

Final Results

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Ocado Group PLC
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OCADO GROUP PLC Preliminary results for the 52 weeks ended 28 November 2010

'Delivering growth, establishing profitability'

1 February 2011

Ocado today announces its unaudited preliminary results for the 52 weeks ended 28 November 2010.

Financial Highlights

- Gross sales increased 29% to £551.1m
- Adjusted¹ EBITDA increased by 138% to £22.0m (adjusted¹ EBITDA margin 4.0%)
- Adjusted¹ EBT loss of £8.7m
- Profitability reached in second half
- Adjusted¹ EBIT profit for H2 of £0.9m
- EBT profit for Q4 of £0.3m
- Cash including treasury deposits at 28 November 2010 of £154.6m

Statutory Highlights

- Net revenue increased 28% to £515.7m
- Operating loss reduced by 63% to £5.4m, including £3.5m of one-off IPO costs
- Loss before tax reduced by 52% to £12.2m, including £3.5m of one-off IPO costs

Operational Highlights

- Average orders per week increased by 31% to 92,916
- Items delivered exactly as ordered were 99% for the year
- Deliveries on time or early were 95% for the year
- Customer Fulfilment Centre ("CFC") capacity significantly increased to deliver over 112k orders in the highest week
- CFC2 site has been secured, groundworks have begun and the project is running on schedule and budget
- Range increased to 21.5k items ("SKUs")
- Ocado own-label range reached 250 SKUs and was found in over 60% of all orders by the end of the year
- Mobile device penetration tripled over the year; mobile devices used in 12% of all checkouts since the New Year
- 10 year contract signed with Waitrose

Tim Steiner, Chief Executive Officer of Ocado, said:

"This was a landmark year for Ocado with gross sales up 29% for the year; we have delivered on the targets set out at the flotation. We have continued our focus on improving the customer offer, which has led to a record number of customers and sales with the achievement of profitability in the final quarter. Ocado's growth continues to outpace the market."

Andrew Bracey, Chief Financial Officer of Ocado, said:

"Strong sales growth has led to Ocado reaching EBIT profitability pre-exceptionals for the second half of the financial year and EBT profitability in the last quarter of the financial year. Achieving profitability clearly demonstrates the operational leverage of the Ocado model, with incremental EBITDA conversion at 11.3% in the second half of the year."

Results Presentation

A results presentation will be held for investors and analysts at 9.30am on 1 February 2011 at the Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED. Presentation materials will be available online at results10.ocadogroup.com.

Contacts

- Tim Steiner, Chief Executive Officer on 020 7404 5959 today and 01707 228 000
- Andrew Bracey, Chief Financial Officer on 020 7404 5959 today and 01707 228 000
- Lawrence Hene, Head of Investor Relations on 020 7404 5959 today and 01707 228 000
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Notes

1. Adjusted to exclude one-off IPO costs of £3.5m

Chief Executive Officer's Review

The past year has been a year of significant progress for Ocado. In the core operations we delivered a strong set of results for 2009/10. Our strategy of continuously improving our market leading customer offer continued to drive sales growth which has delivered through to the bottom line. This was a tremendous achievement by all the members of the Ocado team.

Delivering gross sales growth of 29% to £551.1m against the backdrop of a weak UK economy is a strong result. As the business grows and starts to achieve scale we are seeing the benefits of considerable operational leverage. The business achieved numerous financial milestones in the year including reporting an adjusted EBIT profit for the second half of the year and being profitable at the EBT level for the final quarter (16 trading weeks).

The UK online grocery market is still at an early stage of development. We believe the most effective way Ocado can increase adoption is to continue improving our customer offering. As in previous years, we have worked hard to improve this on many levels, including working on range, price, availability, accuracy, ease of use as well as other service initiatives.

This year we expanded our range to 21.5k SKUs from 20.5k at the end of FY09, all of which are available to customers in the whole of our delivery geography. To put this in context, we have now taken our range from being among the smallest offered in any UK supermarket three years ago to one of the largest ranges today. As we expand the capacity of the CFC further we expect to be able to offer the largest grocery range of any major UK supermarket.

A particularly important addition to our range this year has been the launch of the Ocado own-label range, which has been introduced to complement the Waitrose own-label products. It offers the Ocado customer a range that matches closely in price and quality the core own-label ranges of the major UK supermarkets. It has been a great achievement to build the team and the supplier relationships necessary to source and develop the Ocado own-label range. While it is still early days we have seen strong take up with 64% of all baskets containing an Ocado product in the final 4 week period of the year. The Ocado own-label range now has over 250 products and we expect this to grow substantially in the coming years.

The launch of the Ocado range touches on another key area where we have improved this year, pricing. We have continued to invest in our price positioning over the year through both range and absolute pricing. Due to our increasing scale we managed to maintain margin while making these investments in price. We continued our commitment to match the standard prices of all identical items of the UK's largest supermarket group. As we have expanded our range, we have increased the number of Tesco Price Match items to c.7,200. We also launched "Switch and Save" which allows our customers to move to lower priced products with improved value as they check out. This year we have run more promotions than ever before, increasing the value of our service to our customers. The investments made in pricing over recent years have been recognised by the consumer and have led to a broadening of our customer base from a demographic perspective.

We also made substantial improvements this year to our customer interfaces with the aim of providing the customer with the best possible experience in online grocery shopping regardless of how they want to interact with Ocado, whether on the website, mobile phone or iPad. This year we also upgraded the website and iPhone app and launched apps on the iPad and Android mobile devices with mobile checkouts reaching 12% since the New Year.

In November we launched the new version of the Ocado website. This has been a major operation involving teams across the business from trading through to creative to IT. We have had a positive reaction from our customers and its introduction has driven an increased average spend per order. Beyond the improved

customer interface the new website provides a new back end platform which will allow us to continue to innovate over the coming years.

Ocado received numerous industry awards for its customer offer, including World Etailer of the Year 2010 at the Oracle World Retail Awards. However, we are not resting on our laurels and there are many customer offer developments planned for the coming year.

The customer offer improvements have led to both a significant increase in new customers using the service and an increase in spend per customer. Average orders per week increased from 70,873 in FY09 to 92,916 in FY10, and exceeded 100,000 for the first time in the week commencing 10 May 2010. As expected, average order size showed a slight decrease to £114.06 for the year. This is due to changing customer behaviour with customers continuing to increase their frequency of shop but with a slight decline in order size. We are pleased to note that we have seen the rate of decline slow over the course of the year.

Significant effort was also spent over the year on the behind the scenes projects which enable us to deliver capacity growth and customer offer improvements. These occurred in all areas of the business affecting processes, software and hardware. For example in the CFC one of the major projects was the addition of 3 new chill aisles. This enabled the termination of the relatively inefficient process of trolley picking for chilled goods. On the software side over 1,500 individual changes were made to our CFC systems.

As we explained at the time of the IPO, increasing the scale of the business at this rate presents operational challenges. The CFC capacity grew in line with expectations with a slight impact on productivity gains. We reintroduced a number of processes, such as trolley picking, to help cope with increased demand. This impacted CFC efficiency with units per hour ("UPH") decreasing by 2.2% to 121 UPH. As our planned capital spend is invested in CFC1 over the coming years, we expect productivity to rise substantially and the long-term target of 180 UPH remains in place. At 99% for the year, the accuracy of our offer remained at a level we believe is significantly higher than our competitors. This is slightly down on last year and we expect the capital projects planned for the CFC will improve this.

On the delivery side of the business the progress towards the long-term target is more linear and we have seen significant improvement this year. The increasing scale combined with upgrades to the routing software and vans has led to drops per van per week ("DPV/wk") increasing by 10% to 133. In the most productive week of the year we achieved 159 DPV/wk (compared to our long-term target of 175 DPV/wk).

Outside the core operations, this has been a significant year for the business. Three major events occurred that are the building blocks for the long-term success of the business. In May, we signed a new 10 year agreement with Waitrose. We were delighted to sign this agreement which is our fifth and longest contract with Waitrose. This ensures that we will continue our relationship, which is now in its eleventh year. In July, Ocado Group plc ("the Company") listed on the London Stock Exchange. This has many benefits for the Company and its shareholders but the primary benefit was to raise significant funds. These will be used to fund the capital projects required to serve the demand we expect to see in the online grocery market. In October, we reached agreement to purchase the site for a second CFC ("CFC2"); this is the most substantial capital project in the plan to more than triple the capacity of the business from 2009 to 2013.

Current trading and outlook

As we announced on 10 January 2011 our growth has continued into the new financial year seeing gross sales increase, in line with market expectations, by 25% since the start of the financial year. We are focused on positioning ourselves to take advantage of the significant latent demand for online grocery in the UK. We continue to improve the customer offer, while at the same time build capacity to serve the increasing demand.

Chief Financial Officer's Review

2010 was a landmark year for Ocado with the group reaching EBIT profitability pre-exceptionals for the second half of the financial year and EBT profitability in the last quarter of the financial year. This is the first time the group has achieved EBIT profitability and demonstrates the operational leverage of the Ocado model. This was further demonstrated by the incremental EBITDA margin increasing to 10.3% for the whole year, up from 9.1% in H1 to 11.3% in H2. This increased operational leverage has contributed to an increase in EBITDA margins from 2.2% of gross sales in FY09 to 4.0% in FY10.

Revenue

Gross sales were up 29% to £551.1m for the year. The growth was driven by a substantial increase in orders per week offset by a slight decrease in average order size. The number of active customers increased by 19% to 262,258 at the end of FY10, with average weekly new customers up by 37% to 2,948. There was minimal geographic expansion during the year. Revenue grew by 28% to £515.7m. Spend on marketing vouchers remained broadly flat at 1.5% of sales, increasing by 25% to £8.1m which was slightly less than the rate of growth in gross sales.

Gross profit

Gross profit increased 32% to £161.6m. This equates to a 58 basis point increase in gross margin over the period to 29.3%. This was driven by positive changes in input prices, retail price inflation, supplier support and changes in product mix as well as the effects of the increasing scale of the business. Over the period the average price of items sold increased by 0.8%.

Other income increased by 136% to £6.2m. This was primarily driven by a 161% rise in marketing revenue. The increased space on the new website launched at the end of the year has provided us with further opportunities to generate additional marketing revenue.

Operating costs

Distribution costs increased by 20% to £132.8m. This increase was slower than sales growth demonstrating the developing operating leverage of the business. Distribution costs decreased as a percentage of sales from 26% to 24%. The two major components of distribution costs are CFC costs and trunking and delivery costs. CFC costs increased by 17%. Variable CFC costs increased broadly in line with revenue due to limited productivity gains. However, the operating leverage of the fixed cost base on increased volume meant that total CFC costs continued to fall as a percentage of revenue. Trunking and delivery costs increased by 23% with productivity gains more than offsetting inflationary pressures. Administrative expenses increased by 25% to £36.9m. The main drivers of these cost increases were additional employment costs and associated infrastructure, including the additional costs of being a public listed company.

Operating profit / loss

Operating loss pre-exceptionals for the full year decreased from £14.4m to £1.8m, a decrease of 87%. This decrease was primarily due to the growth in revenue that enabled greater operating efficiencies, as highlighted above. This is demonstrated clearly in H2 when the business made a pre-exceptionals EBIT of £0.9m. This compares to an EBIT loss of £7.0m in the equivalent period in FY09. In Q4 the business achieved PBT, for the first time, of £0.3m.

In the second half of the year the Company incurred the one-off exceptional costs associated with the IPO. These, along with associated fees for a £100m credit facility, came in at £12.4m, substantially under the budget set out in the prospectus of £15m. £3.5m was charged as a one-off exceptional item to the income statement with the remainder taken as financing costs and through the share premium account.

Net finance costs

Net finance costs decreased by 38% to £6.9m from £11.1m. This reduction in costs was primarily due to the proceeds of the IPO enabling repayment of debt shortly after the IPO in July. The interest paid on borrowings reduced to £8.4m.

Taxation

The statutory rate of tax applicable was 28%. A deferred tax credit of £5.0m was recognised. Ocado had approximately £260m of unutilised carried forward tax losses as at the end of FY10.

Loss per share

Basic and diluted losses per share decreased from 6.05p to 1.63p. This reduction in loss per share is due primarily to the improved financial performance as well as an increased number of shares on issue after the IPO.

Cashflow

Net operating cashflow doubled this year to £8.2m. This was primarily due to a significant reduction in loss before tax and a reduction in interest paid offsetting the impact of minimal net changes in working capital this year.

Balance sheet

The IPO enhanced the strength of the balance sheet with net assets increasing by over £200m to £171.8m. £45.5m of debt was repaid in the financial year and the Company ended the financial year with cash and cash equivalents (including short term treasury deposits) of £154.6m. In addition, the arrangement of a £100m credit facility further increased the financial flexibility of the business.

Capital investment

In FY10 there was capital expenditure of £35.0m, an increase of 52%. The capital investment increased the capacity of the Hatfield CFC ("CFC1"), expanded the van fleet and funded the internal development of new computer software.

Capital expenditure plans remain as described during the IPO. Completion of CFC1 is expected to cost £80m. This will increase both capacity to 180k orders per week and the range stocked. CFC2 is expected to cost £210m. The construction of the new CFC in Dordon, Warwickshire, will commence in the coming months and will continue into 2012 and beyond.

The following table sets out a summary of selected unaudited operating information for FY10 and FY09:

	FY10 (unaudited)	FY09 (unaudited)	% Change
Average order size (£) ⁽¹⁾	114.06	115.94	(1.6%)
Average orders per week	92,916	70,873	31.1%
CFC efficiency (units per hour) ⁽²⁾	121	124	(2.2%)
Average deliveries per van per week (DPV/wk)	133	121	10.3%
Average number of operational staff (full-time equivalent)	3,835	3,151	21.7%
Average product wastage (% of gross sales) ⁽³⁾	0.61	0.57	n/a
Items delivered exactly as ordered (%) ⁽⁴⁾	99.0	99.4	n/a
Deliveries on time or early (%)	94.9	93.0	n/a

Source: The information in the table above is derived from information extracted from management accounts and internal financial and operating reporting systems and is unaudited.

(1) Average retail value of goods a customer receives (including VAT and delivery charge) per order.

(2) Measured as units dispatched from the CFC per hour worked by CFC operational personnel.

(3) Value of products purged for having passed Ocado's "use by" life guarantee and stock adjustments (net of sales to Company Shop), divided by gross sales. As expected, the introduction of the service counter increased the level of waste.

(4) Percentage of all items delivered exactly as ordered, i.e. the percentage of items neither missing nor substituted.

Cautionary statement

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and assumptions and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results express or implied in these forward-looking statements. They appear in a number of places throughout this announcement and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, amongst other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the business. Persons receiving this announcement should not place undue reliance on forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, Ocado does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Consolidated income statement (unaudited) for the 52 weeks ended 28 November 2010

	Notes	52 weeks ended 28 November 2010 £'000	52 weeks ended 29 November 2009 £'000
Revenue		515,688	401,997
Cost of sales		(354,043)	(279,168)
Gross profit		161,645	122,829
Other income		6,245	2,641
Distribution costs		(132,809)	(110,331)
Operating profit before administrative expenses and exceptional item		35,081	15,139
Administrative expenses		(36,895)	(29,542)
Exceptional item - IPO costs	11	(3,542)	-
Operating loss		(5,356)	(14,403)
Finance income	5	1,502	12
Finance costs	5	(8,357)	(11,118)
Loss before tax		(12,211)	(25,509)
Taxation		5,000	2,300

Loss for the period attributable to the owners of the Company[†]		(7,211)	(23,209)
Loss per share		pence	pence
Basic and diluted loss per share	12	(1.63)	(6.05)

[†] Non-GAAP measure: Earnings before interest, taxation, depreciation, amortisation, impairment and exceptional item (EBITDA)

		52 weeks ended 28 November 2010 £'000	52 weeks ended 29 November 2009 £'000
	Notes		
Loss for the period attributable to the owners of the Company		(7,211)	(23,209)
Adjustments for:			
Finance income	5	(1,502)	(12)
Finance costs	5	8,357	11,118
Taxation		(5,000)	(2,300)
Depreciation of property, plant and equipment	7	19,333	17,865
Amortisation expense	6	4,474	4,743
Impairment of property, plant and equipment	7	14	1,023
Exceptional item - IPO costs	11	3,542	-
Earnings before interest, taxation, depreciation, amortisation, impairment and exceptional item (EBITDA)		22,007	9,228

Note:

A reverse acquisition took place on 9 February 2010. The financial information for the comparative period has been presented as if Ocado Group plc had been the parent company of the Group throughout (see Note 2).

**Consolidated statement of comprehensive income (unaudited)
for the 52 weeks ended 28 November 2010**

		52 weeks ended 28 November 2010 £'000	52 weeks ended 29 November 2009 £'000
Loss for the period attributable to the owners of the Company		(7,211)	(23,209)
Other comprehensive income:			
Cash flow hedges - forward foreign exchange contracts			
- Gains arising in the period		818	-
- Gains transferred to property, plant and equipment for the period		(92)	-
Other comprehensive income for the period		726	-
Total comprehensive income for the period attributable to the owners of the Company		(6,485)	(23,209)

Note:

A reverse acquisition took place on 9 February 2010. The financial information for the comparative period has been presented as if Ocado Group plc had been the parent company of the Group throughout (see Note 2).

**Consolidated balance sheet (unaudited)
as at 28 November 2010**

		28 November 2010 £'000	29 November 2009 £'000
	Notes		
Non-current assets			
Intangible assets	6	8,069	6,684
Property, plant and equipment	7	100,031	90,252
Deferred tax asset		7,300	2,300
Available-for-sale financial asset		395	395
		115,795	99,631
Current assets			
Inventories		12,480	9,213
Trade and other receivables		18,569	14,740
Derivative financial instruments		472	-
Short term investment		30,000	-
Cash and cash equivalents		124,639	13,017
		186,160	36,970
Total assets		301,955	136,601
Current liabilities			
Trade and other payables		(55,491)	(47,237)
Borrowings	8	(2,282)	(12,087)
Obligations under finance leases	8	(16,485)	(19,669)
Provisions		(115)	-
		(74,373)	(78,993)
Net current assets / (liabilities)		111,787	(42,023)
Non-current liabilities			
Borrowings	8	(9,774)	(42,658)
Obligations under finance leases	8	(45,573)	(45,651)
Derivative financial instruments		-	(1,083)
Provisions		(446)	(366)
		(55,793)	(89,758)
Net assets / (liabilities)		171,789	(32,150)
Equity			
Share capital	11	11,068	40
Share premium	11	206,094	310,836
Treasury shares reserve	11	(47,741)	-
Reverse acquisition reserve	11	(116,230)	-
Other reserves	11	726	-
Retained earnings / (accumulated deficit)		117,872	(343,026)
Surplus / (deficit) attributable to equity holders		171,789	(32,150)

Note:

A reverse acquisition took place on 9 February 2010. The financial information for the comparative period has been presented as if Ocado Group plc had been the parent company of the Group throughout (see Note 2).

Consolidated statement of cash flows (unaudited)

for the 52 weeks ended 28 November 2010

		52 weeks ended 28 November 2010 £'000	52 weeks ended 29 November 2009 £'000
	Notes		
Cash flows from operating activities			
Loss before tax		(12,211)	(25,509)
Adjustments for:			
- Depreciation of property, plant and equipment	7	19,333	17,865
- Amortisation expense	6	4,474	4,743
- Impairment of property, plant and equipment	7	14	1,023
- (Profit)/loss on disposal of property, plant and equipment		(63)	33
- Provision for dilapidations expense		80	169
- Provision for insurance claims incurred but not reported		115	-
- Share-based payments charge		320	78
- Finance income	5	(1,502)	(12)
- Finance costs	5	8,357	11,118
Changes in working capital:			
- Increase in inventories		(3,267)	(106)
- Increase in trade and other receivables		(1,897)	(2,707)
- Increase in trade and other payables		4,791	10,135
Cash generated from operations		18,544	16,830
Interest paid		(10,319)	(12,740)
Net cash flows from operating activities		8,225	4,090
Cash flows from investing activities			
Purchase of property, plant and equipment		(14,681)	(15,215)
Proceeds from sale of property, plant and equipment		87	-
Purchase of intangible assets		(5,850)	(4,389)
Increase in short-term investment		(30,000)	-
Interest received		167	12
Net cash flows from investing activities		(50,277)	(19,592)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital net of transaction costs		210,104	29,129
Proceeds from borrowings		11,374	25,052
Repayment of borrowings		(54,063)	(28,374)
Proceeds from asset based financing arrangements		1,676	7,135
Repayments of obligations under finance leases		(15,417)	(10,280)
Net cash flows from financing activities		153,674	22,662
Net increase in cash and cash equivalents		111,622	7,160
Cash and cash equivalents at the beginning of the period		13,017	5,857
Cash and cash equivalents at the end of the period		124,639	13,017

Note:

A reverse acquisition took place on 9 February 2010. The financial information for the comparative period has been presented as if Ocado Group plc had been the parent company of the Group throughout (see Note 2).

**Consolidated statement of changes in equity (unaudited)
for the 52 weeks ended 28 November 2010**

	Notes	Share capital £'000	Share premium £'000	Treasury shares reserve £'000	Reverse acquisition reserve £'000	Other reserves £'000	(Accumulated deficit) / Retained earnings £'000	(Deficit) / surplus attributable to equity holders £'000
Balance at 1 December 2008		38	281,649	-	-	1,139	(321,034)	(38,208)
Loss for the period		-	-	-	-	-	(23,209)	(23,209)
Total comprehensive income for the period		-	-	-	-	-	(23,209)	(23,209)
Transactions with owners								
- Issue of ordinary shares	11	2	30,072	-	-	-	-	30,074
- Transaction costs on issue of ordinary shares	11	-	(945)	-	-	-	-	(945)
- Issue of convertible preference shares	11	-	60	-	-	-	-	60
- Transfer of equity on conversion of loan stock	11(d)	-	-	-	-	(5)	5	-
- Transfer of equity on repayment of loan stock	11(d)	-	-	-	-	(1,134)	1,134	-
- Share-based payments charge		-	-	-	-	-	78	78
Total transactions with owners		2	29,187	-	-	(1,139)	1,217	29,267
Balance at 29 November 2009		40	310,836	-	-	-	(343,026)	(32,150)
Loss for the period		-	-	-	-	-	(7,211)	(7,211)
Other comprehensive income		-	-	-	-	726	-	726
Total comprehensive income for the period		-	-	-	-	726	(7,211)	(6,485)
Transactions with owners:								
- Issue of ordinary shares in Ocado Limited	11	3	49,443	(47,741)	-	-	-	1,705
- Cancellation of Ocado Limited ordinary shares	11(a)	(43)	-	-	-	-	43	-
- Issue of ordinary and convertible preference	11(b)	476,509	-	-	(476,509)	-	-	-

shares by Ocado Group plc								
- Ocado Group plc capital reduction	11(b)	(467,846)	-	-	-	-	467,846	-
- Reverse acquisition of Ocado Limited by Ocado Group plc	11(c)	-	(360,279)	-	360,279	-	-	-
- Issue of ordinary shares by Ocado Group plc upon IPO	11	2,380	211,862	-	-	-	-	214,242
- Ordinary shares issue costs	11	-	(6,881)	-	-	-	-	(6,881)
- Issue of ordinary shares in Ocado Group plc	11	25	1,113	-	-	-	-	1,138
- Share-based payments charge		-	-	-	-	-	220	220
Total transactions with owners		11,028	(104,742)	(47,741)	(116,230)	-	468,109	210,424
Balance at 28 November 2010		11,068	206,094	(47,741)	(116,230)	726	117,872	171,789

Note:

A reverse acquisition took place on 9 February 2010. The financial information for the comparative period has been presented as if Ocado Group plc had been the parent company of the Group throughout (see Note 2).

Notes to the consolidated financial information

1 General information

The financial information comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and the related notes. The financial information for the 52 weeks ended 28 November 2010 is extracted from the unaudited consolidated financial statements. The financial information for the 52 weeks ended 29 November 2009 is derived from the statutory accounts.

The financial information in this preliminary results announcement does not constitute the Group's statutory accounts for the 52 weeks ended 28 November 2010 or the 52 weeks ended 29 November 2009 and does not constitute full accounts within the meaning of section 435 (1) and (2) of the Companies Act 2006. The statutory accounts for 2009 have been delivered to the Registrar of Companies, and those for 2010 will be delivered in due course. The auditors have reported on the statutory accounts for the 52 weeks ended 29 November 2009; their report was (i) unqualified, (ii) did include a reference to a matter to which the auditors drew attention by way of an emphasis of matter without qualifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The statutory accounts for the 52 weeks ended 28 November 2010, on which the auditors have not yet reported, will be finalised on the basis of the financial information presented by the Directors in this announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The financial year represents the 52 weeks ended 28 November 2010 (the prior financial year represents the 52 weeks ended 29 November 2009). The consolidated financial statements for the 52 weeks ended 28 November 2010 comprise the financial statements of Ocado Group plc (the "Company") and its subsidiaries (the "Group").

2 Basis of preparation and development of the Ocado Group

Ocado Group Limited was incorporated on 8 December 2009 and on 9 February 2010 acquired the entire share capital of Ocado Limited. As a result of this transaction, the shareholders in Ocado Limited received shares in Ocado Group Limited in direct proportion to their original shareholdings in Ocado Limited. On 23 June 2010 the Ocado Group Limited re-registered under the Companies Act 2006 as a public company under the name Ocado Group plc.

Under IFRS 3R "Business Combinations", the acquisition of Ocado Limited by the Company has been accounted for as a reverse acquisition and the consolidated financial information of the Company is therefore a continuation of the financial information of Ocado Limited. As a result, any financial information related to the period after 9 February 2010 represents consolidated financial information of the Group. Prior to this date the historical financial information represents the financial information of the Company's only operating subsidiary, Ocado Limited (see Note 13).

The financial information has been prepared in accordance with the Listing Rules and the Disclosure and Transparency Rules of the UK Financial Services Authority (where applicable), International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations as endorsed by the European Union ("IFRS-EU"), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies applied are consistent with those described in the annual report and financial statements for the 52 weeks ended 29 November 2009 of Ocado Limited. The Company's auditors have confirmed that they are not aware of any matter that may give rise to a modification to their audit report.

The financial information is presented in sterling, rounded to the nearest thousand (£'000) unless otherwise stated. It has been prepared under the historical cost convention, except for financial instruments that have been measured at fair value.

The financial information has been prepared on the going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

Use of non-GAAP profit measures

The Directors believe that the EBITDA measure presented provides a clear and consistent presentation of the underlying performance of the Group. EBITDA is not a measure of operating performance in accordance with IFRS-EU. EBITDA should not be considered a substitute for gross profit/(loss), operating profit/(loss), profit/(loss) before tax, cash flow from operating activities or other income or cash flow statement data as determined in accordance with IFRS-EU, or as a measure of profitability or liquidity.

Certain items recognised in reported loss before tax can vary significantly from period to period and therefore create volatility in reported earnings which does not reflect the Group's underlying performance. The Group defines EBITDA as earnings before net finance cost, taxation, depreciation of property, plant and equipment, amortisation expense, impairment of property, plant and equipment and exceptional items.

The adjustments made to reported loss before tax are set out below the income statement.

3 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors. The principal activity of the Group is that of the retailing and distribution of grocery and consumer goods within the UK. The results from the licensing of intellectual property for use outside of the UK to a non-UK subsidiary and the establishment in October 2010 of a captive insurance cell (see Note 13) in Malta are not currently separately reported as they are not considered material and management do not believe information about these segments would be useful to the users of the financial statements.

The principal activity of the Group is managed as one segment and does not split its activities into any further regional or product subdivisions in its internal management reporting, as any such split would not provide the Group's management with any meaningful information. Consequently all activities relate to this one segment.

The Group is domiciled in the UK. All of its revenue is from UK external customers and all non-current assets are located in the UK.

4 Gross sales

	52 weeks ended 28 November 2010	52 weeks ended 29 November 2009
	£'000	£'000

Revenue	515,688	401,997
VAT	27,285	18,788
Marketing vouchers	8,126	6,493
Gross sales	551,099	427,278

5 Finance income and costs

	52 weeks ended 28 November 2010 £'000	52 weeks ended 29 November 2009 £'000
Interest on cash balances and short-term investment	557	5
Other interest	12	7
Fair value movement in derivative liability	933	-
Finance income	1,502	12
Interest on bank loans and overdrafts	(31)	(41)
Interest on finance leases	(4,356)	(5,009)
Interest on borrowings	(3,970)	(5,717)
Interest on convertible loan	-	(347)
Fair value movement in derivative liability	-	(4)
Finance costs	(8,357)	(11,118)
Net finance costs	(6,855)	(11,106)

The fair value movement on the derivative liability arose from fair value adjustments on warrant agreements.

6 Intangible assets - Computer software

	28 November 2010 £'000	29 November 2009 £'000
Cost		
At the beginning of the period	28,503	24,114
Additions	717	294
Internal development costs capitalised	5,142	4,095
At the end of the period	34,362	28,503
Accumulated amortisation		
At the beginning of the period	(21,819)	(17,076)
Charge for the period	(4,474)	(4,743)
At the end of the period	(26,293)	(21,819)
Net book value		
At the end of the period	8,069	6,684

The net book value of computer software held under finance leases is analysed below:

	28 November 2010 £'000	29 November 2009 £'000
Cost	2,470	2,470
Accumulated amortisation	(2,404)	(2,113)
Net book value	66	357

The movement in cost includes assets of £nil (2009: £265,000) reclassified from owned assets to assets held under finance lease following asset based financing arrangements.

For the period 52 weeks ended 28 November 2010, internal development costs capitalised were £5,142,000 (2009: £4,095,000) and represented approximately 88% (2009: 93%) of expenditure on intangible assets and 15% (2009:18%) of total capital spend including property, plant and equipment.

7 Property, plant and equipment

	Land and buildings £'000	Fixtures, fittings, plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 December 2008	30,457	107,983	24,122	162,562
Additions	4,944	8,896	4,802	18,642
Disposals	(66)	(4,401)	(6,286)	(10,753)
At 29 November 2009	35,335	112,478	22,638	170,451
Additions	3,079	15,348	10,723	29,150
Disposals	(173)	(1,483)	(5,936)	(7,592)
At 28 November 2010	38,241	126,343	27,425	192,009
Accumulated depreciation and impairment				
At 1 December 2008	(8,209)	(49,170)	(14,652)	(72,031)
Charge for the period	(1,511)	(12,227)	(4,127)	(17,865)
Impairment	(92)	(931)	-	(1,023)
Disposals	66	4,401	6,253	10,720
At 29 November 2009	(9,746)	(57,927)	(12,526)	(80,199)
Charge for the period	(1,493)	(13,151)	(4,689)	(19,333)
Impairment	-	(14)	-	(14)
Disposals	149	1,483	5,936	7,568
At 28 November 2010	(11,090)	(69,609)	(11,279)	(91,978)
Net book value				
At 29 November 2009	25,589	54,551	10,112	90,252
At 28 November 2010	27,151	56,734	16,146	100,031

The net book value of fixed assets held under finance leases are analysed below:

	Land and buildings £'000	Fixtures, fittings, plant and machinery £'000	Motor vehicles £'000	Total £'000
At 28 November 2010				
Cost	26,509	57,685	26,455	110,649
Accumulated depreciation and impairment	(10,632)	(32,200)	(10,618)	(53,450)
Net book value	15,877	25,485	15,837	57,199
At 29 November 2009				
Cost	25,459	55,869	20,872	102,200
Accumulated depreciation and impairment	(9,515)	(26,332)	(11,247)	(47,094)
Net book value	15,944	29,537	9,625	55,106

The movement in cost includes assets of £2,119,000 (2009: £6,870,000) reclassified from owned assets to assets held under finance lease following asset based financing arrangements.

The impairment charge for fixtures, fittings, plant and machinery in all financial periods is in respect of superseded assets written off during the period. The charge against land and buildings in 2009 was in respect of Portacabins written off as they were no longer fit for use.

Included within property, plant and equipment is capital work-in-progress for land and buildings of £1,849,000 (2009: £nil) and capital work-in-progress for fixtures, fittings, plant & machinery of £4,152,000 (2009: £39,000).

8 Leases and borrowings

	Notes	28 November 2010 £'000	29 November 2009 £'000
Current liabilities			
Borrowings	9	2,282	12,087
Obligations under finance leases	10	16,485	19,669
		18,767	31,756
Non-current liabilities			
Borrowings	9	9,774	42,658
Obligations under finance leases	10	45,573	45,651
		55,347	88,309
Total leases and borrowings		74,114	120,065

9 Borrowings

	Total £'000	Less than one year £'000	Between one year and two years £'000	Between two years and five years £'000	Over five years £'000
As at 29 November 2009					
Secured loans	41,350	5,998	17,463	17,489	400
Unsecured loans	13,395	6,089	4,579	2,727	-
Total borrowings	54,745	12,087	22,042	20,216	400
As at 28 November 2010					
Secured loans	11,919	2,145	3,718	6,056	-
Unsecured loans	137	137	-	-	-
Total borrowings	12,056	2,282	3,718	6,056	-

Secured loans

- i) The Group entered into a loan of £8.0 million in May 2007 which is secured over certain warehouse assets. Interest was charged at the clearing bank's base rate plus 2.5% and was repayable in equal quarterly instalments commencing in May 2009 and ending in May 2014. In May 2009, after the first capital instalment was paid, the remaining capital instalments were deferred. Repayments recommenced in August 2010 with equal instalments paid quarterly ending February 2015. The interest rate was reset to the clearing bank's base rate plus 3.0%. The carrying amount of the loan at 28 November 2010 is £7.1 million (2009: £7.5 million).
- ii) The Group entered into a loan of £1.5 million in December 2006 which is secured on a freehold property. Interest is charged at the clearing bank's base rate plus 1.5%. The loan is repayable in fixed quarterly instalments from March 2007 with a final payment in December 2011. The carrying amount of the loan at 28 November 2010 is £1.0 million (2009: £1.1 million).
- iii) The Group entered into a loan of £1.5 million in February 2009 which is secured on a freehold property. Interest is charged at LIBOR plus 2.3%. It is repayable in fixed quarterly instalments from May 2009 with a final payment in February 2012. The carrying amount of the loan at 28 November 2010 is £1.2 million (2009: £1.4 million).
- iv) The Group entered into a loan of £2.9 million in December 2009 which is secured on a freehold property. Interest is charged at LIBOR plus 3.5%. It is repayable in fixed quarterly instalments from

April 2010 with a final bullet payment in December 2012. The carrying amount of the loan at 28 November 2010 is £2.6 million (2009: £nil).

- v) The Group entered into a loan of £20.0 million in December 2004 which was extended by a further £15.0 million in February 2007. Interest was charged at LIBOR plus 6.0% of which 2.0% was due biannually and 4.0% was capitalised into the loan and is payable at the end of the loan term. A repayment of £10.0 million was made in November 2008 and the outstanding capital balance of £27.5 million (2009: £26.4 million) was repaid in August 2010. The loan was secured over certain warehouse assets, software and intellectual property.
- vi) The Group entered into a loan of £5.0 million in September 2008 secured over certain warehouse assets, software and intellectual property, initially repayable in instalments or in full on or before September 2009. The loan was extended in September 2009 until January 2010 on the same terms, and thereafter on a month by month basis. The outstanding capital balance of £5.0 million (2009: £5.0 million) was repaid in May 2010. Interest was charged at LIBOR plus 2.8%.

Unsecured loans

- i) The Group entered into an agreement in October 2009 to defer the payment of its insurance premium over 10 fixed monthly instalments. Interest was charged at 7.2% with the final payment made in July 2010. The Group entered into a new agreement in October 2010 to defer the payment of its insurance premium of over 10 fixed monthly instalments. Interest is charged at 6.5% with the final payment due in September 2011. The carrying amount of the loan at 28 November 2010 is £0.1 million (2009: £1.9 million).
- ii) The Group entered into a loan of £6.8 million in April 2002 with the then landlord of the customer fulfilment centre. It is repayable in fixed quarterly instalments with a final payment in March 2012. Interest was charged at 14.2% and the Group had a right to repay the loan without penalty at any time on six months notice. The outstanding capital balance of £1.6 million (2009: £2.2 million) was repaid in September 2010.
- iii) The Group entered into a Murabaha facility agreement in July 2009 to raise funds of £10.0 million. It was repayable in quarterly instalments from October 2009 to July 2012 totalling £11.3 million. It had been estimated that this would supply the bank with an overall yield of 8.0%. The outstanding capital balance of £6.9 million (2009: £9.3 million) was repaid in October 2010.

10 Obligations under finance leases

	28 November 2010 £'000	29 November 2009 £'000
Obligations under finance leases due:		
Within one year	16,485	19,669
Between one and two years	16,121	16,392
Between two and five years	21,947	20,698
After five years	7,505	8,561
Total obligations under finance leases	62,058	65,320
	28 November 2010 £'000	29 November 2009 £'000
Minimum lease payments due:		
Within one year	20,087	23,705
Between one and two years	18,576	19,180
Between two and five years	24,546	23,779
After five years	9,459	10,773
	72,668	77,437
Less: future finance charges	(10,610)	(12,117)
Present value of finance lease liabilities	62,058	65,320
Disclosed as:		
Current	8	16,485
		19,669

Non-current	8	45,573	45,651
		62,058	65,320

11 Share capital and reserves

	28 November 2010		29 November 2009	
	Number of shares	£'000	Number of shares	£'000
Authorised				
Ordinary shares of 2 pence each (2009: 1 pence each)	600,000,000	12,000	3,000,000	30
Convertible preference shares of 1 pence each	-	-	3,000,000	30
	600,000,000	12,000	6,000,000	60
Allotted, called up and fully paid				
Ordinary shares of 2 pence each (2009: 1 pence each)	553,428,201	11,068	1,525,757	15
Convertible preference shares of 1 pence each	-	-	2,474,749	25
	553,428,201	11,068	4,000,506	40

Included in the total number of ordinary shares outstanding above is 32,476,700 (2009: nil) ordinary shares held by the Group's employee benefit trust (see Note 11(a)).

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

	Notes	Ordinary shares number	Convertible preference shares number	Ordinary shares £'000	Convertible preference shares £'000	Share premium £'000
At 1 December 2008		1,302,690	2,474,220	13	25	281,649
Issue of ordinary shares		222,281	-	2	-	30,005
Ordinary shares issue costs		-	-	-	-	(945)
Allotted in respect of executive share option scheme		786	-	-	-	67
Issue of convertible preference shares	11(b)	-	529	-	-	60
At 29 November 2009		1,525,757	2,474,749	15	25	310,836
Allotted in respect of executive share option scheme of Ocado Limited		6,635	-	-	-	731
Allotted in respect of joint share ownership scheme of Ocado Limited	11(a)	324,767	-	3	-	48,712
Cancellation of Ocado Limited ordinary shares	11(b)	(1,857,159)	(2,474,749)	(18)	(25)	-
Issue of ordinary and convertible preference shares by Ocado Group plc	11(b)	185,715,900	247,474,900	204,287	272,222	-
Ocado Group plc capital reduction	11(b)	-	-	(200,573)	(267,273)	-
Reverse acquisition of Ocado Limited by Ocado Group plc	11(c)	-	-	-	-	(360,279)
Issue of ordinary shares by Ocado Group plc on IPO		118,968,225	-	2,379	-	211,763
Issue of ordinary shares to the Chairman on IPO		55,555	-	1	-	99
Share issue costs		-	-	-	-	(6,881)
Conversion of preference shares to ordinary shares on IPO		247,474,900	(247,474,900)	4,949	(4,949)	-

Allotted in respect of the executive share option scheme of Ocado Group plc	1,032,921	-	21	-	978
Allotted in respect of non-employee share options issued by Ocado Group plc	180,700	-	4	-	135
At 28 November 2010	553,428,201	-	11,068	-	206,094

Convertible preference shares were convertible into the same number of ordinary shares, either at the option of the holder or on the occurrence of certain trigger events, including a public listing. The convertible preference shares ranked *pari passu* with ordinary shares, with the exception that on return of assets on a liquidation, reduction of capital or otherwise, the holders of the convertible preference shares shall be entitled in respect of their preference shares (in proportion to the number of such shares held by each of them) in priority to all other shareholders, to the surplus assets of the Company remaining after payment of its liabilities, the subscription price for their preference shares together with a sum equal to any arrears of dividends declared calculated down to the date of the return of assets.

On 9 February 2010 the Company acquired the entire share capital of Ocado Limited. As a result of this transaction, the shareholders in Ocado Limited received shares in the Company in direct proportion to their original shareholdings in Ocado Limited. Shareholders were issued 100 shares in the Company for every 1 share in Ocado Limited. The shares in the Company have a nominal value of 2 pence each. Therefore as at 28 November 2010 share capital represents that of the Company. The prior period presented represents that of Ocado Limited.

On 26 July 2010 the Company's shares were admitted to the Premium Listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange (the "Listing"). In conjunction, the Company made an initial public offering ("IPO") of 118,968,225 new 2 pence ordinary shares at a price of 180 pence per share. Also in conjunction, 247,474,900 convertible preference shares converted to ordinary shares.

Costs related directly to the new issue of shares in the amount of £6.9 million have been deducted from the share premium account. Attributable IPO costs are allocated between the share premium account and profit and loss account in proportion to the number of primary and secondary shares traded on admission. Other costs attributable to the Listing have been expensed.

Costs expensed in the amount of £3.5 million in relation to the IPO relate primarily to legal and professional fees.

The ordinary shares held by the trustee of the Group's employee benefit trust pursuant to the joint share ownership scheme are treated as treasury shares in the Group's 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. 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 loss per share calculation in Note 13 as loss per share is calculated using the weighted average number of ordinary shares and convertible preference shares in issue during the period, excluding treasury shares.

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

	Notes	Treasury shares reserve £'000	Reverse acquisition reserve £'000	Other reserves £'000
At 29 November 2009		-	-	-
Allotted in respect of joint share ownership scheme of Ocado Limited	11(a)	(47,741)	-	-
Issue of ordinary and convertible preference shares by Ocado Group plc	11(b)	-	(476,509)	-
Reverse acquisition of Ocado Limited by Ocado Group plc	11(c)	-	360,279	-
Fair value movement on derivative financial instrument	11(d)	-	-	726
At 28 November 2010		(47,741)	(116,230)	726

a) Treasury shares reserve

This reserve arose when the Group issued equity share capital under its joint share ownership scheme, which is held in trust by the trustee of the Group's employee benefit trust. The consideration paid is deducted from total shareholders' equity and classified as treasury shares on consolidation.

b) Scheme of arrangement and capital reduction

On 9 February 2010, pursuant to a scheme of arrangement, all of Ocado Limited's ordinary and convertible preference shares were cancelled. Immediately thereafter, Ocado Limited issued 100 ordinary shares to the Company for £1 and in consideration of that and of the cancellation of Ocado Limited's ordinary and preference shares, the Company issued 185,715,900 ordinary shares and 247,474,900 convertible preference shares on the basis of 100 ordinary and/or preference shares for each Ocado Limited ordinary share and/or preference share held. The effect of the scheme of arrangement was to replicate the shareholders' register of Ocado Limited at the Company level.

On 16 February 2010, pursuant to an order of the Court confirming the reduction of capital of the Company, the Company's share capital was reduced by decreasing the nominal value of each ordinary and convertible preference share issued pursuant to the Scheme of Arrangement from 110 pence to 2 pence. This created distributable reserves of £467.8 million.

c) Reverse acquisition reserve

The acquisition by the Company of the entire issued share capital of Ocado Limited has been accounted for as a reverse acquisition under IFRS 3R. Consequently the previously recognised book values and assets and liabilities have been retained and the consolidated financial information for the period to 28 November 2010 has been presented as if the Company had always been the parent company of the Group.

The share capital for the period covered by these consolidated financial statements and the comparative periods is stated at the nominal value of the shares issued pursuant to the above share arrangement. Any differences between the nominal value of these shares and previously reported nominal values of shares and applicable share premium issued by Ocado Limited have been transferred to the reverse acquisition reserve.

d) Other reserves

Other reserves consist of the foreign currency translation reserve, the fair value reserve and the convertible loan interest reserve.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the Company's foreign subsidiary, Ocado Information Technology Limited, which is incorporated in Ireland and whose functional currency is Euro.

The fair value reserve comprises gains and losses on the spot movement of the Group's cash flow hedges.

The convertible loan interest reserve existing on 1 December 2008 arose from the issuing of convertible loan stock in 2004 which in accordance with the principles of IAS 32 was bifurcated into its liability and equity components. In March 2009 on the expiry of the stock holders' convertible loan stock, £1.1 million previously recognised in the convertible loan interest reserve in respect of this convertible loan stock was transferred to the accumulated deficit reserve.

12 Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders by the weighted average number of ordinary shares and convertible preference shares in issue during the period, excluding ordinary shares held pursuant to the Group's joint share ownership scheme and accounted for as treasury shares, adjusted to reflect the conversion of the ordinary shares and preference shares from Ocado Limited to the Company on a 1:100 basis on 9 February 2010. The loss for the period is equally attributable to the shareholders of ordinary shares and convertible preference shares. For more information see Note 11.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares and convertible preference shares outstanding to assume conversion of all dilutive potential shares, adjusted to reflect the conversion of the ordinary shares and the convertible preference shares from Ocado Limited to the Company as mentioned above. The Company has two categories of potentially dilutive shares, namely share options and shares held pursuant to the Group's joint share ownership scheme.

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

Basic and diluted loss per share has been calculated on the following basis:

	52 weeks ended 28 November 2010 000	52 weeks ended 29 November 2009 000
Issued ordinary shares and convertible preference shares at beginning of the period	400,051	377,691

Effect of share options exercised in the period	927	47
Effect of shares issued in the period	41,237	5,619
Weighted average number of shares at the end of the period	442,215	383,357
	£'000	£'000
Loss attributable to equity shareholders	(7,211)	(23,209)
	pence	pence
Basic and diluted loss per share	(1.63)	(6.05)

13 Subsidiaries

The Company's subsidiaries are:

	Principal activity	Proportion of share capital held	Country of incorporation
Ocado Holdings Limited	Holding company	100%	England and Wales
Ocado Limited	Retail and distribution	100%	England and Wales
Ocado Information Technology Limited	Intellectual property	100%	Republic of Ireland
Jalapeno Partners Limited	Dormant company	100%	England and Wales
Ocado Cell in Atlas Insurance PCC Limited	Insurance company	100%	Malta

Ocado Holdings Limited is a 100% owned subsidiary of Ocado Group plc and is the only directly held subsidiary. It was incorporated in the UK on 5 February 2010 with registration no. 07148670.

Ocado Limited is a 100% owned subsidiary of Ocado Holdings Limited. It was incorporated in the UK with registration no. 3875000.

Ocado Information Technology Limited is a 100% owned subsidiary of Ocado Holdings Limited. It was incorporated in Ireland on 19 January 2010 with registration no. 479792. On 21 January 2010 Ocado Limited granted Ocado Information Technology Limited a license to use Ocado Limited's intellectual property outside of the UK, and in consideration Ocado Information Technology Limited issued a promissory note which was settled by the issue of 5,075,840 ordinary shares of 1 Euro each. On 17 June 2010, Ocado Holdings Limited acquired the entire ordinary share capital of Ocado Information Technology Limited from Ocado Limited.

Jalapeno Partners Limited is a 100% owned subsidiary of Ocado Limited. It was incorporated in the UK with registration no. 4204963. It is a dormant company as defined by section 1169 of the Companies Act 2006. The only balances in the accounts of Jalapeno Partners are share capital of £1 and an intercompany debtor of £1.

On 9 February 2010, the Group, previously headed by Ocado Limited, underwent a reorganisation by virtue of which Ocado Limited's shareholders in their entirety exchanged their shares for shares in Ocado Group plc, a newly formed company, which then became the ultimate parent company of the Group. Notwithstanding the change in the legal parent of the Group, this transaction has been accounted for as a reverse acquisition under IFRS 3R "Business Combinations" and the consolidated financial statements are prepared on the basis of the new legal parent having been acquired by the existing Group.

In October 2010 a dedicated cell (the "Ocado Cell") was established in Atlas Insurance PCC Limited (the "Cell Company") by the issue of non-participating redeemable preference shares to Ocado Holdings Limited. The Cell Company is incorporated in the Republic of Malta with registration no. C 5601 and is authorised under Malta's Insurance Business Act (1998) to carry on general insurance business and is constituted as a protected cell company under the Maltese Companies Act (Cell Companies Carrying on Business of Insurance) Regulations (2004). On 20 October 2010 the Cell Company entered into an agreement with Ocado Holdings Limited to provide the Group with insurance facilities conducted through the Ocado Cell. The Group has effective control over the financial and operating activities of the Ocado Cell and therefore consolidates the Ocado Cell in its financial statements in accordance with SIC 12 "Consolidation - Special Purpose Entities". The Group uses the Ocado Cell to provide self-insurance for its vehicle fleet and public and product liability claims. This strategy of self-insurance for elements of business risk is used by many large companies in order to reduce costs and exercise greater control of their insurance needs. The risk of self-insuring is managed within the Group through stop-loss insurance being taken out with a third party to cover claims over £100,000 each and £3 million in the aggregate. The provisions as at

28 November 2010 include a provision for insurance claims incurred but not reported of £115,000 (2009: £nil).

14 Analysis of net cash/(debt)

a) Net cash/(debt)

	Notes	28 November 2010 £'000	29 November 2009 £'000
Current assets			
Cash and cash equivalents		124,639	13,017
Short-term investment		30,000	-
		154,639	13,017
Current liabilities			
Borrowings	8	(2,282)	(12,087)
Obligations under finance leases	8	(16,485)	(19,669)
		(18,767)	(31,756)
Non-current liabilities			
Borrowings	8	(9,774)	(42,658)
Obligations under finance leases	8	(45,573)	(45,651)
		(55,347)	(88,309)
Total net cash/(debt)		80,525	(107,048)

b) Reconciliation of net cash flow to movement in net cash/(debt)

	28 November 2010 £'000	29 November 2009 £'000
Net increase in cash and cash equivalents	111,622	7,160
Net cash outflow from debt and lease financing	56,430	6,467
Increase in short-term investment	30,000	-
Non-cash movements:		
- Exercise of convertible loan notes to equity	-	60
- Fair value movements on convertible loan notes	-	(176)
- Assets acquired under finance lease	(10,479)	(4,826)
Decrease in net debt in the period	187,573	8,685
Opening net debt	(107,048)	(115,733)
Closing net cash/(debt)	80,525	(107,048)

15 Related party transactions

Key management personnel

Only the Executive and Non-Executive Directors are deemed to be key management personnel. It is the Directors who have responsibility for planning, directing and controlling the activities of the Group.

Other related party transactions with key management personnel made during the period are as follows:

	28 November 2010 £'000	29 November 2009 £'000
Purchase of goods		
- company of a close family member of an Executive Director	42	116
Purchase of professional services		
- Non-Executive Directors	30	48
	72	164

All transactions are on an arm's length basis and no period end balances have arisen as a result of these transactions.

The compensation paid or payable to key management for employee services is shown below:

	28 November 2010 £'000	29 November 2009 £'000
Salaries and other short-term employee benefits	2,202	1,640
Share-based payments	176	-
	2,378	1,640

At the end of the period key management did not owe the Group any amounts (2009: £4,000) in respect of personal expenses incurred on the Group credit card that were reimbursed in the normal course of business. The prior period balances were repaid in the current period.

There were no other material transactions or balances between the Group and its key management personnel or members of their close family.

Investment

The Group holds a 25% interest in Paneltex Limited whose registered office is at Paneltex House, Somerden Road, Hull. The Group's interest in Paneltex Limited has not been treated as an associated undertaking as it does not have significant influence over Paneltex Limited.

The following transactions were carried out with Paneltex Limited:

	28 November 2010 £'000	29 November 2009 £'000
Sale of goods		
- Plant and machinery	94	-
Total sale of goods	94	-
Purchase of goods		
- Plant and machinery	220	289
- Consumables	143	160
Total purchase of goods	363	449
Amounts (receivable) / payable at the end of the period	(93)	19

16 Post balance sheet events

In January 2011 the Group cancelled its £5.0 million bank overdraft facility and replaced it with a Group composite account facility with a gross limit of £5.0 million and net limit of £nil.

In January 2011 the Company agreed an extension of £4.2 million to a credit facility with an existing lender for vehicle financing.

Principal risks and uncertainties

Identifying and monitoring risks

The Group faces a number of risks and uncertainties that may have an adverse impact on the Group's operation, performance or future prospects.

The Directors have overall responsibility for risk management and internal control systems.

The risks and uncertainties described below represent those which the Directors consider to be the most significant in achieving the potential success of the Group's strategy. However, these risks and uncertainties do not comprise all of the risks associated with the Group and are not set out in any order of priority. Additional risks and uncertainties currently not known to the Directors and/or which the Directors believe to be less material, may also have a material adverse effect on the Group's business, financial condition or future prospects. The relevant mitigating factors are also described below.

Risk area	Potential impact	Mitigation
Strategy		
New CFC and expansion of current CFC	A critical part of the Group's strategy is to expand its operations by further developing the current CFC and building at least one additional CFC in the UK to increase its capacity to service customers. The Group's ability to develop the current CFC and replicate its business model in the second CFC cost-effectively and in a timely fashion will depend upon a variety of factors notably: the Group's ability to hire and train employees to operate the CFCs, management resources, the Group's ability to roll out the business systems and infrastructure, in particular, in any new CFC, finding suitable and reliable developers and the availability of appropriate equipment and the contractors to design and install such equipment.	The Group has exchanged contracts to purchase a 999-year lease on a site in Warwickshire for the construction of the second CFC, and groundworks have commenced. The Group has a detailed plan for the management and resourcing of the second CFC project and the Directors have oversight of the project to ensure that it stays on schedule and within budget. The Directors are confident that the business systems of the existing CFC can be replicated and enhanced in the second CFC (and in any further CFCs in the future) within the parameters of the capital expenditure budget set for the project and that it can continue to successfully complete projects to expand the existing CFC.
Operational		
Single CFC	The Group is dependent on the continued operation of the CFC and the 'Spokes' (being the trans-shipment sites used for intermediate delivery of customer orders), in order to satisfy customer orders. Any disruption (such as an IT failure or a fire) to the operation of the existing CFC, in particular, or a Spoke may therefore have an adverse effect on the Group's financial position or affect the ability of the Group to economically deliver products to certain customers.	The Group has disaster recovery procedures in place to minimise any possible disruption to the business. The Group is in the advanced stages of a plan aimed at achieving the industry recognised "Highly Protected Status". The CFC is protected by fire and security systems and has a full contingency plan to manage power outages. The Group also has insurance policies in place which cover business interruption to certain maximum levels. In addition, the Group's plans to build at least one additional CFC in the UK will limit, in part, the effect of any failure at the current CFC. Also, Spokes are able, to some extent, to serve geographies of neighbouring Spokes.
Road network	The Group's delivery service is reliant on deliveries by road: from suppliers to the CFC and from the CFC and the Spokes to customers. This means that inclement weather, particularly snow, and sometimes traffic congestion may reduce the number of deliveries that can be made and/or increase their cost.	The Group fits winter tyres to its delivery fleet for the winter period and can optimise its delivery routing system with road speed adjustments, for example, for inclement weather. The Group also subscribes to a dedicated weather information service to give it early warning and more accurate details of extreme weather.
Relationships with third parties		
Relationship with Waitrose	Ocado's reputation and brand is based, at least in part, on its relationship with Waitrose and John Lewis. If the sourcing agreement with Waitrose and John Lewis were to end or if Waitrose were unable to source products for the Group, Ocado would need to engage additional personnel to: (i) find or create a replacement range of own-label products; and (ii) find appropriate	The Group has a successful relationship with Waitrose (which is now in its eleventh year) and in May 2010 agreed a new sourcing arrangement which will continue this relationship until at least 2017. The Group is not particularly dependant on the Waitrose supply chain as about 85% of products are delivered directly to the CFC by the relevant supplier or manufacturer.

Risk area	Potential impact	Mitigation
	<p>suppliers and negotiate equivalent prices itself.</p> <p>The sourcing agreement also contains provisions which restrict the extent to which Ocado can source products other than from Waitrose, and the extent to which Ocado's range of Ocado own-label products may be expanded. If the parties terminate the sourcing agreement after certain competitors of Waitrose or John Lewis gain control of the Company, Ocado is obliged to pay Waitrose £40 million.</p>	<p>Ocado currently stocks approximately 250 Ocado own-label products, and is in the process of extending this range. The Directors do not believe that the restrictions on Ocado own-label products will have a significant impact on the growth of the business or their intended expansion of the range of products stocked by Ocado.</p>
IT systems and security and intellectual property		
IT systems	<p>The Group relies to a significant degree on the efficient and uninterrupted operation of the internet and its IT and communications systems. The Group's business model relies on the complex integration of the Group's website, the highly automated CFC, goods handling equipment and the order fulfilment and delivery operations. Operational problems in the Group's core systems and technologies (such as computer server or system failures, network outages, software performance problems or power failures) can result in customer orders being unable to be captured on the Group's website or processed through the CFC, or errors and delays in their delivery.</p>	<p>The Group has an IT strategy that is aimed at ensuring plans are in place to have information systems and new technology that provide the capabilities necessary for the Group to maintain the integrity and reliability of its business. The Group has disaster recovery and business continuity contingency plans to maintain the security, integrity and efficiency of its IT infrastructure. The Group's IT systems are housed in a purpose built data centre and it has a separate disaster recovery data centre which houses standby servers for all the critical systems and resilient data storage systems. All critical communication links are provided via two diversely routed fibres and the internet connectivity is provided by two major ISPs.</p>
IT security and fraud	<p>If any compromise in the Group's IT security measures or payment processing systems were to occur, the Group's reputation may be harmed and it could lose its customers. The Group relies on third parties to provide payment processing services and is exposed to typical fraud risk in relation to card payments. The Group is also subject to IT regulations and compliance requirements.</p>	<p>The Group uses encryption and authentication technology to provide the security necessary to effect the secure transmission of information from its customers, such as card payments and to reduce possible fraud. The Group's customers' confidential data is protected by a range of both physical and industry standard systems controls. The Group's website is regularly tested for vulnerability by both internal and external teams. Relevant accounting, IT and other procedures and controls at all levels are clearly set out and audited across the business to reduce the risk of fraud. Ocado is undertaking a plan to ensure compliance with the Payment Card Industry Data Security Standards.</p>
Intellectual property rights	<p>The business and IT systems and intellectual property are not protected by patents or registered design rights which means that the Group cannot inhibit competitors from entering the same market if they develop the similar technology independently. In addition, third parties may independently discover Ocado's trade secrets and proprietary information or systems.</p>	<p>The Group is reliant on copyright and confidentiality and license agreements with its employees, customers, suppliers, consultants and others to protect its intellectual property rights.</p>

Risk area	Potential impact	Mitigation
Financing		
Funding for capital expenditure	The Group's £100 million debt facility may be terminated by the lenders if the sourcing agreement with Waitrose and John Lewis is terminated for any reason.	The Group is able to manage whether any such termination rights will arise under the sourcing agreement and hence any potential impact on the debt facility (with the exception of the change of control termination right described above).
Exchange rate, interest rate and commodity fluctuations	Any depreciation of sterling in relation to the euro will increase the sterling equivalent of the price paid for the machinery used in the second CFC and to expand the capacity of the current CFC (which is mostly purchased from suppliers located in countries that have adopted the euro). Fluctuations in the cost of commodities (in particular, steel) required to build the second CFC and in interest rates will impact on the costs to the business.	The Group has a policy, controlled by the treasury committee (and authorised by the Directors), to hedge certain foreign currency and interest rate exposures through the use of derivative financial instruments and fixed and floating instruments. There are approval parameters for hedging arrangements and a policy to monitor and review hedging arrangements including short and long-term foreign exchange rates, interest rates and counter-party risk.
Regulation		
Health and safety law	A violation of health and safety laws relating to the Group's operations or construction of the second CFC or expansion of the current CFC could lead to, negative publicity and reputational damage, fines, costly compliance procedures and in very serious circumstances, a temporary shutdown of all or part of the business, or a delay in construction of the second CFC.	The Group's health and safety department maintains and monitors procedures, which are aligned with the relevant regulations and industry standards. The Group's staff are trained in safe workplace practices. The Group is in the process of developing safety procedures and reporting structures for the second CFC construction project.
Product safety	The Group is subject to a wide variety of regulatory requirements including those in relation to the manner in which it sources, stores, handles and sells products (such as meat and fish) to customers and relating to the operating of its physical facilities. Any assertion or regulatory investigation that the products supplied by the Group caused illness or injury to customers or others, could adversely affect the Group's reputation with existing and potential customers.	There is an established legal and regulatory team in place to monitor developments and to ensure that all existing regulations are complied with. The Group has a food technology department which monitors procedures to ensure quality standards and compliance with applicable food law and which liaises with the Waitrose food technology department.
Governmental regulation	A change in regulations relating to the internet and online retail operations, consumer protection laws, the processing of customer data, the environment (such as carrier bags), or the sale, licensing or storage of products could adversely affect the manner in which the Group currently conducts its business. Regulations govern the weight limits of the loads that each van can take and the number of hours that drivers can work on consecutive days, impacting	The Group has an established governance process in place to monitor regulatory developments and to ensure that all existing regulations are complied with. The Group's delivery routing software and customised vans (which are specifically designed to improve load-carrying capacity) help maximise the operational efficiency of the Group's delivery infrastructure within the scope of the existing regulatory requirements.

Risk area	Potential impact	Mitigation
	the potential efficiency of the business.	
Staff		
Staff retention and recruitment	The Group is reliant on its key management and staff for the operation of its business. The Group's ability to recruit or adequately replace, retain and motivate suitably qualified and experienced staff is important for the Group's ongoing success. The relationship between the Group and its workforce could change if the Company were to formally recognise a union to represent its staff.	The business has had good relations with its workforce to date. A works council was established by the Group in January 2010 with a remit to discuss the terms and conditions of employment for the workforce and provide for further engagement with staff. The Directors continue to keep staff remuneration and incentivisation under review to ensure it remains competitive. The Directors expect to have constructive communications with any union seeking recognition by the Group.
Risks relating to the industry		
Competition and the online grocery market	The trend in UK food retailing of moving from the traditional grocery market to the online grocery market may not continue. The Group may be adversely affected (in loss of market share) by the entrance of new competitors in the online grocery market or if the traditional grocery retailers invest heavily in their online operations. The Group also expects some increased competition from the Waitrose online business, WaitroseDeliver, when certain exclusivity provisions which limit the extent to which the WaitroseDeliver service may compete with the Group in the Greater London area expire in June 2011.	The Directors believe that the online grocery market will continue to grow rapidly in the UK, particularly as the number of people shopping online continues to increase. Ocado has a business model which is predicated on a superior customer offer in terms of product quality and convenience, reliability and accuracy of delivery, as well as environmental efficiency. The Directors believe that as the Group's proprietary intellectual property and bespoke IT systems (including the Group's website, the stock management systems, the CFC, the customer delivery system and the van routing system) become more sophisticated, so the barriers to entry for a potential online competitor become greater. The Directors do not anticipate a significant overall impact on the Company from the increased competition from WaitroseDeliver.
UK and global economic conditions	The Group's performance may depend on factors outside the control of the Group which impact on UK consumer spending, including political, financial and economic conditions.	The Group regularly reviews its approach to pricing, marketing and product range for appropriateness to market conditions and to adapt to customer feedback. Despite the recent economic downturn the Group's sales had continued to grow rapidly.

Statement of Directors' Responsibility

Ocado's annual report for the 52 weeks ended 28 November 2010, to be published in due course, will contain a responsibility statement as required under Disclosure and Transparency Rule 4.1.12, regarding responsibility for the financial statements and business review included in the annual report. This responsibility statement is repeated here (below) solely for the purposes of complying with Disclosure and Transparency Rule 6.3.5. It is not connected to the extracted and unaudited information presented in this results announcement.

The Directors confirm that to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretation Committee interpretations, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and

- the Directors' report includes a fair review of the development and performance of the business and the position of the Group and contains a description of the principal risks and uncertainties facing the Group.

The Directors of Ocado Group plc will be listed in the annual report and are listed on the Ocado Group's website: www.ocadogroup.com. The Directors of Ocado Group plc as at the date of this announcement are as follows:

Michael Grade;
David Grigson;
Tim Steiner;
Jason Gissing;
Neill Abrams;
Andrew Bracey;
Ruth Anderson;
Robert Gorrie;
Jörn Rausing;
David Young; and
Patrick Lewis.

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