefknot Technologies Limited.

Notes to the Parent Company financial statements (continued)

11. Derivative financial instruments

	2021	2020
	£000	£000
Current Assets		
Forward foreign exchange contracts – cash flow hedges	216	118
Forward foreign exchange contracts – not designated	789	222
	1,005	340
Current Liabilities		
Forward foreign exchange contracts – cash flow hedges	171	64
Forward foreign exchange contracts – not designated	292	676
	463	740

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 Parent 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 income statement 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.

Notes to the Parent Company financial statements (continued)

12. Cash and cash equivalents

	2021 £000	2020 £000
Current bank accounts	14,483	8,167

The Parent Company has access to financing facilities as described below, of which £52.5m was unused at the reporting date (2020: £51.8m). The company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

	2021 £000	2020 £000
Purchase card facility	2,564	2,571
Group composite facility	-	50,000
	2,564	52,571

The Group composite facility referred to above is an overdraft facility available to the Parent Company as part of the ultimate parent undertaking Tesco PLC Group Composite Facility, secured by Tesco PLC. This facility was removed on 21 March 2021.

13. Contract assets and liabilities

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

	2021 £000	2020 £000
At 1 March 2020	8,686	8,686
Decrease due to balance transferred to trade receivables	(8,686)	(8,686)
Decrease due to income recognised in financial year	-	-
New contract assets	9,931	9,931
Increase due to cash received and not recognised as income	-	-
At 28 February 2021	9,931	9,931

14. Share capital and share premium

	Ordinary shares 5p each	A Ordinary shares 10p each	Deferred shares 10p each	Share capital £000	Share premium £000	Total £000
At 28 February 2021	1,248,550	966,672	133,334	172	5,932	6,104
At 29 February 2020	1,248,550	966,672	133,334	172	5,932	6,104

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.

Notes to the Parent Company financial statements (continued)

15. Auditor's remuneration

The Parent Company paid £95,000 (2020: £95,000) to its auditor in respect of the audit of the Parent 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.

	2021	2020
	£000	£000
Transactions with joint ventures		
Costs recharged to joint ventures	148	129
Dividends from joint ventures	984	1,200
Balances with joint ventures		
Receivables*	6,762	4,807
Payables	(28)	(271)

* Expected credit losses of £6.3m (2020: £nil) have been provided against receivables from joint ventures.

Key management personnel

The amounts disclosed in Note 22 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.

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 28 February 2021.

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

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Related Undertakings

The Group controlled the following subsidiaries by virtue of directly or indirectly owning 100% of the ordinary share capital of each entity at 28 February 2021:

Name of company	Country of incorporation	Registered office	Financial year end
dunnhumby Limited	UK	184 Shepherds Bush Road, London W6 7NL	28 February
dunnhumby International Limited	UK	184 Shepherds Bush Road, London W6 7NL	28 February
dunnhumby Overseas Limited	UK	184 Shepherds Bush Road, London W6 7NL	28 February
dunnhumby Trustees Limited	UK	184 Shepherds Bush Road, London W6 7NL	28 February
dunnhumby Holding Limited	UK	184 Shepherds Bush Road, London W6 7NL	28 February
Reefknot Technology Limited	UK	1 More London Place, London SE1 2AF	31 December
dunnhumby Ireland Limited	Ireland	Floor 3, 2 Harbour Square/Crofton Road, Dun Laoghaire, Dublin	28 February
dunnhumby Spain S.L.	Spain	Paseo de General Martinez Campos, Campos nº 9 1º izquierda, 28010 Madrid	28 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	28 February
dunnhumby France SAS	France	48 rue Cambon, 75001 Paris	28 February
dunnhumby SARL	France	48 rue Cambon, 75001 Paris	28 February
dunnhumby Italia Srl.	Italy	Carrera 48 no. 32B, sur - 139, Envigado	28 February
dunnhumby Czech sro	Czech Republic	Tesco CR / SR, Vrsoviccka 1527 /68B, 100 00 Praha 10	28 February
dunnhumby Denmark IvS	Denmark	c/o Lundgrens Advokatpartnerselskab, Tuborg Boulevard	28 February
dunnhumby Finland Oy	Finland	c/o RSM Finland Oy, Ratamestarinkatu 7 B, 00520 Helsinki	28 February
dunnhumby Hungary Kft	Hungary	Tesco Global, 2040 Budaros, Kinizsi Ut 1-3	28 February
dunnhumby Poland Sp z.o.o	Poland	Biuro Glowne, UL Kapleanka 56, 30 - 347 Krakow	28 February
dunnhumby Sp. z o.o.	Poland	Sociomantic labs Sp. z o.o. ul. Puławska 2, 02-566 Warszawa	31 December
dunnhumby Slovakia s.r.o.	Slovakia	Tesco Stores SR, Cesta na Senec 2, Bratislava 821 04	28 February
dunnhumby Germany GmbH	Germany	Ritterstraße 6, 10969 Berlin	28 February
dunnhumby Inc	USA	c/o The Corporation Trust Company, 1209 Orange Street, Corporation Trust Center, Wilmington, DE 19801	28 February
dunnhumby Ventures LLC	USA	c/o FBT Ohio, Inc. 3300 Great American Tower, 301 East Fourth Street, Cincinnati, OH 45202	28 February
dunnhumby Canada Limited	Canada	1400-340 Albert Street, Ottawa, Ontario, K1R 0A5	28 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	28 February
dunnhumby Chile SpA	Chile	c/o RSM Chile Auditores Limitada, Av. El Golf 40, 7th floor Las Condes, Santiago	28 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	28 February
dunnhumby (Malaysia) Sdn Bhd	Malaysia	Suite 13.03, 13th Floor Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur	28 February
dunnhumby (Thailand) Limited (dhTha)	Thailand	No 319 Chamchuri Square Building, 16th Floor, Unit 01 Phayathi Road, Pathumwan sub district, Pathumwan District, Bangkok 10330	28 February
dunnhumby Computer Information Technology and Consultancy Services LLC (dhTur)	Turkey	Yeni Havaalani Caddesi, No: 40 Cigli, Izmir 35610	28 February
Sociomantic Labs Internet Hizmetleri Limited Şirketi	Turkey	Istiklal Caddesi Beyoglu Is Merkezi No: 187/5 Galatasaray, Istanbul	28 February
dunnhumby Japan K.K (dh Jap)	Japan	9th Floor, Shiroyama Trust Tower, 3-1, Toranomon 4-chome, Minato-ku, Tokyo	28 February
dunnhumby South Africa (Pty) Ltd	South Africa	c/o Eversheds Sutherland, 3rd Floor, 54 Melrose Boulevard, Melrose Arch 2196	28 February
dunnhumby Australia Pty Ltd	Australia	C/- RSM AUSTRALIA PTY LTD, Level 21, 55 Collins Street, Melbourne, VIC 3000	28 February
dunnhumby New Zealand	New Zealand	RSM New Zealand, Level 2 Bldg, 60 Highbrook Drive, Auckland 2013	28 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 Holding Limited and Reefknot Technology Limited (acquired in April 2020).