OCADO GROUP PLC
Full year results for the 53 weeks ended 3 December 2023

29 February 2024

FY23 is a 53-week year to 3 December 2023. The comparative period to 27 November 2022 is 52 weeks. To aid comparison, the FY23 results, associated commentary and percentage changes are presented below on an unaudited 52-week basis unless otherwise stated, up until the Consolidated Financial Statements.

Financial, operational and strategic progress across Ocado Group

Financial progress

- **Group revenue £2.8bn, +9.9%**: Technology Solutions +44%, Ocado Logistics +1%, Ocado Retail +7%
- **Group adjusted EBITDA*[1] of £51.6m, up £125.7m from a loss of £(74.1)m**: Technology Solutions positive at £15.4m; Ocado Logistics at £30.1m; Ocado Retail returned to a positive adjusted EBITDA* of £10.4m; inter-segment eliminations £(4.3)m
- **Cost reductions across the Group:** operational efficiencies and lower support costs. Ocado Smart Platform ("OSP") direct operating costs[2] down from 2.02% to 1.65% of installed sales capacity
- **Underlying cash outflow*[3] of £(473)m: +£356m versus FY22** (well ahead of guidance of +£200m)
- **Cash and cash equivalents of £0.9bn; gross liquidity remains strong at £1.2bn** (including £0.3bn revolving credit facility)
- **Net adjusting items* £24m:** primarily relates to income from the settlement reached with AutoStore Technology AS ("AutoStore") partially offset by the change in fair value of the contingent consideration, per IFRS 13, due from Marks and Spencer Group plc ("M&S"). Other material one-off costs reflect Ocado Retail's network capacity review, strategy and capacity review for Zoom sites, and organisational restructuring
- **Loss before tax of £(394)m**, taking into account £187m from the settlement reached with AutoStore, an improvement of £107m versus FY22
- **FY23 results in line or better than guidance**
- 53 week year adjusted EBITDA* of £54m and loss before tax of £(403)m

Operational and strategic progress

- **Technology Solutions:** +25% growth in average live modules[4] versus FY22 (up from 84 to 105); 111 live modules at the end of the year, three new live Customer Fulfilment Centres ("CFCs"); 26 sites live at the end of FY23 (22 CFCs, 4 Zooms). The 14 modules at Hatfield CFC and Leeds Zoom are included in the 111 live modules. Despite the ceasing of operations at these sites (with Hatfield capacity transferred to other CFCs, primarily Luton), they continue to generate OSP fees
- **Partner Success programme expanded:** supporting our partners' long-term growth and profitability. We are working with all of our partners operating live CFCs to help them fill their capacity and deliver attractive returns
- **Re:Imagined technology rollout:** certain Re:Imagined technologies became available for commercial use in FY23 and were deployed in the UK and Sweden
- **Ocado Intelligent Automation ("OIA"):** first OIA deal signed with McKesson in Canada; 6 River Systems LLC ("6RS") acquisition fully integrated
- **Ocado Logistics:** continued progress driving productivity and efficiencies in warehouse and delivery services for our UK partners
- **Ocado Retail:** continued strong customer retention and growth. Delivery of 'Perfect Execution' Programme resulted in strong trading performance and cost efficiencies in all areas of the business, delivering positive full-year adjusted EBITDA

Tim Steiner, Chief Executive Officer of Ocado Group, said:

"I am pleased to report good progress across the Group in 2023. Our technology is transforming the way people shop for food as we help some of the world's best and most innovative retailers set the bar for excellence in grocery ecommerce worldwide. We opened three new state-of-the-art robotic CFCs; in Chiba city (near Tokyo) in Japan, Calgary in Canada, and Luton here in the UK and increased the amount of installed capacity for our clients by a quarter. We now have installed capacity at our retail partners for gross annual grocery sales of over £8bn.

Ocado Retail, our JV with M&S in the UK, has had significant success growing customer numbers, taking online grocery market share and rebuilding profitability, proving, once again, the attractions of our online model. Ocado Intelligent Automation, which brings our world-leading Automated Storage and Retrieval Systems ("ASRS") technology, and the automation of warehouses to sectors outside of grocery, signed its first deal with pharmaceutical giant McKesson in Canada.

These are all big, tangible steps forward which demonstrate that our passion and talent for innovation is delivering significant growth. There is, of course, much more to come and much more to do.

In the current year, we expect our Partner Success programme to help put our partners well on the path to generating attractive returns from their investment in the Ocado Smart Platform, a key deliverable to drive orders for more capacity in their existing sites and additional future sites. This is, for now, the primary focus of the business and we are encouraged by the progress we are making in helping our partners get the best out of the technology that we have successfully installed for them. At Ocado Retail, we expect further progress on its trajectory to restore an industry-leading EBITDA margin over the mid-term. We are also confident in our ability to win new OIA deals as we bring our solution to the non-grocery market.

Future success will be driven by the characteristics that have always set Ocado apart: our ability to solve some of the most difficult engineering challenges in the market, our capacity to innovate at pace, and our discipline to turn vision into reality. I'm confident that we will turn these qualities into faster growth, stronger cash flows, and higher returns, in the current financial year and beyond".

Ocado Group FY23 Income Statement

£m	FY23 53 weeks	FY23 52 weeks	FY22[7] 52 weeks	Change 52 weeks
Revenue[5]				
Technology Solutions	429.0	420.5	291.4	44.3%
Ocado Logistics	680.5	667.5	662.9	0.7%
Ocado Retail	2,408.8	2,357.5	2,203.0	7.0%
Inter-segment eliminations	(693.3)	(679.9)	(640.5)	(6.2)%
Group	**2,825.0**	**2,765.6**	**2,516.8**	**9.9%**
Adjusted EBITDA*[1]				
Technology Solutions	15.6	15.4	(101.5)	116.9
Ocado Logistics	30.8	30.1	33.6	(3.5)
Ocado Retail	12.1	10.4	(4.0)	14.4
Inter-segment eliminations	(4.3)	(4.3)	(2.2)	(2.1)
Group	**54.2**	**51.6**	**(74.1)**	**125.7**

Depreciation, amortisation & impairment	(405.2)	(395.9)	(348.6)	(47.3)
Net interest costs	(62.8)	(61.6)	(64.6)	3.0
FX (losses)/gains	(13.3)	(11.6)	16.4	(28.0)
Adjusting items*[6]	23.9	23.9	(29.9)	53.8
Group loss before tax	**(403.2)**	**(393.6)**	**(500.8)**	**107.2**

* These measures are alternative performance measures. Please refer to section 6 of the Consolidated Financial Statements

Notes:

1. Adjusted EBITDA* is defined as earnings before net finance cost, taxation, depreciation, amortisation, impairment and adjusting items*.
2. Direct operating costs as a % of installed sales capacity reflect the P12 exit rate position for all OSP CFCs live at the period end. Direct operating costs include engineering, cloud and other technology direct costs.
3. Underlying cash flow* is the movement in cash and cash equivalents excluding the impact of adjusting items*, costs of financing, purchase of/investment in unlisted equity investments and FX movements. The FY23 underlying cash flow* number is based on 53 weeks.
4. Average live modules measures the weighted average number of modules of capacity installed and ready for use by OSP clients during the year, which drives Technology Solutions recurring revenue.
5. Revenue is a. Retail - online sales (net of returns) including delivery charges to the customer b. Technology Solutions - the fees charged to Solutions partners and OIA clients and c. Logistics - the recharge of costs and associated fees from Ocado Logistics to our UK clients. Recharges from Technology Solutions and from Ocado Logistics to Ocado Retail are eliminated on consolidation.
6. Net adjusting items* of £23.9m primarily relate to £186.5m income from the agreement reached with AutoStore to settle IP patent legal cases under which AutoStore will pay the Group £200.0m in instalments over two years, £(67.0)m change in IFRS 13 fair value relating to the revaluation of the M&S contingent consideration and related costs, £(32.2)m UK network capacity review, £(27.4)m costs in relation to the Zoom by Ocado strategy and capacity review, and organisational restructuring costs of £(15.5)m. Other adjusting items* include costs associated with Finance, IT and HR systems transformation, acquisition costs of 6RS and litigation costs.
7. The Group has changed its segmental reporting for FY23 to reflect the Group's three distinct business models: Technology Solutions, Ocado Logistics and Ocado Retail. The FY22 prior year comparatives have been restated on the new segment basis. We have carried out a detailed exercise to ensure all costs are owned and managed within the appropriate segment. This has resulted in a different cost allocation to that used in the preparation of the pro forma numbers as presented in the FY22 results presentations for Logistics and Technology Solutions; Ocado Group adjusted EBITDA* loss of £74.1m at FY22 remains unchanged.
8. Technology Solutions contribution margin % is revenue less direct operating costs.
9. Mid-term support cost target of £130m subject to inflation from FY21 - estimated to be c.£150m including inflation impact.
10. DP8 represents the customer deliveries per standardised eight-hour shift for Ocado Retail only.
11. Active customers are classified as active if they have shopped at Ocado.com within the previous 12 weeks.

FY23 Operational and Strategic Review

The commentary is on a pre-adjusting items* basis to aid understanding of the performance of the business

Technology Solutions

OSP capacity rollout; increase in live modules driving strong revenue growth and profit flow-through
Technology Solutions delivered the rollout of new capacity in both new and existing markets. During FY23, three CFCs and 12 new modules went live, taking the total to 26 sites and 111 live modules at the end of the period. The first CFC went live for AEON in Chiba city, near Tokyo in April; Sobeys' third CFC went live in Calgary in March; and the Luton CFC, Ocado Retail's newest CFC, opened in September. The Luton CFC has some of our latest innovations installed, including its first phase of On-Grid Robotic Pick ("OGRP"), enabling huge leaps forward in fulfilment productivity, cost and a better experience for Ocado Retail customers. In Australia, following completion of initial build and testing phases, final regulatory approvals are now being sought by Coles for the occupancy certificate for their Sydney CFC before moving into the final stages for go-live. The Melbourne CFC build is advancing well. Reflecting this progress, we expect to go live with both sites in FY24.

We are pleased with the financial progress in Technology Solutions: the full-year performance demonstrates the operational leverage in the business. The growth in the number of live modules drove revenue growth of 44% with a contribution margin[8] of 70%, which, combined with cost efficiencies, delivered strong profit flow-through and positive adjusted EBITDA* of £15m (FY22: £(102)m).

Our focus on efficiencies continues: support costs were £17m lower in the period, falling from £208m to £191m, as a result of significant cost reduction measures and the one-off profit of £5m from the sale of the Dartford spoke. The £17m reduction was achieved while still investing an additional £8m in our Partner Success programme and OIA team. We expect further progress in cost reductions during FY24, continuing towards our mid-term target of annual spend of £150m[9].

OSP Partner Success programme delivering results

Our Technology Solutions Account Management teams are supported by a dedicated Partner Success function. The function is critical in providing targeted support to our partners to get the best out of their ecommerce business, powered by OSP, delivering advice and analysis as they go live and scale with the platform. These teams work closely with our international partners to drive improvements in operating efficiency, customer marketing and attractive returns. We anticipate this will help accelerate partner orders for additional modules and CFC sites. This is particularly important to Ocado as we would like to grow our module count with existing partners as well as future partners.

We continue to work closely with Kroger and the results from our work with them in their first two CFCs (in Monroe, Ohio and Groveland, Florida) are driving improved operational performance; together, over the year we have achieved a 25% reduction in operational cost per item, reflecting increased warehouse productivity and more drops per van route. Our Partner Success teams are working closely with all our partners across areas including development of the online playbook, driving operational efficiency and growth, and collaborating closely on the product roadmap to meet evolving consumer expectations. We will continue to work with Kroger, and all our partners, in each of these areas, in order to support their path to generating attractive returns through OSP.

Re:Imagined technology rollout

In January 2022 we unveiled Ocado Re:Imagined, a series of technology innovations, both hardware and software, designed to drive efficiency and performance. Some of our Re:Imagined technologies became available for commercial use in FY23 and have been deployed for Ocado Retail in the UK, with OGRP live at the Purfleet and Luton CFCs and Automated Frameload ("AFL") live at the Purfleet CFC. The phased rollout of Re:Imagined technology across Ocado Retail's CFC estate is driving further operational efficiencies through increased automation. In Sweden, ICA went live with AFL during FY23 and their material handling equipment ("MHE") continues to perform very well. We are in discussions with several of our other international retail partners about the roll out of Re:Imagined technologies.

Ocado Intelligent Automation announced its first deal with McKesson Canada

OIA launched in August 2022 bringing Ocado's unique and proprietary technology to clients outside of the grocery sector. It operates a capital-light "MHE sell" (rather than "MHE licence") model ensuring our cash flows are neutral/positive and matching our outflows throughout the project life. OIA is now ramping up its marketing and building its pipeline of opportunities. The team received great feedback when it showcased a mini version of the Ocado grid and bots at its first trade show, Manifest, in Las Vegas in February 2024.

On 15 November 2023, OIA announced its first deal to provide fulfilment technology to McKesson Canada, where Ocado will sell its proven, unique warehouse fulfilment technology and provide the AI-powered software applications necessary for the long-term operation of that technology. McKesson Canada is a leading diversified healthcare provider in Canada and is the largest pharmaceutical distributor in the country. Ocado will receive upfront fees during the construction process to fund the cost of the project with a final payment upon final installation. Ocado will also receive an ongoing annual fee related to the SaaS services and the servicing and maintenance of the technology. The deal is 'capital-light' which will be cash neutral throughout the development phase and is expected to be cash and EBITDA positive in FY25 when installation is due to be complete.

New OSP partner signed
We are pleased to have signed a new partnership with Panda Retail Company ("Panda") in the Kingdom of Saudi Arabia to support their ambitious growth goals in a rapidly developing market for grocery e-commerce. Under the partnership, Ocado will support Panda to serve customers online via a network of manual CFCs and stores across the market using the Ocado In-Store Fulfilment solution, underpinned by the end-to-end capabilities of OSP.

Outlook for Technology Solutions – FY24

- Three further CFCs are expected to go live internationally during FY24: two CFCs for Coles in Melbourne and Sydney and one for Alcampo in Madrid
- At the end of FY24 it is expected a minimum of 120 modules will be live across our partners, with further modules dependent on the results from the Partner Success programme, which is expected to drive improved economics for our OSP partners supporting the rollout of further sites and modules
- Further cost reductions will support growth in profitability
- We continue to target further OSP deals
- Ocado Intelligent Automation started marketing the ASRS proposition at international trade shows in early 2024; ongoing discussions with several possible partners are encouraging for FY24

Ocado Logistics

Our third-party logistics ("3PL") operation, that services Ocado Retail and Morrisons in the UK, continues to perform strongly and remains a good example of our highly efficient 3PL distribution model. In FY23 fulfilment and delivery costs remained broadly flat. This was driven by customer orders per week across our two partners growing +3.2% and eaches delivered declining (1.2)% driven by a reduction in items per shopping basket as consumers responded to the impact of high inflation on their cost of living.

Inflation also affected operational costs and rising labour rates were well controlled by our teams and offset by productivity improvements in our OSP CFCs which saw units picked per labour hour ("UPH") improved strongly by 13.0% to a weighted average UPH across our UK OSP CFCs of 208. Average drops per standard 8-hour shift ("DP8")[10] increased by 0.9% to 21.5. Ocado Logistics remains a reliable cash generator and delivered an adjusted EBITDA* of £30m (FY22: £34m) decreasing year-on-year driven by lower asset rental income and higher non-recharged technology costs.

Outlook for Ocado Logistics – FY24

- Continued improvement in productivity for our UK partners
- Volume growth expected to be high single-digit

Ocado Retail

A return to profitability for the full year
Ocado Retail revenue grew by 7.0% in FY23 driven by a mix of strong active customer[11] growth of +5.9% to 998k, growth in average orders per week of +4.0% to 393k, and the average basket value increasing +2.7%. The basket value increase was driven by average selling price ("ASP") of +7.9% (net of product mix effects), which was offset by a smaller number of items per basket which declined by 4.5% to 44 items as customers managed their overall basket spend in the current high inflation environment. The number of items per basket has broadly stabilised at 44 items.

Ocado Retail's share of online grocery increased from 12.3% to 12.7% and their share of the overall UK grocery market increased from 1.6% to 1.7% during the period. ASP inflation of 7.9% was well below UK grocery inflation of 10.1% (Nielsen) and the business continues to invest in price and broaden its range to ensure to differentiate its customer offer further alongside choice, service and experience. The Ocado Price Promise now matches over

10,000 like-for-like goods between Ocado.com and Tesco and Ocado Retail also lowered the prices of thousands of our products through 'Big Price Drops'. This is a key part of the strategy to support growth and the retention of customers. The increase in total active customers and the mature customer base reinforces the success of this strategy.

The total active customer base increased by +5.9% and the growth in the mature customer base (those customers who have shopped 5 or more times on Ocado.com) was stronger, up +9% on the year, the highest level it has ever been. Today Ocado Retail has over 1 million customers actively shopping on Ocado.com.

The 'Perfect Execution' programme is driving improved customer proposition and service levels, with on-time deliveries and order accuracy back to pre-covid levels; 'Perfect Orders' (on time and in full, with no substitutions) increased by around six percentage points year on year, with 99% of items delivered as promised. Consumers are being offered more choice, with the number of M&S products on site increasing to around 90% of the addressable range. Furthermore, new and unique products are being introduced to the Ocado Own Range.

Gross profit grew by 7.7% to £797m, which was higher than revenue growth (+7.0%) and driven by improved range and stock management, reduced wastage, and increased delivery income. Continued cost control meant that combined costs fell as a percentage of revenue, driven by productivity improvements at our CFC sites, with overall UPH improving by 10.4%; and marketing optimisation yielding results. This was partially offset by increased capacity fees from the opening of the Luton CFC during the year and the annualisation of capacity fees for CFCs which went live during FY22. With the closure of our oldest CFC in Hatfield and the opening of our latest robotic CFC in Luton, Ocado Retail was (at the year-end) using >75% of available capacity (end of FY22: c.60%). We expect ORL to continue increasing utilisation of its available capacity during FY24.

Profitability improved through the year with the Retail business delivering positive adjusted EBITDA* of £10m (FY22: £(4)m). We see a clear pathway to continue this positive trend as active customers continue to increase and we make further progress increasing efficiencies, improving capacity utilisation of the CFCs and delivering incremental profitability through the natural operational gearing within the business.

UK network capacity review supports greater efficiencies and a better customer experience
In FY23, Ocado Retail conducted a network capacity review for its CFCs and a strategy and capacity review for its Zoom sites. This resulted in the decision to cease trading at the Hatfield CFC and Leeds Zoom. The cessation of operations at our oldest CFC in Hatfield will help to improve the profitability of Ocado Retail as we transfer throughput to our highly efficient, automated CFCs, primarily the brand-new Luton CFC, which opened in September. There will be a natural reduction in excess capacity, coupled with the more attractive economics of the latest generation of robotic CFCs. The strategy and capacity review for the Zoom network will seek to further optimise the utilisation of its London properties.

Our latest generation CFCs are consistently achieving well over 200 UPH within the facility compared to UPH of around 150 for our first-generation CFC in Hatfield. The newest sites also have much lower energy usage with Luton consuming approximately one-third of the electricity of Hatfield, together this will result in a reduction of fixed costs in FY24. With the benefit of Ocado Re:Imagined, Ocado will continue to drive improvements in UPH (to ultimately exceed the target of >300 UPH) and improve customer experience, including increased capacity for same-day deliveries.

Luton CFC is our fastest-ever ramping CFC and within the first four weeks, the site had ramped to c.40,000 orders per week. At full capacity, the CFC will process 65,000 orders per week. By the end of FY23 Luton CFC had already achieved UPH of 190, which we expect to further increase over the coming years to over 300 UPH with the benefit of OGRP and AFL technologies.

Outlook for Ocado Retail – FY24

- We have confidence that the business will continue its encouraging momentum over the coming year, growing sales volumes ahead of the market and benefiting from continued active customer growth

- Revenue growth is likely to be impacted by lower growth in ASP, as we invest in value and as food price inflation continues to subside
- Overall revenue growth in FY24 is expected to be in the mid-high single digits %
- We expect to make further progress on increasing efficiencies and demonstrating operational leverage while continuing on our journey towards a high mid-single digit EBITDA margin in the mid-term.

Ocado Group

Group cash flow
Underlying cash outflow* improved by £356m in FY23, driven by revenue growth, strong profit flow-through, cost reductions and lower capital expenditure. This was above the £200m of underlying cash flow* improvement guided at FY22 due to improved utilisation of MHE already on the balance sheet, higher net interest income than forecast, and strong EBITDA performance.

Group capital expenditure
Capital expenditure primarily comprises new site construction costs and technology development costs to enhance OSP. Capital expenditure was £520m in the period (FY22: £797m), a reduction of £277m, driven by a decrease in the number of CFCs and new modules that went live during the year. FY23 Group capital expenditure of £520m was below the £550m guidance largely driven by improved utilisation of MHE already on the balance sheet (as mentioned above), a reduction in unit costs of capital, and a reduction in new site capital expenditure for Ocado Retail.

AutoStore Litigation
Settlement reached with AutoStore relating to patent infringement
The litigation between AutoStore and Ocado, which started with AutoStore issuing claims against us in October 2020 in the US International Trade Commission, the United States District Court for the Eastern District of Virginia and the UK High Court, was settled on 22 July 2023. The main terms of that settlement were that AutoStore paid Ocado £200m (in instalments over 24 months), the parties agreed a cross-licence arrangement over all pre-2020 patents (other than that AutoStore is not able to make a single-space cavity robot), and that neither party will assert post-2020 patents against the other party's existing products. En route to the settlement agreement actions were started by Ocado against AutoStore in the USA, in Germany and in the EU Unified Patent Court. Before these Ocado actions reached trial, Ocado won the case in the ITC and the UK High Court, as well as the German Patent Office. Ocado also received £6.7m as a contribution to costs in the UK High Court trial.

Deconsolidation of Ocado Retail
Ocado Group plc and M&S are both joint equal shareholders of Ocado Retail Limited. At present the results of Ocado Retail Limited are consolidated into the results of Ocado Group plc as Ocado Group plc are deemed to be the controlling shareholder via certain tie-breaking rights. Our current intention is to give up those tie-breaking rights to M&S in early April 2025. There will be no change in the economic interest of both shareholders in Ocado Retail Limited, or any consideration paid by M&S, as a result of this proposed change. After giving up the tie-breaking rights to M&S, we expect that the results of Ocado Retail Limited will cease to be consolidated into the results of Ocado Group plc and will instead be equity accounted for as an investment from this point onwards. From this point, M&S would have the right to consolidate the results of Ocado Retail Limited pursuant to the terms of the original Shareholder Agreement signed in August 2019 when the Joint Venture was formed.

FY24 Guidance

Revenue:
- **Technology Solutions:** 15% to 20% growth
- **Ocado Logistics:** stable: high single-digit % volume growth offset by a reduction in costs recharged to customers due to efficiency improvements
- **Ocado Retail:** mid-high single digits % growth

Adjusted EBITDA*:

- **Technology Solutions:** greater than 10% EBITDA margin
- **Ocado Logistics:** stable at around £30m
- **Ocado Retail:** underlying EBITDA margin of c.2.5% (underlying excludes Hatfield fees of £33m p/a)

Capital expenditure: around £475m

Underlying cash flow*: around £100m improvement

Results Presentation

A results presentation will be available for investors and analysts at 9.30 am on 29 February 2024. This can be accessed online here. Following the session there will be Q&A, also accessible via the webcast.

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Financial Calendar

Ocado Group 1H24 Results will be reported on 16 July 2024. The schedule of Ocado Retail trading statements for FY24 is: Q1 Trading Statement on 26 March 2024, Q3 Trading Statement on 19 September 2024 and a Q4 Trading Statement on 14 January 2025.

Cautionary statement

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and assumptions and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results expressed or implied in these forward-looking statements. Persons receiving this announcement should not place undue reliance on forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, Ocado does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Financial Review

Headlines

FY23 is a 53-week year to 3 December 2023. The comparative period is 52 weeks to 27 November 2022. To aid comparability, the FY23 results, associated commentary and percentage changes are presented on an unaudited 52-week basis, other than year-end balance sheet and cash flow data, unless otherwise stated.

Revenue increased by 9.9% to £2,765.6m (FY22: £2,516.8m):

- **Technology Solutions** delivered strong revenue growth, up 44.3% to £420.5m (FY22: £291.4m) with 105 average live modules during the period (FY22: 84), up by 25.0%. In the year we added three new sites and 12 additional modules. These included the first Customer Fulfilment Centre ("CFC") in the Asia-Pacific region for AEON in Chiba city, just outside Tokyo, Japan; the third CFC for Sobeys in Calgary, Canada; and the eighth CFC for Ocado Retail in Luton, UK. We now have 26 live sites (FY22: 23 sites) and 111 live modules (FY22: 99 live modules).

- **Logistics** revenue grew by 0.7% to £667.5m (FY22: £662.9m) and primarily represents cost recharges to Ocado Retail and Wm Morrison Supermarkets Limited ("Morrisons") of £633.9m (FY22: £633.6m). Orders per week increased by 3.2% to 510,000 (FY22: 494,000); eaches (individual items in the shopping basket) declined by 1.2% primarily due to the decrease in basket sizes as customers adjusted their spending in response to an inflationary environment.

- **Retail** revenue increased by 7.0% year-on-year to £2,357.5m (FY22: £2,203.0m) reflecting growth of 5.9% in active customers to 998,000 at the end of the year (FY22: 942,000). Price inflation continued, with the average item price up 7.9% to £2.74 (FY22: £2.54). This was partially offset by smaller basket sizes, declining 4.5% to an average of 44.2 individual items (FY22: 46.3 items) as customers managed their overall basket spend. Orders per week grew by 4.0% to 393,000 (FY22: 378,000), driven by the increase in active customers and partially offset by the lower frequency of orders.

Adjusted EBITDA* for the period was £51.6m (FY22: loss of £74.1m), an improvement of £125.7m. The change was driven by Technology Solutions, which generated a positive adjusted EBITDA* of £15.4m, up £116.9m (FY22: loss of £101.5m) due to the strong profit flow-through from revenue growth. Logistics delivered adjusted EBITDA* of £30.1m (FY22: £33.6m) from its resilient cost-plus model with adjusted EBITDA* decreasing year-on-year driven by lower asset rental income and higher non-recharged technology costs. Retail generated a £10.4m adjusted EBITDA* profit (FY22: loss of £4.0m) driven by strong trading and cost control.

Loss before tax of £393.6m (FY22: £500.8m loss) includes depreciation, amortisation and impairment charges of £395.9m (FY22: £348.6m), net finance costs of £73.2m (FY22: £48.2m) and net adjusting items* of £23.9m income (FY22: £29.9m expense), which is largely income from the settlement reached with AutoStore Technology AS ("AutoStore") relating to patent infringement offset by the reduction in the IFRS 13 value of the contingent consideration due from M&S and one-off costs relating to changes in Ocado Retail's UK site network.

Good liquidity maintained to support our growth plans, with cash and cash equivalents of £884.8m at the end of the period (FY22: £1,328.0m) and liquidity of £1.2bn (FY22: £1.6bn) (including the undrawn revolving credit facility ("RCF") of £0.3bn). Net debt* at the end of the period was £(1,075.1)m (FY22: £(577.1)m).

Group summary

£m	FY23 53 weeks	Exclude week 53	FY23 52 weeks	FY22 52 weeks	Change
Revenue	2,825.0	(59.4)	2,765.6	2,516.8	9.9%
Operating costs	(2,769.9)	56.8	(2,713.1)	(2,589.5)	(4.8)%
Share of results from joint ventures and associates	(0.9)	-	(0.9)	(1.4)	35.7%
Adjusted EBITDA*	**54.2**	**(2.6)**	**51.6**	**(74.1)**	**£125.7m**
Depreciation, amortisation and impairment	(405.2)	9.3	(395.9)	(348.6)	(13.6)%
Net finance costs	(76.1)	2.9	(73.2)	(48.2)	(51.9)%
Adjusted (loss)/profit before tax*	**(427.1)**	**9.6**	**(417.5)**	**(470.9)**	**£53.4m**
Adjusting items*	23.9	-	23.9	(29.9)	£53.8m
(Loss)/profit before tax	**(403.2)**	**9.6**	**(393.6)**	**(500.8)**	**£107.2m**

* These measures are alternative performance measures. Please refer to Section 6 of the Consolidated Financial Statements.

1. Depreciation, amortisation and impairment of £395.9m (FY22: £348.6m) excludes £47.5m (FY22: £nil) recognised in adjusting items*.
2. Net finance costs of £73.2m (FY22: £48.2m) excludes £6.1m (FY22: £nil) recognised in adjusting items*.

This commentary is on a pre-adjusting item* basis to aid understanding of the performance of the business on a comparable basis. Following the change in the reporting of the Group's operating segments during the year (as explained further below), the Group has adopted a revised presentation of the Income Statement. Cost of sales, distribution expenses and administrative expenses are replaced with a single line item for operating costs. Adjusted EBITDA* excludes the impact of adjusting items*. Depreciation, amortisation and impairment, and net finance costs are also shown excluding the impact of adjusting items*.

The revised presentation provides an Income Statement that is more relevant for the total Group. Our three reporting segments have different operating models and costs, therefore we have summarised the presentation of costs for the Consolidated Income Statement and provided relevant details by segment in each of the appropriate sections. This reflects the growing significance of the Technology Solutions business to the Group's performance and provides more reliable reporting by eliminating the need for allocations between distribution and administrative expenses.

Revenue for the period increased by 9.9% to £2,765.6m (FY22: £2,516.8m). Technology Solutions revenue increased by 44.3% from £291.4m to £420.5m with the go-live of three sites in the year. Sobeys' third CFC in Calgary and our first CFC for AEON in Chiba city, just outside Tokyo, opened during the first half of the year and Ocado Retail's Luton CFC opened in the second half, ramping to 80% of capacity by the end of the year. The average number of live modules is the key revenue driver for Technology Solutions and average live modules increased by 25.0% to 105 from 84 in FY22.

Logistics revenue increased by 0.7% to £667.5m (FY22: £662.9m) and largely comprises cost recharges to its two UK customers, Ocado Retail and Morrisons. Retail revenue increased by £154.5m from £2,203.0m to £2,357.5m, up by 7.0% reflecting strong growth in active customers, growing order volumes and continued price inflation, partially offset by smaller basket sizes as customers manage their overall shopping basket spend.

Net cumulative invoiced fees* to our partners on our Balance Sheet and not yet recognised as revenue increased by £23.8m from £422.9m at FY22 to £446.7m at FY23. Net cumulative invoiced fees are recognised as contract liabilities on the Balance Sheet and are an indicator of future revenues as the balances will be released to the income statement over the life of our CFC contracts. The following commentary is on a 53-week basis to reflect the closing balance sheet position. The net movement of £23.8m is driven by amounts invoiced of £47.6m and £9.2m acquired on the acquisition of 6 River Systems LLC (“6RS”) less revenue recognised in the Income Statement of £33.0m during the 53 weeks. The amounts invoiced of £47.6m were driven by 1. new orders from our Ocado Smart Platform (“OSP”) partners Lotte, Auchan Poland and AEON, 2. incremental staged payments and orders from existing partners and 3. amounts invoiced to 6RS customers. The release to the income statement of £33.0m was mainly driven by revenue recognised on operational CFCs in line with IFRS 15.

Operating costs include all costs incurred in the continuing operations of the Group. Operating costs increased by 4.8% to £2,713.1m (FY22: £2,589.5m). Technology Solutions operating costs increased by 3.1% to £405.1m (FY22: £392.9m) due to the increase in average live modules and their associated operating costs and higher technology costs as we continued to support and invest in OSP. This was partially offset by an 8.3% reduction in support costs of £17.2m to £191.1m (FY22: £208.3m). Logistics operating costs increased by 1.3% to £637.4m (FY22: £629.3m) due to a 3.2% growth in orders that was offset by lower basket sizes and improved productivity across our OSP sites. Retail operating costs increased by 6.3% to £2,347.1m (FY22: £2,207.0m) largely driven by the growth in orders, continued inflation and incremental OSP fees year-on-year. Operating costs for Retail increased at a lower rate than revenue due to 1. improved gross margin, 2. strict control of support costs and 3. electricity cost price decreases year-on-year.

Adjusted EBITDA* for the period was £51.6m (FY22: £74.1m loss) with the £125.7m improvement driven by a £116.9m improvement in Technology Solutions to £15.4m (FY22: £101.5m loss), offset by a £3.5m decline in Logistics to £30.1m (FY22: £33.6m). The improvement in Technology Solutions adjusted EBITDA* was driven by the strong flow-through of incremental revenue to adjusted EBITDA*, improving contribution margin of 70% (FY22: 64%) and an absolute reduction in support costs, which were down 8.3% to £191.1m (FY22: £208.3m). The improvement in Retail adjusted EBITDA* was driven by a combination of 1. strong growth in active customers resulting in a 4.0% increase in orders per week and 2. operating cost control.

Depreciation, amortisation and impairment increased by 13.6% to a charge of £395.9m (FY22: £348.6m), primarily due to the increase in amortisation relating to internally generated intangible assets (primarily the investment in OSP) together with the continuing roll-out of OSP hardware and software at our CFC sites. At the end of the period, there were 26 live sites (FY22: 23 sites) comprising 22 CFCs and 4 Zooms (FY22: 19 CFCs and 4 Zooms; a site is considered live when it has any modules installed and is available for use by our partner). Property, plant and equipment (“PP&E”) held on the Balance Sheet was £1,794.9m (FY22: £1,777.8m). The increase largely relates to the three sites that went live in the year and the go-live of technology development projects in the same period.

Net finance costs of £73.2m increased by £25.0m (FY22: £48.2m). This comprises the net of finance costs of £95.1m (FY22: £90.0m) primarily related to our gross debt and lease liabilities, finance income of £40.0m (FY22: £13.5m) primarily interest on our cash balances, and the net impact of foreign exchange and revaluation movements of £18.1m loss (FY22: gain of £28.3m).

Adjusting items* of £23.9m income (FY22: £29.9m expense) primarily relate to income from the agreement reached with AutoStore to settle IP patent legal cases under which AutoStore will pay the Group £200.0m in instalments over the two years that commenced in July 2023, of which the full £200.0m (discounted net present value of £186.5m) was recognised as adjusting income in FY23. Other material one-off costs relate to 1. the £67.0m reduction in the IFRS 13 value of the contingent consideration due from M&S, 2. changes following Ocado Retail’s review of UK network capacity, including the ceasing of operations at our Hatfield CFC, of £32.2m, 3. impairment costs relating to the strategy and capacity review for the Zoom by Ocado network, of £27.4m, and 4. organisational restructuring costs of £15.5m.

Loss before tax of £393.6m (FY22: loss of £500.8m) reflects an adjusted EBITDA* profit of £51.6m (FY22: loss of £74.1m), depreciation, amortisation and impairment of £395.9m (FY22: £348.6m), net finance costs of £73.2m (FY22: £48.2m) and net adjusting items* of £23.9m income (FY22: £29.9m expense).

Segmental summary

£m	FY23 52 weeks	FY22 52 weeks	Change
Revenue			
Technology Solutions	420.5	291.4	44.3%
Logistics	667.5	662.9	0.7%
Retail	2,357.5	2,203.0	7.0%
Inter-segment eliminations	(679.9)	(640.5)	(6.2)%
Group	**2,765.6**	**2,516.8**	**9.9%**
Adjusted EBITDA*			
Technology Solutions	15.4	(101.5)	116.9
Logistics	30.1	33.6	(3.5)
Retail	10.4	(4.0)	14.4
Inter-segment eliminations	(4.3)	(2.2)	(2.1)
Group	**51.6**	**(74.1)**	**125.7**

Change in operating segments

In FY23, the Group has changed the reporting of its business segments to reflect the Group's three distinct business models of Technology Solutions, Ocado Logistics and Ocado Retail. The new segmental reporting commenced at the start of the financial year and reflects the new operating structure. The comparatives have been restated on this new basis. The analysis for each segment has been set out to reflect the key revenue and cost categories for each business area. Detailed components of each revenue and cost category are provided within the narrative for the relevant segment. An overview of each of our three business segments is provided below.

Technology Solutions is the global technology platform business providing OSP as a managed service to 12 grocery retail partners at the year end. This segment also includes the revenue and costs associated with the Group's non-grocery business, Ocado Intelligent Automation ("OIA"), including Kindred and 6RS.

Technology Solutions comprises 1. the revenue and direct operating costs of the OSP and OIA businesses, 2. the commercial and technology costs to sustain and grow these businesses and 3. the support costs for these businesses, such as Solutions Sales and Partner Success, OIA Sales, Finance, Legal, HR, Information Technology and the Board.

Ocado Logistics is our third-party logistics business providing services to customers in the UK (Ocado Retail and Morrisons). The Logistics business operates automated warehouses and provides the associated supply chain and delivery services to our UK partners, and recharges these costs in full, together with an additional management fee. The business also generates revenue from capital recharges relating to certain historical material handling equipment ("MHE") assets used to provide logistics services. The segment includes 1. revenue from cost recharges (primarily CFC and delivery costs incurred), capital recharges and the management fee for operating all UK sites, 2. the related CFC fulfilment and delivery costs, 3. technology costs directly related to sites and any non-OSP customer platform technology costs, and 4. costs relating to central functions to support the provision of the logistics business.

Ocado Retail is the UK online grocery retail business serving a broad range of shopper missions, from large weekly shops to "dinner-for-tonight" top-up shops. Ocado Retail is a 50% owned joint venture with Marks & Spencer Group plc ("M&S") and is fully consolidated into the Group's results.

Inter-segment eliminations represent the elimination of inter-segmental revenue and costs. These relate to transactions between Ocado Retail, and the Technology Solutions and Logistics businesses. Technology Solutions and Logistics each generate revenue from services provided to Ocado Retail, which are included as costs within the Ocado Retail segment. For FY23, inter-segmental revenue eliminations were £679.9m (FY22: £640.5m). The increase of £39.4m is primarily due to incremental OSP fees charged to Ocado Retail by the Technology Solutions segment, due to an increase in the number of live modules. Inter-segmental adjusted EBITDA* eliminations relate to amortised upfront fees and CFC pre-go-live services paid for by Ocado Retail to Technology Solutions, which are included within revenue in Technology Solutions. Ocado Retail capitalises these charges within fixed assets relating to the CFC assets; the associated depreciation is reported outside adjusted EBITDA*. For FY23, inter-segmental adjusted EBITDA* eliminations were £4.3m (FY22: £2.2m). The £2.1m increase is mainly driven by the annualisation of the four sites opened during FY22 and the opening of the Luton CFC during the year.

Technology Solutions

£m	FY23 52 weeks	FY22 52 weeks	Change
Fees invoiced*[1]	**437.7**	**360.3**	**21.5%**
Revenue	**420.5**	**291.4**	**44.3%**
Direct operating costs	(124.5)	(103.6)	(20.2)%
Contribution	**296.0**	**187.8**	**57.6%**
Contribution %	*70%*	*64%*	*6ppts*
Technology costs	(89.5)	(81.0)	(10.5)%
Support costs	(191.1)	(208.3)	8.3%
Adjusted EBITDA*	**15.4**	**(101.5)**	**£116.9m**
*Adjusted EBITDA %**	*4%*	*(35)%*	*39ppts*

1. Fees invoiced represent design and capacity fees invoiced during the period for existing and future sites and in-store fulfilment ("ISF"). This also includes fees invoiced by the OIA business relating to the provision of MHE and support services to the non-grocery market. These are recognised in the Income Statement under IFRS 15.

Key performance indicators

The following table sets out a summary of selected operating information in the period:

	FY23 52 weeks	FY22 52 weeks	Change
No. of live modules[1,2]	**111**	99	12.1%
Average live modules	**105**	84	25.0%
Cumulative no. of modules ordered[2,3]	**232**	232	-
Direct operating cost (% of site sales capacity)[4]	**1.65%**	2.02%	0.37ppts

1. A module is considered live when it has been fully installed and is available for use by our partner. This includes 14 modules for the Hatfield CFC and Leeds Zoom, which are not actively trading at the year end, but are available for use by Ocado Retail and for which fees are being received in full.

2. Ordered modules represent the maximum capacity of sites for which a contractual agreement has been signed with a partner and an invoice has been issued for the associated site fees.
3. A module of capacity is assumed as 5,000 eaches picked per hour and c.£73m per annum of partner site sales capacity.
4. Direct operating costs as a percentage of site sales capacity reflects the P12 exit rate position for all OSP CFCs live at the period end. Direct operating costs include engineering, cloud and other technology direct costs.

As detailed above, the Technology Solutions segment now combines our UK Solutions and International Solutions businesses. Comparatives have been restated on a like-for-like basis.

The scale of our international operations grew further during the year with the milestone of the go-live of our first CFC in the Asia-Pacific region for AEON in Chiba city, just outside Tokyo; and the third CFC for Sobeys going live in Calgary. In the UK, our eighth CFC for Ocado Retail went live in Luton and capacity for Morrisons increased by two modules within our existing facilities. We have 26 live sites, comprising 22 CFCs and four Zooms, with a total of 111 live modules (FY22: 23 sites, 19 CFCs, 4 Zooms; 99 modules).

The 111 modules include 14 modules of capacity installed and available for use by Ocado Retail, but on sites where Ocado Retail has decided to cease operations. The Technology Solutions business continues to charge Ocado Retail capacity fees in full for these modules. This follows Ocado Retail carrying out a network capacity review during the year for its CFCs and a strategy and capacity review for its Zoom sites. The subsequent changes include the decision to cease trading at the Hatfield CFC and Leeds Zoom site and to optimise the utilisation of its London properties. At the year-end date, Technology Solutions has 24 sites (21 CFCs and 3 Zooms), with 97 modules in which partners are actively trading.

Fees and revenue

Fees invoiced increased by 21.5% to £437.7m (FY22: £360.3m). These fees include 1. the design and access fees invoiced across clients relating to existing and future CFC and ISF commitments, 2. the recurring capacity fees associated with the live operations, primarily Ocado Retail, Kroger, Sobeys and Morrisons, and 3. fees invoiced by the OIA business.

The 21.5% year-on-year growth in fees invoiced was lower than the 44.3% year-on-year growth in revenue mainly due to lower design and access fees invoiced as fewer sites went live in the year. Ongoing capacity fees invoiced of £360.3m (FY22: £247.3m) increased in line with the increase in ongoing revenue. Fees invoiced by OIA increased year-on-year mainly driven by the acquisition of 6RS during the year.

Under revenue recognition rules, design and access fees are not recognised as revenue until a working solution is delivered to the partner, i.e. the site goes 'live'. At the end of the 53 weeks, cumulative fees not yet recognised as revenue, but instead recorded on the Balance Sheet within contract liabilities, were £446.7m (FY22: £422.9m).

Revenue in the period of £420.5m (FY22: £291.4m) comprises ongoing capacity fees of £363.4m (FY22: £253.4m) and £34.8m (FY22: £21.1m) relating to the release to the Income Statement of the design and upfront fees received from our operational partners, which were included within the contract liability amount on the Balance Sheet; these primarily relate to Ocado Retail, Kroger, Morrisons and Sobeys. Ongoing capacity fee revenue in Technology Solutions is driven by the average number of live modules in the period. In FY23 these grew by 25% to 105 average live modules (FY22: 84). Revenue grew at a faster rate than the average live modules (+44.3% compared with +25.0%) due to the increased number and proportion of live OSP modules, which generate a higher fee per module of sales capacity than non-OSP sites.

There are 30 legacy non-OSP modules within the 111 modules at the end of the year that primarily relate to the Hatfield and Dordon CFCs and that generate a lower fee per module than an OSP module. During the year the Hatfield CFC ceased trading; the Technology Solutions business is entitled to continued capacity fees at Hatfield and continues to charge them in full to Ocado Retail. Revenue also includes £21.2m (FY22: £11.5m) relating to OIA (previously Kindred) and equipment sales to retail partners of £0.9m (FY22: £4.6m) recognised as revenue under IFRS 15 (the cost of this equipment is recognised within direct operating costs).

Direct costs

Direct operating costs relate to the day-to-day costs of operating our CFC and Zoom sites, primarily engineering support, maintenance and spares, and the costs of hosting the technology services for partners. Costs increased by £20.9m (20.2%) to £124.5m (FY22: £103.6m) primarily driven by the 25.0% growth in average live modules. The exit rate of direct operating costs as a percentage of client sales capacity, a key measure of operational efficiency across sites, improved from 2.02% in FY22 to 1.65%. The decrease was mainly driven by a reduction in cloud costs from decommissioning old environments, rationalising the retained data and storage optimisation. This led to an improvement in contribution margin from 64% to 70%.

Technology and support costs

Technology costs mainly comprise the non-capitalised management time spent on early-stage research projects and maintaining OSP through ongoing client support. Other costs include legal and professional fees and non-capitalised software costs. Technology costs in FY23 were £89.5m (FY22: £81.0m), an increase of £8.5m primarily due to an increase in the average headcount of 280 as we continue to invest in OSP.

Support costs are costs incurred supporting the global operations of the business and have been significantly streamlined over FY22 and FY23. They include several different activities including Solutions Sales and Partner Success, OIA Sales, Finance, HR, IT and Legal. Costs reduced by £17.2m to £191.1m during the year (FY22: £208.3m). The £17.2m reduction in spend was mainly driven by headcount reductions across our central functions as we continued to optimise our cost base and ensure it reflects the current and future needs of the business. £8.2m of the gross savings of £20.4m from our cost reduction initiatives have been reinvested in OIA, and Solutions Sales and Partner Success, two areas of critical focus for the Group. Support costs also include the one-off benefit of the sale of the Dartford spoke site during the first half of the year, which generated a profit on disposal of £5.0m.

Under the revised segmentation, Board costs of £22.1m (FY22: £29.1m) are included within Technology Solutions support costs. The year-on-year decrease of £7.0m was mainly driven by a decrease in share-based payment charges of £6.2m to £10.7m (FY22: £16.9m).

We invested a further £5.8m in developing the Partner Success function, supported by a new and experienced leadership team, which is dedicated to driving growth for new and existing partners. OIA central costs increased in the year as we continue to scale the business and were mainly driven by the acquisition of 6RS during the second half of the year.

Adjusted EBITDA*

Technology Solutions delivered positive adjusted EBITDA* for the period of £15.4m (FY22: loss of £101.5m), an improvement of £116.9m. The strong profit flow-through from the £129.1m growth in revenue was driven by 1. the benefits of scale as more modules went live in our existing CFC sites, 2. the ongoing optimisation of direct CFC operating costs (including maintenance and data costs) which have reduced as a percentage of sales capacity and 3. the benefit of cost reductions in support costs.

Ocado Logistics

£m	FY23 52 weeks	FY22 52 weeks	Change
Cost recharges	633.9	633.6	-
Fee revenue	33.6	29.3	14.7 %
Revenue	**667.5**	**662.9**	**0.7 %**
Other income	6.8	10.7	(36.4)%
Fulfilment and delivery costs	(579.3)	(580.2)	0.2 %
Technology and support costs	(64.9)	(59.8)	(8.5)%
Adjusted EBITDA*	**30.1**	**33.6**	**£(3.5)m**

Key performance indicators

The following table sets out a summary of selected operating information in the period:

	FY23 52 weeks	FY22 52 weeks	Change
Total eaches (million)	1,182.4	1,196.3	(1.2)%
Orders per week (000s)	510	494	3.2%
OSP CFC UPH[1,2]	208	184	13.0%
DP8[3]	21.5	21.3	0.9%

1. Measured as units picked from the CFC per variable hour worked by operational personnel.
2. OSP CFCs are all CFCs excluding Hatfield and Dordon.
3. DP8 represents the drops per standardised eight-hour shift for Ocado Retail only.

Ocado Logistics is a wholly-owned third-party logistics business operating exclusively in the UK. This business manages and operates automated warehouses and the related supply chain and online delivery services on behalf of our two partners, Ocado Retail and Morrisons. Ocado Logistics operates on a cost-plus model whereby it charges its clients the costs of the operations we manage on their behalf, plus a management fee of circa 4%.

Given this model, client volumes in the sites we operate are a key driver of our revenue and costs. During the year, average orders per week across our two partners increased by 3.2% to 510,000 (FY22: 494,000). While orders grew, the volume of eaches decreased by 1.2% to 1,182.4m (FY22: 1,196.3m). The decline in eaches reflects the change in customer shopping behaviour towards smaller shopping baskets in the face of high price inflation.

Revenue

This comprises 1. cost recharges, which are the recharge of variable and fixed costs incurred to provide fulfilment and delivery services, which are recharged to Ocado Retail and Morrisons, 2. a 4% management fee charged on rechargeable costs and 3. capital recharges to Ocado Retail for the use of certain fixtures and fittings, and plant and machinery that were not transferred to Ocado Retail on its formation as a separate business.

Cost recharges of £633.9m were broadly flat year-on-year (FY22: £633.6m). These costs represent the operational costs that are recharged to Ocado Retail and Morrisons for the provision of third-party logistics services. The key cost recharge driver is the volume processed through the CFC sites. While orders per week increased by 3.2%, total eaches declined by 1.2%. Despite the decline in eaches, cost recharges were flat due to labour and fuel price inflation and the negative impact of the smaller shopping baskets (resulting in fewer eaches delivered per van). These were offset by the improved efficiency from the higher average number of units picked per labour hour ("UPH") in our OSP sites where UPH increased by 13.0% to 208 (FY22: 184). Cost recharges are greater than rechargeable costs of £618.8m (FY22: £619.8m) as cost recharges include lease income for lease costs in shared sites, where we are providing a service, for which the cost is included below adjusted EBITDA*.

Fee revenue of £33.6m (FY22: £29.3m) increased by 14.7% and includes £22.8m of management fees (FY22: £23.1m) and £10.8m of capital recharges (FY22: £5.3m). The £4.3m increase in fee revenue is primarily due to an increase of £5.5m in capital recharges year-on-year due to the impact of a one-off reduction in FY22. Management fees are around 4% of rechargeable costs and are broadly flat period-on-period in line with the movement in cost recharges.

Capital recharges of £10.8m (FY22: £5.3m) relate to charges to Ocado Retail for the use of certain assets that are owned by the Group and utilised by Ocado Retail. For partner-shared sites (primarily Dordon and Erith), capital recharges are accounted for (per IFRS 16) as revenue as we are considered to be providing a service. For sites that are used exclusively by Ocado Retail (primarily Hatfield, Purfleet, Bristol and Andover), this income is accounted for (per IFRS 16) as finance income (below adjusted EBITDA*) as we are considered to be providing a finance lease.

Recharges and fees to Ocado Retail of £524.1m (FY22: £521.1m) included within the £667.5m revenue (FY22: £662.9m) are eliminated on consolidation.

Other income

Other income of £6.8m (FY22: £10.7m) relates to MHE JVCo asset rental income. The year-on-year decrease of £3.9m was mainly driven by the expiry of asset rental agreements in the year. This is within operating costs in the Consolidated Income Statement.

Fulfilment and delivery costs

These costs comprise the costs of fulfilment and delivery operations which are recharged to Ocado Retail and Morrisons.

Total fulfilment and delivery costs decreased by 0.2% to £579.3m (FY22: £580.2m) while eaches declined by 1.2% to 1,182.4m (FY22: 1,196.3m). Costs decreased by less than eaches because higher fuel costs and labour inflationary pressure offset the benefits from the year-on-year reduction in utilities unit costs and productivity improvements.

Productivity improvements are demonstrated by the improvement in UPH in OSP CFCs (Erith, Andover, Purfleet, Bristol and Bicester), which improved year-on-year to an average UPH of 208 in the period (FY22: 184), exceeding our target of 200 UPH. A higher UPH results in lower labour intensity and therefore lower costs for the same volume. The improvement in UPH and resulting productivity improvements reduced the labour cost required per each and partially offset the inefficiencies generated by smaller basket sizes.

Technology and support costs

Technology and support costs comprise 1. head office and related costs to operate the Logistics business, 2. technology costs related to the operating of our pre-OSP grocery fulfilment platform and 3. the non-capitalised element of the programme costs to transition our UK partners from the pre-OSP technology platform to OSP. This programme is expected to be largely completed in 2024.

Technology and support costs increased by £5.1m to £64.9m (FY22: £59.8m) primarily due to investment in the Ocado Retail transition to OSP. Head office costs and a portion of technology costs are recharged to our partners as part of our contractual agreements. The cost of operating the pre-OSP platform and the transition to OSP is not recharged to partners.

Adjusted EBITDA*

Adjusted EBITDA* for the period was £30.1m, a decrease of £3.5m (FY22: £33.6m); the £5.5m increase in capital recharges was more than offset by the reduction in MHE JVCo asset rental income and an increase in non-recharged technology costs, each of which are described above.

Ocado Retail

£m	FY23 52 weeks	FY22 52 weeks	Change
Revenue	**2,357.5**	**2,203.0**	7.0%
Gross profit	**797.2**	**739.9**	7.7%
Gross margin %	*33.8%*	*33.6%*	*0.2ppts*
Fulfilment and delivery costs	(467.1)	(463.8)	(0.7)%
Marketing costs	(43.0)	(57.6)	25.3%
Support costs	(101.6)	(83.4)	(21.8)%
Fees	(175.1)	(139.1)	(25.9)%
Adjusted EBITDA*	**10.4**	**(4.0)**	**£14.4m**

The results of the Ocado Retail Limited joint venture (referred to as either "Ocado Retail" or "Retail") are fully consolidated in the Group. The cost lines in the Ocado Retail Income Statement have been amended since the FY22 Financial Review to add clarity on the nature of the costs in Ocado Retail and align with management reporting.

Key performance indicators

The following table sets out a summary of selected Ocado.com operating information in the period:

Ocado.com[1]	FY23 52 weeks	FY22 52 weeks	Change
Active customers (000s)[2]	**998**	942	5.9%
Average orders per week (000s)[3]	**393**	378	4.0%
Average basket value (£)[4]	**120.94**	117.74	2.7%
Average selling price (£)[5]	**2.74**	2.54	7.9%
Average basket size (eaches)	**44.2**	46.3	(4.5)%

1. Ocado.com excludes Zoom by Ocado as Ocado.com represents the core business of Ocado Retail.
2. Active customers are classified as active if they have shopped at Ocado.com within the previous 12 weeks at the statutory year-end date of 3 December 2023. FY22 has been restated from 940,000 to include customers active at trial sites, which were previously excluded.
3. FY22 has been restated to no longer deduct cancelled orders on the road, to align with management reporting. In the prior year, this metric was reported as 377,000 and under the same methodology, FY23 like-for-like orders per week would be 391,000, an increase of 3.7%.
4. Average basket value (£) is defined as product sales divided by total orders. FY22 has been restated to reflect two changes to the calculation of this KPI. First, we no longer deduct cancelled orders on the road from total orders. Second, we have changed from using gross sales to now using product sales. The revised approach better reflects the equivalent basket value if purchased in a store to enable better comparability. Under the previous approach FY22 was £118.46, FY23: £122.11.
5. Average selling price (£) ("ASP") is defined as product sales divided by total eaches. FY22 ASP has been restated to reflect two changes to the calculation of this KPI. First, we no longer deduct cancelled eaches on the road from total eaches. Second, we have changed from using gross sales to now using product sales. The revised approach better reflects the equivalent average item price if purchased in a store to enable better comparability. Under the previous approach FY22 ASP was £2.55, FY23: £2.75.

Revenue

Revenue increased by 7.0% to £2,357.5m (FY22: £2,203.0m) driven by growth in Ocado.com, with 4.0% order growth to 393,000 orders per week (FY22: 378,000 orders per week) and 2.7% growth in basket value to £120.94 (FY22: £117.74).

We continued to win new customers through a focus on offering competitive prices. We achieved effective customer acquisition results through vouchering and marketing activity and improved customer retention through our strengthened customer proposition. We continue to focus on consistent and strong operational performance in key areas such as delivering on time and in full. Active customers now stand at 998,000, up by 5.9% from 942,000 at FY22. Ocado grew its share of the online grocery market to 12.7% (FY22: 12.3%, Nielsen; FY23 as at 2 December 2023; FY22 as at 3 December 2022). As our customer base continued to increase, average orders per week grew by 4.0% to 393,000 (FY22: 378,000). The increase in average orders per week compared with growth in active customers is due to the lower frequency of orders, which is driven by customers managing their overall outgoings in response to high levels of inflation.

The average basket value grew by 2.7% to £120.94 (FY22: £117.74) driven by the increase in selling price of 7.9% to £2.74 (FY22: £2.54), partly offset by a reduction in the number of eaches. In the face of cost-of-living pressures, shoppers managed the overall value of their baskets by choosing smaller baskets and slightly reducing the frequency of orders. As a consequence, the average items per basket reduced by 4.5% to 44.2 items (FY22: 46.3).

We remain committed to offering reassuringly good value to customers and did not pass through the full impact of food price inflation to our customers; the average selling price on Ocado.com has increased by 7.9%, well below UK grocery inflation of 10.4% (Nielsen). We continued to invest in the Ocado Price Promise, which we launched in early 2023 matching customers' shops to Tesco.com on over 10,000 products, including Clubcard prices. This is a key component of our value strategy to support the growth and retention of our customers. Alongside this, we made multiple rounds of price cuts in the year, reducing the prices on thousands of products, to ensure that we continue to combine our unbeatable range and unrivalled service with reassuringly good value for our customers.

Gross profit

Gross profit increased by 7.7% to £797.2m (FY22: £739.9m). Growth was higher than revenue growth (+7.0%) due to improvements in gross margin from 33.6% in FY22 to 33.8% in FY23. This improvement was driven by improved range and stock management, reduced wastage, and an increase in delivery income following the reduction in lower-priced slots.

Gross profit includes the net benefit of supplier-funded media income of £81.6m (FY22: £82.0m) and the cost of vouchers of £24.7m (FY22: £21.1m).

Fulfilment and delivery costs

£m	**FY23 52 weeks**	**FY22 52 weeks**	Change
CFC	(182.1)	(187.7)	3.0%
Service delivery	(260.9)	(247.4)	(5.5)%
Utilities	(24.1)	(28.7)	16.0%
Fulfilment and delivery costs	**(467.1)**	**(463.8)**	(0.7)%

CFC costs primarily comprise labour costs in CFCs. Costs reduced by 3.0% to £182.1m (FY22: £187.7m) despite the 4.0% growth in average orders per week. This improved efficiency was achieved by again improving the productivity of our CFC sites. The average UPH for Ocado.com improved by 10.4% from 173 to 191.

The OSP CFCs (Erith, Andover, Bristol, Bicester, Purfleet and Luton) showed robust improvements in productivity reaching an average of 208 UPH (FY22: 184 UPH), an improvement of 13.0%. All of the mature OSP sites (Erith, Andover, Purfleet and Bristol) achieved an average of over 200 UPH in the period.

Service delivery costs comprise labour, fleet, fuel and related costs to enable the delivery of orders to customers. Costs increased by 5.5% to £260.9m (FY22: £247.4m), primarily driven by the growth in number of orders (+4.0%). Service delivery costs are driven by the productivity of the delivery ('last mile' operations). This productivity is measured in 'eaches per van', which reduced by 1.2% to 988 eaches (FY22: 1,000) as a result of smaller basket sizes, reducing efficiency in the fleet, and reflected in the service delivery costs growing at a higher amount (+5.5%) than the growth in orders (+4.0%).

Utilities costs across CFCs and service delivery decreased by 16.0% to £24.1m (FY22: £28.7m) due to significantly lower unit costs (FY23: 27.1p per kilowatt hour; FY22: 33.2p per kilowatt hour) partially offset by an increase in the volume of electricity used driven by the increased number of live modules year-on-year.

Marketing and support costs

Marketing costs comprise the cost of marketing activities to customers and exclude vouchering costs, which are included within revenue. Activities focused on driving increased awareness of the Ocado value proposition. Costs decreased by £14.6m to £43.0m (FY22: £57.6m) as we optimised the marketing channel mix and improved marketing spend efficiency. As a result, marketing spend as a percentage of revenue decreased to 1.8% (FY22: 2.6%).

Support costs of £101.6m (FY22: £83.4m) comprise head office, customer support and other overhead costs for Ocado Retail. Support costs increased by £18.2m, primarily due to the prior year support costs benefiting from the accrual release of management incentive plans. Excluding the impact of these one-offs, underlying support costs reduced year-on-year, driven by headcount rationalisation in support functions.

Fees

Fees comprise 1. the OSP fees paid to Technology Solutions for the operation of OSP, 2. logistics management fees and 3. capital recharges paid to Ocado Logistics. Fees of £175.1m (FY22: £139.1m) increased by £36.0m, driven by the additional OSP fees due to Technology Solutions following the opening of the Luton CFC during the year and the annualisation of CFCs which went live during FY22.

Adjusted EBITDA*

Adjusted EBITDA* for the Retail business was £10.4m (FY22: £4.0m loss). The primary drivers for the £14.4m year-on-year increase were growth in active customers and orders driving trading performance, lower marketing spend from optimisation of the marketing channel mix and savings in utilities costs across our CFCs.

Adjusting items*

£m	FY23 52 weeks	FY22 52 weeks
Litigation costs net of cost recoveries	(5.0)	(26.5)
Litigation settlement	186.5	-
Changes in IFRS 13 fair value of contingent consideration and related costs	(68.1)	(58.4)
UK network capacity review	(32.2)	-
Zoom by Ocado strategy and network capacity review	(27.4)	-
Organisational restructure	(15.5)	(3.0)
Finance, IT and HR systems transformation	(12.2)	(11.0)
Acquisition costs of 6RS	(2.2)	-
Insurance proceeds relating to Andover and Erith CFCs	-	70.4
Loss on disposal of Speciality Stores Limited ("Fetch")	-	(1.4)
Total adjusting items*	**23.9**	**(29.9)**

Adjusting items* are items that are considered to be significant due to their size/nature, not in the normal course of business or are consistent with items that were treated as adjusting in the prior periods or that may span multiple financial periods.

Litigation costs, net of cost recoveries and litigation settlement
Litigation costs within adjusting items* are costs incurred on patent infringement litigation between the Group and AutoStore. The gross costs during the period amount to £11.7m (FY22: £26.5m), which have been offset by £6.7m (FY22: £nil) received relating to cost recovery as a result of court judgements as detailed below. The net litigation cost for the period is, therefore, £5.0m (FY22: £26.5m).

Following Ocado's victory in the UK High Court, in June 2023 the UK High Court issued a formal order stating that Ocado infringes none of AutoStore's patents and that AutoStore's bot patents are invalid and revoked. The UK High Court ordered AutoStore to pay Ocado £6.7m in costs relating to the UK High Court trial. As usual in patent cases, AutoStore was given leave to appeal. The £6.7m received is included in the total litigation costs for the period. The net cumulative costs to date are £62.2m.

During the year, the Group reached an agreement with AutoStore to settle all patent litigation and cross-licence pre-2020 patents, for which AutoStore undertook to pay Ocado Group a total of £200.0m in instalments over two years, beginning July 2023. At the end of the period, £186.5m was recognised in the Consolidated Income Statement comprising £180.4m (as the discounted net present value of the receivable) and £6.1m amortisation of the discount recognised as adjusting finance income.

Changes in IFRS 13 fair value of contingent consideration and related costs
The Group holds contingent consideration receivable items at the accounting fair value as prescribed by IFRS 13. These are revalued through the Income Statement at each reporting date. Refer to Note 3.5 to the Consolidated Financial Statements for further details.

Under the terms of the disposal of 50% of Ocado Retail to M&S that took place during 2019, a final consideration payment may become due from M&S to Ocado Group of £156.3m plus interest (the contingent consideration), dependent on certain contractually defined Ocado Retail performance measures (the "Target") being achieved for the FY23 financial year.

The contractual outcome is binary, meaning if the Target is achieved, it will trigger the full payment. Conversely, there would be no consideration due if the Target is not achieved. There is no formal arrangement for a payment between zero and £190.7m.

Ocado Retail failed to meet the performance measures for the FY23 financial year that were required for automatic payment of the contingent consideration. However, the contractual arrangement with M&S expressly provides for the Target to be adjusted for certain Ocado Retail management decisions or actions that differ from the assumptions used in the discounted cash flow model which underpinned the sale transaction.

While the contractual outcome is binary, the Group has applied the principles of IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement in determining the accounting fair value of the contingent consideration financial instrument recorded in the Group's financial statements at each reporting date. IFRS 13 requires that the characteristics of the contract be valued from the perspective of a hypothetical, independent 'market participant' who would exclude broader facts, circumstances and commercial arrangements pertaining to the ongoing relationship with M&S.

At the year end the IFRS 13 fair value has been estimated using the expected present value technique and has been based on several probability-weighted possible scenarios that a market participant would consider and has been determined to be £28.0m (FY22: £95.0m). This financial reporting estimate of the contingent consideration at 3 December 2023 is significantly lower than the amount that Ocado believes it will receive in the future (either via a formal litigation process or settlement).

The Group has engaged specialists in order to support the identification and quantification of proposed adjustments to the contingent consideration Target, incurring costs during the period of £0.7m. As these costs have been incurred in the process of securing an adjusting income, these costs have been classified as adjusting.

In FY19, the Group sold Marie Claire Beauty Limited ("Fabled") to Next plc. Part of the consideration for this transaction was contingent on future events. A loss on revaluation of £0.4m (FY22: £0.8m loss) is reported through adjusting items*.

UK network capacity review

In April 2023, the Group announced the plan to cease operations at its Hatfield CFC as part of a wider review of UK network capacity. As a result, the Group recorded impairment charges of £20.3m (right-of-use assets £13.2m; PP&E £7.0m; £0.1m other intangible assets), restructuring costs of £6.8m and other related costs of closure of £5.1m, which includes costs provided for onerous contracts.

Zoom by Ocado strategy and network capacity review

During the period, Ocado Retail undertook a strategy and capacity review for the Zoom network, as a result the Group recorded impairment charges of £27.2m (£14.5m to right-of-use assets, £12.5m PP&E and £0.2m other intangible assets) and other costs of £0.2m. These costs have been classified as adjusting on the basis that they are material and part of a significant strategic review.

Organisational restructure

During the period, the Group partially reorganised its head office and support functions, resulting in redundancies of around 400 heads and related costs of £15.5m. The FY22 costs of £3.0m related to initial reorganisation in FY22, resulting in redundancies of around 50 heads. Net cumulative costs to date are £18.5m. These costs have been classified as an adjusting item on the basis that the costs are considered to be significant and resulted from a strategic restructuring which is outside of the normal operating activities of the Group.

Finance, IT and HR systems transformation

Costs comprise 1. £7.6m (FY22: £7.0m) relating to Ocado Group's Finance transformation programme; the cumulative costs expensed to date amount to £14.6m (FY22: £7.0m), 2. £2.6m (FY22: £4.0m) relating to Ocado Retail IT and Finance systems transformation; the cumulative costs expensed to date amount to £11.2m, and 3.

£2.0m (FY22: £nil) relating to Ocado Group's HR system transformation. Further details of these adjusting items* can be found in Note 2.3 to the Consolidated Financial Statements.

Acquisition costs of 6RS
In May 2023, the Group announced that it has reached an agreement with Shopify Inc. to acquire 6RS, a collaborative autonomous mobile robot ("AMR") fulfilment solutions provider to the logistics and non-grocery retail sectors, based in the US. The acquisition was completed on 30 June 2023 for consideration of US$12.7m (£10.0m).

A total of £2.2m of acquisition-related costs have been incurred and treated as an adjusting item as they are significant and resulted from a strategic investment that is not part of the normal operating costs of the business. The costs have been recognised within operating costs in the Consolidated Income Statement.

Tax impact on adjusting items*
The change in IFRS 13 fair value of contingent consideration receivable is not subject to tax. The remaining adjusting items* are taxable or tax deductible and give rise to a tax charge of £nil (FY22: tax credit of £0.8m). A further tax charge of £21.7m (FY22: charge of £6.4m) has not been recognised as it relates to tax losses which are not recognised for deferred tax purposes.

Other items below adjusted EBITDA*

Depreciation, amortisation and impairment

Total depreciation, amortisation and impairment costs were £395.9m (FY22: £348.6m), an increase of £47.3m, or 13.6% year-on-year. This includes 1. depreciation of PP&E of £182.8m (FY22: £154.4m), 2. depreciation of RoU assets of £69.1m (FY22: £66.0m), 3. amortisation expense of £122.1m (FY22: £114.7m) and 4. impairment charge of £21.9m (FY22: £13.5m).

The increase was driven by 1. £38.9m additional depreciation and amortisation due to the go-live of three sites within the previous 12 months, the annualisation of 12 sites that went live during FY22 and technology projects going live in the last 12 months, and 2. an £8.4m increase in impairments due to the impairment of assets largely related to our contract with Groupe Casino.

Net finance costs

Net finance costs of £73.2m increased by £25.0m (FY22: £48.2m). Net finance costs comprise the net of finance costs of £95.1m (FY22: £90.0m), finance income of £40.0m (FY22: £13.5m) and the net impact of foreign exchange and revaluation movements of £18.1m loss (FY22: gain of £28.3m). Finance income is primarily interest income on cash balances.

Finance costs of £95.1m (FY22: £90.0m) mainly comprise: interest expense on **borrowings** of £68.4m (FY22: £61.3m), which increased by £7.1m primarily due to 1. interest expense on the shareholder loan from M&S to Ocado Retail and 2. incremental fees on the RCF (agreed in June 2022), and interest expense on **lease liabilities** of £25.3m (FY22: £28.3m).

Net foreign exchange and revaluation movement of £(18.1)m (FY22: gain of £28.3m) comprises net foreign exchange losses of £11.6m (FY22: £16.4m gain), largely in respect of USD balances held, and **loss on revaluation of financial assets** of £6.5m (FY22: £11.9m gain) largely as a result of the Group's warrants held in Karakuri and loan notes to Karakuri being written off as Karakuri has entered into administration.

Total borrowings at the end of the 53-week period were £1,462.1m (FY22: £1,372.8m). Total lease liabilities at the end of the 53-week period were £497.8m (FY22: £532.3m).

Share of results from joint ventures and associates

The Group has accounted for a £0.9m loss (FY22: £1.4m loss) for the **share of results from joint ventures and associates**.

The Group has two joint ventures (Ocado Retail and the MHE JVCo) and one associate (Karakuri, a robotics business involved in the development of automation for quick-service restaurants). The results of the Ocado Retail joint venture are fully consolidated within the Ocado Group.

- **MHE JVCo** is a 50:50 joint venture with Morrisons and holds the Dordon CFC MHE assets which Ocado Retail and Morrisons use to service their online businesses. The Group's share of the MHE JVCo loss after tax in the period amounted to £0.1m (FY22: £0.2m loss); and
- **Karakuri Limited** is an associate and the Group's 26.3% interest in Karakuri contributed a loss of £0.8m in the period (FY22: £1.2m loss). Karakuri appointed administrators in June 2023 and the £0.8m share of losses in the period resulted in the remaining investment of £0.8m being written down to £nil value. The revaluation of equity investments (as referenced above) is in respect of other assets related to Karakuri but not recorded directly in investments in associates.

Adjusted loss before tax

Adjusted loss before tax of £417.5m (FY22: loss of £470.9m) reflects an adjusted EBITDA* profit of £51.6m (FY22: loss of £74.1m), depreciation, amortisation and impairment of £395.9m (FY22: 348.6m), and net finance costs of £73.2m (FY22: £48.2m).

Loss before tax

Loss before tax of £393.6m (FY22: loss of £500.8m) is stated after net adjusting items* of £23.9m (FY22: £29.9m expense).

Taxation

The Group reported a total tax credit in the Income Statement for the period of £16.2m (FY22: £19.5m). This amount includes a UK corporation tax charge of £3.2m (FY22: credit of £8.4m). A deferred tax credit of £21.6m (FY22: credit of £11.3m) was recognised in the period.

Deferred tax assets decreased due to the derecognition of losses mainly in Ocado Retail. Deferred tax liabilities decreased due to the removal of deferred tax on consolidation following an intercompany transfer of intangible assets from Haddington and Kindred to Ocado Innovation Ltd.

At the end of the 53-week period, the Group had £1,550.1m (FY22: £973.9m) of unutilised carried-forward tax losses.

Dividend

During the period, the Group did not declare a dividend (FY22: £nil).

Loss per share

Basic and diluted loss per share were 38.44 pence (FY22: 58.93 pence) on a 53-week basis (FY22: 52-week basis). The 52-week adjusted loss per share was 43.89 pence (FY22: 53.47 pence).

Capital expenditure

Capital expenditure for the 53-week period totalled £520.3m (FY22: £797.3m), a reduction of £277.0m, primarily due to a decrease in the number of CFCs and new modules going live and under construction in the year. Capital expenditure largely comprises new site construction costs and technology development costs to enhance OSP.

An analysis of capital expenditure by key categories is presented below:

£m	FY23 53 weeks	FY22 52 weeks	Change
CFC sites	**253.1**	440.8	42.6%
Technology	**202.8**	186.7	(8.6)%
Group support and other	**34.3**	52.0	34.0%
Technology Solutions	**490.2**	**679.5**	27.9%
Logistics	**14.4**	19.5	26.2%
Retail	**25.2**	133.8	81.2%
Eliminations[1]	**(9.5)**	(35.5)	(73.2)%
Group capital expenditure	**520.3**	**797.3**	**34.7%**

1. The elimination of capital expenditure comprises the design and set up fees charged to Ocado Retail by Technology Solutions (those fees charged to Ocado Retail are eliminated on consolidation of the Group).

Technology Solutions

CFC sites capital expenditure relates to the construction of new CFCs and Zoom sites and was £253.1m in the period, a decrease of £187.7m (FY22: £440.8m). The investment predominantly relates to the launch of the three CFCs which went live in FY23 together with five further sites under construction. The reduction is primarily driven by 1. the lower number of new CFCs going live in the year, with only three CFCs opening in FY23 (FY22: 9 CFCs, 3 Zooms) and 2. the reduced in-year capital expenditure on sites under construction.

Technology development spend increased to £202.8m (FY22: £186.7m), driven by the ongoing investment in OSP with a continued focus on delivering the Re:Imagined product innovations announced in January 2022. Re:Imagined includes seven key innovations: the 600 series bot, the 600 grid and optimised site design, Automated Frameload, On-Grid Robotic Pick ("OGRP"), Ocado Orbit, Ocado Swift Router and Ocado Flex.

£m	FY23 53 weeks	FY22 52 weeks	Change
CFC technologies	**119.1**	108.1	(10.2)%
Ecommerce	**28.6**	29.9	4.3%
Logistics and supply chain	**22.1**	18.8	(17.6)%
Other	**33.0**	29.9	(10.4)%
Technology	**202.8**	**186.7**	**(8.6)%**

We continue to enhance our customer proposition delivering world-class end-to-end grocery ecommerce and fulfilment solutions. OSP includes ecommerce, order management, forecasting, routing and delivery, automated storage and retrieval systems ("ASRS"), dexterous robotics and other material handling elements.

- **CFC technologies** are at the core of our OSP proposition. This capital expenditure encompasses the ongoing development of our grid and bots (our ASRS and the robots on the grid), its peripheral MHE and the enhancement of these propositions. We invested £119.1m this year (FY22: £108.1m), over half of the £202.8m total Technology development spend capitalised. This element of our capital expenditure is focused on reducing both the capital cost and the ongoing running costs of the CFC for the partner and Ocado Group.

FY23 development spend was invested in several key propositions, including: the development of our lowest-cost and lightest bot ever and its associated grid, the 600 series; the development and client deployment of an automated freezer solution ("autofreezer"); and the development of fire retardant metal totes.

This spend enabled key propositions to be introduced into the new CFC at Luton from the site launch. This included both OGRP and autofreezer capabilities. The autofreezer solution is more energy efficient, reducing our energy costs. OGRP reduces partner labour costs and enables a more optimised site design with reduced mezzanine floor space as less space is needed for the manual packing of groceries.

OGRP ramped up quickly from the launch date in Luton and is now regularly picking more than 30,000 eaches per day. The system targets 240 UPH and has been proven to pick over 200 UPH in our development environment at our Purfleet CFC. To date, the system has picked over one million items and has yielded critical learnings that have been applied to the operational sites. We expect both Luton and Purfleet to continue to ramp up in the coming months, achieving the full operational benefits of reduced labour.

- **Ecommerce:** we invested £28.6m (FY22: £29.9m) in developing our ecommerce platform, a core element of the OSP end-to-end solution. These additional OSP ecommerce innovations continue to enhance every aspect of the shopper journey. They include improvements to the search and browse experience, specific developments to bolster our capacities for general merchandise and the introduction of product "regulars" to five additional partners providing a more tailored and time-efficient experience for shoppers.

- **Logistics and supply chain:** one of the core benefits of OSP is our deep expertise in logistics and supply chain. We invested £22.1m in these propositions in FY23 (FY22: £18.8m), with the focus of our investment on the planning, optimisation and execution of delivery. This includes optimisation of the grocery supply chain, including ensuring increased availability to customers and decreased stockholding days.

- The balance of the spend predominantly relates to our teams creating tooling and development systems for the wider Technology function where we invested £33.0m (FY22: £29.9m).

Group support and other capital expenditure comprise projects relating to support costs systems and infrastructure; they include capital expenditure for our fully consolidated joint venture, Jones Food Company Limited, related to the opening of the company's second vertical farm. Capital expenditure of £34.3m is £17.7m lower than last year (FY22: £52.0m) as we have completed several key investments in support function systems and infrastructure.

Logistics

Capital expenditure of £14.4m (FY22: £19.5m) largely relates to technology system development of £13.3m (FY22: £18.6m) to transition our UK clients from our legacy platforms onto OSP.

Retail

Capital expenditure of £25.2m (FY22: £133.8m) largely comprises CFC construction costs recharged from Ocado Group, along with design and set-up fees for new sites and IT project costs. Design and set-up fees of £9.5m (FY22: £35.5m) to Ocado Retail from Technology Solutions are eliminated on consolidation of the Group and principally relate to the Luton CFC. This reduced year-on-year as no new CFC sites have been committed to in the period.

Capital expenditure in Retail decreased by £108.6m due to a reduction in new CFC investment following the openings in FY22 of the Bicester CFC and the Zoom sites in Leeds and Leyton. During the period CFC investment was primarily related to building the new Luton CFC, which opened in the second half of FY23.

Cash flow

£m	FY23 53 weeks	FY22 52 weeks
Adjusted EBITDA*	**54.2**	**(74.1)**
Movement in contract liabilities	47.9	78.7
Other working capital movements	19.4	32.0
Finance costs paid	(56.3)	(55.8)
Taxation received	9.9	13.4
Insurance proceeds relating to business interruption	-	54.3
Adjusting items*	(1.7)	(43.9)
Other non-cash items	8.8	3.3
Operating cash flow	**82.2**	**7.9**
Capital expenditure	(536.4)	(785.9)
Acquisition of subsidiaries, net of cash acquired	(11.4)	(5.5)
Insurance proceeds relating to rebuilding Andover CFC and Erith claim	-	57.0
Dividend from joint venture	5.1	8.0
Net proceeds from interest-bearing loans and borrowings	54.1	37.2
Repayment of lease liabilities	(66.8)	(57.4)
Net proceeds from share issues	2.6	567.3
Other investing and financing activities	42.6	9.0
Movement in cash and cash equivalents (excl. FX changes)	**(428.0)**	**(162.4)**
Effect of changes in FX rates	(15.2)	21.8
Movement in cash and cash equivalents (incl. FX changes)	**(443.2)**	**(140.6)**

Cash and cash equivalents (including FX changes) reduced by £443.2m (FY22: reduction of £140.6m). There was an increase in cash outflow of £302.6m year-on-year, as FY22 included £564.1m of net cash proceeds from the equity raise.

Adjusted EBITDA* (as detailed in the alternative performance measures in Section 6 of the Consolidated Financial Statements) improved by £128.3m to £54.2m on a 53-week basis (FY22: loss of £74.1m).

Operating cash flow improved by £74.3m to an inflow of £82.2m (FY22: inflow of £7.9m). The movement can be analysed as follows:

- **Contract liabilities: cash inflow of £47.9m** (FY22: £78.7m inflow) relating to upfront design and access fees paid by partners. Design fees are typically paid in instalments during the CFC construction process.

The cash inflow is lower than the prior year driven by the timing of design fee instalment payments, fewer CFCs going live in the period and fewer modules ordered.

- **Working capital: cash inflow of £19.4m** (FY22: £32.0m inflow)
  - Trade and other receivables reduced by £36.6m mainly due to lower prepayments and deposits for spares relating to new CFCs and cash receipts from our Technology Solutions partners. This was partially offset by an increase in receivables due to Ocado Retail mainly due to the timing of receipt of media and promotional income.
  - Inventories reduced by £3.1m.
  - Trade and other payables reduced by £20.3m mainly due to the timing of the payroll run at the period-end (in the prior year the monthly payroll run was after the period end and the payment was accrued) and reduced accruals for capital expenditure. This was partially offset by higher VAT payable driven by higher amounts invoiced during the year.
- **Finance costs: cash outflow of £56.3m** (FY22: £55.8m outflow) comprises £30.6m interest and charges on borrowings (FY22: £27.5m) and £25.7m for the interest element of assets held under finance leases (FY22: £28.3m).
- **Taxation: cash inflow of £9.9m** (FY22: inflow of £13.4m) reflects a tax refund received by Ocado Retail, partially offset by taxation payments by foreign subsidiaries. No UK tax was paid in the period.
- **Adjusting items*: cash outflow of £1.7m** (FY22: outflow of £43.9m) relates to cash-settled adjusting items* and comprises the following:
  - £41.7m (FY22: £nil) relating to the AutoStore litigation settlement;
  - £(5.0)m (FY22: £(26.5)m) relating to litigation costs;
  - £(15.5)m (FY22: £(3.0)m) organisational restructuring costs;
  - £(12.2)m (FY22: £(11.0)m) Finance, HR and Retail IT system transformation costs;
  - £(7.8)m (FY22: £nil) UK network capacity review;
  - £(2.2)m (FY22: £nil) acquisition costs of 6RS;
  - £(0.7)m (FY22: £nil) costs relating to contingent consideration negotiations with M&S; and
  - £nil (FY22: £(3.4)m) Andover CFC adjusting items*.
- **Other non-cash items: inflow of £8.8m** (FY22: inflow of £3.3m) relates to adjustments for the following non-cash elements of adjusted EBITDA*:
  - £(33.0)m (FY22: £(24.7)m) revenue recognised from long-term contracts;
  - £33.3m (FY22: £42.0m) of share-based payments;
  - £2.9m (FY22: £10.8) non-cash write-off of property, plant and equipment;
  - £(5.0)m (FY22: £nil) gain on the disposal of property, plant and equipment, recognised in the Income Statement but the proceeds from the disposal are included in other investing and financing activities;
  - £0.9m (FY22: £1.4m) share of losses from joint ventures and associates; and
  - £9.7m (FY22: £(26.2)m) movement in provisions.

The movements above result in an **operating cash inflow of £82.2m** (FY22: cash inflow of £7.9m). The following movements explain the overall movement in cash and cash equivalents outflow of £443.2m (FY22: outflow of £140.6m):

- **Capital expenditure of £536.4m** (FY22: £785.9m) primarily relates to the continued investment in OSP and new CFCs in the UK and internationally. Capital expenditure also includes investment in Group support activities. The year-on-year reduction of £249.5m reflects 1. the lower number of new CFCs going live in the year, with only three CFCs opening in FY23 (FY22: 9 CFCs, 3 Zooms) and 2. the reduced in-year capital expenditure on sites under construction.
- **Net proceeds from interest-bearing loans and borrowings of £54.1m** (FY22: £37.2m) reflect 1. £60.0m shareholder loan from M&S to Ocado Retail, 2. £(10.0)m RCF repayment by Ocado Retail, and 3. £4.1m net loan drawn down by Jones Food.
- **Lease liability repayments of £66.8m** (FY22: £57.4m), increased by £9.4m year-on-year mainly driven by an increase in motor vehicle leases, incremental CFC lease costs at Purfleet and Luton, and new office leases.

- **Net proceeds from share issue of £2.6m** (FY22: £567.3m) in respect of employee share schemes; the prior year includes the equity raise of £564.1m (net of £14.1m associated costs).
- **Other investing and financing activities of £42.6m** (FY22: £9.0m) include £41.7m (FY22: £9.6m) of interest received on treasury deposits, £9.4m (FY22: £nil) proceeds from the disposal of assets held for sale and £1.5m (FY22: £nil) cash contingent consideration received in respect of the sale of Fabled to Next plc. This was offset by investments in Oxa Autonomy of £10.0m (FY22: £nil).
- **Effect of changes in FX rates** of £(15.2)m (FY22: £21.8m gain) relates to the FX loss (reported under net finance costs) and translation FX on our non-sterling cash balances (predominantly USD cash balances held to fund the expansion of our Technology Solutions business in the US).

£m	FY23 53 weeks	FY22 52 weeks
Movement in cash and cash equivalents	**(443.2)**	**(140.6)**
Adjusting items*[1]	1.7	(67.4)
Purchase of unlisted equity investments and loans to investee companies[2]	10.0	0.6
Proceeds from disposal of asset held for sale	(9.4)	-
Financing[3]	(56.7)	(604.5)
Cash received in respect of contingent consideration receivable	(1.5)	-
Acquisition of subsidiaries, net of cash acquired	11.4	5.5
Effect of changes in FX rates	15.2	(21.8)
Underlying cash outflow*	**(472.5)**	**(828.2)**

1. Adjusting items* of £67.4m in FY22 include the following items from the cash flow above: adjusting items* outflow £(43.9)m, insurance proceeds relating to business interruption £54.3m inflow, insurance proceeds relating to rebuilding Andover CFC and Erith claim £57.0m inflow.
2. Purchase of unlisted equity investments and loans to investee companies of £10.0m (FY22: £0.6m) during the year relates to the Group's investment in Oxa Autonomy.
3. Financing of £56.7m (FY22: £604.5m) includes net proceeds from interest-bearing loans and borrowings of £54.1m (FY22: £37.2m) and net proceeds from share issues of £2.6m (FY22: £567.3m).

Underlying cash outflow* is £472.5m (FY22: £828.2m) and improved by £355.7m year-on-year. Underlying cash flow* is the movement in cash and cash equivalents excluding the impact of adjusting items*, costs of new financing activity, investment in unlisted equity investments and FX movements.

Balance Sheet

£m	3 December 2023	27 November 2022	Movement
Assets			
Goodwill	158.6	164.7	(6.1)
Other intangible assets	461.3	377.2	84.1
Property, plant and equipment	1,794.9	1,777.8	17.1
Right-of-use assets	428.1	493.9	(65.8)
Investment in joint venture and associates	9.5	15.6	(6.1)
Trade and other receivables	427.8	329.3	98.5
Cash and cash equivalents	884.8	1,328.0	(443.2)
Other financial assets	127.7	185.4	(57.7)
Inventories	127.1	106.8	20.3
Other assets	9.2	34.5	(25.3)
Total assets	**4,429.0**	**4,813.2**	**(384.2)**
Liabilities			
Contract liabilities	(446.7)	(422.9)	(23.8)
Trade and other payables	(470.4)	(508.2)	37.8
Borrowings	(1,462.1)	(1,372.8)	(89.3)
Lease liabilities	(497.8)	(532.3)	34.5
Other Liabilities	(41.0)	(42.7)	1.7
Total liabilities	**(2,918.0)**	**(2,878.9)**	**(39.1)**
Net assets	**1,511.0**	**1,934.3**	**(423.3)**
Total equity	**(1,511.0)**	**(1,934.3)**	**423.3**

Assets

Goodwill of £158.6m (FY22: £164.7m) arises on the acquisition of a business where the purchase cost exceeds the fair value of the tangible assets, the liabilities and the intangible assets acquired. It therefore represents the expected future benefit to Ocado Group of businesses that have been acquired. Goodwill of £158.6m arises from the prior acquisitions of Kindred Systems Inc., Haddington Dynamics Inc., Myrmex Inc. and Jones Food Company. This future benefit derives from the development of new technology, the ability to attract new customers and cost synergies. Goodwill decreased by £6.1m in the year mainly due to the foreign exchange impact of the revaluation of the goodwill (predominantly USD-denominated).

Other intangible assets net book value of £461.3m increased by £84.1m (FY22: £377.2m). The movement was driven by:

- £167.8m (FY22: £117.5m) internal development costs capitalised during the year that related to the development of our technology capabilities for our partners, across our CFC, Zoom and ISF solutions;
- £38.2m (FY22: £27.4m) of intangible assets acquired primarily relating to software and patents;

- Amortisation charge for the 53-week period of £125.0m (FY22: £114.7m); and
- Other smaller movements of £3.1m (FY22: £1.8m).
- Other intangible assets are typically depreciated over five years.

Property, plant and equipment net book value increased by £17.1m to £1,794.9m (FY22: £1,777.8m) and comprise fixtures, fittings, plant and machinery of £1,586.3m (FY22: £1,577.2m), land and buildings of £206.0m (FY22: £197.5m) and motor vehicles of £2.6m (FY22: £3.1m).

- Fixtures, fittings, plant and machinery predominantly comprise the material handling and other operating equipment within our sites.
  - This increased by £9.1m to £1,586.3m driven by £261.3m of additions (FY22: £494.4m) primarily relating to the go-live of client sites for Sobeys, AEON and Ocado Retail.
  - Internal development costs of £32.7m (FY22: £63.9m) were capitalised and relate to OSP technology development and deployment.
  - These increases were partly offset by depreciation for the 53-week period of £182.9m (FY22: £148.5m), net foreign exchange movements of £(47.2)m (FY22: £37.3m) and impairments of £41.2m (FY22: £9.2m). Impairments were recognised relating to the cessation of operations at our Hatfield CFC, the strategy and capacity review of the Zoom network and assets relating to our contract with Groupe Casino and other smaller movements.
- Land and buildings comprise CFC and Zoom sites in the UK, spokes and offices. The net book value increased by £8.5m to £206.0m.
- Motor vehicles primarily comprise the vehicles owned by Ocado Group relating to CFC and head office operations.
- Tangible assets are typically depreciated over nine years

Right-of-use assets of £428.1m (FY22: £493.9m) represent the value of assets held under long-term leases, comprising land and buildings of £359.9m (FY22: £415.0m), motor vehicles of £50.5m (FY22: £63.1m) and fixtures, fittings, plant and machinery of £17.7m (FY22: £15.8m).

During the year, the Group entered into new leases for assets of £32.7m:

- £13.4m of which is fixtures, fittings, plant and machinery; this primarily relates to new leases established with MHE JVCo, the joint venture between the Group and Morrisons, for the operation of MHE at the Dordon CFC;
- £10.4m of which is motor vehicles; and
- £8.9m of which is land and buildings, primarily relating to our London and Toronto offices

The depreciation charge for the 53-week period was £(70.4)m (FY22: £(66.0)m) and an impairment charge of £(27.7)m (FY22: £(0.6)m) was recognised relating to the closure of the Hatfield CFC and Zoom strategy and capacity review.

Investment in joint ventures and associates includes the Group's 50% investment in MHE JVCo and the Group's 26.3% investment in Karakuri (both no change in percentage holding from the prior year). During the period, the Group's investment in Karakuri was written off as the business entered into administration in the year (FY22: £0.8m). The carrying amount at the end of the period of £9.6m relates solely to the investment in MHE JVCo (FY22: £14.8m).

Trade and other receivables increased by £98.5m to £427.8m (FY22: £329.3m). The balance comprises the following:

- Trade receivables (net of expected credit loss allowance) of £126.8m (FY22: £124.2m) primarily comprise receivable balances due from Technology Solutions retail partners and amounts due to Ocado Retail from suppliers as part of commercial and media income.
- Other receivables of £190.4m (FY22: £82.7m). Other receivables largely comprise amounts receivable from AutoStore following the settlement of patent litigation, tax refunds due and receivables expected from contract manufacturers for components sourced on their behalf. The increase of £107.7m is mainly

driven by the recognition of the AutoStore receivable and higher corporation tax receivable offset by tax credit receipts in respect of research and development.

- Included in other receivables is £144.8m (FY22: £nil) due from AutoStore as a result of the litigation settlement reached during the period. The receivable was initially recognised at fair value of £180.4m. The balance will be reduced by monthly instalments received and increased by the unwinding of the discounting as the receivable moves towards maturity.
- Prepayments of £55.8m (FY22: £76.5m) include CFC components, software maintenance payments, and business rates and utilities payments. The £20.7m decrease was mainly driven by a reduction in prepaid CFC components and the Group optimising its utilisation of MHE already purchased.
- Accrued income of £54.8m (FY22: £45.9m) relates to accrued income for media and promotions, solutions capacity fees, and volume-related rebates. The increase is mainly driven by accrued media and promotional income and accrued fee income from our partners.
- Amounts due from suppliers relating to commercial and media income are £91.5m (FY22: £71.2m). £59.1m (FY22: £52.5m) of the total is within trade receivables and £32.4m (FY22: £18.7m) is within accrued income.

Cash and cash equivalents were £884.8m (FY22: £1,328.0m) at the year end. Gross debt (including lease liabilities) at the period end was £1,959.9m (FY22: £1,905.1m), with net debt* at the period-end of £1,075.1m (FY22: £577.1m). In May 2023, the Group renegotiated the covenant terms on the RCF with its banking group to provide additional flexibility around access to the facility. Current borrowing facilities include a £600m convertible bond that matures in December 2025, a £500m senior unsecured note that matures in October 2026 and a £350m convertible bond that matures in January 2027. These facilities are expected to be refinanced on a timely basis to maintain appropriate liquidity.

The Group also has access to a £300m RCF that is undrawn. In May, the Group renegotiated the covenant terms on the RCF with its banking group to provide additional flexibility around access to the facility. The RCF is due to expire in June 2025.

Other financial assets of £127.7m (FY22: £185.4m) comprise:

- £29.4m (FY22: £98.3m) total contingent consideration receivables
    - £28.0m (FY22: £95.0m) due from M&S relating to the disposal of 50% of Ocado Retail in August 2019; and
    - £1.4m (FY22: £3.3m) due from Next plc ("Next") relating to the disposal of Fabled in July 2019;
- £82.7m (FY22: £69.8m) unlisted equity investments held by the Group in Oxa Autonomy, Wayve Technologies and 80 Acres;
- £14.4m (FY22: £14.2m) loans receivable held at amortised cost; and
- £1.2m (FY22: £3.1m) other items.

The decrease of £57.7m is due to 1. change in the IFRS 13 fair value of the contingent consideration due from M&S, 2. the revaluation of the Group's unlisted equity investments, and 3. the increase in the Group's investment in Oxa Autonomy.

Contingent consideration receivables

Contingent consideration due from M&S

We have reduced the value of the contingent consideration due from M&S relating to the disposal of 50% of Ocado Retail by £67.0m to £28.0m (FY22: £95.0m).

Under the terms of the disposal of 50% of Ocado Retail to M&S that took place during 2019, a final consideration payment may become due from M&S to Ocado Group of £156.3m plus interest, dependent on certain contractually defined Ocado Retail performance measures (the "Target") being achieved for the FY23 financial year (the contingent consideration).

The contractual outcome is binary, meaning if the Target is achieved, it will trigger the full payment. Conversely, should the Target not be achieved, no consideration would be payable by M&S. There is no formal arrangement for a payment between zero and £190.7m. Ocado Retail failed to meet the performance measures for the FY23 financial year that were required for automatic payment of the contingent consideration.

The contractual arrangement with M&S does, however, expressly provide for the Target to be adjusted for certain decisions or actions taken by Ocado Retail management that differ from the assumptions used in the discounted cash flow model which underpinned the sale transaction. We believe that there were several significant decisions and actions taken by Ocado Retail management that require adjustment to the Target. The adoption of these adjustments, if established, would result in Ocado Retail achieving the Target (as adjusted) and the full payment of £190.7m.

Notwithstanding the application of the adjustments (that remains unresolved at present) the Group has appropriately applied the principles of IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement in determining the fair value of the contingent consideration financial instrument recorded in the Group's financial statements at each reporting date. IFRS 13 requires that the characteristics of the contract be valued from the perspective of a hypothetical, independent 'market participant' who would exclude broader facts, circumstances and commercial arrangements pertaining to the ongoing relationship with M&S.

At the year end the fair value has been estimated using the expected present value technique and has been based on several probability-weighted possible scenarios that a market participant would consider and has been determined to be £28.0m (FY22: £95.0m), resulting in a £67.0m reduction in the value of the asset. This financial reporting estimate is significantly lower than the amount that Ocado believes it will receive in the future (either via a formal litigation process or settlement).

Contingent consideration due from Next
The fair value of the contingent consideration due from Next is estimated to be £1.4m (FY22: £3.3m). During the period, the Group received cash consideration of £1.5m (FY22: £nil).

Unlisted equity investments, loans and other items
The fair value of unlisted equity investments increased by £12.9m to £82.7m (FY22: £69.8m). The total movement comprises £16.5m loss on the revaluation of these investments and £29.4m increase in the Group's equity investment in Oxa Autonomy.

During the year, the Group revalued its unlisted equity investments designated as fair value through other comprehensive income and recognised a loss of £16.5m (FY22: gain of £33.3m) due to changes in the commercial outlook of the companies in which the Group is invested, primarily to Oxa Autonomy, Paneltex Limited ("Paneltex") and Inkbit Corporation ("Inkbit").

The Group has a 12.2% (FY22: 8.8%) share of Oxa Autonomy, a technology company focused on the development of autonomous vehicles. In December 2022, the company completed its Series C Fundraising, which resulted in the Group's warrants being exercised to acquire 21,934 Series B shares for £10.0m. Following the exercise of the warrants, the Group now holds a 12.2% (FY22: 8.8%) interest in Oxa Autonomy. The fair value of the warrants before the transaction was £19.4m, which together with the exercise cost of £10.0m comprises a £29.4m increase in the Group's equity investment in Oxa Autonomy.

Inventories of £127.1m (FY22: £106.8m) comprise Ocado Retail grocery inventory, Technology Solutions grid and bots spares and 6RS Chuck robots. Inventories increased by £20.3m during the year mainly driven by the reclassification of £12.5m of grid and bot spares from property, plant and equipment to inventory under IAS 2. Inventory with a fair value of £10.7m was acquired on acquisition of 6RS comprising mainly Chuck robots and spares.

Other assets of £9.2m (FY22: £34.5m) relate primarily to assets held for sale of £4.9m (FY22: £4.4m) and share warrants that have a carrying value of £3.3m (FY22: £27.4m), and which decreased by £24.1m mainly due to the exercise of share warrants for Oxa Autonomy of £19.4m, revaluation of warrants for Wayve Technologies and 80 Acres of £2.5m and impairment of Karakuri warrants of £2.1m.

Liabilities

Contract liabilities of £446.7m (FY22: £422.9m) primarily relate to the consideration received in advance from Technology Solutions and OIA customers. Revenue is recognised when the performance obligation is satisfied, typically when a site goes live or OIA products and services are provided. The £23.8m increase in the year is driven by:

- £47.6m (FY22: £69.1m) invoiced to partners for their contracted contribution towards the initial MHE investment made in a site or build and design of MHE;
- £9.2m recognised on acquisition of 6RS; and
- £(33.0)m (FY22: £(24.7)m) in respect of prior receipts recognised as revenue in the year.

The current liabilities portion of the contract liabilities balance of £38.6m (FY22: £29.1m) represents amounts due to be recognised as revenue within 12 months of the year end. Long-term liabilities of £408.1m (FY22: £393.8m) make up the balance.

Trade and other payables of £470.4m (FY22: £508.2m) reduced by £37.8m, mainly due to the timing of the monthly payroll run and reduced accruals for capital expenditure partly offset by the timing of VAT payments.

Borrowings of £1,462.1m (FY22: £1,372.8m) comprise the liability element of the two unsecured convertible bonds, the senior unsecured bond and the shareholder loan provided by M&S (the non-controlling interest) to Ocado Retail. The increase of £89.3m is due to:

- £65.8m accrued interest on loans and borrowings held at amortised cost;
- £60.0m shareholder loan provided by M&S (the non-controlling interest) to Ocado Retail;
- £4.4m loan drawn by Jones Food;
- £(30.6)m interest repayments; and
- £(10.3)m principal repayments comprising largely the repayment of the RCF by Ocado Retail.

Lease liabilities of £497.8m (FY22: £532.3m) comprise land and buildings of £426.9m (FY22: £447.3m), motor vehicles of £51.6m (FY22: £65.5m) and fixtures, fittings, plant and machinery of £19.3m (FY22: £19.5m). New lease liabilities of £32.9m were entered into during the year (FY22: £64.2m) and largely comprised fixtures, fittings, plant and machinery and land and buildings. Lease liabilities decreased by payments made of £92.5m (FY22: £85.7m) and £(0.6)m of other movements (FY22: £(2.9)m), partly offset by £25.7m of accrued interest (FY22: £28.3m).

Lease liabilities of £497.8m (FY22: £532.3m) include £16.5m (FY22: £17.5m) payable to MHE JVCo, a company in which the Group holds a 50% interest.

Other liabilities of £41.0m (FY22: £42.7m) comprise:

- £40.8m (FY22: £26.4m) of provisions. The £14.4m increase in provisions mainly reflects adjusting items* costs relating to the closure of the Hatfield CFC;
- £0.2m (FY22: £1.6m) derivative financial liabilities primarily related to diesel hedges; and
- £nil (FY22: £14.7m) of deferred tax liabilities. The £14.7m decrease is due to the removal of deferred tax on consolidation following an intercompany transfer of intangible assets from Haddington and Kindred to Ocado Innovation Limited.

Consolidated Financial Statements

Consolidated Income Statement

for the 53 weeks ended 3 December 2023

	Notes	53 weeks ended 3 December 2023 Results before adjusting items £m	Adjusting items (Note 2.3) £m	Total £m	52 weeks ended 27 November 2022 (restated[1]) Results before adjusting items £m	Adjusting items (Note 2.3) £m	Total £m
Revenue	2.2	2,825.0	-	2,825.0	2,516.8	-	2,516.8
Insurance and legal settlement proceeds	2.3	-	180.4	180.4	-	73.8	73.8
Operating costs		(3,175.1)	(162.6)	(3,337.7)	(2,938.1)	(103.7)	(3,041.8)
Operating (loss)/profit before results of joint ventures and associate		**(350.1)**	**17.8**	**(332.3)**	(421.3)	(29.9)	(451.2)
Share of results of joint venture and associate		(0.9)	-	(0.9)	(1.4)	-	(1.4)
Operating (loss)/profit		**(351.0)**	**17.8**	**(333.2)**	(422.7)	(29.9)	(452.6)
Finance income	2.4	40.7	6.1	46.8	13.5	-	13.5
Finance costs	2.4	(97.0)	-	(97.0)	(90.0)	-	(90.0)
Other finance gains and losses	2.4	(19.8)	-	(19.8)	28.3	-	28.3
(Loss)/profit before tax		**(427.1)**	**23.9**	**(403.2)**	(470.9)	(29.9)	(500.8)
Income tax credit		16.2	-	16.2	18.7	0.8	19.5
(Loss)/profit for the period		**(410.9)**	**23.9**	**(387.0)**	(452.2)	(29.1)	(481.3)
Attributable to:							
Owners of Ocado Group plc				(314.0)			(455.5)
Non-controlling interests				(73.0)			(25.8)
				(387.0)			(481.3)

Loss per share		**Pence**	Pence
Basic and diluted loss per share	2.5	**(38.44)**	(58.93)

1. During the period, the Group changed the presentation of its expenses and other income. Consequently, the prior year comparatives have been restated. See Note 1.2 for the details.

Adjusted earnings before interest, taxation, depreciation, amortisation, impairment and adjusting items (Adjusted EBITDA*)

	Notes	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Operating loss		(333.2)	(452.6)
Adjustments for:			
Adjusting items*	2.3	(17.8)	29.9
Amortisation of intangible assets	3.2	125.0	114.7
Impairment of intangible assets	3.2	0.2	3.6
Depreciation of property, plant and equipment	3.3	187.9	154.4
Impairment of property, plant and equipment	3.3	21.7	9.3
Depreciation of right-of-use assets	3.4	70.4	66.0
Impairment of right-of-use assets	3.4	-	0.6
Adjusted EBITDA*		**54.2**	**(74.1)**

*See Section 6 - Alternative performance measures for further information. Adjusting items include impairment charges in respect of other intangible assets of £0.3m (FY22: £nil), property, plant and equipment of £19.5m (FY22: £nil) and right-of-use assets of £27.7m (FY22: £nil).

Consolidated Statement of Comprehensive Income

for the 53 weeks ended 3 December 2023

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Loss for the period	**(387.0)**	(481.3)
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods:		
Fair value movements in cash flow hedges	(0.4)	7.7
Items reclassified from cash flow hedge reserve	1.1	(8.8)
Foreign exchange (loss)/gain on translation of foreign subsidiaries	(53.0)	69.1
Share of change in net assets of associate through other comprehensive income	-	0.4
Net other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent periods	**(52.3)**	68.4
Items that will not be reclassified to profit or loss in subsequent periods:		
(Loss)/gain on equity instruments designated as at fair value through other comprehensive income	(16.5)	33.3
Income tax relating to items that will not be reclassified subsequently to profit or loss	(4.6)	(7.2)
Net other comprehensive (expense)/income that will not be reclassified to profit and loss in subsequent periods	**(21.1)**	26.1
Other comprehensive (expense)/income for the period, net of income tax	**(73.4)**	94.5
Total comprehensive expense for the period	**(460.4)**	(386.8)
Attributable to:		
Owners of Ocado Group plc	(387.4)	(361.0)
Non-controlling interests	(73.0)	(25.8)
	(460.4)	(386.8)

Consolidated Balance Sheet

as at 3 December 2023

	Notes	**3 December 2023 £m**	27 November 2022 £m
Non-current assets			
Goodwill	3.1	158.6	164.7
Other intangible assets	3.2	461.3	377.2
Property, plant and equipment	3.3	1,794.9	1,777.8
Right-of-use assets	3.4	428.1	493.9
Investment in joint venture and associate		9.5	15.6
Other financial assets	3.5	84.0	181.6
Trade and other receivables		50.9	-
Deferred tax assets		0.9	1.9
Derivative financial assets		3.3	27.4
		2,991.5	**3,040.1**
Current assets			
Other financial assets	3.5	43.7	3.8
Inventories		127.1	106.8
Trade and other receivables		375.4	329.3
Current tax assets		1.5	-
Cash and cash equivalents		884.8	1,328.0
Derivative financial assets		0.1	0.8
		1,432.6	**1,768.7**
Asset held for sale		4.9	4.4
		1,437.5	**1,773.1**
Total assets		**4,429.0**	**4,813.2**
Current liabilities			
Contract liabilities	2.2	(38.6)	(29.1)
Trade and other payables		(468.4)	(506.3)
Current tax liabilities		(0.9)	-
Borrowings	4.1	(2.6)	(10.2)
Provisions		(13.2)	(1.0)
Lease liabilities	3.4	(52.9)	(58.6)
Derivative financial liabilities		(0.2)	(1.6)
		(576.8)	**(606.8)**
Net current assets		**860.7**	**1,166.3**
Non-current liabilities			
Contract liabilities	2.2	(408.1)	(393.8)
Provisions		(27.6)	(25.4)
Borrowings	4.1	(1,459.5)	(1,362.6)
Lease liabilities	3.4	(444.9)	(473.7)
Trade and other payables		(1.1)	(1.9)
Deferred tax liabilities		-	(14.7)
		(2,341.2)	**(2,272.1)**
Net assets		**1,511.0**	**1,934.3**
Equity			
Share capital	4.3	16.6	16.5
Share premium	4.3	1,942.9	1,939.3
Treasury shares reserve	4.3	(112.9)	(112.9)
Other reserves	4.3	90.6	164.0
Retained earnings		(449.8)	(169.0)
Equity attributable to owners of Ocado Group plc		1,487.4	1,837.9
Non-controlling interests		23.6	96.4
Total equity		**1,511.0**	**1,934.3**

Consolidated Statement of Changes in Equity

for the 53 weeks ended 3 December 2023

		Equity attributable to owners of Ocado Group plc							
	Notes	Share capital £m	Share premium £m	Treasury shares reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 28 November 2021		15.0	1,372.0	(113.0)	69.9	244.3	1,588.2	121.2	1,709.4
Loss for the period		-	-	-	-	(455.5)	(455.5)	(25.8)	(481.3)
Other comprehensive income		-	-	-	94.1	0.4	94.5	-	94.5
Total comprehensive income/(expense) for the period					94.1	(455.1)	(361.0)	(25.8)	(386.8)
Transactions with owners									
– Issue of ordinary shares	4.3	1.5	565.0	-	-	-	566.5	-	566.5
– Allotted in respect of share option schemes	4.3	-	2.3	-	-	-	2.3	-	2.3
– Disposal of unallocated treasury shares	4.3	-	-	0.1	-	(0.1)	-	-	-
– Share-based payments charge		-	-	-	-	42.0	42.0	-	42.0
– Tax on share-based payments charge		-	-	-	-	0.9	0.9	-	0.9
– Reduction in investment in Jones Food Company Limited		-	-	-	-	(1.0)	(1.0)	1.0	-
Total transactions with owners		1.5	567.3	0.1	-	41.8	610.7	1.0	611.7
Balance at 27 November 2022		16.5	1,939.3	(112.9)	164.0	(169.0)	1,837.9	96.4	1,934.3
Loss for the period		-	-	-	-	(314.0)	(314.0)	(73.0)	(387.0)
Other comprehensive expense		-	-	-	(73.4)	-	(73.4)	-	(73.4)
Total comprehensive expense for the period		**-**	**-**	**-**	**(73.4)**	**(314.0)**	**(387.4)**	**(73.0)**	**(460.4)**
Transactions with owners									
– Issue of ordinary shares	4.3	0.1	2.1	-	-	-	2.2	-	2.2
– Allotted in respect of share option schemes	4.3	-	1.5	-	-	-	1.5	-	1.5
– Share-based payments charge		-	-	-	-	33.3	33.3	-	33.3
– Tax on share-based payments charge		-	-	-	-	0.1	0.1	-	0.1
– Additional investment in Jones Food Company Limited		-	-	-	-	(0.2)	(0.2)	0.2	-
Total transactions with owners		**0.1**	**3.6**	**-**	**-**	**33.2**	**36.9**	**0.2**	**37.1**
Balance at 3 December 2023		**16.6**	**1,942.9**	**(112.9)**	**90.6**	**(449.8)**	**1,487.4**	**23.6**	**1,511.0**

Consolidated Statement of Cash Flows

for the 53 weeks ended 3 December 2023

	Notes	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Cash generated from/(used in) operations	4.4	**86.9**	**(4.0)**
Insurance proceeds relating to business interruption and stock losses		-	54.3
Cash received from the AutoStore settlement	2.3	41.7	-
Corporation tax received		9.9	13.4
Interest paid		(56.3)	(55.8)
Net cash flow from operating activities		**82.2**	**7.9**
Cash flows from investing activities			
Insurance proceeds relating to rebuilding Andover Customer Fulfilment Centre ("CFC")		-	54.5
Insurance proceeds relating to Erith claim		-	2.5
Acquisition of subsidiaries, net of cash acquired		(11.4)	(5.5)
Purchase of intangible assets		(205.1)	(137.1)
Purchase of property, plant and equipment		(331.3)	(648.8)
Dividend received from joint venture		5.1	8.0
Purchase of unlisted equity investments	3.5	(10.0)	-
Loans paid to joint ventures, associates and investee companies		-	(0.6)
Proceeds from disposal of asset held for sale		9.4	-
Cash received in respect of contingent consideration receivable		1.5	-
Interest received		41.7	9.6
Net cash flow used in investing activities		**(500.1)**	**(717.4)**
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		2.1	566.5
Proceeds from allotment of share options		0.5	0.8
Proceeds from interest-bearing loans and borrowings	4.2	64.4	40.6
Transaction costs on issue of borrowings		-	(3.4)
Repayment of borrowings	4.2	(10.3)	-
Repayment of principal element of lease liabilities	4.2	(66.8)	(57.4)
Net cash flow (used in)/generated from financing activities		**(10.1)**	**547.1**
Net decrease in cash and cash equivalents		(428.0)	(162.4)
Cash and cash equivalents at beginning of period		1,328.0	1,468.6
Effect of changes in foreign exchange rates		(15.2)	21.8
Cash and cash equivalents at end of period		**884.8**	**1,328.0**

Notes to the consolidated financial statements

Section 1 - Basis of preparation

1.1 General information

Ocado Group plc (hereafter the "Company") is a listed company, limited by shares, incorporated in England and Wales under the Companies Act 2006 (company number: 07098618). The Company is the parent and the ultimate parent of the Group. The address of its registered office is Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL. The financial statements comprise the results of the Company and its subsidiaries (hereafter the "Group").

The financial period represents the 53 weeks ended 3 December 2023. The prior financial period represents the 52 weeks ended 27 November 2022.

1.2 Basis of preparation

The financial statements have been prepared in accordance with the Listing Rules and the Disclosure Guidance and Transparency Rules of the United Kingdom Financial Conduct Authority (where applicable), International Accounting Standards in conformity with the requirements of the Companies Act 2006 and UK-adopted International Financial Reporting Standards ("IFRSs"), including the interpretations issued by IFRS Interpretations Committee ("IFRIC"). Unless otherwise stated, the accounting policies have been applied consistently to all periods presented in these consolidated Group financial statements.

The financial information set out in this announcement does not constitute the Group's statutory accounts for the 53 weeks ended 3 December 2023 or the 52 weeks ended 27 November 2022 within the meaning of Section 435 of the Companies Act 2006 (the "Act"). The financial information for the period ended 27 November 2022 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the period ended 3 December 2023 will be delivered to the Registrar of Companies in advance of the Group's annual general meeting.

The financial statements are presented in pounds sterling, rounded to the nearest hundred thousand unless otherwise stated, and have been prepared under the historical cost convention, as modified by the revaluation of financial asset investments and certain other financial assets and liabilities, which are held at fair value.

The Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Group.

New standards, amendments and interpretations adopted by the Group
The Group has considered the following new standards, interpretations and amendments to published standards that are effective for the Group for the period beginning 28 November 2022, and concluded either that they are not relevant to the Group or that they would not have a significant effect on the Group's financial statements other than on disclosures:

		Effective date
IAS 16	Property, Plant and Equipment – proceeds before intended use	1 January 2022
IAS 37	Onerous Contracts – cost of fulfilling a contract	1 January 2022
IFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to IFRS, 2018-2020 Cycle	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022

New standards, amendments and interpretations not yet adopted by the Group
The following new standards, interpretations and amendments to published standards and interpretations that are relevant to the Group have been issued but are not effective for the period beginning 28 November 2022, and have not been adopted early:

		Effective date
IFRS 17	Insurance Contracts	1 January 2023
IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023
IAS 1	Disclosure of Accounting Policies (amendments)	1 January 2023
IAS 8	Disclosure of Accounting Estimates (amendments)	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendments)	1 January 2023
IAS 12	Income taxes - International Tax Reform - Pillar Two Model Rules (amendments)	1 January 2023
IAS 1	Non-current Liabilities with Covenants	1 January 2024
IFRS 10	Consolidated Financial Statements (amendments)	Deferred
IAS 28	Investments in Associates and Joint Ventures (amendments)	Deferred

These standards, interpretations and amendments to published standards and interpretations are not expected to have a material effect on the Group's financial statements.

The Group has applied the exemption to recognising and disclosing information about deferred tax in relation to the IAS 12 amendment for FY23.

Change in presentation of expenses in the Consolidated Income Statement

Following the change of the Group's operating segments during the period (see Note 2.1 for details), the Group has also adopted a revised presentation of the Income Statement, replacing Cost of Sales (FY22: £1,549.5m), Distribution Expenses (FY22: £831.8m) and Administrative Expenses (FY22: £758.2m) with a single line item for Operating Costs. The Group also reassessed the classification amounts previously reported as Other Income, resulting in amounts of £3.0m being reported within Revenue and £97.7m being offset within Operating Costs (principally in relation to media and other income of £87.3m). In addition, the Group reclassified gains and losses relating to foreign exchange and on revaluation of financial instruments from Finance Income and Finance Costs to Other Finance Gains and Losses. This resulted in £28.3m being reclassified from Finance Income to Other Finance Gains and Losses.

The revised presentation provides an Income Statement that is more relevant for the Group, reflecting the increased impact of the Technology Solutions business where the nature of the associated costs does not have the typical cost of sales, distribution and administrative expenses.

1.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Group's financial statements requires the use of certain judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are evaluated regularly, and represent management's best estimates based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, events or actions may mean that actual results ultimately differ from those estimates, and the differences may be material.

Critical accounting judgements

Critical accounting judgements are those that the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Area	Judgement	Notes
Consolidation of Ocado Retail Limited ("Ocado Retail")	Management reviews if the Group continues to have control over Ocado Retail in accordance with IFRS 10. Management has concluded that the Group controls Ocado Retail, since it holds 50.0% of the voting rights of the company, and an agreement signed by the shareholders grants the Group determinative rights, after agreed dispute-resolution procedures, in relation to the approval of Ocado Retail's business plan and budget and the appointment and removal of Ocado Retail's Chief Executive Officer who is responsible for directing the relevant activities of the business.	

Revenue from contracts with customers	Due to the size and complexity of some of Technology Solutions' contracts, there are significant judgements that must be made. The identification of performance obligations in a contract is a significant judgement, since it determines when revenue is recognised. Management has judged that each fulfilment channel is independent of each other and the provision of the use of the Ocado Smart Platform ("OSP") in each fulfilment channel represents a separate performance obligation, and that revenue should begin to be recognised when a working solution relevant to the fulfilment channel is operational for a customer. The identification of consideration and material rights in a contract is another significant judgement, since it determines the period over which upfront fees are recognised as revenue. Alternative judgements would result in different amounts of revenue being recognised at different times.	2.2
Capitalisation of internal development costs	The Group capitalises internal costs directly attributable to the development of both intangible and tangible assets. Management judgement is exercised in determining whether the projects meet the criteria for capitalisation. During the period, the Group has capitalised internal development costs amounting to £167.8m (FY22: £117.5m) and £32.7m (FY22: £63.9m) on intangible and tangible assets respectively.	3.2 3.3
Adjusting items	Management believes that separate presentation of the adjusting items provides useful information in the understanding of the financial performance of the Group and its businesses. Management exercises judgement in determining the classification of certain transactions as adjusting items by considering the nature, occurrence and materiality of the amounts involved in those transactions. Note 2.3 provides information on amounts disclosed as adjusting items in the current and comparative financial statements together with the Group's definition of adjusting items. These definitions have been applied consistently over the periods.	2.3

Key estimation uncertainties

Key areas of estimation uncertainty are the key assumptions concerning the future and other data points at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period.

Area	Estimation uncertainty	Note
Fair value measurement - contingent consideration due from M&S	At the reporting date, the fair value of contingent consideration due from Marks and Spencer Holdings Limited ("M&S"), agreed on the disposal of 50% of Ocado Retail Limited ("Ocado Retail") to M&S in August 2019 is 28.0m. Under the terms of the disposal, a final payment may become due from M&S to Ocado Group of £156.3m plus interest, dependent on certain contractually defined Ocado Retail performance measures (the 'Target') being achieved for the FY23 financial year (the 'Contingent Consideration'). The contractual outcome is binary, meaning if the Target is achieved, it will trigger the payment in full of £190.7m (£156.3m plus £34.4m of interest, assuming a payment date of August 2024). Conversely, should the Target not be achieved, no consideration would be payable by M&S. There is no formal arrangement for a payment between zero and £190.7m. The contractual arrangement with M&S expressly provides for the Target to be adjusted for certain decisions or actions taken by Ocado Retail management that differ from the assumptions used in the discounted cash flow model which underpinned the sale transaction. The actual FY23 performance is below the Target required for automatic payment of the Contingent Consideration. However, the Group has identified a number of significant decisions and actions taken by Ocado Retail management that it believes require adjustment to the Target under the terms of the contractual agreement with M&S. The adoption of these adjustments, if established, would result in Ocado Retail achieving the Target (as adjusted) and the full payment of £190.7m. The contract requires the shareholders to engage in good faith discussions concerning possible adjustments, and we intend to pursue that process, however there can be no assurance that an adjustment proposed by one party will be eventually accepted by another or that a wider agreement will be reached and if so formal legal proceedings may well result. It would be prudent to assume that in any negotiation or legal proceedings M&S would propose adjustments to the Target of their own. The fair value of £28.0m recorded in respect of the Contingent Consideration under IFRS 13 has been estimated using the expected present value technique and is based on a number of probability-weighted possible scenarios that a market participant would consider in valuing the contract reflecting the facts and circumstances that existed at the balance sheet date. It is management's belief that the fair value currently recorded is significantly lower than the amount that Ocado may receive at the point of settlement.	3.5
Impairment assessment - customer-level CGUs	The performance of the Group's impairment assessments requires management to make judgements in determining whether an asset or cash-generating unit ('CGU') shows any indicators of impairment that would require an impairment test to be carried out as well as identifying the relevant CGUs to be assessed. The Group has determined that assets directly associated with individual Solutions contracts (i.e. Partner by Partner) represent the lowest-level group of assets at which impairment can be assessed, i.e. the CGU. The performance of impairment testing requires management to make a number of estimates and assumptions in determining the recoverable amount of the CGUs. These include forecast future cash flows estimated based on management-approved financial budgets and plans, long-term growth rates, and post-tax discount rate as well as an assessment of the expected growth profile of the respective CGU. Key estimates used in the impairment test and sensitivities are disclosed in Note 3.3.	3.3

Climate-related risks
The Group has considered the impact of climate change, particularly in the context of the climate-related risks identified in the TCFD disclosures, on its financial performance and position. There has been no material impact identified on the financial reporting judgements and estimates. In particular, the Group considered the impact of climate change in respect of going concern and viability of the Group over the next three years, forecast cash flows for the purposes of impairment assessments of non-current assets, and the useful lives of certain assets. Whilst there is currently little short to medium-term impact expected from climate change, the Directors are aware of the changing nature of risks associated with climate change and will regularly assess these risks against judgements and estimates made in preparation of the Group's financial statements.

1.4 Going concern basis

Accounting standards require that Directors satisfy themselves that it is reasonable for them to conclude on whether or not it is appropriate to prepare financial statements on the going concern basis.

In assessing going concern, the Directors take into account the financial position of the Group, its cash flows, liquidity position and borrowing facilities, which are set out in the Financial Review. In addition, the Directors consider the Group's business activities, together with factors that are likely to affect its future development and position, and the Group's principal risks and the likely effectiveness of any mitigating actions and controls available to the Directors.

At the reporting date, the Group had cash and cash equivalents of £884.8m (FY22: £1,328.0m), external gross debt of £1,943.4m (FY22: £1,887.6m) (excluding lease liabilities payable to MHE JVCo Limited of £16.5m (FY22: £17.5m)) and net current assets of £860.7m (FY22: £1,166.3m). The Group has a mixture of medium-term financing arrangements, including £600.0m of senior unsecured convertible bonds due in 2025, £500.0m of senior unsecured notes due in 2026 and £350.0m of senior unsecured convertible bonds due in 2027. The Group forecasts its liquidity and working capital requirements, and ensures it maintains sufficient headroom so as not to breach any financial covenants in its borrowing facilities, as well as maintaining sufficient liquidity over the forecast period.

Having had consideration for these areas, the Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Section 2 - Results for the period

2.1 Segmental reporting

In accordance with IFRS 8 "Operating Segments", an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision maker ("CODM"), for which discrete information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

To better reflect the structure of the Group's businesses, commencing FY23, the Group changed the reporting structure of its operating segments to align with the three underlying business models: Retail, Logistics and Technology Solutions:

- The Retail segment provides online grocery and general merchandise offerings to customers within the United Kingdom, and relates entirely to the Ocado Retail joint venture.
- The Logistics segment provides the CFCs and logistics services for customers in the United Kingdom (Wm Morrison Supermarkets Limited and Ocado Retail Limited).
- The Technology Solutions segment provides end-to-end online retail and automated storage and retrieval solutions for general merchandise to corporate customers both in and outside of the United Kingdom.

The 2023 segmental disclosures have been prepared to reflect the above structure, with the prior period comparatives restated on this basis.

Inter-segment eliminations relate to revenues and costs arising from inter-segment transactions, and are required to reconcile segmental results to the consolidated Group results.

Any transactions between the segments are subject to normal commercial terms and market conditions. Segmental results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group is not currently reliant on any major customer for 10% or more of its revenue.

	Retail £m	Logistics £m	Technology Solutions £m	Group eliminations £m	Total £m
53 weeks ended 3 December 2023					
Revenue	**2,408.8**	**680.5**	**429.0**	**(693.3)**	**2,825.0**
Adjusted EBITDA*	**12.1**	**30.8**	**15.6**	**(4.3)**	**54.2**
52 weeks ended 27 November 2022 - restated					
Revenue	2,203.0	662.9	291.4	(640.5)	2,516.8
Adjusted EBITDA*	(4.0)	33.6	(101.5)	(2.2)	(74.1)

*See section 6 - Alternative Performance Measures.

No measure of total assets and total liabilities is reported for each reportable segment, as such amounts are not provided to the CODM.

2.2 Revenue

Below is a summary of timing of revenue recognition:

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 (restated[1]) £m
At a point in time	**2,386.7**	2,179.9
Over time	**438.3**	336.9
	2,825.0	2,516.8

Revenue split by geographical area:

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 (restated[1]) £m
UK	**2,449.4**	2,369.0
Overseas	**375.6**	147.8
	2,825.0	2,516.8

[1] Refer to Note 1.2 for details.

No individual overseas region or country contributed more than 10% of total revenue.

Contract balances

	3 December 2023 £m	27 November 2022 £m
Trade receivables	**62.7**	59.6
Accrued income	**4.4**	14.2
Contract liabilities - current	**(38.6)**	(29.1)
Contract liabilities - non-current	**(408.1)**	(393.8)

Contract liabilities

The contract liabilities relate primarily to consideration received from Solutions customers in advance, for which revenue is recognised as the performance obligation is satisfied. The movement in contract liabilities during the current and prior period is:

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Balance at beginning of period	**(422.9)**	(378.5)
Recognised on acquisition of subsidiaries	**(9.2)**	-
Amount invoiced	**(47.6)**	(69.1)
Amount recognised as revenue	**33.0**	24.7
Balance at end of period	**(446.7)**	(422.9)

£28.6m (FY22: £24.7m) of revenue recognised during the period was included in contract liabilities at the beginning of the period and £4.4m relates to revenue recognised from acquisition in the year (FY22: £nil).

Future transaction price

As well as the amounts currently held as contract liabilities, the Group anticipates receiving £172.2m (FY22: £152.4m) over the next four years in respect of upfront fees that are contracted but not yet due. These amounts represent the aggregate amount of contracted transaction price allocated to the committed performance obligations that are unsatisfied or partially satisfied as at the period end. The amounts received and to be received in respect of these performance obligations will be recognised in revenue from the go-live date over the estimated customer life. The total amount of transaction price that the Group will earn over the estimated customer life also includes ongoing fees. These fees have been excluded from the disclosure as the Group has taken the practical expedient under IFRS 15.121(b) for revenues recognised in line with the invoicing.

2.3 Adjusting items*

Adjusting items, as disclosed on the face of the Consolidated Income Statement, are items that are considered to be significant due to their size/nature, not in the normal course of business or are consistent with items that were treated as adjusting in the prior periods or that may span multiple financial periods. They have been classified separately in order to draw them to the attention of the readers of the financial statements, and facilitate comparison with prior periods to assess trends in the financial performance more readily. The Group applies judgement in identifying the items of income and expense that are recognised as adjusting.

	Ref.	**53 weeks ended 3 December 2023 £m**	52 weeks ended 27 November 2022 £m
Andover CFC	A		
– Insurance reimbursement income		**-**	67.4
– Other adjusting costs		**-**	(3.4)
		-	64.0
Erith CFC insurance reimbursement income	B	**-**	6.4
Litigation costs net of recoveries	C	**(5.0)**	(26.5)
Litigation settlement	C	**186.5**	-
Ocado Group Finance transformation	D	**(7.6)**	(7.0)
Ocado Retail IT and Finance systems transformation	E	**(2.6)**	(4.0)
Loss on disposal of Speciality Stores Limited ("Fetch")	F	**-**	(1.4)
Change of fair value of contingent consideration receivable and related costs	G	**(68.1)**	(58.4)
Organisational restructure	H	**(15.5)**	(3.0)
UK network capacity review	I	**(32.2)**	-
Zoom by Ocado network capacity and strategy review	J	**(27.4)**	-
Ocado Group HR system transformation	K	**(2.0)**	-
Acquisition costs of 6 River Systems LLC ("6RS")	L	**(2.2)**	-
Net adjusting income/(expense)		**23.9**	**(29.9)**

* Adjusting items are alternative performance measures. See Section 6 - Alternative Performance Measures.

A. Andover CFC

In February 2019, a fire destroyed the Andover CFC, including the building, machinery and all inventory held on site. The Group has comprehensive insurance and claims were formally accepted by the insurers.

Insurance reimbursement comprises reimbursement for the costs of rebuilding the CFC and business interruption losses.

During the prior period, the Group reached an agreement with the insurers for the final settlement of the insurance claim for a total of £273.8m, which resulted in an additional insurance reimbursement income of £67.4m in the prior period. This concluded the Andover insurance fire claim.

Other adjusting costs include, but are not limited to, write-off of certain assets, professional fees relating to the insurance claims process, business rates, temporary costs of transporting employees to other warehouses to work and redundancy costs. The cumulative adjusting costs recognised, across all periods, totalled £124.9m.

B. Erith CFC

In July 2021, a fire damaged part of the Erith CFC, including some machinery and inventory held on site. The Group has comprehensive insurance and claims were formally accepted by the insurer.

During the prior period, an agreement was reached with the insurers for the final settlement in respect of the claims relating to the Erith fire for a total of £8.3m. A final payment of £6.4m was received during the prior period and was recognised as an insurance reimbursement income in FY22. The receipt of the £6.4m concluded the Erith fire claim.

C. Litigation costs and litigation settlement

Litigation costs are costs incurred on patent infringement litigation between the Group and AutoStore Technology AS ("AutoStore"). The gross costs during the period amount to £11.7m (FY22: £26.5m), which have been offset by £6.7m (FY22: £nil) received in relation to cost recovery as a result of court judgements as detailed below. The net litigation cost for the period is therefore £5.0m (FY22: £26.5m).

Following Ocado's victory in the UK High Court, on 29 June 2023 the UK High Court issued a formal order stating that Ocado infringes none of AutoStore's patents and that AutoStore's bot patents are invalid and revoked. The UK High Court also ordered AutoStore to pay Ocado £6.7m in costs in relation to the UK High Court trial. As usual in patent cases, AutoStore was given leave to appeal. The amount received was £6.7m and is included in the net litigation costs for the period. The net cumulative costs to date amount to £62.2m.

Furthermore, on 22 July 2023, the Group reached an agreement with AutoStore to settle all patent litigation and cross-licence pre-2020 patents, for which AutoStore undertook to pay the Group a total of £200m in 24 monthly instalments, beginning July 2023. The settlement has been recorded as a receivable measured initially at fair value and subsequently at amortised cost. The settlement receivable initially recognised was £180.4m and has been recorded within insurance and legal settlement proceeds in the Consolidated Income Statement. The unwinding of the discount over the life of the receivable is recorded as finance income with £6.1m recorded in the current period. During the period, payments totalling £41.7m have been received. All amounts are classified as adjusting items, in line with the Group's adjusting items policy, as the amounts are material, and represent income unrelated to operating activities of the Group.

D. Ocado Group Finance transformation

Subsequent to the Group's implementation of various Software as a Service ("SaaS") solutions in FY21, the Group has undertaken a multi-year programme which focuses on optimising and enhancing the existing SaaS solutions and related finance processes to improve efficiency across the business. This programme is expected to complete in 1H24. The cumulative finance transformation costs expensed to date amount to £14.6m and include £7.6m in FY23 which largely relate to spend on external consultants and contractors. These amounts have been disclosed as adjusting items because the total costs associated with this programme are significant and arise from a strategic project that is not considered by the Group to be part of the normal operating costs of the business.

E. Ocado Retail IT and Finance systems transformation

In FY21, Ocado Retail initiated its IT Roadmap programme, which focuses on delivering IT systems and services that will enable Ocado Retail to meet its obligation to transition away from Ocado Group IT services, tools and support. The IT Roadmap programme, which is expected to run until FY24, includes the development of both on-premises and SaaS solutions. IT Roadmap programme costs that meet assets recognition criteria will be recognised as intangible assets and implementation costs that do not meet assets recognition criteria will be expensed. The costs incurred during the current period amount to £1.5m (FY22: £4.0m), and the cumulative costs expensed to date total £10.1m. These costs have been classified as adjusting because they are expected to be significant and result from a transformational activity which is considered only incremental to the core activities of the Group.

In the current period, Ocado Retail implemented a finance system transformation programme as part of which it replaced the current Enterprise Resource Planning ("ERP") with Oracle Fusion. The cumulative costs incurred to date are £1.1m and the programme will continue into FY24.

F. Loss on disposal of Speciality Stores Limited ("Fetch")

On 31 January 2021, Ocado Retail completed the sale of the entire share capital of Speciality Stores Limited, its wholly-owned pets business trading as Fetch, to Paws Holdings Limited, resulting in a gain on disposal of £1.0m in FY21.

During the prior period, a provision of £1.4m was made against the deferred consideration based on the likelihood of receipt.

G. Change in fair value of contingent consideration and related costs

In 2019, the Group sold Marie Claire Beauty Limited ("Fabled") to Next plc and 50% of Ocado Retail to Marks and Spencer Holdings Limited ("M&S"). Part of the consideration for these transactions was contingent on future events. The Group holds contingent consideration at fair value through profit or loss ("FVTPL"), and revalues it at each reporting date. A loss on revaluation of £67.4m (FY22: £58.4m loss) is reported through adjusting items, primarily driven by the reduction in the contingent consideration receivable from M&S. Refer to Note 3.5 for details.

The Group has engaged specialists in order to support the identification and quantification of proposed adjustments to the contingent consideration Target, incurring costs during the period of £0.7m. As these costs have been incurred in the process of securing an adjusting income, these costs have been classified as adjusting.

H. Organisational restructure
During the period, the Group undertook a partial reorganisation of its head office and support functions resulting in redundancies and related costs of £15.5m. This followed an initial reorganisation in FY22 which incurred costs of £3.0m, with net cumulative costs to date of £18.5m.

These costs have been classified as adjusting on the basis that the aggregate costs are considered to be significant and resulted from a strategic restructuring which is not part of the normal operating activities of the Group.

I. UK network capacity review
On 25 April 2023, the Group announced the plan to cease operations at its CFC in Hatfield as part of a wider review of UK network capacity.

As a result, the Group has recorded impairment charges of £20.3m, of which £7.0m relates to property, plant and equipment, £13.2m to right-of-use assets and £0.1m to other intangible assets. Total costs recorded also include restructuring costs of £6.8m and other related costs of closure of £5.1m, which were provided for.

These costs have been classified as adjusting on the basis that they are material and relate primarily to a site where no ongoing trading activities will take place.

J. Zoom by Ocado network capacity and strategy review
During the period, Ocado Retail undertook a strategy and capacity review for the Zoom network, which resulted in the Group recording impairment charges totalling £27.2m, of which £12.5m relates to property, plant and equipment, £14.5m to right-of-use assets and £0.2m to other intangible assets, and other costs of £0.2m.

These costs have been classified as adjusting on the basis that they are material and part of a significant strategic review.

K. Ocado Group HR system transformation
Following a review of the Group's Human Capital Management ("HCM") and payroll systems the Group has commenced a plan to implement new HCM and payroll systems for its Logistics business and to optimise and enhance its existing payroll solutions for the Technology Solutions business.

This programme is expected to complete in 1H25. The cumulative HR systems transformation costs expensed to date amount to £2.0m which largely relate to spend on external consultants and contractors. These amounts have been disclosed as adjusting items because the total costs associated with this programme are expected to be in the region of £15.0m and arise from a strategic project that is not considered by the Group to be part of the normal operating costs of the business.

L. Acquisition costs of 6 River Systems LLC
On 4 May 2023, the Group announced that it has reached an agreement with Shopify Inc. to acquire 6RS, a collaborative autonomous mobile robot ("AMR") fulfilment solutions provider to the logistics and non-grocery retail sectors, based in the US. The acquisition was completed on 30 June 2023 for consideration of US$12.7m (£10.0m).

A total of £2.2m acquisition-related costs have been incurred and treated as adjusting as they are significant and resulted from a strategic investment that is not part of the normal operating costs of the business. The costs have been recognised within operating costs in the Consolidated Income Statement.

Tax impacts on adjusting items

The change in fair value of contingent consideration receivable is not subject to tax. The remaining adjusting items are taxable or tax deductible and give rise to a tax charge of £nil (FY22: tax credit of £0.8m). A further tax charge of £21.7m (FY22: charge of £6.4m) has not been recognised as it relates to tax losses which are not recognised for deferred tax purposes.

2.4 Finance income and costs

	Note	**53 weeks ended 3 December 2023 £m**	52 weeks ended 27 November 2022 £m
Interest income on cash balances		**39.6**	12.5
Interest income on loans receivable		**1.0**	1.0
Unwind of discount on AutoStore receivable	2.3	**6.1**	-
Other finance income		**0.1**	-
Finance income		**46.8**	13.5
Interest expense on borrowings		**(69.8)**	(61.3)
Interest expense on lease liabilities		**(25.7)**	(28.3)
Interest expense on provisions		**(1.2)**	(0.4)
Other finance costs		**(0.3)**	-
Finance costs		**(97.0)**	(90.0)
(Loss)/gain on revaluation of financial instruments designated at FVTPL		**(6.5)**	11.9
(Loss)/gain on foreign exchange		**(13.3)**	16.4
Other finance gains and losses		**(19.8)**	28.3
Net finance cost		**(70.0)**	(48.2)

2.5 Loss per share

The basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares held pursuant to the Group's Joint Share Ownership Scheme ("JSOS") and linked jointly owned equity ("JOE") awards under the Ocado Group Value Creation Plan ("Group VCP"), which are accounted for as treasury shares.

The diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion or vesting of all potentially dilutive shares. The Company has five classes of instruments that are potentially dilutive: share options; share interests held pursuant to the Group's JSOS; linked JOE awards under the Group VCP; and shares under the Group's staff incentive plans and convertible bonds.

There was no difference in the weighted average number of shares used for the calculation of the basic and diluted loss per share since the effect of all potentially dilutive shares outstanding was anti-dilutive.

The basic and diluted loss per share has been calculated as follows:

	53 weeks ended 3 December 2023	52 weeks ended 27 November 2022
	Million	Million
Weighted average number of shares at end of period	**816.5**	772.9
	£m	£m
Loss attributable to owners of the Company	**(314.0)**	(455.5)
	Pence	Pence
Basic and diluted loss per share	**(38.44)**	(58.93)

Section 3 - Assets and Liabilities

3.1 Goodwill

Goodwill arises on the acquisition of a business when the fair value of the consideration exceeds the fair value attributed to the net assets acquired (including contingent liabilities). Goodwill is not amortised but subject to annual impairment reviews. Goodwill generated from an acquisition is allocated to and monitored at an operating segment level.

Carrying amount of goodwill as at 3 December 2023 is as follows:

	Goodwill £m
Cost	
At 28 November 2021	144.8
Additions	5.7
Effect of changes in foreign exchange rates	14.2
At 27 November 2022	164.7
Additions	**0.8**
Effect of changes in foreign exchange rates	**(6.9)**
At 3 December 2023	**158.6**

Goodwill - Impairment testing
Goodwill generated from an acquisition is allocated to an operating segment level as this represents the lowest level at which goodwill is monitored by management. Management considers each segment to represent a group of CGUs.

During the year, the Group changed the reporting structure of its operating segments to align with the three underlying business models: Retail, Logistics and Technology Solutions (see Note 2.1 for details). As a result of the change in segments, goodwill is now allocated to a single segment, Technology Solutions.

The recoverable amounts of the group of CGUs is the higher of fair value less costs of disposal ("FVLCD") and value in use. Management concluded that FVLCD was more appropriate for determining the recoverable amount of the group of CGUs because the Group's cash flows are mainly based on future growth expectation from CFC commitments/expected capital investments.

FVLCD has been estimated using present value techniques using a discounted cash flow method. The fair value method relies on unobservable inputs where there is little market activity for the asset and are therefore categorised at level 3 in the fair value hierarchy. However, those unobservable inputs are determined using market participants' view.

The key assumptions used by management in estimating FVLCD were:

Discount rates - based on the Weighted Average Cost of Capital ("WACC") of a typical market participant. The post-tax discount rate used was 11.7% (FY22: 11.0%). The discount rate has increased reflecting market volatility in risk-free rate and equity risk premium inputs.

Forecast cash flows - based on assumptions from the approved budget and 5-year plan, with projections extending to 10 years for the Technology Solutions segment. The projections, which incorporate the Directors' best estimates of future cash flows and take into account future growth and price increases, and the Directors believe the estimates are appropriate.

Long-term growth rates - A long-term growth rate of 2.0% (FY22: 2.0%) was used for cash flows outside the plan projections.

The impairment assessment resulted in a significant headroom in the group of CGUs that comprise the Technology Solutions segment and no impairment has been recognised. Any reasonably possible change in any of the key assumptions does not erode the headroom.

3.2 Other intangible assets

Carrying amount of other intangible assets as at 3 December 2023 is as follows:

	Internally generated intangible assets £m	Other intangible assets £m	Total £m
Cost			
At 28 November 2021	452.1	78.8	530.9
Additions	24.2	3.2	27.4
Internal development costs capitalised	116.4	1.1	117.5
On acquisition of subsidiaries	1.6	-	1.6
Reclassification	(3.6)	0.8	(2.8)
Disposals	(0.1)	-	(0.1)
Effect of changes in foreign exchange rates	0.3	7.6	7.9
At 27 November 2022	590.9	91.5	682.4
Additions	**16.4**	**21.8**	**38.2**
Internal development costs capitalised	**166.4**	**1.4**	**167.8**
On acquisition of subsidiaries	**2.0**	**-**	**2.0**
Effect of changes in foreign exchange rates	**0.1**	**0.6**	**0.7**
At 3 December 2023	**775.8**	**115.3**	**891.1**
Accumulated amortisation			
At 28 November 2021	(155.4)	(30.3)	(185.7)
Charge for the period	(98.2)	(16.5)	(114.7)
Impairment charge	(3.4)	(0.2)	(3.6)
Effects of changes in foreign exchange rates	-	(1.2)	(1.2)
At 27 November 2022	(257.0)	(48.2)	(305.2)
Charge for the period	**(109.9)**	**(15.1)**	**(125.0)**
Impairment charge	**(0.3)**	**(0.2)**	**(0.5)**
Effect of changes in foreign exchange rates	**0.1**	**0.8**	**0.9**
At 3 December 2023	**(367.1)**	**(62.7)**	**(429.8)**
Net book value			
At 27 November 2022	333.9	43.3	377.2
At 3 December 2023	**408.7**	**52.6**	**461.3**

At the end of the period, included within intangible assets is capital work-in-progress for internally generated intangible assets of £153.3m (FY22: £72.8m) and £6.5m (FY22: £4.1m) for other intangible assets.

3.3 Property, plant and equipment

Carrying amount of property, plant and equipment as at 3 December 2023 is as follows:

	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Motor vehicles £m	Total £m
Cost				
At 28 November 2021	122.6	1,431.9	8.8	1,563.3
Additions	92.5	494.4	1.6	588.5
Internal development costs capitalised	-	63.9	-	63.9
Recognised on acquisition of subsidiaries	-	0.1	-	0.1
Reclassification	1.3	0.6	0.9	2.8
Disposals	(3.7)	(7.5)	-	(11.2)
Effect of changes in foreign exchange rates	0.1	39.4	-	39.5
At 27 November 2022	212.8	2,022.8	11.3	2,246.9
Additions	**19.1**	**261.3**	**1.2**	**281.6**
Internal development costs capitalised	**-**	**32.7**	**-**	**32.7**
Recognised on acquisition of subsidiaries	**-**	**5.2**	**-**	**5.2**
Reclassification[1]	**-**	**(12.5)**	**-**	**(12.5)**
Disposals	**(2.4)**	**(6.3)**	**-**	**(8.7)**
Reclassified to asset held for sale	**(5.7)**	**-**	**-**	**(5.7)**
Effect of changes in foreign exchange rates	**-**	**(53.1)**	**-**	**(53.1)**
At 3 December 2023	**223.8**	**2,250.1**	**12.5**	**2,486.4**
Accumulated depreciation				
At 28 November 2021	(9.5)	(288.0)	(8.0)	(305.5)
Charge for the period	(5.7)	(148.5)	(0.2)	(154.4)
Impairment charge	(0.1)	(9.2)	-	(9.3)
Disposals	-	2.2	-	2.2
Effects of changes in foreign exchange rates	-	(2.1)	-	(2.1)
At 27 November 2022	(15.3)	(445.6)	(8.2)	(469.1)
Charge for the period	**(3.3)**	**(182.9)**	**(1.7)**	**(187.9)**
Impairment charge	**-**	**(41.2)**	**-**	**(41.2)**
Reclassified to asset held for sale	**0.8**	**-**	**-**	**0.8**
Effect of changes in foreign exchange rates	**-**	**5.9**	**-**	**5.9**
At 3 December 2023	**(17.8)**	**(663.8)**	**(9.9)**	**(691.5)**
Net book value				
At 27 November 2022	197.5	1,577.2	3.1	1,777.8
At 3 December 2023	**206.0**	**1,586.3**	**2.6**	**1,794.9**

[1] These amounts relate to reclassification of certain capital-work-in-progress items to inventory.

At the end of the period, included within property, plant and equipment is capital work-in-progress for land and buildings of £36.3m (FY22: £84.5m), fixtures, fittings, plant and machinery of £347.7m (FY22: £382.0m) and motor vehicles of £1.4m (FY22: £1.0m).

The impairment charges during the period include amounts relating to the fixed assets held in the CFC in Hatfield of £7.0m and certain Ocado Retail zoom sites of £12.5m. Refer to Note 2.3 for further details.

Impairment assessment - customer-level CGU

The Group has determined that assets directly associated with individual Technology Solutions contracts (i.e. Partner by Partner) represent the lowest-level group of assets at which impairment can be assessed, i.e. the CGU. The Group has undertaken a review for indicators of impairment for each Technology Solutions contract and, where indicators of impairment exist, a full asset impairment review was carried out comparing carrying value to fair value less cost to dispose (“FVLCD”). FVLCD has been estimated using present value techniques using a discounted cashflow method. The fair value method relies on unobservable inputs where there is little market activity for the asset and are therefore categorised at Level-3 in the fair value hierarchy. However, those unobservable inputs are determined using market participants’ view.

The key inputs and assumptions in arriving at the FVLCD are:

- a probability-weighted approach of possible scenarios using the expected future cash flows from the contract based on management forecasts for a 10-year period, including an assessment of ramp-up of capacity, ongoing operating costs and associated increase in fees and capital expenditure;
- discount rate that specifically takes into account the risk pertaining to the customer specific cash flows - 10.7% to 11.5% (FY22: 10.8%); and
- long-term growth rate to reflect growth outside of the forecast period - 2.0% (FY22: 2.0%).

Based on the outcome of the assessment, an impairment of £15.2m (FY22: £nil) has been recognised for Groupe Casino CGU ("Casino"), which prior to this impairment had a carrying value of £54.4m as at the end of FY23 (FY22: £59.0m). An increase in discount rate of 1 percentage point ("ppt") or a decrease in long-term growth rate of 1 ppt will result in a further impairment of £1.6m and £0.3m, respectively.

Over recent years Casino has not invested in the marketing resources required to fulfil the full potential of their online grocery retail business, which has led to a slow module ramp in their CFC and so impacted our estimate of the fair value of the contract (the FVLCD). This has required the Group to record a partial impairment of the related assets as described above. In the background, Casino is engaged in a corporate restructuring and it is envisaged that there will be a new majority owner of Casino and an injection of new equity in due course. We are working with Casino management to determine how to best move forward together with their online grocery retail business.

For another CGU (a single partner contract with no live CFC), there are a number of factors that could impact the fair value assessment going forward, therefore no impairment has been recognised in FY23. However, a 0.1 ppt increase in discount rate or a 0.3 ppt decrease in long-term growth rate would result in the headroom being fully eroded. The CGU currently has a carrying value of £121.6m.

3.4 Right-of-use assets and lease liabilities

An analysis of the Group's right-of-use assets and lease liabilities is as follows:

Right-of-use assets	**Land and buildings £m**	**Fixtures, fittings, plant and machinery £m**	**Motor vehicles £m**	**Total £m**
At 28 November 2021	409.0	25.5	60.1	494.6
Additions	43.4	2.2	24.9	70.5
Disposals	(4.0)	(0.1)	(0.5)	(4.6)
Impairment	(0.6)	-	-	(0.6)
Depreciation	(32.8)	(11.8)	(21.4)	(66.0)
At 27 November 2022	415.0	15.8	63.1	493.9
Additions	**8.9**	**13.4**	**10.4**	**32.7**
Recognised on acquisition of subsidiaries	**0.3**	**-**	**-**	**0.3**
Disposals	**(0.1)**	**(0.1)**	**(0.3)**	**(0.5)**
Impairment	**(27.7)**	**-**	**-**	**(27.7)**
Depreciation	**(36.8)**	**(10.9)**	**(22.7)**	**(70.4)**
Asset reclassification	**0.5**	**(0.5)**	**-**	**-**
Effect of changes in foreign exchange rates	**(0.2)**	**-**	**-**	**(0.2)**
At 3 December 2023	**359.9**	**17.7**	**50.5**	**428.1**

During the period, the Group recognised impairment charges in respect of the existing leases held in the CFC Hatfield following its closure and certain Ocado Retail zoom sites on the basis of the strategic review of the Zoom network. Refer to Note 2.3 further details.

Lease liabilities	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Motor vehicles £m	Total £m
At 28 November 2021	431.7	34.6	62.1	528.4
Additions	37.7	2.0	24.5	64.2
Terminations	(2.9)	-	-	(2.9)
Interest	24.7	1.4	2.2	28.3
Payments	(43.9)	(18.5)	(23.3)	(85.7)
At 27 November 2022	447.3	19.5	65.5	532.3
Additions	**9.3**	**13.2**	**10.4**	**32.9**
Recognised on acquisition of subsidiaries	**0.3**	**-**	**-**	**0.3**
Terminations	**(0.1)**	**-**	**(0.6)**	**(0.7)**
Interest	**22.9**	**0.7**	**2.1**	**25.7**
Payments	**(52.6)**	**(14.1)**	**(25.8)**	**(92.5)**
Effects of changes in foreign exchange rates	**(0.2)**	**-**	**-**	**(0.2)**
At 3 December 2023	**426.9**	**19.3**	**51.6**	**497.8**

	3 December 2023 £m	27 November 2022 £m
Disclosed as:		
Current	**52.9**	58.6
Non-current	**444.9**	473.7
	497.8	532.3

External obligations under lease liabilities are £481.3m (FY22: £514.8m), excluding £16.5m (FY22: £17.5m) payable to MHE JVCo Limited, a company incorporated in England and Wales in which the Group holds a 50% interest.

The existing lease arrangements entered into by the Group contain no restrictions concerning dividends, additional debt and further leasing. Furthermore, no material leasing arrangements exist relating to contingent rent payable, renewal or purchase options and escalation clauses.

The expenses relating to short-term leases and leases of low-value items not included in the measurement of the lease liability are as follows:

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Short-term leases	**2.9**	3.2
Leases of low-value items	**0.4**	-
	3.3	3.2

3.5 Other financial assets

An analysis of the Group's other financial assets is as follows:

	3 December 2023 £m	27 November 2022 £m
Contingent consideration receivable	**29.4**	98.3
Unlisted equity investments held at FVTOCI	**82.7**	69.8
Loans receivable held at FVTPL	**0.5**	2.4
Loan receivable held at amortised cost	**14.4**	14.2
Contributions towards dilapidations costs receivable	**0.7**	0.7
Other financial assets	**127.7**	185.4
Disclosed as:		
Current	**43.7**	3.8
Non-current	**84.0**	181.6
	127.7	185.4

Contingent consideration receivable
Total contingent consideration receivable at the balance sheet date is £29.4m (FY22: £98.3m), and comprises two amounts: £28.0m (FY22: £95.0m) due from Marks and Spencer Holdings Limited ("M&S") relating to the part-disposal of Ocado Retail Limited ("Ocado Retail") in August 2019; and £1.4m (FY22: £3.3m) due from Next Holdings Limited ("Next") relating to the disposal of Marie Claire Beauty Limited ("Fabled") in July 2019. Refer to Note 1.3 for details on the estimation uncertainty in relation to the fair value measurement of contingent consideration receivable.

Contingent consideration due from M&S
Under the terms of the disposal of 50% of Ocado Retail to M&S that took place during 2019, a final payment may become due from M&S to Ocado Group of £156.3m plus interest, dependent on certain contractually defined Ocado Retail performance measures (the "Target") being achieved for the FY23 financial year (the "Contingent Consideration").

The contractual outcome is binary, meaning if the Target is achieved, it will trigger the payment in full of £190.7m (£156.3m plus £34.4m of interest, assuming a payment date of August 2024). Conversely, should the Target not be achieved, no consideration would be payable by M&S. There is no formal arrangement for a payment between zero and £190.7m.

The contractual arrangement with M&S expressly provides for the Target to be adjusted for certain decisions or actions taken by Ocado Retail management that differ from the assumptions used in the discounted cash flow model which underpinned the sale transaction.

We believe that there were a number of significant decisions and actions taken by Ocado Retail management that require adjustment to the Target under the terms of the contractual agreement with M&S. The adoption of these adjustments, if established, would result in Ocado Retail achieving the Target (as adjusted) and the full payment of £190.7m. It may be that a legal process is required for this outcome to be assessed. The precise outcome of a legal process is inherently uncertain but would be binary - payment of either the £190.7m in full, or no payment. This creates a risk for both us and M&S and an incentive to reach a negotiated settlement to avoid the legal route. We believe a negotiated settlement will reflect a significant proportion of the full amount of the contingent consideration of £190.7m – particularly given the wider JV relationship.

Accounting treatment
While the contractual outcome is a binary one, the Group is required to apply the principles of IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement in determining the fair value of the Contingent Consideration financial instrument recorded in the Group's financial statements at each reporting date. IFRS 13 requires that the characteristics of the contract be valued from the perspective of a hypothetical, independent 'market participant' who would not consider any non-contract specific factors at the measurement date. In valuing this asset, a market participant would also exclude broader facts, circumstances and commercial arrangements pertaining to the ongoing relationship with M&S.

Under IFRS 13 there is judgement required in selecting and applying the appropriate measurement basis as viewed from the perspective of a market participant. There is no directly observable market for this financial instrument. We are therefore required to theoretically determine a market participant and have considered entities such as litigation funders, vulture funds and hedge funds in this determination. We have also assumed that the market participant would price into the valuation the inherent risk associated with the outcome and would also include consideration of the margin they would seek in acquiring the asset.

In the prior reporting period, the fair value of the Contingent Consideration was estimated using an expected present value technique based on a number of probability-weighted scenarios for the FY23 performance outturn and applying an appropriate discount rate to reflect the time value of the possible payment. The Group considered a range of scenarios reflecting market uncertainty at the time, the impact of likely adjustments to the Target, and Ocado Retail's expected trading performance. With the FY23 year now closed, the end of the measurement period for the Target has been reached and the valuation of the Contingent Consideration has been revisited.

The actual FY23 performance is below the Target required for automatic payment of the Contingent Consideration. However, as stated above, the contract includes a mechanism for adjusting the Target.

The contract requires the shareholders to engage in good faith discussions concerning possible adjustments, and we intend to pursue that process, however there can be no assurance that an adjustment proposed by one party will be eventually accepted by another or that a wider agreement will be reached and if so formal legal proceedings may well result.

The Group has identified a number of material adjustments that it considers to result from decisions taken by Ocado Retail management, and which should be reflected in determining whether the Target has been met. These adjustments include the impact of significant decisions taken in 2020 and 2021 during the COVID pandemic, particularly in the way in which Ocado Retail management chose to limit access to the website and ration delivery slots. Ocado Retail's management chose to prioritise vulnerable customers and certain existing customers at the expense of other existing customers and to stop the registration of new customers. These were decisions that differed from the business plan assumptions underpinning the formulation of the Target in the original sale agreement with M&S. We believe that the impact of these decisions, whether intended or not, was to maximise earnings in 2020 and 2021 at the expense of later years, for example:

- In February 2020, just before the onset of COVID, Ocado Retail had just over 850,000 active customers, having grown consistently at a compound annual growth rate ("CAGR") of around 11% over the previous 5 years. Within 12 months of making these decisions, active customers had declined to just less than 650,000 customers, a loss of approximately 200,000 active customers. Post-COVID Ocado Retail resumed its historical performance of growing active customers at around 11%. Ocado Group management believes that the loss of around 200,000 active customers during COVID significantly and negatively impacted the average number of active customers during the FY23 measurement year, particularly compared to that envisaged in the long-term plan that underpinned the Target measure. The lower number of average customers consequently lowered profitability in FY23 compared to the original business plan.

- Ocado Retail management decisions were taken to expand CFC capacity during COVID significantly ahead of previous plans, which resulted in excess capacity and excess overheads throughout FY23 that were not included in the original business plan.

The financial impact of these, and other decisions by Ocado Retail's management are, in our assessment of the contractual arrangements with M&S, valid and appropriate adjustments in determining the payment of the Contingent Consideration. If successfully established, the application of these adjustments would result in the Target being achieved and the full amount of Contingent Consideration becoming due.

It would be prudent to assume that in any negotiation or legal proceedings M&S would propose adjustments to the Target of their own.

As at the year end, the fair value has been estimated using the expected present value technique and is based on a number of probability-weighted possible scenarios that a market participant would consider in valuing the contract reflecting our current understanding of the matter. We have estimated the risk and return on investment that a market participant would require in its valuation of a contingent contractual claim. The year-end fair value is based on the information available at the end of the financial year and has been determined to be £28.0m (FY22: £95.0m).

The financial reporting estimate of £28.0m for the Contingent Consideration at 3 December 2023 is significantly lower than the amount that Ocado believes it will receive in the future (either via a formal litigation process or settlement).

Summary
There remains significant uncertainty regarding the conclusion of the amount due from M&S in respect of the Contingent Consideration. Management is fully committed to ensuring the amount of the Contingent Consideration due is maximised and intends to use all contractual or legal means available in order to achieve this aim.

Management believes that there is a greater likelihood that the amount to be paid in respect of the Contingent Consideration will be agreed through a negotiated settlement between the two shareholders. This settlement may also include other matters. Under IFRS 13, however, any broader commercial issues cannot be taken into account in determining the fair value of the Contingent Consideration for financial reporting purposes at the year end date.

The fair value of £28.0m recorded in respect of the Contingent Consideration under IFRS 13, reflects the facts and circumstances that existed at the balance sheet date. It is management's belief that the fair value currently recorded is significantly lower than the amount that Ocado may receive at the point of settlement.

Contingent consideration due from Next
The consideration due from Next is a percentage of the sales of Fabled for the period to July 2024. The total cash still receivable under the earn-out arrangement is estimated to be £1.4m (FY22: £3.7m), payable in tranches in March and September each year. During the period, cash received totalled £1.5m (FY22: £nil).

Unlisted equity investments held at FVTOCI

			% of share capital held		**Carrying amount**	
Company	**Principal activity**	**Country of incorporation**	**3 December 2023**	27 November 2022	**3 December 2023 £m**	27 November 2022 £m
80 Acres Urban Agriculture Inc.	Vertical farming	United States of America	**2.0%**	2.5%	**11.8**	10.2
Inkbit Corporation	3D printing	United States of America	**5.0%**	5.5%	**0.1**	3.5
Oxa Autonomy Ltd	Autonomous vehicle technology	England and Wales	**12.2%**	8.8%	**56.4**	36.8
Paneltex Limited	Manufacturing refrigerated vehicles	England and Wales	**25.0%**	25.0%	**2.5**	7.6
Sanctuary Cognitive Systems Corporation	Artificial intelligence	Canada	**1.5%**	1.6%	**1.8**	1.0
Wayve Technologies Limited	Autonomous vehicle technology	England and Wales	**2.5%**	2.6%	**10.1**	10.7
Unlisted equity investments held at FVTOCI					**82.7**	69.8

In December 2022, Oxa Autonomy Limited ("Oxa Autonomy"), previously Oxbotica Limited, successfully completed its Series C Fundraising, which resulted in the Group's warrants being exercised to acquire 21,934 B shares for £10.0m. The fair value of the warrants prior to the transaction was £19.4m, which together with the exercise cost of £10.0m resulted in a £29.4m increase in the Group's equity investment in Oxa Autonomy. At the FY23 period end, the unlisted equity investment in Oxa Autonomy has been revalued to £56.4m (FY22: £36.8m). Following exercise of the warrants and the Series C fundraising, the Group now holds a 12.2% interest in Oxa Autonomy.

The investment in Paneltex Limited has not been treated as an associate since the Group does not have significant influence over the company. In arriving at this decision, the Board has reviewed the conditions set out in IAS 28 "Investments in Associates and Joint Ventures" and concluded that, despite the size of the Group's holding, it is unable to participate in the financial and operating policy decisions of Paneltex due to the position of the majority shareholder as Executive Managing Director. The relationship between the Group and the company is at arm's length.

Loans receivable held at FVTPL

Borrower	Principal amount	Coupon rate	Repayment due	Carrying amount 3 December 2023 £m	27 November 2022 £m
Karakuri Limited	£1.7m	8%	October 2023	-	1.8
Inkbit Corporation	US$0.6m	6%	November 2024	**0.5**	0.6
Loans receivable held at FVTPL				**0.5**	2.4

Loans receivable held at FVTPL previously included a convertible loan to Karakuri, a company in which the Group holds a 26.3% interest. Refer to Note 5.2 for further details.

Loan receivable held at amortised cost

The loan receivable held at amortised cost is a US$15.0m loan to Infinite Acres Holding B.V. In October 2021, following the Group's divestment in Infinite Acres, 80 Acres Urban Agriculture, Inc. ("80 Acres") became a guarantor to the loan. Interest is chargeable on the US$15.0m principal at 5% per annum to December 2021, and 7% thereafter. The loan is repayable in full in September 2024, along with any unpaid accrued interest.

Contributions towards dilapidations costs receivable

Contributions towards dilapidation costs are due from the former tenant of two properties whose leases the Group took over in 2017, and will be paid when the dilapidations costs are incurred on expiry of the leases.

Section 4 - Capital structure and financing costs

4.1 Borrowings

	3 December 2023 £m	27 November 2022 £m
Senior unsecured convertible bonds	**868.0**	835.9
Senior unsecured notes	**498.2**	496.3
Revolving credit facility	-	10.0
Other borrowings	**95.9**	30.6
Borrowings	**1,462.1**	1,372.8
Disclosed as:		
Current	**2.6**	10.2
Non-current	**1,459.5**	1,362.6
	1,462.1	1,372.8

Senior unsecured convertible bonds and senior unsecured notes

Facility	Inception	Coupon rate	Maturity	Carrying amount 53 weeks ended 3 December 2022 £m	52 weeks ended 27 November 2022 £m
£600m senior unsecured convertible bonds	December 2019	0.875%	December 2025	**560.2**	540.7
£350m senior unsecured convertible bonds	June 2020	0.750%	January 2027	**307.8**	295.2
£500m senior unsecured notes	October 2021	3.875%	October 2026	**498.2**	496.3

The £600.0m of senior unsecured convertible bonds (the "2025 Bonds") were issued in December 2019, raising £592.1m, net of transaction fees. At the date of issue, the liability component was valued at £485.0m, with the remaining £107.1m recognised in the convertible bonds reserve. The bonds are convertible into ordinary shares of the Company at a conversion price of £17.93. The conversion period commenced on 19 January 2020 and shall end on the 10th calendar day prior to the maturity date. Unless previously redeemed, or purchased and cancelled, the 2025 Bonds will be convertible at the option of the bondholders on any day during the conversion period. The Company has the option to redeem all, but not some only, of the 2025 Bonds on or after 30 December 2023, at par plus accrued but unpaid interest, if the parity value (as described in the Terms and Conditions relating to the 2025 Bonds) on each of at least 20 dealing days in a period of 30 consecutive dealing days shall have exceeded

130% of the principal amount. The Company also has the option to redeem all outstanding 2025 Bonds, at par plus any accrued but unpaid interest, at any time if 85% or more of the principal amount of the 2025 Bonds shall have been previously converted or repurchased and cancelled.

The £350.0m of senior unsecured convertible bonds (the "2027 Bonds") were issued in June 2020, raising £343.4m, net of transaction fees. At the date of issue, the liability component was valued at £266.0m, with the remaining £77.4m recognised in the convertible bonds reserve. The bonds are convertible into ordinary shares of the Company at a conversion price of £26.46. The conversion period commenced on 29 July 2020 and shall end on the 10th calendar day prior to the maturity date. Unless previously redeemed, or purchased and cancelled, the 2027 Bonds will be convertible at the option of the bondholders on any day during the conversion period. The Company has the option to redeem all, but not some only, of the 2027 Bonds on or after 8 February 2025, at par plus accrued interest, if the parity value (as described in the Terms and Conditions relating to the 2027 Bonds) on each of the at least 20 dealing days in a period of 30 consecutive dealing days shall have exceeded 130% of the principal amount. The Company also has the option to redeem all outstanding 2027 Bonds, at par plus accrued interest, at any time if 85% or more of the principal amount of the 2027 Bonds shall have been previously converted or repurchased and cancelled.

The £500.0m of senior unsecured notes were issued in October 2021, raising £491.6m, net of transaction fees.

Revolving credit facility

In June 2022, the Group entered into a three-year multi-currency Revolving Credit Facility ("RCF") of £300m with a syndicate of international banks. The RCF is due to mature on 20 June 2025. As at 3 December 2023, the facility remains undrawn. Interest is payable on the amounts drawn down at a margin of 2.25% plus the applicable reference rate depending on the currency of the amounts drawn down. The Group is subject to a springing covenant under this facility which is required to be met when drawing down and subsequent quarters if a loan is outstanding.

Transaction costs of £3.4m relating to the RCF were capitalised in the prior period and are being amortised in the Income Statement on a straight-line basis over the term of the RCF.

The Group also had an existing RCF of £10.0m at the prior period end that was repaid upon expiration of the facility in December 2022.

Other borrowings

Other borrowings include a shareholder loan of £90.0m (2022: £30.0m) provided to Ocado Retail from the non-controlling interest. The loan has a termination date of August 2039 and incurs interest at SONIA + 4% per annum.

3 December 2023	**Due in less than one year £m**	**Due in between one and two years £m**	**Due in between two and five years £m**	**Due in more than five years £m**	**Total £m**
Senior unsecured convertible bonds	**-**	**-**	**868.0**	**-**	**868.0**
Senior unsecured notes	**-**	**-**	**498.2**	**-**	**498.2**
Revolving credit facility	**-**	**-**	**-**	**-**	**-**
Other borrowings	**2.6**	**0.4**	**0.3**	**92.6**	**95.9**
Borrowings	**2.6**	**0.4**	**1,366.5**	**92.6**	**1,462.1**

27 November 2022	Due in less than one year £m	Due in between one and two years £m	Due in between two and five years £m	Due in more than five years £m	Total £m
Senior unsecured convertible bonds	-	-	835.9	-	835.9
Senior unsecured notes	-	-	496.3	-	496.3
Revolving credit facility	10.0	-	-	-	10.0
Other borrowings	0.2	0.1	0.3	30.0	30.6
Borrowings	10.2	0.1	1,332.5	30.0	1,372.8

The Group reviews its financing arrangements regularly. The senior unsecured notes and senior unsecured convertible bonds contain typical restrictions concerning dividend payments and additional debt and leases.

4.2 Movements in net debt*

			Cash movements			Non-cash movements			
	Notes	27 November 2022 £m	**Cash flows excluding interest £m**	**Interest received £m**	**Interest paid £m**	**Interest income/ (charge) £m**	**Net new lease liabilities £m**	**Foreign exchange £m**	**3 December 2023 £m**
Cash and cash equivalents		1,328.0	**(469.7)**	**41.7**	**-**	**-**	**-**	**(15.2)**	**884.8**
Liabilities from financing activities:									
Borrowings	4.1	(1,372.8)	**(54.1)**	**-**	**30.6**	**(65.8)**	**-**	**-**	**(1,462.1)**
Lease liabilities	3.4	(532.3)	**66.8**	**-**	**25.7**	**(25.7)**	**(32.5)**	**0.2**	**(497.8)**
Gross debt*		(1,905.1)	**12.7**	**-**	**56.3**	**(91.5)**	**(32.5)**	**0.2**	**(1,959.9)**
Net debt*		(577.1)	**(457.0)**	**41.7**	**56.3**	**(91.5)**	**(32.5)**	**(15.0)**	**(1,075.1)**

			Cash movements			Non-cash movements			
	Notes	28 November 2021 £m	Cash flows excluding interest £m	Interest received £m	Interest paid £m	Interest income/ (charge) £m	Net new lease liabilities £m	Foreign exchange £m	27 November 2022[1] £m
Cash and cash equivalents		1,468.6	(172.0)	9.6	-	-	-	21.8	1,328.0
Liabilities from financing activities:									
Borrowings	4.1	(1,300.0)	(40.6)	-	27.5	(59.7)	-	-	(1,372.8)
Lease liabilities	3.4	(528.4)	57.4	-	28.3	(28.3)	(61.3)	-	(532.3)
Gross debt*		(1,828.4)	16.8	-	55.8	(88.0)	(61.3)	-	(1,905.1)
Net debt*		(359.8)	(155.2)	9.6	55.8	(88.0)	(61.3)	21.8	(577.1)

*Gross debt and net debt are alternative performance measures. See Section 6 - Alternative Performance Measures.

[1] The prior year balances have been amended to provide additional information on the cash and non-cash movements during the period.

4.3 Share capital and reserves

Share capital and share premium

At the reporting date, the number of ordinary shares available for issue under the Block Listing Facilities was 9,588,329 (FY22: 9,447,982). These ordinary shares will only be issued and allotted when the shares under the relevant share plan have vested, or the share options have been exercised. They are, therefore, not included in the total number of ordinary shares outstanding below.

The movements in called-up share capital and share premium are set out below:

	Ordinary shares million	Share capital £m	Share premium £m
Balance at 28 November 2021	751.4	15.0	1,372.0
Issue of ordinary shares	73.9	1.5	565.0
Allotted in respect of share option schemes	0.6	-	2.3
Balance at 27 November 2022	825.9	16.5	1,939.3
Issue of ordinary shares	**2.1**	**0.1**	**2.1**
Allotted in respect of share option schemes	**0.4**	**-**	**1.5**
Balance at 3 December 2023	**828.4**	**16.6**	**1,942.9**

In June 2022, Ocado Group plc successfully completed the placing of 72,327,044 new ordinary shares of 2 pence each (the "Placing Shares") at a price of £7.95 per Placing Share (the "Placing Price"), with existing and new institutional investors. In addition, retail investors subscribed for a total of 246,405 new Ordinary Shares at the Placing Price (the "Retail Offer Shares") and the Group CEO, CFO and GC subscribed for an aggregate of 150,944 new ordinary shares at the Placing Price (the "Subscription Shares").

In aggregate, the Placing Shares, the Retail Offer Shares and the Subscription Shares comprise 72,724,393 new Ordinary Shares, which raised proceeds of £564.1m net of qualifying transaction costs directly related to the issuance of shares amounting to £14.1m, which were deducted from the share premium.

Included in the total number of ordinary shares outstanding above are 10,480,773 (FY22: 10,438,075) ordinary shares held by the Group's Employee Benefit Trust. The ordinary shares held by the Trustee of the Group's Employee Benefit Trust pursuant to the JSOS, and the linked jointly owned equity ("JOE") awards under the Ocado Group Value Creation Plan ("Group VCP") are treated as treasury shares on the Consolidated Balance Sheet. These ordinary shares have voting rights but these have been waived by the Trustee (although the Trustee may vote in respect of shares that have vested and remain in the Trust). The number of allotted, called-up and fully paid shares, excluding treasury shares, at the end of each period differs from that used in the basic loss per share calculation in Note 2.5, since the basic loss per share is calculated using the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

Treasury shares reserve
The treasury shares reserve arose when the Group issued equity share capital under its JSOS. In 2019, the Group issued share capital relating to the linked jointly owned equity ("JOE") awards under the Group VCP. The shares under both plans are held in trust by the Trustee of the Group's Employee Benefit Trust. Treasury shares cease to be accounted for as such when they are sold outside the Group or the interest is transferred in full to the participant pursuant to the terms of the JSOS and Group VCP. Participants' interests in unexercised shares held by participants are not included in the calculation of treasury shares.

Other reserves
The movements in other reserves are set out below:

	Other reserves						
	Reverse acquisition reserve £m	**Convertible bonds reserve £m**	**Merger reserve £m**	**Translation reserve £m**	**Fair value reserve £m**	**Hedging reserve £m**	**Total £m**
Balance at 28 November 2021	(116.2)	184.5	6.2	(11.0)	6.1	0.3	69.9
Net gain arising on cash flow hedges	-	-	-	-	-	(1.1)	(1.1)
Foreign exchange gain on translation of foreign subsidiaries	-	-	-	69.1	-	-	69.1
Gain on equity investments designated as at fair value through other comprehensive income	-	-	-	-	33.3	-	33.3
Tax on gain on equity investments	-	-	-	-	(7.2)	-	(7.2)
Balance at 27 November 2022	(116.2)	184.5	6.2	58.1	32.2	(0.8)	164.0
Net loss arising on cash flow hedges	**-**	**-**	**-**	**-**	**-**	**0.7**	**0.7**
Foreign exchange loss on translation of foreign subsidiaries	**-**	**-**	**-**	**(53.0)**	**-**	**-**	**(53.0)**
Loss on equity investments designated as at fair value through other comprehensive income	**-**	**-**	**-**		**(16.5)**	**-**	**(16.5)**
Tax on loss on equity investments	**-**	**-**	**-**		**(4.6)**	**-**	**(4.6)**
Balance at 3 December 2023	**(116.2)**	**184.5**	**6.2**	**5.1**	**11.1**	**(0.1)**	**90.6**

Reverse acquisition reserve
The acquisition by the Company of the entire issued share capital in 2010 of Ocado Holdings Limited was accounted for as a reverse acquisition under IFRS 3 "Business Combinations". Consequently, the previously recognised book values and assets and liabilities have been retained, and the consolidated financial information for the period to 3 December 2023 has been presented as if the Company had always been the parent company of the Group.

Convertible bonds reserve
The convertible bonds reserve contains the equity components of convertible bonds issued by the Group, net of apportioned transaction costs. The carrying amounts of the equity components will not change until the liability components are redeemed through repayment or conversion into ordinary shares.

Refer to Note 4.1 for further details on the senior unsecured convertible bonds issued by the Group.

Merger reserve
The merger reserve comprises shares issued as consideration for Haddington Dynamics Inc.

Translation reserve
The translation reserve comprises cumulative foreign exchange differences on the translation of foreign subsidiaries.

Fair value reserve
The fair value reserve comprises cumulative changes in the fair value of assets and liabilities recognised through other comprehensive income.

Hedging reserve
The hedging reserve comprises cumulative gains and losses on movements in the Group's hedging arrangements.

4.4 Cash generated from operations

A reconciliation from profit before tax to cash generated from operations is as follows:

	Notes	**53 weeks ended 3 December 2023 £m**	52 weeks ended 27 November 2022 £m
Cash flows from operating activities			
Loss before tax		**(403.2)**	(500.8)
Adjustments for			
– Revenue recognised from long-term contracts	2.2	**(33.0)**	(24.7)
– Depreciation, amortisation and impairment losses[1]		**452.7**	348.6
– Property, plant and equipment write-off		**2.9**	10.8
– Gain on disposal of asset held for sale		**(5.0)**	-
– Insurance proceeds income	2.3	**-**	(73.8)
– Litigation settlement income and interest unwind	2.3	**(186.5)**	-
– Other non-cash adjusting items	2.3	**67.4**	59.8
– Share of results of joint ventures and associate		**0.9**	1.4
– Movement of provisions		**13.5**	(26.2)
– Net finance cost[2]	2.4	**76.1**	48.2
– Share-based payments charge		**33.3**	42.0
Changes in working capital			
– Movement in contract assets		**-**	0.3
– Cash received from contract liabilities (upfront fees)		**47.9**	78.7
– Movement of inventories		**3.1**	(10.9)
– Movement of trade and other receivables		**36.6**	(50.7)
– Movement of trade and other payables		**(19.8)**	93.3
Cash generated from/(used in) operations		**86.9**	(4.0)

[1] Included within depreciation, amortisation and impairment losses are impairment charges of £20.3m and £27.2m, relating to the UK network capacity review and Zoom by Ocado network capacity and strategy review, respectively, which are included in the adjusting items. Refer to Note 2.3 for further details.

[2] Excludes £6.1m interest unwind on AutoStore litigation settlement, which is included within litigation settlement income and interest unwind.

Section 5 - Other notes

5.1 Commitments

Capital commitments
Contracts placed for future capital expenditure but not provided for in the financial statements are as follows:

	3 December 2023 £m	27 November 2022 £m
Land and buildings	**0.1**	0.4
Property, plant and equipment	**104.9**	275.1
Capital commitments	**105.0**	275.5

Of the total capital expenditure committed at the end of the period, £66.5m relates to new CFCs (FY22: £232.4m), £2.3m to existing CFCs (FY22: £1.3m), £nil to fleet costs (FY22: £7.6m) and £34.7m to technology projects (FY22: £26.5m).

5.2 Related party transactions

Key management personnel
Only members of the Board (the Executive and Non-Executive Directors) are recognised as being key management personnel. It is the Board that has responsibility for planning, directing and controlling the activities of the Group. The aggregate emoluments of key management personnel are as follows:

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Salaries and other short-term employee benefits	**5.9**	5.8
Post-employment benefits	**0.2**	0.2
Share-based payments	**4.9**	11.4
Aggregate emoluments	**11.0**	17.4

Due to restrictions in place during the Covid-19 pandemic, chartered flights were required on a small number of occasions in order for key management personnel to be able to visit the Group's global sites and undertake client meetings. The Group chartered aircraft through accessing flying hours owned by a family member of one of the key management personnel. The price paid was at the open market rate and amounted to £nil (FY22: £32,100). At the end of the period, no amounts were owed in relation to the purchase of these flights.

Other related party transactions with key management personnel made during the period amount to £nil (FY22: £nil). All transactions were on an arm's length basis. At the reporting date, no amounts were owed by key management personnel to the Group (FY22: £nil). During the period, there were no other material transactions or balances between the Group and its key management personnel or members of their close family.

Joint venture
MHE JVCo Limited
The following transactions were carried out with MHE JVCo:

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Dividend received from MHE JVCo	**5.1**	8.0
Reimbursement of supplier invoices paid on behalf of MHE JVCo	**4.1**	1.1
Lease liability additions of assets from MHE JVCo	**11.4**	-
Capital element of lease liability instalments paid to MHE JVCo	**12.0**	15.1
Capital element of lease liability instalments due to MHE JVCo	**0.5**	1.4
Interest element of lease liability instalments accrued or paid to MHE JVCo	**0.5**	1.3

During the period, the Group incurred lease instalments (including interest) of £13.0m (FY22: £17.8m) to MHE JVCo.

Of the lease instalments incurred, £6.8m was recovered directly from Wm Morrison Supermarkets Limited in the form of other income (FY22: £8.2m).

Included within trade and other receivables is a balance of £0.7m due from MHE JVCo (FY22: £2.3m), which primarily relates to capital recharges.

Included within trade and other payables is a balance of £0.7m due to MHE JVCo (FY22: £1.8m).

Included within lease liabilities is a balance of £16.5m due to MHE JVCo (FY22: £17.5m).

Associate
Karakuri Limited
During a prior period, the Group lent £1.7m to Karakuri, a company in which the Group holds a 26.3% interest. The loan is held at fair value through profit or loss within other financial assets. However, following Karakuri entering into administration during the period, a write-down of £1.9m was recognised, reducing the carrying amount to £nil (FY22: £1.8m). During the period, £0.1m (FY22: £0.2m) of interest was recognised within finance income.

No other transactions that require disclosure under IAS 24 "Related Party Disclosures" have occurred during the period.

Section 6 - Alternative performance measures

The Group assesses its performance using a variety of alternative performance measures ('APMs'), which are not defined under IFRS and are, therefore, termed "non-GAAP" measures. These measures provide additional useful information on the underlying trends, performance and position of the Group. The APMs used are:

- Adjusting items;
- Adjusted EBITDA;
- Adjusted EBITDA %;
- Gross debt and external gross debt;
- Net debt;
- Technology Solutions fees invoiced;
- Underlying cash flow; and
- 52 week income statement

Definitions of these APMs, together with reconciliations of these APMs with the nearest measures prepared in accordance with IFRS are presented below. The APMs used may not be directly comparable with similarly titled measures used by other companies.

Adjusting items
The Consolidated Income Statement separately identifies trading results before adjusting items. Adjusting items are items that are considered to be significant due to their size/nature, not in the normal course of business or are consistent with items that were treated as adjusting in the prior periods or that may span multiple financial periods. They have been classified separately in order to draw them to the attention of the readers of the financial statements, and facilitate comparison with prior periods to assess trends in the financial performance more readily.

The Directors believe that presentation of the Group's results in this way is important for understanding the Group's financial performance. This presentation is consistent with the way that financial performance is measured by management and reported to the Board.

The Group applies judgement in identifying items of income and expense that are recognised as adjusting to help provide an indication of the Group's underlying business. In determining whether an event or transaction is adjusting in nature, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

Examples of items that the Group considers adjusting include corporate reorganisations, material litigation, and any other material costs outside of the normal course of business as determined by management.

The Group has adopted a three-columned approach to the Consolidated Income Statement to aid clarity and allow users of the financial statements to understand more easily the performance of the underlying business and the effect of adjusting items.

Adjusting items are disclosed in Note 2.3.

Adjusted EBITDA

In addition to measuring its financial performance based on operating profit, the Group measures performance based on Adjusted EBITDA. Adjusted EBITDA is defined as the Group's earnings before depreciation, amortisation, impairment, net finance cost, taxation and adjusting items. EBITDA is a common measure used by investors and analysts to evaluate the operating financial performance of companies. A reconciliation of operating profit to Adjusted EBITDA can be found on the face of the Consolidated Income Statement.

The Group considers Adjusted EBITDA to be a useful measure of its operating performance because it approximates the underlying operating cash flow by eliminating depreciation and amortisation. Adjusted EBITDA is not a direct measure of liquidity, which is shown by the Consolidated Statement of Cash Flows, and needs to be considered in the context of the Group's financial commitments.

The financial performance of the Group's segments is measured based on Adjusted EBITDA, as reported internally. A reconciliation of the Adjusted EBITDA of the Group with the Adjusted EBITDA by segment is disclosed in Note 2.1 of the consolidated financial statements.

Adjusted EBITDA %

Adjusted EBITDA % is calculated as the adjusted EBITDA divided by revenues.

Gross debt and external gross debt

Gross debt is calculated as borrowings and lease liabilities as disclosed in Note 4.2 of the consolidated financial statements. External gross debt is calculated as gross debt less lease liabilities payable to joint ventures of the Group. External gross debt is a measure of the Group's indebtedness to third parties which are not considered related parties of the Group.

A reconciliation of gross debt with external gross debt is set out below:

	Note	**3 December 2023 £m**	27 November 2022 £m
Gross debt	4.2	1,959.9	1,905.1
Lease liabilities payable to joint ventures	3.4	(16.5)	(17.5)
External gross debt		**1,943.4**	**1,887.6**

Net debt

Net debt is calculated as cash and cash equivalents, less gross debt.

Net debt is a measure of the Group's net indebtedness that provides an indicator of the overall strength of the Consolidated Balance Sheet. It is also a single measure that can be used to assess the combined effect of the Group's cash position and its indebtedness.

The most directly comparable IFRS measure is the aggregate of borrowings and lease liabilities (current and non-current) and cash and cash equivalents. A reconciliation of these measures with net debt can be found in Note 4.2 to the consolidated financial statements.

Technology Solutions fees invoiced

Technology Solutions fees invoiced is used as a key measure of performance of the Technology Solutions business as an alternative to revenue and represent design and capacity fees invoiced during the period for existing and future CFC and in-store fulfilment commitments.

Underlying cash flow

Underlying cash flow is the movement in cash and cash equivalents excluding the impact of adjusting items, costs of financing, purchase of unlisted equity investments and foreign exchange movements. A reconciliation of the movement in cash and cash equivalents to underlying cash outflow is detailed within the Financial Review: FY23.

52 week income statement

In order to provide comparability with the prior year results for the 52 weeks ended 27 November 2022, the tables below present the Group's statutory results and Adjusted EBITDA on a 53-week basis to 3 December 2023, adjusted to remove the results of week 53 to separately present the Consolidated Income Statement on a 52-week basis to 26 November 2023. In determining the week 53 adjustment, revenue represents the actual trading performance in that week, with operating costs allocated on a reasonable basis to reflect an estimate of costs for that week, unless a split was not deemed to sufficiently represent the actual costs incurred during week 53.

Consolidated Income Statement

	Notes	2023 as reported on a 53-week basis £m	Exclude week 53 £m	APM 2023 52-week basis £m
Revenue	2.2	2,825.0	59.4	2,765.6
Insurance and legal settlement proceeds	2.3	180.4	-	180.4
Operating costs		(3,337.7)	(66.1)	(3,271.6)
Operating loss before results of joint ventures and associate		**(332.3)**	**(6.7)**	**(325.6)**
Share of results of joint ventures and associate		(0.9)	-	(0.9)
Operating loss		**(333.2)**	**(6.7)**	**(326.5)**
Finance income	2.4	46.8	0.7	46.1
Finance costs	2.4	(97.0)	(1.9)	(95.1)
Other finance gains and losses	2.4	(19.8)	(1.7)	(18.1)
Loss before tax		**(403.2)**	**(9.6)**	**(393.6)**
Income tax credit		16.2	-	16.2
Loss for the period		**(387.0)**	**(9.6)**	**(377.4)**

Adjusted earnings before interest, taxation, depreciation, amortisation, impairment and adjusting items (Adjusted EBITDA*)

	Notes	2023 as reported on a 53-week basis £m	Exclude week 53 £m	APM 2023 on a 52-week basis £m
Operating loss		**(333.2)**	**(6.7)**	**(326.5)**
Adjustments for:				
Adjusting items*	2.3	**(17.8)**	**-**	**(17.8)**
Amortisation of intangible assets	3.2	**125.0**	**2.9**	**122.1**
Impairment of intangible assets	3.2	**0.2**	**-**	**0.2**
Depreciation of property, plant and equipment	3.3	**187.9**	**5.1**	**182.8**
Impairment of property, plant and equipment	3.3	**21.7**	**-**	**21.7**
Depreciation of right-of-use assets	3.4	**70.4**	**1.3**	**69.1**
Impairment of right-of-use assets	3.4	**-**	**-**	**-**
Adjusted EBITDA*		**54.2**	**2.6**	**51.6**

Adjusting items include impairment charges in respect of other intangible assets of £0.3m (FY22: £nil), property, plant and equipment of £19.5m (FY22: £nil) and right-of-use assets of £27.7m (FY22: £nil).

Announcement information

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