ocado GROUP

28 February 2023

Continuing strong growth in Solutions, challenging year for Ocado Retail

Business Highlights

- **12 sites opened for partners around the world; 9 Customer Fulfilment Centres ('CFCs') and 3 Zooms**
- **23 sites now live (19 CFCs), 12 International sites and 11 UK sites; further 6 sites (5 CFCs) expected to go live in FY23, including expansion into APAC; Aeon (Tokyo) and Coles (Sydney and Melbourne)**
- **Live partners continue to report leading customer satisfaction metrics in their markets**
- **Two new partnerships signed in the year, bringing total Ocado Smart Platform ('OSP') partners to 12**
- **8 out of 12 OSP partners now live on the platform; 2 more to be added in the year ahead**
- **On track to deliver game-changing Ocado Re:Imagined innovations by end of FY23; underpinning improved operating margin and lower capital costs for partners and Ocado Group**
- **Strong growth in active customers year-on-year, drives higher ma-rket share at Ocado Retail and broadly offsets volume drag of COVID unwind, accelerated by the cost-of-living crisis**
- **Team in place to lead capital-light expansion of our technologies into wider automated storage and retrieval solutions ("ASRS") space**

Financial Highlights

- **Group revenue broadly flat at £2.5bn; strong growth in Solutions revenue offset by decline at Ocado Retail**
- **Ocado Retail revenue of £2.2bn, down 3.8%; robust customer growth offset by lower value baskets**
- **International Solutions revenues more than doubled to £148m from £67m in FY21 as live sites trebled; from 4 to 12**
- **Group EBITDA* loss of £(74)m, compared with a profit of £61m in FY21, a result of cost pressures and capacity investments made to support growth at Ocado Retail; EBITDA in UK Solutions & Logistics and International Solutions segments broadly flat or improving**
- **Loss before tax of £(501)m, £324m lower than in FY21, principally reflects Ocado Retail EBITDA and £349m depreciation and amortisation, a £110m increase due to the 17 new CFC/Zoom sites opened over the last two years (FY21:5, FY22:12)**
- **Healthy liquidity; cash balance of £1.3bn, following June equity raise, supporting ambitious growth plans**

£ million	**FY 2022**	**FY 2021**	Change
Revenue			%
Retail	2,203.0	2,289.9	(3.8)%
UK Solutions & Logistics	802.7	710.4	13.0%
International Solutions	147.8	66.6	121.9%
Group and other	0.8	0.4	100.0%
Inter-segment eliminations	(640.5)	(568.5)	12.7%
Group[1]	**2,513.8**	**2,498.8**	**0.6%**
EBITDA*			£m
Retail	(4.0)	150.4	(154.4)
UK Solutions & Logistics	67.2	68.5	(1.3)
International Solutions	(113.2)	(119.3)	+6.1
Group and other	(21.9)	(37.5)	+15.6
Inter-segment eliminations	(2.2)	(1.1)	(1.1)
Group*[2]	**(74.1)**	**61.0**	**(135.1)**
Depreciation and amortisation	(348.6)	(238.4)	(110.2)
Net finance costs	(48.2)	(42.3)	(5.9)
Exceptional items[3]	(29.9)	42.8	(72.7)
Loss before tax	**(500.8)**	**(176.9)**	**(323.9)**

Capital expenditure	797.3	680.4	+116.9
Cash and cash equivalents and treasury deposits	1,328.0	1,468.6	(140.6)
Net (debt)/cash*	(577.1)	(359.8)	(217.3)

* These measures are Alternative Performance Measures, refer to section 6 in the condensed financial statements. Notes to the table found before the Financial Review.

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

"Over the last year every company has had its business model tested by a combination of macro-economic and geopolitical headwinds, and I am pleased that, thanks to the creativity and commitment of my colleagues, we have more confidence in our model than ever before.

We have rolled out CFCs across the world at unprecedented pace for our Ocado Solutions partners who in turn have been able to set the bar for customer experience online, recording industry-beating e-commerce growth in key markets. Our dedicated client support teams are helping our partners to achieve even better results. The pipeline for new partners is strong - in November we were delighted to welcome Lotte to the "Ocado Club" of leading international grocers following the joining of Auchan Polska earlier in the year - and we look forward to opening the first CFCs for our partners in Japan and Australia in 2023.

Ocado Re:Imagined, our suite of seven game-changing innovations, announced in January last year, is getting ready for roll-out. The enthusiasm with which our current and future partners have embraced these innovations demonstrates the link between our Technology R&D and value creation.

Ocado Retail, our UK JV with M&S, has shown its resilience against a backdrop of higher costs and smaller baskets, reflecting the Covid unwind and the UK cost of living crisis, by growing customer numbers and increasing online market share. As the Covid unwind fades and customer growth continues the business will start to recover the fixed costs of recent capacity commitments.

We are poised to leverage our technology leadership further with the imminent launch of a capital-light, highly efficient automated fulfilment solution outside of grocery.

Our strong balance sheet gives us the means to finance our growth through the mid-term (4-6 years) by which time we expect Ocado Group to be cash flow positive with the cash flows from existing CFCs sufficient to finance future investments. Over the last twelve months we have continued to deepen our relationships with our partners, and have learnt a lot about how to help them make the most of our world-leading technology. We are confident that we will see the benefits of these learnings in the next few years as we progress our mission to change the way the world shops, for good".

New business segments

Ocado Group provides end-to-end online grocery fulfilment solutions to some of the world's largest grocery retailers, and maintains a 50% share in Ocado Retail, the award winning UK online grocery business started over twenty years ago, now a joint venture with Marks & Spencer. The Group has spent two decades innovating in the online grocery space, across a broad technology estate that includes robotics, AI & machine learning, simulation, forecasting and vision systems. This know-how is now embodied in the Ocado Smart Platform (OSP), which we provide as a managed service, to enable our grocery retail partners around the world to bring the market-leading Ocado consumer experience to their own retail customers.

To date, we have reported performance across three segments: (1) Ocado Retail, which is 100% consolidated (2) International Solutions, reflecting contracts to provide OSP to our 10 international clients outside of the UK and (3) UK Solutions & Logistics, reflecting contracts to provide OSP and third party logistics services to our 2 clients in the UK, including the Ocado Retail joint venture.

*During FY 2022, we announced a change of reporting that will take place from FY 2023; to align our reporting structure with the three underlying business segments detailed in our **modelling** and **cash flow** seminars, held in May and November 2022. These are Ocado Retail, UK Logistics and Technology Solutions.*

As a distinct joint venture company, reporting of Ocado Retail will remain unchanged in 2023. UK Logistics reflects our business providing leading logistics support for Ocado Group's UK partners, Ocado Retail and Morrisons, in fulfilment and delivery, recharging the cost of these services as with a typical third party logistics contract. Technology Solutions encompasses the operations of our global platform technology business, providing OSP as a managed service to our 12 partners around the world.

The following discussion of our FY 2022 performance, and FY 2023 guidance, is based on these underlying operating segments. ***A detailed review of performance in the year, based on currently reported segments, follows in the Financial Review.***

FY 2022 performance

TECHNOLOGY SOLUTIONS

Channel shift to online remains the defining feature of the global grocery market post COVID

- **Online market share has stabilised at materially higher levels following the pandemic**; >50% higher in the top 20 markets worldwide.
- Industry data forecasts widespread and continued channel growth. For example, Edge Ascential expects online market share in the top 20 markets, globally, to grow by 30% through 2027.
- **Against this backdrop, our partners have reported leading customer satisfaction metrics and growth ahead of the broader online channel in their respective markets.** In the UK, Ocado Retail increased its share of online grocery to 12.3% in FY22 (Nielsen, FY21: 11.7%). At their 3Q22 results, Kroger reported year-on-year Delivery sales growth of 34%, driven by CFCs and Kroger Boost, whilst the broader US online market has shown declines from the highs of the pandemic.

The Ocado Smart Platform: ongoing innovation enabling even greater competitive advantage in online channel

- **Ocado Group has continued to innovate at pace. In FY22, we announced 7 seven game-changing innovations, known as 'Ocado Re:Imagined', to the technology powering OSP** (details can be found on the Ocado Group website here).
- New CFCs ordered since the beginning of 2022 can benefit from all these innovations, which we expect will materially reduce capex and operating expenses for both Ocado Group and our respective partners. CFCs already opened can be retrofitted to adopt virtually all of these innovations (all except the new grid and optimised site design).
- Target operating efficiency in a CFC, as defined by UPH (units picked per hour), is forecast to rise to >300 from 200 today, delivering a material margin benefit to be shared between Ocado Group and its partners.
- Changes in the design of the bots and grid, as well as optimised site design, are expected to reduce both Ocado Group and partner capital or lease costs by more than 15% in a typical CFC.
- We will pass on the majority of the economic benefits of Re:Imagined to partners, enhancing their ability to take share in the online channel in their respective markets.

Technology R&D driving faster growth and higher returns

- **Progress in FY22 brings conviction in the link between R&D with faster growth and higher returns.**
- Technology R&D, which supports Ocado's ability to innovate at pace, is enabling faster growth as the momentum of new partnerships resumes, as well as delivering better economics for all parties.
- Total Technology cash spend, £344m in FY22, is being amortised over a growing base of OSP partners. In addition, we believe around 70% of technology already developed can be applied to activities outside of the grocery sector. We expect total Technology cash spend to gradually reduce to around £200m per annum over the next 3 to 5 years.
- The R&D investment behind Ocado Re:Imagined will deliver better economics for Ocado Group. Although we expect to give our partners a greater share of the operating improvements arising from Ocado Re:Imagined, we expect to benefit from an increased capacity-related fee, over time, of c.5.5% of the value of capacity installed versus c.5.0% previously.
- These enhanced economics underpin our target for a >70% contribution margin on Re:Imagined CFCs, in the mid-term.

Improving momentum; new partnerships signed

- **The increasing attractiveness of OSP has also played an important role in new partner signings. In FY22, two new international partnerships were announced** - Lotte Shopping in South Korea and Auchan Polska in Poland – as COVID-era restrictions on travel were lifted. This takes the total number of Ocado Group partners from 10 to 12.
- The Lotte agreement, signed in November, supports the development of a nationwide fulfilment network in Korea, with 6 CFCs planned by 2028 and the first due to go live in 2025. Lotte will be deploying the new technologies announced at Ocado Re:Imagined and will introduce multi-storey CFCs for the first time, unlocking a wider range of property types for CFCs and enabling more efficient use of space in densely built environments.
- Auchan Polska, signed in March, is expected to open its first CFC in Warsaw in 2025, with additional CFCs to be announced at future dates. This is the first deal in a market with a GDP per capita of less than $25,000 per annum, an opportunity made possible by the enhanced operating and capital efficiency enabled by Ocado Re:Imagined.
- Both Lotte and Auchan Polska will also leverage Ocado's In-Store Fulfilment (ISF) software across their physical store network enabling more efficient picking from these stores, demonstrating the value of the range of tactical options available through the Ocado Smart Platform.
- **The new partner pipeline is strong and we continue to target further OSP deals.**

Successful execution; go-live of new CFCs, with focus now on supporting partners to achieve best results

- **In FY22, Ocado Group significantly ramped up live capacity for partners in the UK and internationally,** with the number of modules live increasing by 61%, from 61 at the end of FY21 to 99 by the end of FY22.
- **We opened 12 sites during the year;** in the US for Kroger we opened 6 CFCs, in Atlanta, Dallas, Chicago, Detroit, Denver, and Baltimore; the first ICA CFC was opened in Stockholm; and a second CFC was opened for Sobeys in Montreal. In the UK, we opened a mini CFC, in Bicester, for Ocado Retail, in addition to 3 Zooms (Canning Town, Leyton, and Leeds).
- Direct operating cost at OSP sites (including engineering and hosting costs as a % of site sales) has improved to 2.0%, from 2.7% in 2021, ahead of plan and on track to our mid-term target of 1.5%.
- Our partners are focused on ramping up capacity and deploying early learnings to optimise operating economics at their initial sites, while they assess how they deploy capital in the next phase of growth.
- Combined with fewer new partner signings during the pandemic, this pause saw a lower increase in new modules ordered (+19 to 232 compared with +45 to 213 in FY21), which will reduce the pace of modules going-live in the near term
- **We expect orders for new capacity to increase in FY23,** as a result of our targeted efforts to support clients towards optimised CFC economics alongside the future opportunities presented by Re:Imagined technologies
- Our enhanced Partner Success operating model is already delivering encouraging early results. For example, in around one month, we helped one of our clients to improve delivery efficiency (measured by drops per van) by 15% at a site

Versatility of Ocado technology expands our opportunity-set into the wider ASRS market

- The sophisticated technology that Ocado Group has built over the last two decades is applicable well beyond grocery. The solution is able to serve needs across the full spectrum of range and throughput requirements, as well as temperature zones; effectively, any company looking to store, sort and ship products of any type. We believe the further improvements to cost of ownership of our technology, enabled by Re:Imagined, will deliver the highest throughput and lowest cost solution in the ASRS sector.
- The addressable market for ASRS solutions is large and, over time, we expect that our business providing automation outside of grocery will be a significant part of future Group revenue.
- In August 2022, Mark Richardson, previously Chief Operations Officer, took up a new role as the CEO of Ocado's new Automated Storage & Retrieval Systems (ASRS) business which will bring Ocado's technology and after-sales support to a wide range of new clients in the broader ASRS space.
- We expect to operate a capital-light model, with immediate financial returns expected for Ocado on go-live. Additionally, activities in this space will almost entirely leverage R&D investments already made for OSP in grocery.
- **As a result, the new venture will not require additional capital beyond that previously guided at Group level.**
- **Significant progress has already been made marketing to potential customers, with interest across a wide range of client and project sizes, and industries.**

Balance sheet strengthened; sufficient liquidity to support growth plans

- **With gross liquidity of £1.6bn at end FY22, Ocado Group does not need any additional Group financing to fund mid-term growth plans (assuming refinancing of the Group's debt facilities that expire over this time frame).**
- At maturity, we expect each CFC to generate strong, visible and recurring cash flows and returns. Purfleet is already on track to achieve a 22% ROCE.
- The 232 modules already ordered by the end of FY22 underpin a path to >£16bn of run rate client sales (assuming c.£70m sales per module) through our platform, with almost half of this capacity (99 modules) already live. 64 announced CFCs represent commitments to >£22bn in run rate sales through OSP in the long-term.
- 133 modules still to go live (232 ordered, 99 already live), with majority of this spend occurring upfront, before a site goes live, will require good liquidity and a strong balance sheet.
- In June 2022, Ocado Group raised £578m of equity and secured a £300m revolving credit facility to ensure that the business has sufficient liquidity to cover expected capital investments through the mid-term.
- As the benefits of Re:Imagined come through, annual cash flows received on our CFCs will increase. At the same time, both the net capital investment per module and the phasing of upfront investment will reduce.
- **In the mid-term, we expect the Technology Solutions business to be able to self finance a module growth rate >20%.**

OCADO RETAIL

Growing customer numbers while absorbing the impact of COVID unwind and UK cost of living crisis

- **As a 'shop window' to current and future partners, Ocado Retail continues to evidence the leading customer experience and operational efficiencies enabled by Ocado technologies.**
- Progress on customer growth and fulfilment efficiency was encouraging during the year. Active customers increased by +13%, to 940k, and our latest CFCs, Andover, Purfleet and Bristol, are achieving efficiencies above the 200 UPH target.
- However, as detailed in the recent 4Q22 Trading Update **here**, full year headline revenue (-3.8%, to £2.2bn) and EBITDA (-£4m, compared with £150m in FY21) performance reflects a combination of near-term pressures offsetting this progress.

- The most significant of these has been a volume (and so revenue) drag resulting from the unwind of the large basket shopping behaviours of the pandemic, and accelerated by the current cost-of-living crisis in the UK, followed by increased marketing spend to drive growth and relative to pandemic era lows, and inflationary cost pressures (primarily utilities).
- Under the leadership of new CEO, Hannah Gibson, the business is focused on a new 'Perfect Execution' programme in FY23, to drive continued recovery in both revenues and margin, as some of these near term headwinds ease.
- With the successful go-live of Bicester CFC in the second half of 2022, and Luton CFC due to go live in 2023, the business will have capacity of around 700,000 orders per week at maturity; a path to c.£3.9bn in revenue largely invested for.
- **In the mid-term, Ocado Retail remains confident that growing customer numbers, orders and increased utilisation of available capacity will underpin a return to strong sales growth and high-mid single digit EBITDA margins.**

UK LOGISTICS

Delivering improving efficiencies for clients, increased autonomy in new structure

- In FY22, revenue (cost recharges) increased by 13%, despite a 6% decline in the volume of total eaches (shopping basket items) processed for UK clients. This increase in costs reflects the impact of a full year of operations for CFCs that went live in FY21, current inflationary cost pressures and the fixed costs that we are incurring in sites not yet operating at full capacity. This was partly offset by improved efficiencies in both our first and second generation CFCs. UPH in mature sites has risen from 170 in FY21 to 175, while the average for all OSP sites is now 184. These benefits are passed on to clients.
- **Reflecting the cost-plus business model, EBITDA remained broadly stable.**
- UK Logistics is being established to operate as a separate entity, alongside Ocado Retail and the Technology Solutions business. This autonomy is expected to deliver greater efficiency over time.

<u>FY23 guidance:</u>

Revenue
- **Technology Solutions: around 40% OSP fee revenue growth,** ahead of expected growth in live modules, reflecting the full year benefit of sites that went live in FY22 and an increasing share of higher fee OSP modules in the mix.
- **Ocado Retail**: **mid-single digit growth,** with an improving trajectory during the year, reflecting a return to volume growth as the challenging comparison to larger volume basket shopping behaviours that remained in early 2022 fades
- **UK Logistics: broadly stable:** with growth in eaches processed for UK clients offset by improvements in cost per each, which are passed on to clients.

EBITDA
- **Technology Solutions:**
  - **positive EBITDA (pre Group and other),** while continuing to invest in R&D and client success; further ramp up in recurring OSP revenues combined with incremental progress on direct operating costs and effective management of Group Support costs
  - **Group and other costs stable at around £(25)m** *(to be allocated to Technology Solutions)*
- **Ocado Retail**: **marginally positive EBITDA,** with the shape of the year expected to reflect trends in volume and revenue growth; it is likely that EBITDA will be negative in the first half and positive in the second half, as a return to volume growth supports improved capacity utilisation and reduced costs relative to sales.
- **UK Logistics: stable at around £25m**, reflecting expected revenue growth and cost-plus model

Cash flow
- **Underlying Group (inc. Retail) cash outflow to improve by around £200m, with cash outflows reducing in both Ocado Retail and Technology Solutions segments;**
  - **Increasing fees inflows in Technology Solutions and guided EBITDA improvements**
  - **Outflows reducing;** guided reduction in capital expenditure reflecting lower investment in MHE for new sites

Capital Expenditure
- **Total of at most £550m, a reduction of at least £250m year-on-year:**
  - **90% in Technology Solutions, of which:**
    - **c.50% CFCs MHE**, reflecting fewer site go-lives. We expect to bring live 6 automated sites for partners in FY23 (5 CFCs)
    - **c.40% Tech R&D;** at peak, with growth vs. FY22 driven by annualisation of year-end headcount
    - **c.10% on Other**; business and systems transformation projects to support future growth and resilience
  - **10% to support Ocado Retail, of which:**
    - **c.75% development capex;** Luton CFC and one Zoom site, due to go live in FY23, largely pre-invested

- **c.25% maintenance capex**; to support the running of the UK network (primarily mature CFCs, IT, spokes) including amounts recharged from Ocado Logistics.

<u>Results presentation</u>

A results presentation will be available online for investors at 9.30am GMT /10.30am CET. The webcast can be accessed from the Group website. Following the presentation there will be Q&A. Questions can be submitted through the webcast portal.

<u>Financial calendar</u>

Group 1H 2023 Results will be reported on the 18th July. The schedule of Ocado Retail trading statements for FY23 is: Q1 Trading Statement on 28th March, Q3 Trading Statement on the 19th September and a Q4 Trading Statement on the 16th of January 2024.

<u>Contacts</u>

Tim Steiner, Chief Executive Officer on 020 7353 4200 today or 01707 228 000
Stephen Daintith, Chief Financial Officer on 020 7353 4200 today or 01707 228 000
David Shriver, Chief Reputation Officer, on 020 7353 4200 today or 01707 228 000
Martin Robinson at Tulchan Communications on 020 7353 4200

Notes
1. Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax. The recharge of costs to our UK Solutions clients and International Solutions clients are also included in revenue with the exception of recharges to Ocado Retail which are eliminated on consolidation
2. EBITDA* is a non-GAAP measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items*
3. Net exceptional expense of £(29.9)m primarily relates to £64.0m of insurance income related to the Andover CFC fire in 2019, offset by changes in fair value of contingent consideration of £(58.4)m and litigation costs of £(26.5)m (principally related to patent infringement litigation between the Group and AutoStore Technology AS).
4. Customers are classified as active if they have shopped at Ocado.com within the previous 12 weeks
5. A module of capacity is assumed as approximately 5,000 eaches per hour (dependent on the specific metrics of a partner) and c.£70m per annum of sales capacity
6. A module is considered live when it is fully installed and is available for use by our partner
7. Direct operating cost as a % of site sales capacity reflects the exit rate position for CFCs live for at least six months at the period end. Direct operating costs include engineering, cloud and other technology support cost
8. Gross liquidity is defined as cash and cash equivalents plus unused availability under the revolving credit facility
9. Purfleet CFC on track from 22% site level ROCE, where ROCE is run rate EBIT based on mid-term cost targets divided by capex net of upfront fees
10. 64 announced CFCs reflect plans publicly announced by partners. Number of CFCs corresponds to either the announced number of sites or a number of sites determined by sales-based capacity announcements apportioned into £350m equivalent 'standard' sized CFCs, based on average exchange rate since year of announcement. Exact site sizes will vary. Does not include ISF commitments. For UK, excludes those sites live before the 2019 JV deal (Hatfield, Dordon, Erith, Andover)

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.

Ocado Group plc LEI: 213800LO8F61YB8MBC74

Ocado Group | Financial Review: FY22

Headlines

Revenue increased 0.6% to £2,513.8m (FY21: £2,498.8m):

- **International Solutions grew strongly, up 121.9% to £147.8m;** a further eight international CFCs went live in the period. We now have 12 live international sites (FY21: 4 sites) and 38 live modules (FY21: 12 live modules).
- **UK Solutions & Logistics revenue was up 13.0% to £802.7m**; UK Logistics volumes were down 6%, but significant cost inflation resulted in a 12.5% increase in cost recharges to our UK partners, increasing to £630.7m. UK Solutions fees grew by 14.9% to £172.0m as a further 12 modules of sales capacity went live, including three in Retail's new Bicester CFC, taking us to a total of 61 live modules in our CFCs (FY21: 49 live modules).
- **Ocado Retail revenue declined by 3.8% to £2,203.0m** in a challenging market as we see the unwind of the covid impact and normalised consumer behaviour, leading to smaller baskets, exacerbated by the cost-of-living crisis. There remains strong demand for Ocado Retail with active customers growing by 13.0% over the year to 940,000 customers.

Gross profit and other income of £1,065.0m increased by 2.4% compared with the prior year (FY21: £1,040.0m), with a gross margin improvement in the period; up 0.8ppts from 41.6% to 42.4% as the growth in contribution from the higher gross margin International Solutions business offset the reduction in the Retail gross margin.

Distribution and administrative costs grew by £161.0m to £1,137.7m (FY21: £976.7m) as the business continues to expand in the UK and internationally.

EBITDA* for the period was a loss of £(74.1)m (FY21: profit of £61.0m) with the £135.1m reduction driven by a £154.4m fall in Retail EBITDA*.

Statutory loss before tax of £(500.8)m increased by £323.9m from the prior year's loss of £(176.9)m, reflecting the £135.1m decline in Group EBITDA*, and after including depreciation, amortisation and impairment charges of £348.6m (FY21: £240.5m), net finance costs of £48.2m (FY21: £42.3m), and net exceptional costs of £(29.9)m (FY21: income of £42.8m). Each of these movements are explained below.

Strong balance sheet, with cash and cash equivalents of £1.3 billion as at the end of the period, supporting our significant UK and International growth plans. Net debt* at the end of the period was £(577.1)m (FY21: £(359.8)m net debt*). In June FY22, the Group successfully raised additional gross liquidity of £878.2m, comprising a £578.2m equity placing and a new three-year £300.0m revolving credit facility, providing a healthy liquidity position today of circa £1.6bn and securing the funding of our future growth plans.

Financial results

£m	FY22			FY21			
	Pre-exceptional	**Exceptional items**	**Total statutory reported**	Pre-exceptional	Exceptional items	Total statutory reported	Pre-exceptional change
Revenue	**2,513.8**	**-**	**2,513.8**	**2,498.8**	**(0.5)**	**2,498.3**	**0.6 %**
Gross profit and other income	1,065.0	73.8	1,138.8	1,040.0	79.2	1,119.2	2.4 %
Distribution and administrative costs	(1,137.7)	(103.7)	(1,241.4)	(976.7)	(34.3)	(1,011.0)	16.5 %
Share of results from joint ventures and associates	(1.4)	-	(1.4)	(2.3)	-	(2.3)	(39.1)%
EBITDA*	**(74.1)**	**(29.9)**	**(104.0)**	**61.0**	**44.9**	**105.9**	**(221.5)%**
Depreciation, amortisation and impairment	(348.6)	-	(348.6)	(238.4)	(2.1)	(240.5)	46.2 %
Net finance costs	(48.2)	-	(48.2)	(42.3)	-	(42.3)	13.9 %
Loss before tax	**(470.9)**	**(29.9)**	**(500.8)**	**(219.7)**	**42.8**	**(176.9)**	**114.3 %**

* These measures are alternative performance measures. Please refer to the section 'Alternative Performance Measures' section 6 of the Condensed Financial Statements.

The commentary is on a pre-exceptional basis to aid understanding of the performance of the business on a comparable basis. Exceptional items are covered later in the review and in note 2.3 to the Condensed Financial Statements.

Revenue for the period increased by 0.6% to £2,513.8m (FY21: £2,498.8m). Retail revenue declined by 3.8% year-on-year in a challenging trading environment, with the cost-of-living crisis compounding the impact of a return to more normal customer behaviours compared with lockdown restrictions in the prior year (and seen in lower basket sizes). International Solutions revenue increased by 121.9% from £66.6m to £147.8m with the go-live of eight new CFCs; six additional CFCs for Kroger in the US (in Atlanta, Dallas, Chicago, Detroit, Denver and Baltimore), a second CFC for Sobeys in Canada (in Montreal) and our first CFC for ICA Gruppen in Sweden (in Stockholm). Total invoiced fees* (design and capacity fees) across all international partners were £180.9m, an increase of 26.5% compared to the prior year.

Net cumulative invoiced fees to our partners and not yet recognised as revenue increased by £44.4m to £422.9m at the end of the period (FY21: £378.5m), with an increase of £51.3m for our international partners to £388.9m (FY21: £337.6m), offset by a decrease of £(6.9)m for our UK partners to £34.0m (FY21: £40.9m).

Gross profit and other income increased slightly to £1,065.0m (FY21: £1,040.0m), despite Retail gross profit declining by £82.4m to £739.9m (FY21: £822.3m), driven by a combination of lower volumes, supplier cost inflation pressure and product mix. This was offset by an increase of £87.0m in International Solutions gross profit to £145.1m (FY21: £58.1m).

Distribution and administrative costs of £1,137.7m grew by 16.5% (FY21: £976.7m) for three key reasons: 1) continued investment in building our technology capabilities for our partners, across both

CFC and in-store fulfilment solutions ("ISF"), 2) expanding our support functions to support our rapidly growing and increasingly global CFC operations and 3) significant inflationary pressures on the cost of utilities, fuel and labour.

Group Technology costs that have been expensed (and not capitalised) increased from £107.2m to £138.0m reflecting wage inflation and an increase in technology headcount from circa 2,600 to 3,000.

EBITDA* loss of £(74.1)m (FY21: profit of £61.0m), a reduction of £135.1m and driven by the £154.4m reduction in Retail EBITDA* to a loss of £(4.0)m (FY21: profit of £150.4m). The decline in the Retail segment's EBITDA* reflects lower volumes, and inflationary cost impacts on utility, fuel and labour costs; these were partially offset by the release of long-term management incentive provisions. The Group continued to invest in our technology capability and support functions during the year to support the future growth of new and existing partners around the world.

Depreciation, amortisation and impairment increased by 46.2% to £348.6m (FY21: £238.4m), primarily due to our continued investment in our Ocado Smart Platform ("OSP") technology and also due to the rollout of OSP hardware and software at live CFC locations. Over the last two years we have opened 14 new CFCs: 5 in FY21 and 9 in FY22; and 3 Zooms, bringing the total to 4. We now have 23 live sites; 7 live UK CFCs, 4 UK Zooms and 12 live international CFCs. Property, plant and equipment held on the balance sheet is £1,777.8m (FY21: £1,257.8m).

Net finance costs of £48.2m increased by £5.9m (FY21: £42.3m). Finance costs excluding foreign exchange gains/losses of £(90.0)m (FY21: £(71.6)m) were offset by finance income excluding foreign exchange gains/losses of £25.4m (FY21: £10.0m). Finance costs grew by £18.4m due to the increased interest on lease liabilities (an increase of £10.3m) driven by the full-year impact of the FY21 lease additions and further additions in FY22, and increased interest expense (an increase of £8.6m) due to the full-year impact of the incremental debt raised in FY21. The £15.4m increase in finance income was mainly driven by £12.5m interest income on cash balances (FY21: £1.0m), primarily due to higher interest rates. Net foreign exchange gains recognised amounted to £16.4m (FY21: £19.3).

Exceptional costs of £29.9m (FY21: £42.8m net income) includes: 1) the £58.4m reduction of contingent consideration receivable, primarily from M&S relating to the Ocado Retail joint venture. 2) litigation costs (£26.5m, FY21: £28.9m) primarily related to patent infringement litigation between the Ocado Group and AutoStore Technology AS and 3) the final settlement of insurance income from the Andover CFC (£67.4m, FY21: £78.6m).

Statutory loss before tax of £(500.8)m (FY21: loss of £(176.9)m) reflects an EBITDA* loss of £(74.1)m (FY21: profit of £61.0m), depreciation, amortisation and impairment of £348.6m (FY21: £238.4m), net finance costs of £48.2m (FY21 : £42.3m) and net exceptional costs of £(29.9)m (FY21: £42.8m net income).

Segmental summary

£m	FY22	FY21	Change
Revenue			
Retail	2,203.0	2,289.9	(3.8)%
UK Solutions & Logistics	802.7	710.4	13.0 %
International Solutions	147.8	66.6	121.9 %
Group and other	0.8	0.4	100.0 %
Inter-segment eliminations	(640.5)	(568.5)	12.7 %
Group	**2,513.8**	**2,498.8**	**0.6 %**
EBITDA*			
Retail	(4.0)	150.4	(102.7)%
UK Solutions & Logistics	67.2	68.5	(1.9)%
International Solutions	(113.2)	(119.3)	(5.1)%
Group and other	(21.9)	(37.5)	(41.6)%
Inter-segment eliminations	(2.2)	(1.1)	100.0 %
Group	**(74.1)**	**61.0**	**(221.5)%**

Inter-segment eliminations represent the elimination on consolidation of revenue charged from UK Solutions & Logistics to Ocado Retail. For FY22, this was £640.5m (FY21: £568.5m).

Group and other includes revenue earned by Jones Food Company (£0.8m, FY21: £0.4m) and central costs (predominantly Board costs and discussed in the 'Group and other' section of this report) that are not allocated to other segments.

Group key performance indicators

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

	FY22	FY21	Change
No. of modules live[1,2]	**99**	61	62.3 %
Cumulative no. of modules ordered[1,2,3]	**232**	213	8.9 %
OSP direct operating cost (% of installed site sales capacity)[4]	**2.0%**	2.7%	25.9 %

1. A module of capacity is assumed as approximately 5,000 eaches per hour (dependent on the specific metrics of a partner) and circa £70m per annum of sales capacity.
2. A module is considered live when it has been fully installed and is available for use by our partner.
3. A module is classified as ordered when a contractual agreement has been signed with a partner and an invoice has been issued for the associated design and access fees. This excludes modules which are required to be ordered in order to maintain exclusivity agreements, but which have not yet been agreed upon and invoiced.
4. Direct operating costs as a % of site sales capacity reflects the exit rate position for CFCs live for at least six months at the period end. Direct operating costs include engineering, cloud, and other technology support costs.

The number of modules live has increased by 38, with further modules going live in Ocado Retail, Kroger, Sobeys and ICA.

The cumulative number of modules ordered has increased by 19, primarily driven by our two new clients Auchan Poland and Lotte.

OSP direct operating cost as a percentage of installed site sales capacity is a key metric for the ongoing running cost of our CFCs that is borne by Ocado and measures the engineering, cloud computing and other operating costs of our OSP CFC operations. It has improved by 25.9% over the year as OSP performance becomes increasingly efficient

Retail

£m	FY22	FY21	Change
Revenue[2]	**2,203.0**	**2,289.9**	**(3.8)%**
Gross profit and other income[3]	**739.9**	**822.3**	**(10.0)%**
Distribution costs[4]	(596.6)	(536.7)	11.2 %
Marketing (non-voucher) costs[5]	(57.6)	(40.3)	42.9 %
Other administrative costs[4]	(89.7)	(94.9)	(5.5)%
EBITDA*	**(4.0)**	**150.4**	**(102.7)%**

1. The results of the Ocado Retail Limited joint venture (referred to as either "Ocado Retail" or "Retail") are fully consolidated in the Group.
2. Retail segment includes results from Speciality Stores Limited ("Fetch") until its disposal on 31 January 2021. The revenue decline in FY22 excluding Fetch was (3.5)%.
3. FY21 other Income includes £4.4m income from the Transitional Services Agreement relating to the sale of Fetch in FY21.
4. Distribution and administrative costs exclude depreciation, amortisation and impairment.
5. Marketing costs exclude the cost of vouchers given to customers, these are included in cost of sales.

Key drivers

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

	FY22	FY21	Change	FY19	Change[4]
Active customers (000s)[1]	**940**	832	13.0 %	795	18.2 %
Average orders per week (000s)	**377**	357	5.6 %	307	22.8 %
Average basket value (£)[2]	**118**	129	(8.5)%	106	11.3 %
Average selling price (£)[3]	**2.55**	2.44	4.5 %	2.30	10.9 %
Average basket size	**46**	52	(11.5)%	46	-

1. Active customers are classified as active if they have shopped at Ocado.com within the previous 12 weeks.
2. Average basket value refers to the results of Ocado.com.
3. Average selling price is defined as gross sales divided by total eaches.
4. Represents variance between FY22 and FY19 to reflect pre-pandemic movement.

Retail revenue declined by 3.8% year-on-year driven by an unwind of shopping behaviours experienced during the pandemic, only partly offset by rising item prices.

EBITDA* decreased by £154.4m to a loss of £(4.0)m (FY21: profit of £150.4m). The decline is primarily driven by investments in capacity to support future growth, investments in marketing to grow customer numbers (and relative to pandemic lows) and inflationary cost pressures. The loss includes a benefit from the release of a provision relating to the long-term management incentive plan.

We have continued to grow our active customer base, in turn driving growth in orders per week though at a lower rate, as customers reduced shopping frequency following the pandemic and in response to the cost-of-living crisis in the UK. Basket volumes have also declined, reflecting the same trends.

We opened the Bicester CFC, which will add capacity of around 30,000 orders per week at maturity and will bring the total capacity for Ocado Retail to over 600,000 orders per week. Our Bristol, Andover and Purfleet CFCs which opened in FY21 have all continued to ramp during the year. We continue to invest in our immediacy proposition, Zoom, launching three new sites in FY22, and now have four sites live: Acton, Canning Town, Leyton and Leeds. Collectively these sites will have circa £20m annual sales capacity at maturity.

Revenue

Retail revenue declined by 3.8% year-on-year in a challenging trading environment, with inflationary pressures leading customers to reduce basket size to manage spend.

The average basket value for Ocado.com was 8.5% lower at £118 (FY21: £129), with customers ordering fewer items per shop than in the prior year. This resulted in a decline in items per basket of 11.5% to 46 (FY21: 52), which is now back in line with pre-pandemic levels (FY19: 46). We remain committed to offering customers fair value, including investment in price and expanding our value-for-money own label proposition. The business was impacted, however, by the high-cost inflation being experienced by food suppliers and others in the grocery supply chain, and this was reflected in an increase in average selling price for Ocado.com of 4.5% in the period, up from £2.44 to £2.55 per item. The decline in revenue was also driven by year-on-year growth in the use of customer discount vouchers (the costs of which are a reduction to revenue) to drive customer retention and acquisition (Ocado.com FY22: 0.9% of revenue, FY21: 0.1% revenue). In FY21 there was a lower-than-usual amount of vouchering given the increased demand for grocery deliveries during the pandemic. FY19 voucher spend for Ocado.com was 1.7% of revenue.

While there was a 3.8% decline in year-on-year revenue, there has been a steadily improving trend. Revenue declined by 8.3% in the first half of the year (with pandemic volumes as the comparator) and was followed by growth of 1.4% in the second half of the year as volumes started to trend towards a more normal basket size; this was driven by improved customer acquisition and through price inflation.

Customer acquisition has remained strong in the year as we invested in market activity to drive long-term growth. Active Ocado.com customer numbers increased year-on-year by 13% to 940,000 (FY21: 832,000), driving a 5.6% increase in average orders per week, up from 357,000 to 377,000 orders per week. As a result, our share of the larger online grocery market, following the pandemic, has grown to 12.3% (Nielsen, FY21: 11.7%). Though there has been some unwind from peak levels experienced during the pandemic, the online channel’s share of the total UK grocery market appears to be stabilising around 11%, compared with 6% before the pandemic (IGD).

Gross profit and other income

Gross profit and other income declined by 10% to £739.9m (FY21: £822.3m) with gross profit margin declining from 35.9% to 33.6% driven by lower volumes, the element of supplier cost inflation that could not be passed on to consumers, increased promotion costs and adverse product mix.

Distribution costs

£m	FY22	FY21	Change
CFC costs	214.0	180.1	18.8 %
Trunking and delivery	261.5	250.8	4.3 %
Other operating costs	121.1	105.8	14.5 %
Total Distribution costs	**596.6**	**536.7**	**11.2 %**

Distribution costs primarily consist of fulfilment and delivery operation costs which are provided by the UK Logistics operation of Ocado Group.

CFC costs mainly include labour and utility costs in our CFCs and increased by 18.8% to £214.0m (FY21: £180.1m) compared to a growth in average orders per week in the period of 5.6%. The higher rate of cost growth (up 18.8%) compared to order volume growth (up 5.6%) is driven by three key factors: 1. the cost inefficiencies related to newer sites (Purfleet and Bicester) as they ramp to full capacity, 2. the inflationary pressures across utility and labour costs that we have experienced during the year, and 3. the impact on operating leverage due to capacity investment to support future growth.

Productivity improvements partly offset the inflationary pressures, with units picked per hour ("UPH") in mature sites (Hatfield, Dordon, Erith and Bristol) improving by 2.9% to an average of 175 UPH. Our five OSP CFCs (all CFCs except Hatfield and Dordon) achieved an average UPH of 184, with the newer sites of Andover, Bristol and Purfleet all exceeding 200 UPH.

Trunking and delivery costs comprise people and fleet costs relating to trunking and delivery operations and increased by 4.3% to £261.5m (FY21: £250.8m) driven by the increase in the number of average orders per week (up 5.6%), by high fuel inflation and smaller average baskets. This is offset by an improvement in operating efficiency, evidenced by higher deliveries per van shift, which is the average number of deliveries achieved per driver shift.

Other operating costs of £121.1m (FY21: £105.8m) include OSP capacity fees and capital recharges from UK Solutions & Logistics to Ocado Retail. Capacity fees have increased significantly due to the recent increase in modules, including the CFC in Bicester (which went live during FY22), and the CFCs in Bristol, Andover and Purfleet (which all went live in FY21).

Marketing costs

Marketing costs increased by 42.9% to £57.6m (FY21: £40.3m). Marketing activities were focused on driving increased awareness of the value proposition that Ocado offers. We continued to invest in above-the-line marketing, particularly seen with the *'there's an Ocado just for you'* brand campaign. Marketing spend increased as a percentage of revenue in the year to 2.6% (FY21: 1.8%) and contributed to a 13% increase in the number of active customers to 940,000 (FY21: 832,000).

Administrative costs

Administrative costs decreased by £5.2m to £89.7m from £94.9m, with an increase in people and property costs offset by a release relating to the long-term management incentive plan. Total labour costs increased, driven by an increase in headcount and wage inflation. Property costs increases were primarily due to the write-off of certain costs related to the pausing of the north-west and south-east CFCs announced previously.

EBITDA*

EBITDA* for the Retail business was £(4.0)m (FY21: £150.4m). As described in detail above, the EBITDA* loss was driven by higher fixed costs for our new CFCs while they grow to maturity; lower volumes; the reduction in gross margin; utilities, fuel and labour inflation; and increased marketing to drive customer acquisition.

UK Solutions & Logistics

£m	**FY22**	FY21	Change
Fee revenue[1]	172.0	149.7	14.9 %
Cost recharges[2]	630.7	560.7	12.5 %
Revenue	**802.7**	**710.4**	13.0 %
Other income, net of cost of sales	3.6	3.5	2.9 %
Distribution costs[3]	(621.5)	(562.1)	10.6 %
Administrative costs[3]	(117.6)	(83.3)	41.2 %
EBITDA*	**67.2**	**68.5**	**(1.9)%**

1. Fee revenue includes fees charged to Ocado Retail of £140.9m (FY21: £120.5m) which eliminates on consolidation.
2. Cost recharges include cost recharges to Ocado Retail of £497.6m (FY21: £445.8m) which eliminates on consolidation.
3. Distribution and administrative costs exclude depreciation, amortisation and impairment.

Key drivers

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

	FY22	FY21	Change
Total eaches (million)	**1,196.3**	1,273.3	(6.0)%
Orders per week (000s)	**493.6**	462.0	6.8 %
Mature site UPH[1,2]	**175**	170	2.9 %
Average deliveries per van per week[3]	**176**	177	(0.6)%

1. Measured as units dispatched from the CFC per variable hour worked by operational personnel.
2. Mature sites include Hatfield, Dordon and Erith with FY22 also including Bristol as it has been operational for more than 18 months and is considered mature
3. Average deliveries per van per week represents Ocado Retail only, which is total deliveries by the average number of vans in the fleet

UK Solutions & Logistics full-year revenue increased by 13.0% from £710.4m to £802.7m, reflecting continued capacity investments to support current and future partner growth in the UK, and the impact of inflationary pressures on cost recharges, which more than offsetting volume declines and improvements in underlying efficiency.

EBITDA* decreased slightly from £68.5m to £67.2m. Higher capacity fees relating to the three new CFCs that went live in the prior period were offset by the year-on-year reduction in capital recharges for shared use sites (Dordon and Erith) and the continuing investment in and rollout of OSP that is included within administrative costs. As noted above, the recharges to Ocado Retail for the lease costs of sites and assets used exclusively by Ocado Retail are now accounted for as finance income and excluded from EBITDA*.

Revenue

Revenue from the UK Solutions & Logistics business increased by 13.0% to £802.7m (FY21: £710.4m)

Fee revenue comprises the fees charged to our UK partners Ocado Retail and Morrisons for access to Ocado's technology platforms, capital recharges, management fees, and research and development (the portion of these fees that are charged to Ocado Retail are eliminated on consolidation of the Group).

Total fees grew by 14.9% to £172.0m (FY21: £149.7m), as we continued to invest in capacity to support our UK clients' current and future growth. Fees to Ocado Retail grew broadly in line with overall live module capacity growth from the new CFCs delivered in the current and prior periods. An additional 12 modules of sales capacity went live in the year, including three in our new Bicester CFC.

Fees to Morrisons grew following its return to the Erith CFC in February 2021. This resulted from the end of an agreement to temporarily free up the Morrisons' Erith capacity for Ocado Retail to use following the Andover CFC fire in February 2019.

Live CFCs at the end of the year will have a total capacity at maturity of circa 800,000 orders per week across Ocado Retail and Morrisons. There are now seven live CFCs in the UK and 61 live modules (FY21: 49).

Cost recharges represent the relevant operational variable and fixed costs recharged by UK Solutions & Logistics to Ocado Retail and Morrisons (costs recharged to Ocado Retail are eliminated on consolidation of the Group). These predominantly relate to fulfilment and delivery operations included in distribution costs but also include certain central, head office activities, and transitional services fees to Ocado Retail that are reported within administrative costs.

Total throughput in CFCs decreased by 6.0% to 1,196m individual items picked (eaches) (FY21: 1,273m), while average orders per week increased by 6.9% to 494,000 orders per week (FY21: 462,000) across Ocado Retail (average of 377,000 orders per week in FY22) and Morrisons (average of 117,000 orders per week in FY22). The decline in eaches reflects the changing customer shopping behaviour trends towards shopping smaller baskets.

Cost recharges grew by 12.5%, compared to a decline in total CFC throughput of 6.0%, as customers reverted to shopping smaller baskets following the pandemic and in response to the cost-of-living crisis. This increase in recharges reflects the full-year impact of operations at our newer CFCs at Bicester, Andover, Bristol and Purfleet as they ramp up to full capacity; together with higher utility, dry ice and labour costs. The impact of cost inflation was partly offset by improvements in efficiency.

Other income, net of cost of sales

Other income, net of cost of sales, was £3.6m (FY21: £3.5m) and primarily relates to Erith and Dordon property rental costs that are charged to Morrisons.

Distribution and administrative costs

Total distribution and administrative costs of £739.1m (FY21: £645.4m) comprise £621.5m distribution costs (an increase of 10.6%; FY21: £562.1m) and £117.6m of administrative costs (an increase of 41.2%; FY21: £83.3m).

Distribution costs comprise the costs of fulfilment and delivery operations which are recharged to Ocado Retail and Morrisons. These also include engineering and other support costs for the provision of the contracted services, for which OSP fees are charged.

Total distribution costs grew by 10.6% to £621.5m (FY21: £562.1m), against a reduction in eaches of 6.0% to 1,196m (FY21: 1,273m). Distribution costs grew despite the reduction in eaches delivered due to 1) the higher costs from new sites as they ramp up to full efficiency; and 2) the impact of significant cost inflation in respect of energy, fuel costs, dry ice and wage inflation.

Productivity improvements saw the average number of units per hour (UPH) in mature CFCs (Hatfield, Dordon, Erith and Bristol) improve year-on-year to 175 in the period (FY21: 170). Since opening in FY21, our first mini-CFC in Bristol has achieved a UPH of over 200, and our newer sites in Andover and Purfleet are already well ahead of our original expectations and each exceeding our target of 200 UPH.

Distribution costs also include the engineering costs of operating CFCs for which the OSP fee is charged to our UK partners. These costs increased over the year due to the full year of operations of those CFCs which opened during FY21, together with the impact of the opening of Bicester in September FY22. UK OSP CFCs that were live at the start of the year all saw engineering cost per each reduced by at least 20%.

Administrative costs grew by 41.2% from £83.3m in FY21 to £117.6m in FY22. These costs include direct and centrally allocated head office costs (which are largely recharged to Ocado Retail and Morrisons) and an allocation of central technology costs that are incurred to support the continued development of OSP, primarily as a result of the allocation of additional headcount and technology resources to support and improve OSP, together with ongoing investment in recruitment.

EBITDA*

EBITDA* from UK Solutions & Logistics activities was £67.2m, a decrease of £1.3m. This reduction largely resulted from the continuing investment in and roll-out of OSP, which is not recharged to customers; and a year-on-year reduction in capital recharges to Ocado Retail as the lease costs of CFCs and equipment used exclusively by Ocado Retail are accounted for as finance income and excluded from EBITDA*. These are eliminated on Group consolidation.

International Solutions

£m	FY22	FY21	Change
Fees invoiced[*1]*	*180.9*	*143.0*	*26.5 %*
Revenue[2]	**147.8**	**66.6**	**121.9 %**
Cost of sales	(2.9)	(8.5)	(65.9)%
Gross profit and other income	**145.1**	**58.1**	149.7 %
Distribution costs[3]	(54.7)	(25.6)	113.7 %
Administrative costs[3]	(203.6)	(151.8)	34.1 %
EBITDA*	**(113.2)**	**(119.3)**	**(5.1)%**

1. Fees invoiced represent design and capacity fees invoiced during the period for existing and future CFC and in-store fulfilment commitments. These are recognised in the Income Statement according to IFRS 15 from the time when the CFC/ISF operation goes live
2. Revenue includes £11.5m revenue (FY21: £9.6m) from Kindred Systems, and £4.6m of data centre fees and equipment sales (FY21: £8.1m) to retail partners recognised as revenue under IFRS 15. The cost of this equipment is recognised in cost of sales.
3. Distribution and administrative costs exclude depreciation, amortisation and impairment

Key drivers

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

	FY22	FY21	Change
Fees invoiced* (£m)	**180.9**	143.0	26.5 %
No. of modules live[1,3]	**38**	12	216.7 %
Cumulative no. of modules ordered[2,3]	**162**	145	11.7 %

1. A module is considered live when it has been fully installed and is available for use by our partner.
2. A module is classified as ordered when a contractual agreement has been signed with a partner and an invoice has been sent for the associated fees. This excludes modules which are required to be ordered in order to maintain exclusivity agreements, but which have not yet been agreed upon and invoiced.
3. A module of capacity is assumed as approximately 5,000 eaches per hour (dependent on the specific metrics of a partner) and circa £70m per annum of sales capacity.

Our international operations significantly expanded during the year with eight new international CFCs going live. These include a further six CFCs for Kroger in the US (in Atlanta, Dallas, Chicago, Detroit, Denver and Baltimore), the second CFC for Sobeys (in Montreal) and our first CFC for ICA Gruppen (in Stockholm). We now have 12 live international sites (FY21: 4 sites) and 38 live modules (FY21: 12 modules). As a result of this growth in live CFCs and in live modules, revenue increased by 121.9% to £147.8m (FY21: £66.6m).

We have a strong pipeline of further CFC commitments in addition to significant in-store fulfilment ("ISF") capabilities to be delivered across a number of our existing partners, and two new partnerships, Auchan Poland (signed in March 2022) and Lotte Shopping (signed in November 2022).

Distribution costs increased by 113.7% to £54.7m (FY21: £25.6m) and include the engineering, maintenance and technology costs required to support the increase in live CFC operations. EBITDA* losses in the period reduced by £6.1m, to £(113.2)m from £(119.3)m in FY21.

Fees and revenue

Fees invoiced grew by 26.5% from £143.0m in FY21 to £180.9m in FY22. These fees include the design and capacity fees invoiced across a number of clients relating to existing and future CFC and

ISF commitments, including our new partnerships with Lotte Shopping and Auchan Poland, and fees associated with the live operations, primarily Kroger, Sobeys and ICA.

Under revenue recognition rules, design and access fees relating to OSP are not recognised as revenue until a working solution is delivered to the partner, i.e. the CFC goes 'live'. At the end of the period, cumulative fees* not yet recognised as revenue, but instead recorded on the balance sheet within contract liabilities, amounted to £388.9m (FY21: £337.6m). The £51.3m net increase in this balance includes £69.1m of invoices relating to future CFCs (£92.6m in FY21) during the year offset by £17.8m of the balance being released to revenue during the year (£10.6m in FY21). £1.1m of the revenue released relates to equipment sales (a portion of the £4.6m in footnote 2 above).

Revenue in the period of £147.8m (FY21: £66.6m) reflects ongoing capacity fees of £117.2m (FY21: £37.2m) and £14.5m (FY21: £11.0m) previously recorded on the balance sheet relating to design and upfront fees across our current operational partners, Groupe Casino, Sobeys, Kroger and ICA, that has been released to revenue during the year (as the relevant sites are now 'live'). Revenue also includes £11.5m (£9.6m in FY21) from Kindred and £4.6m (FY21: £8.1m) from the sale of equipment (at cost) and data centres to certain partners.

Distribution and administrative costs

Distribution and administrative costs grew by 45.6% to £258.3m (FY21: £177.4m) as a result of increased engineering support and technology costs reflecting the go-live of operations and annualised costs for our 12 live international client sites (end of FY21: 4), and continued investment in the development of OSP as we build our capabilities for our partners across both CFC and in-store fulfilment solutions.

Distribution costs primarily consist of the engineering and technology costs of operating the OSP platform and CFCs for our international clients. These costs grew from £25.6m in FY21 to £54.7m in FY22 as a result of increased engineering operations and cloud costs to support the growing number of international CFCs. Distribution costs are also impacted by the annualisation of costs relating to the two international CFCs that went live during FY21 as they continue to ramp up.

Administrative costs primarily consist of costs supporting our international partnership agreements and the non-capitalised technology costs to maintain and further develop the OSP platform. We continue to invest in OSP and build support functions to support rapid international expansion. As a result, these costs grew by £51.8m from £151.8m in FY21 to £203.6m in FY22 as we continued to increase our investment in building long-term OSP capabilities for our partners.

EBITDA*

International Solutions EBITDA* improved by £6.1m from a loss of £119.3m in FY21 to a loss of £113.2m in FY22. This result reflects the increased revenue from our growing international business offset by 1) our investment in technology to support our international growth ambitions; and 2) the central support costs for our international partners. EBITDA* will turn positive as we scale up our international CFC platform.

Group and other

£m	FY22	FY21	Change
Board costs	(11.8)	(12.1)	(2.5)%
Share-based payments[1]	(16.9)	(29.3)	(42.3)%
Jones Food Company and other ventures[2]	(4.3)	(5.6)	(23.2)%
Inter-segment eliminations[3]	(2.2)	(1.1)	100.0 %
Other[4]	(3.8)	(5.7)	(33.3)%
Group and other costs	**(39.0)**	**(53.8)**	**(27.5)%**
MHE rental income[5]	10.1	10.3	(1.9)%
Research and development credit ("RDEC")[6]	4.8	4.9	(2.0)%
Group and other EBITDA*	**(24.1)**	**(38.6)**	**(37.6)%**
Group and other EBITDA* ex. eliminations[7]	(21.9)	(37.5)	(41.6)%

1. Of the total share-based payment charges for the Group (excluding ORL) of £34.9m (FY21: £36.8m), £18.0m are allocated to the relevant business segment (FY21: £7.5m) and £16.9m (FY21: £29.3m) remains in the Group segment.
2. Ventures relates to the profits and losses on our share of investments and joint ventures during the period. The most significant is Jones Food Company where we recorded losses of £3.0m (FY21: £3.3m loss). The others are: Infinite Acres (which we sold to 80 Acres, of which we hold a c.2% share), which was disposed of in October FY21 (FY21: £1.9m loss); MHE JVCo, for which we recorded losses of £0.2m (FY21: £0.2m profit) and Karakuri, for which we recorded losses of £1.2m (FY21 loss: £0.6m).
3. In FY21 Inter-segment eliminations and 'other' were shown as one line, which totalled £6.8m.
4. Other costs include a small allocation of Group support and central costs.
5. Rental income totalling £10.1m was received from MHE JVCo, a joint venture with Morrisons.
6. Research and development (R&D) subsidies were £4.8m (FY21: £4.9m) and are granted by HMRC as a fixed percentage on the value of qualifying R&D expenditure.
7. Inter-segment eliminations represent the elimination due to the consolidation of intercompany transactions.

This segment represents revenue and costs which do not relate to the Retail, UK Solutions & Logistics and International Solutions segments. This primarily includes Board costs, the costs of Group-wide share-based payments, the consolidated results of Jones Food Company and other ventures, and MHE JVCo rental income. This segment reported an EBITDA* loss of £(24.1)m (FY21 EBITDA* loss: £38.6m). The £14.5m improvement is largely due to a £12.4m reduction in share-based Senior Management incentive charges (reflecting the lower Ocado Group plc share price) and a reduction in losses in our ventures businesses following the disposal of our interest in Infinite Acres Holding B.V. in October FY21 (FY21 loss: £1.9m).

Board costs of £11.8m (FY21: £12.1m) include 1) salaries, bonuses and fees for both Executive and Non-Executive Directors of £8.4m (FY21: £9.4m), which reduced by £1.0m, primarily due to a reduction in bonus costs; 2) other Board costs of £1.8m (FY21: £0.9m), which have increased largely due to higher travel costs following the relaxation of covid travel restrictions and 3) Directors' insurance costs of £1.6m (FY21: £1.8m).

Share-based payments reduced by £12.4m from £29.3m in FY21 to £16.9m in FY22, primarily due to the lower Ocado Group plc share price. We established a new share-based management incentive scheme during the year for certain senior managers who lead the development of OSP. The costs of this scheme are excluded from the 'Group and other' segment but are instead allocated to the relevant business segments (see footnote 1 above).

Exceptional items

£m	FY22	FY21
Andover CFC		
Insurance reimbursement income	67.4	78.6
Other exceptional costs	(3.4)	(5.6)
Total Andover exceptional item	**64.0**	**73.0**
Erith CFC		
Insurance reimbursement income	6.4	2.0
Other exceptional costs	-	(10.1)
Total Erith exceptional item	**6.4**	**(8.1)**
Litigation costs	(26.5)	(28.9)
Litigation settlement	-	1.8
Ocado Group Finance transformation and SaaS implementation costs	(7.0)	(13.3)
Ocado Retail IT systems transformation	(4.0)	(4.6)
(Loss)/gain on disposal of Speciality Stores Limited ("Fetch")	(1.4)	1.0
Gain on disposal of investment in Infinite Acres Holding B.V.	-	5.0
Changes in fair value of contingent consideration	(58.4)	16.9
Organisational restructure	(3.0)	
Total exceptional items	**(29.9)**	**42.8**

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. The reimbursement has been recognised as other income.

The Group reached an agreement with the insurers during the year 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 year. This concluded the Andover insurance fire claim.

Other exceptional costs of £3.4m (FY21: £5.6m) include, but are not limited to, the 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 exceptional costs, across all prior periods, amounted to £124.9m.

Erith CFC

In July 2021, a fire destroyed 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.

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

Other exceptional costs of £nil (FY21: £10.1m) include, but are not limited to, stock write-offs, customer goodwill refund and the impairment of certain fixed assets and labour costs. The cumulative exceptional costs, across all periods, amounted to £10.1m.

Litigation costs and litigation settlement

Litigation costs during the year were exclusively the costs incurred on the patent infringement litigation between the Group and AutoStore Technology AS ("AutoStore"). The costs during the year were £26.5m (FY21: £28.9m). The prior year litigation costs also include costs of legal proceedings brought by the Group against certain former employees and Project Today Holdings Limited ("T0day"), concerning misappropriation and unlawful use of the Group's confidential information and intellectual property, which was settled in FY21. The Group received £1.8m as part of the settlement of that litigation which was recognised as exceptional income in FY21.

Ocado Group Finance transformation and SaaS implementation costs

As part of the Group's Finance transformation programme, the Group implemented various software as a service ("SaaS") solutions, primarily Oracle Fusion, which went live in FY21, across the business. Following the IFRS Interpretations Committee ("IFRIC") accounting guidance in FY21, the Group updated its accounting policy for the treatment of SaaS configuration and customisation-related costs under IAS 38 Intangible Assets. The cumulative Finance transformation and SaaS implementation costs expensed to date amount to £28.6m and include £7.0m in FY22 (FY21: £13.3m).

These amounts have been disclosed as exceptional items in both FY21 and FY22 because they are material and arise from a strategic project that is not considered by the Group to be part of the normal operating costs of the business.

The Finance transformation programme will continue through to, and will complete in, FY23 with a focus on optimising and enhancing the SaaS solutions and related Finance processes to improve efficiency across the business. Incremental costs incurred concerning the ongoing programme will continue to be disclosed as exceptional items. Ongoing licence fees for SaaS arrangements will be treated as ordinary operating costs and are not treated as exceptional items.

Ocado Retail IT systems transformation

In FY21, Ocado Retail Limited ("ORL") initiated its IT Roadmap programme, which focuses on delivering IT systems and services that will enable ORL 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 the end of FY23, includes the development of both on-premises and SaaS solutions. The IT Roadmap programme costs that meet assets recognition criteria will be recognised as intangible assets and implementation costs that do not meet assets recognition will be expensed as exceptional items. The cumulative costs expensed to date amount to £8.6m.

(Loss)/gain 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 (“Paws Holdings”), resulting in a gain on disposal of £1.0m in FY21.

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

Gain on disposal of investment in Infinite Acres Holding B.V. (“Infinite Acres”)

In October 2021, the Group sold its 33.3% interest in Infinite Acres Holding B.V. (“Infinite Acres”) to 80 Acres Urban Agriculture Inc. (“80 Acres”) in exchange for 2.5% of 80 Acres’ issued share capital, resulting in a gain on disposal of £5.0m.

Change in fair value of contingent consideration

In FY19, the Group sold Marie Claire Beauty Limited (“Fabled”) to Next plc and 50% of Ocado Retail to Marks and Spencer Group plc ("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 and revalues it at each reporting date. A loss on revaluation of £58.4m (FY21: £16.9m gain) is reported through exceptional items, primarily driven by the reduction in the contingent consideration receivable from M&S. Refer to note 3.5 of the Condensed Financial Statements for details.

Organisational restructure

During the current year, the Group undertook a partial reorganisation of its head office functions resulting in redundancies and related costs of £3.0m. Further organisational restructuring was announced in January 2023, affecting around 250 people and incurring total related costs of £7.0m.

Tax impacts on exceptional items

The change in fair value of contingent consideration receivable is not subject to tax. The remaining exceptional items are taxable or tax deductible and give rise to a tax credit of £0.8m (FY21: tax charge of £0.5m). A further tax charge of £6.4m (FY21: charge of £3.7m) has not been recognised as it relates to tax losses which are not recognised for deferred tax purposes.

Below EBITDA*

Total depreciation, amortisation and impairment costs were £348.6m (FY21: £238.4m), an increase of £110.2m, or up 46.2% year-on-year, and includes depreciation of property, plant and equipment of £154.4m (FY21: £84.4m), depreciation of right-of-use assets of £66.0m (FY21: £65.6m), amortisation expense of £114.7m (FY21: £78.0m), and impairment costs of £13.5m (FY21: £10.4m).

The increase was principally driven by the full-year depreciation of the 5 CFCs that went live in FY21 and the partial-year depreciation of the 9 CFCs that went live in FY22 (£48.5m including right-of-use leases). The remaining movement is driven primarily by the amortisation of technology projects going live in the period (£13.0m) and the prior period (£36.5m).

Net finance costs of £48.2m increased by £5.9m (FY21: £42.3m). Finance costs excluding foreign exchange gains/losses of £(90.0)m (FY21: £(71.6)m) were offset by finance income excluding foreign exchange gains/losses of £25.4m (FY21: £10.0m). Finance costs grew by £18.4m due to the increased interest on lease liabilities (an increase of £10.3m) driven by the full-year impact of the FY21 lease additions and further additions in FY22, and increased interest expense (an increase of £8.6m) due to the full-year impact of the incremental debt raised in FY21. The £15.4m increase in finance income was mainly driven by £12.5m interest income on cash balances (FY21: £1.0m), primarily due to higher interest rates. Net foreign exchange gains recognised amounted to £16.4m (FY21: £19.3).

The Group has accounted for the **share of results from joint ventures and associates**. MHE JVCo is a 50/50 joint venture with Morrisons and holds Dordon CFC assets, which Ocado uses to service the Ocado Retail and Morrisons' online business. The Group’s share of MHE JVCo loss after tax in the period amounted to £(0.2)m (FY21: £0.2m profit). The Group’s interest in Infinite Acres Holdings B.V. was disposed of in October FY21 and contributed £nil to the Group’s results in the period (FY21: £(1.9)m). The Group’s interest in Karakuri Limited contributed a loss of £(1.2)m in the period (FY21: £(0.6)m loss). The Group recognised a reduction in the value of Karakuri due to the reclassification of £1.9m of the purchase price to warrants.

The **loss before tax** for the period was £(470.9)m (FY21: loss of £(219.7)m) after including the impact of depreciation, amortisation and impairment costs of £348.6m (FY21: £238.4m), and net finance costs pre-exceptionals of £48.2m (FY21: £42.3m).

The Group reported a **total tax credit** in the Income Statement for the period of £19.5m (FY21: £8.8m reported tax charge). This amount includes a UK corporation tax credit of £8.4m (FY21: £7.7m charge) in respect of the Retail business. The tax credit in Retail is due to the availability of the ‘super-deduction’ of capital allowances on our investment in fixed assets. A deferred tax credit of £11.3m (FY21: £0.4m deferred tax charge) was recognised in the period mainly arising from the recognition of losses for utilisation in Retail.

At the end of the period, the Group had £973.9m (FY21: £677.7m) of unutilised carried-forward tax losses. We are not expecting to pay UK tax within our five-year outlook.

During the period, the Group did not declare a **dividend** (FY21: £nil).

Basic and diluted **loss per share** was (58.93)p (FY21: (30.18)p).

Capital expenditure

Capital expenditure totalled £797.3m in the period (FY21: £680.4m) as we continued to develop new CFCs both in the UK and with our international retail partners. We also continued to invest in technology to support our OSP growth ambitions, and within our Group support functions.

£m	**FY22**	FY21
UK CFCs & Operations	212.0	250.0
International CFCs	357.1	273.2
Technology, fulfilment development and innovation	228.2	157.2
Total capital expenditure (including MHE JVCo)	**797.3**	**680.4**

- Capital expenditure includes tangible and intangible assets
- Capital expenditure excludes assets leased from MHE JVCo under lease liability arrangements
- Capital expenditure includes MHE JVCo capital expenditure in FY22 of £1.6m and in FY21 of £2.8m

UK CFCs & Operations

In the period we invested £212.0m in our UK CFCs & Operations (FY21: £250.0m), of which, £164.1m (FY21: £166.8m) relates to our CFC and Zoom sites in the UK. This includes the Bicester CFC, which went live during the year and the Luton CFC, which will go live in 2023. The opening of these sites will increase the total potential capacity across our UK retail partners to over 850,000 orders per week at maturity. Approximately half of the total spend is in the Retail business (largely land & buildings) and half is in the UK Solutions & Logistics business (largely material handling equipment, "MHE").

The balance of UK capital spend of £47.9m (FY21: £83.2m) relates to operational spend in the normal course of the UK Logistics business and spend in support of our Group central functions; this comprises patent and IP capitalisation, refurbishing buildings for our technology teams, system transformations across finance and supply chain, and upgrades to our talent acquisition technology.

International CFCs

International CFC investment in the year was £357.1m (FY21: £273.2m), which includes the launch of the eight CFCs which went live in the period. £120.5m of the total spend relates to the four international CFCs that we expect to go live in 2023.

Technology, fulfilment development and innovation

We continue to invest in the development of our own technology, particularly OSP. We invested £228.2m (FY21: £157.2m) driven by the continued investment in OSP with a focus on the innovation we announced at Ocado Re:Imagined 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, Ocado orbit, Ocado swift router and Ocado flex.

Technology headcount grew to around 3,000 colleagues to support the business' strategic initiatives. Total technology expenditure in the period was £343.7m (FY21: £255.0m), of which £205.7m was capitalised (FY21: £147.8m). We continue to focus on enhancing our customer proposition to deliver 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.

The **CFC** is the basis of our product proposition, it is the grid and bots (our ASRS and the robots on the grid) and its peripheral material handling equipment. We have invested £94.3m this year (FY21: £66.1m), approaching half of the £205.7m of capitalised spend, focused on reducing both the capital cost and the ongoing running costs of the CFC for the partner and Ocado Group.

This development spend has been invested in a number of key propositions, a few of which are: our lowest cost and lightest bot ever, the 600 series and grid; the development of an automated freezer solution; the development and client deployment of automatic frame loading for our vehicles; and initial investment into modifying our ASRS for the non-grocery market. Alongside these investments, the investment in and subsequent acquisition of Myrmex Inc. enabled us to deliver our automatic frame-loading product into the Purfleet site.

We are committed to the development of **advanced technologies** where they enhance our product proposition. A good example here is the use of additive manufacturing in the 600 series bot. We are also focused on generalised dexterous robotic manipulation and autonomous vehicles. In FY20 we acquired Kindred and Haddington for their vision, machine learning and dexterous robotics capabilities; and we have invested in Wayve and Oxbotica to provide a strategic advantage in autonomous vehicle innovation. We have invested £33.9m (FY21: £13.3m) this year to further develop these propositions. This has enabled the testing and development of a dexterous picking solution for our clients that can pick a significant proportion of our clients' ranges and perform at a speed that allows the product to compete with human performance. We have continued to work towards ultimately having an autonomous delivery solution, both by conducting on-road autonomous driving testing with our partners and through testing and development of the customer-facing aspects.

OSP is a client and shopper-focused proposition, to that end, we have invested £27.7m (FY21: £20.5m) in developing our **ecommerce** platform. OSP ecommerce made strong progress across every aspect of the shopper journey. Shoppers will benefit from improvements to the search and browse experience, and the introduction of shoppable recipes and delivery pass subscriptions. Of particular note, we introduced new onsite monetisation opportunities with new content spaces and featured products, allowing partners to create more engaging experiences for shoppers whilst earning retail media income.

One of the core benefits of OSP is our deep expertise in **logistics and supply chain**, where we have invested £18.8m in these propositions this year (FY21: £16.5m). These developments help to ensure that goods in and goods out of our CFCs operate in the most effective way. We focus investment on the planning, optimisation and execution of delivery; which includes the Re:Imagined swift router product now live enabling retailers to offer short lead time slots to customers with CFC range and economics. We also focus on the optimisation of the grocery supply chain, including ensuring that products are not substituted with alternatives, are accurately forecasted to avoid waste and that supply chain systems are easy to use.

The balance of the spend relates to investment in technology platforms, core UK infrastructure and Jones Food Company where its second vertical farm is due to go live later this year.

Cash flow

£m	FY22	FY21
EBITDA*	**(74.1)**	**61.0**
Movement in contract liabilities	78.7	107.0
Other working capital movements	32.0	(134.5)
Insurance proceeds relating to business interruption	54.3	30.0
Finance costs paid	(55.8)	(34.8)
Taxation received/(paid)	13.4	(26.2)
Other non-cash items	(40.6)	(18.5)
Operating cash flow	**7.9**	**(16.0)**
Capital expenditure	(785.9)	(690.7)
Acquisition of subsidiaries, net of cash acquired	(5.5)	(189.7)
Insurance proceeds relating to rebuilding Andover CFC and Erith claim	57.0	2.0
Proceeds from additional investment in Jones Food Company	-	20.0
Dividend from joint venture	8.0	7.7
Net proceeds from interest-bearing loans and borrowings	37.2	266.6
Repayment of lease liabilities	(57.4)	(48.6)
Proceeds from share issues	567.3	10.6
Movement of short-term deposits	-	370.0
Other investing and financing activities	9.0	10.6
Movement in cash and cash equivalents (excl. FX changes)	**(162.4)**	**(257.5)**
Effect of changes in FX rates	21.8	19.3
Movement in cash and cash equivalents (incl. FX changes)	**(140.6)**	**(238.2)**

Cash and cash equivalents (including FX changes) reduced by £140.6m (FY21: reduced by £238.2m), a £97.6m improvement compared with the prior year.

EBITDA* (as explained above) declined by £135.1m from £61.0m in FY21 to a loss of £(74.1)m in FY22.

Operating cash flow, improved by £23.9m, despite the decline in EBITDA* (from an outflow of £16.0m in FY21 to an inflow of £7.9m in FY22). The key drivers of this improvement are explained below:

- **Contract liabilities**: **cash inflow of £78.7m** reflecting upfront fees paid by partners in relation to CFCs and new module commitments and which have not yet been recognised as revenue in accordance with IFRS 15. The cash inflow of £78.7m is lower than the prior year inflow of £107.0m primarily due to fewer modules ordered by our clients and the timing of cash received.
- **Working capital**: **cash inflow of £32.0m**, an improvement of £166.5m compared with the prior year outflow of £134.5m, largely driven by improved management of supplier payment terms (£122.0m of the total improvement). Trade and other receivables increased by £50.7m (a net cash outflow, £26.9m lower than FY21), principally due to prepayments for the purchase of long lead items of capital expenditure required for CFCs under construction and the release of insurance accrued income related to the Andover fire. There was a £10.9m outflow (£44.3m

lower than FY21) related to growth in inventory levels, primarily due to low-value spares (previously expensed) now recorded in inventory.

- **Insurance proceeds relating to business interruption: cash inflow of £54.3m** (FY21: £30.0m) related to the reimbursement of business interruption losses and associated costs in relation to the fires at our Andover and Erith CFCs.
- **Finance costs: cash outflow of £55.8m** (FY21: £34.8m) comprise £27.9m interest paid on borrowing (FY21: £16.8m) and £27.9m for the interest element of leases (FY21: £18.0m). The £11.1m increase in interest paid on borrowing is driven by the incremental funding secured in October FY21, whereby the Group issued £500m of senior unsecured notes (SUNs), with part of the proceeds used to repay the £225m 2017 senior secured notes.
- **Taxation: cash inflow of £13.4m** (FY21: taxation paid of £26.2m) relates to a tax refund received by Ocado Retail in relation to an overpayment in FY21, partially offset by taxation payments by foreign subsidiaries. No UK tax was paid in the period, reflecting the impact of the acceleration of tax relief for capital expenditure in Ocado Retail as a result of the 'super-deduction', combined with the decline in Retail EBITDA*.
- **Other non-cash items: outflow of £40.6m** (FY21: cash outflow of £18.5m) relates to adjustments for the following non-cash elements of EBITDA*:
    - £(26.2)m (FY21: £4.2m increase) reduction in management incentive plan provisions (primarily within the Retail segment);
    - £(24.7)m (FY21: £(15.2)m) revenue recognised from long-term contracts;
    - £42.0m (FY21: £35.5m) of share-based payments;
    - £10.8m (FY21: £nil) non-cash write off of property, plant and equipment;
    - £(43.9)m (FY21: £(45.3)m) is the adjustment for non-cash exceptional items;
    - £1.4m (FY21: £2.3m) share of losses from joint ventures and associates.

The movements above result in an **Operating cash inflow for the year of £7.9m** (FY21: cash outflow of £16.0m. **The following movements explain the overall movement in cash and cash equivalents an outflow of £140.6m** (2021: an outflow of £238.2m):

- **Capital expenditure of £785.9m** during the year (FY21: £690.7m) primarily includes the MHE of both UK and International partner CFCs. Capital expenditure also includes our continued investment in OSP, including the products announced in Ocado Re:Imagined, and investment in our central support capabilities.
- **Acquisition of subsidiaries, net of cash acquired of £5.5m** (FY21: £189.7m), reflecting the acquisition of materials handling robotics start-up Myrmex Inc. in June to accelerate the development of intelligent asset handling systems for OSP.
- **Insurance proceeds relating to rebuilding of £57.0m** (FY21: £2.0m) relates to the reimbursement of costs for the rebuild of our CFCs at Andover and Erith which includes machinery costs.
- **Dividends from joint ventures of £8.0m** (FY21: £7.7m) relate to the MHE JVCo, in which Ocado Group and Morrisons engaged in a joint venture that owns material handling assets in our Dordon shared CFC.
- **Net proceeds from interest-bearing loans and borrowings of £37.2m** (FY21: £266.6m) reflects the drawdown by Ocado Retail of 1) a shareholder loan facility and 2) of its revolving credit facility, partially offset by the costs of the new credit facility with HSBC.
- **Lease liability repayments of £57.4m** (FY21: £48.6m), an increase of £8.8m due to an increase in motor vehicle leases, the full-year impact of the leases relating to the CFCs that went live in FY21 and lease payments for the new Bicester CFC.

- **Net proceeds from share issue of £567.3m** relate to the £578.2m equity raise (net £564.1m after £14.1m costs) that was carried out in June FY22 together with a small amount in respect of employee share schemes.
- **Movement of short-term deposits** in the prior year (FY22: £nil) represents a drawdown of £370.0m of treasury deposits which matured during the period and were not defined as cash and cash equivalents at the start of the FY21 financial year.
- **Other investing and financing activities of £9.0m** (FY21: £10.6m) include £9.6m of interest income on bank deposits (FY21: £1.0m) offset by £0.6m of loans made to investee companies (FY21: £12.5m). The FY21 inflow was driven by cash contingent consideration received relating to the Ocado Retail joint venture with M&S (£33.9m), which was offset by loans to investee companies (£12.5m) and investments in Wayve and Oxbotica (£11.4m).
- **Effect of changes in FX rates of £21.8m** (FY21: £19.3m) relates to the FX gain (reported under net finance costs) and translation FX on cash balances (predominantly USD cash balances held to fund the expansion of our Solutions business in the US).

Balance Sheet

£m	**FY22**	FY21	**Movement**
Assets			
Goodwill	164.7	144.8	19.9
Other intangible assets	377.2	345.2	32.0
Property, plant and equipment	1,777.8	1,257.8	520.0
Right-of-use assets	493.9	494.6	(0.7)
Investment in joint ventures and associates	15.6	26.5	(10.9)
Trade and other receivables	329.3	324.4	4.9
Cash and cash equivalents	1,328.0	1,468.6	(140.6)
Other financial assets	185.4	212.6	(27.2)
Inventories	106.8	86.7	20.1
Other assets	34.5	22.4	12.1
Total assets	**4,813.2**	4,383.6	429.6
Liabilities			
Contract liabilities	(422.9)	(378.5)	(44.4)
Trade and other payables	(508.2)	(393.2)	(115.0)
Borrowings	(1,372.8)	(1,300.0)	(72.8)
Lease liabilities	(532.3)	(528.4)	(3.9)
Other	(42.7)	(74.1)	31.4
Total liabilities	**(2,878.9)**	(2,674.2)	(204.7)
Net assets	**1,934.3**	**1,709.4**	224.9

Assets

Goodwill of £164.7m (FY21: £144.8m) increased by £5.7m as a result of the acquisition of Myrmex Inc, as detailed above. The remaining increase in goodwill of £14.2m relates to the foreign exchange benefit of the revaluation of the (predominantly USD-denominated) goodwill of £144.8m that was held at the start of the reporting period. Goodwill represents the future benefit to Ocado Group from the acquisitions of Myrmex in the current year and the acquisitions of Kindred, Haddington and Jones Food Company in prior years. This future benefit derives from the development of new technology, the ability to attract new customers and cost synergies.

Other intangible assets of £377.2m increased by £32.0m (FY21: £345.2m) primarily due to capitalised internal development costs relating to the build-out of our technology capabilities for our partners, across both CFC and ISF solutions, along with the capitalisation of software costs.

Property, plant and equipment net book value increased by £520.0m to £1,777.8m (FY21: £1,257.8m) and comprise fixtures, fittings, plant and machinery of £1,577.2m (FY21: £1,143.9m), land and buildings of £197.5m (FY21: £113.1m) and motor vehicles of £3.1m (FY21: £0.8m).

- *Fixtures, fittings, plant and machinery* predominantly comprise the material handling and other operating equipment within our CFCs and spokes.
    - This increased by £433.3m (FY22: £1,577.2m, FY21: £1,143.9) driven by £494.4m of additions (FY21: £489.9) relating to the go-live of 12 sites (9 CFCs and 3 Zooms) for our client partners including Ocado Retail, Kroger, Sobeys and ICA.
    - We capitalised £63.9m (FY21: £35.0m) of internal development costs related to OSP technology development and deployment.
    - These increases were partly offset by £(148.5)m of depreciation (FY21: £(81.0)m) due to the increased net book value of assets live, impairment of £(9.2)m (FY21: £(11.4)m) and disposals at net book value of £(5.3)m (FY21: £(0.2)m).
- *Land and buildings* comprise our CFCs in the UK, spokes and offices. This increased by £84.4m (FY22: £197.5m, FY21 £113.1m) largely comprising the land and buildings for Ocado Retail's UK sites.
- *Motor vehicles* predominantly comprise the vehicles owned by Ocado Group in relation to CFC and head office operations.

Note:

1) *Total internal development costs capitalised across other intangible assets and property, plant and equipment are £181.4m (2021: £130.6) comprising £63.9m of internal development costs relating to property, plant and equipment (FY21: £35.0m) and £117.5m (FY21: £95.6m) of internal development costs relating to intangible assets. The increase of £50.8m is primarily driven by the continued investment in OSP and the innovations announced with Re:Imagined that include the further development of our grid and bots, dexterous robotics, our ecommerce platform, and fulfilment and supply chain propositions.*

2) *Total capital work-in-progress, relating to projects where spend has been capitalised but the asset is not yet in use is £544.4m (FY21: £482.3m) and included across intangible assets (£76.9m, up from £45.9m in FY21) and property, plant and equipment (£467.5m, up from £436.4m in FY21).*

Right-of-use assets of £493.9m (FY21: £494.6m) represents the asset value of assets held under long-term leases, comprising land and buildings £415.0m (FY21: £409.0m), motor vehicles £63.1m (FY21: £60.1m) and fixtures, fittings, plant and machinery £15.8m (FY21: £25.5m). During the year the Group entered into new leases for assets of £70.5m (FY21: £182.8m) and comprise land and buildings of £43.4m (FY21: £152.0m), motor vehicles of £24.9m (FY21: £30.8m) and fixtures, fittings, plant and machinery of £2.2m (FY21: £nil). Certain leases were terminated during the year with a net book value of £4.6m (FY21: £7.6m), and the depreciation charge for the year was £66.0m (FY21: £65.6m).

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). The decrease in carrying value in the period of £10.9m to £15.6m (FY21: £26.5m) is due to the full-year dividend received from MHE JVCo of £8.0m (FY21: £7.7m), losses for the year in Karakuri and a reduction in the value of Karakuri due to the reclassification of £1.9m of the purchase price to warrants.

Trade and other receivables increased by £4.9m to £329.3m (FY21: £324.4m), comprising the following:

- Trade receivables (net of expected credit loss allowance) of £124.2m (FY21: £124.6m), which predominantly comprise balances due from Solutions customers and commercial and media income in Retail.

- Other receivables increased by £21.3m to £82.7m (FY21: £61.4m) driven by the reclassification of Retail VAT receivable (previously in other payables), partly offset by a reduction in customer balances due for our US subsidiary, Kindred. Other receivables largely comprise tax refunds and credits due, receivables expected from contract manufacturers for components we have sourced on their behalf and receivables in our US subsidiary, Kindred.
- Prepayments increased by £7.1m to £76.5m (FY21: £69.4m) due to increased forward purchasing of components key to the construction of our CFCs. Prepayments typically include CFC components, software maintenance payments and vehicle maintenance payments.
- Accrued income decreased by £23.1m to £45.9m (FY21: £69.0m) due to the cash receipt of insurance proceeds relating to the Andover fire, partly offset by an increase in accrued Solutions income. The balance primarily relates to accrued income for Solutions capacity fees, and media and promotional income.
- Amounts due from suppliers in respect of commercial and media income is £71.2m (FY21: £70.7m). £52.5m (FY21: £50.9m) of the total is within trade receivables and £18.7m (FY21: £19.8m) is within accrued income.

Cash and cash equivalents are £1,328.0m (FY21: £1,468.6m) at the end of the period. Gross debt (including lease liabilities) at the period end was £1,905.1m (FY21: £1,828.4m), with net debt* at the period-end of £(577.1)m (FY FY21: £(359.8)m). In June FY22, the Group successfully raised additional gross liquidity of £878.2m, comprising a £578.2m equity placing (£564.1m net of costs) and a new £300.0m revolving credit facility. We believe this provides sufficient liquidity in the short to medium term as we move closer towards being cash flow positive.

Other financial assets decreased by £27.2m to £185.4m (FY21: £212.6m). This decrease was driven by a £57.6m reduction, from £152.6m (FY21) to £95.0m, in the contingent consideration receivable from Marks and Spencer Group plc (M&S) on the 50% sale of Ocado Retail.

We estimated the fair value of the contingent consideration at the year-end based on the probability weighting of a series of scenarios that consider the current market uncertainty in the grocery sector and Retail's current trading performance (see note 3.5 of the Condensed Financial Statements). This decrease was partly offset by a £39.4m increase in other financial assets mainly related to an improvement in the fair value of our investments in Oxbotica and Wayve, two autonomous vehicle start-ups. The increase in value for these two assets is a result of Oxbotica's successful series C fundraise; and the completion of Wayve's series B fundraise, which triggered the conversion of our loan note to equity.

Inventories of £106.8m (FY21: £86.7m) increased by £20.1m and mostly comprise goods held for resale (largely Retail grocery inventory) which increased by £7.4m to £89.2m (FY21: £81.8m) due to higher cost prices and increased stock holding across the larger number of Retail sites (three new sites in FY21 and four new sites, including Zooms, in FY22).

We also adopted a new inventory accounting policy for low-value spares (items below £500), which had previously been expensed. Under the new accounting policy, low-value spares are now initially recognised as inventory and expensed as used. £7.3m of low-value spares have been recognised within inventories at the period end (FY21: £nil).

Other assets of £34.5m (FY21: £22.4m) relate primarily to share warrants that have a carrying value of £27.4m (FY21: £9.6m), and which have increased by £17.8m due to a revaluation of the share warrants for Oxbotica and 80 Acres. Other assets include £4.4m of assets held for sale (FY21: £4.2m), predominantly the Dartford spoke, and £1.9m of deferred tax assets (FY21: £7.2m) relating to the historical losses of the group, which have decreased due to a revised view of the timing of future profit flows.

Liabilities

Contract liabilities of £422.9m (FY21: £378.5m) primarily relate to the consideration received in advance from UK and International Solutions customers where revenue is recognised when the performance obligation is satisfied, typically when a CFC goes live. Contract liabilities reflect amounts invoiced to partners for their contracted contribution towards the initial MHE investment made in a CFC, and increased by £69.1m during the year (FY21: £94.4m). This was partly offset by £24.7m (FY21: £15.2m) in respect of prior receipts recognised as revenue in the year. The current contract liabilities balance of £29.1m (FY21: £21.8m) represents amounts due to be recognised as revenue within 12 months of the year-end.

Trade and other payables increased by £115.0m to £508.2m (FY21: £393.2m) mainly due to the improved management, in line with contractual terms, of supplier payment terms (trade payables increased by £83.3m to £176.9m FY21: £93.6m). The remaining increase relates to US property taxes due, which are increasing in line with the growth of equipment in the jurisdiction, and an increase in accruals, primarily relating to the timing of payroll.

Borrowings increased by £72.8m to £1,372.8m (FY21: £1,300.0m) largely due to a £30.0m shareholder loan provided by M&S (the non-controlling interest) to the Retail business and the £10.0m draw down by Retail of an existing revolving credit facility. The remaining increase in borrowing is largely due to the unwind of the liability element of the two unsecured convertible bonds, which are held at amortised cost.

Lease liabilities increased by £3.9m to £532.3m (FY21: £528.4m) and comprise land and building £441.4m (FY21: £431.6m), motor vehicles £65.5m (FY21: £62.0m) and fixtures, fittings, plant and machinery £25.4m (FY21: £34.8m). New lease liabilities within this total that were entered during the year were £64.2m (FY21: £176.9m) and largely comprised land and buildings, with the balance across motor vehicles and fixtures, fittings, plant and machinery. Lease liabilities decreased by payments made of £85.7million (FY21: £66.6m) and lease terminations (predominantly underutilised office space), partly offset by £28.3m of accrued interest (FY21: £18.0m).

Lease liabilities due to third parties were £514.8m (FY21: £494.4m) and excludes £17.5m (FY21: £34.0m) payable to MHE JVCo in which the Group holds a 50% interest.

Other liabilities of £42.7m (FY21: £74.1m) principally relate to dilapidation provisions and deferred tax liabilities. The £31.4m reduction in other liabilities is largely driven by the release of various employee incentive plan accruals of £26.6m, of which the majority relates to the cancellation of the Ocado Retail management incentive scheme. Deferred tax liabilities reduced by £9.7m to £14.7m (FY21: £24.4m) primarily due to tax losses in Retail offsetting the liability relating to fixed assets.

Consolidated Income Statement
for the 52 weeks ended 27 November 2022

	Notes	**52 weeks ended 27 November 2022** Results before exceptional items* £m	Exceptional items* (Note 2.3) £m	Total £m	52 weeks ended 28 November 2021 Results before exceptional items* £m	Exceptional items* (Note 2.3) £m	Total £m
Revenue	2.2	**2,513.8**	**-**	**2,513.8**	2,498.8	(0.5)	2,498.3
Cost of sales		**(1,549.5)**	**-**	**(1,549.5)**	(1,562.9)	(2.6)	(1,565.5)
Gross profit		**964.3**	**-**	**964.3**	935.9	(3.1)	932.8
Other income		**100.7**	**73.8**	**174.5**	104.1	82.3	186.4
Distribution costs		**(830.2)**	**(1.6)**	**(831.8)**	(666.7)	(7.2)	(673.9)
Administrative expenses		**(656.1)**	**(102.1)**	**(758.2)**	(548.4)	(29.2)	(577.6)
Operating (loss)/profit before results of joint ventures and associate		**(421.3)**	**(29.9)**	**(451.2)**	(175.1)	42.8	(132.3)
Share of results of joint ventures and associate		**(1.4)**	**-**	**(1.4)**	(2.3)	-	(2.3)
Operating (loss)/profit		**(422.7)**	**(29.9)**	**(452.6)**	(177.4)	42.8	(134.6)
Finance income	2.4	**41.8**	**-**	**41.8**	10.0	-	10.0
Finance costs	2.4	**(90.0)**	**-**	**(90.0)**	(52.3)	-	(52.3)
(Loss)/Profit before tax		**(470.9)**	**(29.9)**	**(500.8)**	(219.7)	42.8	(176.9)
Income tax credit/(charge)		**18.7**	**0.8**	**19.5**	(8.3)	(0.5)	(8.8)
(Loss)/profit for the period		**(452.2)**	**(29.1)**	**(481.3)**	(228.0)	42.3	(185.7)
Attributable to:							
Owners of Ocado Group plc				**(455.5)**			(223.2)
Non-controlling interests				**(25.8)**			37.5
				(481.3)			(185.7)

Loss per share		**pence**	Pence
Basic and diluted loss per share	2.5	**(58.93)**	(30.18)

Earnings before interest, taxation, depreciation, amortisation, impairment and exceptional items (EBITDA) *

	Notes	**52 weeks ended 27 November 2022 £m**	52 weeks ended 28 November 2021 £m
Operating loss		**(452.6)**	(134.6)
Adjustments for:			
Exceptional items*	2.3	**29.9**	(42.8)
Amortisation of intangible assets	3.2	**114.7**	78.0
Impairment of intangible assets	3.2	**3.6**	1.1
Depreciation of property, plant and equipment	3.3	**154.4**	84.4
Impairment of property, plant and equipment	3.3	**9.3**	9.3
Depreciation of right-of-use assets	3.4	**66.0**	65.6
Impairment of right-of-use assets	3.4	**0.6**	-
EBITDA*		**(74.1)**	61.0

* See Section 6 **Alternative Performance Measures**

Consolidated Statement of Comprehensive Income
for the 52 weeks ended 27 November 2022

	Notes	**52 weeks ended 27 November 2022 £m**	52 weeks ended 28 November 2021 £m
Loss for the period		**(481.3)**	(185.7)
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
(Loss)/gain arising on cash flow hedges		**(1.1)**	0.4
Foreign exchange gain/(loss) on translation of foreign subsidiaries and joint venture	4.3	**69.1**	(10.5)
Share of change in net assets of associate through other comprehensive income		**0.4**	-
Foreign exchange gain on translation of foreign joint venture reclassified to profit or loss	4.3	**-**	0.8
Net other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods		**68.4**	(9.3)
Items that will not be reclassified to profit or loss in subsequent periods:			
Gain/(loss) on equity investments designated as at fair value through other comprehensive income		**33.3**	(3.9)
Income tax relating to items that will not be reclassified subsequently to profit or loss		**(7.2)**	-
Net other comprehensive income/(expense) that will not be reclassified to profit and loss in subsequent periods		**26.1**	(3.9)
Other comprehensive income/(expense) for the period, net of income tax		**94.5**	(13.2)
Total comprehensive expense for the period		**(386.8)**	(198.9)
Attributable to:			
Owners of Ocado Group plc		**(361.0)**	(236.4)
Non-controlling interests		**(25.8)**	37.5
		(386.8)	(198.9)

Consolidated Balance Sheet
as at 27 November 2022

	Notes	27 November 2022 £m	28 November 2021 £m
Non-current assets			
Goodwill	3.1	**164.7**	144.8
Other intangible assets	3.2	**377.2**	345.2
Property, plant and equipment	3.3	**1,777.8**	1,257.8
Right-of-use assets	3.4	**493.9**	494.6
Investment in joint venture and associate		**15.6**	26.5
Other financial assets	3.5	**181.6**	211.4
Trade and other receivables		**-**	0.5
Costs to obtain contracts		**-**	0.7
Deferred tax assets		**1.9**	7.2
Derivative financial assets		**27.4**	9.6
		3,040.1	2,498.3
Current assets			
Other financial assets	3.5	**3.8**	1.2
Inventories		**106.8**	86.7
Trade and other receivables		**329.3**	323.9
Cash and cash equivalents		**1,328.0**	1,468.6
Contract assets		**-**	0.3
Costs to obtain contracts		**-**	0.1
Derivative financial assets		**0.8**	0.3
		1,768.7	1,881.1
Asset held for sale		**4.4**	4.2
		1,773.1	1,885.3
Total assets		**4,813.2**	4,383.6
Current liabilities			
Contract liabilities	2.2	**(29.1)**	(21.8)
Trade and other payables		**(506.3)**	(393.2)
Borrowings	4.1	**(10.2)**	-
Provisions		**(1.0)**	(1.0)
Lease liabilities	3.4	**(58.6)**	(51.0)
Derivative financial liabilities		**(1.6)**	-
		(606.8)	(467.0)
Net current assets		**1,166.3**	1,418.3
Non-current liabilities			
Contract liabilities	2.2	**(393.8)**	(356.7)
Provisions		**(25.4)**	(48.7)
Borrowings	4.1	**(1,362.6)**	(1,300.0)
Lease liabilities	3.4	**(473.7)**	(477.4)
Trade and other payables		**(1.9)**	-
Deferred tax liabilities		**(14.7)**	(24.4)
		(2,272.1)	(2,207.2)
Net assets		**1,934.3**	1,709.4
Equity			
Share capital	4.3	**16.5**	15.0
Share premium	4.3	**1,939.3**	1,372.0
Treasury shares reserve	4.3	**(112.9)**	(113.0)
Other reserves	4.3	**164.0**	69.9
Retained earnings		**(169.0)**	244.3
Equity attributable to owners of Ocado Group plc		**1,837.9**	1,588.2
Non-controlling interests		**96.4**	121.2
Total equity		**1,934.3**	1,709.4

Consolidated Statement of Changes in Equity
for the 52 weeks ended 27 November 2022

	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
		Equity attributable to owners of Ocado Group plc							
Balance at 29 November 2020		15.0	1,361.6	(113.2)	76.9	421.4	1,761.7	71.4	1,833.1
Loss for the period		-	-	-	-	(223.2)	(223.2)	37.5	(185.7)
Other comprehensive expense		-	-	-	(13.2)	-	(13.2)	-	(13.2)
Total comprehensive expense for the period		-	-	-	(13.2)	(223.2)	(236.4)	37.5	(198.9)
Transactions with owners									
– Issue of ordinary shares	4.3	-	1.9	-	-	-	1.9	-	1.9
– Allotted in respect of share option schemes	4.3	-	8.5	-	-	-	8.5	-	8.5
– Disposal of treasury shares on exercise by participants	4.3	-	-	0.1	-	0.1	0.2	-	0.2
– Disposal of unallocated treasury shares	4.3	-	-	0.1	-	(0.1)	-	-	-
– Share-based payments charge		-	-	-	-	36.0	36.0	-	36.0
– Tax on share-based payments charge		-	-	-	-	0.5	0.5	-	0.5
– Acquisition of Haddington Dynamics Inc.		-	-	-	6.2	-	6.2	-	6.2
– IFRS 3 portion of the rollover shares issued for the purchase of Kindred Systems Inc.		-	-	-	-	1.9	1.9	-	1.9
– Additional investment in Jones Food Company Limited		-	-	-	-	7.7	7.7	12.3	20.0
Total transactions with owners		-	10.4	0.2	6.2	46.1	62.9	12.3	75.2
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/(expense)		**-**	**-**	**-**	**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**

Consolidated Statement of Cash Flows
for the 52 weeks ended 27 November 2022

	Notes	**52 weeks ended 27 November 2022 £m**	52 weeks ended 28 November 2021 £m
Cash (used in)/generated from operations	4.4	**(4.0)**	15.0
Insurance proceeds relating to business interruption and stock losses		**54.3**	30.0
Corporation tax received/(paid)		**13.4**	(26.2)
Interest paid		**(55.8)**	(34.8)
Net cash flow from/(used in) operating activities		**7.9**	(16.0)
Cash flows from investing activities			
Insurance proceeds regarding Erith claim		**2.5**	2.0
Insurance proceeds relating to rebuilding Andover CFC		**54.5**	-
Net cash outflow from disposal of Speciality Stores Limited ("Fetch"), net of cash sold	2.3	**-**	(0.4)
Acquisition of subsidiaries, net of cash acquired		**(5.5)**	(189.7)
Purchase of intangible assets		**(137.1)**	(131.8)
Purchase of property, plant and equipment		**(648.8)**	(558.9)
Dividend received from joint venture		**8.0**	7.7
Proceeds from disposal of other treasury deposits		**-**	370.0
Purchase of unlisted equity investments		**-**	(11.4)
Loans paid to joint ventures, associates and investee companies		**(0.6)**	(12.5)
Interest received		**9.6**	1.0
Net cash flow used in investing activities		**(717.4)**	(524.0)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**566.5**	1.9
Proceeds from allotment of share options		**0.8**	8.5
Proceeds from disposal of treasury shares on exercise by participants		**-**	0.2
Proceeds from interest-bearing loans and borrowings	4.2	**40.6**	500.0
Transaction costs on issue of borrowings	4.1	**(3.4)**	(8.4)
Repayment of borrowings	4.2	**-**	(225.0)
Repayment of principal element of lease liabilities		**(57.4)**	(48.6)
Net cash as a result of additional investment in Jones Food Company Limited by NCI		**-**	20.0
Cash received in respect of contingent consideration receivable		**-**	33.9
Net cash flow from financing activities		**547.1**	282.5
Net decrease in cash and cash equivalents		**(162.4)**	(257.5)
Cash and cash equivalents at beginning of period		**1,468.6**	1,706.8
Effect of changes in foreign exchange rates		**21.8**	19.3
Cash and cash equivalents at end of period		**1,328.0**	1,468.6

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 52 weeks ended 27 November 2022. The prior financial period represents the 52 weeks ended 28 November 2021.

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 (“IFRS”), including the interpretations issued by IFRS Interpretation Committee (“IFRIC”). The accounting policies applied are consistent with those described in the Annual Report and Accounts for the 52 weeks ended 27 November 2022 of the Group, unless otherwise stated.

The financial information set out in this announcement does not constitute the Group's statutory accounts for the 52 weeks ended 27 November 2022 or the 52 weeks ended 28 November 2021 within the meaning of Section 435 of the Companies Act 2006 (the “Act”). The financial information for the period ended 28 November 2021 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the period ended 27 November 2022 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 29 November 2021, 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
IFRS 4, IFRS 7, IFRS 9, IFRS 16, IAS 39	Interest Rate Benchmark Reform, Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	1 January 2021
IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021

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 29 November 2021, and have not been adopted early:

		Effective date
IAS 16	Property, Plant and Equipment – proceeds of intended use	1 January 2022
IAS 37	Onerous Contracts – costs 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
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
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.

1.3 Critical accounting judgement 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 ("ORL")	Management reviews if the Group continues to have control over ORL in accordance with IFRS 10. Management has concluded that the Group controls ORL, 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 ORL's business plan and budget and the appointment and removal of ORL'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 Ocado 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 £117.5m and £63.9m on intangible and tangible assets respectively.	3.2 3.3
Provisions, Contingent Liabilities and Contingent Assets – Solutions	Determined from assessments of progress against agreed milestones to highlight if any financial penalties might be incurred in case of delay or non-performance of milestones, in which case provisions are made in accordance with IAS 37.	
Exceptional items	Management believes that separate presentation of the exceptional 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 exceptional items by considering the nature, occurrence and the materiality of the amounts involved in those transactions. Note 2.3 provides information on amounts disclosed as exceptional items in the current and comparative financial statements together with the Group's definition of exceptional items. These definitions have been applied consistently over the periods.	2.3

1.3 Critical accounting judgement and key sources of estimation uncertainty (continued)

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 recognised was £98.3m. The majority of this relates to an amount due from Marks and Spencer Holdings Limited ("M&S"), agreed on the part disposal of Ocado Retail Limited ("Ocado Retail") in August 2019. The payment of the contingent consideration totalling £190.7m in cash is contingent on certain contractually defined Ocado Retail performance measures being achieved during the 2023 financial year. The outcome is a binary one, meaning should the performance measures be achieved, this will trigger the payment in full of £156.3m plus £34.4m of interest whereas should the performance measures not be achieved, no consideration would be payable by M&S. The fair value of the contingent consideration has been estimated using the expected present value technique and is based on a number of probability-weighted possible scenarios and applying an appropriate discount rate to reflect the time value of the possible payment. The Group considered a range of scenarios reflecting current market uncertainty, the impact of likely adjustments to the performance target and Ocado Retail's current trading performance. Management determined that the fair value of the contingent consideration due from M&S as at the reporting date is £95.0m. The fair value measurement of the asset at the reporting date is considered principally to be sensitive to reasonably possible changes in the target performance measure. To illustrate this sensitivity, if the performance measure was £25m higher or lower than assumed in the valuation approach, the fair value of the asset based on period end valuation model would increase by £13.0m or decrease by £14.6m respectively	3.5
Impairment assessment - goodwill, property, plant and equipment and other intangible assets	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. 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 impairment tests and sensitivities are disclosed in the relevant notes.	3.1 3.2 3.3

Climate-related risks

The Group has considered the impact of climate-related risks, on its financial performance and position, for example those that might have an effect on forecast cash flows for the purposes of going concern, viability and impairment assessments, or the useful lives of certain assets. Given the early stages of our plans and our overall climate-related strategy, and the expected timing of our roadmap to Net Zero targets, we have not identified a material impact on the financial reporting judgements and estimates.

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 Finance 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 £1,328.0m (2021: £1,468.6m), external gross debt of £1,887.6m (2021: £1,794.4m) (excluding lease liabilities payable to MHE JVCo Limited of £17.5m (2021: £34.0m)) and net current assets of £1,166.3m (2021: £1,418.3m). 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.

The Group has determined it has three reportable segments: Retail, UK Solutions & Logistics, and International Solutions.

The Retail segment provides online grocery and general merchandise offerings to customers within the United Kingdom, and comprises Ocado Retail Limited. The UK Solutions & Logistics segment provides the IT platform, CFCs and logistics for customers in the United Kingdom (Wm Morrisons Supermarkets Limited and Ocado Retail Limited). The International Solutions segment provides end-to-end online retail solutions to corporate customers outside the United Kingdom. In order to reconcile segmental revenue* and segmental EBITDA* with the Group's revenue and EBITDA*, two other headings are used: "Other" represents revenue and costs that do not relate to any of the three segments; "Group eliminations" relates to revenue and costs arising from intra-Group transactions.

The Board assesses the performance of all segments on the basis of EBITDA*. EBITDA*, as reported internally by segment, is the key measure utilised in assessing the performance of operating segments within the Group.

Any transactions between the business 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.

Segmental revenue* and segmental EBITDA* for the period are as follows:

	Retail £m	UK Solutions & Logistics £m	International Solutions £m	Other £m	Group eliminations £m	Total £m
52 weeks ended 27 November 2022						
Segmental revenue*	**2,203.0**	**802.7**	**147.8**	**0.8**	**(640.5)**	**2,513.8**
Segmental EBITDA*	**(4.0)**	**67.2**	**(113.2)**	**(21.9)**	**(2.2)**	**(74.1)**
52 weeks ended 28 November 2021						
Segmental revenue	2,289.9	710.4	66.6	0.4	(568.5)	2,498.8
Segmental EBITDA	150.4	68.5	(119.3)	(37.5)	(1.1)	61.0

*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 chief operating decision maker.

2.2 Revenue

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Retail	**2,203.0**	2,289.9
UK Solutions & Logistics	**802.7**	710.4
International Solutions	**147.8**	66.6
Other	**0.8**	0.4
Group eliminations	**(640.5)**	(568.5)
Revenue	**2,513.8**	2,498.8
Timing of revenue recognition		
At a point in time	**2,179.9**	2,289.9
Over time	**333.9**	208.9
	2,513.8	2,498.8

2.2 Revenue (continued)

Revenue split by geographical area

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
UK	**2,366.0**	2,432.2
Overseas	**147.8**	66.6
	2,513.8	2,498.8

Contract balances

	27 November 2022 £m	28 November 2021 £m
Trade receivables	**59.6**	50.8
Accrued income	**14.2**	5.5
Contract assets – current	**-**	0.3
Contract liabilities – current	**(29.1)**	(21.8)
Contract liabilities - non-current	**(393.8)**	(356.7)

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:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Balance at beginning of period	**(378.5)**	(299.3)
Amount invoiced	**(69.1)**	(94.4)
Amount recognised as revenue	**24.7**	15.2
Balance at end of period	**(422.9)**	(378.5)

£24.7m (2021: £15.2m) of revenue recognised during the period was included in contract liabilities at the beginning of the period.

The transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) are expected to be recognised as revenue as follows:

	27 November 2022 £m	28 November 2021 £m
Within one year	**355.1**	258.6
In between one and five years	**2,127.2**	1,643.5
In more than five years	**4,827.9**	4,016.3
Total transaction price	**7,310.2**	5,918.4

The total transaction price includes £1,972.1m (2021: £1,812.6m) in respect of potential revenue in relation to the recovery of costs that are expected to be incurred in existing Solutions contracts.

The amounts disclosed above in respect of unsatisfied and partially unsatisfied performance obligations do not include estimates of any amounts that will arise if the customer continues to receive services beyond the estimated contract term. In addition, given the early stage of the customer contracts, they are reduced, during the contract term, so as to limit the estimate of future variable amounts to a conservative amount that is highly probable and where a significant reversal of revenue will not occur. The figures disclosed do not include any incremental amounts in relation to CFCs and other solutions to which a customer is not yet committed. However, they do include any amounts that are payable by the customer irrespective of whether an option for future CFCs and other solutions is exercised (i.e. amounts that are equivalent to a non-refundable deposit).

2.3 Exceptional items*

Exceptional 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 exceptional 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 exceptional.

	Ref.	**52 weeks ended 27 November 2022 £m**	52 weeks ended 28 November 2021 £m
Andover CFC	A		
– Insurance reimbursement income		**67.4**	78.6
– Other exceptional costs		**(3.4)**	(5.6)
		64.0	73.0
Erith CFC	B		
– Insurance reimbursement income		**6.4**	2.0
– Other exceptional costs		**-**	(10.1)
		6.4	(8.1)
Litigation costs	C	**(26.5)**	(28.9)
Litigation settlement	C	**-**	1.8
Ocado Group Finance transformation and SaaS implementation costs	D	**(7.0)**	(13.3)
Ocado Retail IT systems transformation	E	**(4.0)**	(4.6)
(Loss)/gain on disposal of Speciality Stores Limited (“Fetch”)	F	**(1.4)**	1.0
Gain on disposal of investment in Infinite Acres Holding B.V.	G	**-**	5.0
Change of fair value of contingent consideration receivable	H	**(58.4)**	16.9
Organisational Restructure	I	**(3.0)**	-
Net exceptional (expense)/income		**(29.9)**	42.8

* 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. The reimbursement has been recognised as other income.

During the 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 period. This has then concluded the Andover insurance fire claim.

Other exceptional 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 exceptional costs recognised to date, across all periods, amount to £124.9m.

B. Erith CFC

In July 2021, a fire destroyed 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 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 period and was recognised as an insurance reimbursement income in FY22. The receipt of the £6.4m has concluded the Erith fire claim.

Other exceptional costs include, but are not limited to, stock write-offs, customer goodwill refund, impairment of certain fixed assets and labour costs. The cumulative exceptional costs expensed to date amount to £10.1m.

2.3 Exceptional items* (continued)

C. Litigation costs and litigation settlement

Litigation costs are primarily costs incurred on patent infringement litigation between the Group and AutoStore Technology AS ("AutoStore"). The costs during the period amount to £26.5m (FY21: £28.9m). The prior year litigation costs also include costs of legal proceedings brought by the Group against certain former employees and Project Today Holdings Limited ("T0day"), in relation to misappropriation and unlawful use of the Group's confidential information and intellectual property, which was settled in 2021. The Group received £1.8m as part of the settlement which was recognised as an exceptional income in FY21. The net cumulative costs to date amount to £57.6m.

D. Ocado Group Finance transformation and SaaS implementation costs

As part of the Group's Finance transformation programme, the Group implemented various SaaS solutions, primarily Oracle Fusion, which went live in FY21, across the business. Following the IFRIC agenda decision, in FY21, the Group updated its accounting policy for the treatment of SaaS configuration and customisation related costs under IAS 38 Intangible Assets. The cumulative finance transformation and SaaS implementation costs expensed to date amount to £28.6m and include £7.0m in FY22.

These amounts have been disclosed as exceptional items in both FY21 and FY22 because they are material and arise both from a strategic project that is not considered by the Group to be part of the normal operating costs of the business.

The finance transformation programme will continue through to, and will complete in, FY23 with a focus on optimising and enhancing the SaaS solutions and related finance processes to improve efficiency across the business. Incremental costs incurred in relation to the ongoing programme will continue to be disclosed as exceptional items. Ongoing licence fees for SaaS arrangements and the cost of business as usual finance activity do not form part of the exceptional items.

E. Ocado Retail IT 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 FY23, 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 cumulative costs expensed to date amount to £8.6m.

F. (Loss)/gain 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 ("Paws Holdings"), resulting in a gain on disposal of £1.0m in FY21.

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

G. Gain on disposal of investment in Infinite Acres Holding B.V. ("Infinite Acres")

In October 2021, the Group sold its 33.3% interest in Infinite Acres Holding B.V. ("Infinite Acres") to 80 Acres Urban Agriculture Inc. ("80 Acres") in exchange for 2.5% of 80 Acres' issued share capital, resulting in a gain on disposal of £5.0m.

H. Change in fair value of contingent consideration

In 2019, the Group sold Marie Claire Beauty Limited ("Fabled") to Next plc and 50% of Ocado Retail to Marks and Spencer Group plc ("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, and revalues it at each reporting date. A loss on revaluation of £58.4m (FY21: £16.9m gain) is reported through exceptional items, primarily driven by the reduction in the contingent consideration receivable from M&S. Refer to Note 3.5 for details.

I. Organisational restructure

During the period, the Group undertook a partial reorganisation of its head office functions resulting in redundancies and related costs of £3.0m. Further organisational restructuring was announced in January 2023, affecting around 250 people and incurring total related costs of £7.0m.

Tax impacts on exceptional items

The change in fair value of contingent consideration receivable is not subject to tax. The remaining exceptional items are taxable or tax deductible and give rise to a tax credit of £0.8m (FY21: tax charge of £0.5m). A further tax charge of £6.4m (FY21: charge of £3.7m) has not been recognised as it relates to tax losses which are not recognised for deferred tax purposes.

2.4 Finance income and costs

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Interest income on cash balances	**12.5**	1.0
Interest income on loans receivable	**1.0**	0.6
Gain on revaluation of derivative financial instruments designated at FVTPL	**11.9**	8.4
Net foreign exchange gain	**16.4**	-
Finance income	**41.8**	10.0
Interest expense on borrowings	**(61.3)**	(52.7)
Interest expense on lease liabilities	**(28.3)**	(18.0)
Interest expense on provisions	**(0.4)**	(0.9)
Foreign exchange gain/(loss)	**-**	19.3
Finance costs	**(90.0)**	(52.3)
Net finance cost	**(48.2)**	(42.3)

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:

	52 weeks ended 27 November 2022 million	52 weeks ended 28 November 2021 million
Weighted average number of shares at end of period	772.9	739.5
	£m	£m
Loss attributable to owners of the Company	(455.5)	(223.2)
	pence	**pence**
Basic and diluted loss per share	(58.93)	(30.18)

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 27 November 2022 is as follows:

	Goodwill £m
Cost	
At 29 November 2020	4.7
Additions	139.8
Effect of changes in foreign exchange rates	0.3
At 28 November 2021	144.8
Additions	**5.7**
Effect of changes in foreign exchange rates	**14.2**
At 27 November 2022	**164.7**
Accumulated amortisation	-
At 29 November 2020	-
Charge for the period	-
At 28 November 2021	-
Charge for the period	**-**
At 27 November 2022	**-**
Net book value	
At 28 November 2021	144.8
At 27 November 2022	**164.7**

Goodwill - Impairment testing

Goodwill generated from an acquisition is allocated to and monitored at an operating segment level. An analysis of goodwill by operating segment is:

	Retail	**International Solutions**	**UK Solutions & Logistics**	**Goodwill £m**
At 28 November 2021	-	104.0	40.8	144.8
Additions	-	**4.1**	**1.6**	**5.7**
Effect of changes in foreign exchange rates	-	**10.2**	**4.0**	**14.2**
At 27 November 2022	**-**	**118.3**	**46.4**	**164.7**

The recoverable amounts of these CGUs are 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 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 cashflow method. The fair value method relies on inputs not normally observable by market participants and is therefore categorised at Level-3 in the fair value hierarchy.

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 11.0% (FY21: 7.2%). 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 International Solutions. The projections, which incorporate our best estimates of future cash flows and take into account future growth and price increases, have proved to be reliable guides in the past and the Directors believe the estimates are appropriate.

Long-term growth rates - A long-term growth rate of 2.0% (FY21: 2.0%) was used for cash flows outside the plan projections. This long term growth rate is conservative and is considered to be lower than the long-term historic growth rates in the underlying territories in which the CGUs operate and the long-term growth rate prospects of the sectors in which the CGUs operate.

No impairment has been recognised. For UK Solutions and Logistics, a 1.5ppt increase in discount rate would result in £132.0m of headroom being fully eroded. The CGU has a carrying value of £531.9m.

3.2 Other intangible assets

Carrying amount of other intangible assets as at 27 November 2022 is as follows:

	Internally generated intangible assets £m	Other intangible assets £m	Total £m
Cost			
At 29 November 2020	357.5	63.9	421.4
Additions	7.6	14.8	22.4
Internal development costs capitalised	95.6	-	95.6
On acquisition of subsidiaries	64.6	10.1	74.7
Disposals	(73.6)	(10.0)	(83.6)
Effect of changes in foreign exchange rates	0.4	-	0.4
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**
Accumulated amortisation			
At 29 November 2020	(165.6)	(24.6)	(190.2)
Charge for the period	(63.4)	(14.6)	(78.0)
Impairment charge	-	(1.1)	(1.1)
Disposals	73.6	10.0	83.6
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)**
Disposals	**-**	-	**-**
Effect of changes in foreign exchange rates	**-**	(1.2)	**(1.2)**
At 27 November 2022	**(257.0)**	**(48.2)**	**(305.2)**
Net book value			
At 28 November 2021	296.7	48.5	345.2
At 27 November 2022	**333.9**	**43.3**	**377.2**

Included within intangible assets is capital work-in-progress for internally generated intangible assets of £72.8m (2021: £39.7m) and £4.1m (2021: £6.2m) for other intangible assets.

3.3 Property, plant and equipment

Carrying amount of property, plant and equipment as at 27 November 2022 is as follows:

	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Motor vehicles £m	Total £m
Cost				
At 29 November 2020	89.8	920.7	11.0	1,021.5
Additions	32.8	489.9	0.1	522.8
Internal development costs capitalised	-	35.0	-	35.0
Recognised on acquisition of subsidiaries	-	9.1	-	9.1
Disposals	-	(24.7)	(2.3)	(27.0)
Effect of changes in foreign exchange rates	-	1.9	-	1.9
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**
Accumulated depreciation				
At 29 November 2020	(7.3)	(220.1)	(9.1)	(236.5)
Charge for the period	(2.2)	(81.0)	(1.2)	(84.4)
Impairment charge	-	(9.3)	-	(9.3)
Impairment of Erith assets (see Note 2.3)	-	(2.1)	-	(2.1)
Disposals*	-	24.5	2.3	26.8
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**
Effect of changes in foreign exchange rates	**-**	**(2.1)**	**-**	**(2.1)**
At 27 November 2022	**(15.3)**	**(445.6)**	**(8.2)**	**(469.1)**
Net book value				
At 28 November 2021	113.1	1,143.9	0.8	1,257.8
At 27 November 2022	**197.5**	**1,577.2**	**3.1**	**1,777.8**

Included within property, plant and equipment is capital work-in-progress for land and buildings of £84.5m (2021: £24.4m), fixtures, fittings, plant and machinery of £382.0m (2021: £412.0m) and motor vehicles of £1.0m (2021: £nil).

Impairment assessment - PPE and intangible assets

The Group has determined that assets directly associated with individual International Solutions contracts (i.e. partner by partner) represent the lowest level group of assets at which impairment can be assessed. The Group has undertaken a review for indicators of impairment for each solution 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).

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

- expected future cash flows from the contract based on management forecasts for a ten 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 - 10.8%
- long-term growth rate to reflect growth outside of the forecast period - 2.0%

Based on the outcome of the assessment, no impairment has been recognised.

For one CGU (a single partner contract with currently just one live CFC), a 25% reduction in the FY23 to FY30 forecasted module ramp-up profile would result in £8.1m of headroom being fully eroded as a result of reduction in anticipated future cash flows. Any further reductions in ramp-up profile would lead to an impairment. The CGU has a carrying value of £53.2m.

3.4 Right-of-use assets and Lease Liabilities

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

Right of Use Assets

	Land and buildings £	Fixtures, fittings, plant and machinery £m	Motor vehicles £m	Total £m
Cost				
At 29 November 2020	354.1	213.8	79.9	647.8
Additions	152.0	-	30.8	182.8
Disposals	(35.0)	(76.1)	(5.7)	(116.8)
At 28 November 2021	471.1	137.7	105.0	713.8
Additions	**43.4**	**2.2**	**24.9**	**70.5**
Disposals	**(5.8)**	**(0.8)**	**(4.7)**	**(11.3)**
At 27 November 2022	**508.7**	**139.1**	**125.2**	**773.0**
Accumulated depreciation				
At 29 November 2020	(58.2)	(173.5)	(31.1)	(262.8)
Charge for the period	(31.5)	(14.6)	(19.5)	(65.6)
Disposals	27.6	75.9	5.7	109.2
At 28 November 2021	(62.1)	(112.2)	(44.9)	(219.2)
Charge for the period	**(32.8)**	**(11.8)**	**(21.4)**	**(66.0)**
Impairment charge	**(0.6)**	**-**	**-**	**(0.6)**
Disposals	**1.8**	**0.7**	**4.2**	**6.7**
At 27 November 2022	**(93.7)**	**(123.3)**	**(62.1)**	**(279.1)**
Net book value				
At 28 November 2021	409.0	25.5	60.1	494.6
At 27 November 2022	**415.0**	**15.8**	**63.1**	**493.9**

Lease liabilities

	Total £m
At 29 November 2020	407.8
Additions	176.9
Terminations	(7.7)
Interest	18.0
Payments	(66.6)
At 28 November 2021	528.4
Additions	**64.2**
Terminations	**(2.9)**
Interest	**28.3**
Payments	**(85.7)**
At 27 November 2022	**532.3**

	27 November 2022 £m	28 November 2021 £m
Disclosed as:		
Current	**58.6**	51.0
Non-current	**473.7**	477.4
	532.3	528.4

External obligations under lease liabilities are £514.8m (2021: £494.4m), excluding £17.5m (2021: £34.0m) 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.

3.4 Right-of-use assets and Lease Liabilities (continued)

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:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Short-term leases	**3.2**	0.2
Leases of low-value items	**-**	0.2
	3.2	0.4

3.5 Other financial assets

	Note	**27 November 2022 £m**	28 November 2021 £m
Contingent consideration receivable		**98.3**	156.7
Unlisted equity investments held at FVTOCI		**69.8**	30.4
Unlisted equity investment held at FVTPL		**-**	1.0
Loans receivable held at FVTPL	5.2	**2.4**	10.9
Loan receivable held at amortised cost	5.2	**14.2**	12.1
Contributions towards dilapidations costs receivable		**0.7**	1.5
Other financial assets		**185.4**	212.6
Disclosed as:			
Current		**3.8**	1.2
Non-current		**181.6**	211.4
		185.4	212.6

Contingent consideration receivable

Total contingent consideration receivable at the balance sheet date is £98.3m (2021: £156.7m), and comprises two amounts: £95.0m (2021: £152.6m) due from Marks and Spencer Holdings Limited ("M&S") relating to the part-disposal of Ocado Retail Limited ("Ocado Retail") in August 2019; and £3.3m (2021: £4.1m) 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 part-disposal of Ocado Retail during 2019, there is a contingent consideration due from M&S to Ocado Group of £190.7m that is payable in cash by no later than August 2024. This payment is dependent on certain contractually defined Ocado Retail performance measures ("the Target") being achieved during the 2023 financial year. The outcome is a binary one, meaning should the Target be achieved, this will trigger the payment in full of £190.7m (£156.3m plus £34.4m of interest, due no later than August 2024). Conversely, should the Target not be achieved, no consideration would be payable by M&S. The contractual arrangement with M&S expressly provides for the Target to be adjusted by the shareholders for actions taken since the part-disposal was effected.

Whilst the contractual outcome is binary, the Group is required, under IFRS 9 Financial Instruments, to determine the fair value of the contingent consideration receivable from M&S. The outcome of this determination is a fair value at the period end of £95.0m, which is a reduction of £57.6m from the fair value of £152.6m recorded at the end of the prior period.

The fair value of £95.0m has been estimated using the expected present value technique and is based on a number of probability-weighted possible scenarios and applying an appropriate discount rate to reflect the timing of the possible payment. We have considered a range of scenarios reflecting current market uncertainty, the impact of likely adjustments to the performance measures target and Ocado Retail's current trading performance. A discount rate of 10.0% was used. There is significant uncertainty in this estimate of fair value and given the binary nature of the contractual agreement it is reasonably possible that the actual amount received at the point of settlement will be materially different to the fair value currently recorded. Given there is a degree of subjectivity in the determination of the post-adjustment performance measure, there is also a possibility that the contingent consideration may be agreed through a negotiated settlement between the two shareholders.

3.5 Other financial assets (continued)

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 £3.7m (2021: £5.1m), payable in tranches in March and September each year.

Unlisted equity investments held at FVTOCI

			% of share capital held		Carrying amount	
Company	**Principal activity**	**Country of incorporation**	**27 November 2022**	28 November 2021	**27 November 2022 £m**	28 November 2021 £m
80 Acres Urban Agriculture Inc.	Vertical farming	United States of America	**2.5%**	2.5%	**10.2**	11.1
Oxbotica Limited[1]	Autonomous vehicle technology	England and Wales	**8.8%**	8.8%	**36.8**	10.3
Paneltex Limited	Manufacturing refrigerated vehicles	England and Wales	**25.0%**	25.0%	**7.6**	6.1
Inkbit Corporation	3D printing	United States of America	**5.5%**	5.5%	**3.5**	2.9
Sanctuary Cognitive Systems Corporation	Artificial intelligence	Canada	**1.6%**	-	**1.0**	-
Wayve Technologies Limited[2]	Autonomous vehicle technology	England and Wales	**2.6%**	-	**10.7**	-
Unlisted equity investments held at FVTOCI					**69.8**	30.4

[1]The fair value of the Group's equity investment in Oxbotica Limited ("Oxbotica") increased as a result of the company undertaking a series C fundraise. The Series C Fundraising was successfully completed in December 2022.

[2]During the period, Wayve Technologies Limited ("Wayve"), successfully completed its Series B Fundraising resulting in the Group's convertible loan note converting into equity.

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

				Carrying amount	
Borrower	**Principal amount**	**Coupon rate**	**Repayment due**	**27 November 2022 £m**	28 November 2021 £m
Wayve Technologies Limited	£10.0m	-	August 2024	**-**	8.8
Karakuri Limited	£1.7m	8%	October 2023	**1.8**	1.9
Myrmex Inc.	€0.2m	5%	July 2022	**-**	0.2
Inkbit Corporation	US$0.6m	6%	November 2024	**0.6**	-
Loans receivable held at FVTPL				**2.4**	10.9

Loans receivable held at FVTPL includes a convertible loan to Karakuri. Interest is chargeable on the £1.7 million principal at 8.0% per annum. The principal and any unpaid accrued interest are convertible into preference shares of Karakuri at the option of the Group. Otherwise, the loan is repayable in full in October 2023 along with any unpaid interest. The fair value of the loan receivable at 27 November 2022 is £1.8m (2021: £1.9m).

Loan receivable held at amortised cost

The loan receivable held at amortised cost is a USD15m 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 USD15.0m 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

	27 November 2022 £m	28 November 2021 £m
Senior unsecured convertible bonds	**835.9**	805.3
Senior unsecured notes	**496.3**	494.6
Revolving credit facility	**10.0**	-
Other borrowings	**30.6**	0.1
Borrowings	**1,372.8**	1,300.0
Disclosed as:		
Current	**10.2**	-
Non-current	**1,362.6**	1,300.0
	1,372.8	1,300.0

Senior unsecured convertible bonds and senior unsecured notes

				Carrying amount	
Facility	**Inception**	**Coupon rate**	**Maturity**	**27 November 2022 £m**	28 November 2021 £m
£600m senior unsecured convertible bonds	December 2019	0.875%	December 2025	540.7	522.0
£350m senior unsecured convertible bonds	June 2020	0.750%	January 2027	295.2	283.3
£500m senior unsecured notes	October 2021	3.875%	October 2026	496.3	494.6

The £600.0m of senior unsecured convertible 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 £350.0m of senior unsecured convertible 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 £500.0m of senior unsecured notes were issued in October 2021, raising £491.6m, net of transaction fees. Part of the proceeds were used to repay the £225m senior secured notes early. The senior secured notes were issued in June 2017, raising £250.0m, and £25.0m had been repaid in 2019. Unamortised borrowing costs of £3.2m were written off at the time of repayment.

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 27 November 2022, 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 certain financial covenants under this facility.

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

The Group had an existing RCF of which £10.0m was drawn at year end.

Other borrowings

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

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**

4.1 Borrowings (continued)

28 November 2021	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	-	-	522.0	283.3	805.3
Senior unsecured notes	-	-	494.6	-	494.6
Other borrowings	-	0.1	-	-	0.1
Borrowings	-	0.1	1,016.6	283.3	1,300.0

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

				Non-cash movements			
	Notes	28 November 2021 £m	**Cash flows £m**	**Net new lease liabilities £m**	**Foreign exchange £m**	**Unwinding of interest £m**	**27 November 2022 £m**
Cash and cash equivalents		1,468.6	**(162.4)**	**-**	**21.8**	**-**	**1,328.0**
Liabilities from financing activities:							
Borrowings	4.1	(1,300.0)	**(40.6)**	**-**	**-**	**(32.2)**	**(1,372.8)**
Lease liabilities	3.4	(528.4)	**57.4**	**(61.3)**	**-**	**-**	**(532.3)**
		(1,828.4)	**16.8**	**(61.3)**	**-**	**(32.2)**	**(1,905.1)**
Net debt		(359.8)	**(145.6)**	**(61.3)**	**21.8**	**(32.2)**	**(577.1)**

				Non-cash movements			
	Notes	29 November 2020 £m	Cash flows £m	Net new lease liabilities £m	Foreign exchange £m	Unwinding of interest £m	28 November 2021 £m
Other treasury deposits		370.0	(370.0)	-	-	-	-
Cash and cash equivalents		1,706.8	(257.5)	-	19.3	-	1,468.6
		2,076.8	(627.5)	-	19.3	-	1,468.6
Liabilities from financing activities:							
Borrowings	4.1	(997.4)	(266.5)	-	-	(36.1)	(1,300.0)
Lease liabilities	3.4	(407.8)	48.6	(169.2)	-	-	(528.4)
		(1,405.2)	(217.9)	(169.2)	-	(36.1)	(1,828.4)
Net debt		671.6	(845.4)	(169.2)	19.3	(36.1)	(359.8)

At the reporting date, the Group had net debt of £559.6m (2021: net debt £325.8m), excluding lease liabilities of £17.5m (2021: £34.0m) payable to MHE JVCo Limited (Note 5.2). £2.9m (2021: £4.4m) of the Group's cash and cash equivalents is considered to be restricted, and is not available to circulate within the Group on demand.

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 9,447,982 (2021: 7,259,291). 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 29 November 2020	748.1	15.0	1,361.6
Issue of ordinary shares	1.4	-	1.9
Allotted in respect of share option schemes	1.9	-	8.5
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**

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 10,438,075 (2021: 10,454,148) 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 in accordance with IAS 32 "Financial Instruments: Presentation". 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..

4.3 Share capital and reserves (continued)

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 29 November 2020	(116.2)	184.5	-	(1.3)	10.0	(0.1)	76.9
Gain arising on cash flow hedges	-	-	-	-	-	0.4	0.4
Foreign exchange gain/(loss) on translation of foreign subsidiaries and joint venture	-	-	-	(10.5)	-	-	(10.5)
Foreign exchange gain on translation of foreign joint venture reclassified to profit or loss	-	-	-	0.8	-	-	0.8
Loss on equity investments designated as at fair value through other comprehensive income	-	-	-	-	(3.9)	-	(3.9)
Acquisition of Haddington Dynamics Inc.	-	-	6.2	-	-	-	6.2
Balance at 28 November 2021	(116.2)	184.5	6.2	(11.0)	6.1	0.3	69.9
Loss arising on cash flow hedges	**-**	**-**	**-**	**-**	**-**	**(1.1)**	**(1.1)**
Foreign exchange gain/(loss) on translation of foreign subsidiaries and joint venture	**-**	**-**	**-**	**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**

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 27 November 2022 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	**52 weeks ended 27 November 2022 £m**	52 weeks ended 28 November 2021 £m
Cash flows from operating activities			
Loss before tax		**(500.8)**	(176.9)
Adjustments for			
– Revenue recognised from long-term contracts	2.2	**(24.7)**	(15.2)
– Depreciation, amortisation and impairment charges		**348.6**	238.4
– Property, plant and equipment write off		**10.8**	-
– Insurance reimbursement recognised as other income	2.3	**(73.8)**	(80.6)
– Non-cash exceptional items	2.3	**59.8**	(7.5)
– Share of results of joint ventures and associate		**1.4**	2.3
– Movement of provisions		**(26.2)**	4.2
– Net finance cost	2.4	**48.2**	42.3
– Share-based payments charge		**42.0**	35.5
Changes in working capital			
– Movement in contract assets		**0.3**	0.1
– Movement of contract liabilities		**78.7**	107.0
– Movement of inventories		**(10.9)**	(55.2)
– Movement of trade and other receivables		**(50.7)**	(77.6)
– Movement of trade and other payables		**93.3**	(1.8)
Cash (used in)/generated from operations		**(4.0)**	15.0

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:

	27 November 2022 £m	28 November 2021 £m
Land and buildings	**0.4**	0.2
Property, plant and equipment	**275.1**	374.0
Capital commitments	**275.5**	374.2

Of the total capital expenditure committed at the end of the period, £232.4m relates to new CFCs (2021: £348.9m), £1.3m to existing CFCs (2021: £1.0m), £7.6m to fleet costs (2021: £7.7m) and £26.5m to technology projects (2021: £6.9m).

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:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Salaries and other short-term employee benefits	**5.8**	5.0
Post-employment benefits	**0.2**	0.2
Share-based payments	**11.4**	16.2
Aggregate emoluments	**17.4**	21.4

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 £32,100 (2021: £72,000). 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 (2021: £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 (2021: £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.

5.2 Related party transactions (continued)

Joint venture

MHE JVCo Limited

The following transactions were carried out with MHE JVCo:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Dividend received from MHE JVCo	**8.0**	7.7
Supplier invoices paid on behalf of MHE JVCo	**1.1**	2.5
Capital element of lease liability instalments paid to MHE JVCo	**15.1**	14.2
Capital element of lease liability instalments due to MHE JVCo	**1.4**	1.4
Interest element of lease liability instalments accrued or paid to MHE JVCo	**1.3**	2.1

During the period, the Group incurred lease instalments (including interest) of £17.8m (2021: £17.7m) to MHE JVCo.

Of the lease instalments incurred, £8.2m was recovered directly from Wm Morrisons Supermarkets Limited in the form of other income (2021: £9.0m).

Included within trade and other receivables is a balance of £2.3m due from MHE JVCo (2021: £0.2m), which primarily relates to capital recharges.

Included within trade and other payables is a balance of £1.8m due to MHE JVCo (2021: £1.8m).

Included within lease liabilities is a balance of £17.5m due to MHE JVCo (2021: £34.0m).

Associate

Karakuri Limited

During a prior period, the Group lent £1.7m to Karakuri. The loan was recognised within other financial assets, and its carrying amount was £1.8m (2021: £1.9m) at the reporting date. During the period, £0.2m (2021: £0.1m) of interest was recognised within finance income. Karakuri also issued warrants to Ocado to subscribe for additional shares in the future. The warrants expire in 2024. No other transactions that require disclosure under IAS 24 "Related Party Disclosures" have occurred during the period.

5.3 Post-Balance Sheet events

Exercise of warrants in Oxbotica Limited

On 01 December 2022, Oxbotica Limited ("Oxbotica") , a company in which the Group holds a minority interest, successfully completed its Series C Fundraising. This resulted in the Group's warrants being exercised to acquire 21,934 B shares. Following exercise of the warrants and the Series C fundraising, the Group holds a 12.5% interest in Oxbotica.

Section 6 - Alternative Performance Measures

The Group assesses its performance using a variety of alternative performance measures that are not defined under IFRS and are, therefore, termed “non-IFRS” measures. These measures provide additional useful information on the underlying trends, performance and position of the Group. The non-IFRS measures used are:

- Exceptional items;
- EBITDA;
- Segmental revenue;
- Segmental EBITDA;
- Segmental gross profit;
- Segmental other income;
- Segmental distribution costs and administrative expenses;
- Net cash/debt;
- External gross debt;and
- International Solutions fees invoiced

Reconciliation of these non-IFRS measures with the nearest measures prepared in accordance with IFRS are presented below. The alternative performance measures used may not be directly comparable with similarly titled measures used by other companies.

Exceptional items

The Consolidated Income Statement identifies separately trading results before exceptional items. 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, and assists in providing a meaningful analysis of the trading results of the Group. This also facilitates comparison with prior periods to assess trends in financial performance more readily.

The Group applies judgement in identifying significant non-recurring items of income and expenditure that are recognised as exceptional to help provide an indication of the Group’s underlying business. In determining whether an event or transaction is exceptional 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 exceptional 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 one-off events.

Exceptional items are disclosed in Note 2.3.

EBITDA

In addition to measuring its financial performance based on operating profit, the Group measures performance based on EBITDA. EBITDA is defined as the Group’s earnings before depreciation, amortisation, impairment, net finance cost, taxation and exceptional items. EBITDA is a common measure used by investors and analysts to evaluate the operating financial performance of companies.

The Group considers EBITDA to be a useful measure of its operating performance because it approximates the underlying operating cash flow by eliminating depreciation and amortisation. 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.

A reconciliation of operating profit with EBITDA can be found on the face of the Consolidated Income Statement.

Segmental revenue

Segmental revenue is a measure of reported revenue for the Group’s Retail, UK Solutions & Logistics and International Solutions segments. A reconciliation of revenue for the segments with revenue for the Group can be found in Notes 2.1 and 2.2.

Segmental EBITDA

The financial performance of the Group’s segments is assessed using EBITDA, as reported internally.

A reconciliation of EBITDA of the segments with EBITDA of the Group can be found in Note 2.1.

Segmental gross profit

Segmental gross profit is a measure that seeks to reflect the profitability of segments in relation to their revenues earned.

A reconciliation of reported gross profit, the most directly comparable IFRS measure, with segmental gross profit is set out below:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Retail gross profit	**657.9**	737.5
UK Solutions & Logistics gross profit	**802.7**	710.4
International Solutions gross profit	**144.9**	57.5
Other gross profit	**(0.7)**	(1.0)
Group eliminations gross profit	**(640.5)**	(568.5)
Reported gross profit	**964.3**	935.9

Segmental other income

Segmental other income is a measure that seeks to reflect segmental income which is not generated through the primary trading activities of the segments (for example, volume-related rebates from suppliers in the Retail segment).

A reconciliation of reported other income, the most directly comparable IFRS measure, with segmental other income is set out below:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Retail other income	**82.0**	84.8
UK Solutions & Logistics other income	**3.6**	3.5
International Solutions other income	**0.2**	0.6
Other income	**14.9**	15.2
Group eliminations other income	**-**	-
Reported other income	**100.7**	104.1

Segmental distribution costs and administrative expenses

Segmental distribution costs and administrative expenses is a measure that seeks to reflect the performance of the Group's segments in relation to the long-term, sustainable growth of the Group. These measures exclude certain costs that are not allocated to a specific segment: depreciation, amortisation, impairment and other central costs.

A reconciliation of reported distribution costs and administrative expenses, the most directly comparable IFRS measures, with segmental distribution costs and administrative expenses, is set out below:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Retail distribution costs and administrative expenses	**743.9**	671.9
UK Solutions & Logistics distribution costs and administrative expenses	**739.1**	645.4
International Solutions distribution costs and administrative expenses	**258.3**	177.4
Other distribution costs and administrative expenses	**34.8**	49.4
Group eliminations distribution costs and administrative expenses	**(638.4)**	(567.4)
Depreciation, amortisation, impairment and other central costs	**348.6**	238.4
Reported distribution costs and administrative expenses	**1,486.3**	1,215.1

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Reported distribution costs	**830.2**	666.7
Reported administrative expenses	**656.1**	548.4
Reported distribution costs and administrative expenses	**1,486.3**	1,215.1

Net cash/debt

Net cash/debt is calculated as cash and cash equivalents, plus other treasury deposits, less gross debt (borrowings plus lease liabilities).

Net cash/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 use of the term "net cash" does not necessarily mean that the cash included in the net cash/debt calculation is available to settle the liabilities included in this measure.

Net cash/debt is considered to be an alternative performance measure as it is not defined in IFRS. 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 cash/debt can be found in Note 4.2.

External gross debt

External gross debt is calculated as gross debt (borrowings plus lease liabilities), less lease liabilities payable to the joint venture 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 can be found below:

	27 November 2022 £m	28 November 2021 £m
Gross debt	**1,905.1**	1,828.4
Less: Lease liabilities payable to joint venture	**(17.5)**	(34.0)
External gross debt	**1,887.6**	1,794.4

International Solutions fees invoiced

International Solutions fees invoiced is used as a key measure of performance of the International 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.

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