# dunnhumby Limited

## Annual Report and Financial Statements

## Registered number 02388853

## Year ended 28 February 2018

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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 2018. The Group, the parent of which is dunnhumby Limited ('the Company'), was wholly owned by the Tesco PLC group of companies throughout the year, but has not availed itself of the exemption, in terms of section 400 of the Companies Act 2006, from preparing consolidated financial statements available to intermediate holding companies.

### Activities

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

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

### Business Review

There were several important business developments during the year under review:

- In May 2017, Guillaume Bacuvier joined dunnhumby as Group CEO following the departure of Simon Hay in February 2017.

- During 2017 a strategy review was completed and agreed with dunnhumby's shareholder. The agreed plan includes investment in the core business to optimise sales and profit in the short to mid-term, whilst exploring options to expand and scale dunnhumby over the longer term, including expansion into new sectors and geographies.

- A decision was made in August 2017 to fully integrate Sociomantic into the dunnhumby operation. An integration team has been mobilised and phase 1 of the integration was completed in June 2018.

- A new executive board structure was announced which includes 3 new roles; Chief Technology & Product Officer, Chief Solutions Officer and Global Head of Media. As at October 2018, these positions had been filled.

- The Group continued to implement the technology renewal programme which will ultimately lead to all "on-premise" technology infrastructure being moved to a third-party cloud provider. This programme will deliver cost savings, but primarily has been implemented to create greater flexibility to serve clients and enable the business to scale quickly. Initial milestones of the programme have been delivered.

- The Group continued to work on the Business Services Transformation (BST) programme, implementing cloud software across corporate functions. The UK launch took place on 1 March 2016 for Finance, Procurement and CRM. Global roll out of these functions commenced in September 2017, with a re-launch in the UK and European roll out completed in June 2018, and the rest of the world planned to go-live by the end of the next financial year.

## Strategic report (continued)

### Finance Review

Group revenues for the year were £357.0m (2017: £361.9m). The slight decrease is primarily due to lower revenues from the Sociomantic business following the loss of key customers and reduced costs recharged to joint ventures.

Operating profit increased to £38.4m (2017: loss of £31.1m). The increase in operating profit is due to several key factors. There were two non-recurring items that adversely impacted 2017 by £54.8m – a £45.8m charge related to impairment of goodwill associated with the acquisition of Sociomantic and a write-down of technology and product development-related assets of £9.0m. 2018 benefitted from significant cost savings following the restructure in the 2017 financial year and a one-off gain of £3.0m from dunnhumby's sale of its minority stake in InfoScout.

Net financing costs decreased to £1.2m (2017: £1.9m) following a reduction in borrowings.

The taxation charge has increased by £16.3m to £15.1m (2017: credit of £1.2m). The increase is primarily due to a prior year benefit from Group relief claims, increased taxable profits, a net increase in losses not recognised and a change in deferred tax in respect of unremitted earnings.

Capital expenditure was £15.7m (2017: £18.5m). £6m of capital spend related to the technology renewal programme and £3m of new hardware in our datacentres, offset by a much reduced spend on the new global headquarters in Hammersmith, London.

Cash and cash equivalents decreased to £59.1m (2017: £85.2m) The reduction in cash was a result of repayment of the shareholder loan from Tesco of £59.5m. Deferred consideration liabilities of £24.0m (2017: £23.9m) were also settled during the year in respect of acquisitions made in prior years. Cash generated from operations during the year was £74.2m (2017: £40.6m).

### Major Business Risks and Uncertainties

*Competitive environment*
There is a risk that changes in the industry and advances in technology mean that other companies base their business model on the use of retail data to understand customer behaviour and monetise those insights. 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.

*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.

*GDPR (Global Data Privacy Regulations) – May 2018*
There is a risk that some of the customer data that dunnhumby has exclusive access to may become less exclusive as regulation and innovation leads to developments such as customer data ownership, receipt scanning and electronic wallet technologies. The Group will aim to retain exclusive access to customer data where it can and it makes sense, but will focus development on software that works with data from any source and differentiate itself with its science.

The new data legislation impacts some countries that the Group operates in, although the directors are confident that it can adapt and thrive in a world where customers are given more rights over their data. dunnhumby has always championed an "opt-in" approach with its clients where the value equation for customers providing their data is completely transparent.

## Strategic report (continued)

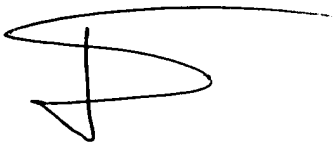
### Financial risks

*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. Transactional currency exposures that could significantly impact the Consolidated Statement of Comprehensive Income are managed, typically using forward purchases or sales of foreign currencies. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

*Credit risk and cash*
Approximately 20% of the Group's revenues are earned from the Tesco group of companies, which represents the major concentration of credit risk with respect to trade receivables. Other revenues are in the main derived from strong and long-standing relationships with the Group's mainly blue chip, clients. Most the Group's cash balances are with HSBC PLC, a well-regarded international bank and dunnhumby continues to be strongly cash generative. Most of its surplus cash is available to Tesco through a cash pooling arrangement.

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

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



R Wilson
Director
15 November 2018

## Directors' report

The directors present their annual report and the audited Group and Company financial statements for the year ended 28 February 2018.

As detailed in note 13, 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.

**Dividends**
No dividends relating to the 2018 financial year were paid or proposed (2017: £nil). No further dividends are proposed at the current time.

**Charitable donations**
The Group made no political donations during the year (2017: £nil) and made £74,017 of charitable donations (2017: £67,736). In addition, through the 'Helping Hands' initiative, the Company encourages and supports its employees to support good causes and give back to the communities in which it operates.

**Branches**
As well as the subsidiary companies listed in note 13, the Group also operates a branch in Russia.

**Research and development**
The Group develops software tools and products which are used in the delivery of data analytics and marketing services to its clients.

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

R Wilson (appointed 10 November 2016)
G Bacuvier (appointed on 23 June 2017)
M Hinds (resigned on 29 September 2017)

At no time during the year did any of the directors have a material 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 consolidated 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 consolidated 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 which are relevant to the job, regardless of their 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 Company's employment.

Regular communication occurs to inform all employees of dunnhumby's strategy, with the aim of creating awareness on the part of 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.

**Financial instruments and derivatives**
The Company finances its activities through a combination of parent company loans, bank overdrafts, cash and short-term deposits, as disclosed in note 14. Overdrafts are 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 Company's operating activities. The Company 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 accounting policy note 2. Further information around the management of various financial risks is provided in note 15.

**Greenhouse gas emissions**
The Group takes steps to ensure that, where possible, it recycles consumables and follows the necessary processes to conserve energy. The use of electronic storage and retrieval helps to minimise the use of paper and other resources.

**Events after the reporting period**

In May 2018, dunnhumby acquired Aptaris, a US-based software company specialising in promotions management and workflow optimisation, complimenting the existing dunnhumby price and promotions software suite.

In July 2018 dunnhumby sold a share of the assets related to the BzzAgent business unit to a third-party. The remaining operations of BzzAgent closed in October 2018.

**Future Developments**

There are advanced discussions ongoing with prospective customers in both new and existing countries to expand the core business and dunnhumby is also in discussion with a number of potential partners to accelerate sales growth.

Plans are being developed to build a more automated way to deliver some of dunnhumby's key analytics and media propositions, to improve efficiency, customer experience, and ultimately allow the business to scale quicker.

Work is underway to create a stand-alone media organisation, to focus all the media propositions under one global business unit, which will work alongside the rest of the business.

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

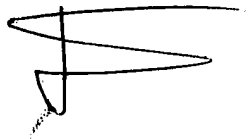
## Directors' report (continued)

**Going concern**
The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In forming this expectation, the directors have considered the future profitability of the Group based on the latest five-year forecast.

**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 Company'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 Company's auditor is aware of that information.

Deloitte LLP is willing to act as auditor of the Company, 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:



R Wilson
Director
15 November 2018

## Statement of directors' responsibilities

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

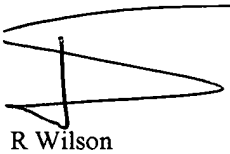
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and have elected to prepare the Company financial statements in accordance with UK Accounting Standards, including FRS 101 "The Financial Reporting Standard applicable in the UK". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair reflection of the financial position of the Group and Company, and of the profit or loss of the Group and Company, for the financial year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether applicable IFRSs, as adopted by the European Union, have been complied with, subject to any material departures disclosed and explained in the financial statements;
- for the Company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been complied with, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

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



R Wilson
Director
15 November 2018

## 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 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" ; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of profit or loss;
- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 21.

- the parent company statement of comprehensive income;
- the parent company statement of financial position;
- the parent company statement of changes in equity; and
- the related notes 1 to 16.

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

**Basis for opinion**

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

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

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

### Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

### Other information

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

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

We have nothing to report in respect of these matters.

### Responsibilities of directors

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

## 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.

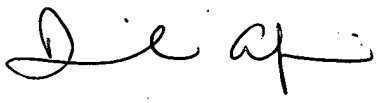
In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**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.



David Griffin, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
15 November 2018

## Consolidated statement of profit or loss for the year ended 28 February 2018

| | Note | 2018 £000 | 2017 £000 |
|---|---|---|---|
| Revenue | 4 | 356,972 | 361,853 |
| Direct costs | | (117,951) | (120,303) |
| **Net revenue** | | **239,021** | **241,550** |
| Employee benefits | 7 | (129,029) | (137,483) |
| Depreciation | 10 | (8,559) | (15,231) |
| Amortisation | 11 | (16,096) | (19,818) |
| Other general and administrative costs | | (49,653) | (56,463) |
| Share of results of joint ventures | 13 | 2,736 | 2,178 |
| Impairment of Goodwill | 11 | - | (45,801) |
| **Operating profit/(loss)** | | **38,420** | **(31,068)** |
| Finance income | 8 | 592 | 543 |
| Finance costs | 8 | (1,774) | (2,454) |
| **Profit/(loss) before taxation** | | **37,238** | **(32,979)** |
| Income tax (expense)/credit | 9 | (15,140) | 1,153 |
| **Profit/(loss) for the year from continuing operations** | | **22,098** | **(31,826)** |

All operations are continuing for the financial year.

The notes on pages 19 to 54 form part of these financial statements.

## Consolidated statement of comprehensive income for the year ended 28 February 2018

| | Note | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Profit/(loss) for the year** | | **22,098** | **(31,826)** |
| **Other comprehensive income:** | | | |
| *Other comprehensive income to be reclassified to profit or loss in subsequent periods:* | | | |
| Exchange gain on the translation of foreign entities | | 484 | 9,176 |
| Increase/(decrease) in the fair value of the cash flow hedge | | 4,140 | (94) |
| (Decrease)/increase in the fair value of available for sale financial assets | | (955) | 106 |
| **Other comprehensive income for the year** | | **3,669** | **9,188** |
| **Tax recognised in other comprehensive income for the year** | | **(774)** | - |
| **Total comprehensive income/(loss) for the year, net of tax** | | **24,993** | **(22,638)** |

All operations are continuing for the financial year.

The notes on pages 19 to 54 part of these financial statements.

## Consolidated statement of financial position as at 28 February 2018

| | Note | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 14 | 59,084 | 85,216 |
| Trade and other receivables | 14 | 90,697 | 89,036 |
| Prepayments and accrued revenue | | 19,985 | 18,210 |
| Current tax receivable | | 6,760 | 14,950 |
| Derivative financial assets | 14 | 5,485 | 1,038 |
| **Total current assets** | | **182,011** | **208,450** |
| **Non-current assets** | | | |
| Investments in joint ventures | 13 | 2,718 | 2,279 |
| Available for sale financial assets | 14 | 2,757 | 4,573 |
| Property, plant and equipment | 10 | 26,216 | 29,596 |
| Deferred tax assets | 9 | 1,451 | 8,889 |
| Intangible assets | 11 | 121,513 | 128,047 |
| **Total non-current assets** | | **154,655** | **173,384** |
| **Total Assets** | | **336,666** | **381,834** |
| **Current Liabilities** | | | |
| Trade and other payables | 14 | 112,887 | 85,295 |
| Borrowings | 14 | - | 61,311 |
| Derivative financial liabilities | 14 | 10 | 303 |
| Current tax payable | | 2,290 | 3,526 |
| Provisions | 12 | - | 29,496 |
| Deferred revenue | 20 | 9,967 | 11,378 |
| **Total current liabilities** | | **125,154** | **191,309** |
| **Non-current Liabilities** | | | |
| Deferred tax liabilities | 9 | 5,231 | 7,321 |
| Deferred revenue | 20 | 746 | 2,706 |
| Provisions | 12 | 454 | 410 |
| **Total non-current liabilities** | | **6,431** | **10,437** |
| **Total Liabilities** | | **131,585** | **201,746** |
| **Total Net Assets** | | **205,081** | **180,088** |
| **Equity** | | | |
| Share capital | 16 | 62 | 62 |
| Share premium | 16 | 4,420 | 4,420 |
| Retained earnings | | 193,963 | 172,820 |
| Cash flow hedge reserve | | 3,272 | (94) |
| Foreign currency translation reserve | | 3,364 | 2,880 |
| **Total equity attributable to holders of the parent** | | **205,081** | **180,088** |

The notes on pages 19 to 54 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:

R Wilson
Director
15 November 2018

Company No. 02388853

## Consolidated statement of changes in equity for the year ended 28 February 2018

| | Share capital | Share premium | Retained earnings | Cash flow hedge reserve | Foreign currency translation reserve | Total equity |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **At 1 March 2016** | **62** | **4,420** | **204,540** | **-** | **(6,296)** | **202,726** |
| Loss for the year | - | - | (31,826) | - | - | (31,826) |
| Other comprehensive income/(loss) | - | - | 106 | (94) | 9,176 | 9,188 |
| **Total comprehensive income for the year** | **-** | **-** | **(31,720)** | **(94)** | **9,176** | **(22,638)** |
| Equity dividends paid | - | - | - | - | - | - |
| **At 28 February 2017** | **62** | **4,420** | **172,820** | **(94)** | **2,880** | **180,088** |
| Profit for the year | - | - | 22,098 | - | - | 22,098 |
| Other comprehensive income | - | - | (955) | 3,366 | 484 | 2,895 |
| **Total comprehensive income for the year** | **-** | **-** | **21,143** | **3,366** | **484** | **24,993** |
| Equity dividends paid | - | - | - | - | - | - |
| **At 28 February 2018** | **62** | **4,420** | **193,963** | **3,272** | **3,364** | **205,081** |

## Consolidated statement of cash flows for the year ended 28 February 2018

| | Note | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Operating activities** | | | |
| **Cash generated from operations** | 19 | **74,206** | **40,549** |
| Net interest and other finance costs paid | | (125) | (572) |
| Tax paid | | (5,332) | (2,680) |
| **Net cash flows from operating activities** | | **68,749** | **37,297** |
| | | | |
| **Investing activities** | | | |
| Acquisition of subsidiary, net of cash acquired | | - | (22,045) |
| Purchase of property, plant and equipment | | (5,651) | (11,845) |
| Proceeds from sale of property, plant and equipment | | 180 | 1,153 |
| Purchase of intangible assets | | (10,009) | (6,678) |
| Purchase of available for sale financial assets | | (183) | (667) |
| Proceeds from disposal of available for sale financial assets | | 3,459 | - |
| Utilised deferred consideration | | (23,962) | |
| Distributions received from joint ventures | | 2,297 | 2,744 |
| Net cash flows used in investing activities | | **(33,869)** | **(37,338)** |
| | | | |
| **Financing activities** | | | |
| (Repayment) of/proceeds from borrowings | | (59,477) | 87 |
| Interest paid on borrowings (related party) | | (1,057) | (1,339) |
| **Net cash flows used in financing activities** | | **(60,534)** | **(1,252)** |
| | | | |
| **Net cash generated** | | **(25,654)** | **(1,293)** |
| Effects of exchange rate movements | | 1,356 | (1,478) |
| **Net decrease in cash and cash equivalents** | | **(24,298)** | **(2,771)** |
| Cash and cash equivalents at 1 March | | 83,382 | 86,153 |
| **Cash and cash equivalents at 28 February** | 14 | **59,084** | **83,382** |

## Notes to the financial statements

### 1. Corporate information

The consolidated financial statements of dunnhumby Limited (collectively, "the Group") for the year ended 28 February 2018 were authorised for issue in accordance with a resolution of the directors on 15 November 2018. 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. Until 31 July 2016, the registered office was located at Aurora House, 71-75 Uxbridge Road, London, W5 5SL. Since 1 August 2016, the registered office has been located at 184 Shepherd's Bush Road, London, W6 7NL.

The principal activity of the Group during the year under review was the provision of marketing and advertising services to retailers and consumer goods manufacturers around the world. Information on the Group's structure is provided in note 13. Information on other Group related party relationships is provided in note 18.

### 2. Significant accounting policies

#### Basis of preparation

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

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

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

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

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

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at 28 February 2018. 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
- The ability to use its power over the investee to affect its returns

**Notes to the financial statements (continued)**

**2. Significant Accounting Policies (continued)**

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
- The Group's voting rights and potential voting rights

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

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

**Business combinations and goodwill**

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

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

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

Goodwill is the difference between the company'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 re-assesses 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 re-assessment 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 each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the investee have been assigned to those units.

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.

**Notes to the financial statements (continued)**

**2. Significant Accounting Policies (continued)**

**Investments in joint ventures**
The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 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 equity accounted in these financial statements are prepared for the same reporting period as the Group.

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

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

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

**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 measure reliably the expenditure attributable to the intangible asset during its development.

**Notes to the financial statements (continued)**

**2. Significant Accounting Policies (continued)**

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

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

- Expected to be realised or intended to be sold or consumed in a normal operating cycle
- Held primarily for trading
- Expected to be realised within twelve months after the reporting period
- 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
- Not an unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

**Revenue recognition**
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated rebates and other similar allowances. The Group has concluded that it is the principal in all its revenue arrangements since it is the primary obligor, has pricing latitude and is exposed to credit risks.

*Professional Services and data access rights*
In respect of continuous services which are contracted to be provided over more than one accounting period, revenues are recognised on a straight-line basis over the life of the contract, subject to the following criteria being met.

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits will flow to the seller; the stage of completion at the balance sheet date can be measured reliably;
- and the costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

All other revenues are recognised when project deliverables have been accepted by the customer.

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

**Notes to the financial statements (continued)**

**2. Significant Accounting Policies (continued)**

**Revenue recognition (continued)**

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

**Direct costs**
Direct costs represent disbursements directly attributable to providing services and the revenue share paid to Tesco as part of the Commercial Services Agreement (CSA).

**Exceptional Items**
Judgement is used by the Group in assessing the particular items, which by virtue of their scale and nature, should be presented in the income statement and disclosed in the related notes as exceptional items. In determining whether an event or transaction is exceptional, quantitative as well as qualitative factors such as frequency or predictability of occurrence are considered. This is consistent with the financial performance is measured by management and reported to the Board.

**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 provision for impairment.

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

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax on the following temporary differences is not recognised: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using the tax rates enacted, or substantively enacted, at the balance sheet date.

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

**Notes to the financial statements (continued)**

**2. Significant Accounting Policies (continued)**

**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
- When receivables and payables are stated with the amount of sales tax included

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

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

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

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

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

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

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.

**Notes to the financial statements (continued)**

**2. Significant Accounting Policies (continued)**

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

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

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

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

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

**Leases**
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. An arrangement contains a lease if fulfilment of the arrangement is dependent on the use of a specific asset, or assets, and the arrangement conveys a right to use an asset, or assets, even if that right is not explicitly specified in the arrangement.

*Group as a lessee*
A lease is classified at the inception date as a finance lease or an operating lease. The Group does not hold any finance leases. Operating leases are in substance rental agreements and operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

*Group as a lessor*
A lease is classified at the inception date as a finance lease or an operating lease. The Group does not hold any finance leases. Operating leases are in substance rental agreements and operating lease receipts are recognised as operating income in the income statement on a straight-line basis over the lease term.

**Borrowing costs**
Borrowing costs are expensed in the period in which they are incurred unless they meet the criteria of IAS 23. They consist of interest and other costs related to the borrowing of funds.

**Notes to the financial statements (continued)**

**2. Significant Accounting Policies (continued)**

**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 over their estimated useful lives as follows:

| | **Internally generated software development costs** | **Technology** | **Customer Relationships** |
|---|---|---|---|
| Useful life | 5 years | 7 years | 5 years |
| Amortisation method | Straight-line | Straight-line | Straight-line |
| Internally generated or acquired | Internally generated | Acquired | Acquired |

Notes to the financial statements (continued)

2. Significant Accounting Policies (continued)

**Impairment of non-financial assets**

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

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

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

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

Impairment losses of continuing operations are recognised in the income statement, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

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

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

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

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

**Cash and short-term deposits**

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

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

**Notes to the financial statements (continued)**

**2. Significant Accounting Policies (continued)**

**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 a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

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

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

**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 certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- hedges of a risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges); or
- hedges of a net investment in a foreign operation (net investment 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.

**Notes to the financial statements (continued)**

**2. Significant Accounting Policies (continued)**

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

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

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

**Investments in joint ventures**
Investments in joint ventures are held at cost less accumulated impairment losses in the Group financial statements.

**Standards issued but not yet effective**

At the date of authorisation of these financial statements, the Group has not applied the following standards that have been issued, but are not yet effective. The Group has not adopted any new or amended standards early.

IFRS 15, 'Revenues from Contracts with Customers' is effective for periods commencing on or after 1 January 2018. The Group intends to adopt the standard retrospectively, with comparatives restated from a transition date of 1 March 2019.

IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue streams that will be impacted include certain media contracts fulfilled by the Group, for which the timing of revenue recognition will change. The full impact of future adoption is still being assessed.

IFRS 16, 'Leases' is effective for annual periods beginning on or after 1 January 2019. IFRS 16 provides a single lessee accounting model, requiring lessees to recognise right of use assets and lease liabilities for all applicable leases. The full impact of the future adoption is currently under review.

IFRS 9, The Group will apply IFRS 9 from 1 March 2018. The Group has elected not to restate comparatives on initial application of IFRS 9. The full impact of adopting IFRS 9 on the Group's consolidated financial statements will depend on the financial instruments that the Group has during 2018 as well as on economic conditions and judgements made as at the year end. The Group has performed a preliminary assessment of potential impact of adopting IFRS 9 based on the financial instruments and hedging relationships as at the date of initial application of IFRS 9 (1 January 2018).

There are no other IFRS or IFRIC interpretations that are not yet effective that are expected to have a material impact on the Group.

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying values of assets or liabilities affected, in future periods.

**Notes to the financial statements (continued)**

**2. Significant Accounting Policies (continued)**

Other disclosures relating to the Group's exposure to risks and uncertainties include:

- Capital management (Note 15)
- Financial risk management and policies (Note 15 and Note 2)
- Sensitivity analyses disclosures (Note 15)

**3. Key sources of estimation uncertainty**

The preparation of the consolidated Group 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.

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:

*Impairment of goodwill*
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. These calculations require the use of estimates as set out in note 11.

*Depreciation and amortisation*
The Group estimates the useful lives and residual values of its intangibles and items of property, plant and equipment. The assets are depreciated to their residual values over their useful lives.

*Fair value of derivatives and other financial instruments*
The Group makes estimates that are based on the market conditions in existence at the end of each reporting period. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using a valuation technique. The Group has used a discounted cash flow analysis to value forward exchange contracts that are not traded in an active market.

*Deferred tax assets*
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has £56.7m (2017: £46.9m) of tax losses carried forward. £54.5m of these losses relate to subsidiaries that have a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward. The balance of remaining tax losses, £2.2m, represent subsidiaries able to offset these losses, accordingly a deferred tax asset of £0.7m have been created.

## Notes to the financial statements (continued)

### 4. Revenue

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Revenue from services | 356,084 | 356,077 |
| Other operating income | 888 | 2,805 |
| Costs recharged to joint ventures | - | 2,971 |
| | **356,972** | **361,853** |

### 5. Exceptional items

| | Note | 2018 £000 | 2017 £000 |
|---|---|---|---|
| Impairment relating to Sociomantic cash generating unit | 11 | - | 45,802 |
| Technology asset accelerated depreciation | 10 | - | 9,000 |

### 6. Auditor's remuneration

| | 2018 £000 | 2017 £000 |
|---|---|---|
| ***Audit services*** | | |
| Audit of these financial statements | 95 | 85 |
| Audit of financial statements of subsidiaries of the company | 377 | 117 |
| **Total audit and audit-related services** | **472** | **202** |
| ***Non-audit services*** | | |
| Taxation compliance services | - | 146 |
| Taxation advisory services | - | - |
| All other non-audit services | 9 | 581 |
| **Total auditor's remuneration** | **481** | **929** |

Other non-audit services represent international employee services provided to expatriate employees throughout the Group.

## Notes to the financial statements (continued)

### 7. Employees

**Employee benefits**

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Wages and salaries and termination benefits | 106,383 | 105,697 |
| Severance costs | 101 | 5,868 |
| Social security costs | 11,746 | 13,053 |
| Pension costs – defined contribution plans | 2,820 | 3,506 |
| Other staff costs | 7,979 | 9,359 |
| **Total employee benefit expense** | **129,029** | **137,483** |

**Employees**

| | 2018 Number | 2017 Number |
|---|---|---|
| Monthly average number of people (including executive directors) employed: | | |
| Commercial | 858 | 900 |
| Development | 663 | 696 |
| Administrative | 314 | 330 |
| | **1,835** | **1,926** |

Details regarding directors' emoluments can be found in note 18, related party transactions.

### 8. Finance income and finance costs

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Borrowings (related party) | (1,057) | (1,339) |
| Unwinding of discounted deferred consideration on business combinations | (332) | (979) |
| Other interest costs | (385) | (136) |
| **Finance costs** | **(1,774)** | **(2,454)** |
| Interest income on short term bank deposits | 344 | 207 |
| Interest income on loans to related parties | - | 169 |
| Other interest income | 248 | 167 |
| **Finance income** | **592** | **543** |
| **Net finance costs** | **(1,182)** | **(1,911)** |

## Notes to the financial statements (continued)

### 9. Taxation

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Current tax** | | |
| Current year domestic tax | 14,202 | 10,272 |
| Adjustments for prior years | (3,020) | (11,336) |
| **Total current tax expense/(credit)** | **11,182** | **(1,064)** |
| | | |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | 3,059 | 567 |
| Deferred tax - prior year adjustment | 133 | (723) |
| Adjustments for prior years due to tax rate change | 766 | 67 |
| **Total deferred tax expense/(credit)** | **3,958** | **(89)** |
| | | |
| **Total income tax expense/(credit) for the year** | **15,140** | **(1,153)** |

Under adjustments for prior years a credit of £9.2m was include for the prior year (2018: £nil) due to claiming losses surrendered by other Tesco group companies under group relief. The Group is not required to make any payment for the losses claimed.

The deferred tax balance has been calculated at the rates substantively enacted at the balance sheet date. Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and 15 September 2016 respectively. UK deferred tax is therefore recognised at the rate of 17%.

**Factors affecting the tax expense/(credit) for the year**
The table below explains the differences between the expected tax expense/(credit) at the UK corporation tax rates and the Group's total tax expense/(credit):

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Profit/(loss) before tax** | **37,238** | **(32,979)** |
| Income tax using the domestic corporation tax rate 19.08% (2017 - 20%) | 7,105 | (6,596) |
| Effect of tax rates in foreign jurisdictions | (212) | 1,416 |
| Effect of tax rate change on deferred tax | 766 | 67 |
| Expenses not deductible for tax purposes | 1,240 | 1,352 |
| Tax effect of share of net income from joint ventures | (523) | (436) |
| Deferred tax on unremitted earnings | (492) | 1,637 |
| Impairments | - | 9,160 |
| Deferred tax not recognised | 2,231 | 2,489 |
| Utilisation of losses previously not recognised | (641) | - |
| Derecognition of previously recognised tax losses | 5,007 | 2,081 |
| State taxes | 13 | (103) |
| Withholding taxes and unrelieved overseas taxes | 3,533 | 3,849 |
| Group relief received for nil consideration | - | (4,000) |
| Non-taxable items | - | (10) |
| Adjustments relating to prior years- deferred tax | 133 | (723) |
| Adjustment relating to prior years – current tax | (3,020) | (11,336) |
| Total income tax and effective tax rate for the year | **15,140** | **(1,153)** |
| | 40.7% | 3.5% |

## Notes to the financial statements (continued)

### 9. Taxation (continued)

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Tax recognised in Other Comprehensive Income (OCI)** | | |
| Deferred tax charge relating to forward hedging contracts | 774 | - |

Deferred tax assets and liabilities are attributable to the following:

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Assets £000 | Liabilities £000 | Net Assets (liabilities) £000 | Assets £000 | Liabilities £000 | Net assets/ (liabilities) £000 |
| Property, plant and equipment | 1,772 | - | 1,772 | 2,050 | (206) | 1,844 |
| Intangible assets | - | (6,011) | (6,011) | - | (6,514) | (6,514) |
| Tax losses and allowances | 651 | - | 651 | - | - | - |
| Other temporary differences | 2,003 | (1,421) | 582 | 8,032 | (1,794) | 6,238 |
| Cash flow hedges | - | (774) | (774) | - | - | - |
| **Tax assets/liabilities** | **4,426** | **(8,206)** | **(3,780)** | **10,082** | **(8,514)** | **1,568** |
| Set-off of tax | (2,975) | 2,975 | - | (1,193) | 1,193 | - |
| **Net tax assets/liabilities** | **1,451** | **(5,231)** | **(3,780)** | **8,889** | **(7,321)** | **1,568** |

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

| | Balance at 1 March 2017 £000 | Translation Adjustment £000 | Other £000 | (Charged)/ credited to the Income Statement £000 | Charged directly to OCI £000 | Balance at 28 February 2018 £000 |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 1,844 | 10 | - | (82) | - | 1,772 |
| Intangible assets | (6,514) | (284) | - | 787 | - | (6,011) |
| Tax losses and allowances | - | (278) | - | 929 | - | 651 |
| Other temporary differences | 6,238 | (64) | - | (5,592) | - | 582 |
| Cash flow hedge | - | - | - | - | (774) | (774) |
| | **1,568** | **(616)** | **-** | **(3,958)** | **(774)** | **(3,780)** |

| | Balance at 1 March 2016 £000 | Translation Adjustment £000 | Other £000 | (Charged)/ credited to the Income Statement £000 | Charged directly to OCI £000 | Balance at 28 February 2017 £000 |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 653 | (52) | (362) | 1,605 | - | 1,844 |
| Intangible assets | (8,472) | (446) | 137 | 2,267 | - | (6,514) |
| Other temporary differences | 8,873 | 923 | 225 | (3,783) | - | 6,238 |
| | **1,054** | **425** | **-** | **89** | **-** | **1,568** |

The Group 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.

the balance sheet date. No deferred tax liability is recognised where the Group can control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

## Notes to the financial statements (continued)

### 9. Taxation (continued)

The Group has accounted for a deferred tax liability of £1.3m (2017: £1.8m) in respect of deferred tax that would arise if temporary differences on investments in subsidiaries and joint ventures were to be realised after The temporary differences associated with investments in subsidiaries and joint ventures for which a deferred tax liability has not been recognised aggregate to £2.8m (2017: £2.0m).

The Group has unused tax losses of £56.7m (2017: £46.9m), comprising trade losses of £38.3 (2017: £25.1m) and capital losses of £18.4m (2017: £24.1m), 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. Property, plant and equipment

| | Assets under construction | Leasehold improvements | Furniture and fittings | Motor vehicles | Computer equipment | Total |
|---|---|---|---|---|---|---|
| *Cost* | £000 | £000 | £000 | £000 | £000 | £000 |
| **As at 1 March 2016** | **9,257** | **8,477** | **4,474** | **93** | **35,186** | **57,487** |
| Additions | 358 | 9,425 | 873 | - | 1,189 | 11,845 |
| Disposals | - | (6,296) | (2,579) | - | (19) | (8,894) |
| Transfers | (8,271) | 8,271 | - | - | - | - |
| Exchange differences | (986) | 272 | 264 | - | 1,265 | 815 |
| **As at 28 February 2017** | **358** | **20,149** | **3,032** | **93** | **37,621** | **61,253** |
| Additions | 9 | 780 | 490 | - | 4,371 | 5,650 |
| Disposals | - | (14) | (63) | (73) | (238) | (388) |
| Exchange differences | 6 | (189) | (50) | - | (1,246) | (1,479) |
| **As at 28 February 2018** | **373** | **20,726** | **3,409** | **20** | **40,508** | **65,036** |
| ***Accumulated Depreciation*** | | | | | | |
| **As at 1 March 2016** | - | **(7,007)** | **(2,139)** | **(42)** | **(14,881)** | **(24,069)** |
| Depreciation charge for the year | - | (1,693) | (815) | (20) | (12,703) | (15,231) |
| Disposals | - | 6,279 | 1,444 | - | - | 7,723 |
| Exchange differences | - | (194) | (28) | - | 142 | (80) |
| **As at 28 February 2017** | - | **(2,615)** | **(1,538)** | **(62)** | **(27,442)** | **(31,657)** |
| Depreciation charge for the year | - | (1,871) | (760) | (8) | (5,920) | (8,559) |
| Disposals | - | 1 | 63 | 50 | 227 | 341 |
| Exchange differences | - | 122 | 37 | - | 897 | 1,056 |
| **As at 28 February 2018** | - | (4,363) | (2,198) | (20) | (32,238) | (38,819) |
| ***Net Book Value*** | | | | | | |
| **As at 29 February 2016** | **9,257** | **1,470** | **2,335** | **51** | **20,305** | **33,418** |
| **As at 28 February 2017** | **358** | **17,534** | **1,494** | **31** | **10,179** | **29,596** |
| **As at 28 February 2018** | **373** | **16,363** | **1,212** | - | **8,269** | **26,217** |

## Notes to the financial statements (continued)

### 11. Intangible assets

| *Cost* | Internally generated software development costs £000 | Internally generated software development costs (under construction) £000 | Technology £000 | Customer Relationship £000 | Goodwill £000 | Total £000 |
|---|---|---|---|---|---|---|
| **As at 1 March 2016** | **46,419** | **21,874** | **23,749** | **1,152** | **124,544** | **217,738** |
| Additions | 6,861 | - | - | - | - | 6,861 |
| Disposals | (183) | - | - | - | - | (183) |
| Transfers | 20,740 | (20,740) | - | - | - | - |
| Exchange differences | 1,821 | (1,134) | 1,705 | 83 | 9,018 | 11,493 |
| **As at 28 February 2017** | **75,658** | **-** | **25,454** | **1,235** | **133,562** | **235,909** |
| Additions | 10,009 | - | - | - | - | 10,009 |
| Exchange differences | (3,420) | - | 1,076 | 52 | 1,746 | (546) |
| **As at 28 February 2018** | **82,247** | **-** | **26,530** | **1,287** | **135,308** | **245,372** |
| ***Accumulated amortisation*** | | | | | | |
| **As at 1 March 2016** | **(17,974)** | **-** | **(5,690)** | **(443)** | **(15,474)** | **(39,581)** |
| Amortisation | (16,741) | - | (2,829) | (248) | - | (19,818) |
| Disposals | - | - | - | - | (45,801) | (45,801) |
| Exchange differences | (188) | - | (775) | (24) | (1,675) | (2,662) |
| **As at 28 February 2017** | **(34,903)** | **-** | **(9,294)** | **(715)** | **(62,950)** | **(107,862)** |
| Amortisation | (12,229) | - | (3,688) | (179) | - | (16,096) |
| Exchange differences | 447 | - | (393) | (30) | 75 | 99 |
| **As at 28 February 2018** | **(46,685)** | **-** | **(13,375)** | **(924)** | **(62,875)** | **(123,859)** |
| ***Net Book Value*** | | | | | | |
| **As at 29 February 2016** | **28,445** | **21,874** | **18,059** | **709** | **109,070** | **178,157** |
| **As at 28 February 2017** | **40,755** | **-** | **16,160** | **520** | **70,612** | **128,047** |
| **As at 28 February 2018** | **35,562** | **-** | **13,155** | **363** | **72,433** | **121,513** |

Research costs of £4.8m (2017: £4.7m) were expensed during the year.

**Notes to the financial statements (continued)**

**11. Intangible assets (continued)**

**Impairment test for goodwill**

Goodwill acquired through business combinations has been allocated to two Cash Generating Units (CGU's) as follows:

- dunnhumby Group cash-generating unit (excluding the Sociomantic Group of companies); and
- Sociomantic Group of companies (for the existing Sociomantic base business) cash-generating unit.

These represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

**dunnhumby Group Cash-Generating Unit**

The recoverable amount of the dunnhumby CGU goodwill 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 7.2% (2017: 9.87%). Cash flows beyond the five-year forecast period are extrapolated using a 2.1% growth rate (2017: 2.0%).

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

**Carrying amount of goodwill allocated to the cash-generating units:**

| | **dunnhumby Group** £000 |
|---|---|
| **1 March 2016** | 109,070 |
| Impairment loss | (45,801) |
| Exchange difference | 7,343 |
| **28 February 2017** | **70,612** |
| Exchange difference | 1,746 |
| **28 February 2018** | **72,358** |

**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.

## Notes to the financial statements (continued)

### 12. Provisions

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Current** | | |
| Dilapidations | - | 98 |
| Deferred consideration | - | 23,962 |
| Retention bonus | - | 5,436 |
| | **-** | **29,496** |
| **Non-current** | | |
| Dilapidations | 454 | 410 |
| **Total** | **454** | **29,906** |

| | Dilapidations £000 | Deferred Consideration £000 | Retention bonus £000 | Total £000 |
|---|---|---|---|---|
| **Carrying amount at 1 March 2016** | **1,902** | **46,618** | **3,837** | **52,357** |
| Charged/(credited) to profit or loss | | | | |
| - Additional provisions recognised | 97 | - | 2,289 | 2,386 |
| - Provisions no longer required | (674) | - | 35 | (639) |
| - Unwinding of discount | - | 979 | 164 | 1,143 |
| Utilised during the year | (805) | (26,165) | (1,169) | (28,139) |
| Exchange differences | (12) | 2,530 | 280 | 2,798 |
| **Carrying amount at 28 February 2017** | **508** | **23,962** | **5,436** | **29,906** |
| Charged/(credited) to profit or loss | | | | |
| - Additional provisions recognised | 190 | - | - | 190 |
| - Provisions no longer required | - | - | - | - |
| - Unwinding of discount | - | 332 | - | 332 |
| Utilised during the year | (241) | (26,802) | (5,436) | (32,479) |
| Exchange differences | (3) | 2,508 | - | 2,505 |
| **Carrying amount at 28 February 2018** | **454** | **-** | **-** | **454** |

**Dilapidations provision**

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

## Notes to the financial statements (continued)

### 12. Provisions (continued)

**Deferred consideration provision**

A provision made for a deferred consideration relating to a business combination was settled during the year.

**Retention provision**

A provision was created for retention payments to Sociomantic employees in the prior year. The provision was utilised in April 2017.

## Notes to the financial statements (continued)

### 13. Investments

The Group held ordinary share holdings in the following wholly owned subsidiaries as at 28 February 2018:

| Name of Company | Country of Incorporation | Registered Office |
|---|---|---|
| dunnhumby International Limited | UK | 184 Shepherds Bush Road, London W6 7NL. |
| Dunnhumby Holdings Limited | UK | 184 Shepherds Bush Road, London W6 7NL. |
| dunnhumby Trustees Ltd | UK | 184 Shepherds Bush Road, London W6 7NL. |
| dunnhumby Employment Company Limited | UK | 184 Shepherds Bush Road, London W6 7NL. |
| KSS Retail Limited | UK | 184 Shepherds Bush Road, London W6 7NL. |
| dunnhumby Overseas Limited | UK | 184 Shepherds Bush Road, London W6 7NL. |
| dunnhumby Ireland Limited | Ireland | FL3, 2 Harbour Square, Dun Laoghaire, Dublin, Eire |
| dunnhumby Slovakia s.r.o | Slovakia | Tesco Stores SR, Cesta na Senec 2, Bratislava 821 04, Slovakia |
| dunnhumby France SAS | France | 48 rue Cambon, 75001 Paris, France |
| dunnhumby Italia Srl. | Italy | Via Savonarola, 217, 35137 Padova, Italy |
| dunnhumby Australia | Australia | Level 21, 55 Collins Street, Melbourne 3000, Victoria, Australia |
| Sociomantic Labs GmbH | Germany | Paul-Lincke-Ufer 39/40, 10999 Berlin, Germany |
| Sociomantic Labs Services Web Ltda (Brazil) | Brazil | Av. Brigadeiro Luís Antônio, 3530 - Jardim Paulista São Paulo - SP 01402-001 Brazil |
| Sociomantic Labs LLC (Russia) | Russia | Spasopeskovsky pereulok 7/1 building 1, Moscow, 121099, Russian Federation |
| Sociomantic Labs Private Limited | India | 801, 8th Floor, Eltara Building Off. Orchard Avenue, Hiranandani Gardens, Powai Mumbai MH 400076 India |
| Sociomantic Labs Sp.z.o.o | Poland | Ul. Puławska 2, 8 piętro 00-566 Warszawa, Poland |
| Sociomantic Labs SARL (France) • | France | 18 Rue de la Pepiniere, 75008 Paris, France |
| Sociomantic Labs Inc. (USA) • | USA | Sociomantic Labs Inc.276 Fifth Avenue Suite 808New York, NY 10001 USA |
| Sociomantic Labs Ltd (UK) • | UK | 184 Shepherds Bush Road, London W6 7NL. |
| Sociomantic Labs S.L. (Spain) • | Spain | P° General Martínez Campos, 9 1° Izda, 28010 Madrid, Spain |
| Sociomantic Labs s.r.l. (Italy) • | Italy | Piazzale Biancamano, 8; 20121 Milano |
| Sociomantic Labs Pte. Ltd (Singapore) Δ• | Singapore | 30A Tanjong Pagar Road; Singapore 088453 |
| Sociomantic Labs B.V. (Netherlands) • | Netherlands | Danzigerkade 13H, 1013 DK Amsterdam, The Netherlands |
| Sociomantic Labs A.B. (Sweden) • | Sweden | Nortullsgatan 6, 113 29 Stockholm\| Sweden |
| Sociomantic Labs Internet Hizmetleri Ltd Sti | Turkey | Istiklal Cad. Beyoğlu İş Merkezi No: 187/5, 34433 Galatasaray - Istanbul, Turkey |
| Sociomantic labs s.r.o. | Czech Republic | Stefanikova 18/25, Smichov, 150 00 Praha 5, Czech Republik |
| Shuke advertising (Shanghai) Co., Ltd. | China | Office#886S,8/F,1111 Changshou Road, Jing'an District, Shanghai,200042. |
| dunnhumby Czech s.r.o. | Czech Republic | Tesco CR/SR, Vrsovicka 1527 /68B, 100 00 Praha 10 Ceska Republic |
| dunnhumby Hungary Kft | Hungary | Tesco Global, 2040 Budaros, Kinizsi Ut 1-3, Hungary |
| dunnhumby Poland Sp.z.o.o. | Poland | Biuro Glowne, UL Kapleanka 56, 30-347 Krakow, Poland |
| dunnhumby Information Technology & Consultancy Services LLC (Turkey) | Turkey | Yeni Havaalani Caddesi, No: 40 Cigli, Izmir 35610, Turkey |
| dunnhumby South Africa Pty Ltd | South Africa | 3rd Floor, 200 on Main, Cnr Main and Bowwood Roads, Claremont 7708, Cape Town, South Africa |
| dunnhumby Inc | USA | 424 Walnut Street, Suite 1800, Cincinnati, OH 45202, USA |
| dunnhumby Ventures LLC | USA | One East Fourth Street, Suite 1400, Cincinnati, OH 45202, USA |
| dunnhumby Consulting Canada Limited | Canada | Davis LLP, 2800 Park Place, 666 Burrand St., Vancouver, BC V6C 2Z7, Canada. |
| dunnhumby IT Services India Private Limited | India | S-22, Greater Kailash, Part 1, Lower Ground Floor, New Delhi 110048, India |
| dunnhumby Consulting Services India Pvt. Ltd. | India | 4th Floor, Tower B, Paras Twin Towers, Golf Course Road, Sector -54, Gurgaon 1220022, India |
| dunnhumby Japan K.K | Japan | 9th Floor, Shiroyama Trust Tower, 3-1, Toranomon 4-chome, Minato-ku, Tokyo, Japan |
| dunnhumby Korea Limited | Korea | 37th Floor, ASEM Tower, 517 Yeongdong-daero, Gangnam-gu, Seoul 135-798, South Korea |
| dunnhumby Malaysia Sdn Bhd | Malaysia | Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia |
| dunnhumby Information Technology Consulting Shanghai Company Limited Δ | China | Room 1001, Enterprise Development Tower No 398, Jiangsu Road, Changning District, Shanghai 200050, China |
| dunnhumby Thailand Limited | Thailand | No 319 Chamchuri Square Building, 16th Floor, Unit 01, Phayathi Road, Pathumwan District, Bangkok 10330, Thailand |
| dunnhumby Brasil Consultoria Ltda | Brazil | Avenida Brigadeiro Luiz, Antonio, No 3142, 6th Floor, Jardim Paulista, Sao Paulo 01402-901, Brazil |
| dunnhumby Colombia S.A.S Δ | Colombia | Calle 32b sur # 48 – 100, Envigado, Antioquia, Colombia |
| 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, Mexico |

Δ The financial year end of the subsidiary is not aligned with that of the parent, dunnhumby Limited.

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

## Notes to the financial statements (continued)

### 13. Investments (continued)

**Significant restrictions**

Cash and short-term deposits of £0.8m (2017: £1.6m) are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

**Interests in Joint Ventures**

Set out below are the joint ventures of the Group as at 28 February 2018. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. All the entities provide marketing and advertising services to retailers and consumer goods manufacturers.

| | | % of ownership interest | | | |
|---|---|---|---|---|---|
| Name of entity | Place of business/ country of incorporation | 2018 | 2017 | Class of share held | Measurement method |
| dunnhumby Canada Limited | Canada | 50% | 50% | Ordinary | Equity-accounted |
| dunnhumby Norge A.S | Norway | 50% | 50% | Ordinary | Equity-accounted |

The registered office of dunnhumby Canada limited is 7151 Jean-Talon East, Montreal, Quebec, Canada, H1M 3NB. The registered office of dunnhumby Norge A.S is Rosenkrantz gate 16, 0160, Oslo, Norway.

***Carrying value of joint ventures***

| | Total £000 |
|---|---|
| **As at 1 March 2016** | **2,374** |
| Share of profit | 2,575 |
| Dividends received | (2,744) |
| Disposal | 162 |
| Re-categorisation as subsidiary | (599) |
| Exchange differences | 511 |
| **As at 28 February 2017** | **2,279** |
| Share of profit | 2,736 |
| Dividends received | (2,297) |
| **At 28 February 2018** | **2,718** |

Profit after tax, share capital and reserves of dunnhumby Canada Limited and dunnhumby Norge A.S. are as follows:

| | Year ended 28 February 2018 | As at 28 February 2018 | | Year ended 28 February 2017 | As at 28 February 2017 | |
|---|---|---|---|---|---|---|
| Name of entity | Profit after tax £000 | Share Capital £000 | Reserves £000 | Profit after tax £000 | Share Capital £000 | Reserves £000 |
| dunnhumby Canada Limited | 3,054 | 1 | 1,092 | 2,217 | 1 | 1,625 |
| dunnhumby Norge A.S | 2,418 | 455 | 2,803 | 1,548 | 532 | 1,493 |

**Notes to the financial statements (continued)**

## 14. Financial assets and financial liabilities

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

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

The fair value hierarchy is categorised as follows:

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

The Group holds the following financial instruments:

| Financial Assets | Fair Value Hierarchy | Assets at FVTOCI* | Assets at FVTPL** | Financial assets at amortised cost | Total |
|---|---|---|---|---|---|
| **2018** | | £000 | £000 | £000 | £000 |
| Cash and cash equivalents | | - | - | 59,084 | 59,084 |
| Trade and other receivables | | - | - | 90,697 | 90,697 |
| Derivative financial instruments | Level 2 | - | 5,485 | - | 5,485 |
| Available for sale financial assets | Level 3 | 2,757 | - | - | 2,757 |
| | | **2,757** | **5,485** | **149,781** | **158,023** |
| **2017** | | | | | |
| Cash and cash equivalents | | - | - | 85,216 | 85,216 |
| Trade and other receivables | | - | - | 89,036 | 89,036 |
| Derivative financial instruments | Level 2 | - | 1,038 | - | 1,038 |
| Available for sale financial assets | Level 3 | 4,573 | - | - | 4,573 |
| | | **4,573** | **1,038** | **174,252** | **179,863** |

*At Fair Value through Other Comprehensive Income (FVTOCI)
** At Fair Value through Profit and Loss (FVTPL)

| Financial Liabilities | Fair Value Hierarchy | Liabilities at FVTPL** | Financial Liabilities at amortised cost | Total |
|---|---|---|---|---|
| **2018** | | £000 | £000 | £000 |
| Trade and other payables | | - | 112,887 | 112,887 |
| Borrowings | | - | - | - |
| Derivative financial instruments | Level 2 | 10 | - | 10 |
| | | **10** | **112,887** | **112,897** |
| **2017** | | | | |
| Trade and other payables | | - | 85,295 | 85,295 |
| Borrowings | | - | 59,477 | 59,477 |
| Bank overdraft | | - | 1,834 | 1,834 |
| Derivative financial instruments | Level 2 | 303 | - | 303 |
| | | **303** | **146,606** | **146,909** |

** At Fair Value through Profit and Loss (FVTPL)

**Notes to the financial statements (continued)**

**14. Financial assets and financial liabilities (continued)**

The Group's exposure to various risks associated with the financial instruments is discussed in note 15. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset shown above.

**Reconciliation Cash and cash equivalents to cash flow statement**

| | At 28 February 2017 | Cash Flow | Foreign exchange movement | At 28 February 2018 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Cash and cash equivalents** | 85,216 | (29,173) | 3,041 | **59,084** |
| **Bank overdraft** | (1,834) | 1,834 | - | - |
| **Balance per statement of cash flows** | **83,382** | **(27,339)** | **3,041** | **59,084** |

**Trade and other receivables - current**

| | Trade Receivables | Doubtful debts impairment | Receivables from related parties | Other receivables | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| As at 28 Feb 2018 | 70,975 | (1,378) | 11,276 | 9,824 | 90,697 |
| As at 28 Feb 2017 | 83,423 | (1,330) | - | 6,943 | 89,036 |

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

***Other and related party receivables***
Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

***Fair values of trade and other receivables***
Due to the short-term nature of current receivables their carrying amount is not materially different to their fair value.

***Impairment and risk exposure***
Information about the impairment of trade and other receivables, their credit worthiness, and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 15.

**Notes to the financial statements (continued)**

**14. Financial assets and financial liabilities (continued)**

**Available for sale financial assets**

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| **Non-Current Assets:** | | |
| Unlisted equity securities | 2,757 | 4,573 |

***Classification of financial assets as available-for-sale***
Financial assets are designated as available-for-sale 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 available-for-sale category. The available-for-sale 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 available-for-sale financial assets***
See note 2 for further details about the Group's impairment policies for financial assets.

***Measurement***
The Group accounts for its unlisted equity securities in accordance with IFRS 39 (or is IAS 36 applicable), measured at the lower of carrying value and fair value less costs of disposal.

**Trade and other payables - current**

| | Trade Payables | Payroll tax and other statutory liabilities | Payables to related parties | Other payables | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| As at 28 February 2018 | 64,312 | 10,610 | 17,030 | 20,935 | 112,887 |
| As at 28 February 2017 | 64,599 | 8,141 | - | 12,555 | 85,295 |

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.

## Notes to the financial statements (continued)

### 14. Financial assets and financial liabilities (continued)

**Borrowings**

| | Bank overdrafts | Loans from related parties | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| Current | - | - | - |
| **As at 28 February 2018** | - | - | - |
| Current | 1,834 | 59,477 | 61,311 |
| **As at 28 February 2017** | **1,834** | **59,477** | **61,311** |

*Loans from related parties*
The loan from Tesco Holdings Limited was repaid during the 2018 financial year.

*Overdrafts*
The bank overdraft of Sociomantic GmbH was settled during the 2018 financial year.

**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:

| | 2018 | 2017 |
|---|---|---|
| **Current Assets** | £000 | £000 |
| Forward foreign exchange contracts – cash flow hedges | 4,528 | 144 |
| Forward foreign exchange contracts – not designated | 957 | 894 |
| | **5,485** | **1,038** |
| **Current Liabilities** | | |
| Forward foreign exchange contracts – cash flow hedges | - | 473 |
| Forward foreign exchange contracts – not designated | 10 | (170) |
| | **10** | **303** |

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.

*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 of goods for resale, where those purchases are denominated in a currency other than the functional currency of the purchasing company. Where these contracts qualify for hedge accounting, fair value gains and losses are deferred in equity. These hedging instruments are primarily used to hedge purchases in Euros and US Dollars. The cash flows hedged will be recognised in the consolidated statement of profit or loss within one year of the balance sheet date.

**Recognised fair value measurements**

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

**Notes to the financial statements (continued)**

**14. Financial assets and financial liabilities (continued)**

**Fair value measurements using significant unobservable inputs (Level 3)**

The following table presents the changes in Level 3 items:

| | Unlisted equity securities £000 |
|---|---|
| **1 March 2016** | **3,507** |
| Additions | 667 |
| Revaluation | 106 |
| Exchange difference | 293 |
| **28 February 2017** | **4,573** |
| Additions | 183 |
| Disposals | (3,459) |
| Revaluation | 1,896 |
| Exchange difference | (436) |
| **28 February 2018** | **2,757** |

**15. 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 between 80-100% of its forecasted foreign exchange intercompany trading cash flows, for a duration of between three and twelve months, using forward contracts transacted mainly with Tesco Group treasury. Forward contracts are only used for cash flow hedging purposes and not as trading or speculative instruments and are accounted for at fair value through profit or loss unless they are designated as cash flow hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

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

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

## Notes to the financial statements (continued)

### 15. Financial risk management (continued)

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

**Currency profile of financial instruments**

| 2018 | GBP | USD | EUR | Other | Total |
|---|---|---|---|---|---|
| **Assets** | £000 | £000 | £000 | £000 | £000 |
| Cash | 17,140 | 4,029 | 9,586 | 28,329 | 59,084 |
| Trade and other receivables | 45,053 | 3,564 | 17,140 | 24,940 | 90,697 |
| Derivative financial assets | 5,485 | - | - | - | 5,485 |
| Available for Sale Financial Assets | - | 2,650 | - | 107 | 2,757 |
| | **67,678** | **10,243** | **26,726** | **53,376** | **158,023** |
| **Liabilities** | | | | | |
| Trade and other payables | 74,886 | 4,480 | 16,925 | 16,596 | 112,887 |
| Derivative financial liabilities | 10 | - | - | - | 10 |
| | **74,896** | **4,480** | **16,925** | **16,596** | **112,897** |

| 2017 | GBP | USD | EUR | Other | Total |
|---|---|---|---|---|---|
| **Assets** | £000 | £000 | £000 | £000 | £000 |
| Cash | 72,461 | 11,141 | 1,408 | 206 | 85,216 |
| Trade and other receivables | 45,557 | 5,962 | 17,012 | 20,505 | 89,036 |
| Derivative Financial Instruments | (3) | 913 | 112 | 16 | 1,038 |
| Available for Sale Financial Assets | - | 4,573 | - | - | 4,573 |
| | **118,015** | **22,589** | **18,532** | **20,727** | **179,863** |
| **Liabilities** | | | | | |
| Trade and other payables | 58,767 | 4,867 | 14,438 | 7,223 | 85,295 |
| Borrowings – Current | 59,478 | - | 1,833 | - | 61,311 |
| Derivative Financial Instruments - Current | (170) | - | 144 | 329 | 303 |
| | **118,075** | **4,867** | **16,415** | **7,552** | **146,909** |

**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:

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Net foreign exchange (loss)/gain included in general and administrative costs | (4,003) | 3,740 |

## Notes to the financial statements (continued)

### 15. Financial risk management (continued)

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

| **Impact on equity - gain** | 2018<br>£000 | 2017<br>£000 |
|---|---|---|
| 10% appreciation of the US dollar | 576 | 1,772 |
| 5% appreciation of the Euro | 490 | 106 |

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 owed by the Group's customers;
- 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.

## Notes to the financial statements (continued)

### 15. Financial risk management (continued)

#### Impairment

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

- default event, or financial difficulties suggest that a default event is probable; or
- significant delinquency in payments (more than 180 days overdue).

Receivables for which an impairment provision was created are written off against the provision when there is no expectation of recovering any money. All impairment losses are recognised in the statement of profit or loss within general and administrative costs. Subsequent recoveries of amounts previously written off are credited to general and administrative costs.

The credit quality of the Group's financial assets that are neither past due, nor impaired, are assessed in relation to external credit ratings (if available) or historical information about counterparty default tendencies.

The amount of trade and other receivables past due for which an impairment has been created is as follows:

| | 2018<br>£000 | 2017<br>£000 |
|---|---|---|
| Up to six months' past due | 592 | 29 |
| Over six months' past due | 786 | 992 |
| | **1,378** | **1,021** |

The amount of trade and other receivables past due for which **no** impairment has been created is as follows:

| | 2018<br>£000 | 2017<br>£000 |
|---|---|---|
| Up to six months' past due | 34,195 | 37,838 |
| Over six months' past due | 395 | 220 |
| | **34,590** | **38,058** |

#### 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, whilst passing excess cash to Tesco by way of either intercompany loans or dividends. Cash flow forecasts that have been prepared are regularly monitored against budgets and plans.

In addition to its borrowings from Tesco Holdings Limited, the Group had access to the following undrawn borrowing facilities at Deutsche Bank at the end of the reporting period:

| | 2018<br>£000 | 2017<br>£000 |
|---|---|---|
| Floating rate | | |
| -Expiring within one year | 700 | 700 |

The bank overdraft facilities may be drawn at any time and may be terminated by the bank with four months' notice.

**Notes to the financial statements (continued)**

**15. Financial risk management (continued)**

***Maturities of financial liabilities***

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

| | Within 1 year | 1-2 years | 2-5 years | Total |
|---|---|---|---|---|
| **2018** | £000 | £000 | £000 | £000 |
| Trade and other payables | 112,887 | - | - | 112,887 |
| Derivative financial liabilities | 10 | - | - | 10 |
| | **112,897** | - | - | **112,897** |
| **2017** | | | | |
| Trade and other payables | 85,295 | - | - | 85,295 |
| Short term borrowings | 61,311 | - | - | 61,311 |
| Derivative financial liabilities | 303 | - | - | 303 |
| | **146,909** | - | - | **146,909** |

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 staff.

dunnhumby monitors capital in relation to its gearing ratio which was as follows for the current and prior years:

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Total Borrowings | - | 61,311 |
| Less: Cash and cash equivalents | 59,084 | 85,216 |
| **Adjusted Net Debt/(Cash)** | **(59,084)** | **(23,905)** |
| Total equity | 205,081 | 180,088 |
| **Adjusted equity** | **205,081** | **180,088** |
| **Gearing Ratio** | -28.8% | -13.2% |

## Notes to the financial statements (continued)

### 16. Share capital and share premium

| | Number of shares | Share capital* £000 | Share Premium £000 | Total £000 |
|---|---|---|---|---|
| As at 28 February 2018 | 1,248,550 | 62 | 4,420 | 4,482 |
| As at 28 February 2017 | 1,248,550 | 62 | 4,420 | 4,482 |

* Ordinary shares of 5 pence each, allotted, called up and fully paid.

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 2018. 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.

### 17. Capital commitments and contingencies

#### Capital commitments

Significant capital expenditure contracted for at the end of the reporting period, but not recognised in the financial statements as it does not meet the definition of a liability, is as follows:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Business systems implementation | - | 7,617 |

#### Operating lease agreements where the Group is the lessee

Future minimum rentals payable under non-cancellable operating leases are as follows:

| **Amounts payable:** | 2018 £000 | 2017 £000 |
|---|---|---|
| Within one year | 6,954 | 4,813 |
| After one year but not more than five years | 22,174 | 20,556 |
| After five years | 35,964 | 31,006 |
| | **65,092** | **56,375** |
| **Rental expense relating to operating leases:** | | |
| Minimum lease payments | 7,647 | 8,805 |

Operating lease payments mainly represent rent payable by the Group for the use of office space. Some of these operating lease arrangements have renewal options and rental escalation clauses with the most significant property lease allowing for rent reviews every five years.

#### Operating lease agreements where the Group is the lessor

During the year, the Group entered into a sub-lease agreement with a tenant for the lease of part of the premises in the Brook Green building in London. The arrangement is expected to generate rental income until 31 January 2031, as well as create additional operational cost savings.

## Notes to the financial statements (continued)

### 17. Capital commitments and contingencies (continued)

**Operating lease agreements where the Group is the lessor (continued)**

At the balance sheet date, the following future minimum lease amounts are contractually receivable from the tenant

| Amounts receivable: | 2018 £000 | 2017 £000 |
|---|---|---|
| Within one year | 2,048 | - |
| After one year but not more than five years | 8,194 | - |
| After five years | 16,216 | - |
| | **26,458** | - |

Other income, as noted in Consolidated statement of profit and loss, relates to a sub-lease agreement that the Group concluded during the year with a tenant for the lease of part of the premises at the Brook Green building in London. The arrangement is expected to generate rental income until 31 January 2031, as well as create additional operational cost savings.

### 18. Related party transactions

Note 13 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:

| Transactions with joint ventures | 2018 £000 | 2017 £000 |
|---|---|---|
| Sales | 9,329 | 8,018 |
| Costs recharged to joint ventures | - | 2,971 |
| Purchases | - | 280 |
| Interest income from joint ventures | - | 113 |
| Dividends from joint ventures | 2,297 | 2,615 |
| **Balances with joint ventures** | | |
| Receivables | 1,395 | 493 |
| Payables | 36 | - |
| **Transactions with Tesco PLC and its subsidiaries** | | |
| Sales | 70,992 | 55,990 |
| Purchases | 60,213 | 34,708 |
| Interest expense | 1,057 | 1,339 |
| **Balances with Tesco PLC and its subsidiaries** | | |
| Receivables | 9,881 | 13,978 |
| Payables | 16,994 | 6,457 |
| Loans payable | - | 59,478 |

**Notes to the financial statements (continued)**

**18. Related party transactions (continued)**

**Compensation of key management personnel of the Group**

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

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Short-term benefits | 2,178 | 4,444 |
| Post-employment pension and medical benefits | 96 | 29 |
| Termination benefits | 446 | 369 |
| Share based payment transactions | 652 | 82 |
| **Total compensation paid to key management personnel** | **3,372** | **4,924** |

The highest paid director's emoluments were as follows:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Total emoluments (excluding pension contributions) | 1,115 | 1,253 |
| Pension contributions to money purchase schemes | 39 | 19 |

All directors are members of a money purchase pension scheme. No share options were exercised, and no shares were received by the directors during the year and up to the date of this report.

**19. Cash flow information**

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

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Profit/(loss) for the year after tax** | **22,098** | **(31,826)** |
| Income tax charge/(credit) | 15,140 | (1,153) |
| **Non-cash adjustments to reconcile profit/(loss) for the year to net cash flows:** | | |
| Depreciation of property plant and equipment | 8,559 | 15,231 |
| Amortisation of intangible assets | 16,096 | 19,817 |
| Impairment of intangible assets | - | 45,802 |
| (Profit)/loss on disposal of property, plant and equipment | (133) | 17 |
| Net finance cost | 1,182 | 1,911 |
| Fair value gains on derivatives | (1,374) | (4,547) |
| Share of profits from joint ventures | (2,736) | (2,178) |
| Fair value adjustment on available for sale financial assets | (2,415) | - |
| **Working capital changes** | | |
| Decrease/(increase) in trade and other receivables | 4,831 | (6,917) |
| Increase in trade and other payables | 12,958 | 4,392 |
| Cash generated from operations | **74,206** | **40,549** |

Notes to the financial statements (continued)

## 20. Deferred revenue

| Billing in advance of work completed | 2018 £000 | 2017 £000 |
|---|---|---|
| Current | 9,967 | 11,378 |
| Non-current | 746 | 2,706 |
| | **10,713** | **14,084** |

## 21. Events after the balance sheet date

On 16 May 2018, The Group entered into an agreement to purchase the assets of Aptaris Software for $16.5m.

On 9 July 2018, a number of intangible assets relating to the BzzAgent brand were sold for £0.2m, generating a profit on disposal of £0.1m.

## 22. Ultimate parent

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 2018.

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

## Parent company statement of comprehensive income for the year ended 28 February 2018

| | 2018<br>£000 | 2017<br>£000 |
|---|---|---|
| **Profit for the year** | **13,835** | **(79,436)** |
| **Other comprehensive income:** | | |
| *Other comprehensive income to be reclassified to profit or loss in subsequent periods:* | | |
| Increase/(decrease) in the fair value of the cash flow hedge | 4,140 | (94) |
| **Other comprehensive income/(loss) for the year** | **4,140** | **(94)** |
| **Tax recognised in other comprehensive income for the year** | **(774)** | **-** |
| **Total comprehensive loss for the year, net of tax** | **17,201** | **(79,530)** |

All operations are continuing for the financial year.

## Parent company statement of financial position as at 28 February 2018

| | Note | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 746 | 45,568 |
| Trade and other receivables | 7 | 58,673 | 50,053 |
| Prepayments and accrued revenue | | 11,510 | 10,938 |
| Current tax receivable | | 5,388 | 13,238 |
| Derivative financial assets | 10 | 5,485 | 1,038 |
| **Total current assets** | | **81,802** | **120,835** |
| | | | |
| **Non-current assets** | | | |
| Investments | 6 | 64,396 | 64,149 |
| Property, plant and equipment | 4 | 19,886 | 20,753 |
| Deferred tax assets | 3 | 946 | 2,253 |
| Intangible assets | 5 | 37,225 | 38,957 |
| **Total non-current assets** | | **122,453** | **126,112** |
| | | | |
| **Total Assets** | | **204,255** | **246,947** |
| | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 8 | 106,623 | 82,319 |
| Short term borrowings | | - | 59,478 |
| Derivative financial liabilities | 10 | 10 | 303 |
| Short term provisions | 9 | - | 23,963 |
| Short term deferred revenue | | 2,027 | 2,680 |
| **Total current liabilities** | | **108,660** | **168,743** |
| | | | |
| **Non-current Liabilities** | | | |
| Long term provisions | 9 | 356 | 166 |
| **Total non-current liabilities** | | **356** | **166** |
| | | | |
| **Total Liabilities** | | **109,016** | **168,909** |
| **Total Net Assets** | | **95,239** | **78,038** |
| | | | |
| **Equity** | | | |
| Share capital | 11 | 62 | 62 |
| Share premium | 11 | 4,420 | 4,420 |
| Retained earnings | | 87,485 | 73,650 |
| Cash flow hedge reserve | | 3,272 | (94) |
| **Total Shareholder's funds** | | **95,239** | **78,038** |

The profit after tax recorded in the financial statements of the parent Company is £13.8m (2017: loss of £79.4m). The notes on pages 62 to 67 form part of these company financial statements.

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

R Wilson
Director
15 November 2018

## Parent company statement of changes in equity for the year ended 28 February 2018

| | Share capital | Share Premium | Retained earnings | Cash flow hedge reserve | Total equity |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **At 1 March 2016** | **62** | **4,420** | **153,086** | **-** | **157,568** |
| Loss for the year | - | - | (79,436) | - | (79,436) |
| Other comprehensive loss | - | - | - | (94) | (94) |
| **Total comprehensive loss for the year** | - | - | (79,436) | (94) | (79,530) |
| Equity dividends paid | - | - | - | - | - |
| **At 28 February 2017** | **62** | **4,420** | **73,650** | **(94)** | **78,038** |
| Profit for the year | - | - | 13,835 | - | 13,835 |
| Other comprehensive income | - | - | - | 3,366 | 3,366 |
| **Total comprehensive income for the year** | - | - | 13,835 | 3,366 | 17,201 |
| Equity dividends paid | - | - | - | - | - |
| **At 28 February 2018** | **62** | **4,420** | **87,485** | **3,272** | **95,239** |

## Notes to the Parent company financial statements

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

The parent company financial statements of dunnhumby Limited (the "Company") for the year ended 28 February 2018 were authorised for issue by the board of directors on 15 November 2018 and was signed on the board's behalf by G Bacuvier. Dunnhumby Limited is a private company limited by shares registered in England and Wales and incorporated in the United Kingdom under the Companies Act 2006.

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

### Accounting policies basis of preparation

The accounting policies of the Company are in line with the Group policies which are set out on pages 19 to 30 of these financial statements. The financial statements are prepared in Sterling and are rounded to the nearest thousand pounds (£000).

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

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 B67of IFRS 3 Business Combinations
- 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:
  o paragraph 79(a)(iv) of IAS 1;
  o paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  o paragraph 118(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;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- 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

## Notes to the Parent company financial statements (continued)

### Accounting policies basis of preparation (continued)

The preparation of the Company's Group 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.

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:

*Impairment of goodwill*
The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. These calculations require the use of estimates as set out in note 11.

*Depreciation and amortisation*
The Company estimates the useful lives and residual values of its intangibles and items of property, plant and equipment. The assets are depreciated to their residual values over their useful lives.

*Fair value of derivatives and other financial instruments*
The Company makes estimates that are based on the market conditions in existence at the end of each reporting period. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using a valuation technique. The Group has used a discounted cash flow analysis to value forward exchange contracts that are not traded in an active market.

*Deferred tax assets*
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

### 2. Employees

### Employee benefits

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Wages and salaries and termination benefits | 30,724 | 31,964 |
| Restructuring costs | 101 | 5,868 |
| Social security costs | 6,411 | 8,023 |
| Pension costs – defined contribution plans | 1,425 | 2,122 |
| Other staff costs | 3,701 | 4,850 |
| **Total employee benefit expense** | **42,362** | **52,827** |

### Employees

| | 2018 Number | 2017 Number |
|---|---|---|
| Monthly average number of people (including executive directors) employed: | | |
| Commercial | 306 | 357 |
| Development | 235 | 275 |
| Administrative | 112 | 131 |
| | **653** | **763** |

## Notes to the Parent company financial statements (continued)

### 3. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Assets | Liabilities | Net assets/ liabilities | Assets | Liabilities | Net assets/ liabilities |
| Property, plant and equipment | 1,772 | - | 1,772 | 2,052 | - | 2,052 |
| Intangible assets | - | (1,257) | (1,257) | - | (774) | (774) |
| Other temporary differences | 430 | - | 430 | 975 | - | 975 |
| **Tax assets/liabilities** | **2,202** | **(1,257)** | **945** | **3,027** | **(774)** | **2,253** |
| Set off of tax | (1,257) | 1,257 | - | (774) | 774 | - |
| **Net tax assets/liabilities** | **945** | **-** | **945** | **2,253** | **-** | **2,253** |

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

| | Balance at 1 March 2017 £000 | Transfers between categories £000 | (Charged)/ credited in the Income Statement £000 | Charged directly to OCI £000 | Balance at 28 February 2018 £000 |
|---|---|---|---|---|---|
| Property, plant and equipment | 2,052 | - | (280) | - | 1,772 |
| Intangible assets | (774) | - | (483) | - | (1,257) |
| Other temporary differences | 975 | - | 229 | (774) | 430 |
| | **2,253** | **-** | **(534)** | **(774)** | **945** |

| | Balance at 1 March 2016 £000 | Transfers between categories £000 | (Charged)/ credited in the Income Statement £000 | Charged directly to OCI £000 | Balance at 28 February 2017 £000 |
|---|---|---|---|---|---|
| Property, plant and equipment | 1,344 | 1 | 707 | - | 2,052 |
| Intangible assets | (2,068) | - | 1,294 | - | (774) |
| Other temporary differences | 450 | - | 525 | - | 975 |
| | **(274)** | **1** | **2,526** | **-** | **2,253** |

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.

**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 |
| **As at 1 March 2016** | **8,271** | **6,309** | **2,854** | **93** | **24,500** | **42,027** |
| Additions | 358 | 8,250 | 503 | - | 637 | 9,748 |
| Transfers | (8,271) | 8,271 | - | - | - | - |
| Disposals | - | (6,296) | (2,516) | - | - | (8,812) |
| **As at 28 February 2017** | **358** | **16,534** | **841** | **93** | **25,137** | **42,963** |
| Additions | 9 | 365 | 110 | - | 4,208 | 4,692 |
| Disposals | (42) | (14) | (44) | (73) | - | (174) |
| **As at 28 February 2018** | **325** | **16,885** | **907** | **20** | **29,345** | **47,482** |
| ***Accumulated Depreciation*** | | | | | | |
| **As at 1 March 2016** | - | **(5,789)** | **(1,495)** | **(42)** | **(13,230)** | **(20,556)** |
| Depreciation charge for the year | - | (1,187) | (415) | (20) | (7,755) | (9,377) |
| Disposals | - | 6,279 | 1,444 | - | - | 7,723 |
| **As at 28 February 2017** | - | **(697)** | **(466)** | **(62)** | **(20,985)** | **(22,210)** |
| Depreciation charge for the year | - | (1,226) | (209) | (8) | (4,116) | (5,559) |
| Disposals | - | 1 | 122 | 50 | - | 173 |
| **As at 28 February 2018** | - | **(1,922)** | **(553)** | **(20)** | **(25,100)** | **(27,596)** |
| ***Net Book Value*** | | | | | | |
| **As at 29 February 2016** | **8,271** | **520** | **1,359** | **51** | **11,270** | **21,471** |
| **As at 28 February 2017** | **358** | **15,837** | **375** | **31** | **4,152** | **20,753** |
| **As at 28 February 2018** | **325** | **14,963** | **354** | - | **4,244** | **19,886** |

## Notes to the Parent company financial statements (continued)

### 5. Intangible assets

| | Internally generated software development costs | Internally generated software development costs (under construction) | Total |
|---|---|---|---|
| *Cost* | £000 | £000 | £000 |
| **As at 1 March 2016** | **42,926** | **20,740** | **63,666** |
| Additions | 5,017 | 1,843 | 6,860 |
| Transfers | 20,335 | (20,335) | - |
| Disposals | - | (182) | (182) |
| **As at 28 February 2017** | **68,278** | **2,066** | **70,344** |
| Additions | 170 | 10,128 | 10,298 |
| Transfers | 4,418 | (4,418) | - |
| **As at 28 February 2018** | **72,866** | **7,776** | **80,642** |
| | | | |
| *Accumulated amortisation* | | | |
| **As at 1 March 2016** | **(15,294)** | **-** | **(15,294)** |
| Amortisation | (16,093) | - | (16,093) |
| **As at 28 February 2017** | **(31,387)** | **-** | **(31,387)** |
| Amortisation | (12,030) | - | (12,030) |
| **As at 28 February 2018** | **(43,417)** | **-** | **(43,417)** |
| | | | |
| *Net Book Value* | | | |
| **As at 29 February 2016** | **27,632** | **20,740** | **48,372** |
| **As at 28 February 2017** | **36,891** | **2,066** | **38,957** |
| **As at 28 February 2018** | **29,449** | **7,776** | **37,225** |

### 6. Investments

| | Subsidiary undertakings | Joint Ventures | Total |
|---|---|---|---|
| *Cost:* | £000 | £000 | £000 |
| **as at 1 March 2016** | **131,045** | **276** | **131,321** |
| Transfer / Disposal | - | (1) | (1) |
| **as at 28 February 2017** | **131,045** | **275** | **131,320** |
| Additions | 41,188 | - | 41,188 |
| **as at 28 February 2018** | **172,233** | **275** | **172,508** |
| | | | |
| *Accumulated impairment* | | | |
| **As at 1 March 2016** | **(21,369)** | **-** | **(21,369)** |
| Impairment charge | (45,802) | - | (45,802) |
| **as at 28 February 2017** | **(67,171)** | **-** | **(67,171)** |
| Impairment charge | (40,942) | - | (40,942) |
| **as at 28 February 2018** | **(108,113)** | **-** | **(108,113)** |
| | | | |
| *Net book value* | | | |
| **As at 29 February 2016** | **109,676** | **276** | **109,952** |
| **As at 28 February 2017** | **63,874** | **275** | **64,149** |
| **As at 28 February 2018** | **64,120** | **275** | **64,395** |

## Notes to the Parent company financial statements (continued)

### 6. Investments (continued)

Details of the Company's investments are provided in Note 13 of the Group financial statements.

During the year loans in Sociomantic Labs GmbH and dunnhumby Inc. with a combined value of £40,942m were converted to shares and then subsequently impaired. As part of the impairment process it was determined that the recoverable amount of the Sociomantic investment on a value in use basis is £58m. The investment in US Inc was written down to a recoverable amount of £246,000 determined on a value in use basis.

### 7. Debtors

| **Amounts falling due within one year** | 2018 £000 | 2017 £000 |
|---|---|---|
| Trade Receivables | 34,122 | 30,962 |
| Amounts owed by group undertakings | 17,451 | 10,368 |
| Amounts owed by joint ventures | 162 | 1,444 |
| Amounts owed by parent company | 5,793 | 6,507 |
| Provision for doubtful debts | (817) | (62) |
| Other receivables | 1,962 | 834 |
| | **58,673** | **50,053** |

Refer to note 15 in the Group accounts for information on the Group's impairment policies.

### 8. Creditors

| **Amounts falling due within one year** | 2018 £000 | 2017 £000 |
|---|---|---|
| Trade Payables | 44,507 | 32,882 |
| Amounts owed to group undertakings | 30,056 | 28,126 |
| Amounts owed to parent company | 19,340 | 8,761 |
| Payroll tax and other statutory liabilities | 8,513 | 7,807 |
| Other payables | 4,206 | 4,743 |
| | **106,622** | **82,319** |

### 9. Other provisions

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Current** | | |
| Deferred consideration | - | 23,963 |
| | **-** | **23,963** |
| **Non-current** | | |
| Dilapidations | 356 | 166 |
| | **356** | **166** |
| **Total** | **356** | **24,129** |

## Notes to the Parent company financial statements (continued)

### 9. Other provisions (continued)

| | Dilapidations | Deferred consideration | Retention bonus | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Carrying amount at 1 March 2016** | **1,744** | **33,186** | **399** | **35,329** |
| **(Credited)/charged to profit or loss** | | | | |
| - Additional provisions recognised | (99) | - | - | (99) |
| - Provisions no longer required | (674) | - | 35 | (639) |
| - Unwinding of discount | - | 761 | - | 761 |
| Utilised during the year | (805) | (13,098) | (468) | (14,371) |
| Exchange differences | - | 3,113 | 35 | 3,148 |
| **Carrying amount at 28 February 2017** | **166** | **23,962** | **1** | **24,129** |
| **Charged/(credited) to profit or loss** | | | | |
| - Additional provisions recognised | 190 | - | - | 190 |
| - Provisions no longer required | - | - | (1) | (1) |
| - Unwinding of discount | - | 332 | - | 332 |
| Utilised during the year | - | (26,802) | - | (26,802) |
| Exchange differences | - | 2,508 | - | 2,508 |
| **Carrying amount at 28 February 2018** | **356** | **-** | **-** | **356** |

**Dilapidations provision**

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

**Deferred consideration provision**

A provision made for a deferred consideration relating to a business combination was settled during the year.

### 10. Derivative financial instruments

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| **Current Assets** | | |
| Forward foreign exchange contracts – cash flow hedges | 4,528 | 144 |
| Forward foreign exchange contracts – not designated | 957 | 894 |
| | **5,485** | **1,038** |
| **Current Liabilities** | | |
| Forward foreign exchange contracts – cash flow hedges | - | 473 |
| Forward foreign exchange contracts – not designated | 10 | (170) |
| | **10** | **303** |

## Notes to the Parent company financial statements (continued)

### 10. Derivative financial instruments (continued)

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

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

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

### 11. Share capital and share premium

| | Number of shares | Share capital* £000 | Share Premium £000 | Total £000 |
|---|---|---|---|---|
| As at 28 February 2018 | 1,248,550 | 62 | 4,420 | 4,482 |
| As at 28 February 2017 | 1,248,550 | 62 | 4,420 | 4,482 |

*Ordinary shares of 5p each, allotted, called up and fully paid.

### 12. Obligations under leases

**Operating lease agreements where the Company is a lessee**

Future minimum rentals payable under non-cancellable operating leases are as follows:

| **Amounts payable:** | 2018 £000 | 2017 £000 |
|---|---|---|
| Not later than one year | 5,937 | 378 |
| After one year but not more than five years | 21,566 | 18,155 |
| After five years | 35,964 | 40,849 |
| | **63,467** | **59,382** |
| **Rental expense relating to operating leases:** | | |
| Minimum lease payments | 4,152 | 5,580 |

Operating lease payments mainly represent rent payable by the Company for the use of office space. Some of these operating lease arrangements have renewal options and rental escalation clauses with the most significant property lease allowing for rent reviews every five years.

## 12. Obligations under leases (continued)

### Operating lease agreements where the Parent company is the lessor

During the year, the Group entered into a sub-lease agreement with a tenant for the lease of part of the premises in the Brook Green building in London. The arrangement is expected to generate rental income until 31 January 2031, as well as create additional operational cost savings.

At the balance sheet date, the following future minimum lease amounts are contractually receivable from the tenant

| Amounts receivable: | 2018 £000 | 2017 £000 |
|---|---|---|
| Within one year | 2,048 | - |
| After one year but not more than five years | 8,194 | - |
| After five years | 16,216 | - |
| | **26,458** | - |

Other income, as noted in Consolidated statement of profit and loss, relates to a sub-lease agreement that the Group concluded during the year with a tenant for the lease of part of the premises at the Brook Green building in London. The arrangement is expected to generate rental income until 31 January 2031, as well as create additional operational cost savings.

## 13. Events after the balance sheet date

On 16 May 2018, The Company entered into an agreement to purchase the assets of Aptaris Software Inc. for $16.5m.

On 9 July 2018, a number of intangible assets relating to the BzzAgent brand were sold for £0.2m, generating a profit on disposal of £0.1m.

## 14. Auditor's remuneration

The Company paid £95,000 (2017: £77,000) to its auditor in respect of the audit of the Company financial statements. Fees paid to Deloitte LLP and its associates for non-audit services provided to the Company are not disclosed here as the Group financial statements disclose the fees on a consolidated basis in note 6.

## Notes to the Parent company financial statements (continued)

### 15. Related party transactions

Note 13 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.

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Transactions with joint ventures** | | |
| Costs recharged to joint ventures | - | 2,971 |
| Purchases | - | 280 |
| Interest income from joint ventures | - | 113 |
| Dividends from joint ventures | 2,297 | 2,615 |
| | | |
| **Balances with joint ventures** | | |
| Receivables | 162 | 493 |

### Key Management Personnel

The amounts disclosed in note 18 of the Group financial statements are the amounts recognised as an expense during the reporting period related to key management personnel.

### 16. Ultimate parent

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 2018.

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