OCADO GROUP PLC
Resetting the bar in online grocery, again
Full Year results for the 52 weeks ended 28 November 2021

8 February 2022

Business Highlights

- **Five new Customer Fulfilment Centres ("CFCs") opened around the world, including first two in the US**
- **Now at thirteen live CFC sites; ten at year end, three launched since year end, a total of nine to open in 2022**
- **Seven out of ten Ocado Smart Platform ("OSP") partners now live on platform**
- **Partners reporting strong NPS scores in response to launch of new grocery services powered by our solutions**
- **Enabling partners to bring capacity to market faster: initial ramp ups of latest UK CFCs set record-breaking pace**
- **First OSP partner signed in July, when COVID-era travel restrictions eased, encouraging pipeline for new deals**
- **Kindred and Haddington teams successfully integrated; new strategic investments made in autonomy (Oxbotica; Wayve)**
- **Game-changing innovation set to further transform partner economics**

Financial Highlights

- **Group revenue up 7.2% to £2.5bn with all business segments growing**
- **Ocado Retail sales at £2.3bn, up 4.6%, notwithstanding material headwinds in H2, up 41.5% versus 2019 pre-COVID**
- **International Solutions revenues increase to £66.6m versus £16.6m in the prior year; live sites doubled**
- **Group EBITDA of £61.0m, compared with £73.1m in the prior year; investments in technology capability and Group support functions offset higher EBITDA in UK Solutions & Logistics and Ocado Retail**
- **Loss before tax £(176.9)m reflects increased investment in our Solutions business, particularly the increasing roll out of OSP**
- **Healthy liquidity; cash balance of £1.5bn, supporting significant UK and International growth plans. Net debt of £359.8m reflects successful refinancing in the year**

£ million	**FY 2021**	**FY 2020 (restated)**	Change
Revenue			
Retail	2,289.9	2,188.6	4.6 %
UK Solutions & Logistics	710.4	654.3	8.6 %
International Solutions	66.6	16.6	301.2%
Inter-segment and other	(568.1)	(527.7)	7.7 %
Group[1]	**2,498.8**	**2,331.8**	**7.2 %**
EBITDA*			
Retail	150.4	148.5	+1.9
UK Solutions & Logistics	68.5	44.4	+24.1
International Solutions	(119.3)	(83.3)	(36.0)
Group and other	(38.6)	(36.5)	(2.1)
Group*[2]	**61.0**	**73.1**	**(12.1)**
Exceptional items[34]	42.8	96.3	(53.5)
Loss before tax[4]	**(176.9)**	**(52.3)**	**(124.6)**
Capital expenditure	680.4	525.6	154.8
Cash and cash equivalents and treasury deposits	1,468.6	2,076.8	(608.2)
Net (debt)/cash*	(359.8)	671.6	(1,031.4)

* These measures are Alternative Performance Measures, refer to section 6 in the condensed financial statements.

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 income of £42.8 million primarily relates to £78.6 million of insurance income related to the Andover CFC fire in 2019, offset by litigation costs of £28.9 million (principally related to patent infringement litigation between the Group and AutoStore Technology AS).
4. During the period, the Group updated its policy on IAS 38 Intangible Assets following the IFRIC interpretation on accounting for configuration or customisation costs in cloud computing or SaaS arrangement. As a result of the Group's change in accounting policy, the prior period comparatives have been restated to derecognise previously capitalised SaaS related costs amounting to £8.3 million. This amount has been expensed in full and disclosed as an exceptional item. This restatement has increased the Group's loss for the prior period by £8.3 million and a corresponding decrease in the net exceptional income for the same amount. The impact on the balance sheet is a decrease in non-current assets by £8.3 million.

The commentary is on a pre-exceptional basis to aid understanding of underlying performance of the business.

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

"The past year has further reinforced that demand for online grocery is here to stay. In the majority of mature markets, the fastest growing channel is online and to truly win here food retailers need to deliver the best offer with the best economics across all customer missions. The innovation that is powering the development of the unique and proprietary Ocado Smart Platform is focused on providing an unequalled customer experience through ground-breaking technology which leads to an unrivalled low cost operation.

The new generation of Ocado technology, which we have called "Ocado Re: Imagined", represents a transformational leap forward allowing our partners to comprehensively out-compete peers online. Partners ordering CFCs today will be able to go-live quicker, at lower cost, and achieve higher margins and return on capital. For Ocado Group, this means a bigger addressable market, the opportunity to win new partners more quickly, and fresh opportunities to accelerate growth.

Over the last twenty years Ocado Group has been a pioneer in the development of online grocery retailing. With the innovations to the Ocado Smart Platform announced in January 2022, we have again re-set the bar, demonstrating decisively that an online grocery service powered by OSP is able to offer what the customer wants with the economics the retailer needs".

Key milestones in 2021

Ocado Group provides end-to-end online grocery fulfilment solutions to some of the world's largest grocery retailers. It created the award winning UK online grocery business Ocado.com over twenty years ago, which is now a 50:50 joint venture with Marks & Spencer. Ocado has spent two decades innovating in the online grocery space, investing in a broad technology estate that includes robotics, AI & machine learning, simulation, forecasting, and edge intelligence. This know-how is embodied in the highly flexible Ocado Smart Platform, a hardware and software solution that has been developed in-house to enable the ten grocery companies we work with in the UK and around the world to bring the market-leading Ocado consumer experience to their own customers.

Roll out of CFCs accelerating

- Ocado Group opened 5 CFCs in the financial year for OSP partners, doubling the number of live sites globally to 10. All of these sites were opened on time, despite global supply chain disruption
- 7 out of our 10 partners are live on OSP
- We doubled live international sites to 4, with the first 2 in the United States for Kroger, in Ohio and Florida, adding to those CFCs already ramping in Canada and France, for Sobeys and Groupe Casino
- In the UK, we opened 3 new sites for Ocado Retail; a mini CFC in Bristol and two larger CFCs in Purfleet and Andover, increasing their available growth capacity by around 40%
- In addition to sites launched, Kroger announced 6 new CFC sites across the US, and our Japanese partner, Aeon, identified the location of their second site in the wider Tokyo area. Alcampo, our new Spanish partner, announced plans for their first site in Madrid. Following the year end, Sobeys, our Canadian partner, announced their fourth CFC planned for the Greater Vancouver area. The CFC will benefit from new technology announced at Ocado Re: Imagined
- We expect to open a further 9 CFCs in 2022, to almost double the number of operational sites once again to 19. For the first time, we will open more sites internationally; 6 in the US and 1 in each of Sweden, Canada and the UK. We have already made strong progress, having gone live with 3 sites since the year end, in each of the US, Canada and Sweden

Partners using the full flexibility of our solutions suite; customers responding positively to new services powered by OSP

- In each market where we have launched CFCs, our partners continue to report leading customer satisfaction as they progressively ramp into their capacity
- Our partners are using OSP to serve current customers, with new levels of service, as well as expand into new markets; notably, in the US, Kroger continues to build its network of Solutions in Florida and has announced plans to expand into the North East with OSP. The 6 sites they announced in 2022 include the first micro fulfillment center outside the UK, which they will use to serve customers in Florida, in as fast as 30 minutes with a selection of 10,000 fresh food items and essentials, in addition to large and mini format CFCs for large basket same and next day service
- Throughout the year ICA Sweden expanded its OSP ecosystem, culminating in the launch of their first CFC outside Stockholm in December 2021. They have now deployed our In-Store Fulfilment ("ISF") (in both stores and dark stores) and automated solutions, with multiple options for last mile across home delivery and click & collect. ICA operates a unique business model amongst our OSP partners which means that OSP will ultimately power the online grocery of more than 1,000 individual businesses, providing each retailer their own webshop and the flexibility to make their own decisions around product range, pricing and marketing, whilst leveraging the benefits of the same best-in-class fulfilment infrastructure
- 5 of our partners are now live with our ISF solution, with 3 more planned to launch in the coming years. Partners are using the flexibility of the ISF solution to provide online grocery services to a wider customer base and to build volumes online ahead of future CFC launches

Further improving the speed to market, cost to operate and resilience of our solutions

- In February, our mini CFC in Bristol launched just over a year after announcement, our fastest go-live yet
- We have been improving our build processes to reduce our time for installation by several months, including through bi-direction grid build, and implementing a new method of aligning the grid build and the build of peripherals which decouples the two tasks, enabling us to go faster
- Our technology can now ramp up as fast as our partners desire, as evidenced in the early success ramping up the latest sites launched in the UK; each of Bristol, Andover and Purfleet, ramped faster than those sites before it, with Purfleet achieving 35,000 orders per week in the first 14 weeks
- We have made significant progress towards our targeted level of engineering costs. Benefitting from the improvements in reliability and maintainability of the 500 series bot, by the end of the year our Bristol CFC was operating at a similar engineering cost per each as Erith CFC, which itself saw engineering cost per each fall by 36%, ahead of plan despite the impact of the fire in the second half
- Since the fire at Andover in 2019, we have implemented a number of measures to reduce the risk and impact of fire in our sites and continue to evaluate further opportunities in this area. Our progress, to date, was reflected in the successful containment of the fire at Erith in July

OSP signing

- In July 2021, we announced the signing of an agreement with Auchan Retail to partner with Ocado Solutions to develop Alcampo's online business in Spain using the Ocado Smart Platform, bringing our tenth partner into the OSP 'club'
- We remain in conversation with a number of retailers and continue to target further Solutions deals

Investing in new technologies and adjacencies to increase the future value of OSP

- We made two strategic £10 million investments in autonomous vehicle software specialists, Oxbotica and Wayve, to tackle diverse use cases: from vehicles designed for use inside CFCs, to last-mile deliveries; and even kerb-to-kitchen robots. Ultimately, we target a reduction in the logistics costs borne by OSP partners and more choice in the home delivery proposition. Both companies offer unique capabilities in AI, machine learning and optimisation technologies, whilst using different parallel approaches to train software to cope with complex real world applications safely, ensuring we will deliver robust solutions in this emerging market. We expect the first prototypes of early use cases within two years, and will continue to grow our dedicated team in this area
- We successfully integrated the teams from Kindred Systems ("Kindred") and Haddington Dynamics ("Haddington"), following the acquisitions announced last year. All engineers across Ocado and Kindred are now working on the same code base, and we have integrated significant prior R&D learnings into the Kindred system. We deployed the Kindred system into Erith on time, and have since ramped it according to our year end targets. Haddington have produced the first version of an arm we expect to use in grocery, and is now undergoing testing before being deployed into

production. This combined progress means that we expect to be able to pick 50% of the range by volume robotically in a given CFC, by the end of 2023
- Near term, revenues from Kindred have ramped more slowly than expected, reflecting delays in the signing of new agreements. We remain excited by the long-term opportunity for Kindred's robotic picking solution, particularly in the general merchandise and logistics sectors
- In April, Jones Food Company ("JFC"), the UK's leading vertical farming company, in which Ocado retains a controlling interest, successfully raised £25 million (£5 million provided by Ocado) to assist in the building of a second vertical farm near Bristol. The value of Ocado's original stake in JFC is now worth more than double our initial investment

Ocado Retail, now a 50:50 JV between Ocado Group and M&S, is Ocado Group's original business and a leading pure play online grocer.

Continued strong performance as social distancing restrictions ease and the basket returns to pre-Covid-19 level

- Resilient sales growth of 4.6% in the year, driven by an increase in customer numbers of 22.4%, to 832,000, driving an increase in orders of 11.9%, to 357,000, offset by a reduction in basket size of 5.8% to £129
- Growth in orders, while positive, was constrained in the second half by the ongoing tight labour market in the UK, in addition to reduced capacity at the Erith CFC following a fire in July
- EBITDA margin achieved in H1 was 8.5%; as a result of aforementioned labour market challenges and operating disruption at Erith, as well as industry wide cost inflation, full-year EBITDA margin was 6.6%
- Despite operational disruption at Erith, mature CFC efficiency, as defined by Units per Labour Hour ("UPH") improved to 170, up from 169 in the prior year. Excluding disruption in the second half, UPH would have been 172
- Drops per van per week ("DPV") reduced to 177, from 184 in 2020, as a result of surplus vans driven by the challenging labour market in the second half. Average deliveries per van shift improved across both UK partners as more normalised shopping behaviour enabled roster improvements
- Notwithstanding short term challenges, all evidence points to strong underlying demand for online grocery in the UK; now at 12% of total grocery market share in the UK, industry data points to continued robust growth of the online channel. For example, GlobalData expects online share to increase to 18% by 2025

Strong pipeline of capacity to absorb current and future demand

- Ocado Retail has invested in a strong pipeline of capacity to seize the considerable growth opportunity for online grocery in the UK; the three CFCs opened this year, including the first mini CFC in Bristol (30k orders per week, "OPW"), the new Andover CFC (60k OPW) and Purfleet (85k OPW) together increased growth capacity to over 600k OPW, up around 40% versus the end of 2020
- CFC openings planned for Bicester in 2H22 and Luton in 2023 will further expand ultimate capacity potential to around 700,000 orders per week
- In addition to these sites, today the business is announcing two further CFC sites in the Northwest and Southeast of England, both planned for 2024
- Following the success of Zoom in Acton, West London, Ocado Retail expects to open a second Zoom site in Canning Town, London in the second quarter of 2022; three further sites, one in London and two in other UK cities, will open over the next 18 months

FY22 guidance

Revenue
- **Ocado Retail: return to strong, mid-teens revenue growth in 2022**
- **UK Solutions & Logistics:**
  - **Fee growth over 30%** reflecting the accelerated capacity build out in UK
  - **Cost recharges to grow at least in line with Retail revenue growth** as we support our clients to build into the growing capacity
- **International Solutions:**
  - **OSP fee revenue to more than double** with increase of live international CFCs from 4 to 12, and continued ramp in ISF volumes
  - **Double digit growth in Kindred revenues** from £10 million in FY21

EBITDA

- **Ocado Retail: as previously announced increased investments of around £50m to support long term growth. Ambition for EBITDA margin to rebuild towards 2021 levels following a significant year of investment in 2022,** with long-term margins underpinned by technology and operating leverage
- **UK Solutions & Logistics: EBITDA to increase by around 50%**, reflecting increased fees due to the increasing live capacity for clients and engineering costs growing slower relative to this new capacity
- **International Solutions: flat versus 2021**; rising margin contribution as revenues grow, offset by increased investments in platform development and a minimum level of engineering cost required to support new CFCs in the early stages of ramp

Central P&L costs associated with Group Operations and Technology costs, to grow broadly in line with Group revenue growth

- **£30 million increase in Technology investments** in key areas of OSP platform development including additional focus areas such as autonomy
- **£5 million increase in Group Operations to £80m;** focused on building capabilities to support increased complexity and scale
- Central P&L costs are allocated across UK Solutions & Logistics (c. ⅓) and International Solutions (c. ⅔) and are expected to grow significantly below Group revenue growth after 2022, reflecting inherent operational leverage when at scale

Total capital expenditure for the Group is expected to be around £800 million driven by accelerating roll out of OSP worldwide

- **30% UK,** of which 60% dedicated to the continued roll out of CFC and Zoom sites, inclusive of land, build and MHE cost, given consolidation of the Ocado Retail joint venture
- **50% International,** reflecting an additional 8 CFCs to go-live during the year, of a total of 13 CFCs in build internationally at the end of 2021
- **20% Technology investment** to support key areas of OSP platform development including additional focus areas such as autonomy

We continue to target further Solutions deals which would generate additional cash fees but would negatively impact short term profits

Ocado Re:Imagined – the next leap in innovation

Two weeks ago we unveiled the next leap of game-changing technology underpinning the unique and proprietary Ocado Smart Platform.

This evolution of the Ocado Smart Platform is one of the most significant steps forward in technology in Ocado's history and re-affirms OSP as the fastest, most flexible, most sustainable and most cost effective suite of solutions for operating online grocery businesses. Uniquely developed for the demands of the grocery space by our dedicated technology and engineering teams, these latest innovations to OSP are the result of cutting-edge research and development, as well as the accrued experience and know-how in driving unmatched efficiency across the entire online grocery delivery space over the last 20 years of Ocado.

The latest ground-breaking innovations include: the world's lightest and most efficient grocery fulfilment bot; dramatically lighter grids; robotic arms that pick groceries directly from the grid, a solution that automates the most physically demanding job in a Customer Fulfilment Centre; the world's first virtual distribution centre; a capability for short lead time deliveries; and a capability for powering retailers' own storefronts with the intelligence behind the Ocado Smart Platform.

Financial Implications

We do not expect these initiatives to have a material impact on FY22 results. However, partners ordering standard-sized CFCs today for delivery in H2 2023 will have the following features enabled: 600 Series bots; the 600 grid and Optimised Site Design; Automated Frameload; On-grid Robotic Pick; Ocado Swift Router; and Ocado Flex. Orders made prior to the launch of Ocado Re:Imagined for delivery at the end of FY23 can be retrofitted to include many of these enhancements.

The principal benefits of Ocado Re:Imagined are in site productivity and flexibility to serve. With regards the former, we expect that direct labour costs in a site will be 30% lower as a result of these initiatives; and that robotic site mature productivity, as measured by Units [processed] per Labour Hour ("UPH"), will be more than 300 compared to a goal of 200 before. With regards the latter, we expect that the time for the installation and testing of the Material Handling Equipment ("MHE") will be halved, from 10 months to 5 months, while the number of orders that can be delivered within four hours will increase from less than 10% to more than 50%.

We expect that the improved economics offered by Ocado Re:Imagined will drive incremental orders and accelerate the sign-up of new partnerships in the years to come, while increasing the Total Addressable Market available to the business.

Details of these innovations are available by watching the on-demand replay of the Ocado Re:Imagined event first broadcast on the 26th January 2022 on the Ocado Group website www.ocadogroup.com.

The RNS from the day of the event, including a summary of our initiatives, can be found here**.**

Autostore update

The litigation between Ocado Group and AutoStore Technology AS ("AutoStore") continues, with claims brought by Ocado Group against AutoStore in the US, Germany and UK, and by AutoStore against Ocado Group in the US and UK.

On 13 December 2021, the judgment of the Chief Administrative Law Judge in the International Trade Commission was delivered in favour of Ocado. He held that three of the four AutoStore patents asserted against Ocado were invalid, and the fourth patent was not infringed. A fifth patent was abandoned by AutoStore on the eve of the hearing. Ocado is pleased that the judge has rejected AutoStore's attempt to use the ITC process to obstruct the development of Ocado's business in the United States. AutoStore's complaint to the ITC originally alleged infringement by Ocado of 33 claims spread across five different patents. The decision means that all of the 33 claims have either been rejected by the judge, or abandoned by AutoStore. The judge's findings have been appealed to the ITC and the final decision will not be issued until April 2022, however Ocado continues to have confidence in the merits of its position and the correctness of the judge's findings.

AutoStore's UK High Court infringement claim is scheduled to begin in the High Court in mid-March. The claim was based on 6 patents asserted against Ocado, covering three different inventions (patent families). In January 2022, AutoStore abandoned their infringement claim in relation to two of their three patent families (three of the six patents). Ocado's counterclaim for declarations of invalidity in relation to all six patents however remains in the case. In addition we will be seeking to recover our wasted costs in relation to the abandoned part of their claim, which are expected to be several million pounds.

Separately, Ocado actively continues to pursue its claims against AutoStore for infringement of Ocado's patents in both the United States and Europe. In Germany, the Munich and Mannheim District Courts agreed to allow invalidity arguments to be heard ahead of any decision on an injunction preventing AutoStore from using its Black Line robot in Germany (the German system, unlike the US and UK, separates the issues of validity and infringement into different hearings in different forums). As a result of this procedural step, the infringement litigation has been temporarily stayed. We will continue to pursue it vigorously to its successful conclusion.

Legal and other costs have been incurred to defend against AutoStore's claims and to file the Group's claims. As with all ongoing litigation, the outcome is uncertain. However, we remain confident in the integrity of our Intellectual Property portfolio and the disciplined approach we have taken to build our capabilities and the Ocado Smart Platform over the past twenty years.

Results presentation

A results presentation will be available online for investors at 9.30am. This can be accessed here. Following the presentation there will be an audio Q&A. To ask a question, dial into the conference call using the dial-in +44(0)330 336 9601 and confirmation code 3760986.

Contacts

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, Director of Communications, on 020 7353 4200 today or 01707 228 000
Martin Robinson at Tulchan Communications on 020 7353 4200

Financial Calendar

The schedule for Ocado Retail results for the remainder of the 2022 financial year is for a Q1 Trading Statement on 17th March, 1H Results Announcement on the 12th July, Q3 Trading Statement on the 13th September and a Q4 Trading Statement on the 13th of December.

Cautionary statement

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

Financial Review

- Revenue increased 7.2% to £2,498.8 million (2020: £2,331.8 million), reflecting the continued strong demand for Ocado Retail's customer proposition and the increased popularity of UK online grocery in response to Covid-19. There was also strong revenue growth in International Solutions, up 301.2%, as retail partner sites became 'live'.
- Gross profit and other income of £1,040.0 million increased in total by 17.2%, ahead of the 7.2% growth in revenue driven by a strong margin performance in Retail and the start of a more material contribution from International Solutions.
- Distribution and administrative costs of £976.7 million grew by 20.0% (2020: £813.6 million) largely due to continued investment in building our technology capabilities for our partners, across both CFC and in-store fulfillment solutions, as well as expanding our support functions in order to fully support our rapidly growing and increasingly global business.
- Group EBITDA* of £61.0 million (2020: £73.1 million), with Retail EBITDA* £150.4 million (2020: £148.5 million) as a result of continued good revenue growth and gross margin performance, and higher EBITDA* in UK Solutions and Logistics driven by increased volume throughput and productivity improvements. This was more than offset by continued investment in our technology capability and support functions.
- Statutory loss before tax of £(176.9) million (2020: £(52.3) million) after including depreciation, amortisation and impairment charges of £240.5 million (2020: £168.9 million), net finance costs of £42.3 million (2020: £52.8 million), and net exceptional income of £42.8 million (2020: £96.3 million) principally due to insurance income for the Andover and Erith CFCs.
- Strong balance sheet, with cash and cash equivalents of £1.5 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 £(359.8) million (2020: £671.6 million net cash).

	FY 2021			**FY 2020 (restated)[1]**			
£ million	**Pre-exceptional**	**Exceptional items**	**Total statutory reported**	Pre-exceptional	Exceptional items	Total statutory reported	Pre-exceptional change
Revenue[2]	**2,498.8**	**(0.5)**	**2,498.3**	**2,331.8**	**-**	**2,331.8**	**7.2%**
Gross profit and other income[1,3]	1,040.0	79.2	1,119.2	887.6	103.9	991.5	17.2%
Distribution and administrative costs[1]	(976.7)	(34.3)	(1,011.0)	(813.6)	(7.6)	(821.2)	20.0%
Share of results from joint ventures and associates[4]	(2.3)	-	(2.3)	(0.9)	-	(0.9)	155.6%
EBITDA*	**61.0**	**44.9**	**105.9**	**73.1**	**96.3**	**169.4**	**(16.6%)**
Depreciation, amortisation and impairment	(238.4)	(2.1)	(240.5)	(168.9)	-	(168.9)	41.1%
Net finance costs	(42.3)	-	(42.3)	(52.8)	-	(52.8)	(19.9%)
Loss before tax	**(219.7)**	**42.8**	**(176.9)**	**(148.6)**	**96.3**	**(52.3)**	**47.8%**

1. Payment Processing costs have been reassigned from Distribution and Administrative costs to Gross Profit, to better reflect the nature of these costs. FY2020 has been restated accordingly; the impact on periods prior to FY2020 has been assessed and is not material
2. Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax, and the recharge of costs and associated fees charged to UK and International Solutions clients with the exception of recharges to Ocado Retail which are eliminated on consolidation
3. Other income is income that is not generated through the primary trading activities of the segments (for example, media income in the Retail segment)
4. Share of results from joint ventures relates to joint ventures where the Group does not exercise control such as MHE JVCo Limited ("MHE JVCo"), Karakuri Limited and Infinite Acres Holdings BV (which the Group disposed of in October 2021). The Ocado Retail joint venture, over which the Group exercises control, is not included in this category as its results are fully consolidated

* These measures are Alternative Performance Measures. Please refer to the section "Alternative Performance Measures" in the condensed financial statements

The commentary is on a pre-exceptional basis to aid understanding of underlying performance of the business.

Group revenue for the period increased by 7.2% to £2,498.8 million (2020: £2,331.8 million) and was 42.3% higher than in 2019. Retail continued its strong trading momentum, albeit average order size began to return towards pre-Covid levels at the end of the period as lockdown restrictions eased. The International Solutions business recognised an increase in revenue contribution of £50.0 million with the go-live of two new CFCs for Kroger in the US and the continued ramping-up of sales through the previously opened

sites for Groupe Casino (France) and Sobeys (Canada). Total invoiced fees across all International partners were £143.0 million, an increase of 15.4% compared to the prior period. Cumulative fees not yet recognised as revenue amounted to £337.6 million at the end of the period.

Gross profit and other income grew strongly to £1,040.0 million (2020: £887.6 million), with Retail gross margin of 35.9% (2020: 33.6%), benefiting from higher order volumes, improved product mix, changes in sourcing arrangements, and cost savings.

Distribution and administrative costs grew by £163.1 million to £976.7 million (2020: £813.6 million) as we expand both in the UK and internationally. The total costs of £976.7 million include £562.1 million of distribution costs (increase of 4.2%); (2020: £539.2 million) and £83.3 million of administrative costs (increase of 12.4%); (2020: £74.1 million) in UK Solutions & Logistics. UK costs increased ahead of the growth in eaches shipped per week of 3.6%, reflecting higher engineering costs due to inefficiencies incurred given the relative immaturity of the three CFCs that went live during the year (Bristol, Andover and Purfleet) and inflationary pressures on costs of labour, particularly for LGV and delivery drivers where we have introduced measures to attract and retain employees. Distribution and administrative costs in the International segment grew by 90.8% to £177.4 million as a result of increased engineering and technology costs to support the go-live of operations for the first two CFCs with Kroger, and continued investment in the development of our Ocado Smart Platform (OSP) as we build our capabilities for our partners, across both CFC and in-store fulfilment solutions. In total, technology costs have increased from £77.1 million to £107.2 million reflecting an increase in technology headcount from 2,100 to 2,600 over the year. These costs are allocated to the UK Solutions and Logistics and International Solutions segments.

EBITDA* for the period was £61.0 million (2020: £73.1 million). Strong revenue growth in Retail, UK Solutions & Logistics and International Solutions delivered gross profit and other income of £1,040.0 million, up by 17.2% (2020: £887.6 million), and a gross margin of 41.6% (2020: 38.1%). In order to support our ambitious plans for growth in both the UK and internationally, we continue to reinvest much of our gross margin in our technology and support functions, scaling and improving the Ocado Smart Platform for our clients. The majority of the costs of this investment are reflected in the International Solutions results.

Depreciation, amortisation and impairment increased by 41.1% to £238.4 million (2020: £168.9 million), primarily due to an increase in depreciation and amortisation costs relating to our investment and rollout of OSP hardware and software at live CFC locations. At the end of the period we had 6 live UK sites, 4 live international sites and 21 sites in development or under construction.

Net finance costs decreased from £52.8 million to £42.3 million, largely reflecting unrealised foreign exchange gains in the year of £19.3 million (2020: £(2.4) million loss) on foreign currency denominated cash and intercompany balances. This was partly offset by £9.4m of incremental interest cost arising from a full year's interest charge on the £350.0 million unsecured Convertible Bond issued in June 2020 and from a higher interest cost on the issue of £500.0 million of Senior Unsecured Notes in October 2021 following the redemption of the existing £225.0 million Senior Secured Notes. Gross debt increased as a result to £1,828.4 million at the end of the period (2020: £1,405.2 million). The majority of the additional costs are non-cash items relating to the effective interest rate of these instruments and accrued interest.

As a result of the above, and after including net exceptional income of £42.8 million (2020: £96.3 million), primarily relating to £78.6 million of insurance income from the Andover CFC, offset by litigation costs of £28.9 million (principally related to patent infringement litigation between the Group and AutoStore Technology AS) and other exceptional charges, the statutory loss before tax for the period was £176.9 million (2020: loss of £52.3 million).

Segmental summary

£ million	2021	2020	Change
Revenue			
Retail	2,289.9	2,188.6	4.6 %
UK Solutions & Logistics	710.4	654.3	8.6 %
International Solutions	66.6	16.6	301.2 %
Inter-segment and other	(568.1)	(527.7)	7.7 %
Group	**2,498.8**	**2,331.8**	**7.2 %**
EBITDA*			
Retail	150.4	148.5	1.3 %
UK Solutions & Logistics	68.5	44.4	54.3 %
International Solutions	(119.3)	(83.3)	43.2 %
Group and other	(38.6)	(36.5)	5.8 %
Group	**61.0**	**73.1**	**(16.6)%**

Inter-segment eliminations and other

All revenue charged to Ocado Retail Ltd is eliminated on consolidation. For 2021, this totals £568.6 million on a pre-exceptional basis and is included as "Inter-segment and other" revenue. This is partly offset by revenue earned by Jones Food Company.

Group key performance indicators

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

	2021	2020	Change
No. of modules live[1,2]	**61**	44	38.6%
No. of modules ordered[1,3]	**213**	168	26.8%
Direct operating cost (% of site sales)[4]	**2.7%**	3.7%	27.0%

1. A module of capacity is assumed as approximately 5,000 eaches per hour dependent on the specific metrics of a partner
2. A module is considered live when it has been fully installed and 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 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 and invoiced
4. Reflecting the exit rate position in the year. Direct operating costs include engineering, cloud, and other technology support costs.

Retail

£ million	2021	2020 (restated)	Change
Revenue[2]	**2,289.9**	**2,188.6**	**4.6 %**
Gross profit and other income[3,4]	822.3	735.1	11.9 %
Distribution costs[4,5]	(536.7)	(477.9)	12.3 %
Marketing (non-voucher) costs[6]	(40.3)	(22.1)	82.4 %
Other administrative costs[5]	(94.9)	(86.6)	9.6 %
EBITDA*	**150.4**	**148.5**	**1.3 %**

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. Revenue growth excluding results from Fetch in 2020 and 2021 was +6.3%
3. Other Income includes Transitional Services Agreement income relating to the sale of Fetch
4. Payment processing costs of £14.5 million (2020: £13.9 million) have been reclassified from distribution costs to cost of sales, to more accurately reflect the nature of these costs
5. Distribution and administrative costs exclude depreciation, amortisation and impairment
6. Marketing costs exclude vouchers
7. EBITDA* does not include the impact of exceptional items

2021 saw Ocado Retail build on the exceptional performance of 2020, growing sales and delivering strong margins. Retail Revenue grew by 4.6% year-on-year (underlying growth of 6.3% adjusted for the disposal of Fetch) and was 41.5% higher than 2019 pre-pandemic levels.

EBITDA* increased from £148.5 million in 2020 to £150.4 million in 2021 (2019: £40.6 million), driven by continued strong demand for online grocery and enabled by increased capacity, strong customer acquisition and operational efficiencies. However, during the second half of the year we have seen some customer behaviours begin to return to pre-pandemic trends, whilst EBITDA was also impacted by an increase in labour costs and lower labour availability in a challenging post-lockdown UK labour market.

Three new CFCs opened in the year in Bristol, Andover and Purfleet, which will add capacity of around 170,000 orders per week at maturity, and will bring total capacity for Ocado Retail to over 600,000 orders per week. Andover and Purfleet saw the fastest ramp-up of orders of any CFC built to date, taking advantage of continued strong customer demand. As lockdown restrictions eased throughout 2021, Ocado Retail has not been immune to the challenges in the UK labour market leading to constraints on available capacity. However, with strong customer demand and additional capacity from our new CFC in Bicester, we expect continued strong revenue growth in 2022.

Revenue

Retail Revenue grew by 4.6% year on year (6.3% on an underlying basis excluding Fetch) and was 41.5% higher than 2019 levels driven by a continuation of the strong customer demand for online grocery. As lockdown restrictions were lifted through spring 2021, we saw customer behaviour begin to return towards pre-pandemic levels, with consumers returning to the office and spending less time at home, resulting in a return to a more pre-covid peak day shopping profile. Average basket value of £129 for 2021 (2020: £137) reflects winter periods in which lockdown restrictions remained in place and customers shopped less frequently with higher basket values. Average basket value in the final quarter of 2021 was £118, 12% up on the same period in 2019. We also saw a decline in eaches per basket by 7.1% to 52 (2020: 56) as we return to a more normalised weekly shopping profile.

The second half of the year saw the rate of revenue growth reduce given the comparatives of the exceptionally strong second half sales in 2020. Revenue in the second half was also impacted by the added challenges of temporarily reduced available capacity following the fire affecting a small section of the Erith CFC, and the well documented shortages of labour in the UK retail industry. However with increased capacity overall through three new CFCs and more normalised shopping behaviour, average orders per week for the full year grew to 357,000 (+11.9% year-on-year and +16.3% against 2019) with active customers growing to 832,000 (+22.4% year-on-year from 680,000 at the end of 2020), as we invested in marketing activity to drive long-term stable growth.

Gross profit and other income

Gross profit excluding other income grew by 10.9% to £737.5 million driven by a combination of higher order volumes, improved product mix, changes in sourcing arrangements and cost savings. Supplier funding income of £80.9 million grew by 16.9% compared to 2020 due to business growth and sourcing negotiations. Cost of sales efficiencies have allowed us to invest in retail prices and at the same time improve gross margins (including other income) year-on-year to 35.9% (2020: 33.6%). The change in treatment of payment processing costs from distribution costs to cost of sales has brought the gross margin down by 0.6% for both 2020 and 2021.

Distribution costs

£ million	**2021**	**2020 (restated)**	Change
CFC costs	180.1	158.0	14.0 %
Trunking and delivery	250.8	235.6	6.5 %
Other operating costs[1]	105.8	84.3	25.5 %
Total Distribution costs[1]	**536.7**	**477.9**	**12.3 %**

1. Payment Processing costs have been reclassified for 2020 from distribution costs to cost of sales, to more accurately reflect the nature of these costs

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

CFC costs increased by 14.0% to £180.1 million compared to a growth in average orders per week in the period of 11.9%. The higher rate of cost growth compared to order volume growth reflects the cost inefficiencies incurred due to the relative immaturity of the three new CFCs launched in the year. CFC costs were also affected, particularly in the second half, by the disruption of operations in Erith following the fire that took place in July, together with the additional temporary incentives to attract and retain staff in an increasingly competitive labour market. Despite the labour challenges and disruption in Erith, overall productivity improved, with Units per Hour ("UPH") in mature sites improving year-on-year by 0.6% to 170. It is worth highlighting that the three new CFCs in Bristol, Andover and Purfleet achieved this level of performance within 12 months of going live.

Trunking and delivery costs increased by 6.5% to £250.8 million, below order growth and with total cost per order delivered reducing by 5.3% year-on-year. Savings from Covid related costs which did not repeat in the current period were more than offset by the impact of deliveries per van per week reducing to 177, as a result of surplus vans driven by a challenging labour market, and investments in labour incentives in the second half of the year.

Other operating costs of £105.8 million (2020: £84.3 million) include the costs associated with the provision of the OSP and Logistics services to Ocado Retail by UK Solutions & Logistics. The increase is primarily due to the increase in OSP fees payable to UK Solutions from additional Erith ramp up capacity, and the new CFCs in Bristol, Andover and Purfleet in the period.

Marketing costs increased by £18.2 million to £40.3 million, increasing as a percentage of revenue to 1.8% (2020: 1.0%) with the launch of our first ever multi-media brand campaign in May, "There's An Ocado Just For You", to drive increased brand awareness and drive new customer acquisition. The number of active customers increased by 22.4% year on year to 832,000. In the prior year, marketing spend was lower than historic levels primarily due to very low levels of new customer acquisition.

Administrative costs increased by £8.3 million to £94.9 million, supporting underlying and future business growth. Key investments have included strengthening the buying team, which contributed to a strong margin performance in the period. This was partially offset by a reduction in costs relating to the senior management incentive scheme, compared to the prior year.

EBITDA*

EBITDA* for the Retail business was £150.4 million (2020: £148.5 million). Amounts recoverable under business interruption insurance for Andover and Erith are included in Group exceptional items, and therefore are excluded from the Retail segmental result. Costs related to the exit of long term agreements for IT services of £4.6 million are also included in exceptional items.

Key drivers

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

	2021	**2020**	Change[1]	**2019**	Change[1]
Active customers (000s)[2]	**832**	680	22.4%	795	4.7%
Revenue	**2,289.9**	2,188.6	4.6%	1,618.1	41.5%
Average orders per week (000s)	**357**	319	11.9%	307	16.3%
Average basket value (£)[3]	**129**	137	(5.8%)	106	21.7%
Average selling price (£)[4]	**2.44**	2.42	0.8%	2.30	6.1%

1. Change % compares 2021 against the relevant year
2. Active customers are classified as active if they have shopped at ocado.com within the previous 12 weeks
3. Average basket value refers to results of ocado.com
4. Average selling price is defined as gross sales divided by total eaches

UK Solutions & Logistics

£ million	2021	2020 (restated)	Change
Fee revenue[1]	149.7	117.1	27.8 %
Cost recharges[2]	560.7	537.2	4.4 %
Revenue	**710.4**	**654.3**	**8.6 %**
Other income, net of cost of sales	3.5	3.4	2.9 %
Distribution costs[3,4]	(562.1)	(539.2)	4.2 %
Administrative costs[3,4]	(83.3)	(74.1)	12.4 %
EBITDA*	**68.5**	**44.4**	**54.3 %**

1. Fee revenue includes fees charged to Ocado Retail of £120.5 million which eliminates on consolidation
2. Cost recharges include cost recharges to Ocado Retail of £445.8 million which eliminates on consolidation
3. Distribution and administrative costs excludes depreciation, amortisation and impairment
4. Distribution and administrative costs have been re-presented for FY2020 to reflect an updated split of activities in the new international organisational structure, with no overall impact on Revenue and EBITDA

UK Solutions & Logistics saw a good performance in the period, with customer fee revenue (from Ocado Retail and Morrisons) increasing by 27.8% to £149.7 million as 9 modules of additional sales capacity went 'live' during the year bringing total year-end 2021 'live' modules to 49 compared with 40 at year-end 2020. Total throughput in CFCs grew by 3.6% to 1.27 billion eaches picked, an average of 462,000 orders per week across Ocado Retail and Morrisons. With the addition of three new CFCs in Bristol, Andover and Purfleet, live CFCs at the end of the period will have a total capacity of around 750,000 orders per week at maturity (on a pre-Covid basket basis).

Cost recharges to our UK partners increased by 4.4% to £560.7 million. The higher rate compared to volume throughput reflects the higher costs as our new sites ramp up to full efficiency, and the investments made in the period to strengthen our operational employee value proposition to respond to the challenges of the UK labour market throughout the second half of 2021. This impact is partially offset by improvements in CFC efficiency for our more established CFCs.

EBITDA increased from £44.4 million to £68.5 million as a result of the increase in fees from Ocado Retail and Morrisons. The growth in EBITDA accelerated faster than the growth in fee revenue driven by the higher proportion of additional capacity fees relating to the three new CFCs that went live in the period yet to ramp up in cost and utilisation, partially offset by the continuing investment in, and rollout of, our Ocado Smart Platform ("OSP") software.

Revenue

Revenue from the UK Solutions & Logistics business increased by £56.1 million to £710.4 million, an increase of 8.6%.

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 (fees charged to Ocado Retail are eliminated on Group consolidation). Total fees grew by 27.8% to £149.7 million, with fees to Ocado Retail growing broadly in line with overall live module capacity growth, including three new CFCs delivered in the period, and with additional fees arising from the return of Morrisons to the Erith CFC in February 2021, following the end of an agreement to temporarily release the Morrisons' Erith capacity back to Ocado Retail following a fire in the Andover CFC in February 2019.

Cost recharges represent the relevant operational variable and fixed costs recharged by the UK Logistics operation to Ocado Retail and Morrisons (costs recharged to Ocado Retail are eliminated on Group consolidation). These predominantly relate to fulfillment and delivery operations included in distribution costs, but also include certain central, head office activities, and transitional services fees to Ocado Retail reported within administrative costs. Cost recharges grew by 4.4% due to the increased costs at our new CFCs at Andover, Bristol and Purfleet as they ramp up to full capacity, and the increased costs of labour in a challenging market, particularly for LGV and delivery drivers.

Other income, net of cost of sales

Other income, net of cost of sales, was £3.5 million (2020: £3.4 million). Other income primarily relates to Erith and Dordon property rental costs charged to Morrisons.

Distribution and administrative costs

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

Total distribution costs grew by 4.2% to £562.1 million (2020: £539.2 million), against a growth in average eaches shipped per week (total CFC throughput) of 3.6% to 24.5 million (2020: 23.6 million eaches per week). Distribution costs grew ahead of the growth in eaches delivered due to cost inflation and costs incurred, largely temporary in nature, to address labour shortages. This was particularly prevalent during the second half of the fiscal year and one which became an increasingly important issue for the industry throughout 2021 following lockdown easing and post-Brexit labour pool changes. This resulted in us taking a number of measures to hire and retain LGV and delivery drivers during the year, including raising hourly rates and sign-on bonuses.

Productivity improvements saw the average number of Units per Hour ("UPH") in mature CFCs (Hatfield, Dordon and Erith) improve year-on-year to 170 in the period (2020: 169). Since opening in February, our first mini CFC in Bristol has achieved UPH of 164, and those in Andover and Purfleet are already ahead of our original expectations. UPH for the year of 170 was impacted by the disruption caused by a fire in Erith in July 2021 which impacted available capacity for the remainder of the year. Excluding this period of disruption, UPH for the year was 172.

Trunking and delivery operations saw average deliveries per van shift improve across both UK partners, driven by more normalised shopping behaviour during the week enabling roster improvements. These productivity improvements were more than offset by a fall in deliveries per van per week to 177, reflecting a decision to retain a surplus of vans to mitigate supply uncertainty, as well as investments in labour incentives in the second half of the year.

Distribution costs also include the engineering costs of operating CFCs for which a fee is charged to our UK partners. Due to the immaturity of the three new CFCs launched in the year, these costs were naturally higher on a cost per each basis whilst these CFCs ramp up volumes but we maintain a largely fixed level of engineering support. By the end of the year however, our Bristol CFC was operating at a similar engineering cost per each level as the Erith CFC, which itself saw engineering cost per each fall by 36% year-on-year despite the impact of the fire.

Administrative costs consist of direct and centrally allocated head office costs (some of which are recharged to Ocado Retail and Morrisons) and an allocation of central technology costs. Administrative costs grew by 12.4% to £83.3 million (2020: £74.1 million), primarily as a result of the allocation of additional headcount and technology resources to support and improve the platform and infrastructure required for UK growth. Total technology headcount for the Group increased to 2,600 by the end of 2021, compared to 2,100 at the same point in 2020.

EBITDA*

EBITDA* from UK Solutions & Logistics activities was £68.5 million, an increase of £24.1 million, driven by the growth in fees from additional Ocado Retail capacity and the re-entry of Morrisons into the Erith CFC. The value of Morrisons fees foregone prior to re-entry into Erith forms part of the business interruption insurance claim for Andover. Amounts recoverable under this claim are included in exceptional income, and therefore are excluded from the UK Solutions & Logistics segmental result.

Key drivers

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

	2021	2020	Change
Total eaches (million)	**1,273.3**	1,229.1	3.6%
Orders per week (000s)	**462.0**	416.4	11.0%
Mature site UPH[1]	**170**	169	0.6%
Average deliveries per van per week	**177**	184	(3.8%)

1. Measured as units dispatched from the CFC per variable hour worked by Hatfield CFC, Dordon CFC and Erith CFC operational personnel.

International Solutions

£ million	2021	2020 (restated)	Change
Fees invoiced[1]	**143.0**	**123.9**	**15.4 %**
Revenue[2]	**66.6**	**16.6**	**301.2 %**
Cost of sales	(8.5)	(6.9)	23.2 %
Distribution costs[3]	(25.6)	(8.6)	197.7 %
Administrative costs[3]	(151.8)	(84.4)	79.9 %
EBITDA*	**(119.3)**	**(83.3)**	**43.2 %**

1. Fees Invoiced represents design and capacity fees invoiced during the year for existing and future CFC and in-store fulfilment commitments. These are recognised in the Income Statement according to IFRS15 once a working solution is provided to the customer
2. Revenue includes £9.6 million revenue from Kindred Systems, and £8.1 million of equipment sales to retail partners recognised as revenue under IFRS 15. The cost of this equipment is recognised in cost of sales, with the resulting impact on EBITDA of nil
3. Distribution and administrative costs excludes depreciation, amortisation and impairment

In financial year 2021 we went live with our first CFCs in the US for Kroger in Monroe, Ohio, and Groveland, Florida. These facilities were opened on time, on budget, and continue to ramp up in line with partner expectations. Combined with the existing international CFCs with Groupe Casino in Paris, and with Sobeys in the Greater Toronto area that opened in the second half of 2020, the International Solutions business has started to deliver material revenue for the first time, with revenue in the period of £66.6 million. Since year end we have gone live with our first CFC with ICA Gruppen in Stockholm, the second CFC with Sobeys in Montreal and third CFC with Kroger in Atlanta, Georgia. We are expecting a further 5 Kroger sites to go live in the remainder of the 2022 financial year. This means that by the end of 2022 we will have 12 live international sites (the 4 we started the year with plus the 8 that are going live this year). We have a strong pipeline of further CFC commitments in addition to significant in-store fulfillment capabilities to be delivered across a number of our existing partners, including a new partnership with Alcampo that was signed in July 2021.

We continue to invest in the Ocado Smart Platform and build the support functions to support rapid international expansion with distribution and administrative costs growing to £177.4 million from £93.0 million in 2020, primarily reflecting the increase in technology costs allocated to the segment. Losses in the period grew from £(83.3) million to £(119.3) million.

International Solutions also includes revenue from contracts with third party customers, the largest being Gap, of Kindred Systems following completion of this acquisition in December 2020. We have made good progress integrating the team and creating collaborative ways of working. Whilst we have seen a slower ramp up in revenue to date compared to original expectations, we remain encouraged by the long-term opportunity for Kindred's robotic picking solution, in particular for customers within the general merchandise and logistics sectors.

Fees and revenue

Fees invoiced for the year totalled £143.0 million (2020: £123.9 million), and includes design and capacity fees invoiced across a number of clients relating to existing and future CFC and in-store fulfillment commitments, including our new partnership with Alcampo, and fees associated with the go-live of operations with Kroger.

Under revenue recognition rules, 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 amounted to £337.6 million.

Revenue in the period of £66.6 million reflects ongoing capacity fees and amortised amounts relating to design and upfront fees across our current operational partners, Group Casino; Sobeys; and Kroger. In addition to revenue contribution of £9.6 million from Kindred Systems, International Solutions revenue also includes £8.1 million relating to the sale of equipment to a number of partners that is recognised as revenue. This has nil impact on EBITDA.

Distribution costs

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 £8.6 million in 2020 to £25.6 million in 2021 as a result of the go-live of operations for the first two CFCs with Kroger, and the annualisation of the first CFCs for Group Casino and Sobeys that opened in 2020, all of which remain in a maturing growth profile and so are not indicative of the target model.

Administrative costs

Administrative costs primarily consist of costs supporting our international partnership agreements and the non-capitalised costs of employees who are developing the OSP platform, such as research costs. These costs grew from £84.4 million in 2020 to £151.8 million in 2021 as we continued to increase our investment in building our long-term OSP capabilities for our partners, across both CFC and in-store fulfillment solutions.

EBITDA*

EBITDA* from our International Solutions activities was a loss of £(119.3) million (2020: £(83.3) million), principally due to the increased investment in our teams and technology to support our international growth ambitions, and the support costs relating to new CFCs.

Kindred

We have made good progress integrating the team and creating collaborative ways of working. Whilst we have seen a slower ramp up in revenue to date compared to original expectations, the business has performed well over the second half of the year, with 280 live robots operating within third party customer locations delivering revenue of £9.6 million. More than 1.2 million items a day were sorted by our robots for a number of days in November and we continue to develop our induct product, having operated a proof of concept robot with a significant player in the logistics market during the peak end of year season. Following integration, we remain encouraged by the long-term opportunity for Kindred's robotic picking solution, in particular for customers within the general merchandise and logistics sectors.

Haddington

Haddington Dynamics is now fully integrated into our technology division. Since acquisition, we have continued to invest to further develop a highly dextrous, lightweight, low-cost robotic arm which is a core component for robotic picking. The unique combination of the arms' design and construction are critical to unlocking the potential for the future of our on-grid robotic pick.

Key drivers

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

	2021	2020	Change
Invoiced fees (£ million)	**143.0**	123.9	15.4%
No. of modules live[1,3]	**12**	4	200.0%
No. of modules ordered[2,3]	**145**	109	33.0%

1. A module is considered live when it has been fully installed and 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 and invoiced
3. A module of capacity is assumed as approximately 5,000 eaches per hour dependent on the specific metrics of a partner

Group and other

The 'Group and other' segment represents revenue and costs which do not relate to the Retail, UK Solutions and Logistics, and International Solutions segments. This includes Board costs, the consolidated results of Jones Food Company, and MHE rental income. This segment reported an EBITDA* loss of £(38.6) million in the current period (2020 loss: £(36.5) million). This loss includes an increase in share-based senior management incentive charges, charges relating to deferred consideration in respect of the Kindred Systems and Haddington Dynamics acquisitions, and losses recognised for Jones Food Company in the period.

£ million	2021	2020	Change
Board costs[1]	(12.1)	(8.6)	40.2%
Share-based payments[2]	(29.3)	(25.7)	13.6%
Jones Food Company and other ventures[3]	(5.6)	(3.0)	84.8%
FX loss on hedging contracts for acquisitions	0.0	(10.8)	(100.0%)
Other[4]	(6.8)	(2.4)	n.m.
Group and other costs	**(53.8)**	**(50.5)**	**6.5%**
MHE rental income	10.3	10.3	(0.7%)
Research and development credit ("RDEC")	4.9	3.7	33.7%
Group and other EBITDA	**(38.6)**	**(36.5)**	**5.8%**

1. Board costs include Salaries and Bonuses for Directors totalling £9.4 million (FY20: £7.3 million); Director Insurance costs of £1.8m (FY20: £0.3 million) and other Board costs of £0.9m (FY20: £1.0 million)
2. Of the share-based payment charges for the Group, £12.5 million is allocated out to other segments and £29.3 million remains in the Group segment.
3. Ventures relates to the profits and losses on our share of investments and joint ventures during 2021. The most significant is Jones Food Company where we recorded losses of £3.3 million (FY20: £2.1 million loss). The others are: Infinite Acres / 80 Acres, for which we recorded losses of £1.9m (FY20: £0.9 million loss); MHE JVCo, for which we recorded profits of £0.2 million (FY20: £0.5 million profit) and Karakuri, for which we recorded losses of £0.6 million (FY20: £0.5 million loss)
4. Other costs include residual amounts relating to the Fabled sale in 2019 and a small share of other support costs which are allocated to the Group segment.
5. Rental income totalling £10.3 million was received from MHE JVCo, a joint venture with Morrisons.
6. Research and development subsidies totalling £4.9 million were received in 2021. These are granted by HMRC as a fixed percentage on the value of qualifying R&D expenditure, payable as cash.

Exceptional items

£ million	2021	2020 (restated)[1]
Andover CFC		
Insurance reimbursement	78.6	103.9
Other exceptional costs	(5.6)	(4.0)
Total Andover exceptional	**73.0**	**99.9**
Erith CFC		
Insurance reimbursement	2.0	-
Other exceptional costs	(10.1)	-
Total Erith exceptional	**(8.1)**	**-**
Impairment of certain intangible assets associated with Software-as-a-service arrangements[1]	(13.3)	(8.3)
Gain on disposal of Speciality Stores Limited ("Fetch")	1.0	-
Gain on disposal of investment in Infinite Acres Holding B.V.	5.0	-
Litigation settlement	1.8	-
Litigation costs	(28.9)	(2.7)
Changes in fair value of contingent consideration	16.9	7.4
Development of ORL IT systems	(4.6)	-
Total exceptional items	**42.8**	**96.3**

1. During the period, the Group updated its policy on IAS 38 Intangible Assets following the IFRIC interpretation on accounting for configuration or customisation costs in cloud computing or SaaS arrangement. As a result of the Group's change in accounting policy, the prior period comparatives have been restated to derecognise previously capitalised SaaS related costs amounting to £8.3 million. This amount has been expensed in full and disclosed as an exceptional item. This restatement has decreased the Group's loss for the prior period by £8.3 million and a corresponding decrease in the net exceptional income for the same amount. The impact on the balance sheet is a decrease in non-current assets by £8.3 million.

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 have been formally accepted by the insurers.

Insurance reimbursement

Insurance reimbursements of £78.6 million in the period (2020: £103.9 million) comprise of reconstruction and other incremental costs of £44.6 million and reimbursement for business interruption losses of £34.0 million. Total income recognised to date, including prior periods, is £206.3 million. The difference between the value of the claim that has been recognised to date, based on discussions with our insurers, of £206.3 million and the reimbursement received to date of £168.8 million has been recorded as accrued income of £37.5 million, of which £15.0 million has been received post year end and the balance relates to the property damage element of the claim.

The Group expects to receive further insurance reimbursement relating to reconstruction costs and business interruption losses. Claim negotiations are ongoing. It is expected that income will be recognised in the future as the costs of rebuilding the CFC and business interruption losses are incurred. The amounts recognised at FY21 year-end relates to the virtually certain amount as of that date.

Other exceptional costs

These include, but are not limited to, professional fees relating to the insurance claims process, business rates, temporary costs of transporting employees to other warehouses to work and redundancy costs.

Erith CFC

In July 2021, a fire in the Erith CFC resulted in the full closure of the site for a period of 2 weeks and a restriction on available capacity for the remainder of 2021. An independent report issued in October 2021 concluded that the initial cause of the fire was a highly unusual and unlikely collision, triggered by a specific set of circumstances that was the only outcome of its type over the course of the billions of moves made collectively by the 400 series of bots operating in Erith. The 400 series bot has now been modified and upgraded to remove the risk of recurrence of this type of incident. This collision would not be possible in Ocado's 500 series machines that have been in operation across our CFCs globally since October 2020.

Insurance reimbursement

As with the Andover CFC incident, the Group has comprehensive insurance and claims for building and stock damage with regards to the Erith CFC, and business interruption have been formally accepted by the insurers with a total income recognised to date of £2.0 million.

Other exceptional costs

The impact of stock and fixed asset write-offs and other incremental costs associated with the fire are estimated to be around £10 million. In addition, operating losses due to the business disruption, primarily lost orders, caused by the fire are estimated to be around £10 million. These losses have adversely impacted EBITDA for the current financial year.

As above, amounts recovered under our insurance cover, net of deductibles, will be treated as exceptional income. The resulting net cost to Ocado, not covered by insurance, is currently estimated to be around £10 million.

Implementation of SaaS accounting guidance

During the fiscal year, the Group implemented various Software as a Service "SaaS" solutions across the business (the primary one being Oracle Cloud Fusion as our finance platform). Given the IFRS Interpretations Committee ("IFRIC") agenda decision, we have chosen to update our accounting treatment and policy for IAS38 Intangible Assets accordingly.

We have determined that £13.3 million of SaaS related costs (incurred and capitalised during FY21) no longer meet the criteria for recognition as an asset under IAS 38. Accordingly, this amount has been expensed in full and has been disclosed as an exceptional item because it arises from the one off introduction of interpretations to accounting guidance, and is material in scale. A total of £5.9 million of SaaS costs are retained on the balance sheet as an intangible asset.

As a result of the Group's change in accounting policy following the IFRIC's agenda decision in relation to SaaS arrangements, the prior period comparatives have been restated to derecognise previously capitalised SaaS related costs amounting to £8.3 million. This amount has been expensed as an exceptional item.

Gain on disposal of Speciality Stores Limited ("Fetch")

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

Gain on disposal of investment in Infinite Acres Holdings B.V.

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 £5.0 million. 80 Acres was one of the three joint venture partners in Infinite Acres. The company builds and operates vertical farms.

Litigation costs and litigation settlement

Litigation costs principally related to patent infringement litigation between the Group and AutoStore Technology AS. Litigation costs also include the costs of legal proceedings brought by the Group against Jonathan Faiman, Jonathan Hillary and Project Today Holdings Limited "T0day", in relation to misappropriation and unlawful use of the Group's confidential information and intellectual property. These costs are considered to be material and one-off in nature and are therefore treated as exceptional items.

In June 2021, the proceedings against Jonathan Faiman, Jonathan Hillary and T0day were settled. The defendants gave commitments to Ocado and the Court to refrain from using Ocado confidential information and IP, to destroy c.500 files under the supervision of an independent party, and to pay compensation to Ocado. They paid £1.75 million to the Group as part of the settlement, in addition to the £0.4 million previously recovered from Mr. Hillary under the malus and clawback provisions of the Group's incentive scheme.

Litigation costs of £27.9 million have been incurred during the year in connection with the Autostore litigation, which have been recorded as an exceptional expense. Further updates are captured in the subsequent events section below. Given the ongoing nature of this litigation, the outcome is currently uncertain and not quantifiable at this time, and so the Group has not recognised a contingent asset or liability in respect of the action.

Change in fair value of contingent consideration

In 2019 the Group completed two transactions. In August 2019 the Group completed the sale of 50% of Ocado Retail Limited to Marks and Spencer Group plc ("M&S") and in July 2019 the Group completed the sale of Marie Claire Beauty Limited (trading as "Fabled") to Next plc. Part of the consideration agreed for each of these transactions was contingent on future events. The Group holds contingent consideration at fair value, and revalues it through the profit and loss account at each reporting date. This resulted in a gain of £16.9 million (FY2020: £7.4 million), principally in respect of the unwind of the discount on the present value of these balances, recognised as a credit against exceptional administrative expenses during the period.

Development of ORL IT systems

This relates to the £4.6 million of costs incurred in respect of one-off development and introduction of ORL IT systems linked to its obligation to transition away from Ocado Group IT services tools and support. This was considered an exceptional cost due to its nature and its materiality.

Depreciation, amortisation and impairment

Total depreciation, amortisation and impairment costs were £238.4 million (2020: £168.9 million), an increase of 41.1% year-on-year, and includes depreciation of property, plant and equipment of £84.4 million (2020: £57.2 million), depreciation of right-of-use assets of £65.6 million (2020: £57.3 million), amortisation expense of £78.0 million (2020: £49.0 million), and impairment costs of £10.4 million (2020: £5.4 million).

The increase was principally driven by the annualisation of CFCs going live in the prior period as well as CFCs going live in 2021 in the UK and internationally (£30.3 million including right-of-use leases). The remaining movement is driven by amortisation of technology projects following the go-live of CFCs in the period (£22.7 million) and our investment in Kindred & Haddington (£7.5 million).

Net finance costs

Net finance costs of £42.3 million reduced by £10.5 million (2020: £52.8 million) largely reflecting unrealised foreign exchange gains in the year of £19.3 million (2020: £(2.4) million loss) on foreign currency denominated cash and intercompany balances. This was partly offset by the costs incurred with the issue of a £350.0 million unsecured Convertible Bond in June 2020 and the issue of £500.0 million of Senior Unsecured Notes in October 2021 offset by the redemption of the existing £225.0 million Senior Secured Notes. Gross debt increased as a result to £1,828.4 million at the end of the period (2020: £1,405.2 million). The majority of the additional costs are non-cash items relating to the effective interest rate of these instruments and accrued interest.

Share of results from joint ventures and associates

The Group has accounted for the share of results from joint ventures and associates. MHE JVCo holds Dordon CFC assets, which Ocado uses to service its and Morrisons' online business and is owned jointly by Ocado and Morrisons. The Group's share of MHE JVCo profit after tax in the period amounted to £0.2 million (2020: £0.5 million). The Group's interest in Infinite Acres Holdings BV contributed a loss of £(1.9) million to the Group's results in the period (2020: £(0.9) million). The Group's interest in Karakuri Limited contributed a loss of £(0.6) million in the period (2020: £(0.5) million loss).

Loss before tax

The loss before tax for the period was £(176.9) million (2020 - restated: loss of £(52.3) million) after including the impact of depreciation, amortisation and impairment costs of £238.4 million (2020: £168.9 million), and net finance costs post-exceptionals of £42.3 million (2020: £52.8 million).

Taxation

The Group's reported total tax charge for the period was £8.8 million (2020: £25.6 million reported tax charge). This charge includes a UK corporation tax charge of £7.7 million (2020: £18.3 million) in respect of the Retail business. The reduction in the tax charge in Retail is due to availability of higher capital allowances on our investment in fixed assets. A deferred tax charge of £0.4 million (2020: £6.6 million) was recognised in the period arising from the future change in the UK corporate tax rate from 19% to 25% with effect from 1 April 2023, and from expected overseas tax credits. At the end of the period, the Group had £677.7 million (2020: £407.4 million) of unutilised carried forward tax losses.

Dividend

During the period, the Group did not declare a dividend (2020: nil).

Loss per share

Basic and diluted loss per share were (30.18)p (2020 - restated: (18.70)p).

Capital expenditure

Capital expenditure totalled £680.4 million in the year (2020: £525.6 million) 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 also within our Group support functions.

£ million	**2021**	2020[4]
UK Operations	250.0	205.8
International CFCs	273.2	190.6
Technology, Fulfilment Development and Innovation	157.2	129.2
Total capital expenditure[1,2,3] (including MHE JVCo)	**680.4**	**525.6**

1. Capital expenditure includes tangible and intangible assets
2. Capital expenditure excludes assets leased from MHE JVCo under lease liability arrangements
3. Capital expenditure includes MHE JVCo capital expenditure in 2021 of £2.8 million and in 2020 of £3.4 million
4. 2020 reflects changes in the allocation of certain expenditure between UK Operations, International CFCs and Technology, Fulfilment Development and Innovation to support appropriate comparison with 2021

In the period we invested £250.0 million in our UK operations (2020: £205.8 million), of which £166.8 million (2020: £161.3 million) relates to our CFCs in the UK. This includes £48.7 million for Andover and £53.9 million on Purfleet CFC which went live in the second half of 2021. Capital expenditure on Andover represents the gross costs to Ocado Group and is offset by the insurance proceeds received to date or anticipated in the future, and which is recognised as exceptional income as capital expenditure is incurred. A new CFC in Bicester will go live in 2022 which will increase total available capacity across both our UK retail partners to 800,000 orders per week at maturity. The remaining £83.2 million of UK operations capital expenditure includes the costs associated with the Erith fire of £7.8 million that are the subject of a Group insurance claim, delivery vehicles £3.9 million, and investment of £14.1 million to upgrade some of our core office systems to support international expansion, including new finance, procurement and supply chain ERP systems.

Investment in developing international CFCs for our partners continues to accelerate as our committed pipeline grows. In the period our capital expenditure on international CFCs was £273.2 million (2020: £190.6 million), including £190.9 million related to the CFCs in North America, £14.8 million in Asia-Pacific and £52.6 million in Europe where our first CFC with ICA Gruppen went live in January 2022, together with further development and capacity expansion of Groupe Casino's first CFC in Paris. At the end of 2021, a total of 21 CFCs across the Group were in development or construction phase, including 7 for Kroger in the US.

We also continue to invest in the development of our own technology, particularly around the further development of the Ocado Smart Platform ('OSP'). We expanded technology and engineering headcount to over 2,600 staff as we increased investments to support the business' strategic initiatives. Total technology expenditure in the year was £255.0 million, of which £147.8 million was capitalised. The main areas of investment continue to be the greater use of public and private cloud services, improvements in the efficiency of our routing systems, enhancements to our customer proposition, and existing partners' future CFCs. Within this CFC-focussed investment, £49.8 million relates to retrieval and handling robotics (for which total cash spend, including operating expenditure, in the period was £65.2 million), where we see a significant opportunity to drive further improvements in online grocery economics for Ocado, and our clients globally.

Investment in the development of fulfilment equipment totalled £11.8 million (2020: £10.0 million), enhancing our next generation fulfilment solutions for CFCs and delivery operations for all our Solutions partners, further reinforcing our 'lowest cost operator' pursuit.

Cashflow

£ million	2021	2020
EBITDA*	**61.0**	**73.1**
Movement in contract liabilities	107.0	97.5
Other working capital movements	(134.5)	32.1
Insurance proceeds relating to business interruption	30.0	40.0
Finance costs paid	(34.8)	(25.8)
Taxation paid	(26.2)	(18.4)
Other non-cash items	(18.5)	26.9
Operating cash flow	**(16.0)**	**225.4**
Capital investment	(690.7)	(451.8)
Acquisition of Kindred Systems and Haddington Dynamics	(189.7)	-
Insurance proceeds received	2.0	25.0
Proceeds from disposal of 50% share in ORL	-	(13.1)
Proceeds from additional investment in Jones Food Company	20.0	-
Dividend from joint venture	7.7	7.7
Increase in net debt/finance obligations	218.0	881.6
Proceeds from share issues	10.6	657.5
Movement of short-term deposits	370.0	(260.0)
Other investing and financing activities	10.6	(3.7)
Movement in cash and cash equivalents (excl. FX changes)	**(257.5)**	**1,068.6**
Effect of changes in FX rates	19.3	(2.4)
Movement in cash and cash equivalents (incl. FX changes)	**(238.2)**	**1,066.2**

1. EBITDA* is stated before the impact of exceptional items

Operating cash flow during the year was £(16.0) million, a reduction of £241.4 million compared with the prior year (2020: £225.4m). This year-over-year movement was primarily driven by a large working capital outflow (excluding movement in contract liabilities) during the year of £134.5 million compared to a working capital inflow of £32.1 million in 2020.

EBITDA of £61.0 million (2020: £73.1 million) reflects strong Retail trading performance, growth in International Solutions revenues, offset by investment in new capabilities and capacity. Cash received from our Solutions partners, excluding tax (shown in 'movement in contract liabilities') was £107.0 million (2020: £97.5 million). The increase is due to the on-going growth in the International Solutions business as the Group continues to receive stage payments across a number of clients as new CFC build programs continue to progress.

There was a net increase in other working capital (representing a net cash outflow) in the period of £134.5 million (2020: net decrease/cash inflow of £32.1 million). Driving this movement was an increase in inventories of £55.2 million (net cash outflow), which includes a reduction in inventory accruals of £30.1 million (2020: increase of £38.5 million) and additional investment in stock due to the go-live of three new CFCs for Ocado Retail during the year. Trade and other receivables increased by £77.6 million (2020: £59.2 million) which was principally due to prepayments for the purchase of long lead items of capital expenditure required for CFCs under construction and additional accrued income in relation to supplier promotional activity in Ocado Retail. There was a small decrease in Trade payables of £1.8 million (net cash inflow), (2020: increase of £52.8 million) driven by the expansion of

International Solutions activity, offset by a reduction in amounts owed to suppliers of Ocado Retail due to an exercise to improve payment terms.

Net taxation paid of £26.2 million (2020: £18.4 million) mainly reflects tax paid by Ocado Retail as a result of continued strong profitability (Retail EBITDA in the year was £150.4 million, (2020: £148.5 million)) and following the utilisation of all Retail carried forward tax losses in 2020.

Cash outflow for capital expenditure in 2021 amounted to £690.7 million (2020: £451.8 million) as the Group continues to invest for future growth, incurring additional investment in new CFCs both in the UK and internationally, developing next generation fulfilment solutions, and investing in our central support capabilities. The acquisition of Kindred and Haddington at the beginning of 2021 was financed from internal cash resources and was an outflow of £189.7 million.

Net debt and financing cash flow for the period was £218.0 million (2020: £881.6 million), primarily reflecting the proceeds of the £500.0 million of Senior Unsecured Notes issued in October 2021 offset by the redemption of £225.0 million of Senior Secured Notes and associated fees. During the year £370.0 million was transferred from short-term deposits to Cash (2020: £260.0 million transferred to short-term deposits from Cash).

The inflow from other investing and financing activities of £10.6 million (2020: outflow £3.7 million) includes the receipt of £33.9 million in respect of contingent consideration and the receipt of £20.0 million from a new investment partner into Jones Food Company, a vertical farming company whose results are fully consolidated in Ocado Group. This was offset by investments of £10.0 million in each of Oxbotica and Wayve, two leading autonomous vehicle software companies, with an ambition to enable our partners that use the Ocado Smart Platform to reduce the costs of last-mile delivery and other logistics operations.

Balance sheet

£ million	28 November 2021	29 November 2020 (restated)
Assets		
Goodwill	144.8	4.7
Other intangible assets	345.2	231.2
Property, plant and equipment	1,257.8	785.0
Right-of-use assets	494.6	385.0
Investment in joint venture and associate	26.5	41.5
Trade and other receivables	324.4	204.8
Cash and cash equivalents	1,468.6	1,706.8
Other financial assets	212.6	568.8
Other	109.1	77.0
Total assets	**4,383.6**	**4,004.8**
Liabilities		
Contract liabilities	(378.5)	(299.3)
Trade and other payables	(393.2)	(422.9)
Borrowings	(1,300.0)	(997.4)
Lease liabilities	(528.4)	(407.8)
Other	(74.1)	(44.3)
Total liabilities	**(2,674.2)**	**(2,171.7)**
Net assets	**1,709.4**	**1,833.1**

Goodwill increased by £140.1 million to £144.8 million as a result of the acquisitions of Kindred Systems Inc. and Haddington Dynamics Inc. Goodwill represents the future benefit of new technology, the ability to attract new customers, and future synergies through Ocado Group plc cost savings. Goodwill arising on these acquisitions has been allocated to the UK Solutions & Logistics and International Solutions segments. After testing the recoverability of the goodwill, no impairment charge has been recognised.

Property, plant and equipment, and intangible assets (excluding goodwill) increased by £586.8 million to £1,603.0 million (2020: £1,016.2 million). Included within property, plant and equipment and intangible assets is capital work-in-progress of £482.3 million (2020: £339.2 million) where depreciation has not yet commenced. The increase year-on-year relates to international CFCs, predominantly Kroger sites not yet live, alongside our second Sobeys CFC, and the various UK CFCs that are in progress.

Trade and other receivables increased by £119.6 million to £324.4 million (2020: £204.8 million) driven by a growth in prepayments relating to a number of initiatives relating to the manufacture of capital assets such as advance payments, prepayments for long lead items and a virtual warehouse to hold some assets prior to delivery to CFCs under construction. There were also increases in the amounts owed by Solutions clients and an increased tax debtor for Ocado Retail. Included in trade and other receivables is £70.7 million (2020: £73.8 million) of amounts due from suppliers in respect of commercial and media income, of which £50.9 million (2020: £56.3 million) is within trade receivables, £19.8 million (2020: £17.5 million) within accrued income.

The Group had **cash and cash equivalents** totalling £1,468.6 million (2020: £2,076.8 million including treasury deposits) at the end of the period. Gross debt (including lease liabilities) at the period end was £1,828.4 million (2020: £1,405.2 million), with net debt at the period-end of £(359.8) million (2020: £671.6 million net cash). We believe that the year-end cash and cash equivalents provide sufficient liquidity to support investment in capital expenditure to meet existing financial commitments, and deliver future growth in the short to medium term. As we implement our growth plans, we expect further funding will be required in time to deliver additional CFC investments.

£ million	**2021**	**2020**
Cash and cash equivalents	1,468.6	1,706.8
Other treasury deposits	-	370.0
Total	**1,468.6**	**2,076.8**

Total contract liabilities of £378.5 million (2020: £299.3 million) relates to Solutions contracts, payments made for performance-based delivery, or progress payments on ongoing service delivery. Where invoicing is greater than the revenue recognised at the end of a period, a contract liability is recognised for the difference. Within accrued income, £0.2 million (2020: £1.6 million) is due from our Solutions customers.

Trade and other Payables decreased by £29.7 million to £393.2 million due to decreases in supplier payables.

Borrowings increased to £1,300.0 million (2020: £997.4 million) following the successful raise of £500 million of Senior Unsecured Notes in October 2021, of which part of the proceeds were used to repay the remaining £220.8 million balance from the £225.0 million senior secured notes that were raised in June 2017.

Lease liabilities increased to £528.4 million (2020: £407.8 million) driven by growth in CFCs and necessary vehicles to support our expanding network.

Net deferred tax moved by £21.5 million from a net asset of £4.3 million to a net liability of £17.2 million mainly due to the recognition of a deferred tax liability on the fair value adjustment for intangible assets arising on new business acquisitions in the US. UK deferred tax assets have reduced due to the net impact of the capital allowance super-deduction and the future UK corporate tax rate change, both announced in the March 2021 Budget, while overseas deferred tax assets have increased due to recognising deferred tax on some tax losses.

Subsequent events

Autostore litigation

On 1 October 2020, AutoStore Technology AS ("AutoStore"), a Norwegian company then owned by the United States private equity firm Thomas H. Lee Partners, L.P., filed patent infringement claims against the Group in the High Court in England, the United States International Trade Commission, and the United States District Court for the Eastern District of Virginia. The Group initially learned of the filing of these claims through the media. Once the position had been examined we notified the market that we did not believe Ocado has infringed any valid patent rights of AutoStore.

Later that month AutoStore applied to the United Kingdom Intellectual Property Office claiming ownership of several of the Group's patents relating to elements of the OSP system. The UK IPO declined to hear the entitlement application, with the consent of both parties, and Autostore subsequently filed the same claim in the High Court. No directions hearing has yet taken place in respect of that claim, and we do not expect it to come to trial before 2023.

The Group's initial analysis on patent infringement still holds true. Ocado is confident in the merits of its defences and in the integrity of its existing portfolio of IP, together with the disciplined approach taken to building its capabilities over the last 20 years. It is taking appropriate action to defend against these claims and to protect its own intellectual property rights.

The Group has subsequently brought two separate proceedings against AutoStore in the United States: the first a patent infringement claim; the second an antitrust claim. In the antitrust claim, the Group has alleged, based on the evidence available, that four of the five AutoStore patents on which AutoStore has based its case were procured fraudulently from the United States Patent and Trademark Office.

The Group filed Opposition proceedings in the EPO against all six of the Autostore patents asserted against us in the UK Proceedings. Three of the six patents have thus far been revoked by the EPO, two have been maintained (one only on condition that narrowing amendments were made) and the final patent will not be considered until the end of 2022. On 21 January 2021, proceedings by AutoStore and another party to declare invalid the Ocado's European patent for its Single Space Bot (part of the OSP system) was rejected by the European Patent Office, and the patent was declared to be novel, inventive and valid. A further attempt by Autostore to invalidate an Ocado patent on an element of the OSP system failed in June 2021.

On 13 December 2021, the judgment of the Chief Administrative Law Judge in the International Trade Commission was delivered in favour of Ocado. He held that three of the four AutoStore patents asserted against Ocado were invalid, and the fourth patent was not infringed. A fifth patent was abandoned by AutoStore on the eve of the hearing. The judge's findings have been appealed to the ITC. The final ITC decision will not be issued until April 2022, however Ocado continues to have faith in the merits of its position and the correctness of the judge's findings. Separately, Ocado actively continues to pursue its claims against AutoStore for infringement of Ocado's patents in both the United States and Europe.

AutoStore's 1 October 2020 infringement claim was based on 6 patents asserted against Ocado, covering three different inventions (patent families). On 14 January 2022, AutoStore abandoned their infringement claim in relation to two of their three patent families (three of the six patents). Ocado's counterclaim in relation to all six patents however remains in the case. In addition we will be seeking to recover our wasted costs in relation to the abandoned part of their claim, which are expected to be several million pounds.

The trial is scheduled to begin in the High Court in two parts, on 18 March and 28 March respectively. Autostore applied in late January to add two more patents to their claim, one being a further member of the last remaining patent family in the case and the other being an unrelated patent. These two patents will be heard in a much later trial, which we expect will not take place until 2023.

Ocado filed claims against three Autostore companies in Germany, alleging infringement by them of Ocado Utility Model intellectual property rights (a form of IP that exists in Germany but not in the UK). The German system is bifurcated in that the question of validity of IP rights is adjudicated separately from the question of infringement of those rights. Our infringement claims have been stayed pending the determination of the validity hearing.

Legal and other costs have been incurred to defend against AutoStore's claims and to file the Group's claims.

Given the ongoing nature of this litigation and its multiple forums, the outcome is uncertain and the financial impact is not currently quantifiable, and so the Group has not recognised a contingent asset nor contingent liability.

Update on Convertible loan note with Wayve Technologies Limited

On 7 January 2022, Wayve Technologies Limited ("Wayve"), a company in which the Group holds a minority interest, successfully completed its Series B Fundraising. This resulted in the Group's convertible loan note converting into equity. There is no impact on the Group's warrants in Wayve. Following the conversion of the notes, the Group holds 2.17% of the total issued share capital of Wayve.

Consolidated Income Statement for the 52 weeks ended 28 November 2021

	Notes	52 weeks ended 28 November 2021			52 weeks ended 29 November 2020 (restated[1])		
		Results before exceptional items* £million	**Exceptional items* (note 2.6) £million**	**Total £million**	**Results before exceptional items* £million**	**Exceptional items* (note 2.6) £million**	**Total £million**
Revenue	2.1,2.2	**2,498.8**	**(0.5)**	**2,498.3**	2,331.8	-	2,331.8
Cost of sales		**(1,562.9)**	**(2.6)**	**(1,565.5)**	(1,531.8)	-	(1,531.8)
Gross profit		**935.9**	**(3.1)**	**932.8**	800.0	-	800.0
Other income		**104.1**	**82.3**	**186.4**	87.6	103.9	191.5
Distribution costs		**(666.7)**	**(7.2)**	**(673.9)**	(623.7)	(1.0)	(624.7)
Administrative expenses		**(548.4)**	**(29.2)**	**(577.6)**	(358.8)	(6.6)	(365.4)
Operating (loss)/profit before results of joint ventures and associate		**(175.1)**	**42.8**	**(132.3)**	(94.9)	96.3	1.4
Share of results of joint ventures and associate		**(2.3)**	**-**	**(2.3)**	(0.9)	-	(0.9)
Operating (loss) /profit		**(177.4)**	**42.8**	**(134.6)**	(95.8)	96.3	0.5
Finance income	4.4	**10.0**	**-**	**10.0**	5.5	-	5.5
Finance costs	4.4	**(52.3)**	**-**	**(52.3)**	(58.3)	-	(58.3)
Loss before tax		**(219.7)**	**42.8**	**(176.9)**	(148.6)	96.3	(52.3)
Income tax		**(8.3)**	**(0.5)**	**(8.8)**	(18.0)	(7.6)	(25.6)
Loss for the period		**(228.0)**	**42.3**	**(185.7)**	(166.6)	88.7	(77.9)
Attributable to:							
Owners of Ocado Group plc		**-**	**-**	**(223.2)**	-	-	(134.3)
Non-controlling interests		**-**	**-**	**37.5**	-	-	56.4
				(185.7)			(77.9)

Loss per share	Notes	**pence**	pence
Basic and diluted loss per share	2.4	**(30.18)**	(18.70)

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

	Notes	**52 weeks ended 28 November 2021 £million**	52 weeks ended 29 November 2020 (restated[1]) £million
Operating (loss)/profit		**(134.6)**	0.5
Adjustments for:			
Exceptional items*	2.3	**(42.8)**	(96.3)
Amortisation of intangible assets	3.2	**78.0**	49.0
Impairment of intangible assets	3.2	**1.1**	3.3
Depreciation of property, plant and equipment	3.3	**84.4**	57.2
Impairment of property, plant and equipment	3.3	**9.3**	2.1
Depreciation of right-of-use assets	3.4	**65.6**	57.3
EBITDA*		**61.0**	73.1

1. See note 1.3 for the details of the restatements.

The notes on pages 35 to 67 form part of these financial statements.

* See **Alternative Performance Measures** on pages 68 to 71

Consolidated Statement of Comprehensive Income for the 52 weeks ended 28 November 2021

	Notes	**52 weeks ended 28 November 2021 £million**	52 weeks ended 29 November 2020 (restated[1]) £million
Loss for the period		**(185.7)**	(77.9)
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Gain arising on cash flow hedges	4.6	**0.4**	0.4
Foreign exchange loss on translation of foreign subsidiaries and joint venture	4.6	**(10.5)**	(0.9)
Foreign exchange gain on translation of foreign joint venture reclassified to profit or loss	4.6	**0.8**	-
Items that will not be reclassified to profit or loss in subsequent periods:			
(Loss)/gain on equity investments designated as at fair value through other comprehensive income	4.6	**(3.9)**	5.2
Other comprehensive income for the period, net of income tax		**(13.2)**	4.7
Total comprehensive expense for the period		**(198.9)**	(73.2)
Attributable to:			
Owners of Ocado Group plc		**(236.4)**	(129.6)
Non-controlling interests		**37.5**	56.4
		(198.9)	(73.2)

1. See note 1.3 for the details of the restatements.

The notes on pages 35 to 67 form part of these financial statements.

Consolidated Balance Sheet as at 28 November 2021

	Notes	**28 November 2021 £million**	29 November 2020 (restated[1]) £million
Non-current assets			
Goodwill	3.2	**144.8**	4.7
Other intangible assets	3.2	**345.2**	231.2
Property, plant and equipment	3.3	**1,257.8**	785.0
Right-of-use assets	3.4	**494.6**	385.0
Investment in joint venture and associate		**26.5**	41.5
Other financial assets	3.6	**211.4**	166.8
Trade and other receivables		**0.5**	-
Contract assets	2.2	**-**	0.3
Costs to obtain contracts	2.2	**0.7**	0.7
Deferred tax assets		**7.2**	4.3
Derivative financial assets		**9.6**	-
		2,498.3	1,619.5
Current assets			
Other financial assets	3.6	**1.2**	402.0
Asset held for sale	3.5	**4.2**	4.2
Inventories		**86.7**	61.6
Trade and other receivables		**323.9**	204.8
Cash and cash equivalents		**1,468.6**	1,706.8
Insurance reimbursement asset		**-**	5.5
Contract assets	2.2	**0.3**	0.1
Costs to obtain contracts	2.2	**0.1**	0.1
Derivative financial assets		**0.3**	0.2
		1,885.3	2,385.3
Total assets		**4,383.6**	4,004.8
Current liabilities			
Contract liabilities	2.2	**(21.8)**	(14.4)
Trade and other payables		**(393.2)**	(422.9)
Provisions		**(1.0)**	(8.4)
Lease liabilities	4.2	**(51.0)**	(48.1)
Derivative financial liabilities	4.5	**-**	(0.3)
		(467.0)	(494.1)
Net current assets		**1,418.3**	1,891.2
Non-current liabilities			
Contract liabilities	2.2	**(356.7)**	(284.9)
Provisions		**(48.7)**	(35.6)
Borrowings	4.1	**(1,300.0)**	(997.4)
Lease liabilities	4.2	**(477.4)**	(359.7)
Deferred tax liabilities		**(24.4)**	-
		(2,207.2)	(1,677.6)
Net assets		**1,709.4**	1,833.1
Equity			
Share capital	4.6	**15.0**	15.0
Share premium	4.6	**1,372.0**	1,361.6
Treasury shares reserve	4.6	**(113.0)**	(113.2)
Other reserves	4.6	**69.9**	76.9
Retained earnings		**244.3**	421.4
Equity attributable to owners of Ocado Group plc		**1,588.2**	1,761.7
Non-controlling interests		**121.2**	71.4
Total equity		**1,709.4**	1,833.1

1. See note 1.3 for the details of the restatements.

The notes on pages 35 to 67 form part of these financial statements.

Consolidated Statement of Changes in Equity for the 52 weeks ended 28 November 2021

		Equity attributable to owners of Ocado Group plc							
	Notes	Share capital £million	Share premium £million	Treasury shares reserve £million	Other reserves £million	Retained earnings £million	Total £million	Non-controlling interests £million	Total equity £million
Balance at 1 December 2019		**14.2**	**705.3**	**(113.6)**	**(112.2)**	**554.2**	**1,047.9**	**9.4**	**1,057.3**
Loss for the period (restated[1])		-	-	-	-	(134.3)	(134.3)	56.4	(77.9)
Other comprehensive income:									
Gain arising on cash flow hedges	4.6	-	-	-	0.4	-	0.4	-	0.4
Foreign exchange loss on translation of foreign subsidiaries and joint venture	4.6	-	-	-	(0.9)	-	(0.9)	-	(0.9)
Gain on equity investments designated as at fair value through other comprehensive income	4.6	-	-	-	5.2	-	5.2	-	5.2
Total comprehensive expense for the period (restated[1])		-	-	-	4.7	(134.3)	(129.6)	56.4	(73.2)
Transactions with owners									
– Issue of ordinary shares	4.6	0.7	645.6	-	-	(0.1)	646.2	-	646.2
– Allotted in respect of share option schemes	4.6	0.1	10.7	-	-	-	10.8	-	10.8
– Disposal of treasury shares on exercise by participants	4.6	-	-	0.3	-	0.2	0.5	-	0.5
– Disposal of unallocated treasury shares	4.6	-	-	0.1	-	(0.1)	-	-	-
– Share-based payments charge		-	-	-	-	22.4	22.4	-	22.4
– Issue of convertible bonds		-	-	-	184.5	-	184.5	-	184.5
– Adjustments arising from part-disposal of Ocado Retail Limited		-	-	-	-	(24.8)	(24.8)	5.2	(19.6)
– Additional investment in Jones Food Company Limited		-	-	-	(0.1)	(0.3)	(0.4)	0.4	-
- Gain on reinstating carved-out asset						4.2	4.2	-	4.2
Total transactions with owners		0.8	656.3	0.4	184.4	1.5	843.4	5.6	849.0
Balance at 29 November 2020 (restated[1])		**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 income:									
Gain arising on cash flow hedges	4.6	**-**	**-**	**-**	**0.4**	**-**	**0.4**	**-**	**0.4**
Foreign exchange loss on translation of foreign subsidiaries and joint venture	4.6	**-**	**-**	**-**	**(10.5)**	**-**	**(10.5)**	**-**	**(10.5)**
Foreign exchange gain on translation of foreign joint venture reclassified to profit or loss	4.6	**-**	**-**	**-**	**0.8**	**-**	**0.8**	**-**	**0.8**
Loss on equity investments designated as at fair value through other comprehensive income	4.6	**-**	**-**	**-**	**(3.9)**	**-**	**(3.9)**	**-**	**(3.9)**
Total comprehensive expense for the period		**-**	**-**	**-**	**(13.2)**	**(223.2)**	**(236.4)**	**37.5**	**(198.9)**
Transactions with owners									
– Issue of ordinary shares	4.6	**-**	**1.9**	**-**	**-**	**-**	**1.9**	**-**	**1.9**
– Allotted in respect of share option schemes	4.6	**-**	**8.5**	**-**	**-**	**-**	**8.5**	**-**	**8.5**
– Disposal of treasury shares on exercise by participants	4.6	**-**	**-**	**0.1**	**-**	**0.1**	**0.2**	**-**	**0.2**
– Disposal of unallocated treasury shares	4.6	**-**	**-**	**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.	3.1	**-**	**-**	**-**	**6.2**	**-**	**6.2**	**-**	**6.2**
- IFRS 3 portion of the rollover shares issued for the purchase of Kindred Systems Inc.	3.1	**-**	**-**	**-**	**-**	**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**

1. See note 1.3 for the details of the restatements.

The notes on pages 35 to 67 form part of these financial statements.

Consolidated Statement of Cash Flows for the 52 weeks ended 28 November 2021

	Notes	**52 weeks ended 28 November 2021**	52 weeks ended 29 November 2020 (restated[1])
		£million	£million
Cash flows from operating activities			
Loss before tax		**(176.9)**	(52.3)
Adjustments for			
– Revenue recognised from long-term contracts	2.1	**(15.2)**	(6.1)
– Depreciation, amortisation and impairment charges		**238.4**	168.9
– Insurance proceeds recognised as other income	2.3	**(80.6)**	(103.9)
– Non-cash exceptional items*	2.3	**(7.5)**	0.9
– Share of results of joint ventures and associate		**2.3**	0.9
– Movement of provisions		**4.2**	18.5
– Net finance cost	4.5	**42.3**	52.8
– Net gain on derivative financial instruments		**-**	0.4
– Settlement of cash flow hedges		**-**	(2.5)
– Share-based payments charge		**35.5**	22.4
Changes in working capital			
– Movement in contract assets		**0.1**	-
– Movement of contract liabilities		**107.0**	97.5
– Movement of inventories		**(55.2)**	38.5
– Movement of trade and other receivables		**(77.6)**	(59.2)
– Movement of trade and other payables		**(1.8)**	52.8
Cash generated from operations		**15.0**	229.6
Insurance proceeds relating to business interruption		**30.0**	40.0
Corporation tax paid		**(26.2)**	(18.4)
Interest paid		**(34.8)**	(25.8)
Net cash flow from operating activities		**(16.0)**	225.4
Cash flows from investing activities			
Insurance proceeds regarding Erith claim		**2.0**	-
Insurance proceeds relating to rebuilding Andover CFC		**-**	25.0
Net cash outflow from disposal of Speciality Stores Limited ("Fetch"), net of cash sold	2.3	**(0.4)**	-
Proceeds from disposal of Marie Claire Beauty Limited ("Fabled"), net of cash sold		**-**	3.0
Acquisition of Kindred Systems Inc. and Haddington Dynamics Inc., net of cash acquired	3.2	**(189.7)**	-
Purchase of intangible assets		**(131.8)**	(107.2)
Purchase of property, plant and equipment		**(558.9)**	(344.6)
Dividend received from MHE JVCo Limited		**7.7**	7.7
Purchase of other treasury deposits		**-**	(355.0)
Proceeds from disposal of other treasury deposits		**370.0**	95.0
Purchase of unlisted equity investments		**(11.4)**	(0.7)
Loans made to investee companies		**(12.5)**	(11.2)
Interest received		**1.0**	5.2
Net cash flow used in investing activities		**(524.0)**	(682.8)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**1.9**	646.2
Proceeds from allotment of share options		**8.5**	10.8
Proceeds from disposal of treasury shares on exercise by participants		**0.2**	0.5
Proceeds from issue of borrowings	4.1	**500.0**	950.0
Transaction costs on issue of borrowings	4.1	**(8.4)**	(14.5)
Repayment of borrowings	4.1	**(225.0)**	-
Repayment of principal element of lease liabilities		**(48.6)**	(53.4)
Payment of financing fees		**-**	(0.5)
Net cash as a result of additional investment in Jones Food Company Limited		**20.0**	-
Proceeds from part-disposal of Ocado Retail Limited		**-**	(11.5)
Cash received in respect of contingent consideration receivable		**33.9**	-
Transaction costs on part-disposal of Ocado Retail Limited		**-**	(1.6)
Net cash flow from financing activities		**282.5**	1,526.0
Net (decrease)/increase in cash and cash equivalents		**(257.5)**	1,068.6
Cash and cash equivalents at beginning of period		**1,706.8**	640.6
Effect of changes in foreign exchange rates		**19.3**	(2.4)
Cash and cash equivalents at end of period		**1,468.6**	1,706.8

The notes on pages 35 to 67 form part of these financial statements.

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 28 November 2021. The prior financial period represents the 52 weeks ended 29 November 2020.

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 International Financial Reporting Standards ("IFRS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, including the interpretations issued by IFRS Interpretation Committee. The accounting policies applied are consistent with those described in the Annual Report and Accounts for the 52 weeks ended 29 November 2020 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 28 November 2021 or the 52 weeks ended 29 November 2020. The financial information for the 52 weeks ended 29 November 2020 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006. The audit of the statutory accounts for the 52 weeks ended 28 November 2021 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's annual general meeting.

The financial statements are presented in pounds sterling, rounded to the nearest hundred million 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 30 November 2020, 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
Amendments to IFRS 3: Definition of a Business	1 January 2020
Amendments to IFRS 9, IAS 39, IFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020

The amendment to IFRS 16 "Leases" in relation to Covid-19-related rent concession does not have any impact on the Group.

1.2 Basis of preparation (continued)

IFRS 3 "Business Combinations"

During the year, the Group adopted IFRS 3 "Business Combinations (amendments)", which is effective for annual periods beginning on or after 1 January 2020. The guidance of the amendment has been applied to these financial statements when evaluating whether acquisitions in the year to 28 November 2021 should be deemed to be asset acquisitions or business combinations.

IFRIC Agenda Decision - Configuration or customisation costs in a cloud computing arrangement

During the year, the Group updated its policy on IAS 38 Intangible Assets following the International Financial Reporting Interpretations Committee's ("IFRIC") interpretation on accounting for configuration or customisation costs in cloud computing or software as a service ("SaaS") arrangement. The interpretation resulted in a charge of £13.3 million to administration expenses as an exceptional item in the period. As a result of the change in accounting policy following the IFRIC's agenda decision in relation to SaaS arrangements, the prior period comparatives have been restated to derecognise previously capitalised SaaS related costs amounting to £8.3 million. This amount has been expensed in full and disclosed as an exceptional item.

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 30 November 2020, and have not been adopted early:

		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
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
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
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 Restatement of prior year

The prior period comparatives have been restated to reflect the impact of the following:

1. During the period, the Group updated its policy on IAS 38 Intangible Assets following the IFRIC interpretation on accounting for configuration or customisation costs in cloud computing or SaaS arrangement. As a result of the Group's change in accounting policy, following IFRIC's agenda decision in relation to SaaS arrangements, the prior period comparatives have been restated to derecognise previously capitalised SaaS related costs amounting to £8.3 million. This amount has been expensed in full and disclosed as an exceptional item. This restatement has increased the Group's loss for the prior period by £8.3 million and a corresponding decrease in the net exceptional income for the same amount. The impact on the balance sheet is a decrease in non-current assets by £8.3 million.

2. During the period, the Group implemented a new Enterprise Resource Planning ("ERP") system, a business analytics solution used for analysis, reporting and collaboration. As part of the implementation process, the Group reviewed the categorisation of certain prior year costs and made the following reclassifications: cost of sales (£13.9 million increase), distribution costs (£29.7 million decrease) and administrative expenses (£15.8 million increase). The impact on periods prior to FY2020 has been assessed and is not material. There is no impact on the Group's balance sheet.

3. During the period, an adjustment of £4.2 million was identified relating to the part-disposal of ORL. The impact on the balance sheet is an increase of £4.2 million in current assets and a corresponding increase in opening reserves.

4. During the period, the Group updated its approach to netting deferred tax assets and liabilities and the prior period comparatives have been restated. The impact on the balance sheet is a reduction in deferred tax liabilities of £19.3 million and a corresponding reduction in deferred tax assets. There is no impact on net assets.

1.3 Restatement of prior year (continued)

The effect of the above restatements on the Consolidated Balance Sheet is as follows:

Balance sheet (extract)	29 November 2020 (previously reported) £million	Restatement £million	29 November 2020 (restated) £million
Other intangible assets	239.5	(8.3)	231.2
Deferred tax assets	23.6	(19.3)	4.3
Non-current assets	1,647.1	(27.6)	1,619.5
Trade and other receivables	200.6	4.2	204.8
Current assets	2,381.1	4.2	2,385.3
Total assets	4,028.2	(23.4)	4,004.8
Current liabilities	(494.1)	-	(494.1)
Net current assets	1,887.0	4.2	1,891.2
Deferred tax liabilities	(19.3)	19.3	-
Non-current liabilities	(1,696.9)	19.3	(1,677.6)
Net assets	1,837.2	(4.1)	1,833.1
Equity			
Retained earnings	425.5	(4.1)	421.4
Other equity	1,340.3	-	1,340.3
Equity attributable to owners of Ocado Group plc	1,765.8	(4.1)	1,761.7
Non-controlling interests	71.4	-	71.4
Total equity	1,837.2	(4.1)	1,833.1

The effect of the above restatements on the Consolidated Income Statement is as follows:

	52 weeks ended 29 November 2020 previously reported £million	Profit decrease	Reclassification	52 weeks ended 29 November 2020 - Restated £million
Revenue	2,331.8	-		2,331.8
Cost of sales	(1,517.9)	-	(13.9)	(1,531.8)
Gross profit	813.9	-	(13.9)	800.0
Other income	191.5	-	-	191.5
Distribution costs	(654.4)	-	29.7	(624.7)
Administrative expenses	(341.3)	(8.3)	(15.8)	(365.4)
Operating profit before results of joint ventures and associate	9.7	(8.3)	-	1.4
Share of results of joint ventures and associate	(0.9)	-	-	(0.9)
Operating profit	8.8	(8.3)	-	0.5
Finance income	5.5	-	-	5.5
Finance costs	(58.3)	-	-	(58.3)
Loss before tax	(44.0)	(8.3)	-	(52.3)
Income tax	(25.6)	-	-	(25.6)
Loss for the period	(69.6)	(8.3)	-	(77.9)
Attributable to:				
Owners of Ocado Group plc	(126.0)	(8.3)	-	(134.3)
Non-controlling interests	56.4	-	-	56.4
	(69.6)	(8.3)	-	(77.9)

1.3 Restatement of prior year (continued)

The below table shows the impact of the restatements affecting the exceptional items:

Exceptional items

	52 weeks ended 29 November 2020 previously reported £million	Profit decrease	52 weeks ended 29 November 2020 - Restated £million
Revenue	-	-	-
Cost of sales	-	-	-
Gross profit	-	-	-
Other income	103.9	-	103.9
Distribution costs	(1.0)	-	(1.0)
Administrative expenses	1.7	(8.3)	(6.6)
Operating profit before results of joint ventures and associate	104.6	(8.3)	96.3
Share of results of joint ventures and associate	-	-	-
Operating profit	104.6	(8.3)	96.3
Finance income	-	-	-
Finance costs	-	-	-
Income before tax	104.6	-	96.3
Income tax	-	-	-
Income for the period	104.6	-	96.3

The above restatements are all non-cash items. Therefore, those restatements do not affect the totals of the Group's operating, investing or financing cash flows for the 52 weeks ended 29 November 2020.

Section 2 – Results for the period

2.1 Segmental reporting

The Group's principal activities are grocery retailing and the development and monetisation of Intellectual Property ("IP") and technology used for online grocery retailing, fulfilment, logistics and services in the United Kingdom, Europe, North America, Australia and Japan. The Group is not currently reliant on any major customer for 10% or more of its revenue.

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, as required by IFRS 8. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors.

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 plc 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.

The accounting policies of the segments are the same as those for the Group as a whole. 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.

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

	Retail £million	UK Solutions & Logistics £million	International Solutions £million	Other £million	Group eliminations £million	Total £million
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**
52 weeks ended 29 November 2020						
Segmental revenue	2,188.6	654.3	16.6	-	(527.7)	2,331.8
Segmental EBITDA	148.5	44.4	(83.3)	(36.5)	-	73.1

*See **Alternative Performance Measures** on pages 68 to 71

No measure of total assets and total liabilities is reported for each reportable segment, as such amounts are not regularly provided to the chief operating decision maker.

2.2 Revenue

	52 weeks ended 28 November 2021 £million	52 weeks ended 29 November 2020 £million
Retail	**2,289.9**	2,188.6
UK Solutions & Logistics	**710.4**	654.3
International Solutions	**66.6**	16.6
Other	**0.4**	-
Group eliminations	**(568.5)**	(527.7)
Revenue	**2,498.8**	2,331.8
Timing of revenue recognition		
At a point in time	**2,289.9**	2,188.5
Over time	**208.9**	143.3
	2,498.8	2,331.8

2.2 Revenue (continued)

Revenue split by geographical area

	52 weeks ended 28 November 2021 £million	52 weeks ended 29 November 2020 £million
UK	**2,432.2**	2,315.2
Overseas	**66.6**	16.6
Revenue	**2,498.8**	2,331.8

Contract balances

	28 November 2021 £million	29 November 2020 £million
Trade receivables	**50.8**	33.8
Contract assets	**0.3**	0.4
Contract liabilities	**(378.5)**	(299.3)

Contract assets

	28 November 2021 £million	29 November 2020 £million
Current	**0.3**	0.1
Non-current	**-**	0.3
	0.3	0.4

The contract assets represent UK Solutions & Logistics revenue recognised in the Consolidated Income Statement, but not yet invoiced.

	52 weeks ended 28 November 2021 £million	52 weeks ended 29 November 2020 £million
Balance at beginning of period	**0.4**	0.4
Amount recognised as revenue	**(0.1)**	-
Balance at end of period	**0.3**	0.4

Contract liabilities

	28 November 2021 £million	29 November 2020 £million
Current	**(21.8)**	(14.4)
Non-current	**(356.7)**	(284.9)
	(378.5)	(299.3)

2.2 Revenue (continued)

The contract liabilities relate primarily to consideration received from Solutions customers in advance, for which revenue is recognised as the performance obligation is satisfied.

	52 weeks ended 28 November 2021 £million	52 weeks ended 29 November 2020 £million
Balance at beginning of period	**(299.3)**	(191.8)
Amount invoiced	**(94.4)**	(113.6)
Amount recognised as revenue	**15.2**	6.1
Balance at end of period	**(378.5)**	(299.3)

£15.2 million (2020: £6.1 million) 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:

	28 November 2021 £million	29 November 2020 £million
Within one year	**258.6**	195.3
In between one and five years	**1,643.5**	1,407.2
In more than five years	**4,016.3**	3,554.4
Total transaction price	**5,918.4**	5,156.9

The total transaction price includes £1,812.6 million (2020: £2,154.5 million) 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, 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". 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).

Costs to obtain contracts

	28 November 2021 £million	29 November 2020 £million
Current	**0.1**	0.1
Non-current	**0.7**	0.7
	0.8	0.8

	52 weeks ended 28 November 2021 £million	52 weeks ended 29 November 2020 £million
Balance at beginning of period	**0.8**	0.8
Amortisation recognised in profit or loss	**-**	-
Balance at end of period	**0.8**	0.8

Management expects the incremental costs of obtaining contracts (i.e. sales bonuses) to be recovered. The Group, therefore, capitalises them as costs to obtain contracts.

These capitalised costs will be amortised over the period of transferring goods or services to the customer.

2.3 Exceptional items*

	52 weeks ended 28 November 2021 £million	52 weeks ended 29 November 2020 (restated[1]) £million
Andover CFC		
– Insurance income	**78.6**	103.9
– Other costs	**(5.6)**	(4.0)
	73.0	99.9
Erith CFC		
– Insurance income	**2.0**	-
– Other costs	**(10.1)**	-
	(8.1)	-
Impairment of certain intangible assets associated with Software-as-a-service arrangements	**(13.3)**	(8.3)
Gain on disposal of Speciality Stores Limited ("Fetch")	**1.0**	-
Gain on disposal of investment in Infinite Acres Holding B.V.	**5.0**	-
Litigation settlement	**1.8**	-
Litigation costs	**(28.9)**	(2.7)
Change of fair value of contingent consideration receivable	**16.9**	7.4
Development of ORL IT systems	**(4.6)**	-
Net exceptional income	**42.8**	96.3

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 have been formally accepted by the insurers.

Insurance income

This mainly comprises reimbursement for the costs of rebuilding the CFC, and business interruption losses. Reimbursement has been recognised as other income. In FY 2020, a portion of reimbursement has been received and recognised as deferred income. This was released to profit or loss as the costs of rebuilding the CFC were incurred. Another portion has not yet been received but has been recognised as accrued income. This relates to reimbursement of spend on capital expenditure and will be received in FY 2022.

The Group expects to receive further insurance reimbursement relating to reconstruction costs and business interruption losses. Claim negotiations are ongoing and the Group has not recognised any future reimbursement related to business interruption losses since the likely insurance proceeds cannot yet be quantified accurately. Income will be recognised in the future as the costs of rebuilding the CFC and business interruption losses are incurred.

Other exceptional costs

These include temporary costs of transporting employees to other warehouses to work, professional fees relating to the insurance claims process, reimbursement of employees' destroyed personal assets, and redundancy costs.

Erith CFC

Insurance income

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 have been formally accepted by the insurer.

The Group received a £2.0 million interim cash payment from the insurer.

Other exceptional costs

These include stock write-offs, customer goodwill refund, impairment of property, plant and equipment and labour costs.

2.3 Exceptional items* (continued)

Implementation of SaaS accounting guidance

During the 52 weeks ended 28 November 2021, the Group implemented various SaaS solutions across the business (the primary one being Oracle Cloud for our finance platform). Given the IFRIC agenda decision, we have chosen to update our accounting treatment and policy for IAS 38 Intangible Assets accordingly.

We have determined that £13.3 million of SaaS related costs (incurred and capitalised during the financial year) no longer meet the criteria for recognition as an asset under IAS 38. Accordingly, this amount has been expensed in full and has been disclosed as an exceptional item because it arises from the one off introduction of interpretations to accounting guidance, and is material in scale.

As a result of the Group's change in accounting policy following the IFRIC's agenda decision in relation to SaaS arrangements, the prior period comparatives have been restated to derecognise previously capitalised SaaS-related costs amounting to £8.3 million. This amount has been expensed in full and disclosed as an exceptional item.

Gain on disposal of Speciality Stores Limited ("Fetch")

On 31 January 2021, ORL completed the sale of the entire share capital of Specialty Stores Limited, its wholly-owned pets business trading as Fetch, to Paws Holdings Limited ("Paws Holdings"), resulting in a gain on disposal of £1.0 million in the year.

Gain on disposal of investment in Infinite Acres Holding B.V.

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 £5.0 million. 80 Acres was one of the three joint venture partners in Infinite Acres. The company builds and operates vertical farms.

Litigation costs and litigation settlement

Litigation costs principally relate to patent infringement litigation between the Group and AutoStore Technology AS ("Autostore"). Litigation costs also include the costs of legal proceedings brought by the Group against Jonathan Faiman, Jonathan Hillary and Project Today Holdings Limited "T0day", in relation to misappropriation and unlawful use of the Group's confidential information and breach of Mr Hilary's contractual and fiduciary duties. These costs are considered to be material and one-off in nature and are therefore treated as exceptional items.

In June 2021, the proceedings against Jonathan Faiman, Jonathan Hillary and T0day were settled. The defendants gave commitments to Ocado and the Court to refrain from using Ocado confidential information, to destroy c.500 files under the supervision of an independent party, and made a payment of £1.75 million to the Group, in addition to the £0.4 million previously recovered from Mr. Hillary under the malus and clawback provisions of the Group's incentive scheme.

Litigation costs of £27.9 million have been incurred during the year in connection with the Autostore litigation, which have been recorded as an exceptional expense. Further updates are captured in note 5.3 Post Balance Sheet events section below. Given the ongoing nature of this litigation, the outcome is currently uncertain and the financial impact is not quantifiable at this time, and so the Group has not recognised a contingent asset nor a contingent liability in respect of the action.

Change in fair value of contingent consideration

In 2019, the Group sold Marie Claire Beauty Limited ("Fabled") to Next Holdings Limited, and 50.0% of Ocado Retail Limited to Marks and Spencer Holdings Limited ("M&S"). Part of the consideration agreed for these transactions was contingent on future events. The Group holds contingent consideration receivable as a financial asset at fair value through profit or loss, and revalues it at each reporting date. Accordingly, for the current financial year an exceptional credit of £16.9 million has been recorded (2020: £7.4 million). See note 3.6 for more information.

2.3 Exceptional items* (continued)

Development of ORL IT systems

This relates to the costs incurred in respect of one-off development and introduction of ORL IT systems linked to its obligation to transition away from Ocado Group IT services tools and support. This was considered an exceptional cost due to its nature and its value.

Tax impacts on exceptional items

The change in fair value of contingent consideration receivable, the gain on disposal of Infinite Acres and the gain on disposal of Speciality Stores are not subject to tax. The remaining exceptional items are taxable or tax deductible. A tax charge of £0.5 million (2020: £7.6 million) has been recognised. A tax charge of £3.7 million (2020: £12.1 million) has not been recognised as the related tax losses arising are not recognised.

2.4 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 Value Creation Plan ("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 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 28 November 2021	52 weeks ended 29 November 2020 (restated[1])
	million	million
Weighted average number of shares at end of period	739.5	718.0
	£million	£million
Loss attributable to owners of the Company	(223.2)	(134.3)
	pence	pence
Basic and diluted loss per share	(30.18)	(18.70)

Section 3 – Assets and liabilities

3.1 Business combinations

Kindred Systems Inc.

On 15 December 2020, the Group acquired 100% of the issued share capital of Kindred Systems Inc. ("Kindred Systems"), a company incorporated in Canada with its principal operations in the US that designs, supplies and services sophisticated piece-picking robots for ecommerce and order fulfillment. The total net consideration (after completion adjustments) was US$ 251.8 million (£189.0 million). This represented goodwill of £135.7 million, intangibles acquired of £65.7 million, and net liabilities of £12.2 million. Goodwill represents the future benefit of new technology, combined talent and future cost saving synergies.

The acquisition of Kindred, an advanced AI-powered robotics company that designs, supplies and services sophisticated piece-picking robots for e-commerce and order fulfilment will enhance the Group's robotic manipulation capabilities. Kindred's robotic picking solution has a proven track record within the general merchandise and logistics sectors. Robotics solutions represents a large and fast-growing new segment for the Group, and management are confident that the synergy of this acquisition and integration of both technologies will increase operational efficiencies, reduce costs, and put the Group in the forefront of robotic solutions technology.

Haddington Dynamics Inc.

On 21 December 2020, the Group acquired 100% of the issued share capital of Haddington Dynamics Inc. ("Haddington Dynamics"), an advanced research and development company incorporated in the US that specialises in the design and manufacture of highly dextrous, lightweight, low-cost robotic arms. The total net consideration (after completion adjustments) was US$ 14.9 million (£11.0 million). This represented goodwill of £4.4 million, intangibles acquired of £9.0 million and net liabilities of £2.3 million. Goodwill represents the future benefit of new technology, combined talent, and future cost saving synergies.

The allocation of goodwill as a proportion of the total intangible assets has been benchmarked against comparable transactions in the sector. Both Kindred Systems and Haddington Dynamics were within the average range identified from comparable transactions (56% for Haddington after adjusting for deferred consideration, and 67% for Kindred, against a comparable range of 52% to 74%).

Kindred Systems and Haddington Dynamics together contributed an EBITDA loss from trading of £8.5 million for the period ended 28 November 2021. Non-trading losses of £6.7 million in the period have been presented in the 'Other' segment. The acquisitions of Kindred Systems and Haddington Dynamics, is expected to accelerate the development of the Group's robotic picking solutions, improving their speed, accuracy, product range and economics.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Kindred Systems and Haddington Dynamics as at the dates of acquisitions were:

	Kindred Systems Inc. £million	Haddington Dynamics Inc. £million	Total fair value on acquisition £million
Assets			
Fixed assets	9.1	-	9.1
Cash and cash equivalents	2.2	-	2.2
Investments	0.9	-	0.9
Working capital	2.7	0.1	2.8
Intangible assets	65.7	9.0	74.7
	80.6	**9.1**	**89.7**
Liabilities			
Trade and other payables	(7.2)	(0.5)	(7.7)
Deferred tax liabilities	(19.9)	(1.9)	(21.8)
	(27.1)	**(2.4)**	**(29.5)**
Total identifiable net assets at fair value	**53.5**	**6.7**	**60.2**
Consideration transferred	189.0	11.0	200.0
Less fair value of identifiable net assets	(53.5)	(6.7)	(60.2)
Retranslation adjustment	0.2	0.1	0.3
Goodwill	**135.7**	**4.4**	**140.1**

3.1 Business combinations (continued)

Consideration

The total carrying value of the acquired assets recognised on the balance sheet is £200.0 million. £139.4 million of the total consideration is allocated to goodwill with £74.7 million allocated to intangibles (mainly technology).

Deferred consideration and replacement share awards

£2.6 million of Deferred Cash Consideration is payable to key members of the Kindred Systems management team. After applying a leaver assumption, £2.1 million will be treated as an employment cost under IAS 19 "Employee Benefits" through the post-acquisition Income Statement through the 'Other' segment, given the nature of the balance as effectively being part of the headline price paid. The resulting charge to the Income Statement for the 52 weeks ended 28 November 2021 is £1.3 million.

In addition, £7.9 million of Rollover Options (Replacement Share Awards) were awarded to key management personnel of Kindred Systems as part of the acquisition transactions. After adjusting for leaver assumptions, the net award is £6.3 million: £1.9 million is allocated as part of the consideration transferred under IFRS 3 "Business Combinations". The remaining £4.4 million is spread over the vesting period of the award as additional employment compensation under IFRS 2 "Share Based Payments" and will therefore be treated as an employment cost through the post-acquisition Income Statement through the 'Other' segment – the resulting charge to the Income Statement for the 52 weeks ended 28 November 2021 is £2.0 million.

For Haddington Dynamics, £6.9 million of deferred shares were awarded to key management personnel as part of the transaction. After applying a leaver assumption, £5.7 million will be spread over employees' service periods as additional employment compensation under IFRS 2 (Share Based Payments) and will therefore be treated as an employment cost under IFRS 2 (Share Based Payments) through the post-acquisition Income Statement through the 'Other' segment over a three-year period. The resulting charge to the Income Statement for the 52 weeks ended 28 November 2021 is £3.4 million.

A total of £6.7 million has therefore been charged to the post-acquisition Income Statement through the 'Other' segment for the 52 weeks ended 28 November 2021, representing the deferred cash consideration and replacement share awards for Kindred Systems and the deferred shares for Haddington Dynamics.

There are a number of adjustments between the total IFRS 3 consideration figure of £200.0 million and cash paid on acquisition of £189.7 million, comprising the non-cash elements of consideration, together with £2.2m cash and cash equivalents acquired within the subsidiaries. See note 3.2 below.

None of the total goodwill that arose on the acquisition of Kindred Systems and Haddington Dynamics is deductible for tax purposes. The carrying value of goodwill on acquisition has been assessed at the CGU level, per note 3.2 below.

We have also performed a review for indicators of impairment with regard to the acquisitions, as part of the Group's post acquisition integration activities. As noted in the Group's Strategic Review, the growth in revenue at Kindred Systems has been slower than assumed in the original acquisition case. However, the assessment of indicators of impairment carried out at year end includes the latest view of the contract pipeline and concluded that there is sufficient value in the application of Kindred Systems' and Haddington Dynamic's technology and capabilities (for example, from robotic pick enhancements for the Group) to offset any short-term reduction in expectations for trading performance. We therefore concluded that no impairment was required as a result of the change in revenue growth expectation versus the acquisition case.

3.2 Goodwill and other intangible assets

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). It is subject to annual impairment reviews. Acquisition-related costs are charged to the income statement as incurred. Goodwill generated from the acquisition is allocated to, and monitored, at the CGU level - which is the same as our operating segments. Hence goodwill will be tested for impairment in future periods at this level.

	Goodwill £million
Cost	
At 1 December 2019	4.7
At 29 November 2020	4.7
Additions	**139.8**
Effect of changes in foreign exchange rates	**0.3**
At 28 November 2021	**140.1**
Accumulated amortisation	
At 1 December 2019	-
Charge for the period	-
At 29 November 2020	-
Charge for the period	**-**
At 28 November 2021	**-**
Net book value	
At 29 November 2020	4.7
At 28 November 2021	**144.8**

Goodwill relates to the acquisitions of Jones Food Company Limited ("Jones Food Company"), Kindred Systems Inc., and Haddington Dynamics Inc. For the purpose of annual impairment testing, it has been allocated to the UK Solutions & Logistics and International Solutions segment. Management has calculated the recoverable amount of the Group's investments as their fair values less costs to sell. It has also reconsidered factors such as the skills and expertise of the workforce and expectations of future growth and, at the time of writing, there are no indicators to suggest that the goodwill has been impaired.

Goodwill - Impairment testing

The Group tests CGUs at least annually for impairment, or more frequently if there are indications that goodwill might be impaired. In accordance with IAS 36 - Impairment of Assets, indicators for impairment are assessed at the lowest level for which there are separately identifiable cash flows and are monitored at the CGU level which reflect the way management exercises oversight and monitors the Group's performance.

The fair value measurement was categorised at Level-3 in the fair value hierarchy according to IFRS 13 Fair value measurement.

Given the Group's current operating structure, separately-identifiable cash flows are only available for operating segments. CGUs are grouped into the operating reporting segments - Retail, UK Solutions & Logistics and International Solutions.

Goodwill acquired through business combinations is allocated to CGUs that are expected to benefit from the synergies of the combination. The recoverable amounts of these CGUs are the higher of fair value less costs to dispose ("FVLCD") and value-in-use. Management concluded that FVLCD was more appropriate for valuing the Group because the Group's cash flow is mainly based on future growth expectation from CFC commitments / expected capital investments.

FVLCD has been estimated using discounted cash flows. In undertaking the annual impairment review, the Directors considered both external and internal sources of information, and any observable indications that may suggest that the carrying value of goodwill may be impaired. This included comparison to the Group's market capitalisation.

3.2 Goodwill and other intangible assets (continued)

Goodwill has been allocated to two of our CGUs. The long-term growth rates applied to cash flows after 2026 for UK Solutions & Logistics and after 2031 for International Solutions, and the rates used to discount the projected cash flows for these CGUs are shown in the table below:

Cash generating unit	Goodwill carrying value 2021 £m	Long term growth rate 2021 %	Discount rate (Post-tax) 2021 %
Retail	-	2.0	6.6
UK Solutions & Logistics	40.8	2.0	7.2
International Solutions	104.0	2.0	7.2

Goodwill arising on the recently acquired Kindred Solutions and Haddington Dynamics businesses has been included within UK Solutions & Logistics and International Solutions as the synergies arising on the acquisition are expected to benefit these CGUs.

Growth rates are determined by a combination of management's budget and forecasts based on revenue and operating profit assumptions for the first five years for UK Solutions & Logistics and ten years for International Solutions, together with a further estimate of cash flows into perpetuity using GDP growth rates based on a longer term cash flow model. The cash flows are discounted using a post-tax Weighted Average Cost of Capital ("WACC"), which reflects current market assessments of the time value of money and the risks specific to the CGUs, including risk premiums. A future economic growth rate of 2% has been used to extrapolate projections beyond five years for UK Solutions & Logistics and beyond ten years for International Solutions.

Future cash flows reflect management's expectation of revenue and operating profit taking into account the timing of economic and industry specific information and outlook.

Expected future cash flows are uncertain, subject to change and are affected by multiple variables including estimates and the roll out of CFCs, changes in customers' plans, confidence in technology, prices, discount rates, currency exchange rates and climate change. The Group conducted sensitivity analysis on the key assumptions applied to the FVLCD calculations for the CGUs. This analysis included a significant reduction in forecast cash flows and long-term growth rates, and an increase in the discount rate.

In order to gauge the sensitivity of the result of a change in any one or a combination of the assumptions that underlie the model, a number of scenarios were developed to identify the range of reasonable possible alternatives and measures which CGUs are the most susceptible to an impairment should the assumptions used be varied. The Group performed this assessment across all assets, including goodwill and other intangible assets across all of its CGUs, and concluded there was significant headroom, and therefore no impairment was required at the CGU level.

Management has considered a range of sensitivities on each of the key assumptions, with other variables held constant. The sensitivities include applying increases in the discount rate by 1 per cent and reductions in the long-term growth rates to 0 per cent. Under these severe scenarios, the estimated recoverable amount of goodwill still exceeded the carrying value. The sensitivity analysis showed that no reasonably possible change in assumptions would lead to an impairment.

Based on current available information, the Directors do not consider there are any reasonably possible sensitivities that could arise in the next 12 months that would result in a material impairment charge being recognised. The Directors have concluded that no impairment charge is required in 2021.

3.2 Goodwill and other intangible assets (continued)

Carrying amount of goodwill as at 28 November 2021 is as follows:

	Kindred Systems Inc. £million	Haddington Dynamics Inc. £million	Jones Food Company Ltd £million	Total Fair Value £million
Balance as at 29 November 2020	-	-	4.7	4.7
Kindred Systems Inc. acquisition	135.5	-	-	135.5
Haddington Dynamics Inc. acquisition	-	4.3		4.3
	135.5	4.3	-	139.8
Retranslation adjustment	0.2	0.1	-	0.3
	135.7	**4.4**		**140.1**
At 28 November 2021	**135.7**	**4.4**	**4.7**	**144.8**

As at 28 November 2021, the total goodwill that arose on the acquisition of Kindred Systems Inc. and Haddington Dynamics Inc. on 15 December 2020 and 21 December 2020 respectively, was retranslated (IAS 21 "The Effects of Changes in Foreign Exchange Rates") to £139.4 million. None of the total goodwill that arose on the acquisition of Kindred Systems Inc. and Haddington Dynamics Inc. is deductible for tax purposes.

Brought forward goodwill of £4.7 million arose on the acquisition of Jones Food Company Ltd on 7 June 2019.

Acquisition-related costs

A total of £5.0 million acquisition-related costs were incurred for the acquisition of Kindred Systems Inc. and Haddington Dynamics Inc.; £1.5 million of which has been recognised within administrative expenses in the Consolidated Income Statement for the 52 weeks ended 28 November 2021 (2020: £3.5 million).

Analysis of cash flow on acquisition of Kindred Systems Inc. and Haddington Dynamics Inc.

Analysis of cash flow on acquisition	Cash flow on acquisition **£million**
Consideration	(200.0)
Kindred Systems Inc. Rollover options (Replacement Shares Awards)	1.9
Haddington Dynamics Inc. Consideration payable in shares	6.2
Cash acquired with subsidiary (included in cash flows from investing activities)	2.2
Net cash flow on acquisition	(189.7)

3.2 Goodwill and other intangible assets (continued)

Other intangible assets

	Internally generated intangible assets £million	Other intangible assets £million	Total £million
Cost			
At 1 December 2019	278.3	48.3	326.6
Additions	-	17.4	17.4
Internal development costs capitalised	89.6	-	89.6
Reversal of previously capitalised SaaS costs*	(8.3)	-	(8.3)
Disposals	(2.1)	(1.8)	(3.9)
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
Acquired on purchase of Kindred Systems Inc and Haddington Dynamics Inc	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**
Accumulated amortisation			
At 1 December 2019	(124.4)	(16.4)	(140.8)
Charge for the period	(40.7)	(8.3)	(49.0)
Impairment charge	(1.7)	(1.6)	(3.3)
Disposals	1.2	1.7	2.9
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**
Effect of changes in foreign exchange rates	**-**	-	**-**
At 28 November 2021	**(155.4)**	**(30.3)**	**(185.7)**
Net book value			
At 29 November 2020 - restated	191.9	39.3	231.2
At 28 November 2021	**296.7**	**48.5**	**345.2**

*The application of the new guidance on SaaS accounting (in respect of IAS 38 Intangible Assets) resulted in the derecognition of previously capitalised costs to be expensed. The prior period was restated to derecognise £8.3 million of previously capitalised costs.

**Prior to the migration to the new accounting system, a review of the fixed asset register was undertaken. Following the review, certain fully depreciated assets have been identified that are no longer in use, hence, the costs and the corresponding accumulated depreciation have been derecognised accordingly. There is no impact on the balance sheet as the net book value of these assets is nil.

Included within intangible assets is capital work-in-progress for internally generated intangible assets of £39.7 million (2020: £31.2 million) and £6.2 million (2020: £3.9 million) for other intangible assets.

3.3 Property, plant and equipment

	Land and buildings £million	Fixtures, fittings, plant and machinery £million	Motor vehicles £million	Total £million
Cost				
At 1 December 2019	67.3	569.3	11.0	647.6
Additions	22.5	320.7	-	343.2
Internal development costs capitalised	-	30.9	-	30.9
Disposals	-	(1.2)	-	(1.2)
Effect of changes in foreign exchange rates	-	1.0	-	1.0
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
Acquired on purchase of Kindred Systems Inc and Haddington Dynamics Inc	-	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**
Accumulated depreciation				
At 1 December 2019	(4.8)	(165.9)	(8.3)	(179.0)
Charge for the period	(2.4)	(54.0)	(0.8)	(57.2)
Impairment charge	(0.1)	(2.0)	-	(2.1)
Disposals*	-	1.8	-	1.8
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)**
Net book value				
At 29 November 2020	82.5	700.6	1.9	785.0
At 28 November 2021	**113.1**	**1,143.9**	**0.8**	**1,257.8**

*Prior to the migration to the new accounting system, a review of the fixed asset register was undertaken. Following the review, certain fully depreciated assets have been identified that are no longer in use, hence, the costs and the corresponding accumulated depreciation have been derecognised accordingly. There is no impact on the balance sheet as the net book value of those assets is nil.

Included within property, plant and equipment is capital work-in-progress for land and buildings of £24.4 million (2020: £28.0 million) and £412.0 million (£276.1 million) for fixtures, fittings, plant and machinery.

3.4 Right-of-use assets

	Land and buildings £million	Fixtures, fittings, plant and machinery £million	Motor vehicles £million	Total £million
Cost				
At 1 December 2019*	301.1	213.9	63.2	578.2
Additions	53.2	0.2	20.1	73.5
Disposals	(0.2)	(0.3)	(3.4)	(3.9)
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**
Accumulated depreciation				
At 1 December 2019*	(33.9)	(158.6)	(16.9)	(209.4)
Charge for the period	(24.5)	(15.2)	(17.6)	(57.3)
Disposals	0.2	0.3	3.4	3.9
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)**
Net book value				
At 29 November 2020	295.9	40.3	48.8	385.0
At 28 November 2021	**409.0**	**25.5**	**60.1**	**494.6**

*Following a retrospective review of the Group`s lease arrangements and lease accounting, it was noted that the costs and accumulated depreciation of right-of-use assets as at 1 December 2019 were overstated by £36.3 million, respectively, with £nil net impact on the net book value. These have been corrected in the brought forward balance for 2019.

3.5 Asset held for sale

The asset held for sale of £4.2 million (2020: £4.2 million) is a property in the United Kingdom, previously used in the Group's distribution network, which the Group is in the process of selling.

The Group remains committed to the sale, which it expects to complete within 12 months of the reporting date. Accordingly, the asset has continued to be classified as held for sale. The proceeds of the disposal are expected to exceed the carrying amount and, accordingly, no gain or loss was recognised on the classification of the property as held for sale.

3.6 Other financial assets

	Note	**28 November 2021 £million**	29 November 2020 £million
Other treasury deposits		**-**	370.0
Contingent consideration receivable		**156.7**	173.6
Unlisted equity investments held at FVTOCI		**30.4**	12.0
Unlisted equity investment held at FVTPL		**1.0**	0.7
Loans receivable held at FVTPL		**10.9**	1.7
Loan receivable held at amortised cost		**12.1**	9.3
Contributions towards dilapidations costs receivable		**1.5**	1.5
Other financial assets		**212.6**	568.8
Disclosed as:			
Current		**1.2**	402.0
Non-current		**211.4**	166.8
		212.6	568.8

Other treasury deposits

Other treasury deposits are cash deposits with banks with a maturity of more than three months at the date of acquisition.

Contingent consideration receivable

Contingent consideration receivable comprises two amounts: £152.6 million (2020: £170.7 million) due from Marks and Spencer Holdings Limited ("M&S") relating to the part-disposal of Ocado Retail Limited ("Ocado Retail") in August 2019, and £4.1 million (2020: £2.9 million) due from Next Holdings Limited ("Next") relating to the disposal of Marie Claire Beauty Limited ("Fabled") in July 2019.

The consideration due from M&S comprises one amount totalling £190.7 million in cash, which will become payable if Ocado Retail's adjusted EBITDA reaches a pre-agreed level for the 2023 financial year. Both the Group and M&S fully expect the whole amount to become payable.

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 £5.1 million, payable in tranches in March and September each year.

Unlisted equity investments held at Fair Value Through Other Comprehensive Income ("FVTOCI")

				% of share capital held		**Carrying amount**	
Company	**Principal activity**	**Country of incorporation**	**Registered address**	**28 November 2021**	29 November 2020	**28 November 2021 £million**	29 November 2020 £million
80 Acres Urban Agriculture Inc.	Vertical farming	United States of America	4535 Este Avenue Cincinnati, OH 45232 United States	**2.5%**	-	**11.1**	-
Oxbotica Limited	Designing autonomous vehicle software	England and Wales	Oxbotica UHQ, 8050 Alec Issigonis Way, Oxford Business Park North, Oxford, Oxfordshire, United Kingdom, OX4 2HW	**8.8%**	-	**10.3**	-
Paneltex Limited	Manufacturing refrigerated vehicles	England and Wales	Paneltex House, Somerden Road, Hull, United Kingdom HU9 5PE	**25.0%**	25.0%	**6.1**	10.4
Inkbit Corporation	3D printing	United States of America	200 Boston Avenue, Suite 1875, Medford, MA 02155	**5%**	5.9%	**2.9**	1.6
Unlisted equity investments held at FVTOCI						**30.4**	12.0

3.6 Other financial assets (continued)

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.

Unlisted equity investment held at Fair Value Through Profit and Loss "FVTPL")

The unlisted equity investment held at FVTPL amounting to £1.0 million is a 12.2% interest in Myrmex Inc., a private company incorporated in the United States of America.

Loans receivable held at FVTPL

				Carrying amount	
				28 November 2021	29 November 2020
Borrower	**Principal amount**	**Coupon rate**	**Repayment due**	**£million**	£million
Wayve Technologies Limited	£10.0 million	-	August 2024	**8.8**	-
Karakuri Limited	£1.7 million	8%	October 2023	**1.9**	1.7
Myrmex Inc.	€0.2 million	5%	July 2022	**0.2**	-
Loans receivable held at FVTPL				**10.9**	1.7

Loans receivable held at FVTPL include convertible loans to Karakuri Limited ("Karakuri"), Wayve Technologies Limited ("Wayve") and Myrmex Inc ("Myrmex"). Karakuri and Wayve are incorporated in England and Wales. Myrmex is incorporated in the United States.

The Group holds a 26.3% interest in Karakuri, made in October 2020. 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 year end is £1.9 million. Karakuri also issued warrants to Ocado to subscribe for an additional 12,640 shares. The warrants have been valued at £1.9 million as at the year end and are recognised as derivative financial instruments. The warrants expire in April 2024.

The Group holds a 3% interest in Wayve, made in August 2021 following the Group's subscription for a convertible loan of £10.0 million. No interest is chargeable on the principal amount. The principal and any unpaid accrued interest are convertible into preference shares of Wayve at the option of the Group. Otherwise, the loan is repayable in full in August 2024. Wayve also issued a warrant to Ocado to subscribe for £10.0 million of the most senior class of shares, which expires four years after the loan is converted or redeemed. The subscription price is the same as the conversion price of the convertible loan. The warrants are recognised as derivative financial instruments.

In July 2021, the Group issued a senior unsecured convertible loan note of €0.2 million to Myrmex at 5% per annum. The principal and any unpaid accrued interest are convertible into preference shares of Myrmex at the option of the Group. Otherwise, the loan is repayable in full in July 2022 along with any unpaid interest.

Loan receivable held at amortised cost

The loan receivable held at amortised cost is to Infinite Acres Holding B.V. ("Infinite Acres"), a company incorporated in the Netherlands in which the Group held a 33.3% interest. 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 USD15.0 million 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

Facility	Inception	Security held	Coupon rate	Instalment frequency	Final payment due	Carrying amount 28 November 2021 £m	29 November 2020 £m
£225 million senior secured notes	June 2017	Collateral	4.000%	Semi Annual	June 2024	**-**	220.8
£0.3 million chattel mortgages	January 2019	Collateral	8.800%	Monthly	January 2023	**0.1**	0.2
£600 million senior unsecured convertible bonds	December 2019	None	0.875%	Semi Annual	December 2025	**522.0**	504.2
£350 million senior unsecured convertible bonds	June 2020	None	0.750%	Semi Annual	January 2027	**283.3**	272.2
£500 million senior unsecured notes	October 2021	None	3.875%	Semi Annual	October 2026	**494.6**	-
Borrowings						**1,300.0**	997.4
Disclosed as:							
Non-current						**1,300.0**	997.4

28 November 2021	**Due in less than one year £million**	**Due in between one and two years £million**	**Due in between two and five years £million**	**Due in more than five years £million**	**Total £million**
Senior unsecured notes	**-**	**-**	**494.6**	**-**	**494.6**
Senior unsecured convertible bonds	**-**	**-**	**522.0**	**283.3**	**805.3**
Chattel mortgages	**-**	**0.1**	**-**	**-**	**0.1**
Borrowings	**-**	**0.1**	**1,016.6**	**283.3**	**1,300.0**

29 November 2020	Due in less than one year £million	Due in between one and two years £million	Due in between two and five years £million	Due in more than five years £million	Total £million
Senior secured notes	-	-	220.8	-	220.8
Senior unsecured convertible bonds	-	-	-	776.4	776.4
Chattel mortgages	-	-	0.2	-	0.2
Borrowings	-	-	221.0	776.4	997.4

The senior secured notes were issued in June 2017, raising £250.0 million, and repaid in October 2021. £25.0 million had been repaid in 2019. They were carried net of transaction fees, and were secured by charges over the issued share capital of the Company's subsidiaries, which acted as guarantors for the notes. Capitalised interest of £3.2 million was written off at the time of redemption.

The £600.0 million of senior unsecured convertible bonds were issued in December 2019, raising £592.1 million, net of transaction fees. At the date of issue, the liability component was valued at £485.0 million, with the remaining £107.1 million recognised in the convertible bonds reserve, directly in reserves.

4.1 Borrowings (continued)

The £350.0 million of senior unsecured convertible bonds were issued in June 2020, raising £343.4 million, net of transaction fees. At the date of issue, the liability component was valued at £266.0 million, with the remaining £77.4 million recognised in the convertible bonds reserve, directly in reserves.

The £500.0 million of senior unsecured notes were issued in October 2021, raising £491.6 million net of qualifying transaction fees. Part of the proceeds were used to repay the £225 million senior secured notes early.

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 Lease liabilities

The Group leases properties, vehicles and other items of equipment. The leases have varying terms, escalation clauses and renewal rights. With the exception of short-term leases and leases of low-value items, each lease is reflected on the Consolidated Balance Sheet as a right-of-use asset and a lease liability.

	28 November 2021 £million	29 November 2020 £million
Discounted lease payments due:		
Within one year	**51.0**	48.1
In between one and two years	**47.5**	46.9
In between two and five years	**107.6**	93.9
In more than five years	**322.3**	218.9
Lease liabilities	**528.4**	407.8

External obligations under lease liabilities are £494.4 million (2020: £358.1 million), excluding £34.0 million (2020: £49.7 million) payable to MHE JVCo Limited, a company incorporated in England and Wales in which the Group holds a 50% interest.

	28 November 2021 £million	29 November 2020 £million
Undiscounted lease payments due:		
Within one year	**73.8**	67.1
In between one and two years	**69.2**	63.8
In between two and five years	**162.8**	134.2
In more than five years	**476.0**	324.9
	781.8	590.0
Less: Future finance charges	**(253.4)**	(182.2)
Lease liabilities	**528.4**	407.8
Disclosed as:		
Current	**51.0**	48.1
Non-current	**477.4**	359.7
	528.4	407.8

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.

4.2 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 28 November 2021 £million	52 weeks ended 29 November 2020 £million
Short-term leases	**0.2**	0.2
Leases of low-value items	**0.2**	0.1
	0.4	0.3

At the reporting date, the Group was committed to £0.9 million (2020: £0.2 million) for short-term leases and leases of low-value items.

The total cash out-flow relating to leases during the period (including short-term leases and leases of low-value items) was £67.0 million (2020: £68.4 million).

4.3 Analysis of Net Cash

Net (debt)/cash

	Notes	**28 November 2021 £million**	29 November 2020 £million
Current assets			
Other treasury deposits	3.6	**-**	370.0
Cash and cash equivalents		**1,468.6**	1,706.8
		1,468.6	2,076.8
Current liabilities			
Lease liabilities	4.2	**(51.0)**	(48.1)
Non-current liabilities			
Borrowings	4.1	**(1,300.0)**	(997.4)
Lease liabilities	4.2	**(477.4)**	(359.7)
		(1,777.4)	(1,357.1)
Net (debt)/cash		**(359.8)**	671.6

At the reporting date, the Group had net debt of £325.8 million (2020: net cash £721.3 million), excluding lease liabilities of £34.0 million (2020: £49.7 million) payable to MHE JVCo Limited, a company incorporated in England and Wales in which the Group holds a 50% interest. £4.4 million (2020: £5.3 million) of the Group's cash and cash equivalents is considered to be restricted, and is not available to circulate within the Group on demand.

Reconciliation of net cash flow with movement of net cash

	52 weeks ended 28 November 2021 £million	52 weeks ended 29 November 2020 £million
Net (decrease)/increase in other treasury deposits	**(370.0)**	260.0
Net (decrease)/increase in cash and cash equivalents	**(238.2)**	1,066.2
Net increase in borrowings and lease liabilities	**(430.9)**	(724.3)
Non-cash movements		
– Terminations/(Assets) acquired under leases	**7.7**	(72.7)
Movement of net cash in period	**(1,031.4)**	529.2
Net cash at beginning of period	**671.6**	142.4
Net (debt)/cash at end of period	**(359.8)**	671.6

4.4 Finance income and costs

	52 weeks ended 28 November 2021 £million	52 weeks ended 29 November 2020 £million
Interest income on cash balances	**1.0**	5.2
Interest income on loans receivable	**0.6**	0.3
Gain on revaluation of equity investments designated at FVTPL	**8.4**	-
Finance income	**10.0**	5.5
Interest expense on borrowings	**(52.7)**	(40.9)
Interest expense on lease liabilities	**(18.0)**	(14.7)
Interest expense on provisions	**(0.9)**	(0.3)
Foreign exchange gain/(loss)	**19.3**	(2.4)
Finance costs	**(52.3)**	(58.3)
Net finance cost	**(42.3)**	(52.8)

4.5 Financial instruments

The Group has categorised its financial instruments as follows:

28 November 2021	Notes	**Amortised cost £million**	**FVTPL £million**	**FVTOCI £million**	**Total £million**
Financial assets					
Other financial assets	3.6	**13.6**	**168.6**	**30.4**	**212.6**
Trade receivables		**124.6**	**-**	**-**	**124.6**
Other receivables and accrued income		**130.4**	**-**	**-**	**130.4**
Cash and cash equivalents		**1,468.6**	**-**	**-**	**1,468.6**
Contract assets	2.2	**0.3**	**-**	**-**	**0.3**
Derivative assets		**-**	**9.9**	**-**	**9.9**
Total financial assets		**1,737.5**	**178.5**	**30.4**	**1,946.4**
Financial liabilities					
Trade payables		**(93.6)**	**-**	**-**	**(93.6)**
Accruals and other payables		**(285.5)**	**-**	**-**	**(285.5)**
Senior unsecured notes	4.1	**(494.6)**	**-**	**-**	**(494.6)**
Senior unsecured convertible bonds	4.1	**(805.3)**	**-**	**-**	**(805.3)**
Lease liabilities	4.2	**(528.4)**	**-**	**-**	**(528.4)**
Total financial liabilities		**(2,207.3)**	**-**	**-**	**(2,207.3)**

4.5 Financial instruments (continued)

29 November 2020	Notes	Amortised cost £million	FVTPL £million	FVTOCI £million	Total £million
Financial assets					
Other financial assets	3.6	380.8	176.0	12.0	568.8
Trade receivables		104.5	-	-	104.5
Other receivables and accrued income (restated[1])		66.2	-	-	66.2
Cash and cash equivalents		1,706.8	-	-	1,706.8
Contract assets	2.2	0.4	-	-	0.4
Derivative assets		-	0.2	-	0.2
Total financial assets		2,258.7	176.2	12.0	2,446.9
Financial liabilities					
Trade payables		(139.4)	-	-	(139.4)
Accruals and other payables		(252.4)	-	-	(252.4)
Senior secured notes	4.1	(220.8)	-	-	(220.8)
Senior unsecured convertible bonds	4.1	(776.4)	-	-	(776.4)
Other borrowings	4.1	(0.2)	-	-	(0.2)
Lease liabilities	4.2	(407.8)	-	-	(407.8)
Derivative liabilities		-	(0.3)	-	(0.3)
Total financial liabilities		(1,797.0)	(0.3)	-	(1,797.3)

Derivative financial instruments are held at FVTPL, but where they are hedging instruments, related gains and losses are recognised in other comprehensive income.

Impairment of financial assets

Assets held at amortised cost

The Group has elected to apply the simplified approach to measuring expected credit losses under IFRS 9 “Financial Instruments”, using a lifetime expected credit loss provision for trade receivables.

Financial assets and liabilities at fair value

The Group uses the following hierarchy for determining and disclosing the fair value of its financial instruments:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the assets or liabilities that are not based on observable market data (level 3).

4.5 Financial instruments (continued)

Set out below is a comparison by category of carrying amounts and fair values of all financial instruments that are included in the financial statements:

	Notes	28 November 2021 Carrying amount £million	28 November 2021 Fair value £million	29 November 2020 (restated[1]) Carrying amount £million	29 November 2020 (restated[1]) Fair value £million
Financial assets					
Other financial assets		**212.6**	**212.6**	568.8	568.8
Trade receivables		**124.6**	**124.6**	104.5	104.5
Other receivables and accrued income		**130.4**	**130.4**	66.2	66.2
Cash and cash equivalents		**1,468.6**	**1,468.6**	1,706.8	1,706.8
Contract assets	2.2	**0.3**	**0.3**	0.4	0.4
Derivative assets		**9.9**	**9.9**	0.2	0.2
Total financial assets		**1,946.4**	**1,946.4**	2,446.9	2,446.9
Financial liabilities					
Trade payables		**(93.6)**	**(93.6)**	(139.4)	(139.4)
Accruals and other payables		**(285.5)**	**(285.5)**	(252.4)	(252.4)
Senior unsecured notes	4.1	**(494.6)**	**(488.1)**	-	-
Senior secured notes	4.1	**-**	**-**	(220.8)	(230.1)
Senior unsecured convertible bonds	4.1	**(805.3)**	**(805.3)**	(776.4)	(776.4)
Other borrowings	4.1	**-**	**-**	(0.2)	(0.2)
Lease liabilities	4.2	**(528.4)**	**(528.4)**	(407.8)	(407.8)
Derivative liabilities		**-**	**-**	(0.3)	(0.3)
Total financial liabilities		**(2,207.4)**	**(2,200.9)**	(1,797.3)	(1,806.6)

The fair values of other financial assets, cash and cash equivalents, receivables and payables are assumed to approximate to their carrying values but for completeness are included in this analysis.

The fair value of the senior unsecured notes is determined based on the quoted price in the active market. The carrying value in the table above is stated after deduction of issue costs of £8.4 million.

The fair values of all other financial assets and liabilities have been calculated using discounted cash flows or the venture capital method.

Financial assets and liabilities held at fair value have been valued as follows:

28 November 2021	Notes	**Level 1 £million**	**Level 2 £million**	**Level 3 £million**	**Total £million**
Financial assets held at fair value					
Contingent consideration receivable	3.6	-	-	156.7	156.7
Unlisted equity investments	3.6	-	-	31.4	31.4
Convertible loan to associate	3.6	-	-	10.9	10.9
Derivative assets		-	0.4	9.6	10.0
Total financial assets held at fair value		-	0.4	208.6	209.0
Financial liabilities held at fair value					
Derivative liabilities		**-**	**-**	**-**	**-**
Total financial liabilities held at fair value		**-**	**-**	**-**	**-**

4.5 Financial instruments (continued)

29 November 2020	Notes	Level 1 £million	Level 2 £million	Level 3 £million	Total £million
Financial assets held at fair value					
Contingent consideration receivable	3.6	-	-	173.6	173.6
Unlisted equity investments	3.6	-	-	12.7	12.7
Convertible loan to associate	3.6	-	-	1.7	1.7
Derivative assets		-	0.2	-	0.2
Total financial assets held at fair value		-	0.2	188.0	188.2
Financial liabilities held at fair value					
Derivative liabilities		-	(0.3)	-	(0.3)
Total financial liabilities held at fair value		-	(0.3)	-	(0.3)

Changes in the fair values of financial instruments categorised in level 3 are as follows:

	Notes	**Contingent consideration receivable £million**	**Unlisted equity investments £million**	**Loans receivable £million**	**Derivative assets £million**	**Total £million**
Balance at 1 December 2019		**169.1**	**6.8**	**-**	**-**	**175.9**
Recognised during period		-	0.7	1.7	-	2.4
Cash received		(2.9)	-	-	-	(2.9)
Gains recognised in profit or loss	2.3	7.4	-	-	-	7.4
Gains recognised in other comprehensive income	4.6	-	5.2	-	-	5.2
Balance at 29 November 2020		173.6	12.7	1.7	-	188.0
Recognised during period		**-**	**11.2**	**-**	**-**	**11.2**
Cash paid/(received)		**(33.8)**	**11.4**	**10.3**	**-**	**(12.1)**
Gains/(losses) recognised in profit or loss	2.3	**16.9**	**-**	**(1.7)**	**9.6**	**24.8**
Interest recognised in finance income	4.4	**-**	**-**	**0.6**	**-**	**0.6**
Gains/(losses) recognised in other comprehensive income	4.6	**-**	**(3.9)**	**-**	**0.4**	**(3.5)**
Balance at 28 November 2021		**156.7**	**31.4**	**10.9**	**10.0**	**209.0**

4.5 Financial instruments (continued)

The following table provides information about how the fair values of financial instruments categorised in level 3 are determined:

Description	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity of the fair value measurement to input
Contingent consideration receivable	Discounted cash flow Expected cash in-flows are estimated based on the terms of the share purchase agreements and the Group's expectations of future performance and meeting financial and operational targets.	Discount rate of 8.4% Expected cash in-flows of £195.7 million	An increase in the discount rate of 1% would decrease the fair value by £3.9 million. Management does not consider that the value of expected future cash in-flows will change materially during the next 12 months.
Unlisted equity investments and derivative assets (warrants) - Oxbotica Limited	Probability weighted expected return method ("PWERM") Forecasted revenue, revenue multiples, exit date, discount rate and probabilities	Probabilities of expected revenue in five different scenarios	An increase in probability percentage of 5% spread across the higher case scenarios and decrease of the same percentage in the lower case scenario would increase the fair value of unlisted equity investments and derivative assets by £1.0 million and £0.9 million, respectively.
Warrant to subscribe for additional shares - 80 Acres Urban Agriculture, Inc.	Undiscounted, estimate based valuation	Probabilities of various future valuations of 80 Acres	The value of the warrants is dependent on the future valuation of 80 Acres; as at the year-end we ascribe nil value to the warrants, as there is currently insufficient evidence to support a higher valuation. Assuming full vesting of the warrants, a 10% increase in the valuation of 80 Acres would result in a $1.5m (undiscounted) valuation to the warrants.
Unlisted equity investments - Paneltex Limited	Market approach along with a capitalisation of earnings approach Forecasted EBITDA, EBITDA multiples and discount rates	Discount rate of 14.4%, EBITDA multiple of 4.7 Expected long-term growth rate of EBITDA of 2.2%	An increase in the EBITDA multiple of 0.3x and 5% increase in forecasted EBITDA would increase the fair value by £0.6 million.
Loans receivable and derivative assets (warrants) - Wayve Technologies Limited	Probability-weighted expected return method Conversion/exercise dates, discount rate and probabilities	Probabilities of conversion dates in four different scenarios and discount rate	An increase in discount rate of 3% and a 5% increase in the probability of fund raise nearer to FY21 would increase the fair value of the loans receivable and derivative assets aggregating to £0.1 million.

The consideration due from Marks and Spencer Holdings Limited ("M&S") relating to the part-disposal of Ocado Retail Limited ("Ocado Retail"), valued at £152.6 million (2020: £170.7 million), comprises one amount, which will become payable if Ocado Retail's adjusted EBITDA reaches a pre-agreed level for the 2023 financial year. Both the Group and M&S fully expect the whole amount to become payable, and this has been reflected in the calculation of fair value.

The consideration due from Next Holdings Limited relating to the disposal of Marie Claire Beauty Limited ("Fabled"), valued at £4.1 million (2020: £2.9 million), is based on an "earn-out" agreement whereby the Group will receive sums in proportion to Fabled's future sales.

4.6 Share capital and reserves

Share capital and reserves

At the reporting date, the number of ordinary shares available for issue under the Block Listing Facilities was 7,259,291 (2020: 9,278,146). 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 £million	Share premium £million
Balance at 1 December 2019	709.2	14.2	705.3
Issue of ordinary shares	34.3	0.7	645.6
Allotted in respect of share option schemes	4.6	0.1	10.7
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**

Included in the total number of ordinary shares outstanding above are 10,454,148 (2020: 10,587,150) 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 Value Creation Plan ("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 2.4, since the basic loss per share is calculated using the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

The movements in reserves other than share premium and retained earnings are set out below:

		Other reserves					
	Treasury shares reserve £million	Reverse acquisition reserve £million	Convertible bonds reserve £million	Merger reserve £million	Translation reserve £million	Fair value reserve £million	Hedging reserve £million
Balance at 1 December 2019	(113.6)	(116.2)	-	-	(0.4)	4.9	(0.5)
Gain arising on cash flow hedges	-	-	-	-	-	-	0.4
Foreign exchange loss on translation of foreign subsidiaries and joint venture	-	-	-	-	(0.9)	-	-
Gain on equity investments designated as at fair value through other comprehensive income	-	-	-	-	-	5.2	-
Disposal of treasury shares on exercise by participants	0.3	-		-	-	-	-
Disposal of unallocated treasury shares	0.1	-	-	-	-	-	-
Issue of convertible bonds	-	-	184.5	-	-	-	-
Additional investment in Jones Food Company Limited	-	-	-	-	-	(0.1)	-
Balance at 29 November 2020	(113.2)	(116.2)	184.5	-	(1.3)	10.0	(0.1)
Gain arising on cash flow hedges	-	-	-	-	-	-	0.4
Foreign exchange gain/(loss) on translation of foreign subsidiaries and joint venture	-	-	-	-	(10.5)	-	-
Foreign exchange gain on translation of foreign joint venture reclassified to profit or loss	-	-	-	-	0.8	-	-
Loss on equity investments designated as at fair value through other comprehensive income	-	-	-	-	-	(3.9)	-
Disposal of treasury shares on exercise by participants	0.1	-	-	-	-	-	-
Disposal of unallocated treasury shares	0.1	-	-	-	-	-	-
Acquisition of Haddington Dynamics Inc.	-	-	-	6.2	-	-	-
Balance at 28 November 2021	(113.0)	(116.2)	184.5	6.2	(11.0)	6.1	0.3

4.6 Share capital and reserves (continued)

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 Value Creation Plan ("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 VCP. Participants' interests in unexercised shares held by participants are not included in the calculation of treasury shares.

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 29 November 2021 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.

£600.0 million of senior unsecured convertible bonds were issued in December 2019, with £107.1 million being recognised in the convertible bonds reserve. Another £350.0 million of senior unsecured convertible bonds were issued in June 2020, with £77.4 million being recognised in the convertible bonds reserve.

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.

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:

	28 November 2021 £million	29 November 2020 £million
Land and buildings	**0.2**	6.9
Property, plant and equipment	**374.0**	321.8
Capital commitments	**374.2**	328.7

Of the total capital expenditure committed at the end of the period, £348.9 million relates to new CFCs (2020: £288.5 million), £1.0 million to existing CFCs (2020: £2.5 million), £7.7 million to fleet costs (2020: £1.0 million) and £6.9 million to technology projects (2020: £36.4 million).

Lease commitments

The Group has a number of short-term leases and leases of low-value items. The payments relating to these leases are recognised as expenses in the Consolidated Income Statement on a straight-line basis over the lease terms (see note 4.2).

5.2 Related party transactions

Key management personnel

Only 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 28 November 2021 £million	52 weeks ended 29 November 2020 £million
Salaries and other short-term employee benefits	**5.4**	5.7
Share-based payments	**16.2**	17.7
Aggregate emoluments	**21.6**	23.4

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 £72,000 (2020: £nil). 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 amounted to £nil (2020: £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 (2020: £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 Limited ("MHE JVCo"), a company incorporated in England and Wales in which the Group holds a 50.0% interest:

	52 weeks ended 28 November 2021 £million	52 weeks ended 29 November 2020 £million
Dividend received from MHE JVCo	**7.6**	7.7
Supplier invoices paid on behalf of MHE JVCo	**2.5**	2.3
Capital element of lease liability instalments due to MHE JVCo	**1.4**	1.3
Capital element of lease liability instalments paid to MHE JVCo	**15.6**	14.9
Interest element of lease liability instalments accrued or paid to MHE JVCo	**2.1**	3.0

During the period, the Group incurred lease instalments (including interest) of £17.8 million (2020: £18.0 million) to MHE JVCo.

Of the £17.8 million, £9.0 million was recovered directly from Wm Morrisons Supermarkets plc in the form of other income (2020: £9.0 million), and £7.7 million was received from MHE JVCo by way of a dividend (2020: £7.7 million). Of the remaining £1.2 million, £nil represents the capital element of the lease liability instalments due to MHE JVCo (2020: £nil), and £1.2 million interest incurred on the lease liabilities due to MHE JVCo (2020: £1.3 million).

Included within trade and other receivables is a balance of £0.2 million due from MHE JVCo (2020: £0.6 million). £0.2 million of this relates to capital recharges (2020: £0.6 million).

Included within trade and other payables is a balance of £1.8 million due to MHE JVCo (2020: £1.8 million).

Included within lease liabilities is a balance of £34.0 million due to MHE JVCo (2020: £49.7 million).

Associate

Karakuri Limited

During the prior period, the Group lent £1.7 million to Karakuri Limited ("Karakuri"), a company incorporated in England and Wales in which the Group holds a 26.3% interest. The loan was recognised within other financial assets, and its carrying amount was £1.9 million (2020: £1.7 million) at the reporting date. £152,000 of interest income was recognised within finance income during the period (2020: £17,000). Karakuri also issued warrants to Ocado to subscribe for additional shares in the future. The warrants expire in 2024. For more details on the Group's relationship with Karakuri. For more details on the terms of the loan, see note 3.6.

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

5.3 Post Balance Sheet Events

Autostore litigation

On 1 October 2020, AutoStore Technology AS ("AutoStore"), a Norwegian company then owned by the United States private equity firm Thomas H. Lee Partners, L.P., filed patent infringement claims against the Group in the High Court in England, the United States International Trade Commission, and the United States District Court for the Eastern District of Virginia. The Group initially learned of the filing of these claims through the media. Once the position had been examined we notified the market that we did not believe Ocado had infringed any valid patent rights of AutoStore.

Later that month AutoStore applied to the United Kingdom Intellectual Property Office claiming ownership of several of the Group's patents relating to elements of the OSP system. The UK IPO declined to hear the entitlement application, with the consent of both parties, and Autostore subsequently filed the same claim in the High Court. No directions hearing has yet taken place in respect of that claim, and we do not expect it to come to trial before 2023.

5.3 Post Balance Sheet Events (continued)

The Group's initial analysis on patent infringement still holds true. We are confident in the merits of our defences and in the integrity of our existing portfolio of IP, together with the disciplined approach taken to building our capabilities over the last 20 years. We have taken appropriate action to defend against these claims and to protect our own intellectual property rights.

The Group has subsequently brought two separate proceedings against AutoStore in the United States: the first a patent infringement claim; the second an antitrust claim. In the antitrust claim, the Group has alleged, based on the evidence available, that four of the five AutoStore patents on which AutoStore has based its case were procured fraudulently from the United States Patent and Trademark Office.

The Group filed Opposition proceedings in the EPO against all six of the Autostore patents asserted against us in the UK Proceedings. Three of the six patents have thus far been revoked by the EPO, two have been maintained (one only on condition that narrowing amendments were made) and the final patent will not be considered until the end of 2022. On 21 January 2021, proceedings by AutoStore and another party to declare invalid Ocado's European patent for its Single Space Bot (part of the OSP system) was rejected by the European Patent Office, and the patent was declared to be novel, inventive and valid. A further attempt by Autostore to invalidate an Ocado patent on the communications element of the OSP system failed in June 2021, and our patent was maintained as granted.

On 13 December 2021, the judgment of the Chief Administrative Law Judge in the International Trade Commission was delivered in favour of Ocado. He held that three of the four AutoStore patents asserted against Ocado were invalid, and the fourth patent was not infringed. A fifth patent was abandoned by AutoStore on the eve of the hearing. The judge's findings have been appealed to the full ITC. The final ITC decision will not be issued until April 2022, however Ocado continues to have confidence in the merits of its position and the correctness of the judge's findings. Separately, Ocado actively continues to pursue its claims against AutoStore for infringement of Ocado's patents in both the United States and Europe.

AutoStore's UK High Court infringement claim was based on 6 patents asserted against Ocado, covering three different inventions (patent families). On 14 January 2022, 15 months after starting the claim and 2 months before the trial, AutoStore abandoned their infringement claim in relation to two of their three patent families (three of the six patents). Ocado's counterclaim for declarations of invalidity in relation to all six patents however remains in the case. In addition we will be seeking to recover our wasted costs in relation to the abandoned part of their claim, which are expected to be several million pounds.

The trial is scheduled to begin in the High Court in two parts, on 18 March and 28 March respectively. Autostore applied in late January to add two more patents to their claim, one being a further member of the last remaining patent family in the case and the other being an unrelated patent. These two patents will be heard in a much later trial, which we expect will not take place until some time in 2023.

Ocado filed claims against three Autostore companies in District Courts in Germany, alleging infringement by them of Ocado Utility Model intellectual property rights (a form of IP that exists in Germany but not in the UK). Autostore then filed an application to declare the Utility Models invalid. The German system is bifurcated in that the question of validity of IP rights is adjudicated separately, in a different forum, from the question of infringement of those rights. Our infringement claims have been stayed pending the determination of the validity hearings.

Legal and other costs have been incurred to defend against AutoStore's claims and to file the Group's claims.

Given the ongoing nature of this litigation and its multiple forums, the outcome is uncertain and the financial impact is not currently quantifiable, and so the Group has not recognised a contingent asset nor a contingent liability.

Update on convertible loan note with Wayve Technologies Limited

On 7 January 2022, Wayve Technologies Limited ("Wayve"), a company in which the Group holds a minority interest, successfully completed its Series B Fundraising. This resulted in the Group's convertible loan note converting into equity. There is no impact on the Group's warrants in Wayve. Following the conversion of the notes, the Group holds 2.17% of the total issued share capital of Wayve.

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; and
- External gross debt.

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 to the consolidated financial statements.

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 on page 30.

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 to the consolidated financial statements.

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 2.2 to the consolidated financial statements.

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 28 November 2021 £million	52 weeks ended 29 November 2020 £million
Retail gross profit	**737.5**	665.1
UK Solutions & Logistics gross profit	**710.4**	653.9
International Solutions gross profit	**57.5**	9.6
Other gross profit	**(1.0)**	(0.9)
Group eliminations gross profit	**(568.5)**	(527.7)
Reported gross profit	**935.9**	800.0

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 28 November 2021 £million	52 weeks ended 29 November 2020 £million
Retail other income	**84.8**	70.0
UK Solutions & Logistics other income	**3.5**	3.8
International Solutions other income	**0.6**	-
Other income	**15.2**	14.3
Group eliminations other income	**-**	(0.5)
Reported other income	**104.1**	87.6

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 28 November 2021 £million	52 weeks ended 29 November 2020 (restated[1]) £million
Retail distribution costs and administrative expenses	**671.9**	586.6
UK Solutions & Logistics distribution costs and administrative expenses	**645.4**	613.3
International Solutions distribution costs and administrative expenses	**177.4**	93.0
Other distribution costs and administrative expenses	**49.4**	48.9
Group eliminations distribution costs and administrative expenses	**(567.4)**	(528.2)
Depreciation, amortisation, impairment and other central costs	**238.4**	168.9
Reported distribution costs and administrative expenses	**1,215.1**	982.5

	52 weeks ended 28 November 2021 £million	52 weeks ended 29 November 2020 (restated[1]) £million
Reported distribution costs	**666.7**	623.7
Reported administrative expenses	**548.4**	358.8
Reported distribution costs and administrative expenses	**1,215.1**	982.5

1. During the period, Ocado Group plc ("the Group") implemented a new Enterprise Resource Planning ("ERP") system, a business analytics solution used for analysis, reporting and collaboration. As part of the implementation process, the Group reviewed the categorisation of certain prior year costs and made the following reclassifications: cost of sales (£13.9 million increase), distribution costs (£29.7 million decrease) and administrative expenses (£15.8 million increase).

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 4.3 to the consolidated financial statements.

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:

	28 November 2021 £million	29 November 2020 £million
Gross debt	**1,828.4**	1,405.2
Less: Lease liabilities payable to joint venture	**(34.0)**	(49.7)
External gross debt	**1,794.4**	1,355.5

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