Contents

Financial Statements.

Independent Auditor's Report

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Ocado Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 27 November 2022 and of the group's loss for the 52-week period then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statements; and
- the related notes 1.1 to 5.5 of the consolidated financial statements and 1.1 to 5.2 of the parent company financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 2.4 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: - Capitalisation of staff costs - Valuation of contingent consideration receivable from Marks and Spencer Group plc ("M&S") - Commercial income: promotional allowances and volume-related rebates Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £25.0m, which was determined on the basis of an asset metric, which equates to 0.5% of total assets excluding goodwill as the primary benchmark.
Scoping	The scope of the group audit includes the significant trading companies in the UK, and the performance of specified audit procedures on certain balances in the Solutions entities including capitalised staff costs, revenue and contract liabilities. When taken together the results of these entities account for over 99% of the group's revenue and 98% of the group's property, plant and equipment, right-of-use assets and intangible assets excluding goodwill. We have performed analytical procedures on the remaining entities.
Significant changes in our approach	In the current period we have identified two new key audit matters: the capitalisation of staff costs, and the valuation of contingent consideration receivable from M&S. Refer to pages 183 and 184 respectively for further detail. Accounting for Solutions contracts revenue has not been identified as a key audit matter in the current period, having previously been considered a key audit matter, because we are satisfied there is limited scope for management manipulation or error relating to the timing of the go-live of Customer Fulfilment Centres. Impairment of capitalised project costs has also not been identified as a key audit matter this year because the judgement relating to the impairment process is not significant in the current period. We have revised our assessment of the primary benchmark used to determine materiality. In the current period we have used an asset metric, rather than revenue, as a more appropriate primary benchmark because we consider that such a basis provides a good reflection of the expansion of the Solutions business, which in turn is a key driver of future revenue growth.

Independent Auditor's Report
continued

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- understanding the detailed steps of the forecasting process through enquiries with management and inspection of the underlying models, including obtaining a detailed understanding of key controls over the budget and forecast;
- assessing the arithmetic accuracy of the models used to prepare the group's base case forecast and related scenarios;
- challenging the reasonableness of the detailed assumptions underpinning the group's forecasts including considering the current economic environment;
- comparing and assessing the historical accuracy of forecasts against previous performance;
- assessing management's considerations of reasonably possible scenarios and their impact on the group's forecasts and performing additional sensitivity scenario analysis;
- assessing the level of resources available to the group as a result of the equity raise and revolving credit facility entered into during the year;
- considering the timing of repayments for existing bonds;
- considering the impact of potential mitigating actions available, such as reducing capital expenditure; and
- assessing the sufficiency of the group's disclosure concerning going concern and potential uncertainties arising.

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

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Capitalisation of staff costs

Key audit matter description	The group continues to invest in the development of the Ocado Smart Platform and associated software, as well as in establishing Customer Fulfilment Centres ("CFCs") for Solutions customers. In doing so significant internal labour costs are incurred, which are capitalised as internally-generated intangible assets or capitalised as a component of property, plant and equipment as directly attributable costs. As described in note 3.3 and 3.4 to the financial statements £117.5m (2021: £95.6m) and £63.9m (2021: £35.0m) of internal labour costs were capitalised in the period as intangible assets and property, plant and equipment respectively. Determining whether the cost of internal labour meets capitalisation criteria requires significant judgement based on the requirements of IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment. The amount being capitalised has increased since the prior period largely due to the development of new technologies and the increase in the number of CFCs being constructed for customers. In addition, as EBITDA is an alternative performance measure of interest to the users of the financial statements, there is a potential incentive for management to exhibit bias in considering whether to capitalise staff time given that the amortisation and depreciation of such costs are excluded from this key metric, and items which are not capital in nature must be expensed as costs are incurred. We therefore consider the inappropriate capitalisation of labour costs to be a potential fraud risk as well as a key audit matter. Further information related to this area is set out in the Audit Committee report on page 137, and in notes 3.3 and 3.4 to the group financial statements.
How the scope of our audit responded to the key audit matter	To address the risk that capitalised staff costs are overstated due to inappropriate capitalisation, our audit procedures included: - obtaining a detailed understanding of relevant controls, such as those which are designed to ensure that only staff costs that meet capitalisation criteria under IAS 38 or IAS 16 are approved as capital in nature; - selecting a sample of internal projects with capitalised staff time and challenging whether these projects meet the requirements of IAS 38 or IAS 16, including obtaining a detailed understanding of the nature of the sampled projects, their purpose and benefits; - for each selected project, tracing a sample of employees from timesheet records to payroll reports to assess whether the labour cost capitalised appropriately correlates to the costs incurred by the business; and - enquiring with a sample of individuals who have charged time to the projects to understand the nature of their tasks and activities within the selected projects and evaluating whether these meet capitalisation criteria under IAS 38 or IAS 16.
Key observations	We are satisfied that the capitalisation of staff costs during the period is appropriate.

Independent Auditor's Report
continued

5.2. Valuation of contingent consideration receivable from M&S

Key audit matter description	As described in note 3.7 to the financial statements, the sale of 50% of Ocado Retail Limited ("ORL") to M&S in August 2019 included deferred consideration of £156.3m plus interest that is contingent on ORL achieving certain performance targets in the financial year to November 2023 (FY23). This is based on the contractual terms and the outcome is binary: if the measure is not met or exceeded, no amount is payable by M&S to the group. In accordance with IFRS 9 Financial Instruments, the financial asset is measured at fair value. This reflects the value a third party would pay to receive the benefit of the contract. The contractual terms with M&S also allow for adjustments to the conditions based on actions taken by ORL subsequent to the agreement of the performance conditions in 2019. The group has valued the receivable at £95.0m (2021: £152.6m). In valuing the receivable, the group has considered the requirements of IFRS 13 Fair Value Measurement and has developed a scenario-based model that results in an expected value of the asset, which has then been discounted to allow for the expected period of time until the cash may be received from M&S. The scenarios contemplated a number of different outcomes of both business performance and adjustments made to the performance target. The recent economic environment has resulted in increased levels of complexity and judgement in determining the fair value, compared with prior periods, and we consider there to be a risk of fraud given the potential incentive for management to overstate their expected outcome, which may seek to influence any future negotiations with M&S regarding the settlement of this contingent consideration. Further information related to this area is set out in the Audit Committee report on page 137, and in notes 1.4 and 3.7 to the group financial statements.
How the scope of our audit responded to the key audit matter	To address the risk that the contingent consideration receivable is inappropriately valued, our procedures included: ' obtaining a detailed understanding of the relevant controls over management's estimation methodology; ' inspecting the terms of the share purchase agreement and shareholders' agreement to identify clauses that would be relevant to determining a fair value for the contingent consideration receivable; ' holding partner-led enquiries with senior management and the group's external legal advisors to enhance our understanding and interpretation of the contracts, and to search for evidence that may be contradictory to the judgements adopted by management; ' involving valuations specialists, and considering appropriate valuation techniques in order to challenge the methodology adopted by management; ' with the support of valuation specialists, developing an independent auditor range through the design and development of an option pricing model and comparing this with the group's valuation. In doing so, we have considered the possible scenarios modelled by management, and exercised professional scepticism, given the degree of subjectivity in the determination of the post-adjustment performance measure; and ' assessing the group's disclosures, in particular with reference to the requirements relating to estimation uncertainty in IAS 1 and the fair value disclosures required under IFRS 13.
Key observations	We are satisfied that the group's valuation of contingent consideration receivable is materially appropriate. We consider that the disclosures made around the level of uncertainty appropriately reflect reasonably possible future changes to the estimated valuation.

5.3. Commercial income: promotional allowances and volume-related rebates

Key audit matter description	As described in note 2.4 of the financial statements, the UK retail business has agreements whereby promotional allowances and volume-related rebates are received from suppliers in connection with the purchase of goods for resale, which are recorded as deductions to cost of sales. Identifying the performance conditions and determining the appropriate accounting for such agreements is a complex exercise due to the variety of terms and volume of transactions. Judgement is therefore required in determining when income should be recognised, which gives rise to the potential for manipulation and bias. This could also affect the accrued income positions in the last quarter of the period. As such we have identified this as a key audit matter and a potential fraud risk.
How the scope of our audit responded to the key audit matter	To address the risk that promotional allowances and volume-related rebates have not been appropriately and accurately recorded, our procedures included: ' obtaining a detailed understanding of relevant controls in the commercial income process; ' independently requesting a sample of supplier confirmations to validate the amounts recorded throughout the period and on the balance sheet at period end. Where responses were not received, we performed alternative procedures including inspecting management's correspondence with the supplier, recalculating the amount of commercial income from the arrangement, and assessing the volume and value of credit notes raised post-period end; ' testing a sample of amounts transferred from accounts receivables to accounts payable during the netting process to assess whether the group have obtained the rights to settlement; ' assessing the recoverability of a sample of unsettled balances included on the balance sheet for valuation and allocation; and ' conducting enquiries with senior personnel outside the finance function, for example legal counsel, on matters relating to compliance with the Groceries Supply Code of Practice ("GSCOP") and controls in the commercial income process, in order to identify any areas where further investigation may be required.
Key observations	We are satisfied that the promotional allowances and volume-related rebates have been accounted for appropriately.

Independent Auditor's Report
continued

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£25.0 million (2021: £20.0 million)	£22.5 million (2021: £18.0 million)
Basis for determining materiality	We determined materiality based on an asset metric, which equates to 0.5% of total assets excluding goodwill as the primary benchmark. We also considered revenue as a supporting benchmark. For the 2021 year end, materiality was determined based on 0.8% of revenue and materiality represented 0.5% of total assets excluding goodwill.	Parent company materiality is determined on the basis of net assets, which is capped at 90% (2021: 90%) of group materiality.
Rationale for the benchmark applied	We determined materiality principally based on an asset metric as we consider this the most relevant proxy for the expansion and roll-out of the Solutions business. However, we also considered revenue as a supporting benchmark as this measure reflects current group performance – in particular, the performance of the ORL business. The overall increase in materiality compared to the prior year is as a result of this change, in particular the increase in capital expenditure in the Solutions business.	The parent company's principal activities include holding investments in other group companies and incurring costs and liabilities on behalf of the group, including borrowings. As a result, we considered net assets to be the most relevant benchmark on which to base materiality.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	65% (2021: 65%) of group materiality	65% (2021: 65%) of parent company materiality
Basis and rationale for determining performance materiality	In the current period we determined that maintaining performance materiality at 65% of group materiality was appropriate by considering: ' management's continued willingness to investigate and correct misstatements identified in the audit; and ' the ongoing finance transformation programmes implemented by management to enhance the quality, consistency and rigour of the control environment. See further detail in the Report of the Chair of the Audit Committee on page 132.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.25 million (2021: £1.0 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The scope of our group audit was largely consistent with the prior period, covering all significant trading companies in the UK, including ORL, which is controlled and consolidated by the group. Furthermore, we performed specified audit procedures on certain balances in the Solutions entities including capitalised staff costs, revenue and contract liabilities. The results of these entities account for over 99% of the group's revenue and 98% of the group's property, plant and equipment, right-of-use assets and intangible assets excluding goodwill.

For the entities not subject to detailed audit work, we tested the consolidation process and conducted analytical procedures to confirm our conclusion that there were no material misstatements in the aggregated financial information. All audit work relevant to the group audit was conducted by the group and ORL audit teams based in London. The group audit partner attended key meetings with the ORL audit team and ORL management.

7.2. Our consideration of the control environment

We have tested and relied on the relevant manual and automated controls in the inventory process of ORL. Members of the ORL audit team visited three CFCs and one General Merchandise Distribution Centre (GMDC) to test controls relevant to grocery inventory existence, and we involved IT specialists to evaluate controls over the key warehouse IT systems. There have been improvements to IT controls during the period, to address deficiencies identified in 2021, which enabled us to obtain reliance over specific automated controls which address the existence of grocery inventory. We also involved IT specialists to test the general IT controls over key financial reporting systems such as Oracle R12, Oracle Fusion and Webshop.

We have tested the key manual controls over UK retail revenue recognition, but have not tested automated controls in this process as a result of known general IT control deficiencies. We did not plan to take a controls reliant approach on any balance or business cycle other than grocery inventory existence this year given the programme of on-going system and control remediation in respect of certain financial reporting programmes and processes. Further details on the Evolve programme are included in the Audit Committee report on page 132.

7.3. Our consideration of climate-related risks

In planning our audit we considered management's assessment of climate change on the operations of the group and the potential impact on the group's financial statements. The risk consideration process management have undertaken is set out in the Environment and Natural Resources section of the strategic report (see pages 46 to 57). In conjunction with our climate risk specialists we have held discussions with management to understand and evaluate their process for determining the impact of these risks on the group and its financial statements, management's consideration is included within note 1.4. We assessed the completeness of the risks identified.

We have involved climate change specialists in reading the disclosures made in relation to climate change in the other information within the Annual Report, and considered whether they are materially consistent with the financial statements and our knowledge from our audit. Our responsibility over other information is further described in the "Other information" section of our report. We have not been engaged to provide assurance over the accuracy of these disclosures.

8. Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report
continued

9. Responsibilities of directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

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

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit, the legal function including the group's General Counsel and Chief Compliance Officer, the Chief Executive Officer and Chief Financial Officer of the group and of the ORL businesses, and the Audit Committee at group and at ORL about their own identification and assessment of the risks of irregularities;
- the changes to the control environment resulting from the group's continued transformation agenda;
- the ongoing series of claims filed by AutoStore Technology AS and the counter-claims filed by the group referred to in the Finance Review on pages 70 to 85 and in note 3.14 to the financial statements;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the group and ORL audit engagement teams involving relevant internal specialists, including IT, tax, impairment and fraud specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: inappropriate capitalisation of staff costs, commercial income: promotional allowances and volume-related rebates and valuation of the contingent consideration receivable from M&S. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. The key laws and regulations we considered in this context are the Groceries Supply Code of Practice.

11.2. Audit response to risks identified

As a result of performing the above, we identified the following key audit matters related to the potential risk of fraud: 1) capitalisation of staff costs, 2) valuation of contingent consideration receivable from M&S, and 3) commercial income: promotional allowances and volume-related rebates. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports;
- challenging management's assessment that no contingent liability or asset should be recognised, including in relation to claims filed by AutoStore, (our work included holding detailed discussions with group General Counsel and external legal counsel, and performing procedures to consider whether there was any contradictory evidence); and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditor's Report
continued

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on 98;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 98;
- the directors' statement on fair, balanced and understandable set out on page 178;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 86 to 95;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 140; and
- the section describing the work of the audit committee set out on pages 132 to 143.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 3 May 2017 to audit the financial statements for the 52-week period ending 3 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years, covering the 52-week period ending 3 December 2017 to 27 November 2022.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

David Griffin FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

28 February 2023

FINANCIAL STATEMENTS
Contents
OCADO GROUP PLC Annual Report and Accounts 2022

Contents

Consolidated Income Statement
for the 52 weeks ended 27 November 2022

		52 weeks ended 27 November 2022			52 weeks ended 28 November 2021		
	Notes	**Results before exceptional items Ⓐ £m**	**Exceptional items Ⓐ (note 2.6) £m**	**Total £m**	Results before exceptional items Ⓐ £m	Exceptional items Ⓐ (note 2.6) £m	Total £m
Revenue	2.1	**2,513.8**	**–**	**2,513.8**	2,498.8	(0.5)	2,498.3
Cost of sales		**(1,549.5)**	**–**	**(1,549.5)**	(1,562.9)	(2.6)	(1,565.5)
Gross profit		**964.3**	**–**	**964.3**	935.9	(3.1)	932.8
Other income	2.3	**100.7**	**73.8**	**174.5**	104.1	82.3	186.4
Distribution costs		**(830.2)**	**(1.6)**	**(831.8)**	(666.7)	(7.2)	(673.9)
Administrative expenses		**(656.1)**	**(102.1)**	**(758.2)**	(548.4)	(29.2)	(577.6)
Operating (loss)/profit before results of joint ventures and associate		**(421.3)**	**(29.9)**	**(451.2)**	(175.1)	42.8	(132.3)
Share of results of joint ventures and associate	3.6	**(1.4)**	**–**	**(1.4)**	(2.3)	–	(2.3)
Operating loss		**(422.7)**	**(29.9)**	**(452.6)**	(177.4)	42.8	(134.6)
Finance income	2.7	**41.8**	**–**	**41.8**	10.0	–	10.0
Finance costs	2.7	**(90.0)**	**–**	**(90.0)**	(52.3)	–	(52.3)
(Loss)/profit before tax		**(470.9)**	**(29.9)**	**(500.8)**	(219.7)	42.8	(176.9)
Income tax credit/(charge)	2.8	**18.7**	**0.8**	**19.5**	(8.3)	(0.5)	(8.8)
(Loss)/profit for the period		**(452.2)**	**(29.1)**	**(481.3)**	(228.0)	42.3	(185.7)
Attributable to:							
Owners of Ocado Group plc				**(455.5)**			(223.2)
Non-controlling interests	5.2			**(25.8)**			37.5
				(481.3)			(185.7)

Loss per share				**pence**			pence
Basic and diluted loss per share	2.9			**(58.93)**			(30.18)

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

	Notes	**52 weeks ended 27 November 2022 £m**	52 weeks ended 28 November 2021 £m
Operating loss		**(452.6)**	(134.6)
Adjustments for:			
Exceptional itemsⒶ	2.6	**29.9**	(42.8)
Amortisation of intangible assets	3.3	**114.7**	78.0
Impairment of intangible assets	3.3	**3.6**	1.1
Depreciation of property, plant and equipment	3.4	**154.4**	84.4
Impairment of property, plant and equipment	3.4	**9.3**	9.3
Depreciation of right-of-use assets	3.5	**66.0**	65.6
Impairment of right-of-use assets	3.5	**0.6**	–
EBITDAⒶ		**(74.1)**	61.0

Ⓐ See Alternative Performance Measures on pages 279 and 281

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

	Notes	**52 weeks ended 27 November 2022 £m**	52 weeks ended 28 November 2021 £m
Loss for the period		**(481.3)**	(185.7)
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
(Loss)/gain arising on cash flow hedges	4.3	**(1.1)**	0.4
Foreign exchange gain/(loss) on translation of foreign subsidiaries and joint venture	4.6	**69.1**	(10.5)
Share of change in net assets of associate through other comprehensive income	3.6	**0.4**	–
Foreign exchange gain on translation of foreign joint venture reclassified to profit or loss	4.6	**–**	0.8
Net other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods		**68.4**	(9.3)
Items that will not be reclassified to profit or loss in subsequent periods:			
Gain/(loss) on equity investments designated as at fair value through other comprehensive income	4.4	**33.3**	(3.9)
Income tax relating to items that will not be reclassified subsequently to profit or loss	2.8	**(7.2)**	–
Net other comprehensive income/(expense) that will not be reclassified to profit and loss in subsequent periods		**26.1**	(3.9)
Other comprehensive income/(expense) for the period, net of income tax		**94.5**	(13.2)
Total comprehensive expense for the period		**(386.8)**	(198.9)
Attributable to:			
Owners of Ocado Group plc		**(361.0)**	(236.4)
Non-controlling interests	5.2	**(25.8)**	37.5
		(386.8)	(198.9)

Contents

Consolidated Balance Sheet
as at 27 November 2022

	Notes	27 November 2022 £m	28 November 2021 £m
Non-current assets			
Goodwill	3.2	**164.7**	144.8
Other intangible assets	3.3	**377.2**	345.2
Property, plant and equipment	3.4	**1,777.8**	1,257.8
Right-of-use assets	3.5	**493.9**	494.6
Investment in joint venture and associate	3.6	**15.6**	26.5
Other financial assets	3.7	**181.6**	211.4
Trade and other receivables	3.10	**–**	0.5
Costs to obtain contracts		**–**	0.7
Deferred tax assets	2.8	**1.9**	7.2
Derivative financial assets	4.3	**27.4**	9.6
		3,040.1	2,498.3
Current assets			
Other financial assets	3.7	**3.8**	1.2
Inventories	3.9	**106.8**	86.7
Trade and other receivables	3.10	**329.3**	323.9
Cash and cash equivalents	3.11	**1,328.0**	1,468.6
Contract assets	2.1	**–**	0.3
Costs to obtain contracts		**–**	0.1
Derivative financial assets	4.3	**0.8**	0.3
		1,768.7	1,881.1
Asset held for sale	3.8	**4.4**	4.2
		1,773.1	1,885.3
Total assets		**4,813.2**	4,383.6
Current liabilities			
Contract liabilities	2.1	**(29.1)**	(21.8)
Trade and other payables	3.12	**(506.3)**	(393.2)
Borrowings	4.1	**(10.2)**	–
Provisions	3.13	**(1.0)**	(1.0)
Lease liabilities	3.5	**(58.6)**	(51.0)
Derivative financial liabilities	4.3	**(1.6)**	–
		(606.8)	(467.0)

Consolidated Balance Sheet continued
as at 27 November 2022

	Notes	27 November 2022 £m	28 November 2021 £m
Net current assets		**1,166.3**	1,418.3
Non-current liabilities			
Contract liabilities	2.1	**(393.8)**	(356.7)
Provisions	3.13	**(25.4)**	(48.7)
Borrowings	4.1	**(1,362.6)**	(1,300.0)
Lease liabilities	3.5	**(473.7)**	(477.4)
Trade and other payables	3.12	**(1.9)**	–
Deferred tax liabilities	2.8	**(14.7)**	(24.4)
		(2,272.1)	(2,207.2)
Net assets		**1,934.3**	1,709.4
Equity			
Share capital	4.6	**16.5**	15.0
Share premium	4.6	**1,939.3**	1,372.0
Treasury shares reserve	4.6	**(112.9)**	(113.0)
Other reserves	4.6	**164.0**	69.9
Retained earnings		**(169.0)**	244.3
Equity attributable to owners of Ocado Group plc		**1,837.9**	1,588.2
Non-controlling interests	5.2	**96.4**	121.2
Total equity		**1,934.3**	1,709.4

The consolidated financial statements on pages 192 to 261 were authorised for issue by the Board of Directors and signed on its behalf by:

Tim Steiner
Chief Executive Officer

Stephen Daintith
Chief Financial Officer

28 February 2023

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

		Equity attributable to owners of Ocado Group plc							
	Notes	Share capital £m	Share premium £m	Treasury shares reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 29 November 2020		15.0	1,361.6	(113.2)	76.9	421.4	1,761.7	71.4	1,833.1
(Loss)/profit for the period		–	–	–	–	(223.2)	(223.2)	37.5	(185.7)
Other comprehensive expense		–	–	–	(13.2)	–	(13.2)	–	(13.2)
Total comprehensive (expense)/income 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	4.7	–	–	–	–	36.0	36.0	–	36.0
Tax on share-based payments charge	2.8	–	–	–	–	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	5.2	–	–	–	–	7.7	7.7	12.3	20.0
Total transactions with owners		–	10.4	0.2	6.2	46.1	62.9	12.3	75.2
Balance at 28 November 2021		15.0	1,372.0	(113.0)	69.9	244.3	1,588.2	121.2	1,709.4
Loss for the period		**–**	**–**	**–**	**–**	**(455.5)**	**(455.5)**	**(25.8)**	**(481.3)**
Other comprehensive income		**–**	**–**	**–**	**94.1**	**0.4**	**94.5**	**–**	**94.5**
Total comprehensive income/(expense) for the period		**–**	**–**	**–**	**94.1**	**(455.1)**	**(361.0)**	**(25.8)**	**(386.8)**
Transactions with owners									
Issue of ordinary shares	4.6	**1.5**	**565.0**	**–**	**–**	**–**	**566.5**	**–**	**566.5**
Allotted in respect of share option schemes	4.6	**–**	**2.3**	**–**	**–**	**–**	**2.3**	**–**	**2.3**
Disposal of unallocated treasury shares	4.6	**–**	**–**	**0.1**	**–**	**(0.1)**	**–**	**–**	**–**
Share-based payments charge	4.7	**–**	**–**	**–**	**–**	**42.0**	**42.0**	**–**	**42.0**
Tax on share-based payments charge	2.8	**–**	**–**	**–**	**–**	**0.9**	**0.9**	**–**	**0.9**
Reduction in investment in Jones Food Company Limited	5.2	**–**	**–**	**–**	**–**	**(1.0)**	**(1.0)**	**1.0**	**–**
Total transactions with owners		**1.5**	**567.3**	**0.1**	**–**	**41.8**	**610.7**	**1.0**	**611.7**
Balance at 27 November 2022		**16.5**	**1,939.3**	**(112.9)**	**164.0**	**(169.0)**	**1,837.9**	**96.4**	**1,934.3**

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

	Notes	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Cash (used in)/generated from operations	4.9	**(4.0)**	15.0
Insurance proceeds relating to business interruption and stock losses		**54.3**	30.0
Corporation tax received/(paid)		**13.4**	(26.2)
Interest paid		**(55.8)**	(34.8)
Net cash flow from/(used in) operating activities		**7.9**	(16.0)
Cash flows from investing activities			
Insurance proceeds regarding Erith claim		**2.5**	2.0
Insurance proceeds relating to rebuilding Andover CFC		**54.5**	–
Net cash outflow from disposal of Speciality Stores Limited ("Fetch"), net of cash sold	2.6	**–**	(0.4)
Acquisition of subsidiaries, net of cash acquired	3.1	**(5.5)**	(189.7)
Purchase of intangible assets		**(137.1)**	(131.8)
Purchase of property, plant and equipment		**(648.8)**	(558.9)
Dividend received from joint venture	3.6	**8.0**	7.7
Proceeds from disposal of other treasury deposits		**–**	370.0
Purchase of unlisted equity investments		**–**	(11.4)
Loans paid to joint ventures, associates and investee companies		**(0.6)**	(12.5)
Interest received		**9.6**	1.0
Net cash flow used in investing activities		**(717.4)**	(524.0)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**566.5**	1.9
Proceeds from allotment of share options		**0.8**	8.5
Proceeds from disposal of treasury shares on exercise by participants		**–**	0.2
Proceeds from interest-bearing loans and borrowings	4.2	**40.6**	500.0
Transaction costs on issue of borrowings	4.1	**(3.4)**	(8.4)
Repayment of borrowings	4.2	**–**	(225.0)
Repayment of principal element of lease liabilities		**(57.4)**	(48.6)
Net cash as a result of additional investment in Jones Food Company Limited by NCI	5.2	**–**	20.0
Cash received in respect of contingent consideration receivable		**–**	33.9
Net cash flow from financing activities		**547.1**	282.5
Net decrease in cash and cash equivalents		**(162.4)**	(257.5)
Cash and cash equivalents at beginning of period		**1,468.6**	1,706.8
Effect of changes in foreign exchange rates		**21.8**	19.3
Cash and cash equivalents at end of period	3.11	**1,328.0**	1,468.6

Notes to the consolidated financial statements
for the 52 weeks ended 27 November 2022

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') (see Note 5.1 for a full list of the subsidiaries). The financial period represents the 52 weeks ended 27 November 2022. The prior financial period represents the 52 weeks ended 28 November 2021. The principal activities of the Group are described in the Strategic Report on pages 1 to 99.

1.2 Basis of preparation

The financial statements have been prepared in accordance with the Listing Rules and the Disclosure Guidance and Transparency Rules of the United Kingdom Financial Conduct Authority (where applicable), International Accounting Standards in conformity with the requirements of the Companies Act 2006 and UK-adopted International Financial Reporting Standards ('IFRS'), including the interpretations issued by IFRS Interpretation Committee ('IFRIC'). The accounting policies applied are consistent with those described in the Annual Report and Accounts for the 52 weeks ended 27 November 2022 of the Group, unless otherwise stated.

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

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

New standards, amendments and interpretations adopted by the Group

The Group has considered the following new standards, interpretations and amendments to published standards that are effective for the Group for the period beginning 29 November 2021, and concluded either that they are not relevant to the Group or that they would not have a significant effect on the Group's financial statements other than on disclosures:

		Effective date
IFRS 4, IFRS 7, IFRS 9, IFRS 16, IAS 39	Interest Rate Benchmark Reform, Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	1 January 2021
IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021

New standards, amendments and interpretations not yet adopted by the Group

The following new standards, interpretations and amendments to published standards and interpretations that are relevant to the Group have been issued but are not effective for the period beginning 29 November 2021, and have not been adopted early:

		Effective date
IAS 16	Property, Plant and Equipment – proceeds of intended use	1 January 2022
IAS 37	Onerous Contracts – costs of fulfilling a contract	1 January 2022
IFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to IFRS, 2018-2020 Cycle	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023
IAS 1	Disclosure of Accounting Policies (amendments)	1 January 2023
IAS 8	Disclosure of Accounting Estimates (amendments)	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendments)	1 January 2023
IFRS 10	Consolidated Financial Statements (amendments)	Deferred
IAS 28	Investments in Associates and Joint Ventures (amendments)	Deferred

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

1.3 Basis of consolidation

The Group's consolidated financial statements consist of the accounts of the Company, all entities controlled by the Company (its subsidiaries) and the Group's share of its interests in joint ventures and associates.

Subsidiaries

The accounts of subsidiaries are included in the consolidated financial statements from the date on which the Company obtains control, and excluded when the Company loses control over them. Control is achieved when the Company has power over a subsidiary, exposure or rights to variable returns from it, and the ability to use its power to affect these returns. This ability enables the Company to affect the amount of economic benefit generated from the entity's activities.

All subsidiaries have a reporting date of 27 November 2022 except for the following:

	Reporting date
JFC Hydroponics Ltd	30 April
Jones Food Company Limited	30 April
Haddington Dynamics II LLC	31 December
Kindred Inc.	31 December
Kindred Systems II Inc.	31 December
Myrmex Inc.	31 December
Ocado Bulgaria EOOD	31 December
Ocado Solutions (US) ProCo LLC	31 December
Ocado Spain S.L.U.	31 December
Ocado US Holdings Inc.	31 December

All these companies have prepared additional financial information for the 52 weeks ended 27 November 2022 to enable consolidation.

All intercompany balances and transactions, including recognised gains arising from intra-Group transactions, have been eliminated in full. Unrealised losses are eliminated in the same manner as recognised gains except to the extent that they provide evidence of impairment.

The Group allocates the total comprehensive income or expense of subsidiaries to the owners of the Company and non-controlling interests, based on their respective ownership interests.

Joint ventures and associates

The Group's share of the results of joint ventures and associates is included in the Consolidated Income Statement using the equity method of accounting. Investments in joint ventures and associates are held on the Consolidated Balance Sheet at cost, plus post-acquisition changes in the Group's share of the net assets of the entities, less any impairment in value and dividends received. The carrying values of the investments in joint ventures and associates include implicit goodwill.

If the Group's share of losses in a joint venture or associate equals or exceeds its initial investment in the joint venture or associate, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture or associate. Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the entity.

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out in the relevant notes to the financial statements. Accounting policies not specifically attributable to a note are set out below. These policies have been applied consistently to all the periods presented unless stated otherwise.

Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The pound sterling is the Company's functional and the Group's presentational currency.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the rates of exchange quoted at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Transactions in foreign currencies are recorded in the functional currency at an average rate for the period in which those transactions take place, which is used as a reasonable approximation to the exchange rates prevailing at the dates of the transactions. Translation differences on monetary items are taken to the Consolidated Income Statement.

Notes to the consolidated financial statements continued

1.3 Basis of consolidation continued

A number of subsidiaries within the Group have a non-sterling functional currency. The financial performance and end position of these entities are translated into sterling in the consolidated financial statements. Balance sheet items are translated at the closing rate at the date of the balance sheet. Income and expenses are translated using an average rate for the month in which they occur.

Exchange differences arising on the translation of the net investment in overseas subsidiaries are recorded through other comprehensive income. On disposal of the net investment, the cumulative exchange difference is reclassified from equity to operating profit. All other currency gains and losses are dealt with in the income statement.

1.4 Critical accounting judgement and key sources of estimation uncertainty

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

Critical accounting judgements

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

Area	Judgement	Notes
Consolidation of Ocado Retail Limited ("Ocado Retail")	Management reviews if the Group continues to have control over Ocado Retail in accordance with IFRS 10. Management has concluded that the Group controls Ocado Retail, since it holds 50.0% of the voting rights of the company, and an agreement signed by the shareholders grants the Group determinative rights, after agreed dispute-resolution procedures, in relation to the approval of Ocado Retail's business plan and budget and the appointment and removal of Ocado Retail's Chief Executive Officer who is responsible for directing the relevant activities of the business.	5.1
Revenue from contracts with customers	Due to the size and complexity of some of Ocado Solutions' contracts, there are significant judgements that must be made. The identification of performance obligations in a contract is a significant judgement, since it determines when revenue is recognised. Management has judged that each fulfilment channel is independent of each other and the provision of the use of the Ocado Smart Platform ("OSP") in each fulfilment channel represents a separate performance obligation, and that revenue should begin to be recognised when a working solution relevant to the fulfilment channel is operational for a customer. The identification of consideration and material rights in a contract is another significant judgement, since it determines the period over which upfront fees are recognised as revenue. Alternative judgements would result in different amounts of revenue being recognised at different times.	2.1
Capitalisation of internal development costs	The Group capitalises internal costs directly attributable to the development of both intangible and tangible assets. Management judgement is exercised in determining whether the projects meet the criteria for capitalisation. During the period, the Group has capitalised internal development costs amounting to £117.5m and £63.9m on intangible and tangible assets respectively.	3.3 3.4
Provisions, Contingent Liabilities and Contingent Assets – Solutions	Determined from assessments of progress against agreed milestones to highlight if any financial penalties might be incurred in case of delay or non-performance of milestones, in which case provisions are made in accordance with IAS 37.	3.13
Exceptional items	Management believes that separate presentation of the exceptional items provides useful information in the understanding of the financial performance of the Group and its businesses. Management exercises judgement in determining the classification of certain transactions as exceptional items by considering the nature, occurrence and the materiality of the amounts involved in those transactions. Note 2.6 provides information on amounts disclosed as exceptional items in the current and comparative financial statements together with the Group's definition of exceptional items. These definitions have been applied consistently over the periods.	2.6

Key estimation uncertainties

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

Area	Estimation uncertainty	Notes
Fair value measurement – contingent consideration due from M&S	At the reporting date, the fair value of contingent consideration recognised was £98.3m. The majority of this relates to an amount due from Marks and Spencer Holdings Limited ("M&S"), agreed on the part disposal of Ocado Retail Limited ("Ocado Retail's") in August 2019. The payment of the contingent consideration totalling £190.7m in cash is contingent on certain contractually defined Ocado Retail performance measures being achieved during the 2023 financial year. The outcome is a binary one, meaning should the performance measures be achieved, this will trigger the payment in full of £156.3m plus £34.4m of interest whereas should the performance measures not be achieved, no consideration would be payable by M&S. The fair value of the contingent consideration has been estimated using the expected present value technique and is based on a number of probability-weighted possible scenarios and applying an appropriate discount rate to reflect the time value of the possible payment. The Group considered a range of scenarios reflecting current market uncertainty, the impact of likely adjustments to the performance target and Ocado Retail's current trading performance. Management determined that the fair value of the contingent consideration due from M&S as at the reporting date is £95.0m. The fair value measurement of the asset at the reporting date is considered principally to be sensitive to reasonably possible changes in the target performance measure. To illustrate this sensitivity, if the performance measure was £25m higher or lower than assumed in the valuation approach, the fair value of the asset based on period end valuation model would increase by £13.0m or decrease by £14.6m respectively	3.7 4.4
Impairment assessment – goodwill , property, plant and equipment and other intangible assets	The performance of the Group's impairment assessments requires management to make judgements in determining whether an asset or cash generating unit ('CGU') shows any indicators of impairment that would require an impairment test to be carried out. The performance of impairment testing requires management to make a number of estimates and assumptions in determining the recoverable amount of the CGUs. These include forecast future cash flows estimated based on management-approved financial budgets and plans, long-term growth rates, and post-tax discount rate as well as an assessment of the expected growth profile of the respective CGU. Key estimates used in impairment tests and sensitivities are disclosed in the relevant notes.	3.2 3.3 3.4

Climate-related risks

The Group has considered the impact of climate-related risks, as set out on pages 50 and 51, on its financial performance and position, for example those that might have an effect on forecast cash flows for the purposes of going concern, viability and impairment assessments, or the useful lives of certain assets. Given the early stages of our plans and our overall climate-related strategy, and the expected timing of our roadmap to Net Zero targets, we have not identified a material impact on the financial reporting judgements and estimates.

1.5 Going concern basis

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

In assessing going concern, the Directors take into account the financial position of the Group, its cash flows, liquidity position and borrowing facilities, which are set out in the Finance Review on pages 70 to 85. In addition, the Directors consider the Group's business activities, together with factors that are likely to affect its future development and position, as set out in the Strategic Report on pages 1 to 99, and the Group's principal risks and the likely effectiveness of any mitigating actions and controls available to the Directors as set out on pages 86 to 95.

At the reporting date, the Group had cash and cash equivalents of £1,328.0m (2021: £1,468.6m), external gross debt of £1,887.6m (2021: £1,794.4m) (excluding lease liabilities payable to MHE JVCo Limited of £17.5m (2021: £34.0m)) and net current assets of £1,166.3m (2021: £1,418.3m). The Group has a mixture of medium-term financing arrangements, including £600.0m of senior unsecured convertible bonds due in 2025, £500.0m of senior unsecured notes due in 2026, and £350.0m of senior unsecured convertible bonds due in 2027. The Group forecasts its liquidity and working capital requirements, and ensures it maintains sufficient headroom so as not to breach any financial covenants in its borrowing facilities, as well as maintaining sufficient liquidity over the forecast period.

Having had consideration for these areas, the Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. Further details of the Group's considerations are provided in the Viability Statement and Going Concern Statement on page 98.

Notes to the consolidated financial statements
continued

Section 2 – Results for the period

2.1 Revenue

Accounting policies

Revenue represents the transaction prices to which the Group expects to be entitled in return for delivering goods or services to its customers. The amount recognised in any period is based on a judgement of when the customer is able to benefit from the goods or services provided, and an assessment of the progress made towards completely satisfying each performance obligation. The following provides information about the nature and timing of the satisfaction of performance obligations in contracts and the related revenue recognition policies, categorised by reportable segments. For information about reportable segments, see Note 2.2.

Retail segment
Identification of performance obligations
In a typical Retail contract, there is one performance obligation, which is to deliver goods ordered online to the customer at the scheduled time and to the agreed address.

Ocado Smart Pass, the Group's discounted pre-pay membership scheme, is a separate contract with a customer and has a separate single performance obligation which is to provide delivery services for an agreed period of time. The Group applies the practical expedient allowed under IFRS 15 "Revenue from Contracts with Customers" to apply the standard requirements to a portfolio of contracts, rather than individual contracts, as it believes the characteristics of each sale are similar, and that doing so does not materially affect the financial statements.

Determining transaction prices
Customers pay in full at the point of sale. The transaction price is based on the aggregation of all order values, shown net of any material adjustment for expected returns or expected future redemption of marketing vouchers in accordance with guidance on variable consideration in IFRS 15. Standard delivery charges and carrier bag receipts are included in transaction prices. Smart Pass transaction prices are the contracted values of the memberships for the agreed periods of delivery services.

Allocation of transaction prices to performance obligations
Each contract has a single performance obligation and so the whole transaction price is assigned to that single obligation. At the end of each reporting period, management reviews and adjusts for elements of variable consideration such as expected refunds or expected voucher redemptions.

Revenue recognition
Revenue from online grocery orders is recognised at a point in time when the customer obtains control of the goods, which for deliveries performed by the Group usually occurs when the goods are delivered to and have been accepted at the customer's home. For goods that are delivered by third-party couriers, revenue is recognised when the items have been transferred to the third party for onward delivery to the customer. Revenue is presented net of returns, relevant marketing vouchers and offers and value added taxes. Relevant vouchers and offers include money-off coupons, conditional spend vouchers and offers such as buy three for the price of two. Revenue from Ocado Smart Pass is recognised over the duration of the membership on a time-elapsed, straight-line basis.

UK Solutions & Logistics and International Solutions segments
Identification of performance obligations
Solutions contracts are allocated to one of the two Solutions segments based on geography. The approach taken to evaluate the accounting treatment of a contract is the same for both segments, with each contract being considered on a case-by-case basis. A typical Ocado Solutions contract has a single performance obligation: "to enable the client to access the Ocado Smart Platform ("OSP") end-to-end online grocery platform from the go-live date, with an agreed physical capacity, from a CFC for example, for the use of its retail brands". The ability to derive independent benefit is a key determinant. For example, there are several critical contractual milestones that occur before the service is operational, such as the design of the CFC for the customer or preparation of the OSP. However, management has concluded that the customer is not able to derive any benefit from these individual elements until the service is operational and they are able to fulfil an order. Depending on the individual customer, fulfilment of an order may include the delivery of goods to the final consumer, and this would make up part of the obligation.

Consequently, designing the CFC or building the customer OSP is not a separate performance obligation and no revenue can be assigned to satisfying these aspects of the contract. Some contracts, however, have multiple components, for example, the addition of In Store Fulfilment ("ISF") services or additional CFCs, which lead to additional distinct performance obligations. In these situations, management uses its judgement to determine whether there are separable performance obligations from which the customer is able to benefit independently.

Determining transaction prices
At the inception of a contract, the total transaction price is estimated, being the amount to which the Group expects to be entitled over the expected duration of the contract, based on the rights it has under the present contract. Such expected amounts are only included to the extent that it is highly probable that no revenue reversal will occur.

In order to arrive at the transaction price, management is initially required to make a judgement about the duration of the contract. The majority of Solutions contracts do not have a fixed term, but run for an indefinite period until cancelled. For the purposes of applying IFRS 15, and in particular making the disclosures in respect of unsatisfied performance obligations, management determines the duration of a contract, having considered the type of contract, performance against contractual service level agreements ("SLAs") and termination provisions. The point at which any termination penalties payable by the customer would no longer be considered "substantive" is particularly relevant. This key judgement on contract duration defines the period for which unsatisfied and partially unsatisfied performance obligations are measured and disclosed when calculating the transaction price.

Typically, Solutions contracts include both up-front fees, paid by the customer in the period prior to the solution going live, and subsequent annual amounts that are either recurring or variable. The up-front fees are one-off payments and are included in the transaction price and recognised over the expected customer life. Expected customer life is a key judgement as it affects the amount of deferred up-front fees that are released as revenue each period, and the factors considered in reaching the judgement on expected customer life include the nature of the performance obligation, the scale of current and future planned investment, performance against contractual SLAs, the evolving technology and competitive landscape. The judgements made for contract duration may be different to those judgements for expected customer life.

A Solutions contract often includes recurring fees, which are due on an annual basis throughout the contract, are recognised over the duration of the contract and are included in the estimate of the total transaction price.

Variable amounts are annual fees whereby typically the variability relates to the volume of sales transactions processed or variable costs associated with providing the service to the customer. It has been determined that these variable amounts should be recognised in the period in which they arise, because they relate to the services provided in that period. In determining the total transaction price for disclosure, the amount of future variable consideration has been estimated for the contract duration described above.

IFRS 15 requires estimates of future variable consideration to be conservative and "highly probable" to become due. In respect of agreements that are already operating, constrained estimates have been reached by assuming 90.0% of the committed capacity only. This estimate excludes potential benefits from both indexation and future revenue growth from capacity improvements and the continued channel shift to online in the industry. It also considers potential risks from new entrants to the online fulfilment market as it continues to grow and the competitive nature of the grocery market itself, which could have an adverse effect on volumes.

Although for most Solutions contracts, there is the possibility that the customer will add capacity in the form of additional modules in existing CFCs or additional CFCs in new locations, which would lead to increased revenue, this has been excluded from the calculation of the estimated transaction price.

Taken together, it is considered that the above approach represents a suitably conservative view of future estimated revenue in the disclosures of unsatisfied performance obligations as required by IFRS 15.

For each Solutions contract an assessment has been made by the Group as to whether there is a significant finance benefit arising from the timing of payments required from the customer. Judgement is required to choose an appropriate interest rate used in the assessment and to set a reasonable threshold for determining whether any finance benefit is significant.

Allocation of transaction prices to performance obligations
Single component contracts have a single performance obligation and the whole transaction price is assigned to that single deliverable. Multiple component contracts will have more than one obligation, each with its own contract duration as adjudged by management. Each contract clearly states the fees relating to each component. This provides management with a basis for allocation of the calculated transaction price to each performance obligation based on the stand-alone selling price.

Notes to the consolidated financial statements
continued

2.1 Revenue continued

Revenue recognition
For each performance obligation and its allocated transaction price, revenue is recognised from the point at which the customer starts to benefit from the services, and over the period the services are provided. The nature of the services provided, that is the ability to fulfil online grocery orders, represents equal value to the customer every day that the service is provided. This uniformity of value to the customer over time has led the Group to decide that the most appropriate way of measuring the satisfaction of obligations is by using a straight-line, time-elapsed basis. IFRS 15 defines this as an "output method", which recognises revenue by reference to the value to the customer.

Judgement is applied in relation to contract and customer lives, as typically contracts have no end date. Depending on the expected customer life, the amount and timing of revenue recognised may be different in different accounting periods. As international Solutions contracts are in the early stages of operation, the Directors have limited relevant historical information on which to base their assumptions on expected customer life. Therefore, in making their judgements, the Directors have considered qualitative and quantitative reasonable and supportable information such as market evidence and certain clauses contained within Solutions contracts.

Contract modifications
The Group's contracts may be amended for changes to specifications and requirements. Contract modifications exist when the amendment creates new, or changes existing, enforceable rights and obligations. The effect of a contract modification on the transaction price and the Group's measure of progress for the performance obligation to which it relates, is recognised as an adjustment to revenue in one of the following ways:

a. Prospectively as an additional separate contract;

b. Prospectively as a termination of the existing contract and creation of a new contract;

c. As part of the original contract using a cumulative catch-up; or

d. As a combination of b and c.

For contracts for which the Group has decided there is a series of distinct goods and services that are substantially the same and have the same pattern of transfer where revenue is recognised over time, the modification will always be treated under a or b.

The facts and circumstances of any contract modification are considered individually as the types of modifications vary contract by contract and may result in different accounting outcomes.

Judgement is applied in relation to the accounting for such modifications where the final terms or legal contracts have not been agreed prior to the reporting date, since management needs to determine if a modification has been approved and, if so, whether it creates new, or changes existing, enforceable rights and obligations of the parties. Depending upon the outcome of such negotiations, the timing and amount of revenue recognised may be different in different accounting periods. Modification and amendments to contracts are undertaken via an agreed formal process. For example, if a change in scope has been approved but the corresponding change in price is still being negotiated, management uses its judgement to estimate the change to the total transaction price. Importantly, any variable consideration is only recognised to the extent that it is highly probable that no revenue reversal will occur.

Contract-related assets and liabilities
As a result of the contracts into which the Group enters with its customers, a number of different assets and liabilities are recognised on the Consolidated Balance Sheet. These include:

- Contract assets;
- Contract liabilities; and
- Costs to obtain contracts.

Contract assets and liabilities
The Group's contracts with customers include a diverse range of payment schedules, depending upon the nature and type of goods and services being provided. The Group often agrees payment schedules at the inception of long-term contracts under which it receives payments throughout the terms of the contracts. These payment schedules may include performance-based payments or progress payments as well as regular monthly or quarterly payments for ongoing service delivery. Payments for transactional goods and services may be made at the delivery dates, in arrears or through part-payments in advance. Where cumulative payments made (or when the Group has an unconditional right to payment) at the reporting date are greater than the cumulative revenues recognised, the Group recognises the differences as contract liabilities. Where cumulative payments made at the reporting date are less than the cumulative revenues recognised, and the Group has an unconditional right to payment, the Group recognises the differences as contract assets or accrued income.

Costs to obtain contracts
These are costs that are incurred to obtain a contract with a customer that would not have been incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or not shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The incremental costs of obtaining a contract with a customer are recognised as an asset if they are expected to be recoverable.

Utilisation, derecognition and impairment of costs to obtain contracts
Incremental costs to obtain a contract are amortised on a straight-line basis over the estimated duration of the contract life, beginning on the date the customer begins to benefit from the goods or services the Group agreed to provide.

Incremental costs to obtain a contract are derecognised either when they are disposed of or when no further economic benefits are expected to flow from their use or disposal.

Capitalised costs to obtain contracts are reviewed for impairment by comparing the carrying amounts of the assets with the remaining amounts of consideration that the Group expects to receive, less the costs that relate to providing services under the relevant contracts.

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

Revenue split by geographical area

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

Contract balances

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

Notes to the consolidated financial statements continued

2.1 Revenue continued

Contract liabilities

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

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

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

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

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

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

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

2.2 Segmental reporting

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

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

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

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

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

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

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

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

® See Alternative Performance Measures on pages 279 and 281

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

2.3 Other income

Accounting policies

Other income comprises the fair value of consideration received or receivable for advertising services provided by the Group to suppliers and other third parties on the Webshop, commission income, rental income, sub-lease payments receivable and amounts receivable not in the ordinary course of business. Income for advertising services is recognised over the particular time period for which the service is provided on an accruals basis. An adjustment is made at the reporting date to accrue for the amount of income in relation to campaigns that may span the reporting date, but such adjustments are not typically material.

	Notes	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Rental income		13.4	13.2
Media and other income		87.3	90.8
Exceptional insurance reimbursement income	2.6	73.8	80.6
Income from litigation settlement	2.6	–	1.8
Other income		174.5	186.4

2.4 Operating expenses

Accounting policies

Cost of sales

Cost of sales represents the cost of groceries and other products the Group sells, any associated licence fees that are driven by the volume of sales of specific products or product groups, including the branding and sourcing fees payable to M&S, adjustments to inventory, payment processing charges and charges for transportation of goods from a supplier to a CFC.

Commercial income

The Group has agreements with suppliers whereby promotional allowances and volume-related rebates are received in connection with the promotion or purchase of goods for resale from those suppliers. The allowances and rebates are included in the cost of sales. For the period, promotional allowances represent 88% (2021: 82%) of commercial income, with rebates representing 12% (2021: 18%).

Promotional allowances

Cost of sales includes monies received from suppliers in relation to the agreed funding of selected items that are sold by the Group on promotion, and these are recognised once the promotional activity has taken place in the period to which it relates on an accruals basis. The estimates required for this source of income are limited because the time periods of promotional activity, in most cases, are less than one month and the invoicing for the activity occurs on a regular basis shortly after the promotions have ended.

Volume-related rebates

At the reporting date, the Group is required to estimate supplier income due from annual agreements for volume-related rebates that cross the reporting date. Estimates are required since confirmation of some amounts due is often only received three to six months after the reporting date. Where estimates are required, these are based on current performance, historical data for prior periods and a review of significant supplier contracts.

Notes to the consolidated financial statements continued

2.4 Operating expenses continued

Uncollected commercial income

Uncollected commercial income at the reporting date is recognised within trade and other receivables. Where commercial income has been earned, but not invoiced at the reporting date, the amount is recorded in accrued income.

Distribution costs

Distribution costs consist of all the costs incurred, excluding product costs, to the point of sale. In most cases, this is the customer's home. This includes the payroll-related expenses for the picking, dispatch and delivery of products sold to the point of sale, the cost of making those deliveries, including fuel, tolls, maintenance of vehicles, the operating costs of the properties required for the picking, dispatch and onward delivery operations and all associated depreciation, amortisation and impairment charges and call centre costs. These include costs incurred on behalf of Wm Morrison Supermarkets Limited ("Morrisons"), which are subsequently recharged.

Administrative expenses

Administrative expenses consist of all IT costs, advertising and marketing expenditure (excluding vouchers), share-based payment costs, employment costs of all central functions, which include board, legal, finance, human resources, marketing and procurement, property-related costs for the head office, all fees for professional services, and the depreciation, amortisation and impairment associated with IT equipment, software, fixtures and fittings. These include costs incurred on behalf of Morrisons, which are subsequently recharged.

Operating expenses include:

	Notes	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Cost of inventories recognised as an expense[1]		**1,650.9**	1,671.4
Employment costs	2.5	**690.6**	644.2
Amortisation of intangible assets	3.3	**114.7**	78.0
Impairment of intangible assets	3.3	**3.6**	1.1
Depreciation of property, plant and equipment	3.4	**154.4**	84.4
Derecognition of previously capitalised costs in relation to SaaS arrangements	3.4	**–**	13.3
Impairment of property, plant and equipment	3.4	**9.3**	9.3
Impairment of property, plant and equipment – Erith assets	3.4	**–**	2.1
Depreciation of right-of-use assets	3.5	**66.0**	65.6
Impairment of right-of-use assets	3.5	**0.6**	–
Increase in expected credit loss of trade receivables	3.10	**3.8**	2.4
Expense relating to short-term leases and leases of low-value assets	3.5	**3.2**	0.4
Net foreign exchange loss		**1.4**	0.9

1 This amount is included within the Cost of sales.

During the period, the Group paid the following to its auditor:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Audit of the Company's annual financial statements	**0.1**	0.1
Audit of the Company's subsidiaries	**2.1**	1.7
Total audit fees	**2.2**	1.8
Audit-related assurance services	**0.2**	0.6
Other assurance services	**–**	0.3
Total non-audit fees	**0.2**	0.9
Total fees	**2.4**	2.7

2.5 Employee information

Accounting policies

The Group contributes to the personal pension plans of its employees through Group Personal Pension Plans administered by Legal & General. Contributions are charged to the Consolidated Income Statement in the period to which they relate.

	Notes	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Wages and salaries		**759.9**	666.3
Social security costs		**73.0**	61.1
Defined contribution pension costs		**23.2**	19.0
Share-based payment charge[1]	4.7	**15.9**	41.8
Gross employment costs		**872.0**	788.2
Staff costs capitalised as intangible assets	3.3	**(117.5)**	(109.0)
Staff costs capitalised as property, plant and equipment	3.4	**(63.9)**	(35.0)
Employment costs		**690.6**	644.2
Average monthly number of employees (including Executive Directors) by function			
Operational staff		**16,712**	16,098
Support staff		**4,687**	4,034
		21,399	20,132

1 Included in the share-based payment charge is an equity-settled charge of £42.0m (2021: £35.5m) and a net release of provisions of £26.1m (2021: £6.3m net increase in provisions) for the payment of amounts due to participants in the Retail VCP, and for the payment of employer's National Insurance contributions on taxable employee incentive schemes.

Notes to the consolidated financial statements
continued

2.6 Exceptional items(A)

Accounting policies

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

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

(A) See Alternative Performance Measures on pages 279 and 281

A. Andover CFC

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

Insurance reimbursement comprises reimbursement for the costs of rebuilding the CFC and business interruption losses. The reimbursement has been recognised as other income.

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

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

B. Erith CFC

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

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

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

C. Litigation costs and litigation settlement

Litigation costs are primarily costs incurred on patent infringement litigation between the Group and AutoStore Technology AS ("AutoStore"). Further details are provided in Note 3.14. The costs during the period amount to £26.5m (FY21: £28.9m). The prior year litigation costs also include costs of legal proceedings brought by the Group against certain former employees and Project Today Holdings Limited ("T0day"), in relation to misappropriation and unlawful use of the Group's confidential information and intellectual property, which was settled in 2021. The Group received £1.8m as part of the settlement which was recognised as an exceptional income in FY21. The net cumulative costs to date amount to £57.6m.

D. Ocado Group Finance transformation and SaaS implementation costs

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

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

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

E. Ocado Retail IT systems transformation

In FY21, Ocado Retail initiated its IT Roadmap programme, which focuses on delivering IT systems and services that will enable Ocado Retail to meet its obligation to transition away from Ocado Group IT services, tools and support. The IT Roadmap programme, which is expected to run until FY23, includes the development of both on-premises and SaaS solutions. IT Roadmap programme costs that meet assets recognition criteria will be recognised as intangible assets and implementation costs that do not meet assets recognition criteria will be expensed. The cumulative costs expensed to date amount to £8.6m.

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

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

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

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

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

H. Change in fair value of contingent consideration

In 2019, the Group sold Marie Claire Beauty Limited ("Fabled") to Next plc and 50% of Ocado Retail to Marks and Spencer Group plc ("M&S"). Part of the consideration for these transactions was contingent on future events. The Group holds contingent consideration at fair value through profit or loss, and revalues it at each reporting date. A loss on revaluation of £58.4m (FY21: £16.9m gain) is reported through exceptional items, primarily driven by the reduction in the contingent consideration receivable from M&S. Refer to Note 3.7 for details.

I. Organisational restructure

During the period, the Group undertook a partial reorganisation of its head office functions resulting in redundancies and related costs of £3.0m. Further organisational restructures are planned for FY23 and are expected to toal £7.0m.

Tax impacts on exceptional items

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

Notes to the consolidated financial statements
continued

2.7 Finance income and costs

Accounting policies

Borrowing costs

Borrowing costs, which are directly attributable to the acquisition or construction of qualifying assets, are capitalised. All other borrowing costs which are not capitalised are charged to finance costs, using the effective interest method.

Borrowing costs capitalised during the period were nil (2021: £2.1m). The rate used to determine the amount of finance costs capitalised during the prior period was 3.9%.

Finance income and costs

Interest income is accounted for on an accruals basis using the effective interest method. Finance costs comprise interest expenses on borrowings, lease liabilities and provisions. The interest expense on borrowings is recognised using the effective interest method. The interest expense on lease liabilities is recognised over the lease periods so as to produce constant periodic rates of interest on the remaining balances of the liabilities.

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

2.8 Income tax

Accounting policies

The tax charge for the period comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax

Current tax is the expected tax payable on the taxable income for the period, calculated using tax rates enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are based on management's best judgement.

Deferred tax

Deferred tax is recognised using the balance sheet method on temporary differences arising between the tax base of assets and liabilities and their carrying amount in the financial statements. Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The recognition of deferred tax assets is supported by management's forecast of the future profitability of the relevant countries. Judgement is used when assessing the extent to which deferred tax assets should be recognised, and the final outcome of some of these judgements may give rise to material profit and loss and/or cash flow variances. The carrying amount of deferred tax assets is reviewed at each reporting date.

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to offset current tax assets against current tax liabilities and it is the intention to settle these on a net basis.

Factors that may affect future tax charges

Factors that may affect future tax charges include the level and mix of profitability in different countries, changes in tax legislation and tax rates and transfer pricing regulations.

Income tax – Consolidated Income Statement

The major components of income tax (credit)/charge are as follows:

	52 weeks ended 27 November 2022 £m			52 weeks ended 28 November 2021 £m		
	United Kingdom	Rest of world	Total	United Kingdom	Rest of world	Total
Current tax						
Current year	(8.0)	0.8	(7.2)	7.3	0.7	8.0
Current tax credit on exceptional items	(0.8)	–	(0.8)	0.5	–	0.5
Adjustment in respect of prior years	0.4	(0.6)	(0.2)	(0.1)	–	(0.1)
Total current tax	(8.4)	0.2	(8.2)	7.7	0.7	8.4
Deferred tax						
Origination and reversal of temporary differences	(13.2)	(0.8)	(14.0)	8.8	(10.2)	(1.4)
Effect of change in tax rate	–	0.1	0.1	1.6	–	1.6
Adjustments in respect of prior years	(1.2)	3.8	2.6	0.2	–	0.2
Total deferred tax	(14.4)	3.1	(11.3)	10.6	(10.2)	0.4
Total tax (credit)/charge	(22.8)	3.3	(19.5)	18.3	(9.5)	8.8

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the UK tax rate as follows:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Loss before tax	(500.8)	(176.9)
Effective tax credit at United Kingdom tax rate of 19.0% (2021: 19.0%)	(95.2)	(33.6)
Effect of:		
Joint venture and associate income reported net of tax	–	0.5
Differences in overseas tax rates	0.3	(2.9)
Losses arising in period on which no deferred tax is recognised	38.7	44.7
Temporary differences on which no deferred tax is recognised	16.0	20.8
Recognised tax losses from prior periods	(0.4)	(14.2)
Permanent differences	33.5	(8.3)
UK rate change	(14.9)	1.6
Adjustments in respect of prior periods	2.5	0.2
Income tax (credit)/charge	(19.5)	8.8

The adjustments in respect of prior periods arise from revising the prior period's tax provision to reflect the tax returns subsequently filed.

Income tax – Consolidated Balance Sheet

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Deferred tax assets	1.9	7.2
Deferred tax liabilities	(14.7)	(24.4)
Net deferred tax liabilities	(12.8)	(17.2)

Notes to the consolidated financial statements
continued

2.8 Income tax continued

The major deferred tax assets/(liabilities) recognised by the Group and movements thereon during the current and prior financial years are as follows:

	Tax losses carried forward £m	Accelerated capital allowances £m	Intangibles £m	Share-based payments £m	Other short-term temporary differences £m	Total £m
Balance at 29 November 2020	2.1	12.5	(19.3)	7.9	1.1	4.3
Foreign exchange movements	0.6	(0.4)	–	–	–	0.2
Effect of change in rate of UK Corporation Tax	0.6	1.8	(7.2)	2.8	0.3	(1.6)
Credited/(charged) to Consolidated Income Statement	27.2	(11.9)	(2.4)	(5.0)	(6.6)	1.2
Credited to equity	–	–	–	0.5	–	0.5
Acquisitions/disposals	–	–	(21.8)	–	–	(21.8)
Balance at 28 November 2021	30.5	2.0	(50.7)	6.2	(5.2)	(17.2)
Foreign exchange movements	**0.8**	**–**	**(1.8)**	**0.1**	**–**	**(0.9)**
Effect of change in rate of UK Corporation Tax	**(1.4)**	**1.3**	**–**	**–**	**–**	**(0.1)**
Credited/(charged) to Consolidated Income Statement	**30.5**	**(28.7)**	**10.3**	**(5.1)**	**4.4**	**11.4**
Charged to Other Comprehensive Income	**–**	**–**	**–**	**–**	**(7.2)**	**(7.2)**
Charged to equity	**–**	**–**	**–**	**0.9**	**–**	**0.9**
Acquisitions/disposals	**0.3**	**–**	**–**	**–**	**–**	**0.3**
Balance at 27 November 2022	**60.7**	**(25.4)**	**(42.2)**	**2.1**	**(8.0)**	**(12.8)**

Other short-term timing differences include temporary differences in respect of provisions and fair value of investments.

Deferred tax has been recognised at 25%, as this is the rate the UK corporation tax rate will rise to with effect from 1 April 2023.

At the reporting date, the Group had approximately £973.9m of unutilised tax losses (2021: approximately £677.7m) available to offset against future profits. Deferred tax assets of £60.7m (2021: £30.5m) have been recognised in respect of £244.2m (2021: £119.7m) of such losses, the recovery of which is supported by the expected level of future profits of the Group. The recognition of the deferred tax assets is based on forecast operating results calculated in approved business plans and a review of tax planning opportunities.

In addition, the Group had approximately £374.0m (2021: £352.8m) of other gross deductible temporary differences for which no deferred tax asset is recognised.

No deferred tax asset has been recognised in respect of the remaining losses on the basis that their future economic benefit is uncertain given the unpredictability of future profit streams. With the exception of £33.7m which expire in 2041 and £3.6m which expire in 2042, all tax losses, both recognised and unrecognised, can be carried forward indefinitely.

Management has concluded that there is sufficient evidence for the recognition of the deferred tax assets of £1.9m (2021: £7.2m).

The amount of temporary differences associated with overseas subsidiaries for which no deferred tax has been provided is not material.

Deferred tax assets of £4.2m (2021: £6.2m) have been recognised in countries that reported a tax loss in either the current or preceding year. The majority arises overseas (2021: the majority arose overseas).

Changes in tax law or its interpretation

Ocado Group plc is aware of the upcoming GloBE model rules in relation to BEPS Pillar II. The United Kingdom has not yet substantively enacted the rules, but they are expected to apply from January 2024, at which time the Group is expected to fall within scope. To date, Ocado Group plc does not materially operate in low tax jurisdictions and will continue to monitor application of the rules and the potential impact on the Group.

2.9 Loss per share

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

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

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

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

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

Section 3 – Assets and liabilities

3.1 Business combinations

Accounting policies

The acquisition method of accounting is used for the acquisition of businesses. The cost of the acquisition is measured at the aggregate fair value of the consideration given. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair values at the date the Group assumes control of the acquiree.

Acquisition-related costs are recognised in the Consolidated Income Statement as incurred and are included in administrative expenses.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from agreed contingent consideration measured at fair value at the date control is achieved. Subsequent changes in fair value are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS.

Business combinations in the current period

Myrmex Inc.

On 6 June 2022, the Group acquired 100% of the issued share capital of Myrmex Inc. ("Myrmex"), a materials handling robotics start-up incorporated in the US that combines the use of intelligent robotics to industry standard assets to enhance order fulfilment. The Group previously acquired a 12.2% minority stake in Myrmex in October 2020 and appointed them to design and develop a proprietary solution that automates the loading of totes containing customer orders onto frames ready for dispatch ("Auto Frame Load" or "AFL"). The acquisition of Myrmex will enable faster roll-out of AFL across Ocado Group's global CFC footprint, as well as open up new opportunities for the development of bespoke automation solutions for the Ocado Smart Platform.

The total net consideration was £7.3m (€8.3m). The fair value of previous equity interests was £0.9m. Goodwill represents the future benefit of new technology, combined talent and future cost saving synergies.

Consideration transferred

	£m
Cash paid	5.9
Deferred consideration[1]	1.4
	7.3

1. Deferred consideration represents cash consideration withheld to cover potential indemnity claims under the terms of the acquisition agreement and will be released within 2 years.

Notes to the consolidated financial statements
continued

3.1 Business combinations continued

Fair value of assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Myrmex Inc. as at the date of acquisition were:

	£m
Assets	
Intangible assets	1.6
Property, plant and equipment	0.1
Deferred tax assets	0.4
Trade and other receivables	0.2
Cash and cash equivalents	0.4
	2.7
Liabilities	
Trade and other payables	(0.2)
	(0.2)
Total identifiable net assets at fair value	**2.5**
Consideration transferred	7.3
Fair value of investment previously held at FVTPL	0.9
Less fair value of identifiable net assets	(2.5)
Goodwill	**5.7**

Acquisition-related costs

A total of £0.3m acquisition-related costs were incurred for the acquisition of Myrmex Inc. which has been recognised within administrative expenses in the Consolidated Income Statement.

Contribution to Consolidated Income Statement

The contribution of the business to revenue and loss before tax was £0.1m and £nil respectively. If the acquisition had occurred at the start of the current period the Group's revenue and loss before tax would have increased by £0.2m and £0.1m respectively.

Analysis of cash flow on acquisition of Myrmex Inc.

	£m
Consideration paid	(5.9)
Cash acquired with subsidiary (included in cash flows from investing activities)	0.4
Net cash flow on acquisition	(5.5)

Cash flows in relation to acquisition costs have been recognised in operating cash flows.

Business combinations in the prior period

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 fulfilment for total consideration of £189.0m (US$251.8m).

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 for total consideration of £11.0m (US$14.9m). Kindred Systems and Haddington Dynamics together contributed an EBITDA loss from trading of £8.5m for the period ended 28 November 2021. Non-trading losses of £6.7m in the period have been presented in the 'Other' segment.

Fair value of 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. £m	Haddington Dynamics Inc. £m	Total fair value on acquisition £m
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)
Goodwill	**135.5**	**4.3**	**139.8**

Deferred consideration and replacement share awards

Deferred cash consideration of £2.6m is payable to key members of the Kindred Systems management team and will be treated as an employment cost.

In addition, £7.9m of Rollover Options (Replacement Share Awards) were awarded to key management personnel of Kindred Systems as part of the acquisition transaction and will be treated as a share based payments employment cost. Refer to Note 4.7 for further details.

For Haddington Dynamics, £6.9m of deferred shares were awarded to key management personnel as part of the transaction and will be treated as a share based payments employment cost. Refer to Note 4.7 for further details.

3.2 Goodwill

Accounting policies

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

Following initial recognition, goodwill is stated at costs less any accumulated impairment losses. Goodwill is reviewed annually for impairment and the recoverability of goodwill assessed by comparing the carrying amount of the CGU with the expected recoverable amount. Impairment is recognised where there is a difference between carrying value of the CGU and the estimated recoverable amount of the CGU to which that goodwill has been allocated. Impairment is recognised immediately in the income statement and is not subsequently reversed.

Impairment loss is first allocated to the carrying value of the goodwill and then to the other assets within the CGU. Recoverable amount is defined as the higher of fair value less costs of disposal and value in use at the date the impairment review is undertaken. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Notes to the consolidated financial statements
continued

3.2 Goodwill continued

Carrying amount of goodwill as at 27 November 2022 is as follows:

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

Goodwill – Impairment testing

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

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

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

FVLCD has been estimated using present value techniques using a discounted cashflow method. The fair value method relies on inputs not normally observable by market participants and is therefore categorised at Level-3 in the fair value hierarchy.

The key assumptions used by management in estimating FVLCD were:

- **Discount rates** – based on the Weighted Average Cost of Capital (WACC) of a typical market participant. The post tax discount rate used 11.0% (FY21: 7.2%). The discount rate has increased reflecting market volatility in risk free rate and equity risk premium inputs.
- **Forecast cash flows** – based on assumptions from the approved budget and 5-year plan, with projections extending to 10 years for International Solutions. The projections, which incorporate our best estimates of future cash flows and take into account future growth and price increases, have proved to be reliable guides in the past and the Directors believe the estimates are appropriate.
- **Long-term growth rates** – A long-term growth rate of 2.0% (FY21: 2.0%) was used for cash flows outside the plan projections. This long term growth rate is conservative and is considered to be lower than the long-term historic growth rates in the underlying territories in which the CGUs operate and the long-term growth rate prospects of the sectors in which the CGUs operate.

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

3.3 Other intangible assets

Accounting policies

Other intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets are amortised using the straight-line method over the useful lives from the time they are first available for use. The estimated useful lives vary according to the specific assets, but are typically:

Internally generated intangible assets	3 – 15 years
Other intangible assets	3 – 15 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

Cost capitalisation

The cost of an internally generated intangible asset is capitalised as an intangible asset where management determines that the ability to develop the asset is technically feasible, will be completed, and that the asset will generate economic benefit that outweighs its cost. Management determines whether the nature of the projects meets the recognition criteria to allow for the capitalisation of internal costs, which include the total cost of any external products or services and labour costs directly attributable to development. During the period, management has considered whether costs in relation to the time spent on specific software projects can be capitalised. Time spent that was eligible for capitalisation included time, which was intrinsic to the development of new assets, CFCs and General Merchandise Distribution Centres, and the enhancement and efficiency improvements of existing warehouse system capabilities to accommodate expanding capacity and scalable opportunities. Time has also been spent on the ongoing implementation and integration of the functionality of the OSP used by the Group's customers.

Other development costs that do not meet the above criteria are recognised as expenses as incurred. Development costs previously recognised as an expense are never capitalised in subsequent periods.

Research costs are recognised as expenses as incurred. These are costs that contribute to gaining new knowledge, which management assesses as not satisfying the capitalisation criteria. Examples of research costs include the following: salaries and benefits of employees assessing and analysing future technologies and their likely viability, and professional fees such as marketing costs and the cost of third-party consultancy.

Internally generated intangible assets consist primarily of costs relating to intangible assets that provide economic benefit independent of other assets, and intangible assets that are utilised in the operation of property, plant and equipment. These intangible assets are required for certain tangible assets to operate as intended by management. Management assesses each material addition of an internally generated intangible asset and considers whether it is integral to the successful operation of a related item of hardware, can be used across a number of applications and, therefore, whether the asset should be recognised as an intangible asset. If the asset could be used on other existing or future projects it will be recognised as an intangible asset. For example, should an internally generated intangible asset, such as the software code to enhance the operation of existing equipment in a CFC, be expected to form the foundation or a substantial element of future software development, it will be recognised as an intangible asset.

Estimation of useful life

The periodic amortisation charge is derived by estimating an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced amortisation charge in the Consolidated Income Statement.

The useful life is determined by management at the time software is acquired and brought into use, and is reviewed for appropriateness regularly. For computer software licences, the useful life represents management's view of the expected period over which the Group will receive benefits from the software.

For unique software products developed and controlled by the Group, useful life is based on historical experience with similar products as well as anticipation of future events that may affect their useful life, such as changes in technology.

Impairment of intangible assets

For intangible assets the Group performs impairment testing where indicators of impairment are identified. Impairment testing is performed at the individual asset level. Where an asset does not generate cash flows that are separately identifiable from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal, and value in use. When the recoverable amount is less than the carrying amount, an impairment loss is recognised immediately in the Consolidated Income Statement.

When an impairment charge is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have existed had no impairment charge been recognised for the asset in prior periods. A reversal of an impairment charge is recognised immediately as income.

Notes to the consolidated financial statements
continued

3.3 Other intangible assets continued

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

	Internally generated intangible assets £m	Other intangible assets £m	Total £m
Cost			
At 29 November 2020	357.5	63.9	421.4
Additions	7.6	14.8	22.4
Internal development costs capitalised	95.6	–	95.6
Recognised on acquisition of subsidiaries (Note 3.1)	64.6	10.1	74.7
Disposals	(73.6)	(10.0)	(83.6)
Effect of changes in foreign exchange rates	0.4	–	0.4
At 28 November 2021	452.1	78.8	530.9
Additions	**24.2**	**3.2**	**27.4**
Internal development costs capitalised	**116.4**	**1.1**	**117.5**
Recognised on acquisition of subsidiaries (Note 3.1)	**1.6**	**–**	**1.6**
Relassification	**(3.6)**	**0.8**	**(2.8)**
Disposals	**(0.1)**	**–**	**(0.1)**
Effect of changes in foreign exchange rates	**0.3**	**7.6**	**7.9**
At 27 November 2022	**590.9**	**91.5**	**682.4**
Accumulated amortisation			
At 29 November 2020	(165.6)	(24.6)	(190.2)
Charge for the period	(63.4)	(14.6)	(78.0)
Impairment charge	–	(1.1)	(1.1)
Disposals	73.6	10.0	83.6
At 28 November 2021	(155.4)	(30.3)	(185.7)
Charge for the period	**(98.2)**	**(16.5)**	**(114.7)**
Impairment charge	**(3.4)**	**(0.2)**	**(3.6)**
Effect of changes in foreign exchange rates	**–**	**(1.2)**	**(1.2)**
At 27 November 2022	**(257.0)**	**(48.2)**	**(305.2)**
Net book value			
At 28 November 2021	296.7	48.5	345.2
At 27 November 2022	**333.9**	**43.3**	**377.2**

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

3.4 Property, plant and equipment

Accounting policies

Property, plant and equipment (excluding land) are stated at cost, less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset, any costs attributable to bringing the asset to its working condition for its intended use, and major spares.

Depreciation is provided to write off the cost of property, plant and equipment less estimated residual value, on a straight-line basis over their estimated useful lives, is charged to distribution costs or administrative expenses depending on the nature of the item and is calculated based on the useful lives indicated below:

Freehold buildings	up to 30 years
Fixtures and fittings	5 – 10 years
Plant and machinery	3 – 20 years
Motor vehicles	2 – 7 years

Land is held at cost and not depreciated.

Assets in the course of construction are held at cost, less any recognised impairment charge. Cost includes professional fees and other directly attributable costs. Depreciation of these assets commences when the assets are ready for their intended use, on the same basis as other assets.

Gains and losses on disposal are determined by comparing proceeds with the asset's carrying amount, and are recognised within operating profit.

Estimation of useful life

The charge in respect of periodic depreciation is derived by estimating an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of the Group's assets are determined by management at the time the assets are acquired, and reviewed at least once a year for appropriateness. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the Consolidated Income Statement.

Management also assesses the useful lives based on historical experience with similar assets, as well as anticipation of future events that may affect their useful lives, such as changes in technology. A review of useful lives took place during the period, and no change in useful lives was required.

Impairment of property, plant and equipment

For property, plant and equipment the Group performs impairment testing where indicators of impairment are identified. Impairment testing is performed at the individual asset level. Where an asset does not generate cash flows that are separately identifiable from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal, and value in use. When the recoverable amount is less than the carrying amount, an impairment loss is recognised immediately in the Consolidated Income Statement.

When an impairment charge is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have existed had no impairment charge been recognised for the asset in prior periods. A reversal of an impairment charge is recognised immediately as income.

Notes to the consolidated financial statements
continued

3.4 Property, plant and equipment continued

	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Motor vehicles £m	Total £m
Cost				
At 29 November 2020	89.8	920.7	11.0	1,021.5
Additions	32.8	489.9	0.1	522.8
Internal development costs capitalised	–	35.0	–	35.0
Recognised on acquisition of subsidiaries	–	9.1	–	9.1
Disposals	–	(24.7)	(2.3)	(27.0)
Effect of changes in foreign exchange rates	–	1.9	–	1.9
At 28 November 2021	122.6	1,431.9	8.8	1,563.3
Additions	**92.5**	**494.4**	**1.6**	**588.5**
Internal development costs capitalised	**–**	**63.9**	**–**	**63.9**
Recognised on acquisition of subsidiaries	**–**	**0.1**	**–**	**0.1**
Reclassifications	**1.3**	**0.6**	**0.9**	**2.8**
Disposals	**(3.7)**	**(7.5)**	**–**	**(11.2)**
Effect of changes in foreign exchange rates	**0.1**	**39.4**	**–**	**39.5**
At 27 November 2022	**212.8**	**2,022.8**	**11.3**	**2,246.9**
Accumulated depreciation				
At 29 November 2020	(7.3)	(220.1)	(9.1)	(236.5)
Charge for the period	(2.2)	(81.0)	(1.2)	(84.4)
Impairment charge	–	(9.3)	–	(9.3)
Impairment of Erith assets (see Note 2.6)	–	(2.1)	–	(2.1)
Disposals	–	24.5	2.3	26.8
At 28 November 2021	(9.5)	(288.0)	(8.0)	(305.5)
Charge for the period	**(5.7)**	**(148.5)**	**(0.2)**	**(154.4)**
Impairment charge	**(0.1)**	**(9.2)**	**–**	**(9.3)**
Disposals	**–**	**2.2**	**–**	**2.2**
Effect of changes in foreign exchange rates	**–**	**(2.1)**	**–**	**(2.1)**
At 27 November 2022	**(15.3)**	**(445.6)**	**(8.2)**	**(469.1)**
Net book value				
At 28 November 2021	113.1	1,143.9	0.8	1,257.8
At 27 November 2022	**197.5**	**1,577.2**	**3.1**	**1,777.8**

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

Impairment assessment – PPE and intangible assets

The Group has determined that assets directly associated with individual International Solutions contracts (i.e. partner by partner) represent the lowest level group of assets at which impairment can be assessed. The Group has undertaken a review for indicators of impairment for each solution contract and, where indicators of impairment exist, a full asset impairment review was carried out comparing carrying value to fair value less cost to dispose (FVLCD).

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

- expected future cash flows from the contract – based on management forecasts for a ten year period, including an assessment of ramp up of capacity, ongoing operating costs and associated increase in fees and capital expenditure
- discount rate that specifically takes into account the risk pertaining to the customer specific cash flows – 10.8%
- long-term growth rate to reflect growth outside of the forecast period – 2.0%

Based on the outcome of the assessment, no impairment has been recognised. For one CGU (a single partner contract with currently just one live CFC), a 25% reduction in the FY23 to FY30 forecasted module ramp-up profile would result in £8.1m of headroom being fully eroded as a result of reduction in anticipated future cash flows. Any further reductions in ramp-up profile would lead to an impairment. The CGU has a carrying value of £53.2m.

3.5 Right-of-use assets and Lease Liabilities

Accounting policies

The Group leases properties, vehicles and other items of equipment. The leases have varying terms, escalation clauses and renewal rights. At the commencement date of a lease, the Group recognises a right-of-use asset and a lease liability on the Consolidated Balance Sheet. The Group has elected to account for short-term leases and leases of low-value items using practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments relating to these leases are recognised as expenses in the Consolidated Income Statement on a straight-line basis over the lease term.

Right-of-use-assets

Right-of-use assets are measured at cost, which is the initial measurement of the lease liabilities, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the assets at the ends of the leases, less any lease incentives received.

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the lease term. The Group also assesses the right-of-use assets for impairment when such indicators exist.

Lease Liabilities

The Group measures the lease liability at the present value of the lease payments that have not been paid at that date, discounted using the interest rate implicit in the lease (if that rate is readily available) or the Group's incremental borrowing rate. Subsequent to initial measurement, the liability is reduced for payments made, and increased for interest charged. If required, it is remeasured to reflect modifications, with corresponding adjustments reflected in the right-of-use asset.

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

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

Notes to the consolidated financial statements continued

3.5 Right-of-use assets and Lease Liabilities continued

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

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

External obligations under lease liabilities are £514.8m (2021: £494.4m), excluding £17.5m (2021: £34.0m) payable to MHE JVCo Limited, a company incorporated in England and Wales in which the Group holds a 50% interest.

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

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

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

3.6 Investment in joint venture and associate

Accounting policies

The Group's share of the results of joint ventures and associates is included in the Consolidated Income Statement, and is accounted for using the equity method of accounting. Investments in joint ventures and associates are held on the Consolidated Balance Sheet at cost, plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value. On transfer of assets to joint ventures and associates, the Group recognises only its share of any profits or losses, namely that proportion sold outside the Group.

If the Group's share of losses of a joint venture or associate equals or exceeds its investment in the joint venture or associate, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture or associate.

Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the entity.

Investment in joint venture and associate

The Group's principal joint ventures and associates are:

	Nature of relationship	Year end	Business Activity	% of interest held (FY22)	% of interest held (FY21)	Country of incorporation	Principal area of operation
MHE JVCo Limited	Joint Venture	**27 Nov**	Lessor of assets to the Group	**50.0%**	50.0%	United Kingdom	United Kingdom
Karakuri Limited	Associate	**31 Mar**	Development and building of robots	**26.3%**	26.3%	United Kingdom	United Kingdom

During the prior period, the Group disposed of its 33.3% interest in Infinite Acres Holding B.V. ('Infinite Acres'). For more details on the disposal, see Note 2.6.

The Group holds a 25% interest investment in Paneltex Limited that has not been treated as an associate since the Group does not have significant influence over the company. Further detail is disclosed in Note 3.7.

The carrying amounts of the investments at the beginning and end of the period can be reconciled as follows:

	MHE JVCo		Infinite Acres		Karakuri		Total	
	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m	**52 weeks ended 27 November 2022 £m**	52 weeks ended 28 November 2021 £m	**52 weeks ended 27 November 2022 £m**	52 weeks ended 28 November 2021 £m	**52 weeks ended 27 November 2022 £m**	52 weeks ended 28 November 2021 £m
Investment at beginning of period	**23.0**	30.4	**–**	7.0	**3.5**	4.1	**26.5**	41.5
Additional investment during period	**–**	–	**–**	0.1	**–**	–		0.1
Allocation of initial acquisition price to warrants[1]	**–**	–	**–**	–	**(1.9)**	–	**(1.9)**	–
Share of change in net assets through other comprehensive income	**–**	–	**–**	–	**0.4**	–	**0.4**	–
Share of total comprehensive (expense) / income attributable to Group	**(0.2)**	0.2	**–**	(1.9)	**(1.2)**	(0.6)	**(1.4)**	(2.3)
Foreign exchange difference recognised in other comprehensive income	**–**	0.1	**–**	–	**–**	–	**–**	0.1
Dividend received	**(8.0)**	(7.7)	**–**	–	**–**	–	**(8.0)**	(7.7)
Disposal during period	**–**	–	**–**	(5.2)	**–**	–	**–**	(5.2)
Investment at end of period	**14.8**	23.0	**–**	–	**0.8**	3.5	**15.6**	26.5

1. During the period, the Group allocated £1.9m of Karakuri's initial acquisition price to warrants. This has reduced the carrying value of the investment by £1.9m. Refer to Note 4.3 for further details on the carrying value of the warrants.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements
continued

3.6 Investment in joint venture and associate continued

The tables below provide summarised financial information of the Group's joint ventures and associates. The information disclosed reconciles the amounts presented in the financial statements of the relevant joint ventures and associates with the Group's share of those amounts.

	MHE JVCo		Infinite Acres		Karakuri		Total	
	27 November 2022 £m	28 November 2021 £m	**27 November 2022 £m**	28 November 2021 £m	**27 November 2022 £m**	28 November 2021 £m	**27 November 2022 £m**	28 November 2021 £m
Non-current assets	**15.0**	27.1	**–**	–	**2.2**	2.3	**17.2**	29.4
Current assets								
' Cash and cash equivalents	**3.5**	1.7	**–**	–	**2.9**	6.9	**6.4**	8.6
' Other current assets	**14.2**	18.3	**–**	–	**0.2**	0.2	**14.4**	18.5
Current liabilities								
' Other current liabilities	**(3.2)**	(1.0)	**–**	–	**(0.4)**	(0.2)	**(3.6)**	(1.2)
Non-current liabilities								
' Non-current financial liabilities (excluding trade and other payables)	**–**	–	**–**	–	**(6.9)**	(7.0)	**(6.9)**	(7.0)
' Other non-current liabilities	**–**	–	**–**	–	**–**	–	**–**	–
Net assets	**29.5**	46.1	**–**	–	**(2.0)**	2.2	**27.5**	48.3
Share of net assets attributable to Group	**14.8**	23.0	**–**	–	**(0.5)**	0.5	**14.3**	23.5
Legal costs capitalised on acquisition	**–**	–	**–**	–	**0.1**	0.1	**0.1**	0.1
Implicit goodwill	**–**	–	**–**	–	**1.2**	2.9	**1.2**	2.9
Investment at end of period	**14.8**	23.0	**–**	–	**0.8**	3.5	**15.6**	26.5

	MHE JVCo		Infinite Acres*		Karakuri		Total	
	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m	**52 weeks ended 27 November 2022 £m**	52 weeks ended 28 November 2021 £m	**52 weeks ended 27 November 2022 £m**	52 weeks ended 28 November 2021 £m	**52 weeks ended 27 November 2022 £m**	52 weeks ended 28 November 2021 £m
Revenue	**–**	–	**–**	2.9	**0.4**	0.1	**0.4**	3.0
Cost of sales	**–**	–	**–**	(4.6)	**–**	–	**–**	(4.6)
Gross profit	**–**	–	**–**	(1.7)	**0.4**	0.1	**0.4**	(1.6)
Administrative expenses	**(0.1)**	–	**–**	(2.9)	**(2.0)**	(2.4)	**(2.1)**	(5.3)
Depreciation, amortisation and impairment charges	**(1.6)**	(1.7)	**–**	(0.4)	**(3.3)**	(0.1)	**(4.9)**	(2.2)
Interest income	**1.3**	2.1	**–**	(0.2)	**-**	–	**1.3**	1.9
Interest expense	**–**	–	**–**	(0.4)	**-**	(0.2)	**–**	(0.6)
Income tax expense	**–**	–	**–**	–	**–**	0.3	**–**	0.3
Profit/(loss) and total comprehensive income/(expense) for the period	**(0.4)**	0.4	**–**	(5.6)	**(4.9)**	(2.3)	**(5.3)**	(7.5)
Share of total comprehensive income/(expense) attributable to Group	**(0.2)**	0.2	**–**	(1.9)	**(1.2)**	(0.6)	**(1.4)**	(2.3)
Foreign exchange loss recognised in other comprehensive income	**–**	0.1	**–**	–	**–**	–	**–**	0.1
Dividend received	**8.0**	7.7	**–**	–	**–**	–	**8.0**	7.7

* The Group disposed of its holding in Infinite Acres on 28 October 2021. The results above represent the Group's share of results up until this date.

The joint ventures and associates have no significant contingent liabilities to which the Group is exposed. The Group does not have any commitments that have been made to the joint ventures or associates and not recognised at the reporting date.

There are no significant restrictions on the ability of joint ventures and associates to transfer funds to the owners, other than those imposed by the Companies Act 2006 or equivalent local regulations.

3.7 Other financial assets

Accounting policies

Other financial assets comprise contingent consideration receivable, unlisted equity investments, loans receivable, and contributions towards dilapidations costs receivable.

Contingent consideration receivable is initially measured at the fair value at the date of disposal of the Group's shareholdings and is re-measured to fair value at each reporting date with the changes in fair value recognised in profit or loss.

Where unlisted equity investments represent strategic investments that the Group intends to hold indefinitely, they have been designated as at fair value through other comprehensive income ("FVTOCI"). They are held at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in other reserves. The cumulative gains or losses will not be reclassified to profit or loss on disposal of the investments; instead, they will be transferred directly to retained earnings. Dividends on these investments are recognised as other income in the Income Statement. All other unlisted equity investments are held at fair value through profit or loss ("FVTPL").

Loans receivable held at FVTPL were initially recognised at the amount of cash lent. Accrued interest is added to the carrying amount. They are held at fair value and revalued at each reporting date.

Loans receivable held at amortised cost were initially recognised at the fair value of the cash lent. Accrued interest is added to the carrying amount. They are held at amortised cost, reduced by appropriate provisions for estimated irrecoverable amounts.

FINANCIAL STATEMENTS

Contents

OCADO GROUP PLC Annual Report and Accounts 2022

Notes to the consolidated financial statements
continued

3.7 Other financial assets continued

	Notes	27 November 2022 £m	28 November 2021 £m
Contingent consideration receivable		98.3	156.7
Unlisted equity investments held at FVTOCI		69.8	30.4
Unlisted equity investment held at FVTPL		–	1.0
Loans receivable held at FVTPL	5.4	2.4	10.9
Loan receivable held at amortised cost	5.4	14.2	12.1
Contributions towards dilapidations costs receivable		0.7	1.5
Other financial assets		**185.4**	212.6
Disclosed as:			
Current		3.8	1.2
Non-current		181.6	211.4
		185.4	212.6

Contingent consideration receivable

Total contingent consideration receivable at the balance sheet date is £98.3m (2021: £156.7m), and comprises two amounts: £95.0m (2021: £152.6m) due from Marks and Spencer Holdings Limited ("M&S") relating to the part-disposal of Ocado Retail Limited ("Ocado Retail") in August 2019; and £3.3m (2021: £4.1m) due from Next Holdings Limited ("Next") relating to the disposal of Marie Claire Beauty Limited ("Fabled") in July 2019. Refer to Note 1.4 for details on the estimation uncertainty in relation to the fair value measurement of contingent consideration receivable and Note 4.4 for changes in the fair value during the period.

Contingent consideration due from M&S

Under the terms of the part-disposal of Ocado Retail during 2019, there is a contingent consideration due from M&S to Ocado Group of £190.7m that is payable in cash by no later than August 2024. This payment is dependent on certain contractually defined Ocado Retail performance measures ("the Target") being achieved during the 2023 financial year. The outcome is a binary one, meaning should the Target be achieved, this will trigger the payment in full of £190.7m (£156.3m plus £34.4m of interest, due no later than August 2024). Conversely, should the Target not be achieved, no consideration would be payable by M&S. The contractual arrangement with M&S expressly provides for the Target to be adjusted by the shareholders for actions taken since the part-disposal was effected.

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

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

Contingent consideration due from Next

The consideration due from Next is a percentage of the sales of Fabled for the period to July 2024. The total cash still receivable under the earn-out arrangement is estimated to be £3.7m (2021: £5.1m), payable in tranches in March and September each year.

Unlisted equity investments held at FVTOCI

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

1 The fair value of equity investment in Oxbotica Limited ("Oxbotica") increased as a result of the company successfully completing a series C fundraise

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

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

Loans receivable held at FVTPL

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

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

Loan receivable held at amortised cost

The loan receivable held at amortised cost is a USD15m loan to Infinite Acres Holding B.V. In October 2021, following the Group's divestment in Infinite Acres, 80 Acres Urban Agriculture, Inc. ("80 Acres") became a guarantor to the loan. Interest is chargeable on the USD15.0m principal at 5% per annum to December 2021, and 7% thereafter. The loan is repayable in full in September 2024, along with any unpaid accrued interest.

Contributions towards dilapidations costs receivable

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

Notes to the consolidated financial statements
continued

3.8 Asset held for sale

Accounting policies

Assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Where there are events or circumstances that extend the period to complete the sale beyond one year, and those events or circumstances are beyond the Group's control, the Group will continue to classify an asset or disposal group as held for sale where there is sufficient evidence that the Group remains committed to its plan to sell the asset or disposal group.

Asset held for sale

The asset held for sale of £4.4m (2021: £4.2m) 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.

3.9 Inventories

Accounting policies

Inventories comprise goods held for resale and consumables (including fuel). Inventories are valued at the lower of cost (using the first-in-first-out basis) and net realisable value. Costs include all direct expenditure and other appropriate attributable costs incurred in bringing inventories to their present location and condition. Net realisable value represents the estimated selling price, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. It also takes into account slow-moving, obsolete and defective inventory.

During the period, the Group adopted a new inventory accounting policy for its low-value spares (items below £500). Under the new accounting policy, low-value spares will be recognised initially in inventory and expensed as used.

In prior years, the Group recognised low-value spares as an expense upon purchase. This was accounted as such as the aggregate amount of those items have historically not been material. The Group has adopted the inventory accounting policy for low value spares as outlined above as it expects the purchase of low-value spares to increase in line with the growing number of CFCs and the aggregate value of these spares to become more significant.

This is a new accounting policy for an area that was previously immaterial and as such has been applied prospectively from the beginning of the period in accordance with the requirements of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. Consequently, £7.3m which would have been otherwise expensed on purchase has been recognised within inventories at the period end. No adjustment has been made for the prior period.

Judgement is applied when estimating the effect on the carrying value of inventories, such as slow-moving, obsolete and defective inventory, which includes reviewing the quantity, age and condition of inventories throughout the period.

	27 November 2022 £m	28 November 2021 £m
Goods for resale	**89.2**	81.8
Consumables	**17.6**	4.9
Inventories	**106.8**	86.7

The provision for slow-moving, obsolete and defective stock has increased by £2.5m from the prior period (2021: £2.9m increase) and the corresponding loss has been recognised in the Consolidated Income Statement.

3.10 Trade and other receivables

Accounting policies

Trade receivables are not interest bearing and are due on commercial terms. Trade receivables are recognised initially at their transaction price and subsequently measured at amortised cost using the effective interest method, less expected credit loss ("ECL").

Other receivables are also not interest bearing and are recognised initially at their transaction price, and subsequently at amortised cost, reduced by appropriate ECL.

Trade receivables and trade payables with the same supplier are presented separately until they reach their due dates, at which point they are presented on a net basis until settlement.

Provision for expected credit loss ("ECL")

The Group applies the simplified approach to measuring ECL, segmenting its trade receivables based on shared characteristics and recognising a loss allowance for the lifetime ECL for each segment of trade receivables.

The expected loss rates are based on the Group's historical credit losses, adjusted for reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

	27 November 2022 £m	28 November 2021 £m
Trade receivables, net of ECL allowance	**124.2**	124.6
Other receivables	**82.7**	61.4
Prepayments	**76.5**	69.4
Accrued income	**45.9**	69.0
Trade and other receivables	**329.3**	324.4
Disclosed as:		
Current	**329.3**	323.9
Non-current	**–**	0.5
	329.3	324.4

At 27 November 2022, the Group had an ECL allowance of £15.5m (2021: £3.9m) against an outstanding trade receivable balance of £139.7m (2021: £128.5m). The increase in ECL allowance is primarily in relation to a minor contractual dispute regarding specific terms, which are under negotiation at the end of the period. Of the £11.6m net increase in ECL provision during the period, £7.8m was recorded against revenue and the remaining amounts were recorded in operating expenses.

Movements in the provision for ECL of trade and other receivables are as follows:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Balance at beginning of period	**(3.9)**	(2.6)
Provision for expected credit loss of receivables	**(12.0)**	(2.4)
Uncollectible amounts written off	**–**	0.6
Recovery of amounts previously provided for	**0.4**	0.5
Balance at end of period	**(15.5)**	(3.9)

Included in trade receivables and accrued income is £59.6m and £14.2m respectively (2021: £50.8m and £5.5m) relating to contract balances outstanding for Solutions contracts. See Note 2.1 for more detail.

Included in trade receivables is £52.5m (2021: £50.9m) due from suppliers in relation to commercial and media income. As at 29th January 2023, £49.0m had been received.

Included in accrued income is £12.5m (2021: £9.0m) to be invoiced to suppliers in relation to supplier-funded promotional activity, and £6.2m (2021: £10.8m) to be invoiced to suppliers in relation to volume-related rebates. At 29th January 2023, £16.6m of accrued income had been invoiced.

Refer to Note 5.4 for details on related party balances within trade and other receivables.

Notes to the consolidated financial statements
continued

3.11 Cash and cash equivalents

Accounting policies

Cash and cash equivalents comprise cash at bank and in hand, money market funds, and treasury deposits with banks with a maturity of three months or less at the date of acquisition. Cash at bank and in hand includes customers' credit card payments received within five working days of the reporting date where notification of a chargeback or reserve fund has not been received from the payment service provider at the reporting date. Cash and cash equivalents are classified as current assets on the Consolidated Balance Sheet. The carrying amount of these assets approximates to their fair value.

	27 November 2022 £m	28 November 2021 £m
Cash at bank and in hand	304.3	362.1
Money market funds	623.7	596.5
Short-term treasury deposits	400.0	510.0
Cash and cash equivalents	**1,328.0**	1,468.6

Included in cash at bank and in hand are customers' credit card payments of £21.9m (2021: £34.9m) received within five working days of the reporting date.

Of the Group's cash and cash equivalents, £1.4m (2021: £1.8m) is held by the Group's captive insurance company to maintain its solvency requirements. A further £1.5m (2021: £2.6m) is held by the Trustee of the Group's Employee Benefit Trust relating to the Sharesave Scheme for employees in Poland. These funds are restricted and are not available to circulate within the Group on demand.

3.12 Trade and other payables

Accounting policies

Trade and other payables are initially recognised at their transaction price and subsequently at amortised cost, using the effective interest method.

	27 November 2022 £m	28 November 2021 £m
Trade payables	176.9	93.6
Taxation and social security	32.5	10.9
Accruals and other payables	287.8	274.6
Deferred income	11.0	14.1
Trade and other payables	**508.2**	393.2
Disclosed as:		
Current	506.3	393.2
Non-current	1.9	–
	508.2	393.2

Accruals and other payables includes £65.0m of employment cost accruals (2021: £34.5m), £58.1m goods received not invoiced (2021: £49.4m) and £42.4m of capital project accruals (2021: £30.8m).

Deferred income includes the value of delivery income received under the Ocado Smart Pass scheme, lease incentives and media income from suppliers, which all relate to future periods.

3.13 Provisions

Accounting policies

Provisions are recognised on the Consolidated Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be estimated reliably.

The amount recognised as provisions are management's best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation and historical experience. Provisions are determined by discounting the expected future cash flows by a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost in the Consolidated Income Statement.

Insurance claims
Provisions for insurance claims relate to potential motor insurance claims and potential public liability claims where accidents have occurred but a claim has yet to be made. The provision is made based on estimates provided to the Group by the third-party manager of the Ocado Cell in Atlas Insurance PCC Limited (the "Ocado Cell").

Dilapidations
Provisions for dilapidations are made for properties and vehicles where there are obligations to return the assets to the condition and state they were in when the Group obtained the right to use them. These are recognised on an asset-by-asset basis, and are based on the future expected costs required to restore the Group's leased buildings and vehicles to their fair condition at the end of their lease terms.

Leases for CFCs expire up to 2092, the GMDC leases between 2027 and 2033, head office leases between 2022 and 2029, and with leases for the spokes expiring up to 2038. Contractual amounts are due to be incurred at the end of the lease terms.

Leases for vehicles run for an average of five years, with the contractual obligation per vehicle payable at the end of the lease term. If a non-contractual option to extend individual leases is exercised by the Group, the contractual obligation remains the same but is deferred by six months.

Employee incentives schemes
Provisions for employee incentive schemes relate to employer's NIC on taxable equity-settled schemes and the Ocado Retail Value Creation Plan ("Retail VCP"). For all taxable schemes and the Retail VCP, the Group is liable to pay employer's NIC upon exercise of the share awards.

Taxable schemes are the unapproved Executive Share Option Scheme ("ESOS"), the Ocado Group Value Creation Plan ("Group VCP"), the Long-Term Operating Plan, the Annual Incentive Plan ("AIP") and the Restricted Share Plan ("RSP"). For more details on these schemes, refer to Note 4.7.

Notes to the consolidated financial statements
continued

3.13 Provisions continued

Insurance reimbursement

Following the fire that destroyed the Andover CFC in February 2019 (Note 2.6), the Group recognised an insurance reimbursement asset and a corresponding provision representing the obligation to reinstate the building. The obligation was fulfilled in the prior period.

	Insurance claims £m	Dilapidations £m	Employee incentive schemes £m	Other £m	Total £m
Balance at 29 November 2020	0.3	14.7	23.5	5.5	44.0
Charged to Consolidated Income Statement					
' Additional provision	0.2	–	6.3	–	6.5
' Unwinding of discounting	–	0.8	–	–	0.8
Recognition of right-of-use assets	–	6.0	–	–	6.0
Used during period	–	–	(2.1)	(5.5)	(7.6)
Balance at 28 November 2021	0.5	21.5	27.7	–	49.7
Charged to Consolidated Income Statement					
' Additional provision	**–**	**–**	**0.6**	**–**	**0.6**
' Unwinding of discounting	**–**	**0.4**	**–**	**–**	**0.4**
' Unused amounts reversed	**–**	**(2.9)**	**(26.6)**	**–**	**(29.5)**
Recognition of right-of-use assets	**–**	**5.3**	**–**	**–**	**5.3**
Recognised on acquisition	**–**	**–**	**–**	**0.2**	**0.2**
Used during period	**(0.1)**	**–**	**(0.2)**	**–**	**(0.3)**
Balance at 27 November 2022	**0.4**	**24.3**	**1.5**	**0.2**	**26.4**

27 November 2022	Insurance claims £m	Dilapidations £m	Employee incentive schemes £m	Other £m	Total £m
Current	**0.4**	**0.3**	**0.3**	**–**	**1.0**
Non-current	**–**	**24.0**	**1.2**	**0.2**	**25.4**
	0.4	**24.3**	**1.5**	**0.2**	**26.4**

28 November 2021	Insurance claims £m	Dilapidations £m	Employee incentive schemes £m	Other £m	Total £m
Current	0.5	0.1	0.4	–	1.0
Non-current	–	21.4	27.3	–	48.7
	0.5	21.5	27.7	–	49.7

Insurance claims

The calculation of this provision involves estimating a number of variables, principally the level of claims that may be received and the level of any compensation that may be payable. Uncertainty associated with these factors may result in the ultimate liability being different from the reported provision.

Employee incentive schemes

During the period, an additional provision of £0.6m (2021: £1.3m) has been recognised in relation to employers NIC on taxable equity-settled schemes and £0.2m (2021: £2.1m) has been utilised as a result of exercises of taxable equity-settled share awards. Releases in the period of amounts previously provided include £7.0m in relation to employers NIC on the Ocado VCP (2021: £0.7m additional provision) and £19.0m for the Retail VCP following the cancellation of the scheme during the period (2021: £5.0m additional provision).

The provision will be utilised once the share awards under each of the schemes have vested and been allotted to participants on exercise. Vesting will occur between 2023 and 2027, and allotment will take place between 2023 and 2032. Refer to Note 4.7 for further details.

3.14 Contingent liabilities

Accounting policies

Contingent liabilities are potential future cash outflows, where the likelihood of payment is considered more than remote but is not considered probable or cannot be measured reliably.

Obligations under Solutions contracts

In the construction phases of its Solutions contracts, the Group agrees to reach key milestones by specific points in time. If it fails to reach these milestones, financial penalties may be incurred. These potential financial penalties could have a material effect on the Group's financial statements, and, therefore, are considered contingent liabilities.

At the reporting date, management undertook a review of the agreed milestones within its Solutions contracts, and concluded that the possibility of not reaching them was remote.

Claims and litigation

On 1 October 2020, AutoStore Technology AS ("AutoStore"), a Norwegian company, filed patent infringement claims against the Group in the High Court in England, the United States International Trade Commission ("US ITC"), and the United States District Court for the Eastern District of Virginia. AutoStore subsequently applied to the United Kingdom Intellectual Property Office claiming ownership of several of the Group's patents relating to elements of the OSP system.

Ocado 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, Ocado has alleged, based on the evidence available, that the AutoStore patents on which AutoStore has based its case were procured fraudulently from the United States Patent and Trademark Office. Additionally, Ocado has brought infringement proceedings against AutoStore in Germany under its Utility Model rights. Furthermore, there are numerous EPO Opposition proceedings in progress with both Ocado as proprietor and opponent.

In March 2022, the US ITC found in favour of Ocado. AutoStore has appealed the decision, and the appeal is likely to be heard in 2023. The UK High Court trial was heard in March and April 2022 and a judgement is awaited. It should be noted that prior to the UK trial AutoStore withdrew two of the three patent families from the infringement proceedings. Hearings are scheduled in the German proceedings in May 2023, although the preliminary opinion of the German Patent Office is that the Utility Model rights are valid. The many EPO oppositions continue with so far one AutoStore patent having been revoked in its entirety, with no appeal now possible.

Ocado has been very clear that it does not believe it has infringed any valid rights of AutoStore.

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.

The Group also has contingent liabilities in respect of other legal claims arising in the ordinary course of business, all of which the Group expects will either be covered by its insurance or will not have a material effect on the Group's financial statements.

Subsidiary audit exemptions

The following UK subsidiary undertakings are exempt from the requirements of the Companies Act 2006 (the Act) relating to the audit of individual accounts by virtue of section 479A of the Act.

- Ocado Ventures Holdings Limited (09887250)
- Ocado Ventures (80 Acres) Limited (12075378)
- Ocado Ventures (Myrmex) Limited (12774138)
- Ocado Ventures (Inkbit) Limited (12103334)
- Ocado Ventures (Oxbotica) Limited (12796767)
- Ocado Ventures (JFC) Limited (12035120)
- Ocado Ventures (Wayve) Limited (13536254)
- Ocado Ventures (Karakuri) Limited (11512054)
- Ocado Finco 1 Limited (12996937)
- Ocado Finco 2 Limited (13007767)

Ocado Group plc will guarantee all outstanding liabilities that these subsidiaries are subject to as at the financial year ended 27 November 2022 in accordance with section 479C of the Act, as amended by the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012. In addition, Ocado Group plc will guarantee any contingent and prospective liability that these subsidiaries are subject to.

Notes to the consolidated financial statements
continued

Section 4 – Capital structure and financing costs

4.1 Borrowings

Accounting policies

Interest-bearing loans and bank overdrafts are initially recorded at fair value, net of transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period to redemption using the effective interest method, or capitalised as part of the cost of qualifying assets.

Convertible bonds are compound financial instruments, and so their liability and equity components are presented separately in accordance with IAS 32 "Financial Instruments: Presentation". At the date of issue, the liability component is valued by reference to a similar liability that does not have an associated equity component, and is recognised as borrowings. The difference between the proceeds received and the liability component is recognised in the convertible bonds reserve, directly in reserves. The liability and equity components are recorded net of transaction costs. The liability component is then held at amortised cost, with any difference between initial fair value and redemption value being recognised in the Consolidated Income Statement over the period to redemption using the effective interest method, or capitalised as part of the cost of qualifying assets. The carrying amount of the equity component does not change until the liability component is redeemed through repayment or conversion into ordinary shares.

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

Senior unsecured convertible bonds and senior unsecured notes

				Carrying amount	
Facility	Inception	Coupon rate	Final payment due	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
£600m senior unsecured convertible bonds	December 2019	0.875%	December 2025	**540.7**	522.0
£350m senior unsecured convertible bonds	June 2020	0.750%	January 2027	**295.2**	283.3
£500m senior unsecured notes	October 2021	3.875%	October 2026	**496.3**	494.6

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

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

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

Revolving credit facility

In June 2022, the Group entered into a three-year multi-currency Revolving Credit Facility ("RCF") of £300m with a syndicate of international banks. The RCF is due to mature on 20 June 2025. As at 27 November 2022, the facility remains undrawn. Interest is payable on the amounts drawn down at a margin of 2.25% plus the applicable reference rate depending on the currency of the amounts drawn down. The Group is subject to certain financial covenants under this facility.

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

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

Other borrowings

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

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

28 November 2021	Due in less than one year £m	Due in between one and two years £m	Due in between two and five years £m	Due in more than five years £m	Total £m
Senior unsecured convertible bonds	–	–	522.0	283.3	805.3
Senior unsecured notes	–	–	494.6	–	494.6
Other borrowings	–	0.1	–	–	0.1
Borrowings	–	0.1	1,016.6	283.3	1,300.0

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

4.2 Movements in net (debt)/cash

				Non-cash movements			
	Notes	28 November 2021 £m	Cash flows £m	Net new lease liabilities £m	Foreign exchange £m	Unwinding of interest £m	27 November 2022 £m
Cash and cash equivalents	3.11	1,468.6	**(162.4)**	**–**	**21.8**	**–**	**1,328.0**
Liabilities from financing activities:							
Borrowings	4.1	(1,300.0)	**(40.6)**	**–**	**–**	**(32.2)**	**(1,372.8)**
Lease liabilities	3.5	(528.4)	**57.4**	**(61.3)**	**–**	**–**	**(532.3)**
		(1,828.4)	**16.8**	**(61.3)**	**–**	**(32.2)**	**(1,905.1)**
Net debt		(359.8)	**(145.6)**	**(61.3)**	**21.8**	**(32.2)**	**(577.1)**

				Non-cash movements			
	Notes	29 November 2020 £m	Cash flows £m	Net new lease liabilities £m	Foreign exchange £m	Unwinding of interest £m	28 November 2021 £m
Other treasury deposits	3.6	370.0	(370.0)	–	–	–	–
Cash and cash equivalents	3.10	1,706.8	(257.5)	–	19.3	–	1,468.6
		2,076.8	(627.5)	–	19.3	–	1,468.6
Liabilities from financing activities:							
Borrowings	4.1	(997.4)	(266.5)	–	–	(36.1)	(1,300.0)
Lease liabilities	3.5	(407.8)	48.6	(169.2)	–	–	(528.4)
		(1,405.2)	(217.9)	(169.2)	–	(36.1)	(1,828.4)
Net debt		671.6	(845.4)	(169.2)	19.3	(36.1)	(359.8)

At the reporting date, the Group had net debt of £559.6m (2021: £325.8m), excluding lease liabilities of £17.5m (2021: £34.0m) payable to MHE JVCo Limited (Note 5.4). As detailed in Note 3.11, £2.9m (2021: £4.4m) of the Group's cash and cash equivalents is considered to be restricted, and is not available to circulate within the Group on demand.

Notes to the consolidated financial statements
continued

4.3 Derivative financial instruments

Accounting policies

Derivative financial instruments are initially recognised at fair value on the contract date, and are subsequently measured at their fair value at each reporting date. The method of recognising the resulting fair value gain or loss depends on whether or not the derivative is designated as a hedging instrument, and on the nature of the item being hedged. At 27 November 2022 and 28 November 2021, the Group's derivative financial instruments consisted of warrants to subscribe for additional shares of investee companies and commodity swap contracts, which are designated as cash flow hedges of highly probable transactions.

The Group documents at the inception of the hedge the relationship between hedging instruments and hedged items, the risk-management objectives and strategy, and its assessment of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

This assessment is performed retrospectively at the end of each financial reporting period. Movements in the hedging reserve within reserves are shown in the Consolidated Statement of Comprehensive Income. The fair value of hedging derivatives is classified as current when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedging instruments and qualify for hedge accounting is recognised in other comprehensive income. Amounts accumulated through other comprehensive income are recycled in the Consolidated Income Statement in the periods in which the hedged items affect profit or loss.

	27 November 2022 £m	28 November 2021 £m
Non-current assets		
Warrants	**27.4**	9.6
Current assets		
Commodity swap contracts	**0.8**	0.3
Current liabilities		
Commodity swap contracts	**(1.6)**	–
Net derivative assets	**26.6**	9.9

Commodity swap contracts

The Group uses commodity swap contracts to hedge the cost of future purchases of diesel fuel to be used in the logistics business. The cash flows are expected to occur within one year of the reporting date, and hedges cover 50% to 80% of expected risk.

The notional principal amounts of the outstanding commodity swap contracts were £13.4m (2021: £8.1m). The weighted average strike price of the outstanding commodity swap contracts relating to the future purchase of fuel at the reporting date was 66.13 pence per litre of diesel (2021: 36.9 pence per litre of diesel). The hedged highly probable forecast transactions are expected to occur at various dates during the next 12 months. A cumulative net loss of £1.1m (2021: £0.4m net gain) has been recognised in the hedging reserve through other comprehensive income. This gain/(loss) will be recognised in profit or loss in the periods during which the hedged forecast transactions affect the Consolidated Income Statement.

Throughout the period, all of the Group's cash flow hedges were effective, and there is, therefore, no ineffective portion recognised in profit or loss.

Warrants

		Carrying amount	
Investee company	Expiry date	27 November 2022 £m	28 November 2021 £m
Oxbotica Limited	April 2024	**19.5**	5.9
80 Acres Urban Agriculture, Inc.	September 2026	**4.0**	–
Karakuri Limited	April 2024	**2.1**	1.9
Wayve Technologies Limited[1]	January 2026	**1.8**	1.8
Warrants		**27.4**	9.6

Warrants are measured at fair value each year end, taking into account a variety of inputs, sensitivities and probabilities based on underlying forecasts and financial information of the investee company. Any fair value gains or losses on remeasurement are recognised through the Income Statement.

4.4 Financial instruments

Accounting policies

Financial assets and financial liabilities are recognised on the Consolidated Balance Sheet when the Group becomes a party to the contractual provisions of the instruments. Financial instruments are derecognised from the Consolidated Balance Sheet when the contractual cash flows expire or when the Group no longer retains control of substantially all the risks and rewards under the instrument.

The Group classifies its financial assets using the following categories:

- Amortised cost;
- Fair value through profit or loss ("FVTPL"); and
- Fair value through other comprehensive income ("FVTOCI").

The classification depends on the characteristics of the contractual cash flows, and the Group's business model for managing them.

Refer to Note 3.10 for the Group's accounting policy for expected credit losses.

Financial liabilities are measured at amortised cost, except for derivatives that are measured at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). Classification depends on the purpose for which the liability was acquired.

Financial liabilities and equity instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that gives a residual interest in the assets of the Group, after deducting all of its liabilities.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported on the Consolidated Balance Sheet when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The Group has categorised its financial instruments as follows:

27 November 2022	Notes	Amortised cost £m	FVTPL £m	FVTOCI £m	Total £m
Financial assets					
Other financial assets	3.7	**14.9**	**100.7**	**69.8**	**185.4**
Trade receivables	3.10	**124.2**	**–**	**–**	**124.2**
Other receivables and accrued income	3.10	**128.6**	**–**	**–**	**128.6**
Cash and cash equivalents	3.11	**1,328.0**	**–**	**–**	**1,328.0**
Derivative assets	4.3	**–**	**28.2**	**–**	**28.2**
Total financial assets		**1,595.7**	**128.9**	**69.8**	**1,794.4**
Financial liabilities					
Trade payables	3.12	**(176.9)**	**–**	**–**	**(176.9)**
Accruals and other payables	3.12	**(287.8)**	**–**	**–**	**(287.8)**
Borrowings	4.1	**(1,372.8)**	**–**	**–**	**(1,372.8)**
Lease liabilities	3.5	**(532.3)**	**–**	**–**	**(532.3)**
Derivative liabilities	4.3	**–**	**(1.6)**	**–**	**(1.6)**
Total financial liabilities		**(2,369.8)**	**(1.6)**	**–**	**(2,371.4)**

Notes to the consolidated financial statements continued

4.4 Financial instruments continued

28 November 2021	Notes	Amortised cost £m	FVTPL £m	FVTOCI £m	Total £m
Financial assets					
Other financial assets	3.7	13.6	168.6	30.4	212.6
Trade receivables	3.10	124.6	–	–	124.6
Other receivables and accrued income	3.10	130.4	–	–	130.4
Cash and cash equivalents	3.11	1,468.6	–	–	1,468.6
Contract assets	2.1	0.3	–	–	0.3
Derivative assets	4.3	–	9.9	–	9.9
Total financial assets		1,737.5	178.5	30.4	1,946.4
Financial liabilities					
Trade payables	3.12	(93.6)	–	–	(93.6)
Accruals and other payables	3.12	(285.5)	–	–	(285.5)
Borrowings	4.1	(1,299.9)	–	–	(1,299.9)
Lease liabilities	3.5	(528.4)	–	–	(528.4)
Total financial liabilities		(2,207.4)	–	–	(2,207.4)

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

Fair value measurement of financial assets and liabilities

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).

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:

		27 November 2022		28 November 2021	
	Notes	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets					
Other financial assets	3.7	**185.4**	**185.4**	212.6	212.6
Trade receivables	3.10	**124.2**	**124.2**	124.6	124.6
Other receivables and accrued income	3.10	**128.6**	**128.6**	130.4	130.4
Cash and cash equivalents	3.11	**1,328.0**	**1,328.0**	1,468.6	1,468.6
Contract assets	2.1	**–**	**–**	0.3	0.3
Derivative assets	4.3	**28.2**	**28.2**	9.9	9.9
Total financial assets		**1,794.4**	**1,794.4**	1,946.4	1,946.4
Financial liabilities					
Trade payables	3.12	**(176.9)**	**(176.9)**	(93.6)	(93.6)
Accruals and other payables	3.12	**(287.8)**	**(287.8)**	(285.5)	(285.5)
Senior unsecured notes	4.1	**(496.3)**	**(392.5)**	(494.6)	(488.1)
Senior unsecured convertible bonds	4.1	**(835.9)**	**(700.4)**	(805.3)	(1,067.4)
Other borrowings	4.1	**(40.6)**	**(40.6)**	–	–
Lease liabilities	3.5	**(532.3)**	**(532.3)**	(528.4)	(528.4)
Derivative liabilities	4.3	**(1.6)**	**(1.6)**	–	–
Total financial liabilities		**(2,371.4)**	**(2,132.1)**	(2,207.4)	(2,463.0)

The fair values of other financial assets, trade receivables, other receivables and accrued income, cash and cash equivalents, trade payables and accruals and other payables are assumed to approximate to their carrying values but for completeness are included in the above analysis.

The fair values of the senior unsecured notes and senior unsecured convertible bonds are determined based on the quoted price in the active market.

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:

27 November 2022	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets held at fair value					
Contingent consideration receivable	3.7	**–**	**–**	**98.3**	**98.3**
Unlisted equity investments	3.7	**–**	**–**	**69.8**	**69.8**
Convertible loan to associate	3.7	**–**	**–**	**2.4**	**2.4**
Derivative assets	4.3	**–**	**0.8**	**27.4**	**28.2**
Total financial assets held at fair value			**0.8**	**197.9**	**198.7**
Financial liabilities held at fair value					
Derivative liabilities	4.3	**–**	**(1.6)**	**–**	**(1.6)**
Total financial liabilities held at fair value		**–**	**(1.6)**	**–**	**(1.6)**

28 November 2021	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets held at fair value					
Contingent consideration receivable	3.7	–	–	156.7	156.7
Unlisted equity investments	3.7	–	–	31.4	31.4
Convertible loan to associate	3.7	–	–	10.9	10.9
Derivative assets	4.3	–	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	4.3	–	–	–	–
Total financial liabilities held at fair value		–	–	–	–

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

	Notes	Contingent consideration receivable £m	Unlisted equity investments £m	Loans receivable £m	Derivative assets/ liabilities £m	Total £m
Balance at 29 November 2020		173.6	12.7	1.7	–	188.0
Recognised during the period		–	11.2	–	–	11.2
Cash paid/(received)		(33.8)	11.4	10.3	–	(12.1)
Gains/(losses) recognised in profit or loss	2.4, 2.6	16.9	–	(1.3)	9.6	25.2
Interest recognised in finance income	4.5	–	–	0.2	–	0.2
Losses recognised in other comprehensive income	4.9	–	(3.9)	–	–	(3.9)
Balance at 28 November 2021		156.7	31.4	10.9	9.6	208.6
Recognised/derecognied during the period		**–**	**8.9**	**(9.0)**	**1.9**	**1.8**
Cash paid		**–**	**–**	**0.5**	**–**	**0.5**
Gains/(losses) recognised in profit or loss		**(58.4)**	**(3.8)**	**(0.2)**	**15.9**	**(46.5)**
Interest recognised in finance income		**–**	**–**	**0.2**	**–**	**0.2**
Gains recognised in other comprehensive income		**–**	**33.3**	**–**	**–**	**33.3**
Balance at 27 November 2022		**98.3**	**69.8**	**2.4**	**27.4**	**197.9**

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

4.4 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	Expected present value technique Expected cash in-flows are estimated based on the terms of the share purchase agreements and the probability weighting of possible scenarios of meeting financial and operational targets.	Discount rate of 10.0% Expected cash in-flows of £194.4m	The fair value is considered principally to be sensitive to reasonably possible changes in the target performance measure. To illustrate this sensitivity, if the performance measure was £25m higher or lower than assumed in the valuation approach, the fair value of the asset based on period end valuation model would increase by £13.0m or decrease by £14.6m respectively.
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 £18.9m and £15.1m, respectively.
Derivative assets (warrants) ' Karakuri Limited	Probability weighted expected return method ("PWERM") Forecasted revenue, revenue multiples, exit date, discount rate and probabilities	Probabilities of expected revenue in three 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 derivative assets by £0.1m.
Unlisted equity investments and derivative assets (warrants) ' 80 Acres Urban Agriculture, Inc. ' Wayve Technologies Limited	Option pricing model. Volatility, risk free interest rate and exit date.	Breakpoint option value of shares	- 80 Acres Urban Agriculture, Inc: An increase of 5% in volatility will decrease unlisted equity investment and increase derivative financial assets by £0.1m and £0.1m respectively. - Wayve Technologies Limited An increase of 5% in volatility will increase unlisted equity investment by £0.3m.
Unlisted equity investments ' Inkbit Corporation	Probability weighted expected return method ("PWERM") Forecast revenue, revenue multiples, exit date, discount rate and probabilities	Probabilities of expected revenue in different scenarios	A decrease in discount rate of 3% and a 5% increase in the probability of fund raise would increase the fair value of unlisted equity by £0.2m.
Unlisted equity investments ' Paneltex Limited	Discounted cash flow and Market approach were used to derive Enterprise Value used for calculating equity value along with a capitalisation of earnings approach Forecasted EBITDA, EBITDA multiples and discount rates	Discount rate of 19.9%, long-term growth rate of EBITDA of 2.0%	An increase in the EBITDA multiple of 0.3x and 5% increase in forecasted EBITDA would increase the fair value by £0.3m.
Loans receivable ' Karakuri Limited	Probability-weighted expected return method Conversion/exercise dates, discount rate and probabilities	Probabilities of conversion dates in four different scenarios and discount rate	A decrease in discount rate of 3% and a 5% increase in the probability of fund raise 1 would increase the fair value of the loans receivable, unlisted equity investment and derivative assets aggregating to £7.1m.

For more details on the other financial assets and derivative financial assets, refer to Notes 3.7 and 4.3 respectively.

4.5 Financial risk management

Overview

The Group's financial instruments comprise cash and cash equivalents, trade and other receivables and payables, borrowings, lease liabilities, derivatives and unlisted investments. The main financial risks faced by the Group relate to the risk of default by counterparties following financial transactions, to the availability of funds for the Group to meet its obligations as they fall due, and to fluctuations in interest and foreign exchange rates.

The management of these risks is set out below:

Credit risk

The Group's exposure to credit risk arises from holdings of cash and cash equivalents, trade and other receivables, and derivative assets. The carrying amounts of these financial assets, as set out in Note 4.4, represent the maximum credit exposure. No collateral is held as security against these assets.

Management does not believe that the credit risk of any financial instrument has increased significantly since its initial recognition.

Cash and cash equivalents

The Group's exposure to credit risk on cash and cash equivalents is managed by investing in banks and financial institutions with investment grade credit ratings (all rated A or above according to Fitch Ratings Inc.'s long-term credit ratings), and by regular review of counterparty risk.

Trade and other receivables

Trade and other receivables at the reporting date comprise amounts due from solutions customers and monies due from suppliers in relation to commercial and media income, which are considered of a good credit quality, as well as VAT receivable. The Group provides for doubtful receivables in respect of amounts due from customers and monies due from suppliers.

The Group has very low retail credit risk due to transactions being principally of a high volume, low value and short maturity. Therefore, it also has very low concentration risk. The Group has effective controls over this area. The Group provides for 30% of amounts due from suppliers that are between 61 and 360 days overdue, and 100% of amounts more than 360 days overdue. It provides for 100% of amounts due from Retail customers which are more than 30 days overdue. Amounts due from each Solutions customer are treated on a case-by-case basis, depending on the credit risk assigned to the counterparty, the amount outstanding, and the length of time to or from the due date.

The Group's definition of default differs between suppliers and customers. A supplier is deemed to have defaulted if they have not paid an amount due within 360 days of the due date. A Retail customer is deemed to have defaulted if they have not paid an amount due within 30 days of the due date. Solutions customers are treated on a case-by-case basis, and the definition of default varies.

Receivables are written off when there is no realistic prospect of recovery. This is generally the case when the Group determines that the counterparty does not have sufficient assets or sources of income to repay the relevant amounts. However, receivables that have been written off may still be subject to enforcement activity. The recovery of an amount previously written off is recognised as a gain in the Consolidated Income Statement.

Refer to Note 3.10 for movements in the provision for ECL of trade and other receivables during the period.

Notes to the consolidated financial statements
continued

4.5 Financial risk management continued

Liquidity risk

The Group has adequate cash resources to manage the short-term working capital needs of the business. In June 2022, the group raised an additional c.£878m of gross liquidity through a c.£575m equity placing, c.£3m from a retail offering and subscription by senior management and a new £300m revolving credit facility. The Group regularly reviews its financing arrangements. For further details of the review see the Viability Statement on page 98.

The Group monitors its liquidity requirements to ensure it has sufficient cash to meet operational needs. For further details, see Note 4.8.

The table below analyses the Group's financial liabilities based on the period remaining to the contractual maturity dates at the reporting date. The amounts disclosed in the contractual cash flows are gross and undiscounted, and include future interest payments, so will not necessarily reconcile to the carrying amounts.

			Contractual cash flows				
27 November 2022	Notes	**Carrying amount £m**	**Total £m**	**Due in less than one year £m**	**Due in between one and two years £m**	**Due in between two and five years £m**	**Due in more than five years £m**
Trade payables	3.12	**176.9**	**176.9**	**176.9**	**–**	**–**	**–**
Accruals and other payables	3.12	**287.8**	**287.8**	**287.8**	**–**	**–**	**–**
Borrowings	4.1	**1,372.8**	**1,640.6**	**40.7**	**29.8**	**1,511.3**	**58.8**
Lease liabilities	3.5	**532.3**	**779.9**	**84.1**	**72.1**	**165.3**	**458.4**
		2,369.8	**2,885.2**	**589.5**	**101.9**	**1,676.6**	**517.2**

			Contractual cash flows				
27 November 2021	Notes	Carrying amount £m	Total £m	Due in less than one year £m	Due in between one and two years £m	Due in between two and five years £m	Due in more than five years £m
Trade payables	3.12	93.6	93.6	93.6	–	–	–
Accruals and other payables	3.12	285.5	285.5	285.5	–	–	–
Borrowings	4.1	1,300.0	1,585.9	27.3	27.4	1,179.1	352.1
Lease liabilities	3.5	528.4	781.8	73.8	69.2	162.8	476.0
		2,207.5	2,746.8	480.2	96.6	1,341.9	828.1

Currency risk

The Group has exposure to foreign currency risk through trade receivables, trade payables and lease liabilities denominated in foreign currencies and a portion of its cash and cash equivalents.

Foreign currency trade receivables arise principally on amounts invoiced under Solutions contracts and foreign currency trade payables arise principally on purchases of plant and machinery. Trade receivables and payables arise principally in Australian dollars, Canadian dollars, euros, Japanese yen, Swedish krona and United States dollars. Bank accounts are maintained in these foreign currencies in order to minimise the Group's exposure to fluctuations in foreign currencies relating to current and future revenue, salaries and purchases of plant and equipment.

The table below shows the Group's sensitivity to changes in foreign exchange rates on its financial instruments denominated in foreign currencies:

	27 November 2022		28 November 2021	
	Increase/ (decrease) in income £m	**Increase/ (decrease) in equity £m**	Increase/ (decrease) in income £m	Increase/ (decrease) in equity £m
10.0% appreciation of above foreign currencies against sterling	**14.7**	**–**	35.3	–
10.0% depreciation of above foreign currencies against sterling	**(14.7)**	**–**	(35.3)	–

During the period, the currencies to which the Group is exposed appreciated and depreciated against sterling by between 10.1% and (10.3)%. Given these historical movements, a 10.0% appreciation or depreciation of foreign currencies is deemed reasonably likely to occur, and so has been used for the above analysis. The analysis assumes that all other variables remain constant.

Interest rate risk

The Group is exposed to interest rate risk on its variable rate cash and cash equivalents. The Group's interest rate risk policy seeks to minimise finance charges and volatility by structuring the interest rate profile into a diversified portfolio of fixed rate and variable rate financial assets and liabilities.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	27 November 2022 £m	28 November 2021 £m
Fixed rate instruments		
Financial assets	**414.2**	523.2
Financial liabilities	**(1,865.1)**	(1,828.4)
Variable rate instruments		
Financial assets	**928.0**	945.4
Financial liabilities	**(40.0)**	–

Sensitivity analysis

Based on the Group's variable rate interest-bearing borrowings and cash and cash equivalents existing at the end of the period, a 2% increase in interest rates (2021: 1% increase) would affect equity and profit or loss by the amounts shown below.

	27 November 2022 £m	28 November 2021 £m
Increase in profit	**17.8**	9.5
Increase in equity	**–**	–

Notes to the consolidated financial statements continued

4.6 Share capital and reserves

Accounting policy

Equity instruments issued by the Group are recorded as the proceeds received, net of direct issue costs.

Share capital and share premium

At the reporting date, the number of ordinary shares available for issue under the Block Listing Facilities was 9,447,982 (2021: 7,259,291). These ordinary shares will only be issued and allotted when the shares under the relevant share plan have vested, or the share options have been exercised. They are, therefore, not included in the total number of ordinary shares outstanding below.

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

	Ordinary shares million	Share capital £m	Share premium £m
Balance at 29 November 2020	748.1	15.0	1,361.6
Issue of ordinary shares	1.4	–	1.9
Allotted in respect of share option schemes	1.9	–	8.5
Balance at 28 November 2021	751.4	15.0	1,372.0
Issue of ordinary shares	**73.9**	**1.5**	**565.0**
Allotted in respect of share option schemes	**0.6**	**–**	**2.3**
Balance at 27 November 2022	**825.9**	**16.5**	**1,939.3**

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

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

Included in the total number of ordinary shares outstanding above are 10,438,075 (2021: 10,454,148) ordinary shares held by the Group's Employee Benefit Trust (see Note 4.7). The ordinary shares held by the Trustee of the Group's Employee Benefit Trust pursuant to the JSOS, and the linked jointly owned equity ("JOE") awards under the Ocado Group Value Creation Plan ("Group VCP") are treated as treasury shares on the Consolidated Balance Sheet in accordance with IAS 32 "Financial Instruments: Presentation". These ordinary shares have voting rights but these have been waived by the Trustee (although the Trustee may vote in respect of shares that have vested and remain in the Trust). The number of allotted, called-up and fully paid shares, excluding treasury shares, at the end of each period differs from that used in the basic loss per share calculation in Note 2.9, since the basic loss per share is calculated using the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

Treasury shares reserve

The treasury shares reserve arose when the Group issued equity share capital under its JSOS. In 2019, the Group issued share capital relating to the linked jointly owned equity ("JOE") awards under the Group VCP. The shares under both plans are held in trust by the Trustee of the Group's Employee Benefit Trust. Treasury shares cease to be accounted for as such when they are sold outside the Group or the interest is transferred in full to the participant pursuant to the terms of the JSOS and Group VCP. Participants' interests in unexercised shares held by participants are not included in the calculation of treasury shares. See Note 4.7 for more information on the JSOS and VCP.

Other reserves

The movements in other reserves are set out below:

	Other reserves						
	Reverse acquisition reserve £m	Convertible bonds reserve £m	Merger reserve £m	Translation reserve £m	Fair value reserve £m	Hedging reserve £m	Total £m
Balance at 29 November 2020	(116.2)	184.5	–	(1.3)	10.0	(0.1)	76.9
Gain arising on cash flow hedges	–	–	–	–	–	0.4	0.4
Foreign exchange loss on translation of foreign subsidiaries and joint venture	–	–	–	(10.5)	–	–	(10.5)
Foreign exchange gain on translation of foreign joint venture reclassified to profit or loss	–	–	–	0.8	–	–	0.8
Loss on equity investments designated as at fair value through other comprehensive income	–	–	–	–	(3.9)	–	(3.9)
Acquisition of Haddington Dynamics Inc.	–	–	6.2	–	–	–	6.2
Balance at 28 November 2021	(116.2)	184.5	6.2	(11.0)	6.1	0.3	69.9
Loss arising on cash flow hedges	**–**	**–**	**–**	**–**	**–**	**(1.1)**	**(1.1)**
Foreign exchange gain on translation of foreign subsidiaries and joint venture	**–**	**–**	**–**	**69.1**	**–**	**–**	**69.1**
Gain on equity investments designated as at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**33.3**	**–**	**33.3**
Tax on gain on equity investments	**–**	**–**	**–**	**–**	**(7.2)**	**–**	**(7.2)**
Balance at 27 November 2022	**(116.2)**	**184.5**	**6.2**	**58.1**	**32.2**	**(0.8)**	**164.0**

Reverse acquisition reserve

The acquisition by the Company of the entire issued share capital in 2010 of Ocado Holdings Limited was accounted for as a reverse acquisition under IFRS 3 "Business Combinations". Consequently, the previously recognised book values and assets and liabilities have been retained, and the consolidated financial information for the period to 27 November 2022 has been presented as if the Company had always been the parent company of the Group.

Convertible bonds reserve

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

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

Merger reserve

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

Translation reserve

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

Fair value reserve

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

Hedging reserve

The hedging reserve comprises cumulative gains and losses on movements in the Group's hedging arrangements (see Note 4.3).

Notes to the consolidated financial statements
continued

4.7 Share options and other equity instruments

Accounting policies

Employee benefits

Employees (including Directors) of the Group receive part of their remuneration in the form of share-based payments, whereby, depending on the scheme, employees render services in exchange for rights over shares ("equity-settled transactions") or entitlement to future cash payments ("cash-settled transactions").

The cost of equity-settled transactions with employees is measured, where appropriate, with reference to the fair value of the equity instruments at the date on which they are granted. Where options need to be valued, an appropriate valuation model is applied. The expected lives used in the models have been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The cost of cash-settled transactions, including the cost of associated employer NIC on certain taxable equity-settled transactions, is measured with reference to the fair value of the amounts payable, which is taken to be the closing price of the Company's shares at the measurement date. Until a liability is settled, it is remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value being recognised in the Consolidated Income Statement for the relevant period. For more details, see Note 3.13.

The cost of equity-settled transactions is recognised, along with a corresponding increase in equity, over the periods in which the service and performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cost of associated employer taxes is recognised, along with a corresponding provision for the expected cash settlement, over the vesting period.

At each reporting date, the cumulative expense recognised for equity-settled transactions reflects the extent to which the vesting period has elapsed, and the number of awards that, in the opinion of management, will ultimately vest. Management's estimates are based on the best available information at that date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Share options and other equity instruments

The total expense for the period relating to all share-based payment transactions is as follows:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Executive Share Option Scheme	1.3	2.4
Joint Share Ownership Scheme	–	–
Sharesave Scheme	3.1	2.0
Long-term Incentive Plan	–	0.4
Share Incentive Plan	2.2	1.9
Ocado Group Value Creation Plan	11.3	21.0
Ocado Retail Value Creation Plan	(19.0)	5.0
Long-term Operating Plan	–	0.7
Annual Incentive Plan	2.6	2.2
Employee Share Purchase Plan	0.2	0.5
Ocado Restricted Share Plan	11.6	1.7
Consultant Option Plan	0.2	0.6
Deferred Consideration Shares	2.4	3.4
Total expense	**15.9**	41.8
Of which:		
Equity settled expense	**42.0**	35.5
Cash-settled expense	**(26.1)**	6.3
Total expense	**15.9**	41.8

The Group had the following schemes in operation during the financial period:

(a) Executive Share Option Scheme (ESOS)

The Group's ESOS was established in 2001 and is an equity-settled share option scheme approved by HMRC. Options have also been granted under the terms of HMRC's schedule, which are not approved and also under the terms of the Internal Revenue Service which are both qualified and non-qualified. All share awards under the ESOS are equity-settled, apart from employer's NIC due on unapproved ESOS awards, which are treated as cash-settled.

Under the ESOS, the Group or the trustees of an employee trust may grant options over shares of the Company to eligible employees and may impose performance targets or any further conditions determined to be appropriate on the exercise of an option. In most cases, any performance target must be measured over a period of at least three years.

With the exception of replacement options, the vesting period for the ESOS is three years. If the options remain unexercised after a period of ten years from the date of grant or the employee leaves the Group, the options expire (subject to a limited number of exceptions).

In the prior period, on acquisition of a subsidiary, its existing unvested options were cancelled and replaced by options of the Company granted under the ESOS. Replacement options shall vest in three equal instalments on the first three anniversaries of the closing date of acquisition, subject to the option holder's continued employment within the Group.

Details of the movement of the number of share options outstanding during each period are as follows:

	52 weeks ended 27 November 2022		52 weeks ended 28 November 2021	
	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of period	2,074,654	7.43	1,965,039	5.96
Granted during period	275,528	12.04	649,047	10.09
Forfeited during period	(164,020)	11.51	(173,891)	8.40
Exercised during period	(255,807)	2.97	(365,541)	3.78
Outstanding at end of period	**1,930,355**	**8.34**	2,074,654	7.43
Exercisable at end of period	**1,083,446**	**5.25**	1,105,599	3.44

At the reporting date, the Group had 1,440,504 (2021: 1,369,887) approved options outstanding and 489,851 (2021: 704,767) unapproved options outstanding. At the end of the period, the range of exercise prices for approved options outstanding was £1.28 to £25.08 (2021: £0.85 to £25.08) and for unapproved options outstanding was £2.56 to £14.47 (2021: £1.05 to £20.84).

The weighted average remaining contractual life for the ESOS share options outstanding as at 27 November 2022 was 6.1 years (2021: 6.4 years).

For exercises during the period, the weighted average share price at the date of exercise was £11.77 (2021: £20.77).

In determining the fair value of the share options granted during the period, the Black Scholes option pricing model was used with the following inputs:

	27 November 2022	28 November 2021
Weighted average share price	£12.04	£21.10
Weighted average exercise price	£12.04	£10.09
Expected volatility	50.0%	34.0%
Weighted expected life, years	3.00	2.32
Weighted average risk-free interest rate	1.3%	0.0%
Expected dividend yield	0.0%	0.0%

The expected volatility was determined by considering the historical performance of the Company's shares. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Notes to the consolidated financial statements continued

4.7 Share options and other equity instruments continued

(b) Joint Share Ownership Scheme (JSOS)

The JSOS is an executive incentive scheme that was introduced to incentivise and retain the Executive Directors and senior managers of the Group ("Participants"). It is a share ownership scheme permitting a Participant to benefit from the increase (if any) in the value of a number of ordinary shares of the Company ("Shares") over specified threshold amounts. To acquire an interest a Participant enters into a joint share ownership agreement with Ocorian Limited, Trustee of the Employee Benefit Trust ("Trustee"), whereby the Participant and the Trustee jointly acquire the Shares and agree that once all vesting conditions have been satisfied, the Participant is awarded a specific number of Shares equivalent to the benefit achieved, or at their discretion, when the Shares are sold, the Participant has a right to receive a proportion of the sale proceeds insofar as the value of the Shares exceeds the threshold amount.

At the reporting date the Participants and Trustee held separate beneficial interests in 1,192,474 (2021: 1,208,547) ordinary shares, which represents 0.1% (2021: 0.2%) of the issued share capital of the Company. Of these shares, 627,486 (2021: 643,559) are held by the Employee Benefit Trust on an unallocated basis.

Details of the movement of the number of allocated Interests in shares during the current and prior periods are as follows:

	52 weeks ended 27 November 2022		52 weeks ended 28 November 2021	
	Number of interests in shares	**Weighted average exercise price (£)**	Number of interests in shares	Weighted average exercise price (£)
Outstanding at beginning of period	**564,988**	**2.24**	646,339	2.26
Exercised during period	**–**	**–**	(81,351)	2.36
Outstanding at end of period	**564,988**	**2.24**	564,988	2.24
Exercisable at end of period	**564,988**	**2.24**	564,988	2.24

(c) Sharesave Scheme

The Sharesave Scheme ("SAYE") is a HMRC-approved scheme that is open to all employees of the Group. Under the scheme, members save a fixed amount each month for three years. At the end of the three-year period, they are entitled to use these savings to buy shares of the Company at 90% of the market value at launch date.

At the reporting date, employees of the Company's subsidiaries held 4,394 (2021: 4,671) contracts in respect of options over 2,114,080 shares (2021: 1,970,813).

Details of the movement of the number of Sharesave options outstanding during the current and prior periods are as follows:

	52 weeks ended 27 November 2022		52 weeks ended 28 November 2021	
	Number of share options	**Weighted average exercise price (£)**	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of period	**1,970,813**	**15.10**	3,049,851	7.73
Granted during period	**1,887,609**	**12.00**	783,704	23.46
Forfeited during period	**(1,725,049)**	**15.44**	(320,662)	15.78
Exercised during period	**(19,293)**	**5.53**	(1,542,080)	4.62
Outstanding at end of period	**2,114,080**	**12.14**	1,970,813	15.10
Exercisable at end of period	**12,191**	**12.39**	16,327	4.57

(d) Long-Term Incentive Plan

The Group's equity-settled long-term incentive plans ("LTIP") awarded shares conditionally to Executive Directors and certain senior managers calculated as a percentage of the participants' salaries. The awards vested over a three year period subject to continued employment and the achievement of certain performance conditions. All awards vested, or were forfeited, in the prior period.

Outstanding share awards under the LTIP at the beginning and end of the period can be reconciled as follows:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Outstanding at beginning of period	**–**	813,935
Forfeited during period	**–**	(173,661)
Vested during period	**–**	(640,274)
Outstanding at end of period	**–**	–
Exercisable at end of period	**–**	–

(e) Share Incentive Plan

In 2014, the Group introduced the Share Incentive Plan ("SIP"). This HMRC-approved scheme provides all employees, including Executive Directors, the opportunity to receive and invest in the Company's shares. All SIP shares are held in a SIP Trust, administered by Solium Trustee (UK) Limited.

There are two elements to the plan: the Buy As You Earn ("BAYE") arrangement and the Free Share Award. Under the BAYE, participants can purchase shares of the Company ("Partnership Shares") each month using contributions from pre-tax pay, subject to an upper limit. For every seven shares purchased, the Company gifts the participant one free share (a "Matching Share").

Under the Free Shares Award, shares are given to eligible employees, as a proportion of their annual base pay, subject to a maximum. Eligible employees are those with six months' service at the grant date.

For Partnership Shares, eligible employees are those with three months' service. Partnership shares can be withdrawn from the Plan Trust at any time, but Matching Shares and Free Shares are subject to a three-year holding period, during which continuous employment within the Group is required. The Matching Shares and Free Shares will be forfeited if any corresponding Partnership Shares are removed from the Plan Trust within this three-year period, or if the participant leaves the Group.

Outstanding shares held under the SIP at the beginning and end of the period can be reconciled as follows:

	Partnership Shares	**Matching Shares**	**Free Shares**	**Total**
Outstanding at 28 November 2021	**388,285**	**54,749**	**1,045,977**	**1,489,011**
Awarded during period	**268,140**	**37,743**	**640,043**	**945,926**
Forfeited during period	**–**	**(8,091)**	**(84,311)**	**(92,402)**
Released during period	**(86,586)**	**(3,772)**	**(105,730)**	**(196,088)**
Outstanding at 27 November 2022	**569,839**	**80,629**	**1,495,979**	**2,146,447**
Unrestricted at 27 November 2022	**569,839**	**34,225**	**691,525**	**1,295,589**

	Partnership Shares	Matching Shares	Free Shares	Total
Outstanding at 29 November 2020	370,750	52,559	1,126,148	1,549,457
Awarded during period	100,435	13,529	183,239	297,203
Forfeited during period	–	(4,438)	(103,162)	(107,600)
Released during period	(82,900)	(6,901)	(160,248)	(250,049)
Outstanding at 28 November 2021	388,285	54,749	1,045,977	1,489,011
Unrestricted at 28 November 2021	388,285	32,412	640,171	1,060,868

Notes to the consolidated financial statements
continued

4.7 Share options and other equity instruments continued

(f) Ocado Group Value Creation Plan

Under the Ocado Group VCP, participants are granted a conditional award giving the potential right to earn nil-cost options based on the absolute total shareholder return generated over the VCP period. The award gives participants the opportunity to share in a proportion of the total value created for shareholders above a hurdle ("Threshold Total Shareholder Return") at the end of each Plan Year ("Measurement Date") over the five-year VCP period. Participants will receive the right at the end of each year of the five-year performance period to share awards with a value representing the level of the Company's total shareholder return ("Measurement Total Shareholder Return") above the Threshold Total Shareholder Return at the relevant Measurement Date. The share price used at the Measurement Date will be the 30-day average following the announcement of the Group's results for the relevant financial year, plus any dividends in respect of the Plan.

At each Measurement Date, up to 3.25% (FY21: 2.75%) of the value created above the hurdle will be "banked" in the form of share awards which will be released in line with the vesting schedule.

The Threshold Total Shareholder Return or hurdle that has to be exceeded before share awards can be earned by Participants is the higher of:

- The highest previous Measurement Total Shareholder Return; and
- The Initial Price compounded by 10% per annum (Initial Price – Tranche 1 £13.97; Tranche 2 £19.60; Tranche 3 £7.95).

If the value created at the Measurement date does not exceed the hurdle, nothing will accrue in that year under the VCP.

At the first Measurement Date in March 2020, no nil-cost options were banked. At the second Measurement Date in March 2021, 4,839,781 nil-cost options were banked. At the third measurement date in March 2022, no nil cost options were banked. The next Measurement Date will be 30 days after the publication of these financial statements.

Vesting conditions

The vesting schedule provides that 50% of the cumulative number of share awards will vest following the third Measurement Date, 50% of the cumulative balance following the fourth Measurement Date, with 100% of the cumulative number of share awards vesting following the fifth Measurement Date. At each vesting date, vesting of awards is subject to:

a. A minimum TSR of 10.0% CAGR being maintained:
   - Where the TSR has been achieved at the third Measurement Date, 50% of the cumulative balance will vest. If the TSR has not been achieved, no share awards will vest at this point but they will not lapse;
   - Where the TSR has been achieved at the fourth Measurement Date, 50% of the cumulative balance will vest. If the TSR has not been achieved, no share awards will vest at this point but they will not lapse;
   - Where the TSR has been achieved at the fifth Measurement Date, 100% of the cumulative balance will vest. If the TSR has not been achieved, no share awards will vest at this point and the remaining cumulative balance will lapse;

b. Any shares vesting cannot be sold prior to the fifth anniversary of the date of the implementation of the VCP;

c. An annual cap on vesting of £20m for the CEO and a proportionate limit for other participants:
   - In the event that in any year vesting as described above would exceed the annual cap, any share awards above the cap will be rolled forward and allowed to vest in subsequent years provided the cap is not exceeded in those years, until the VCP is fully paid-out or after five years after the fifth Measurement Date when any unvested share awards will automatically vest. Share awards rolled forward will not be subject to further underpins, performance or service conditions.

Valuation of awards

In 2019, 2.55% of the original maximum 2.75% was awarded in total to participants, of which 0.25% lapsed and 0.25% was subsequently granted during prior periods. In the current period, a further 0.10% lapsed and 0.2% was awarded to participants. Also, in FY20, Tranche 2 of the VCP award was created following the June 2020 Capital Raise and in the current period Tranche 3 was created following the June 2022 Capital Raise. As such, Tranche 1 is based on the total number of shares in issue, less the number of shares under Tranche 2 and Tranche 3. Tranches 2 and 3 are based on the total number of shares issued in the June 2020 and June 2022 Capital Raise respectively.

The fair value of awards granted under the VCP to date is £71.9m (2021: £65.2m) spread over the five-year period. In determining the fair value of the VCP awards granted in the current and prior period, a Monte Carlo model was used with the following inputs:

	Tranche 1	Tranche 2	Tranche 1	Tranche 2	Tranche 3(G1)	Tranche 3(G2)
Date of grant	22.03.2021	22.03.2021	04.08.2022	04.08.2022	07.09.2022	07.09.2022
Portion of VCP granted	0.25%	0.25%	0.20%	0.20%	2.55%	0.20%
Share price at grant	£20.60	£20.60	£9.40	£9.40	£7.34	£7.34
Initial price	£13.97	£19.60	£13.97	£19.60	£7.95	£7.95
Exercise price	–	–	–	–	–	–
Expected volatility	34.0%	34.0%	50.0%	50.0%	50.0%	50.0%
Expected life from date of grant – years	1.0/2.0/3.0	1.0/2.0/3.0	2.6/3.6/4.6	2.6/3.6/4.6	0.5/1.5	2.5/3.5/4.5
Risk-free interest rate	0.1%	0.1%	1.8%	1.8%	3.0%	2.9%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Linked JOE awards

Under the terms of the VCP, at the time a VCP award is made, the participant may acquire a linked jointly-owned equity ("JOE") award with Ocorian Limited, the Trustee of the Employee Benefit Trust. The JOE award permits participants to benefit from the increase (if any) in the value of a number of ordinary shares above a hurdle of 10.0% per annum cumulative annual growth rate (which reflects the VCP Threshold Total Shareholder Return) over a time period matching the performance period of the VCP. Participants acquired JOE awards over a total of 9,245,601 shares. The value of these JOE awards (if any) will be applied to deliver part of the total value of the participants' VCP awards on realisation of the VCP awards.

JOE award participants pay an initial cost for the JOE awards, which is not repayable to them even if no value is delivered under the JOE awards.

(g) Ocado Retail Value Creation Plan

The Ocado Retail Value Creation Plan (Retail VCP) was established in 2019 for the senior leadership team of ORL. Grants under the Retail VCP will be settled in cash and include a market-based performance condition relating to the value of the ORL. The plan has a performance period of six years from the date of grant, with awards vesting in accordance with a vesting schedule, subject to annual caps and underpins. The underpin is defined as growth of 9.0% per annum in the value of ORL, and there are three measurement dates at which awards can be "banked", the first being in July 2022. There is a maximum potential allocation of 4.0% of value above the hurdle, of which 3.9% has been allocated to employees/secondees.

At each reporting date the accounting cost will be trued up to reflect the expected payout under the scheme based on the current performance of ORL. During the period, the decision was taken to cancel the Retail VCP on the basis that valuation at the first measurement date indicated no amounts would vest. As such, amounts previously recognised have been released (refer to Note 3.13).

(h) Long-Term Operating Plan

In 2019, the Group granted shares to selected employees. The number of awards issued was calculated based on a percentage of the participants' salaries. The awards will vest in three equal tranches over three years. Upon vesting, each tranche is subject to an additional two-year holding period after which the shares will be released to the participants. The vesting of each tranche is conditional on continued employment within the Group and subject to the Company's share price exceeding a predetermined minimum.

Notes to the consolidated financial statements continued

4.7 Share options and other equity instruments continued

Outstanding share awards under the Long-Term Operating Plan at the beginning and end of the period can be reconciled as follows:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Outstanding at beginning of period	179,815	179,815
Released during period	(55,617)	–
Outstanding at end of period	124,198	179,815
Exercisable at end of period	–	–

(i) Annual Incentive Plan

Under the Annual Incentive Plan ("AIP"), awards are granted annually in the form of nil-cost options over shares of the Company to the Executive Directors and selected members of senior management. The number of options granted is dependent on performance against targets and subject to threshold and maximum conditions (refer to the Remuneration Report on pages 144 to 170). The awards will vest in full three years from grant date, with a further two-year holding period for the Executive Directors only, during which time they cannot be sold. An award will lapse if a participant ceases to be employed by the Group before the vesting date.

Outstanding share awards under the AIP at the beginning and end of the period can be reconciled as follows:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Outstanding at beginning of period	365,552	150,035
Granted during period	251,286	215,517
Lapsed during period	(17,612)	–
Outstanding at end of period	599,226	365,552
Exercisable at end of period	–	–

The expense recognised in a given financial year relates to all unvested AIP awards granted in prior periods, and also to awards yet to be granted for the current period. The performance period for the 2022 AIP is the 52 weeks ended 27 November 2022. The expectation of meeting the 2022 AIP performance targets was taken into account when calculating this expense.

(j) Employee Share Purchase Plan

The Employee Share Purchase Plan ("SPP") is a non-United Kingdom "all-employee" share purchase plan under which eligible employees are awarded options ("SPP Options") over shares of the Company. SPP Options are granted at the beginning of a specific offering period, which will not normally exceed 24 months. Participants enrol in the SPP by authorising payroll deductions from their salary during the relevant offering period.

At the end of an offering period, employees are entitled to use these savings to buy shares of the Company at 90% of the market value on the date of grant or at the end of the offering period, whichever is lower. During the period, employees purchased 352,517 (2021: nil) shares of the Company at an exercise price of £4.25.

At the reporting date, employees of the Group held 906 (2021: 963) contracts in respect of granted SPP Options.

There were nil SPP Options exercisable at the reporting date (2021: nil).

(k) Ocado Restricted Share Plan

The Ocado Restricted Share Plan ("RSP") is used for two key purposes:

(a) to allow all-employee Free Share Awards outside the United Kingdom, similar to the Group's Share Incentive Plan; and

(b) to give the Group the flexibility to make Discretionary Share Awards, particularly to aid recruitment.

RSP Free Share Awards are conditional awards of shares granted to eligible non-UK employees, as a proportion of their annual base pay. Eligible employees are those with six month's service at the grant date. Awards are subject to a three year vesting period.

RSP Discretionary Awards can either be nil-cost options over shares of the Company or conditional awards of shares. These awards may be granted subject to performance conditions, and an additional holding period following vesting. The vesting period and profile is award specific.

Unvested RSP awards will lapse immediately upon a participant ceasing to hold office or employment within the Group.

Outstanding share awards under the RSP at the beginning and end of the period can be reconciled as follows:

	52 weeks ended 27 November 2022			52 weeks ended 28 November 2021		
	RSP Free Shares	RSP Discretionary	Total	RSP Free Shares	RSP Discretionary	Total
Outstanding at beginning of period	34,846	351,808	386,654	11,698	25,145	36,843
Granted during period	127,056	2,592,352	2,719,408	26,294	377,929	404,223
Forfeited during period	(13,668)	(209,998)	(223,666)	(3,146)	(49,707)	(52,853)
Exercised during period	–	(162,377)	(162,377)	–	(1,559)	(1,559)
Outstanding at end of period	148,234	2,571,785	2,720,019	34,846	351,808	386,654

There were no awards exercisable as at 27 November 2022.

(l) Consultant Option Plan

Under the rules of the Consultant Option Plan, options over shares of the Company can be granted to non-employees, both individuals and companies engaged to provide services to the Group.

The option exercise price is determined with reference to the closing share price of the shares on the day, or day prior to issuance. The options vest over a range of 18 months to three years depending on the award, and may be exercised once and in full anytime during a three year exercise period.

Any unvested options will lapse on cessation of the engagement to provide services to the Group.

Outstanding share awards under the Consultant Option Plan at the beginning and end of the period can be reconciled as follows:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Outstanding at beginning of period	225,000	185,000
Granted during period	240,000	40,000
Outstanding at end of the period	465,000	225,000
Exercisable at end of period	185,000	185,000

Notes to the consolidated financial statements
continued

4.7 Share options and other equity instruments continued

(m) Deferred Consideration Shares

In the prior period, shares were issued to select employees of a subsidiary on acquisition. These shares will be held in trust until such time as the agreement allows the shareholders to access them. On each of the first three anniversaries of the closing date of acquisition, one third of these shares will be released from transfer restrictions subject to achievement of performance conditions and continued employment.

Outstanding consideration shares at the beginning and end of the period can be reconciled as follows:

	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Outstanding at beginning of period	294,472	–
Granted during period	–	294,472
Released during period	(98,153)	–
Outstanding at end of the period	196,319	294,472
Unrestricted at end of period	–	–

4.8 Capital Management

The Board's objective is to maintain an appropriate balance of debt and equity financing to enable the Group to continue as a going concern, to sustain future development of the business, and to maximise returns to shareholders and benefits to other stakeholders.

The Board closely manages trading capital, defined as net assets, plus net debt®.

Net debt® is calculated as cash and cash equivalents, plus other treasury deposits, less gross debt (borrowings and lease liabilities as shown on the Consolidated Balance Sheet). The Group's net assets at the reporting date were £1,934.3m (2021: £1,709.4m), and it had net debt® of £577.1m (2021: net debt £359.8m).

The main areas of capital management revolve around working capital and compliance with externally imposed financial covenants. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, and to allow the Group to grow, whilst operating with sufficient headroom within its covenants. The components of working capital management include monitoring inventory turnover, age of inventory, age of receivables, receivables days, payables days, Balance Sheet re-forecasting, period projected profit or loss, weekly cash flow forecasts, and daily cash balances. Major investment decisions are based on reviewing the expected future cash flows, and all major capital expenditure requires approval by the Board. There were no changes in the Group's approach to capital management during the period.

In June 2022, the Group successfully completed a capital raising generating £564.1m to fund growth (refer to Note 4.6 for details) and secured additional liquidity through a three-year multi-currency Revolving Credit Facility ("RCF") of £300.0m with a syndicate of international banks.

The Group reviews its financing arrangements regularly. Throughout the period, the Group has complied with all covenants imposed by lenders.

Given the Group's commitment to expand the business and the investment required to complete future CFCs, the declaration and payment of a dividend is not part of the short-term capital management strategy of the Group.

At the reporting date, the Group's undrawn facilities, and cash and cash equivalents were as follows:

	Notes	27 November 2022 £m	28 November 2021 £m
Total facilities available		2,381.9	2,041.6
Facilities drawn down		(2,022.9)	(1,978.6)
Undrawn facilities		359.0	63.0
Cash and cash equivalents	3.11	1,328.0	1,468.6
Undrawn facilities, cash and cash equivalents and other treasury deposits		1,687.0	1,531.6

4.9 Cash generated from operations

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

	Notes	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Cash flows from operating activities			
Loss before tax		(500.8)	(176.9)
Adjustments for			
' Revenue recognised from long-term contracts	2.1	(24.7)	(15.2)
' Depreciation, amortisation and impairment charges	2.4	348.6	238.4
' Property, plant and equipment write off		10.8	–
' Insurance reimbursement recognised as other income	2.6	(73.8)	(80.6)
' Non-cash exceptional items	2.6	59.8	(7.5)
' Share of results of joint ventures and associate	3.6	1.4	2.3
' Movement of provisions		(26.2)	4.2
' Net finance cost	2.7	48.2	42.3
' Share-based payments charge	4.7	42.0	35.5
Changes in working capital			
' Movement in contract assets		0.3	0.1
' Movement of contract liabilities		78.7	107.0
' Movement of inventories		(10.9)	(55.2)
' Movement of trade and other receivables		(50.7)	(77.6)
' Movement of trade and other payables		93.3	(1.8)
Cash (used in)/generated from operations		(4.0)	15.0

Notes to the consolidated financial statements
continued

Section 5 – Other notes

5.1 Related undertakings

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings, their countries of incorporation, and the effective percentage of equity owned at the reporting date is disclosed below. All undertakings are indirectly owned by the Company unless otherwise stated.

Name	Country of incorporation	Principal activity	Share class	% of share capital held
Haddington Dynamics II LLC	United States of America[13]	Holding company	Ordinary shares	100.0%
JFC Hydroponics Ltd	United Kingdom[1]	Non-trading company	Ordinary shares	48.1%
Jones Food Company Limited	United Kingdom[1]	Vertical farming	Ordinary shares	48.1%
Karakuri Limited	United Kingdom[2]	Robotics	Preference shares	26.3%
Kindred Inc.	United States of America[13]	Holding company	Ordinary shares	100.0%
Kindred Systems II Inc.†	Canada[9]	Holding company	Ordinary shares	100.0%
Last Mile Technology Limited	United Kingdom[3]	Non-trading company	Ordinary shares	100.0%
MHE JVCo Limited	United Kingdom[3]	Leasing	"B" shares	50.0%
Myrmex Inc	United States of America[13]	Technology	Ordinary shares	99.9%
O'Logistics SAS	France[14]	Business services	Ordinary shares	50.0%
Ocado Bulgaria EOOD	Bulgaria[4]	Technology	Ordinary shares	100.0%
Ocado Central Services Limited	United Kingdom[3]	Business services	Ordinary shares	100.0%
Ocado Finco 1 Limited†	United Kingdom[3]	Financing	Ordinary shares	100.0%
Ocado Finco 2 Limited†	United Kingdom[3]	Financing	Ordinary shares	100.0%
Ocado Holdings Limited†	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Innovation Limited†	United Kingdom[3]	Technology	Ordinary shares	100.0%
Ocado Operating Limited	United Kingdom[3]	Logistics and distribution	Ordinary shares	100.0%
Ocado Polska Sp. z o.o.	Poland[6]	Technology	Ordinary shares	100.0%
Ocado Retail Limited	United Kingdom[7]	Retail	Ordinary shares	50.0%
Ocado Solutions Australia Pty Limited	Australia[8]	Business services	Ordinary shares	100.0%
Ocado Solutions Canada Inc.	Canada[5]	Business services	Ordinary shares	100.0%
Ocado Solutions France SAS	France[10]	Business services	Ordinary shares	100.0%
Ocado Solutions Japan K.K.	Japan[11]	Business services	Ordinary shares	100.0%
Ocado Solutions Limited†	United Kingdom[3]	Business services	Ordinary shares	100.0%
Ocado Solutions Polska sp z.o.o.	Poland[17]	Business services	Ordinary shares	100.0%
Ocado Solutions Spain S.L.	Spain[18]	Business services	Ordinary shares	100.0%
Ocado Solutions Sweden AB	Sweden[12]	Business services	Ordinary shares	100.0%
Ocado Solutions (US) ProCo LLC	United States of America[13]	Business services	Ordinary shares	100.0%
Ocado Solutions USA Inc.	United States of America[13]	Business services	Ordinary shares	100.0%
Ocado Spain S.L.U.	Spain[18]	Technology	Ordinary shares	100.0%
Ocado Sweden AB	Sweden[15]	Technology	Ordinary shares	100.0%
Ocado US Holdings Inc.†	United States of America[13]	Holding company	Ordinary shares	100.0%
Ocado Ventures Holdings Limited†	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Ventures (80 Acres) Limited	United Kingdom[3]	Non-trading company	Ordinary shares	100.0%
Ocado Ventures (Inkbit) Limited	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Ventures (JFC) Limited	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Ventures (Karakuri) Limited	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Ventures (Myrmex) Limited	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Ventures (Oxbotica) Limited	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Ocado Ventures (Wayve) Limited	United Kingdom[3]	Holding company	Ordinary shares	100.0%
Oxford US LLC	United States of America[13]	Non-trading company	Ordinary shares	100.0%
Paneltex Limited	United Kingdom[16]	Manufacturing	Ordinary shares	25.0%

† Interest held directly by Ocado Group plc.

The registered offices of the above companies are as follows:

1 Phase 2 Celsius Parc, Cupola Way, Scunthorpe, United Kingdom, DN15 9YJ
2 Unit 2 Hammersmith Studios, 55a Yeldham Road, London, United Kingdom, W6 8JF
3 Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL
4 7th Floor, 13 Henrik Ibsen Street, Lozenets District, Sofia 1407, Bulgaria
5 Suite 1300, 1969 Upper Water Street, McInnes Cooper Tower-Purdy Wharf, Halifax, NS B3J 3R7, Canada
6 High5ive Building, Pawia 21st, 31-154, Kraków, Poland
7 Apollo Court 2 Bishop Square, Hatfield Business Park, Hatfield, Hertfordshire, United Kingdom, AL10 9EX
8 Level 9, 63 Exhibition Street, Melbourne, VIC 3000, Australia
9 Suite 1700, Park Place, 666 Burrard Street, Vancouver BC, V6C 2X8, Canada
10 TMF Pole, 3-5 Rue Saint-Georges, 75009 Paris, France
11 Hibiya Fort Tower 10F, 1-1-1 Nishi Shinbashi, Minato-Ku, Tokyo, Japan
12 Mätarvägen 30, 196 37 Kungsängen, Sweden
13 251 Little Falls Drive, New Castle, Wilmington, DE, 19808, United States of America
14 1 cours Antoine Guichard, 42000 Saint-Etienne, France
15 Mälarvarvsbacken 8, 117 33, Stockholm, Sweden
16 Paneltex House, Somerden Road, Hull, United Kingdom, HU9 5PE
17 ul. Gryzbowska 2 Lok 29, 00-131, Warsaw, Poland
18 calle Badajoz 112, 08018, Barcelona, Spain

Refer to Note 1.4 for management's conclusion to consolidate Ocado Retail Limited.

The Group has effective control over the financial and operating activities of the Ocado Cell in Atlas Insurance PCC Limited, an insurance company incorporated in Malta and, therefore, consolidates the Ocado Cell in its financial statements in accordance with IFRS 10 "Consolidated Financial Statements". The Group uses the Ocado Cell to provide self-insurance for its vehicle fleet and public and product liability claims.

5.2 Non-controlling interests

Accounting policies

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interests

The proportion of equity interest held by non-controlling interests is provided below:

Name	Country of incorporation	27 November 2022 %	28 November 2021 %
Ocado Retail Limited ("Ocado Retail")	United Kingdom	**50.0%**	50.0%
Jones Food Company Limited ("Jones Food Company")	United Kingdom	**51.9%**	48.2%

In January 2022, Jones Food Company issued additional shares to three individuals, which resulted in the Group's shareholding in Jones Food Company decreasing to 48.1%. However, the Group has existing warrants (potential voting rights), which entitles the Group to acquire 2.3 million shares and therefore, the Group's shareholdings on a fully diluted basis amounts to 52.4%. As such, the Group retains control of Jones Food Company.

The table below provides summarised financial information of Ocado Retail and Jones Food Company. The information disclosed reconciles the amounts presented in the financial statements of the relevant companies (adjusted for differences in fair values on acquisition) with the non-controlling interests' share of those amounts.

	52 weeks ended 27 November 2022		
	Ocado Retail £m	Jones Food Company £m	Total £m
Non-current assets	615.1	17.0	632.1
Current assets	247.3	6.3	253.6
Current liabilities	(276.5)	(1.0)	(277.5)
Non-current liabilities	(415.9)	(0.4)	(416.3)
Net assets at end of period	170.0	21.9	191.9
Non-controlling interests at end of period	85.0	11.4	96.4
Revenue	2,203.0	0.8	2,203.8
Loss and total comprehensive expense for period	(47.9)	(3.7)	(51.6)
Share of total comprehensive expense attributable to non-controlling interests	(23.9)	(1.9)	(25.8)
Net increase in cash and cash equivalents	(108.0)	(12.3)	(120.3)

No dividends were paid to non-controlling interests during the current or prior period.

Notes to the consolidated financial statements
continued

5.3 Commitments

Capital commitments

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

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

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

5.4 Related party transactions

Key management personnel

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

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

Further information on the remuneration of Directors and Directors' interests in ordinary shares of the Company is disclosed in the Directors' Remuneration Report on pages 144 to 170.

Due to restrictions in place during the Covid-19 pandemic, chartered flights were required on a small number of occasions in order for key management personnel to be able to visit the Group's global sites and undertake client meetings. The Group chartered aircraft through accessing flying hours owned by a family member of one of the key management personnel. The price paid was at the open market rate and amounted to £32,100 (2021: £72,000). At the end of the period, no amounts were owed in relation to the purchase of these flights.

Other related party transactions with key management personnel made during the period amounted to £nil (2021: £nil). All transactions were on an arm's length basis. At the reporting date, no amounts were owed by key management personnel to the Group (2021: £nil). During the period, there were no other material transactions or balances between the Group and its key management personnel or members of their close family.

Joint venture

MHE JVCo Limited

The following transactions were carried out with MHE JVCo:

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

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

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

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

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

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

Associate

Karakuri Limited

During a prior period, the Group lent £1.7m to Karakuri. The loan was recognised within other financial assets, and its carrying amount was £1.8m (2021: £1.9m) at the reporting date. During the period, £0.2m (2021: £0.1m) of interest was recognised within finance income. Karakuri also issued warrants to Ocado to subscribe for additional shares in the future. The warrants expire in 2024. For more details on the Group's relationship with Karakuri, see Note 3.6. For more details on the terms of the loan, see Note 3.7.

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

5.5 Post-Balance Sheet events

Exercise of warrants in Oxbotica Limited

On 1st December 2022, Oxbotica Limited ("Oxbotica"), a company in which the Group holds a minority interest, successfully completed its Series C Fundraising. This resulted in the Group's warrants being exercised to acquire 21,934 B shares. Following exercise of the warrants and the Series C fundraising, the Group holds a 12.5% interest in Oxbotica.

Company Balance Sheet

as at 27 November 2022

	Notes	27 November 2022 £m	28 November 2021 £m
Non-current assets			
Investments	3.1	**850.5**	815.8
Amounts due from subsidiaries		**3,286.2**	1,589.3
		4,136.7	2,405.1
Current assets			
Other receivables	3.2	**3.5**	0.3
Cash and cash equivalents	3.3	**7.5**	879.2
		11.0	879.5
Total assets		**4,147.7**	3,284.6
Current liabilities			
Trade and other payables	3.4	**(291.1)**	(7.2)
Provisions	3.5	**(0.2)**	(0.4)
		(291.3)	(7.6)
Net current (liabilities)/assets		**(280.3)**	871.9
Non-current liabilities			
Provisions	3.5	**(1.1)**	(8.2)
Borrowings	4.1	**(1,332.2)**	(1,300.0)
		(1,333.3)	(1,308.2)
Net assets		**2,523.1**	1,968.8
Equity			
Share capital	4.7	**16.5**	15.0
Share premium	4.7	**1,939.3**	1,372.0
Merger reserve		**6.2**	6.2
Convertible bonds reserve		**184.5**	184.5
Retained earnings		**376.6**	391.1
Total equity		**2,523.1**	1,968.8

The Company's loss for the period was £56.5m (2021: £47.4m).

The notes on pages 265 to 274 form part of these financial statements.

The Company financial statements on pages 262 to 274 were authorised for issue by the Board of Directors and signed on its behalf by:

Tim Steiner
Chief Executive Officer

Stephen Daintith
Chief Financial Officer

Ocado Group plc

Company number: 07098618 (England and Wales)

28 February 2023

Company Statement of Changes in Equity

for the 52 weeks ended 27 November 2022

	Notes	Share capital £m	Share premium £m	Merger reserve £m	Convertible bonds reserve £m	Retained earnings £m	Total £m
Balance at 29 November 2020		15.0	1,361.6	–	184.5	403.0	1,964.1
Loss for the period		–	–	–	–	(47.4)	(47.4)
Total comprehensive expense for the period		–	–	–	–	(47.4)	(47.4)
Transactions with owners							
– Issue of ordinary shares	4.7	–	1.9	–	–	–	1.9
– Allotted in respect of share option schemes	4.7	–	8.5	–	–	–	8.5
– Share-based payments charge	4.8	–	–	–	–	35.5	35.5
– Acquisition of Haddington Dynamics Inc.		–	–	6.2	–	–	6.2
Total transactions with owners		–	10.4	6.2	–	35.5	52.1
Balance at 28 November 2021		15.0	1,372.0	6.2	184.5	391.1	1,968.8
Loss for the period		**–**	**–**	**–**	**–**	**(56.5)**	**(56.5)**
Total comprehensive expense for the period		**–**	**–**	**–**	**–**	**(56.5)**	**(56.5)**
Transactions with owners							
– Issue of ordinary shares	4.7	**1.5**	**565.0**	**–**	**–**	**–**	**566.5**
– Allotted in respect of share option schemes	4.7	**–**	**2.3**	**–**	**–**	**–**	**2.3**
– Share-based payments charge	4.8	**–**	**–**	**–**	**–**	**42.0**	**42.0**
Total transactions with owners		**1.5**	**567.3**	**–**	**–**	**42.0**	**610.8**
Balance at 27 November 2022		**16.5**	**1,939.3**	**6.2**	**184.5**	**376.6**	**2,523.1**

The notes on pages 265 to 274 form part of these financial statements.

Company Statement of Cash Flows

for the 52 weeks ended 27 November 2022

	Notes	52 weeks ended 27 November 2022 £m	52 weeks ended 28 November 2021 £m
Cash flows from operating activities			
Loss before tax		**(56.5)**	(47.4)
Adjustments for			
’ Net finance cost		**55.2**	48.5
’ Movement of provisions		**–**	(1.8)
Changes in working capital			
’ Movement of amounts due from subsidiaries		**(1,692.5)**	519.4
’ Movement of other receivables		**(0.1)**	1.3
’ Movement of trade and other payables		**284.4**	(13.1)
Cash generated from / (used in) operating activities		**(1,409.5)**	506.9
Interest paid		**(27.4)**	(16.5)
Net cash flow from / (used in) operating activities		**(1,436.9)**	490.4
Cash flows from investing activities			
Proceeds from other treasury deposits		**–**	150.0
Purchase of equity investments		**–**	(191.6)
Interest received		**1.0**	–
Net cash flow from / (used in) investing activities		**1.0**	(41.6)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**566.5**	1.9
Proceeds from allotment of share options		**0.8**	8.5
Proceeds from issue of borrowings		**–**	500.0
Transaction costs on issue of borrowings		**(3.4)**	(8.4)
Repayment of borrowings		**–**	(225.0)
Net cash flow from financing activities		**563.9**	277.0
Net (decrease) / increase in cash and cash equivalents		**(872.0)**	725.8
Cash and cash equivalents at beginning of period		**879.2**	158.2
Effect of changes in foreign exchange rates		**0.3**	(4.8)
Cash and cash equivalents at end of period	3.3	**7.5**	879.2

The notes on pages 265 to 274 form part of these financial statements.

Notes to the Company financial statements

for the 52 weeks ended 27 November 2022

Section 1 – Basis of preparation

1.1 General information

Ocado Group plc ("Company") is incorporated in England and Wales. The Company is 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 period represents the 52 weeks ended 27 November 2022. The prior financial period represents the 52 weeks ended 28 November 2021.

1.2 Basis of preparation

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK-adopted International Financial Reporting Standards.

The financial statements are presented in pounds sterling, rounded to the nearest million unless otherwise stated. They have been prepared under the historical cost convention.

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

Further details of the Group's considerations are provided in the Group Viability Statement and Going Concern Statement on page 98.

The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented an income statement or a statement of comprehensive income for the Company alone.

Exemptions

New standards, amendments and interpretations adopted by the Group

The Company has considered the following new standards, interpretations and amendments to published standards that are effective for the Company for the period beginning 29 November 2021, and concluded either that they are not relevant to the Company or that they would not have a significant effect on the Company's financial statements other than on disclosures:

		Effective date
IFRS 4, IFRS 7, IFRS 9, IFRS 16, IAS 39	Interest Rate Benchmark Reform, Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	1 January 2021
IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021

New standards, amendments and interpretations not yet adopted by the Group

The following new standards, interpretations and amendments to published standards and interpretations which are relevant to the Company have been issued but are not effective for the period beginning 29 November 2021, and have not been adopted early:

		Effective date
IAS 16	Property, Plant and Equipment – proceeds of intended use	1 January 2022
IAS 37	Onerous Contracts – costs of fulfilling a contract	1 January 2022
IFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to IFRS, 2018-2020 Cycle	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023
IAS 1	Disclosure of Accounting Policies (amendments)	1 January 2023
IAS 8	Disclosure of Accounting Estimates (amendments)	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendments)	1 January 2023
IFRS 10	Consolidated Financial Statements (amendments)	Deferred
IAS 28	Investments in Associates and Joint Ventures (amendments)	Deferred

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

Notes to the Company financial statements
continued

1.2 Basis of preparation continued

Accounting policies

Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or, where items are remeasured, at the dates of the remeasurements. Foreign exchange gains or losses resulting from the settlement of such transactions, and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

Income tax

Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the period, calculated using tax rates enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

1.3 Critical accounting judgement and key sources of estimation uncertainty

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

Key estimation uncertainties

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

Area	Estimate	Note
Amounts due from subsidiaries	The Company uses estimates in calculating the recoverable amounts of amounts due from its subsidiaries, which it then uses to assess whether the amounts due are impaired. The Company performed an impairment review as at the reporting date and concluded that all the amounts due from its subsidiaries were recoverable.	3.2
Impairment of investments	The Company considers impairment of its investments in subsidiaries by estimating the recoverable amounts of its investments. The impairment review for the Company's investments was performed using the same projections used in the impairment review in relation to the Group's goodwill. Details of the goodwill impairment review are disclosed in note 3.2 of the consolidated financial statements.	3.1

Section 2 – Results for the period

2.1 Loss before tax

Accounting policies

Administrative expenses

Administrative expenses consist of fees for professional services, bank charges and any other costs of an administrative nature.

2.2 Operating results

During the period, the Company obtained audit services from its auditor, Deloitte LLP, amounting to £0.1m (2021: £0.1m).

2.3 Employee information

The Company does not incur direct staff costs as the Group's employees are employed by its subsidiaries.

See note 4.8 for information on share-based payments.

Section 3 – Assets and liabilities

3.1 Investments

Accounting policies

Investments in subsidiaries are carried at cost, less any impairment in value. Where the recoverable amount of an investment is less than its carrying amount, impairment is recognised. Impairment reviews are undertaken whenever there is an indication of impairment, and at least once a year.

	27 November 2022 £m	28 November 2021 £m
Cost	**674.3**	674.3
Contributions to subsidiaries		
' Novation of derivative liability in respect of warrants issued by Ocado Holdings Limited	**1.1**	1.1
' Group share-based payments	**175.1**	140.4
Investments	**850.5**	815.8

Investments represent investments in subsidiaries, Kindred Systems II Inc., Ocado Holdings Limited, Ocado Innovation Limited, Ocado FinCo 1 Limited ("Finco 1"), Ocado FinCo 2 Limited ("Finco 2"), Ocado Solutions Limited, Ocado Ventures Holdings Limited and Ocado US Holdings Inc. A list of subsidiaries held by the Company is disclosed in note 5.1 to the consolidated financial statements.

During the prior period, the Company subscribed for shares aggregating to £185.9m in Finco 1, Finco 2, Canada Holdings Inc. and US Holdings Inc. in order to facilitate the acquisition of 100% of the issued shares of Kindred Systems and 100% of the issued share capital of Haddington Dynamics Inc.

The Company charges subsidiaries the amounts recognised as share-based payments relating to awards to their employees. These are recognised as an increase in the investment in relevant subsidiaries in accordance with IFRS 2 "Share-based Payment". For details of the share-based payments that have increased the Company's investments, see note 4.7 to the consolidated financial statements.

During the annual impairment review as at the reporting date, no indicators of impairment were identified.

3.2 Other receivables

Accounting policies

Other receivables are not interest bearing and are recognised initially at their transaction price, and subsequently at amortised cost, reduced by appropriate provisions for estimated irrecoverable amounts. No security has been granted over other receivables unless stated otherwise.

	27 November 2022 £m	28 November 2021 £m
Other receivables	**3.5**	0.3

3.3 Cash and cash equivalents

Accounting policies

Cash and cash equivalents comprise cash at bank and in hand, money market funds, and treasury deposits with banks with a maturity of three months or less at the date of acquisition. Cash and cash equivalents are classified as current assets on the Balance Sheet. The carrying amount of these assets approximates to their fair value.

	27 November 2022 £m	28 November 2021 £m
Cash at bank and in hand	**7.5**	187.6
Short-term treasury deposits	**–**	470.1
Money market funds	**–**	221.5
Cash and cash equivalents	**7.5**	879.2

Notes to the Company financial statements
continued

3.4 Trade and other payables

Accounting policies

Trade and other payables are initially recognised at their transaction price, and subsequently at amortised cost, using the effective interest method.

	27 November 2022 £m	28 November 2021 £m
Amounts due to subsidiaries	285.8	1.5
Accruals and other payables	5.3	5.7
Trade and other payables	**291.1**	7.2

3.5 Provisions

Accounting policies

Employee incentive schemes

Provisions for employee incentive schemes relate to employer's NIC on taxable equity-settled schemes. For all taxable schemes, the Company is liable to pay employer's NIC upon exercise of the share awards.

Taxable schemes are the unapproved Executive Share Option Scheme ("ESOS"), the Ocado Group Value Creation Plan ("Group VCP"), the Long-Term Operating Plan, the Annual Incentive Plan ("AIP") and the Restricted Share Plan ("RSP"). For more details on these schemes, refer to note 4.7 of Consolidated financial statements.

	Employee incentive schemes £m
Balance at 29 November 2020	9.5
Charged to Income Statement	
' Additional provision	1.2
Used during period	(2.1)
Balance at 28 November 2021	8.6
Charged to Income Statement	
' Additional provision	0.6
' Unused amounts reversed	(7.7)
Used during period	(0.2)
Balance at 27 November 2022	**1.3**

Provisions for employee incentive schemes as at 27 November 2022 can be analysed as follows:

	£m
Current	0.2
Non-current	1.1
	1.3

Provisions for employee incentive schemes as at 28 November 2021 can be analysed as follows:

	£m
Current	0.4
Non-current	8.2
	8.6

Employee incentive schemes

During the period, an additional provision of £0.6m (2021: £1.2m) has been recognised in relation to employers NIC on taxable equity-settled schemes and £0.2m (2021: £2.1m) utilised in the period as a result of exercises of taxable equity-settled share awards. Releases in the period of amounts previously provided include £7.0m for employers NIC on the Ocado Group VCP (2021: £0.7m additional provision).

The provision will be utilised once the share awards under each of the schemes have vested and been allotted to participants on exercise. Vesting will occur between 2023 and 2027, and allotment will take place between 2023 and 2032.

Section 4 – Capital structure and financing costs

4.1 Borrowings

Facility	Inception	Coupon rate	Maturity	Carrying amount 27 November 2022 £m	Carrying amount 28 November 2021 £m
£0.3m chattel mortgages	January 2019	8.800%	January 2023	–	0.1
£600m senior unsecured convertible bonds	December 2019	0.875%	December 2025	540.7	522.0
£350m senior unsecured convertible bonds	June 2020	0.750%	January 2027	295.2	283.3
£500m senior unsecured notes	October 2021	3.875%	October 2026	496.3	494.6
Borrowings				**1,332.2**	1,300.0
Disclosed as:					
Non-current				1,332.2	1,300.0

Please refer to note 4.1 of the Consolidated Financial Statements for details.

4.2 Movements in net (debt)/cash®

	Notes	28 November 2021 £m	Cash flows £m	Non-cash movements: Foreign exchange £m	Non-cash movements: Unwinding of interest £m	27 November 2022 £m
Cash and cash equivalents	3.3	879.2	(872.0)	0.3	–	7.5
Liabilities from financing activities:						
Borrowings	4.1	(1,300.0)	–	–	(32.2)	(1,332.2)
		(1,300.0)	–	–	(32.2)	(1,332.2)
Net (debt)/cash®		(420.8)	(872.0)	0.3	(32.2)	(1,324.7)

	Notes	29 November 2020 £m	Cash flows £m	Non-cash movements: Foreign exchange £m	Non-cash movements: Unwinding of interest £m	28 November 2021 £m
Other treasury deposits		150.0	(150.0)	–	–	–
Cash and cash equivalents	3.3	158.2	725.8	(4.8)	–	879.2
		308.2	575.8	(4.8)	–	879.2
Liabilities from financing activities:						
Borrowings	4.1	(997.2)	(266.5)	–	(36.3)	(1,300.0)
		(997.2)	(266.5)	–	(36.3)	(1,300.0)
Net (debt)/cash®		(689.0)	309.3	(4.8)	(36.3)	(420.8)

Notes to the Company financial statements
continued

4.3 Financial instruments

Accounting policies

Financial assets and financial liabilities are recognised on the Balance Sheet when the Company becomes a party to the contractual provisions of the instruments.

The Company classifies its financial assets using the following categories:

- Amortised cost;
- Fair value through profit or loss ("FVTPL"); and
- Fair value through other comprehensive income ("FVTOCI").

The classification depends on the characteristics of the contractual cash flows and the Company's business model for managing them.

Financial liabilities are measured at amortised cost, except for derivatives that are measured at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). Classification depends on the purpose for which the liability was acquired.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that gives a residual interest in the assets of the Company, after deducting all of its liabilities.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported on the Balance Sheet when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The Company has categorised its financial instruments as follows:

		Amortised cost	
	Notes	27 November 2022 £m	28 November 2021 £m
Financial assets			
Amounts due from subsidiaries		**3,286.2**	1,589.3
Other receivables	3.2	**3.5**	0.3
Cash and cash equivalents	3.3	**7.5**	879.2
Total financial assets		**3,297.2**	2,468.8
Financial liabilities			
Accruals and other payables	3.4	**(291.1)**	(7.2)
Chattel mortgages	4.1	**–**	(0.1)
Senior unsecured notes	4.1	**(496.3)**	(494.6)
Senior unsecured convertible bonds	4.1	**(835.9)**	(805.3)
Total financial liabilities		**(1,623.3)**	(1,307.2)

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).

All the Company's financial assets and liabilities are classified as level 3 except for the senior unsecured convertible bonds and senior unsecured notes, which are classified as level 1.

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:

		27 November 2022		28 November 2021	
	Notes	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets					
Amounts due from subsidiaries		**3,286.2**	**3,286.2**	1,589.3	1,589.3
Other receivables	3.2	**3.5**	**3.5**	0.3	0.3
Cash and cash equivalents	3.3	**7.5**	**7.5**	879.2	879.2
Total financial assets		**3,297.2**	**3,297.2**	2,468.8	2,468.8
Financial liabilities					
Accruals and other payables	3.4	**(291.1)**	**(291.1)**	(7.2)	(7.2)
Chattel mortgages	4.1	**–**	**–**	(0.1)	(0.1)
Senior unsecured notes	4.1	**(496.3)**	**(392.5)**	(494.6)	(488.1)
Senior unsecured convertible bonds	4.1	**(835.9)**	**(700.4)**	(805.3)	(1,067.4)
Total financial liabilities		**(1,623.3)**	**(1,384.0)**	(1,307.2)	(1,562.8)

The fair values of cash and cash equivalents, amounts due from subsidiaries, other receivables and accruals and other payables are assumed to approximate to their carrying values but for completeness are included in this analysis.

4.4 Credit risk

The Company's exposures to credit risk arise from holdings of cash and cash equivalents and amounts due from subsidiaries.

Exposure to credit risk

The carrying value of financial assets, as set out in note 4.3, represents the maximum credit exposure. No collateral is held as security against these assets.

Management does not believe that the credit risk of any financial instrument has increased significantly since its initial recognition.

Cash and cash equivalents

The Company's exposure to credit risk on cash and cash equivalents is managed by investing in banks and financial institutions with strong credit ratings, and by regular review of counterparty risk.

Other receivables

Other receivables at the reporting date comprise mainly amounts due from subsidiaries. Management provides for irrecoverable debts when there are indicators that a balance may not be recoverable.

Notes to the Company financial statements
continued

4.5 Liquidity risk

The Company has adequate cash resources to manage the short-term working capital needs of the business. The Company's capital management policies are consistent with those of the Group. For further details on the Group's capital management strategy, see note 4.8 to the consolidated financial statements.

The table below analyses the Company's financial liabilities based on the period remaining to the contractual maturity dates at the reporting date. The amounts disclosed in the table are the carrying amounts and undiscounted net contractual cash flows.

			Contractual cash flows				
27 November 2022	Notes	**Carrying amount £m**	**Total £m**	**Due in less than one year £m**	**Due in between one and two years £m**	**Due in between two and five years £m**	**Due in more than five years £m**
Accruals and other payables	3.4	**(291.1)**	**(291.1)**	**(291.1)**	**–**	**–**	**–**
Senior unsecured notes	4.1	**(496.3)**	**(577.6)**	**(19.4)**	**(19.4)**	**(538.8)**	**–**
Senior unsecured convertible bonds	4.1	**(835.9)**	**(980.8)**	**(7.9)**	**(7.9)**	**(965.0)**	**–**
		(1,623.3)	**(1,849.5)**	**(318.4)**	**(27.3)**	**(1,503.8)**	**–**

			Contractual cash flows				
28 November 2021	Notes	Carrying amount £m	Total £m	Due in less than one year £m	Due in between one and two years £m	Due in between two and five years £m	Due in more than five years £m
Accruals and other payables	3.4	(7.2)	(7.2)	(7.2)	–	–	–
Chattel mortgages	4.1	(0.1)	(0.1)	–	(0.1)	–	–
Senior unsecured notes	4.1	(494.6)	(596.9)	(19.4)	(19.4)	(558.1)	–
Senior unsecured convertible bonds	4.1	(805.3)	(988.9)	(7.9)	(7.9)	(621.0)	(352.1)
		(1,307.2)	(1,593.1)	(34.5)	(27.4)	(1,179.1)	(352.1)

4.6 Market risk

Currency risk

The Company engages in foreign currency transactions to a very limited extent. No financial assets are held in foreign currencies. Due to the Company's lack of exposure to currency risk, no sensitivity analysis has been performed.

Interest rate risk

The Company has no interest-bearing financial liabilities with a variable rate, and its interest-bearing financial assets consist of only cash and cash equivalents. These financial assets are exposed to interest rate risk as the Company holds deposits at variable interest rates. The risk is managed by investing cash in a range of cash deposit accounts with banks in the United Kingdom.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	27 November 2022 £m	28 November 2021 £m
Fixed rate instruments		
Financial assets	**–**	470.1
Financial liabilities	**(1,332.2)**	(1,300.0)
Variable rate instruments		
Financial assets	**7.5**	409.1
Financial liabilities	**–**	–

Sensitivity analysis

Based on the Company's variable rate interest-bearing borrowings and cash and cash equivalents existing at the end of the period, a 2% increase in interest rates (2021: 1% increase) would affect equity and profit or loss by the amounts shown below.

	27 November 2022 £m	28 November 2021 £m
Increase in income	**0.2**	4.1
Increase in equity	**–**	–

4.7 Share capital and premium

Accounting policies

Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

Share capital and premium

Included in the total number of ordinary shares outstanding below are 10,438,075 (2021: 10,454,148) ordinary shares held by the Group's Employee Benefit Trust (see note 4.7 to the consolidated financial statements.) The ordinary shares held by the Trustee of the Group's Employee Benefit Trust pursuant to the JSOS, and the linked jointly owned equity ("JOE") awards under the Ocado Group Value Creation Plan ("Group VCP") are treated as treasury shares on the Consolidated Balance Sheet in accordance with IAS 32 "Financial Instruments: Presentation". These ordinary shares have voting rights but these have been waived by the Trustee (although the Trustee may vote in respect of shares that have vested and remain in the Trust). The number of allotted, called-up and fully paid shares, excluding treasury shares, at the end of each period differs from that used in the basic loss per share calculation in note 2.9 to the consolidated financial statements, since the basic loss per share is calculated using the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

At the reporting date, the number of ordinary shares available for issue under the Block Listing Facilities was 9,447,982 (2021: 7,259,291). These ordinary shares will only be issued and allotted when the shares under the relevant share plan have vested, or the share options have been exercised. They are, therefore, not included in the total number of ordinary shares outstanding below.

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

	Ordinary shares million	**Share capital £m**	**Share premium £m**
Balance at 29 November 2020	748.1	15.0	1,361.6
Issue of ordinary shares	1.4	–	1.9
Allotted in respect of share option schemes	1.9	–	8.5
Balance at 28 November 2021	751.4	15.0	1,372.0
Issue of ordinary shares	**73.9**	**1.5**	**565.0**
Allotted in respect of share option schemes	**0.6**	**–**	**2.3**
Balance at 27 November 2022	**825.9**	**16.5**	**1,939.3**

4.8 Share-based payments

For more information on the Group's share schemes, see note 4.7 to the consolidated financial statements.

4.9 Capital management

The Board's objectives and policies for the Company are consistent with those of the Group. Full details are provided in note 4.8 to the consolidated financial statements.

Notes to the Company financial statements
continued

Section 5 – Other notes

5.1 Related party transactions

Key management personnel

Only members of the Board (the Executive and Non-Executive Directors are recognised as being key management personnel. It is the Board that has responsibility for planning, directing and controlling the activities of the Company. The Executive and Non-Executive Directors did not receive any remuneration for their services to the Company.

Directors' interests in ordinary shares of the Company are disclosed in the Directors' Remuneration Report on page 144.

During the period, there were no transactions between the Company and its key management personnel or members of their close family. At the reporting date, key management personnel did not owe the Company any amounts.

Subsidiaries

The Company makes loans to its subsidiaries. Interest of £0.8m (2021: £4.1m) was charged on these loans during the period. All intra-Group loans and balances are unsecured and repayable on demand.

Transactions with subsidiaries	**52 weeks ended 27 November 2022 £m**	52 weeks ended 28 November 2021 £m
Group share-based payments	**42.0**	35.5
Increase/(decrease) in amounts due from subsidiaries	**1,696.9**	(510.8)
Increase/(decrease) in amounts due to subsidiaries	**284.3**	(11.2)

Balances with subsidiaries	**27 November 2022 £m**	28 November 2021 £m
Amounts due from subsidiaries	**3,286.2**	1,589.3
Amounts due to subsidiaries	**(285.8)**	(1.5)

5.2 Post-Balance Sheet events

No significant events affecting the Company have occurred since the reporting date.