Final Results

,

RNS Number : 7178N
Ocado Group PLC
02 February 2016

OCADO GROUP PLC

Preliminary results for the 52 weeks ended 29 November 2015

2 February 2016

Financial and statutory highlights

	FY 2015 £m	FY 2014 £m	Change vs 2014 %
Gross sales[1] (Retail)	1,115.7	972.4	14.7
Revenue[2]	1,107.6	948.9	16.7
EBITDA[3]	81.5	71.6	13.8
Statutory profit before tax	11.9	7.2	65.3
Cash and cash equivalents	45.8	76.3	
Statutory net debt	127.0	99.4	
External net debt (cash)[4]	7.5	(31.4)	

Tim Steiner, Chief Executive Officer of Ocado, said:

"We are pleased to announce results today which illustrate the progress Ocado has made through its clear focus on innovation and customer service. The continued enhancement of Ocado's industry-leading technology and investment into our retail proposition over the course of the year has meant our customers now have greater choice, competitive prices and consistently high order accuracy and on-time delivery. As a result, customer numbers grew, reflected in strong revenue growth in a very challenging market environment.

"We will shortly open our next Customer Fulfilment Centre in Andover which houses the first installation of our new proprietary equipment solution. This

has been designed and is manufactured in Britain by Ocado, and will significantly further enhance our capabilities and efficiencies.

"Our ability to package our unique proprietary technology, including our equipment solution, for retail partners outside the UK through our Ocado Smart Platform is proving to be of great interest to a significant number of retailers. We expect to sign multiple deals in multiple territories in the medium term.

"We are transforming the shopping experience for the benefit of our customers in the UK, and expect to do so for customers in other countries through Ocado Smart Platform. We look forward to making further progress over the current financial year."

We continued to make good progress in the delivery of our strategic objectives - driving growth, maximising efficiency and utilising proprietary knowledge, through the following actions:

Constantly improve the proposition to customers

- Voted Best Online Grocer by Which? Magazine in its members' Annual Satisfaction Survey for the sixth consecutive year and Online Supermarket of the Year at the Grocer Gold Awards 2015
- Market leading service levels maintained at 95.3% for on time delivery (2014: 95.3%) and at 99.3% (2014: 99.3%) for order accuracy
- Range at Ocado.com further broadened to 47,000 SKUs (2014: 43,000 SKUs)
- Further interface improvements including new mobile website and PayPal login

Strengthen brands

- New customer acquisitions up over 20%, with active customers[5] up 12.4% to 509,000 (2014: 453,000)
- Order volumes grown by 16.8% to an average of over 195,000 orders per week (2014: 167,000 OPW), with the highest number of orders delivered in a week exceeding 225,000
- Average basket value declined by 2.1% to £109.95 (2014: £112.25), negatively impacted by price deflation in the market and increased mix of standalone orders for Fetch and Sizzle
- Ocado own-label sales up by 16.8%, with over five products per average customer basket
- Introduction of Ocado Smart Platform brand for international partnering

Develop ever more capital and operationally efficient infrastructure solutions

- Delivery efficiency improved further to 166 DPV (2014: 163 DPV), supported by a number of enhancements to our routing system
- Mature CFC[6] operational productivity improved to 155 UPH (2014: 145 UPH)
- Advanced testing of the first installation of our new proprietary fulfilment solution in our Andover CFC where we anticipate to go live shortly

Enhance end-to-end technology systems

- Further innovation and increased activity to protect our intellectual property with 73 patent applications (covering 32 innovations) filed by the end of the year

- Replatforming of IT systems is progressing well and remains in line with our expectations
- Continued expansion of our technology team to over 700 technology professionals with plans to increase this to around 1,000 by the end of 2016, with a new technology centre recently established in Bulgaria and another due to open in Southern Europe

Enable Wm Morrison Supermarkets ("Morrisons") and future partners' online businesses

- Morrisons.com progressing well, with sales reaching around £200 million after 12 months of trading[7] and continued growth since
- Despite not signing a first deal in 2015, discussions with multiple potential international partners to adopt the Ocado Smart Platform solution continue and our confidence in signing a deal remains high

Results presentation

A results presentation will be held for investors and analysts at 9.30am today at the offices of Goldman Sachs, Peterborough Court, 133 Fleet Street, London EC4A 2BE. Presentation material will be available online at http://www.ocadogroup.com/investors/reports-and-presentations/2015.aspx.

Contacts

Tim Steiner, Chief Executive Officer on 020 7353 4200 today or 01707 228 000

Duncan Tatton-Brown, Chief Financial Officer on 020 7353 4200 today or 01707 228 000

David Hardiman-Evans, Head of IR & Corporate Finance on 020 7353 4200 today or 01707 228 000

David Shriver, Michelle Clarke at Tulchan Communications on 020 7353 4200

Notes

1. Gross sales includes VAT and marketing vouchers
2. Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and VAT. The recharge of costs to Morrisons and fees charged to Morrisons are also included in revenue
3. EBITDA is a non-GAAP measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items
4. External net debt (cash) is the statutory net debt less amounts owing to MHE JVCo of £119.5 million (2014: £130.8 million)
5. Customers are classified as active if they have shopped on ocado.com within the previous 12 weeks
6. A CFC is considered mature if it has been open for 12 months by the start of the half year reporting period
7. Announced in Morrisons' Annual Report, March 2015

Financial Calendar

Our financial reporting calendar for the remainder of the year will be a Q1 Trading Statement on 15 March 2016, a Half Year Results Statement on 28 June 2016, a Q3 Trading Statement on 13 September 2016 and a Q4 Trading Statement on 8 December 2016.

Cautionary statement

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

Chief Executive Officer's review

Good progress in a challenging market environment

The UK grocery market continued to experience significant challenges throughout 2015. Ongoing price competitiveness and deflationary pressure combined with changing customer behaviour, in particular with continued shifts to discount stores and online, have been reflected in declining store volumes at large supermarkets and margin pressure across the industry.

Notwithstanding this challenging market environment, we continued to deliver our strategic objectives, namely, to drive growth, maximise efficiency and utilise our knowledge, ideally positioning ourselves to benefit from the continued channel shift to online grocery shopping. Our strategic objectives apply equally to our own retail business and to our existing and future platform activities.

The validity and robustness of our retail business model is reflected in our 2015 performance. We grew our sales ahead of the broader UK online grocery market and well ahead of the overall UK grocery market, progressed work on our two next generation CFCs, continued to deliver good services to Morrisons.com, and advanced discussions with multiple potential international partners for our Ocado Smart Platform.

Progress against our strategic objectives

We have a number of key complementary actions, which form a framework to achieve our strategic objectives for our retail and corporate customers, intended to deliver long-term shareholder value. These actions are to:

- Constantly improve the proposition to customers;
- Strengthen our brands;
- Develop ever more capital and operationally efficient infrastructure solutions;
- Enhance our end-to-end technology systems; and
- Enable Morrisons' and future partners' online businesses.

Constantly improve the proposition to customers

Offering the best possible proposition to our customers has remained our core focus and is central to driving the growth of both our retail and partner businesses.

In our retail business, we continued to improve the key elements of our proposition to customers - our high quality service and user experience, the broadest selection of products to choose from and the competitiveness of our pricing.

We improved across all these core elements. Our customers have continued to recognise the quality of our service and extensive range of products, evidenced by the award of Best Online Supermarket in The Grocer Gold Awards 2015 and Best Online Grocer by Which? Magazine for the sixth year running. We believe this reflects the strengthening recognition of our consumer brand.

A consistently positive shopping experience is essential to encourage consumers initially to try Ocado and then to return to us for future shops. We believe that increasingly consumers will seek to fulfil their grocery shopping requirements online if they consider it the more compelling alternative to current store based propositions. Our focus has remained on improving the customer experience by enhancing the speed, convenience and ease of using our service, allowing customers to be able to shop anywhere, anytime, across intuitive and easy to use interfaces.

Our new mobile website for Ocado.com, which was launched in January 2015 to complement our existing mobile apps, allows our customers to shop more easily using their mobile devices and has proven to be popular especially among first time users of our service. Mobile continues to grow in importance for Ocado and the wider retail sector. In 2015, over 50% of all orders were checked out using a mobile device, using our latest apps and browsers.

We aim to be at the forefront of new developments and have continued to focus on improving elements and features of the customer interface to enhance the speed, convenience and usability of our service. In 2015, we launched a redesigned Android app and our first Apple Watch app which enabled Apple Watch owners to shop using their device on the first day of its launch in the UK.

The retention rate of new customers is important to support our growth and this has remained in line with historical trends. We have introduced features such as Import Your Favourites, reduced the number of steps in the registration process, added the ability to start to shop with us without having to log in first, improved our product search and introduced payment by PayPal. They have proved to be beneficial in encouraging new customers to shop for the first time and then for subsequent shops.

A reliable and high quality delivery service and experience is critical to our customers and our business. We believe our customer delivery service continues to be market leading. Delivery on time or early, in the customer selected one-hour delivery window, remained at a high level of 95.3% and order accuracy remained at 99.3%. Our Customer Service Team Members provide the important quality face-to-face interaction with our customers.

Customers can now choose from nearly 47,000 SKUs (2014: 43,000 SKUs) when shopping at Ocado.com. This includes everyday items, the Ocado and the Waitrose own label products, our customers' favourite brands, non-food items and many specialist and international product ranges.

2015 saw the launch of our vegetarian "shop in shop" with over 650 vegetarian and vegan products in one place. The shop has proved popular with customers due to the extensive range which includes big brands alongside niche products from small suppliers, and we were recognised as the Best Online Retailer for Vegetarians in the Veggie Awards 2015.

With the continued price competitive market environment, our Low Price Promise ("LPP") basket matching scheme ensures that we stay price competitive against the market leader. This provides transparency of our pricing strategy to give our customers confidence in what they are paying for their shopping. Despite price reductions and broader food price deflation in the market, over two thirds of our customers' baskets were already cheaper at Ocado when checking for LPP. The cost of LPP to Ocado in the form of vouchers used during the period has increased by less than 5bps and remains low, reflecting our competitiveness in prices and sustained promotional activity.

The Ocado Smart Pass, our bundled customer benefit membership scheme which includes free delivery, continued to be popular with over half of sales coming from customers with a pass. Membership helps to drive customer loyalty, shopping frequency and ultimately total spend per customer.

Our non-food sales have continued to grow, with year-on-year growth of over 60% and now on average one non-food product per basket, despite current limited investment in technology in that area. Growth was driven by further development of the non-food range on Ocado.com and strong sales growth from our destination sites, Fetch, our specialist pet store, and Sizzle, our kitchen and dining store. Both complement our range at Ocado.com and reflect the convenience of shopping from a broader general merchandise product range alongside customers' regular grocery shop.

Preparations for our premium beauty business in partnership with Marie Claire are progressing well and we expect to launch this in the second half of 2016. We believe the high quality of service delivered by our technology and logistics platform combined with the awareness and relevance of the Marie Claire brand, should make this an attractive shopping destination for customers.

As we add improvements to our retail proposition, this enhances the key features we can apply to the technology embedded in our platform, thus benefiting our existing and future corporate customers.

Strengthen brands

We continued to broaden the awareness, and reinforce the strength and values of our Ocado, Fetch and Sizzle brands through our marketing and promotional activities.

We focused our modest marketing expenditure on attracting new customers with broader awareness campaigns with external partners, as well as limited radio and national newspaper offers and sponsorship opportunities such as the food section of the Ideal Home Show. Ocado was also featured in a number of broadcast media programmes including BBC's 'Tomorrow's Food', BBC One Breakfast at the Autumn Fair and most recently, on Channel 4's 'Journey to the Centre of my Plate', a show highlighting food journeys and ITV's 'Tonight' show.

Following the great success of last year, we launched our second "Britain's Next Top Supplier" competition, an initiative to support and nurture small British suppliers, who form a significant part of our supplier base.

Our Ocado own-label reinforces brand recognition and strength and continues to grow with sales up 16.8% against the equivalent period last year, with growth constrained by our contractual obligations with Waitrose. The average customer basket now contains over five Ocado own-label products. The popularity of these products is further evidenced by several awards received for our Ocado own-label products in 2015. These included awards for the Ocado own-label organic juicing and organic small veg boxes by Women's Fitness as well as awards for meat products including best lamb product for Ocado's Exclusives British lamb leg steaks by the Meat Management Industry.

Our active customers grew to 509,000 (2014: 453,000), up 12.4% and exceeded the half a million customers threshold for the first time. 2015 continued to see strong growth in new customer acquisition, up by over 20% during the period. Our overall marketing spend, including vouchering, has remained in line with retail sales percentage growth.

Our order volumes have grown to an average of over 195,000 orders per week ("OPW") (2014: 167,000 OPW), a strong growth of nearly 17% with the highest number of orders delivered in a week exceeding 225,000 during the period.

Our customers' average basket reduced by 2.1% to £109.95 (2014: £112.25) due to both the competitive environment and from the impact of increased destination site orders from Fetch and Sizzle. Excluding the impact of destination site orders, the average basket value declined by 1.3% to £111.15 (2014: £112.66). As the number of items in the average grocery basket was stable, this decline compares well to the price deflation seen in the overall UK grocery industry.

Fetch has continued to grow, with strong customer acquisition reflecting better brand awareness, and sales driven by specialist pet food lines. Sizzle has grown more modestly with limited marketing support, whilst we wait to complete further usability improvements.

During the year we introduced the Ocado Smart Platform as a brand to simplify and strengthen the marketing of our service for international retail partners.

Develop ever more capital and operationally efficient infrastructure solutions

Both our Hatfield Customer Fulfilment Centre ("CFC1") and our Dordon Customer Fulfilment Centre ("CFC2") continued to operate to a high level of accuracy and with improved efficiency. Using the units per labour hour efficiency measure ("UPH"), the average productivity for the period in our Mature CFC operations was 155 UPH (2014: 145 UPH), where we consider a CFC to be mature if it has been open for 12 months by the start of the half year reporting period. We made good progress with the construction of our new CFCs in Andover, Hampshire ("CFC3") and Erith, South East London ("CFC4"). We commenced the first installation of our new proprietary modular, scalable physical fulfilment solution into our Andover CFC, and anticipate going live shortly. CFC3 will add 65,000 OPW at full capacity at an estimated capital cost of £45 million for the material handling equipment ("MHE").

At the Erith site, the developer commenced building works in H1 2015 and we expect to start our fit out works at this site in 2016 with the plan to commence operations at the end of 2017. The MHE solution in CFC4 is estimated to cost £135 million and will add over 200,000 OPW of capacity to our operation.

As with CFC3, this CFC will use our proprietary modular, scalable fulfilment solution, and so the investment will be phased over time in line with our capacity requirements. It will also make this the most capital efficient CFC to be built to date, lowering the capital costs involved in operating full service online grocery operations thus improving our own economics and enabling us to offer the same solution at attractive pricing to future corporate customers of our Ocado Smart Platform offering.

We made a number of enhancements to our routing system throughout the year, which led to an improvement to the average deliveries achieved on a van route and has helped us increase deliveries per van per week across all shifts ("DPV") to 166 (2014: 163). We have also raised our long term target for DPV from 175 to 190.

We expanded our delivery capacity within our existing catchments with the opening of three additional spokes during the period at Dagenham, West Drayton and Milton Keynes. In addition, we opened the Park Royal spoke site which replaced our smaller White City location nearby. In 2014 we received a one-off compensation payment of £1.2 million from the landlord at the White City spoke to cover costs of closure and the fit out costs of the new site, with a further final £3.2 million received in 2015. The delivery capacity for some of these new spokes is shared with Morrisons, reducing the impact of the additional fixed costs of these operations.

Enhance our end-to-end technology systems

The core of our business is our proprietary IP, knowledge and technology that supports our market leading proposition to customers and drives our operating efficiencies. We seek to continually improve the technology we use and believe that this innovation creates competitive advantages across our business. As at the end of the period, we had filed patent applications covering 32 separate innovations, bringing the cumulative total number of patent applications filed to 73, of which 25 have so far been published. Our patent activities are intended to create a web of protection for our intellectual property.

Over time we have developed a proprietary end-to-end solution for operating grocery online, from the initial point of contact with the customer, through the extensive fulfilment operations, to the delivery of the basket of products to the customer's kitchen. Each stage of the operation is optimised using our software and algorithms. Our technology systems form a key part of this solution.

We continued to develop our platform with the rewrite of our IT systems to enable faster replication and roll out of our technology internationally, and remain on track with our plans. This has been supported by the expansion of our technology team which by the end of the period employed over 700 developers and IT professionals, with plans to increase this to around 1,000 by the end of 2016. Our technology professionals currently operate from the UK and Poland, with a new Ocado technology centre recently established in Bulgaria and another due to open in Southern Europe.

Our technology team focuses on improving customer interfaces to support our businesses and those of our partners, replatforming to improve speed of systems development and to enable international expansion, and other projects to drive efficiency in our operations.

Enable Morrisons' and future partners' online businesses

We have built our retail operating business through developing and utilising proprietary technology. This gives us opportunities to generate significant value through commercialisation as the innovations used in our own retail operations can be embedded into our platform for existing and future partners.

Our first commercialisation agreement, with Morrisons, resulted in the launch of Morrisons.com in January 2014. Using our existing CFC infrastructure and technology solutions, Morrisons.com has continued to develop well. In March 2015, Morrisons reported that the run rate of sales after 12 months of trading for Morrisons.com had reached about £200 million and has continued to develop well. To our knowledge this is the fastest ramp up of an online grocery business globally, and provides evidence of the effectiveness of combining our platform with an existing grocery retailers' brand, customer awareness and merchandising skills.

Using the benefit of our many years focused on online grocery operations, we have now completed our vertical integration into mechanical handling equipment ("MHE") with the design and development of our proprietary physical fulfilment solution now installed in CFC3. Multiple patent applications have been filed for the MHE solution. Together with our end-to-end software and systems based technology, offers a total solution for efficiently operating online grocery businesses. We have packaged this into a single service offering referred to as Ocado Smart Platform.

During the period, we started to engage and develop discussions with multiple international retailers about how we might assist them in launching or improving online business in their own markets using Ocado Smart Platform.

We set out a target to sign our first Ocado Smart Platform agreement in 2015, and although we have yet to announce a deal, our confidence in the quality of our commercial proposition to international grocery retailers remains high, and we expect to sign multiple deals in multiple territories in the medium term.

People, awards and CR initiatives

By the end of the period, we employed over 10,000 people, a net addition of over 1,500 new employees during the year, to further support the growth of our retail businesses, our Morrisons platform business and the development of Ocado Smart Platform.

We will continue expanding our talent pool in 2016, including the addition of around 300 software engineers and IT specialists in the UK and across Europe.

The energy and commitment of our people remains central to our success and I want to once again acknowledge their remarkable efforts throughout this very busy and exciting period. Our operating model enables us to provide high levels of customer service, and customers regularly highlight the outstanding service they receive, in particular that provided by our Customer Service Team Members who deliver their orders.

The efforts of our people were again recognised by a number of awards received during 2015, including the 'Best Online Grocer' by Which? Magazine (Members' Annual Satisfaction Survey), 'Online Supermarket of the Year' by The Grocer Gold Awards, 'Best Online Retailer for Vegetarians' by The Veggie Awards and 'Best Retailer - Gold' by the Healthy Food and Drink Awards.

We believe that the ability to code software will be a vital life skill for the next generation, akin to what literacy is to ours. Our "Code for Life" IT programme, which we launched in September 2014, today counts more than 44,000 users taking advantage of the free resource "Rapid Router" aimed at teaching primary school children across the UK to code. The programme is also being used in schools overseas, such as in the US, Australia, Spain, Portugal and Guatemala.

We launched a 'Donate Food with Ocado' scheme during the year, a virtual food bank that allows customers to donate a sum of money to buy food for the food banks we support. Customers donated nearly £100,000 during the period, and these donations were matched with groceries provided by Ocado.

Our business model has been built around driving efficiency and low waste in our aim of becoming the UK's greenest, most innovative and best value grocery retailer. We have operated plastic carrier bag recycling since 2007 and introduced a 'Bag Recycling Bonus' in September 2015, which incentivises customers to return bags to us for recycling by paying them 5p for every bag (from Ocado or other retailers) they hand back to us. Our Bag Recycling Bonus will also help us to meet the aims of the new carrier bag charging legislation in England, by helping to increase recycling and reduce plastic bag litter.

Outlook statement

We reported gross sales (retail) growth of 14.7% for the period. We expect to continue growing ahead of the online market.

We anticipate that capital expenditure in 2016 will be approximately £150 million, including the expenditure for CFCs 3 and 4, and the increased costs for further development to our infrastructure and technology solutions. The capital expenditure requirements for any Ocado Smart Platform deals signed are not expected to be significant in 2016.

Chief Financial Officer's review

For the period to 29 November 2015, we maintained double-digit sales growth in a highly challenging and competitive grocery environment. At Group level, sales were driven primarily by growth in our retail business with the remainder from our agreement with Morrisons.

Continued growth in retail sales was supported by improvements to our proposition to customers and an increase in the number of active customers in the period. These factors drove strong order growth to the current average orders of 220,000 per week at the period end. Operating profitability continued to strengthen in comparison to the prior period due to more efficient operational fulfilment mainly at CFC Dordon. This was offset by lower margins reflecting the competitive and deflationary pressures in the market, our sustained investment in a number of strategic initiatives to support future growth of the business and higher depreciation and amortisation arising from CFC Dordon, vehicles and additional spokes to support current and future business growth.

	FY 2015 £m	FY 2014 £m	Variance
Revenue[1]	1,107.6	948.9	16.7%
Gross profit	375.1	312.9	19.9%
EBITDA	**81.5**	**71.6**	**13.8%**
Operating profit before share of result from JV and exceptional items	19.1	14.2	**34.5%**
Profit before tax	**11.9**	**7.2**	**65.3%**

	FY 2015 £m	FY 2014 £m	Variance
EBITDA	**81.5**	**71.6**	**13.8%**
Less Morrisons MHE JVCo impact[2]	(13.5)	(11.3)	21.2%
Add Share based management incentive charges	7.8	5.0	54.5%
Underlying EBITDA	**75.8**	**65.3**	**16.1%**

1. Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/ offers and value added tax. The recharge of costs to Morrisons and fees charged to Morrisons are also included in revenue
2. Morrison MHE JVCo impact includes the income arising from the leasing arrangements with Morrisons for MHE assets and share of results from joint venture

Revenue

	FY 2015 £m	FY 2014 £m	Variance
Retail	1,033.7	903.8	14.4%
Morrisons recharges	55.1	27.8	98.2%

Morrisons fees	18.8	17.3	8.7%
Total revenue	**1,107.6**	**948.9**	**16.7%**

Revenue increased by 16.7% to £1,107.6 million for the period. Revenue from retail activities was £1,033.7 million, an increase of 14.4%, which we believe to be ahead of the online grocery market. Revenue growth was driven by a 16.8% year-on-year increase in the full year average orders per week to 195,000. This was offset by a reduction in average order size, down 2.1% from £112.25 in 2014 to £109.95 in 2015, primarily due to deflation in the average item price as experienced across the grocery industry. During the period we continued to build on the strong growth from the prior year of our non-food business with revenue increasing by over 60% year-on-year. There was a dilutive effect on the average basket from an increased mix of standalone destination site orders as they typically have smaller basket values.

The Morrisons arrangement contributed £73.9 million of revenue in 2015 (2014: £45.1 million). The main growth in revenue was driven by increased income from recharges for services provided to support the on-going expansion of the Morrisons.com business. The fee income remained broadly in line with the prior year and was comprised of the annual licence fees for services, technology support, research and development and management fees.

Gross profit

	FY 2015 £m	FY 2014 £m	Variance
Retail	301.4	267.8	12.6%
Morrisons recharges	54.9	27.8	97.5%
Morrisons fees	18.8	17.3	8.7%
Total gross profit	**375.1**	**312.9**	**19.9%**

Gross profit rose by 19.9% year-on-year to £375.1 million (2014: £312.9 million). Gross profit margin was 33.9% of revenue (2014: 33.0%), ahead of 2014 due to additional gross profit attributable to the Morrisons arrangement in the period. Retail gross margin reduced to 29.2% (2014: 29.6%) as a result of increased price competition. Gross profit from our arrangement with Morrisons was £73.7 million, an increase from £45.1 million in 2014, driven mainly by the growth in the Morrisons.com business.

Other income increased to £49.0 million, a 24.4% increase on year-on-year (2014: £39.4 million). Media income of £30.0 million was 2.9% of retail revenue (2014: 2.8%). We continue to grow our income from media related activities ahead of the rate of increase in revenue as we increasingly engage our suppliers in media opportunities on our customer interfaces (including website, mobile apps and mobile websites). Other income also included £11.2 million (2014: £8.9 million) of income arising from the leasing arrangements with Morrisons for MHE assets and £2.5 million (2014: £2.5 million) of rental income relating to the lease of CFC Dordon. This income, for the MHE assets, is generated from charging MHE lease costs to Morrisons, when combined with the share of results from joint venture, equates to the additional depreciation and lease interest costs that we incur for the share of the MHE assets effectively owned by Morrisons. Other income also comprised a second and final payment of £3.2 million for the surrender of the lease at our former White City operations which were transferred to a new build site nearby at Park Royal.

Operating profit

Operating profit before the share of result from the joint venture and exceptional items for the period was £19.1 million (2014: £14.2 million).

Distribution costs and administrative expenses included costs for both the Ocado and Morrisons picking and delivery operations. Total distribution costs and administrative expenses including costs recharged to Morrisons grew by 19.8% year-on-year. Excluding Morrisons, costs grew by 12.9% year-on-year, below the growth in average orders per week of 16.8%. The costs relating to the Morrisons operations are recharged and included in revenue.

	FY 2015 £m	FY 2014 £m	Variance
Distribution costs[1,2]	216.6	195.6	10.7%
Administrative expenses[1,2]	73.4	59.7	23.1%
Costs recharged to Morrisons[3]	54.9	27.8	97.5%
Depreciation and amortisation[4]	60.1	55.0	9.3%
Total distribution costs and administrative expense	**405.0**	**338.1**	**19.8%**

1. Excluding chargeable Morrisons costs, depreciation, amortisation and impairment charges
2. £2.4 million of reported administrative expenses in 2014 are now included as distribution costs
3. Morrisons costs include both distribution and administrative costs
4. Included within depreciation and amortisation for the period is a £1.8 million impairment charge (2014: £2.6 million)

At £216.6 million, distribution costs increased by 10.7% compared to 2014, lower than the growth in retail revenue of 14.4%. Operational efficiency improved at both CFC Hatfield and CFC Dordon. Overall mature CFC UPH (for CFC Hatfield and CFC Dordon combined) was 155 in 2015 compared with 145 in 2014. The improvement in mature CFC UPH for the period was driven mainly by the productivity at CFC Dordon which had grown by nearly 20 UPH to 165 UPH for the full year 2015 and regularly exceeded 170 UPH by the end of the period. Deliveries per van per week have risen to 166 (2014: 163) as customer density improved. During the period the Group opened three new spokes in Dagenham, West Drayton and Milton Keynes and moved an inner London spoke at White City to Park Royal. We also completed the expansion of the Bristol spoke by 50%. As a result of these new spoke openings, spoke fixed costs as a percentage of sales increased in the period.

	FY 2015 £m	FY 2014 £m	Variance
Central costs - other[1,2]	55.1	44.7	23.3%
Central costs - share based management incentive charges	7.8	5.0	54.5%
Marketing costs (excluding vouchers)	10.5	10.0	5.0%
Total administrative expenses	**73.4**	**59.7**	**22.8%**

1. Excluding chargeable Morrisons costs, depreciation, amortisation and impairment
2. £2.4 million of reported administrative expenses in 2014 are now included as distribution costs

Total administrative expenses excluding depreciation, amortisation and costs recharged to Morrisons increased to £73.4 million, a 22.8% increase from 2014 and was 7.1% as a percentage of retail revenue (2014: 6.9%). Some of the cost increases were due to additional costs to operate the Morrisons services which are not recharged to Morrisons but for which the Group earns fees. In addition we continued to invest in our strategic initiatives to support future growth in our non-food business and Ocado

Smart Platform. Share based management incentive costs increased due to the introduction of the third award under the long term incentive plan ("LTIP") for 2015. Share based management incentive costs are likely to stabilise in 2016 as the costs for the 2016 LTIP award (which are spread over 2016, 2017 and 2018) will be offset by the drop out of costs for the first LTIP award made in 2013 (which was spread over 2013, 2014 and 2015).

Marketing costs excluding voucher spend were marginally higher at £10.5 million (2014: £10.0 million) but lower as a percentage of retail revenue at 1.0% (2014: 1.1%). Despite this lower marketing spend as a percentage of retail revenue we continued to increase our new customer acquisitions per week, up over 20% versus 2014.

Total depreciation and amortisation costs were £60.1 million (2014: £55.0 million), an increase of 9.3% year-on-year and includes an impairment charge of £1.8 million (2014: £2.6 million). The higher depreciation and amortisation is primarily from the increased investment required for the development of CFC Dordon, which includes depreciation on assets jointly owned with Morrisons, and from the increased number of vans and LGVs required to support business growth. The impairment charges are due to the write off of certain assets at CFC Hatfield and as a result of a detailed review of our legacy systems due to the rewrite a number of key systems as part of our replatforming.

Share of result from joint venture

MHE JVCo Limited ("MHE JVCo") was incorporated in 2013 on the completion of the Morrisons agreement, with Ocado owning a 50% equity interest in this entity. MHE JVCo holds CFC Dordon assets which are leased to Ocado to service its and Morrisons' businesses. The income generated by MHE JVCo comprises interest income on finance leases granted to Ocado, offset by administration charges and depreciation on minor assets not subject to lease charges. The Group share of MHE JVCo profit after tax in the period amounted to £2.3 million (2014: £2.4 million).

Exceptional items

No exceptional items were reported in the period (2014: £0.3 million charge).

Net finance costs

Net finance costs of £9.5 million (2014: £9.1 million) exclude £0.9 million (2014: nil) of prepaid commitment fees which were incurred in connection with the £210.0 million Revolving Credit Facility ("RCF") and £1.6 million of additional arrangement fees. The small increase year-on-year of net finance costs recognised in the income statement was attributable to lower interest income on bank deposits.

Profit before tax

Profit before tax and exceptional items for the period was £11.9 million (2014: £7.5 million).

Taxation

The Group provided for £0.1 million of corporation tax for one of its legal entities that does not have available prior year losses or capital allowances. Ocado has approximately £287.8 million (2014: £285.3 million) of unutilised carried forward tax losses at the end of the period. During 2015 Ocado incurred £36.2 million (2014: £29.1 million) in a range of taxes including fuel duty, PAYE and Employers' National Insurance and business rates.

Earnings per share

Basic earnings per share was 2.01p (2014: 1.24p) and diluted earnings per share was 1.91p (2014: 1.18p).

Capital expenditure

Capital expenditure for the period was £122.1 million (2014: £86.4 million) and comprised the following:

	FY 2015 £m	FY 2014 £m
Mature CFCs	3.2	10.9
New CFCs	52.9	16.5
Delivery	25.3	22.1
Technology	23.0	16.8
Fulfilment Development	13.3	16.3
Other	4.4	3.8
Total capital expenditure[1, 2] (excluding share of MHE JVCo)	**122.1**	**86.4**
Total capital expenditure[3] (including share of MHE JVCo)	**126.5**	**98.1**

1. Capital expenditure includes tangible and intangible assets
2. Capital expenditure excludes assets leased from MHE JVCo under finance lease arrangements
3. Total capital expenditure includes Ocado share of the MHE JVCo of £4.4 million in 2015 and of £11.7 million in 2014

Total investment in Mature CFCs was £7.6 million, which includes the capital expenditure relating to MHE JVCo of £4.4 million. The investment was on resiliency projects (for example improving our pick aisles and upgrading some of our oldest conveyors) in CFC Hatfield, on improvement projects (for example bagging machines in both CFCs and the installation of a new pick aisle to increase capacity in CFC Dordon) and the purchase of operational totes in both CFCs.

We continue to build our new CFCs located in Andover and Erith. CFC Andover will be smaller than our existing CFCs (expected capacity of 65,000 OPW), and will utilise the first example of our proprietary MHE which is designed in the long term to be faster to install and more cost and capital efficient than the system in the current CFCs.

In January 2015, we announced plans for our latest CFC located in Erith, South East London. CFC Erith will be larger than our existing CFCs (expected capacity of over 200,000 OPW). We expect our site fit out to commence in 2016 and for the site to go live towards the end of 2017. We have invested less than £5m in 2015 on third party professional fees, construction insurance and internal staff costs supporting design and development.

Investment in new vehicles, including vans, trailers and tractors, which are typically on five year financing contracts, was higher than the prior year to support the business growth and the replacement of existing vehicles at the end of their term. Delivery capital expenditure also included investments for new spokes and the transfer of one site to a new location; Dagenham, West Drayton, Milton Keynes and Park Royal respectively. In addition to these new spokes we also completed the expansion of the Bristol spoke in the period. In total Delivery capital expenditure was £25.3 million (2014: £22.1 million).

We continued to develop our own proprietary software and £18.1 million (2014: £14.1 million) of internal development costs were capitalised as intangible assets in the period, with a further £4.9 million (2014: £2.7 million) spent on computer hardware and software. Our technology headcount grew to over 700 staff at the end of the period (2014: 550 staff) as increased investments were made to support our strategic initiatives, including the major replatforming of Ocado's technology and migration of most of our systems to run on a public or private cloud. This will allow Ocado to achieve greater technical agility and enable the technology to support possible international expansion opportunities. In addition, we invested internal technology resources as part of developing capital projects for Dordon CFC phase two and the further development of the Morrisons proposition.

Fulfilment development capital expenditure of £13.3 million was incurred to further develop our next generation fulfilment solution which will be used in our new CFCs and for Ocado Smart Platform customers.

Other capital expenditure of £4.4 million included investment in further capacity in the NFDC to support our non-food business growth, further investment to support the growth of our non-food destination sites and other various head office capital expenditure projects.

At 29 November 2015, capital commitments contracted, but not provided for by the Group, amounted to £22.3 million (1 December 2014: £22.9 million). We expect capital expenditure in 2016 to be approximately £150 million, to be invested in the next generation of fulfilment solutions, roll out of our new CFCs and additional investment in new vehicles to support business growth and the replacement of vehicles coming to the end of their five year financing contracts.

Cash flow

During the year the Group generated improved operating cash flow after finance costs of £82.8 million, up from £75.5 million in 2014, as follows:

	FY 2015 £m	FY 2014 £m
EBITDA	81.5	71.6
Working capital movement	2.3	9.9
Exceptional items	-	(0.3)
Other non-cash items[1]	8.7	4.0
Finance costs paid	(9.7)	(9.7)
Operating cash flow	82.8	75.5
Capital investment	(99.1)	(78.8)
Dividend from joint venture[2]	8.1	-
Decrease in debt/finance obligations[3]	(26.8)	(34.6)
Proceeds from share issues net of transaction costs	4.5	3.7
Decrease in cash and cash equivalents	**(30.5)**	**(34.2)**

1. Other non-cash items include movements in provisions, share of result from MHE JVCo and share based payment charges
2. Dividend received from MHE JVCo of £8.1 million (2014: nil)
3. Includes financing fees paid

The operating cash flow increased by £7.3 million during the year primarily as a result of an increase in EBITDA of £9.9 million. The positive working capital movement of £2.3 million includes a £19.1 million increase in trade receivables primarily due to an increase in receivables from Morrisons and MHE JVCo. This is offset by a £23.7 million increase in trade and other payables due to increased trade accruals.

We continue to reinvest our cash for future growth and as a result the cash outflows due to capital investment increased to £99.1 million comprising investments in CFC Andover, development of our next generation fulfilment solution and spend on spoke sites.

In the period £26.8 million (2014: £34.6 million) of cash was utilised for the net repayment of debt, financing obligations and financing arrangement fees.

Balance sheet

The Group had cash and cash equivalents of £45.8 million at the period end (2014: £76.3 million) with the decrease mainly owing to a net cash outflow from investing activities in the period.

External gross debt at the period end, which excludes finance leases payable to MHE JVCo, was £53.3 million (2014: £44.9 million). The increase of £8.4 million is driven by £13.7 million of additional vehicle and property debt, offset by net repayments of £5.3 million of other asset backed finance borrowings.

Gross debt at the period end of £172.8 million (2014: £175.7 million) and includes amounts owing to MHE JVCo of £119.5 million (2014: £130.8 million).

Net external debt at the period end was £7.5 million (2014: Net external cash £31.4 million).

Increasing financing flexibility

During the period, the £100 million unsecured revolving credit facility was increased to £210 million with improved covenant levels and extended by 2 years to 1 July 2019. The participating banks continue to be Barclays, HSBC, RBS and Santander and we believe this new facility enhances our flexibility to exploit the increasing growth opportunities available to our business. The facility remained undrawn throughout the period.

Key performance indicators

The following table sets out a summary of selected unaudited operating information for 2015 and 2014:

	FY 2015 (unaudited)	FY 2014 (unaudited)	Variance %
Average orders per week	195,000	167,000	16.8%
Average order size (£) [1]	109.95	112.25	(2.1)%
Mature CFC efficiency (units per hour) [2]	155	145	6.9%
Average deliveries per van per week (DPV/week)	166	163	1.8%
Average product wastage (% of revenue) [3]	0.7	0.8	(0.1)%
Items delivered exactly as ordered (%) [4]	99.3	99.3	-
Deliveries on time or early (%)	95.3	95.3	-

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

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

2. Measured as units dispatched from the CFC per variable hour worked by CFC Hatfield and CFC Dordon operational personnel in 2014. We consider a CFC to be mature if it had been open 12 months by the start of the half year reporting period
3. Value of products purged for having passed Ocado's "use by" life guarantee divided by retail revenue
4. Percentage of all items delivered exactly as ordered, i.e. the percentage of items neither missing nor substituted

Consolidated income statement for the 52 weeks ended 29 November 2015

	Notes	52 weeks ended 29 November 2015 £m	52 weeks ended 30 November 2014 £m
Revenue	2.2	1,107.6	948.9
Cost of sales		(732.5)	(636.0)
Gross profit		375.1	312.9
Other income		49.0	39.4
Distribution costs		(309.4)	(253.1)
Administrative expenses		(95.6)	(85.0)
Operating profit before result from joint venture and exceptional items		19.1	14.2
Share of result from joint venture		2.3	2.4
Exceptional items	2.4	-	(0.3)
Operating profit		21.4	16.3
Finance income	4.3	0.2	0.4
Finance costs	4.3	(9.7)	(9.5)
Profit before tax		11.9	7.2
Taxation		(0.1)	0.1
Profit for the period		11.8	7.3

Profit per share	pence	pence
Basic profit per share	2.01	1.24
Diluted profit per share	1.91	1.18

Non-GAAP measure: Earnings before interest, taxation, depreciation, amortisation, impairment and exceptional items (EBITDA)

	Notes	52 weeks ended 29 November 2015 £m	52 weeks ended 30 November 2014 £m
Operating profit		21.4	16.3
Adjustments for:			
Depreciation of property, plant and equipment	3.2	45.1	40.0
Amortisation expense	3.1	13.2	12.4
Impairment of property, plant and equipment	3.2	1.0	1.1
Impairment of intangibles assets	3.1	0.8	1.5
Exceptional items	2.4	-	0.3
EBITDA		81.5	71.6

Consolidated statement of comprehensive income for the 52 weeks ended 29 November 2015

	52 weeks ended 29 November 2015 £m	52 weeks ended 30 November 2014 £m
Profit for the period	11.8	7.3
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Cash flow hedges		
- Losses arising on hedging contracts	(0.7)	(0.4)
- Gains transferred to property, plant and equipment	-	0.3
Foreign exchange loss on translation of foreign subsidiary	-	(0.1)
	(0.7)	(0.2)
Other comprehensive income for the period, net of tax	(0.7)	(0.2)
Total comprehensive income for the period	11.1	7.1

Consolidated balance sheet
as at 29 November 2015

	Note	29 November 2015 £m	30 November 2014 £m
Non-current assets			
Intangible assets	3.1	52.9	38.4
Property, plant and equipment	3.2	327.3	275.2
Deferred tax asset		10.0	9.4
Financial assets		2.9	0.4
Investment in joint ventures		62.0	67.8
		455.1	391.2
Current assets			
Inventories		29.9	27.6
Trade and other receivables		60.8	43.1
Cash and cash equivalents		45.8	76.3
		136.5	147.0
Total assets		591.6	538.2
Current liabilities			
Trade and other payables		(164.4)	(136.5)
Borrowings	4.1	(1.6)	(4.4)
Obligations under finance leases	4.1	(26.5)	(26.5)
Derivative financial instruments		(0.7)	(0.2)
Provisions		(2.8)	(0.4)
		(196.0)	(168.0)
Net current liabilities		(59.5)	(21.0)
Non-current liabilities			
Borrowings	4.1	(7.7)	(2.3)
Obligations under finance leases	4.1	(137.0)	(142.5)
Provisions		(6.3)	(5.2)
Deferred tax liability		(2.7)	(2.0)
		(153.7)	(152.0)
Net assets		241.9	218.2
Equity			
Share capital	4.4	12.6	12.5
Share premium	4.4	258.7	255.1
Treasury shares reserve	4.4	(50.9)	(51.8)
Reverse acquisition reserve	4.4	(116.2)	(116.2)
Other reserves	4.4	(0.8)	(0.3)
Retained earnings		138.5	118.9
Total equity		241.9	218.2

Consolidated statement of changes in equity
for the 52 weeks ended 29 November 2015

	Notes	Share capital £m	Share premium £m	Treasury shares reserve £m	Reverse acquisition reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 December 2013		12.4	251.5	(52.4)	(116.2)	(0.1)	107.2	202.4
Profit for the period		-	-	-	-	-	7.3	7.3
Other comprehensive income:								
Cash flow hedges								
- Losses arising on forward foreign exchange contracts	4.4	-	-	-	-	(0.4)	-	(0.4)
- Gains arising on interest rate swaps	4.4	-	-	-	-	0.3	-	0.3
Translation of foreign subsidiary	4.4	-	-	-	-	(0.1)	-	(0.1)
Total comprehensive income/(expense) for the period ended 30 November 2014		-	-	-	-	(0.2)	7.3	7.1
Transactions with owners:								
- Issues of ordinary shares	4.4	0.1	3.6	-	-	-	-	3.7
- Share-based payments charge		-	-	-	-	-	4.4	4.4
- Disposal of treasury shares		-	-	0.6	-	-	-	0.6
Total transactions with owners		0.1	3.6	0.6	-	-	4.4	8.7
Balance at 30 November 2014		12.5	255.1	(51.8)	(116.2)	(0.3)	118.9	218.2
Profit for the period		-	-	-	-	-	11.8	11.8
Other comprehensive income:								
Cash flow hedges								
- Gains arising on forward contracts	4.4	-	-	-	-	0.2	-	0.2
- Losses arising on commodity swaps	4.4	-	-	-	-	(0.7)	-	(0.7)
- Gains arising on interest rate swaps	4.4	-	-	-	-	-	-	-
Translation of foreign subsidiary	4.4	-	-	-	-	-	-	-

Total comprehensive income/(expense) for the period ended 29 November 2015		-	-	-	-	(0.5)	11.8	11.3
Transactions with owners:								
- Issues of ordinary shares	4.4	0.1	4.4	-	-	-	-	4.5
- Share-based payments charge		-	-	-	-	-	7.8	7.8
- Reacquisition of interests in treasury shares		-	(0.8)	0.8	-	-	-	-
- Disposal of treasury shares		-	-	0.1	-	-	-	0.1
Total transactions with owners		0.1	3.6	0.9	-	-	7.8	12.4
Balance at 29 November 2015		12.6	258.7	(50.9)	(116.2)	(0.8)	138.5	241.9

Consolidated statement of cash flows
for the 52 weeks ended 29 November 2015

	Note	52 weeks ended 29 November 2015 £m	52 weeks ended 30 November 2014 £m
Cash flows from operating activities			
Profit before tax		11.9	7.2
Adjustments for:			
- Depreciation, amortisation and impairment losses	3.1, 3.2	60.1	55.0
- Movement in provisions		3.2	1.9
- Share of profit in joint venture		(2.3)	(2.4)
- Share-based payments charge		7.8	4.4
- Foreign exchange movements		-	0.1
- Net Finance costs	4.3	9.5	9.1
Changes in working capital:			
- Movement in inventories		(2.3)	(3.6)
- Movement in trade and other receivables		(19.1)	(0.3)
- Movement in trade and other payables		23.7	13.8
Cash generated from operations		92.5	85.2
Finance costs paid		(9.7)	(9.7)
Net cash flows from operating activities		82.8	75.5
Cash flows from investing activities			
Purchase of property, plant and equipment		(70.7)	(53.0)
Purchase of intangible assets		(28.4)	(25.8)
Dividend received from joint venture		8.1	-
Interest received		0.2	0.5
Net cash flows from investing activities		(90.8)	(78.3)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital net of transaction costs	4.4	4.4	3.7
Proceeds from borrowings		8.2	-
Repayment of borrowings		(5.6)	(2.9)
Repayments of obligations under finance leases		(26.9)	(30.5)
Payment of financing fees[1]		(2.5)	(1.2)
Settlement of cash flow hedges		(0.2)	(0.5)
Net cash flows from financing activities		(22.5)	(31.4)
Net decrease in cash and cash equivalents		(30.5)	(34.2)
Cash and cash equivalents at the beginning of the period		76.3	110.5
Cash and cash equivalents at the end of the period		45.8	76.3

[1]£1.2 million in relation to financing fees paid in the prior year has been reclassified from movement in trade and other receivables to payment of financing fees.

Notes to the consolidated financial information
Section 1 - Basis of preparation
General information

Ocado Group plc (hereafter "the Company") is a listed company incorporated in England and Wales. The registered office is Titan Court, 3 Bishops Square, Hatfield Business Park, Hatfield, Hertfordshire, AL10 9NE.

The financial information comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes. The financial information for the 52 weeks ended 29 November 2015 is extracted from the audited consolidated financial statements. The financial information for the 52 weeks ended 30 November 2014 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 29 November 2015 or the 52 weeks ended 30 November 2014 and does not constitute full accounts within the meaning of section 435 (1) and (2) of the Companies Act 2006. The statutory accounts for 2014 have been delivered to the Registrar of Companies. The auditors have reported on the Group's statutory accounts for the 52 weeks ended 29 November 2015; their report was (i) unqualified, (ii) did not 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 Group's statutory accounts will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The financial year represents the 52 weeks ended 29 November 2015 (the prior financial year represents the 52 weeks ended 30 November 2014). The consolidated financial statements for the 52 weeks ended 29 November 2015 comprise the financial statements of the Company and its subsidiaries ("the Group").

Basis of preparation

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 Standards 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 30 November 2014 of Ocado Group plc.

The financial information is presented in sterling, rounded to the nearest million unless otherwise stated. The financial information has been prepared under the historical cost convention, as modified by the revaluation of financial asset investments and certain financial assets and liabilities, which are held at fair value.

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

Standards, amendments and interpretations adopted by the Group in 2014/15 or issued that are effective

The Group has considered the following new standards, interpretations and amendments to published standards that are effective for the Group for the financial year beginning 1 December 2014 and concluded that they are either not relevant to the Group or that they would not have a significant impact on the Group's financial statements:

		Effective Date
IFRS 10	Consolidated Financial Statements*	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities*	1 January 2014
IAS 19	Employee Benefits	1 July 2014
IAS 27	Separate Financial Statements	1 January 2014
IAS 32	Financial Instruments: Presentation	1 January 2014
IAS 36	Impairment of Assets	1 January 2014
IAS 39	Financial Instruments: Recognition and Measurement	1 January 2014

* The amendments for investment entities which are effective in IFRS 10, IFRS 12 and IAS 27, above, are not relevant for the Group. Amendments regarding the application of the consolidation exception for IFRS 10 and IFRS 12 are effective from 1 January 2016, and amendments regarding the reinstatement of the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements are effective from 1 January 2016, and are included in the table below.

Standards, amendments and interpretations issued that are not effective, and which have not been early adopted by the Group

The following further new standards, interpretations and amendments to published standards and interpretations which are relevant to the Group have been issued but are not effective for the financial year beginning 1 December 2014 and have not been adopted early:

		Effective Date
IFRS 9	Financial Instruments	1 January 2018
IFRS 10	Consolidated Financial Statements	1 January 2016
IFRS 11	Joint Arrangements	1 January 2016
IFRS 12	Disclosure in Interests in Other Entities	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IAS 1	Presentation of Financial Statements	1 January 2016
IAS 16	Property, Plant and Equipment	1 January 2016
IAS 27	Separate Financial Statements	1 January 2016
IAS 28	Investments in Associates and Joint Ventures	1 January 2016
IAS 38	Intangible Assets	1 January 2016
Various	Amendments to various IFRSs and IASs including those arising from the IASB's annual improvements project.	Various

The following new standards are not yet effective and the impact on the Group is currently under review:

IFRS 16 "Leases" provides guidance on the classification, recognition and measurement of leases to help provide useful information to the users of financial statements. The main aim of this standard is to ensure all leases will be reflected on the balance sheet, irrespective of substance over form. The new standard will replace IAS 17 "Leases" and is effective for annual periods beginning on or after 1 January 2019 unless adopted early. The Group is currently reviewing the impact of IFRS 16.

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 and may not be directly comparable with measures used by other companies.

The Group defines EBITDA as earnings before interest, taxation, depreciation of property, plant and equipment, amortisation expense, impairment of property, plant and equipment, intangibles and exceptional items.

Section 2 - Results for the year

2.1 Segmental reporting

The Group's principal activities are grocery retailing and the development and monetisation of Intellectual Property ("IP") and technology used for the online retailing, logistics and distribution of grocery and consumer goods, currently derived solely from the UK. The Group is not reliant on any major customer for 10% or more of its revenue.

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

The principal activities of the Group are currently managed as one segment. Consequently, all activities relate to this segment.

The CODM's main indicator of performance of the segment is EBITDA, which is reconciled to operating profit below the income statement.

2.2 Gross sales

A reconciliation of revenue to gross sales is as follows:

	52 weeks ended 29 November 2015 £m	52 weeks ended 30 November 2014 £m
Revenue	1,107.6	948.9
VAT	82.4	66.3
Marketing vouchers	14.4	11.3
Net book value	1,204.4	1,026.5

2.3 Profit per share

Basic profit per share is calculated by dividing the profit attributable to equity holders 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") which are accounted for as treasury shares.

Diluted profit per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion or vesting of all dilutive potential shares. The Company has two (2014: two) classes of instruments that are potentially dilutive, namely share options and shares held pursuant to the JSOS.

Basic and diluted profit per share has been calculated as follows:

	52 weeks ended 29 November 2015 Number of shares (m)	52 weeks ended 30 November 2014 Number of shares (m)
Issued shares at the beginning of the period, excluding treasury shares	586.1	582.5
Effect of share options exercised in the period	2.2	2.1
Effect of treasury shares disposed of in the period	-	0.3
Effect of shares issued in the period	-	-
Weighted average number of shares at the end of the period for basic earnings per share	588.3	584.9
Potentially dilutive share options and shares	31.1	29.4
Weighted average number of diluted ordinary shares	619.4	614.3
	£m	£m
Profit attributable to the owners of the Company	11.8	7.3
	pence	pence
Basic profit per share	2.01	1.24
Diluted profit per share	1.91	1.18

The only transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of these financial statements were the exercise of 16,754 share options under the company ESOS scheme, 2,903 share options under the SAYE3 scheme and the issue of 28,463 Partnership Shares under the SIP.

2.4 Exceptional items

	52 weeks ended 29 November 2015 £m	52 weeks ended 30 December 2014 £m
Corporate restructure	-	(0.3)
	-	(0.3)

Corporate restructure

During the prior year, the Group undertook a corporate restructuring. The Group's business was split between a number of legal entities in order to reflect broadly the operational division of the business. To assist the restructuring the Group sought tax, accountancy and legal advice, for which a number of one-off costs were incurred.

Section 3 - Operating assets and liabilities

3.1 Intangible assets

	Internally generated assets £m	Other intangible assets £m	Total intangible assets £m
Cost			
At 1 December 2013	58.0	13.4	71.4
Additions	-	8.0	8.0
Internal development costs capitalised	17.3	-	17.3
Disposals	(9.7)	(8.2)	(17.9)
At 30 November 2014	65.6	13.2	78.8
Additions	-	4.4	4.4
Internal development costs capitalised	24.1	-	24.1
Disposals	(6.7)	-	(6.7)
At 29 November 2015	83.0	17.6	100.6
Accumulated amortisation			
At 1 December 2013	(33.3)	(11.1)	(44.4)
Charge for the period	(11.5)	(0.9)	(12.4)
Impairment	(1.5)	-	(1.5)
Disposals	9.7	8.2	17.9
At 30 November 2014	(36.6)	(3.8)	(40.4)
Charge for the period	(12.4)	(0.8)	(13.2)
Impairment	(0.8)	-	(0.8)
Disposals	6.7	-	6.7
At 29 November 2015	(43.1)	(4.6)	(47.7)
Net book value			
At 30 November 2014	29.0	9.4	38.4
At 29 November 2015	39.9	13.0	52.9

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

	52 weeks ended 29 November 2015 £m	52 weeks ended 30 November 2014 £m
Cost	13.8	13.2
Accumulated amortisation	(9.3)	(7.2)
Net book value	4.5	6.0

For the 52 weeks ended 29 November 2015, internal development costs capitalised represented approximately 85% (2014: 68%) of expenditure on intangible assets and 19% (2014: 15%) of total capital spend including property, plant and equipment.

3.2 Property, plant and equipment

	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Motor vehicles £m	Total £m
Cost				
At 1 December 2013	42.3	296.8	38.9	378.0
Additions	13.2	67.2	12.6	93.0
Disposals	(0.3)	(11.9)	(4.1)	(16.3)
At 30 November 2014	55.2	352.1	47.4	454.7
Additions	25.5	54.3	18.4	98.2
Disposals	-	(3.1)	(10.6)	(13.7)
At 29 November 2015	80.7	403.3	55.2	539.2
Accumulated depreciation and impairment				
At 1 December 2013	(16.7)	(119.0)	(18.0)	(153.7)
Charge for the period	(1.8)	(30.0)	(8.2)	(40.0)
Impairment	(0.3)	(0.8)	-	(1.1)
Disposals	0.3	11.0	4.0	15.3
At 30 November 2014	(18.5)	(138.8)	(22.2)	(179.5)
Charge for the period	(1.9)	(33.4)	(9.8)	(45.1)
Impairment	(0.1)	(0.9)	-	(1.0)
Disposals	-	3.1	10.6	13.7
At 29 November 2015	(20.5)	(170.0)	(21.4)	(211.9)
Net book value				
At 30 November 2014	36.7	213.3	25.2	275.2
At 29 November 2015	60.2	233.3	33.8	327.3

Included within property, plant and equipment is capital work-in-progress for land and buildings of £31.9 million (2014: £15.4 million) and capital work-in-progress for fixtures, fittings, plant and machinery of £57.5 million (2014: £20.1 million).
The net book value of non-current assets held under finance leases is set out below:

	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Motor vehicles £m	Total £m
At 30 November 2014				
Cost	30.3	203.7	46.5	280.5
Accumulated depreciation and impairment	(16.3)	(73.9)	(21.6)	(111.8)
Net book value	14.0	129.8	24.9	168.7
At 29 November 2015				
Cost	30.3	207.0	54.5	291.8
Accumulated depreciation and impairment	(17.9)	(92.7)	(20.8)	(131.4)
Net book value	12.4	114.3	33.7	160.4

Property, plant and equipment with a net book value of £18.8 million (2014: £13.3 million) has been pledged as security for the secured loans (Note 4.1).

Section 4 - Capital structure and financing costs
4.1 Borrowings and finance leases

	Less than one year £m	Between one year and two years £m	Between two years and five years £m	Total £m
As at 30 November 2014				
Secured loans	4.4	1.8	0.5	6.7
Total borrowings	4.4	1.8	0.5	6.7
As at 29 November 2015				
Secured loans	1.6	1.5	6.2	9.3
Total borrowings	1.6	1.5	6.2	9.3

The secured loans outstanding at period end can be analysed as follows:

Principal amount £m	Inception	Secured over	Current interest rate	Instalment frequency	Final payment due	Carrying amount as at 29 November 2015 £m	Carrying amount as at 30 November 2014 £m
8.0	May-07	Property, plant and equipment	Clearing bank base rate + 3.0%	Quarterly	Feb-15	-	0.8
1.5	Dec-06	Freehold property	LIBOR + 2.75%	Quarterly	Feb-15	-	0.4
1.5	Feb-09	Freehold property	LIBOR + 2.75%	Quarterly	Feb-15	-	0.6
2.8	Dec-09	Freehold property	LIBOR + 2.75%	Quarterly	Dec-15	-	1.5
2.6	Jul-12	Freehold property	LIBOR + 2.75%	Quarterly	Jul-15	-	1.9
2.5	Jul-12	Property, plant and equipment	9.12% †	Monthly	Jul-17	1.1	1.5
8.2	Sep-15	Freehold Property	LIBOR + 1.5%	Quarterly	Sep-18	8.2	-
						9.3	6.7
Disclosed as:							
Current						1.6	4.4
Non-current						7.7	2.3
						9.3	6.7

†Calculated as the effective interest rate, the calculation of which includes an optional balloon payment at the end of the term.

In the prior year a three-year £100 million revolving credit facility was entered into with Barclays, HSBC, RBS and Santander. In the current year the Group amended and extended this unsecured RCF. The facility was increased to £210 million and extended by two years to 1 July 2019. As at 29 November 2015 the facility remains unutilised. The facility contains typical restrictions concerning dividend payments and additional debt and leases.

Obligations under finance leases

	29 November 2015 £m	30 November 2014 £m
Obligations under finance leases due:		
Within one year	26.5	26.5
Between one and two years	23.8	22.4
Between two and five years	62.1	56.0
After five years	51.1	64.1
Total obligations under finance leases	163.5	169.0

External obligations under finance leases are £44.0 million (2014: £38.2 million) excluding £119.5 million (2014: £130.8 million) payable to MHE JV Co, a joint venture company.

	29 November 2015 £m	30 November 2014 £m
Minimum lease payments due:		
Within one year	34.8	34.9
Between one and two years	30.3	29.3
Between two and five years	75.0	70.4
After five years	55.3	71.0
	195.4	205.6
Less: future finance charges	(31.9)	(36.6)
Present value of finance lease liabilities	163.5	169.0
Disclosed as:		
Current	26.5	26.5
Non-current	137.0	142.5
	163.5	169.0

4.2 Analysis of net debt
Net debt

	29 November 2015 £m	30 November 2014 £m
Current assets		
Cash and cash equivalents	45.8	76.3
Current liabilties		
Borrowings	(1.6)	(4.4)
Obligations under finance leases	(26.5)	(26.5)
	(28.1)	(30.9)
Non-current liabilities		
Borrowings	(7.7)	(2.3)
Obligations under finance leases	(137.0)	(142.5)
	(144.7)	(144.8)
Total net debt	(127.0)	(99.4)

Net debt is £7.5 million (2014: net cash £31.4 million), excluding finance lease obligations of £119.5 million (2014: £130.8 million) payable to MHE JV Co, a joint venture company. £4.8 million (2014: £2.3 million) of the Group's cash and cash equivalents are considered to be restricted and are not available to circulate within the Group on demand.

Reconciliation of net cash flow to movement in net debt

	29 November 2015 £m	30 November 2014 £m
Net increase/(decrease) in cash and cash equivalents	(30.5)	(34.2)
Net (increase)/decrease in debt and lease financing	24.3	33.4
Non-cash movements:		
- Assets acquired under finance lease	(21.4)	(47.7)
Movement in net debt in the period	(27.6)	(48.5)
Opening net debt	(99.4)	(50.9)
Closing net debt	(127.0)	(99.4)

4.3 Finance income and costs

	52 weeks ended 29 November 2015 £m	52 weeks ended 30 November 2014 £m
Interest on cash balances	0.2	0.4
Finance income	0.2	0.4
Borrowing costs		
- Obligations under finance leases	(8.8)	(8.7)
- Borrowings	(0.6)	(0.9)
Fair value movement in derivative	(0.2)	0.1
Fair value movement on provisions	(0.1)	-
Finance costs	(9.7)	(9.5)
Net finance costs	(9.5)	(9.1)

4.4 Share capital and reserves

Share capital and reserves

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

	Ordinary shares Number of shares (m)	Ordinary shares £m	Share premium £m
At 1 December 2013	617.7	12.4	251.5
Issues of ordinary shares	0.5	-	0.1
Alloted in respect of Joint Share Ownership Scheme	-	-	0.2
Allotted in respect of share option schemes	2.7	0.1	3.3
At 30 November 2014	620.9	12.5	255.1
Issues of ordinary shares	0.6	-	0.5
Reacquisition of interest in treasury shares	-	-	(0.8)
Allotted in respect of share option schemes	3.9	0.1	3.9
At 29 November 2015	625.4	12.6	258.7

Included in the total number of ordinary shares outstanding above are 34,770,981 (2014: 34,810,561) ordinary shares held by the Group's employee benefit trust (see

Note 4.4(a)). The ordinary shares held by the trustee of the Group's employee benefit trust pursuant to the JSOS are treated as treasury shares in 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 earnings per share calculation in Note 2.3 as earnings per share is calculated using the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

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

	Treasury shares reserve £m	Reverse acquisition reserve £m	Fair value reserve £m
At 1 December 2013	(52.4)	(116.2)	(0.1)
Movement on derivative financial instrument	-	-	(0.2)
Disposal of treasury shares	0.6	-	-
At 30 November 2014	(51.8)	(116.2)	(0.3)
Movement on derivative financial instrument	-	-	(0.5)
Disposal of treasury shares	0.1	-	-
Reacquisition of interest in treasury shares	0.8	-	-
At 29 November 2015	(50.9)	(116.2)	(0.8)

(a) Treasury shares reserve
This reserve arose when the Group issued equity share capital under its JSOS, which is 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. Participant interests in unexercised shares held by participants are not included in the calculation of treasury shares; unvested interests of leavers which have been reacquired by the Group's employee benefit trust during the period are not accounted for as treasury shares.

(b) Fair value reserve
The fair value reserve comprises gains and losses on movements in the Group's cash flow hedges, which consist of commodity swaps and foreign currency hedges.

4.5 Capital commitments

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

	29 November 2015 £m	30 November 2014 £m
Land and buildings	3.4	2.9
Property, plant and equipment	18.9	20.0
Total capital expenditure committed at the end of the period	22.3	22.9

Of the total capital expenditure committed at the current period end, £14.4 million relates to new CFCs, £1.5 million to existing CFCs, £1.5 million to fleet costs and £1.2 million relates to technology related projects.

Section 5 - Other notes
5.1 Related party transactions

Key management personnel

Only the Executive and Non-Executive Directors are recognised as being key management personnel. It is the Board which has responsibility for planning, directing and controlling the activities of the Group. The key management compensation is as follows:

	29 November 2015 £m	30 November 2014 £m
Salaries and other short-term employee benefits	3.2	3.0
Salaries and other short-term employee benefits in respect of Directors retired during the year	-	0.2
Share-based payments	5.6	3.7
	8.8	6.9

The share based payment charge in 2015 was the charge arising for each of the share schemes in which the directors participate. Further information can be found in the Annual Report and Accounts, which we anticipate will be available on 10 February 2016.

Other related party transactions with key management personnel made during the period related to the purchase of professional services and amounted to £6,000 (2014: £15,000). All transactions were on an arm's length basis and no period end balances arose as a result of these transactions.

At the end of the period, there were no amounts owed by key management personnel to the Group (2014: None). There were no other material transactions or balances between the Group and its key management personnel or members of their close family.

Investment

The following transactions were carried out with Paneltex Limited, a company incorporated in the UK in which the Group holds a 25% interest.

	29 November 2015 £m	30 November 2014 £m
Purchase of goods		
- Plant and machinery	0.1	-
- Consumables	0.5	0.4
	0.6	0.4

Indirect transactions, consisting of the purchase of plant and machinery through some of the Group's finance lease counterparties, were carried out with Paneltex Limited to the value of £12.2 million (2014: £7.2 million). At period end, the Group owed Paneltex Limited £31,000 (2014: £19,000).

Joint Venture

The following transactions were carried out with MHE JV Co, a joint venture company, incorporated in the UK, in which the Group holds a 50% interest:

	29 November 2015 £m	30 November 2014 £m
Capital contributions made to MHE JVCo	-	6.5
Dividend received from MHE JVCo	8.1	-
Reimbursement of supplier invoices paid on behalf of MHE JVCo	6.1	34.9
Lease of assets from MHE JVCo	3.0	31.0
Capital element of finance lease instalments paid to MHE JVCo	14.3	15.7
Interest element of finance lease instalments accrued or paid to MHE JVCo	6.2	5.4

During the period the Group incurred lease instalments (including interest) of £20.5 million (2014: £21.1 million) to MHE JVCo. Of the £20.5 million, £10.6 million (2014: £8.9 million) was recovered directly from Morrisons in the form of Other Income and a further £8.1 million (2014: nil) was received from MHE JVCo by way of a dividend. The remaining £1.8 million (2014: £12.2 million) represents capital expenditure requirements of MHE JVCo for which no additional funding was required from Ocado. The net result is the termination of £14.3 million of MHE JV Co debt during the period (2014: £15.7 million) with no corresponding net cash outflow.

In the current period, the Group made no capital contributions to MHE JVCo (2014: £6.5 million).

Included within trade and other receivables is a balance of £5.6 million owed by MHE JVCo (2014: £3.5 million). £1.0 million of this relates to a finance lease accrual which is included within other receivables (2014: £2.7 million). £4.6 million (2014: £0.8 million) relates to capital recharges.

Included within trade and other payables is a balance of £1.0 million owed to MHE JVCo (2014: £0.8 million).

Included within obligations under finance leases is a balance of £119.5 million owed to MHE JVCo (2014: £130.8 million).

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

5.2 Post balance sheet events

There have been no significant events, outside the ordinary course of business, affecting the Group since 29 November 2015.

END

FR UGUUAPUPQPWG