Final Results

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Ocado Group PLC
05 February 2019

OCADO GROUP PLC

Ocado, creating future value now

Preliminary results for the 52 weeks ended 2 December 2018

5 February 2019

Financial and statutory highlights

	FY 2018 (52 weeks) £m	FY 2017 restated (52 weeks) £m	Change (52 vs 52) v 2017 %
Retail Revenue[2]*	1,475.8	1,317.4	12.0%
Solutions Revenue*	123.0	106.2	15.8%
Group Revenue	1,598.8	1,423.6	12.3%
Retail EBITDA[3]*	82.5	79.2	4.2%
Solutions EBITDA*	(17.9)	(6.6)	
Group EBITDA*	59.5	75.0	(20.7%)
(Loss) after tax	(44.9)	(9.8)	
Cash and cash equivalents	410.8	150.0	173.9%
Statutory net cash/ (debt)	50.2	(228.0)	
External net cash / (debt) [4]*	124.7	(133.9)	

Note: These numbers are reported for the first time under IFRS 15 which governs Revenue from Contracts with Customers. In order to understand the impact on FY17 and FY18 results please refer to the presentation on the Investor section of the Ocado Group website (http://www.ocadogroup.com/investors/reports-and-presentations/2019.aspx). See also the CFO review to follow and note 1.3 to the financial statements

Tim Steiner, Chief Executive Officer of Ocado, said:

"Our performance last year was the result of many years of focus, dedication and perseverance: what we have called our "18-year overnight success". Our growth story, however, is only just beginning. We now have in place a platform for significant and sustainable long-term value creation as the leading pure-play digital grocer in the UK, a world-leading provider of end-to-end ecommerce grocery solutions, and as an innovative and creative technology company applying our proprietary knowledge to a range of challenges.

"Our transformation journey is well under way with increased cash fees earned and greater investment as we execute on behalf of our partners. Creating future value now will involve us continuing to scale the business, enhancing our platform, enabling our UK retail business to take advantage of all its opportunities for growth, and innovating for the future. We look forward to fulfilling these opportunities with excitement and determination".

Key milestones

2018 was a transformative year for Ocado.

Adding partners to the Ocado Smart Platform

- Over the year we signed international partnerships with Sobeys, ICA and Kroger to develop the Ocado Smart Platform ("OSP") in Canada, Sweden and the United States respectively, utilising both our proprietary software and algorithms as well as our robotic infrastructure solutions
- We are making good progress with all our partners. Bon Preu launched its online offer in Catalonia in November; Groupe Casino continues its building work on its first Customer Fulfilment Centre ("CFC") in the south of Paris; Sobeys has begun building its first CFC site in the Greater Toronto area and is making good progress; ICA has identified the location of its first site in Stockholm: and Kroger has committed for its first three CFCs out of a total of 20 within the first three years. In the UK, we have begun to fulfil customer orders for Morrisons from our state-of-the-art facility at Erith ("CFC4") and we continue to support their roll out of a store-pick based solution
- Cash fees from Solutions partners in 2018 were £200.1 million (2017: £146.1 million)
- We continue to engage with multiple retailers in a variety of markets with a view to adding more partnerships to our platform

Innovating in technology

- Headcount in Ocado Technology has increased by 76% in the last three years, including 300 programmers hired in FY18
- To protect our intellectual property we have increased the number of filed patent applications from 73 to 395 over the last three years, now covering 80 separate innovations across a broad and deep technology estate including real-time control systems, robotics, machine learning and AI and routing systems
- We have been testing robotic picking in our Andover CFC and are targeting to start using in live production over the coming months

Scaling the business to drive faster growth

- We have been able to meet the demand from new retail customers by adding capacity to our network, most notably by opening our fourth CFC in Erith, South London. At full capacity of £1.2bn, this will be the largest automated grocery fulfilment centre in the world
- We have successfully ramped up capacity at Erith and are now processing over 30,000 orders per week. In its first three weeks it reached the same volume it took us 32 weeks to achieve at Andover
- Our dedicated transformation team is in place and focused on preparing the business to open 23 CFCs for our Solutions partners in the coming years. Our strong order book gives us good visibility, long lead times, and an ability to phase execution

Improving the experience for Ocado's retail customers

- We continue to lead the market for delivery punctuality at 94.9% (2017: 95.0%) and order accuracy at 98.8% (2017: 98.8%)
- Ocado offers the widest range of any UK grocer and we continue to make shopping easier, adding this year both low plastic and no-added sugar aisles
- We went paperless with our receipts, saving over 20 million sheets of paper every year
- Our general merchandise continued to grow strongly. All the products on our Sizzle destination site are now available on our webshop and we also launched a new range of Ocado own brand household products to give customers even more choice
- In 2018 we won numerous awards including The Grocer's "Online Supermarket of the Year", validating the progress we have been making improving the customer experience

Increasing efficiency in our retail operations

- Mature[6] CFC operational productivity remained stable at 164 UPH (2017: 164 UPH)
- Delivery efficiency improved further to an average of 194 DPV (2017: 182 DPV)
- Food waste[7] was reduced to 0.02%, or just 1 in 6,000 items

Growing the customer base and winning market share

- We grew active customers 11.8% in the year to 721,000 (2017: 645,000)
- Total order volumes increased 12.1% to an average of 296,000 orders per week (2017: 264,000)
- Average hypermarket basket value was slightly lower at £106.85 (2017: £107.28) driven by an increase in average price per item offset by a decrease in the average basket size
- Customer loyalty remained strong and we continued to grow orders in the double digits across all our catchment areas

Outlook statement

- Assuming economic conditions remain broadly stable, we remain confident in achieving revenue growth in our Retail business of between 10-15% in the 2019 financial year as we increase our fulfilment capacity and grow market share in the UK

- As volumes grow, and we expand utilisation of our new CFCs, we will continue to find efficiencies in our business and as such we expect further growth in Retail EBITDA*
- Solutions Revenue* under IFRS 15 will only be recognised once a customer's first CFC is opened, but we will still have to recognise the build costs. With no CFCs expected to open in 2019, whilst we expect Solutions revenue* growth well ahead of Retail growth, we expect a decline in EBITDA* given the £15-20m additional in operating costs necessary to prepare the CFCs and to provide features on the platform
- We continue to target further Solutions deals, which would generate additional cash fees but would impact short term profits
- Total capital expenditure for the group is expected to be £350m, with the increase reflecting the additional capital required to fulfil our obligations to our Solutions customers

Results presentation

A results presentation will be held for investors and analysts at 9.30am today at the offices of Goldman Sachs, River Court, 120 Fleet Street, London EC4A 2BE. Presentation material will be available online at http://www.ocadogroup.com/investors/reports-and-presentations/2019.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 Shriver, Director of Communications, on 020 7353 4200 today or 01707 228 000
Martin Robinson at Tulchan Communications on 020 7353 4200

Notes

1. Gross sales* include VAT and marketing vouchers and is used in the calculation of average basket value
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* is the statutory net debt less amounts owing to MHE JVCo of £74.5 million (2017: £94.1 million)
5. Customers are classified as active if they have shopped on ocado.com within the previous 12 weeks
6. The definition of mature had been changed to refer to CFC1 and CFC2 only. A CFC is considered mature if it has been open for 12 months by the start of the half year reporting period
7. Food waste refers to inedible food that cannot be sold to customers or redistributed through our Food Partners or Company Shop
8. Reference to balance sheet figures for FY2017 are all stated on a 53 week basis

* These measures are Alternative Performance Measures

Financial Calendar

Our expected financial reporting calendar for the remainder of the year will be a Q1 Trading Statement on 19 March 2019, a Half Year Results Statement on 9 July 2019, a Q3 Trading Statement on 17 September 2019 and a Q4 Trading Statement on 12 December 2019.

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 Financial Officer's review

For the period to 2 December 2018, we maintained significant sales growth in a competitive environment while progressing our business further across many fronts.

The Group secured three international partnership deals and continued to deliver double digit revenue growth. Profitability in the period was impacted by the investments in our platform to deliver future growth for both our existing and future partners. It was also impacted by share-based senior management incentive charges following the significant share price increase in the year and by additional depreciation following the opening of the Erith CFC. As a consequence the loss before tax for the period was £44.4 million (2017 restated: loss of £9.8 million).

IFRS 15

Ocado Group PLC has early adopted IFRS 15, the new revenue recognition standard, and this report on our performance in 2018 against the comparative period in 2017 is under the new standard. The adoption of the standard has impacted our underlying results, specifically the Solutions business in relation to the timing of recognition of certain initial and upfront fees.

- The impact on FY 2017 results is a £9.3 million reduction in Revenue and EBITDA*.
- The estimated impact on FY 2018 compared to previous internal forecasts, on an unaudited basis, is a £15.2 million reduction in Revenue and £14.4 million decrease in EBITDA*.

We have adopted IFRS 15 from 3 December 2017 using the full retrospective method, thereby restating the 2017 comparatives, to provide investors with clarity on the impact of the new accounting standard to aid transparency of the financial results reported.

The adoption of IFRS 15 will change the timing of revenue and cost recognition but does not impact upon the cash flow of contracts or the expected lifetime profitability of contracts, nor does it have any impact on our Retail segment. The main changes for the Group are the accounting treatment of its long-term contracts, specifically the existing Morrisons arrangement, along with the more recent contracts with Bon Preu, Casino, Sobeys, ICA and Kroger.

For a typical arrangement, the recognition of Revenue commences when a working solution is delivered to our partners which is typically when a CFC or Store Pick goes live. Prior to this, no revenue is recognised. The period in which revenue is recognised is dependent on management's view of the estimated customer life as the contract typically has no defined period. The balance sheet will now include contract fulfilment assets and a significant amount of deferred income in relation to contracts where payments have been received from partners to undertake work prior to the recognition of revenue and planned outcomes being delivered. The net impact of the recognition of contract liabilities, contract costs and other movements has resulted in the Group reducing consolidated net assets at 2 December 2017 by £(23.1)million to £247.6 million (previously 2017: £270.7 million).

The adoption of IFRS 15 means that for the current Ocado Solutions arrangements, Ocado will recognise losses in the early years due to the recognition of non-capitalised costs for these arrangements and no revenue recognised for the cash fees received. The shortfall in revenue in early years will be compensated for with higher revenue recognised in future years than previously expected. To aid shareholders' understanding, we will provide information on the fees invoiced for Ocado Solutions for each accounting period. Note 1.5 to the consolidated financial statements outlines the relevant adjustments to the prior year Balance Sheet.

The current period results comprise 52 weeks ended 2 December 2018. For comparability purposes 52 week data to 3 December 2017, which excludes the final trading week of the 2017 financial year, is used ("2017") for comparison to the 52 weeks ended 2 December 2018 ("2018"), unless otherwise stated.

	FY 2018 (52 weeks) £million	FY 2017 (52 weeks restated) * £million	FY 2017 (53 weeks restated) £million	Variance (52 weeks)
Revenue[1]	**1,598.8**	**1,423.6**	**1,454.5**	**12.3%**
Gross profit	547.5	494.3	495.0	10.8%
Other income	71.9	59.5	61.0	20.8%
Distribution and administrative costs	561.1	471.3	480.9	19.1%
Share of results from joint venture [3]	1.2	1.6	1.6	(25.0)%
EBITDA*[2]	**59.5**	**75.0**	**76.7**	**(20.7)%**
Depreciation, amortisation and impairment [3]	91.3	71.0	71.0	28.6%
Net Finance costs	12.5	13.5	13.7	(7.4)%
Exceptional items*	0.1	0.3	0.3	(66.7)%
(Loss) before tax	**(44.4)**	**(9.8)**	**(8.3)**	**n/a**

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 and other solutions clients are also included in revenue
2. EBITDA* is stated before the impact of exceptional items*
3. Depreciation, amortisation and impairment and share of results from joint venture are based on a 52 weeks basis

Revenue grew by 12.3% to £1,598.8 million in comparison to 2017 revenue of £1,423.6 million. This was due to an increase in the average number of orders a week and fees earned from our partnerships. Gross profit increased by 10.8% year-on-year, a higher rate than revenue reflecting faster growth in Solutions revenue* with currently higher gross profit margins compared to Retail.

EBITDA* of £59.5 million was 20.7% lower than the prior year. This was driven by increased resources to further develop the OSP platform, the opening of our new proprietary CFC in Erith and increased technology headcount to support our ongoing development. Higher share based senior management incentive charges were caused by share price increases. This was offset by revenue from existing partners in the Solutions segments and increased supplier income within the Retail segment.

Depreciation, amortisation and impairment increased by 28.6% to £91.3 million, reflecting the increased charge arising from the opening of the Erith CFC in Summer 2018, the full year impact of Andover, the second General Merchandise Distribution Centre ("GMDC2") and the associated software for these projects.

Net finance costs decreased from £13.5 million to £12.5 million year-on-year. This is because increases in finance costs were more than offset by a £2.0 million increase in interest income which resulted from the cash raised by our rights issue and share placing by Kroger.

Loss before tax was £(44.4) million, down from the prior year loss of £(9.8) million. This is primarily driven by our continued investment in our future, the increased depreciation charge from new CFCs and the IFRS 15 impact on timing of Solutions revenue* recognition.

Trading review by segment

Retail Performance

	FY 2018 (52 weeks) £million	FY 2017 (52 weeks)* £million	FY 2017 (53 weeks) £million	Variance (52 weeks)
Revenue	**1,475.8**	**1,317.4**	**1,346.1**	**12.0%**
Gross profit	424.5	378.9	386.6	12.0%
Other income	59.8	49.2	50.4	21.5%
Distribution and administrative costs*[1]	401.8	348.8	356.1	15.2%
EBITDA*[2]	**82.5**	**79.2**	**81.0**	**4.2%**

1. Distribution and administrative costs excludes depreciation, amortisation and impairment for the period
2. EBITDA* does not include the impact of exceptional items*
3. There was no impact to the Retail Segment under the new accounting standard, IFRS 15, and thus no IFRS 15 restated FY2017 numbers are provided.

Retail revenue* growth was driven by a 12.0% year-on-year increase in orders per week to 296,000 (2017 restated: 264,000), with the highest orders per week of 340,000. Active customers increased by 11.8% from 645,000 to 721,000. The average price per item increased by 1.3%**.** This was offset by a (0.4)% decrease in the average basket price at Ocado.com to £106.85 . The general merchandise business growth was 13.0% driven by strong growth in Fetch.co.uk and Fabled.com.

Gross profit

The increase in Gross Profit was driven by higher order volumes and improved cost prices that led to an 12.0% increase in gross profit to £424.5 million.

Other Income

Other income increased by 21.5% to £59.8 million (2017 restated: £49.2 million) with supplier income increasing year-on-year by 19.6% to £57.1 million (2017 restated: £46.5 million) equivalent to 3.9% of retail revenue* (2017 restated: 3.6%).

Distribution and administrative costs

	FY 2018 (52 weeks) £million	FY 2017 (52 weeks)[3]*	FY 2017 (53 weeks)[3]	Variance (52 weeks)

		£million	£million	
CFC	138.9	115.7	117.9	20.1%
Trunking and Delivery	182.1	164.0	167.8	11.0%
Other operating costs	11.3	9.8	10.0	15.3%
Marketing [1]	15.6	13.7	14.1	13.9%
Head office costs	53.9	45.6	46.3	18.2%
Total retail distribution and administrative costs*[2]	**401.8**	**348.8**	**356.1**	**15.2%**

1. Marketing expenditure excludes voucher costs
2. Retail distribution and administrative costs* excludes depreciation, amortisation and impairment
3. There was no impact to the Retail Segment under the new accounting standard, IFRS 15, and thus no restated FY2017 numbers are provided.

Distribution and administrative costs consist of costs for the fulfilment and delivery operations of the business as well as head office costs. Total distribution and administrative costs increased by 15.2% year-on-year.

CFC costs increased from £115.7 million to £138.9 million, an increase of 20.1% year-on-year. This was primarily due to the opening of the Erith CFC and GMDC2 in the second half of the year both of which are currently running unused capacity as we scale these operations. Engineering costs were higher due to a greater mix of the new facilities in the Andover and Erith CFCs which, at present, have a higher cost per order despite this falling during the period across these CFCs.

Mature CFC (defined as CFC1 and CFC2) UPH remained stable at 164 UPH. There was some modest improvement driven by the Dordon CFC productivity which regularly exceeded 182 UPH in the period offset by operational issues caused by the severe weather conditions earlier in the period impacting both inbound and outbound productivity. Andover CFC UPH increased during the period and is expected to overtake Hatfield by the end of 1H 2019.

Trunking and delivery costs increased by £18.1 million to £182.1 million, an increase of 11.0% year-on-year (2017 restated: £164.0 million). This was due to increases in wage-related and vehicle costs as a result of greater order volumes and inflationary cost pressures.

Deliveries per van per week have risen by 6.6% to 194 (2017 restated: 182) as customer density improved, Sunday delivery slots increased, and we made continued enhancements to our routing system, exceeding our revised target of 190 DPV set 2 years ago.

Head office costs increased by 18.2% year-on-year from £45.6 million to £53.9 million, reflecting increased technology headcount, from the growth in our general merchandise business, coupled with the annualised impact of additional space costs for our new head office location.

Marketing costs excluding voucher spend increased from £13.7 million to £15.6 million, 1.1% as a percentage of retail revenue* and marginally up on the prior period.

EBITDA*

EBITDA* excluding exceptional items* for the retail business was £82.5 million (2017 restated: £79.2 million).

Solutions Performance

	FY 2018 (52 weeks) £million	FY 2017 (52 weeks restated) * £million	FY 2017 (53 weeks restated) £million	Variance (52 weeks)
Fees invoiced	**198.5**	**146.1**	**147.0**	**35.9%**
Revenue	**123.0**	**106.2**	**108.4**	**15.8%**

Distribution and administrative costs*	140.9	112.7	115.1	25.0%
EBITDA*	**(17.9)**	**(6.6)**	**(6.8)**	**(171.2)%**

Fees and Revenue

Fees invoiced, exclusive of VAT, amounted to £198.5 million (2017 restated: £146.1 million) are a combination of fees due for services invoiced under existing solutions contracts and amounts received in advance of new Solutions contracts. Fees relating to OSP are not recognised as revenue until a working solution is delivered to the partner.

Revenue from the Solutions business was £123.0 million, up from £106.2 million in 2017. This primarily comprises of fees from our original arrangement with Morrisons, for services rendered, technology support, research and development and from management fees, and a recharge of relevant operational variable and fixed costs.

Distribution and administrative costs

	FY 2018 (52 weeks) £million	FY 2017 (52 weeks restated) * £million	FY 2017 (53 weeks) £million	Variance (52 weeks)
Distribution Costs	98.0	86.9	88.6	12.8%
Administrative costs	42.9	25.8	26.5	66.3%
Total Solutions distribution and administrative costs*	**140.9**	**112.7**	**115.1**	**25.0%**

1. Solutions distribution and administrative costs* excludes depreciation, amortisation and impairment

Distribution and administrative costs predominantly consist of fulfilment and delivery operation costs for the Morrisons business and the costs of employees developing solutions for, and supporting all of our partnership agreements. These costs grew 25.0% year-on-year primarily as a result of an increase in headcount to support further improvements in our platform, to support existing international clients, and to build further capabilities to sign future clients.

EBITDA*

EBITDA* from our Solutions activities was £(17.9) million, a decrease of £(11.3) million.

Other Segment

EBITDA* loss was £(5.1) million in the current period (2017 restated: EBITDA* profit £2.4 million), a decrease of £7.5 million primarily due to the increase in the accounting estimates for share-based senior management incentive charges. These charges increased in the period predominantly as a result of the share price performance in the period.

Group Performance

	FY 2018 (52 weeks) £million	FY 2017 (52 weeks restated)* £million	FY 2017 (53 weeks restated) £million	Variance (52 weeks)
EBITDA*	**59.5**	**75.0**	**76.7**	**(20.7)%**
Depreciation, amortisation and impairment	91.3	71.0	71.0	28.6%
Net Finance costs	12.5	13.5	13.7	(7.4)%
Share of results from joint venture	1.2	1.6	1.6	(25.0)%
(Loss) before tax	**(44.4)**	**(9.8)**	**(8.3)**	**(353.1)%**
(Loss) after tax	**(44.9)**	**(9.8)**	**(8.3)**	**(358.2)%**

Depreciation, amortisation and impairment
Total depreciation and amortisation costs were £91.3 million (2017 restated: £71.0 million), an increase of 28.6% year-on-year. The increase year-on-year costs is as a result of the commencement of operations at the Erith CFC, increased bot numbers in our Andover and Erith CFCs and higher levels of technology spend on over the last few years on our platform.

Net finance costs
Net finance costs were £12.5 million, a decrease of 7.4% in comparison to the prior year (2017 restated: £13.5 million). The decrease is due to annualised impact of savings as a result of debt expiring or being repaid with the proceeds of the Senior Secured Notes issued in the prior year. This amount was offset by £2.2 million of finance income earned through cash deposits held (2017 restated: £0.2 million).

£2.8 million of interest costs have been capitalised in the period in relation to the senior secured notes and the RCF in accordance with the relevant accounting standards (2017 restated: £4.4 million).

Share of result from joint venture
MHE JVCo Limited ("MHE JVCo") holds Dordon CFC assets, which Ocado uses to service its and Morrisons' online business and is owned jointly by Ocado and Morrisons. The Group share of MHE JVCo profit after tax in the period amounted to £1.2 million (2017 restated: £1.6 million).

Loss before tax
Loss before tax for the period was £(44.4) million (2017 restated: loss of £(9.8) million).

Taxation
Due to the availability of capital allowances and Group loss relief, the Group does not expect to pay corporation tax during the period. No deferred tax credit was recognised in the period. Ocado had approximately £256.4 million (2017 restated: £183.6 million) of unutilised carried forward tax losses at the end of the period.

Dividend
During the period, the Group did not declare a dividend.

(Loss)/Earnings per share
Loss and diluted loss per share were (6.85)p (2017 restated: (1.38)p).

Capital expenditure

Capital expenditure for the period:

	FY 2018 (52 weeks) £million	FY 2017 (53 weeks) £million
Mature CFCs	6.2	3.1
New CFCs	80.3	69.7

International CFCs	10.9	-
Delivery assets	21.7	16.5
Technology	54.8	42.8
Fulfilment Development	21.2	15.5
Other	18.1	10.6
Total capital expenditure[1, 2] (excluding share of MHE JVCo)	**213.2**	**158.2**
Total capital expenditure[3] (including share of MHE JVCo)	**213.8**	**160.3**

1. Capital expenditure includes tangible and intangible assets
2. Capital expenditure excludes assets leased from MHE JVCo under finance lease arrangements
3. Capital expenditure includes Ocado share of the MHE JVCo capex in 2018 of £0.6 million and in 2017 of £2.1 million

Capital expenditure in the Hatfield CFC was £5.3 million which mainly related to a number of small projects to improve the capacity and resiliency of this site.

We incurred £80.3 million of costs in the period for our new CFCs. This included £65.3 million relating to the Erith CFC. The Erith CFC commenced operations in mid 2018 and is scaling up operations with a expected eventual capacity of over 200,000 OPW. The remaining amount related to capital developments in Andover CFC which is scaling up operations since opening in 2016.

Total expenditure on new vehicles in the period was £21.7 million (2017 restated: £16.5 million). This expenditure enabled business growth and replacement of vehicles that have reached or exceeded their five year useful life, the year on year increase is due to the timing of vehicles reaching the end of useful life.

Ocado continued to develop its own proprietary software and incurred £54.8 million (2017 restated : £42.8 million) of internal development costs in the period on technology, including £10.6 million (2017 restated: £7.1 million) spent on computer hardware and software. We expanded our technology total headcount to over 1,300 staff at the end of the period (2017: over 1,100 staff) as increased investments were made to support our strategic initiatives. The main areas of investment were replatforming of our technology and the greater use of public and private cloud services, improvements in the efficiency of our routing systems, enhancements to our customer proposition, and support for the growth of Andover CFC, Erith CFC and existing partners future CFCs.

Fulfilment development expenditure of £21.2 million was spent in enhancing our next generation fulfilment solutions which will be used in our latest CFCs and within CFCs for our Solutions partners.

In the period, we incurred our share of the capital expenditure relating to MHE JVCo of £0.6 million (2017 restated: £2.1 million) to improve operational capacity and efficiency of the Dordon CFC and various minor improvement projects.

Other capital expenditure of £18.1 million was incurred in the period, of which £6.8 million related to our general merchandise business. This was to support growth in capacity of our existing general merchandise distribution centre and to enable the opening of our GMDC2 site in mid 2018. £5.6 million related to our trial of an immediacy offer, launching in the coming months.

At 2 December 2018, capital commitments contracted, but not provided for by the Group, amounted to £69.7 million (2017 restated: £45.0 million). We expect capital expenditure in 2019 to be approximately £350 million which mainly comprises the roll out of new equipment directly related to our Solutions partners, expansion of our UK based CFCs, continuing investment in our infrastructure and technology solutions, 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

Net operating cash flow after finance costs increased to £128.4 million, up 9.8% from £116.9 million in 2017 as detailed below:

	FY 2018 (52 weeks) £million	FY 2017 (53 weeks) £million

EBITDA*[1]	**59.5**	**76.7**
Working capital movement	70.0	50.5
Exceptional items*	(0.1)	(0.3)
Other non-cash items	13.5	4.1
Finance costs paid	(14.5)	(14.1)
Operating cash flow	**128.4**	**116.9**
Capital investment	(170.1)	(179.5)
Dividend from joint venture	-	7.6
(Decrease)/Increase in net debt*/finance obligations	(32.8)	152.4
Proceeds from share issues	333.1	1.5
Other investing and financing activities	2.2	0.2
Movement in cash and cash equivalents	**260.8**	**99.1**

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

Operating cash flow increased by £11.5 million during the year driven by increased investment in resources for the development of the OSP platform. The increase in working capital inflow of £19.5 million is driven by an increase in trade and other payables (including contract liabilities) of £56.4 million, offset by an increase in inventories of £9.8 million and trade and other receivables (including contract costs) of £27.1 million.

During the period there was £170.1 million of capital expenditure as the Group continues to invest for future growth comprising investments in new CFCs, development of our next generation fulfilment solutions, and spend on new vehicles and spoke sites.

Net financing cash flows in the period were £300.3 million comprising £(32.8) million reduction in net debt* and financing obligations, £333.1 million of proceeds from the share placing in January 2018, the shares subscribed for by Kroger in May 2018 and the issue of new share capital following the exercise of employee share options. No dividend was received from MHE JVCO in the period, this was received post the period end .

Cash received during the year in relation to Solutions partners, excluding VAT, amounted to £200.1 million (2017 restated: £146.1 million).

Balance sheet

The Group had cash and cash equivalents of £410.8 million at the end of the financial year versus £150.0 million as at 3 December 2017.

Gross debt* at the period end was £360.6 million (2017 restated: £378.0 million) and external gross debt*, excluding obligations under finance leases owing to MHE JVCo, was £286.1 million (2017 restated: £283.9 million). The increase in net external cash is due to proceeds from the issue of equity raised in anticipation of investment in improving our platform and adding UK capacity. Net external cash at the period end was £124.7 million (2017 restated: net debt* £133.9 million), driven mainly by cash generated from equity.

Trade and Other Receivables includes £49.1 million (2017 restated: £28.8 million) of amounts due from suppliers in respect of commercial and media income. Of this amount £29.9 million (2017 restated: £12.2 million) is within trade receivables, and £19.2 million (2017 restated: £16.6 million) within accrued income.

Within deferred income, £12.5 million (2017 restated: £9.3 million) related to delivery income received under the Ocado Smart Pass scheme allocated to future periods, lease incentives and media income from suppliers which relate to future periods. Within Contract liabilities, £115.2 million (2017 restated: £49.7

million) of amounts are related to Solution contracts, payments made for performance-based payments or progress payments on ongoing service delivery. Where payments are greater than the revenue recognised at the end of period, a contract liability is recognised for the difference. Within accrued income, £3.8 million (2017 restated: £3.1 million) is the amount due from our Solution customers.

Included within property, plant and equipment is capital work-in-progress for land and buildings of £0.1 million (2017 restated: £37.2 million) and capital work-in-progress for fixtures, fittings, plant and machinery of £45.8 million (2017 restated: £61.6 million), the decrease relating to the Erith CFC and the second general merchandise distribution site, which have now opened.

Increasing financing flexibility

In the period, we issued approximately 5% of our issued share capital, raising gross proceeds of £143 million to provide the flexibility to take full advantage of the current opportunities to grow Ocado Solutions and accelerate development in our platform and our Retail business. The £100 million Revolving Credit Facility ("RCF") which was renegotiated in 2017 was not drawn during the year. In May 2018, Kroger Inc. subscribed for another 5% of share capital which raised a further £183 million.

Key performance indicators

The following table sets out a summary of selected unaudited operating information for FY 2018 and FY 2017:

	FY 2018 (52 weeks)	FY 2017 (52 weeks) *	Variance (52 weeks)
Average orders per week	296,000	264,000	12.1%
Average order size (£)[1]	106.85	107.28	(0.4)%
Mature CFC efficiency (units per hour)[2]	164	164	-
Average deliveries per van per week (DPV/week)	194	182	6.6%
Average product wastage (% of retail revenue*)[3]	0.8	0.7	(0.1)ppt

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) per order from Ocado.com
2. Measured as units dispatched from the CFC per variable hour worked by Hatfield CFC and Dordon CFC operational personnel. 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*

Consolidated Income Statement for the 52 weeks ended 2 December 2018

	Notes	52 weeks ended 2 December 2018 £m	53 weeks ended 3 December 2017 Restated ® £m
Revenue	2.1	**1,598.8**	1,454.5
Cost of sales		**(1,051.3)**	(959.5)
Gross profit		**547.5**	495.0
Other income		**71.9**	61.0
Distribution costs		**(485.4)**	(434.2)
Administrative expenses		**(167.0)**	(117.7)
Operating (loss)/ profit before result from joint venture and exceptional items*		**(33.0)**	4.1
Share of result from joint venture	5.2	**1.2**	1.6
Exceptional items*	2.4	**(0.1)**	(0.3)
Operating (loss)/ profit		**(31.9)**	5.4
Finance income	4.4	**2.2**	0.2
Finance costs	4.4	**(14.7)**	(13.9)
Loss before tax		**(44.4)**	(8.3)
Taxation		**(0.5)**	-
Loss for the period		**(44.9)**	(8.3)

Loss per share		pence	pence
Basic and diluted loss per share	2.5	**(6.87)**	(1.39)

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

	Notes	52 weeks ended 2 December 2018 £m	53 weeks ended 3 December 2017 Restated® £m
Adjustments for:			
Depreciation of property, plant and equipment	3.2	**63.3**	55.0
Amortisation expense	3.1	**27.1**	15.4
Impairment of property, plant and equipment	3.2	**0.5**	0.4
Impairment of intangibles assets	3.1	**0.4**	0.2
Exceptional items* - other	2.4	**0.1**	0.3
EBITDA*		**59.5**	76.7

® 2017 restatement was due to the adoption of IFRS 15 during the year. Refer to note 1.3 for further details

Consolidated Statement of Comprehensive Income for the 52 weeks ended 2 December 2018

	Notes	52 weeks ended 2 December 2018 £m	53 weeks ended 3 December 2017 Restated ® £m
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges			
- Gains arising on hedging contracts		**1.0**	0.5
- Losses arising on hedging contracts		**-**	(0.2)
Foreign exchange (loss)/ gains on translation of foreign subsidiary		**(0.3)**	0.2
Other comprehensive income for the period, net of tax		**0.7**	0.5
Total comprehensive expense for the period		**(44.2)**	(7.8)

® 2017 restatement was due to the adoption of IFRS 15 during the year. Refer to note 1.3 for further details

Consolidated Balance Sheet as at 2 December 2018

	Notes	2 December 2018 £m	3 December 2017 Restated ® £m	28 November 2016 Restated ® £m
Non-Current Assets				
Intangible assets	3.1	**143.2**	112.4	79.7
Property, plant and equipment	3.2	**556.7**	468.2	400.3
Deferred tax asset		**16.6**	14.3	14.2
Costs to obtain contracts		**0.8**	-	-
Financial assets		**4.1**	3.0	2.6
Investment in joint ventures	5.2	**52.2**	51.0	57.1
		773.6	648.9	553.9
Current Assets				
Asset held for sale	3.3	**4.2**	-	-
Inventories		**56.5**	42.9	39.1
Trade and other receivables		**104.7**	66.8	59.4
Derivative financial instruments		**0.1**	0.4	0.3
Cash and cash equivalents		**410.8**	150.0	50.9
		576.3	260.1	149.7

Total Assets		**1,349.9**	909.0	703.6
Current Liabilities				
Trade and other payables		**(291.0)**	(216.5)	(192.4)
Contract liabilities		**(6.6)**	(4.7)	(5.9)
Borrowings	4.1	-	-	(52.9)
Obligations under finance leases	4.2	**(22.9)**	(27.2)	(29.8)
Derivative financial instruments		**(0.5)**	(0.1)	(0.2)
Provisions		**(8.3)**	(1.3)	(2.4)
		(329.3)	(249.8)	(283.6)
Net Current Assets/(Liabilities)		**247.0**	10.3	(133.9)
Non-Current Liabilities				
Contract liabilities		**(108.6)**	(45.0)	(24.1)
Borrowings	4.1	**(244.3)**	(243.3)	(6.1)
Obligations under finance leases	4.2	**(93.4)**	(107.5)	(127.0)
Provisions		**(8.8)**	(8.8)	(7.3)
Deferred tax liability		**(8.9)**	(7.0)	(6.9)
		(464.0)	(411.6)	(171.4)
Net Assets		**556.6**	247.6	248.6
Equity				
Share capital	4.5	**14.0**	12.6	12.6
Share premium	4.5	**587.0**	258.4	256.9
Treasury shares reserve	4.5	**(9.2)**	(48.0)	(48.0)
Reverse acquisition reserve	4.5	**(116.2)**	(116.2)	(116.2)
Other reserves	4.5	**1.4**	0.7	0.2
Retained earnings		**79.6**	140.1	143.1
Total Equity		**556.6**	247.6	248.6

® 2016 and 2017 restatement was due to the adoption of IFRS 15 during the year. Refer to note 1.3 for further details

Consolidated Statement of Changes in Equity for the 52 weeks ended 2 December 2018

	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 27 November 2016	12.6	256.9	(48.0)	(116.2)	0.2	156.9	262.4
IFRS 15: Impact of change in accounting policy	-	-	-	-	-	(13.8)	(13.8)
Restated balance at 27 November 2016 ®	12.6	256.9	(48.0)	(116.2)	0.2	143.1	248.6
Restated loss for the period*	-	-	-	-	-	(8.3)	(8.3)
Other comprehensive income:							
Cash flow hedges							
- Gains arising on hedging contracts	-	-	-	-	0.5	-	0.5
- Losses arising on hedging contracts	-	-	-	-	(0.2)	-	(0.2)
Translation of foreign subsidiary	-	-	-	-	0.2	-	0.2
Restated Total Comprehensive Income/ (Expense) for the Period Ended 3 December 2017 ®	-	-	-	-	0.5	(8.3)	(7.8)
Transactions with owners:							
- Issue of ordinary shares	-	1.5	-	-	-	-	1.5
- Share-based payments charge	-	-	-	-	-	5.3	5.3
Total Transactions with Owners	-	1.5	-	-	-	5.3	6.8
Restated Balance at 3 December 2017 ®	12.6	258.4	(48.0)	(116.2)	0.7	140.1	247.6

Loss for the period	-	-	-	-	-	(44.9)	(44.9)
Other comprehensive income:							
Cash flow hedges							
- Gains arising on hedging contracts	-	-	-	-	1.0	-	1.0
- Losses arising on hedging contracts	-	-	-	-	-	-	-
Translation of foreign subsidiary	-	-	-	-	(0.3)	-	(0.3)
Total Comprehensive Income/ (Expense) for the Period Ended 2 December 2018	-	-	-	-	0.7	(44.9)	(44.2)
Transactions with owners:							
- Issue of ordinary shares	1.3	322.1	-	-	-	-	323.4
- Allotted in respect of share option schemes	0.1	6.2	-	-	-	-	6.3
- Disposal of treasury shares	-	-	11.7	-	-	3.5	15.2
- Transfer of treasury shares to participants	-	-	27.8	-	-	(27.8)	-
- Reclassification between reserves	-	0.3	(0.7)	-	-	0.4	-
- Share-based payments charge	-	-	-	-	-	6.1	6.1
- Disposal of Ocado Information Technology Ltd	-	-	-	-	-	2.2	2.2
Total Transactions with Owners	1.4	328.6	38.8	-	-	(15.6)	353.2
Balance at 2 December 2018	14.0	587.0	(9.2)	(116.2)	1.4	79.6	556.6

® 2016 and 2017 restatement was due to the adoption of IFRS 15 during the year. Refer to note 1.3 for further details

Consolidated Statement of Cash Flows for the 52 weeks ended 2 December 2018

	Notes	52 weeks ended 2 December 2018 £m	53 weeks ended 3 December 2017 Restated ® £m
Cash Flows from Operating Activities			
Loss before tax		(44.4)	(8.3)
Adjustments for:			
- Depreciation, amortisation and impairment losses	3.1, 3.2	91.3	71.0
- Movement in provisions		7.0	0.4
- Share of profit in joint venture	5.2	(1.2)	(1.6)
- Share-based payments charge		6.1	5.3
- Net Finance costs	4.4	12.5	13.7
- Movement in costs to obtain contracts		(0.8)	-
Changes in working capital:			
- Movement in inventories		(13.6)	(3.8)
- Movement in trade and other receivables		(36.1)	(10.2)
- Movement in trade and other payables		55.0	46.2
- Movement in contract liabilities		65.5	19.7
Settlement of cash flow hedges		1.6	-
Cash Generated from Operations		142.9	132.4
Interest paid		(14.5)	(14.1)
Net Cash Flows from Operating Activities		128.4	118.3
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(112.8)	(131.0)
Purchase of intangible assets		(57.3)	(49.9)
Dividend received from joint venture		-	7.6
Interest received		2.2	0.2

Net Cash Flows used in Investing Activities	(167.9)	(173.1)
Cash Flows from Financing Activities		
Proceeds from the issue of ordinary share capital net of transaction costs	333.1	1.5
Proceeds from borrowings	-	307.5
Repayment of borrowings	-	(110.0)
Repayments of obligations under finance leases	(32.0)	(36.5)
Payment of financing fees	(0.8)	(8.6)
Net Cash Flows from Financing Activities	300.3	153.9
Net Increase in Cash and Cash Equivalents	260.8	99.1
Cash and cash equivalents at the beginning of the period	150.0	50.9
Cash and Cash Equivalents at the end of the Period	410.8	150.0

® 2017 restatement was due to the adoption of IFRS 15 during the year. Refer to note 1.3 for further details

Notes to the Consolidated Financial Statements

Section 1 - Basis of Preparation

1.1 General Information

Ocado Group plc (hereafter "the Company") is a listed company incorporated in the United Kingdom under the Companies Act 2006 (Registration number 07098618). The Company is the parent and the ultimate parent of the Group. The address of its registered office is Buildings 1 & 2 Trident Place, Mosquito Way, Hatfield, Hertfordshire, AL10 9UL. The financial statements comprise the results of the Company, its subsidiaries and the Group's interest in a jointly controlled entity (hereafter "the Group"). The Financial Period represents the 52 weeks ended 2 December 2018. The prior financial period represents the 53 weeks ended 3 December 2017.

1.2 Basis of Preparation

The financial statements have been prepared in accordance with the Listing Rules and the Disclosure Guidance and Transparency Rules of the UK Financial Conduct 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 53 weeks ended 3 December 2017 of Ocado Group plc., with the exception of the early adoption of IFRS 15 "Revenue from Contracts with Customers" and "Clarifications to IFRS 15 Revenue from Contracts with Customers".

The financial information does not amount to full statutory accounts within the meaning of section 434 of the Companies Act 2006 and does not include all of the information and disclosures required for full annual financial statements. It should be read in conjunction with the Annual Report and Accounts of Ocado Group plc for the 52 weeks ended 2 December 2018 which was prepared in accordance with IFRS as adopted by the European Union and were filed with the Registrar of Companies. This report is available either on request from the Company's registered office or to download from www.ocadogroup.com. The auditor's report on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The financial statements are presented in pounds sterling, rounded to the nearest hundred thousand unless otherwise stated. The financial statements have 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 in the financial statements of the Group.

New standards, amendments and interpretations issued that are effective for the current year

In the current year, the Group has early adopted IFRS 15 "Revenue from Contracts with Customers" as several Ocado Solutions contracts were signed during the year which are impacted by the adoption of IFRS 15. The adoption has had a material impact on the disclosures and amounts reported in these financial statements. See note 1.3 for further information.

The Group has also considered the following new standards, interpretations and amendments to published standards that are effective for the Group for the financial year beginning 4 December 2017 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 other than disclosures:

		Effective Date
Various	Amendments to various IFRSs and IASs including those arising from the IASB's annual improvements project	1 January 2017
IAS 7	Statement of cash flows (amendments)	1 January 2017
IAS 12	Income taxes (amendments)	1 January 2017

New standards, amendments and interpretations not yet 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 4 December 2017 and have not been adopted early:

		Effective Date
IFRS 2	Share-based payments (amendments)	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 10	Consolidated financial statements (amendments)	Deferred
IAS 28	Investments in associates and joint ventures (amendments)	Deferred
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23	Uncertainty over income Tax Treatments	1 January 2019
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 9 "Financial Instruments", published in July 2014, replaces the existing guidance in IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. Our initial review of IFRS 9 has indicated that the impact of this new standard on the Groups' results is not anticipated to be material.
- 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 Consolidated 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. IFRS 16 is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements. On adoption of IFRS 16 the Group will recognise within the balance sheet a right of use asset and lease liability for all applicable leases. Within the income statement, rent expense will be replaced by depreciation and interest expense. This will result in a decrease in operating expenses and an increase in finance costs with no net impact. The standard will also impact a number of statutory measures such as operating profit, cash generated from operations and alternative performance measures, such as EBITDA*, that are used by the Group.

  The Group's ongoing review of IFRS 16 indicates that the financial impact will result in an increase in finance leased assets of approximately £278 million, and a corresponding increase in financial liabilities of £297 million, on the Consolidated Balance Sheet based on the current portfolio at the year end.

1.3 Changes in Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the early adoption of IFRS 15 "Revenue from Contracts with Customers" and "Clarifications to IFRS 15 Revenue from Contracts with Customers".

Initial adoption of IFRS 15 "Revenue from Contracts with Customers"

The standard has an effective date of 1 January 2018 but the Group has decided to early adopt this standard with a date of initial application to the Group of 4 December 2017 using the full retrospective method.

IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers unless the contracts are within the scope of other standards such as IAS 17 "Leases".

The standard outlines the principles that entities must apply to measure and recognise revenue with the core principle being that entities should recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to a customer.

The principles in IFRS 15 must be applied using the following 5 step model:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognise revenue when or as the entity satisfies its performance obligations.

The standard requires entities to exercise considerable judgement taking into account all the relevant facts and circumstances when applying each step of this model to its contracts with customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract, as well as requirements covering matters such as licences of intellectual property, warranties, principal versus agent assessment and options to acquire additional goods or services.

The Group has applied IFRS 15 fully retrospectively in accordance with paragraph C3 (a) of the standard, restating the prior period's comparatives and electing to use the following practical expedient:

· in respect of completed contracts that have variable consideration, the Group will use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative periods (para. C5(b));

Details of the change in the Group's accounting policy in respect of revenue recognition can be found in note 2.1 in the consolidated financial statements.

Consolidated Income Statement Restatement under IFRS 15

The Group early adopted IFRS 15 "Revenue from Contracts with Customers" (IFRS 15) using the full retrospective method. This note details the Group's new accounting policy for revenue and shows the impact of the adoption of IFRS 15 on the Group's primary financial statements.

Below is a description of the IFRS 15 impact on material areas requiring reclassification or restatement:

		53 weeks ended 3 December 2017	Impact of IFRS 15	53 weeks ended 3 December 2017 Restated
	Notes	£m	£m	£m
Revenue	2.1	1,463.8	(9.3)	1,454.5
Cost of sales		(959.5)		(959.5)
Gross profit		504.3		495.0
Other income		61.0		61.0
Distribution costs		(434.2)		(434.2)
Administrative expenses		(117.7)		(117.7)
Operating profit before result from joint venture and exceptional items*		13.4		4.1
Share of result from joint venture	5.2	1.6		1.6
Exceptional items*	2.4	(0.3)		(0.3)
Operating profit		14.7		5.4
Finance income	4.4	0.2		0.2
Finance costs	4.4	(13.9)		(13.9)
Profit/(loss) before tax		1.0	(9.3)	(8.3)

Taxation	-	-	-
Profit/(loss) for the period	1.0	(9.3)	(8.3)

Earnings/(loss) per share		pence	pence	pence
Basic and diluted earnings/(loss) per share	2.5	0.16	(1.55)	(1.39)

Recognition of Revenue:

Under the Group's previous accounting policy, revenue for certain contracts was recognised under the percentage of completion method based upon costs incurred to date as a proportion of the estimated full cost of completing the contract and applying the percentage to the total revenue expected to be earned. Such percentage of completion accounting would typically result in higher levels of revenue recognised in the earlier stages of a contract in line with the profile of costs incurred.

Under IFRS 15 revenue is recognised once, or as, a performance obligation is fulfilled. Typically, in an Ocado Solutions contract, revenue recognition would not commence until the date of "go-live". Previously revenue was typically recognised in the earlier development stages of a contract. This change has resulted in a reduction of £9.3 million in revenue recognised in the period to 3 December 2017. Under IFRS 15, revenue is now spread over the expected duration of the period the services are provided.

Consolidated Balance Sheet Restatement under IFRS 15

	Notes	As previously reported, 28 November 2016 £m	Impact of IFRS 15 £m	28 November 2016 Restated £m	As previously reported, 3 December 2017 £m	Impact of IFRS 15 £m	3 December 2017 Restated £m
Non-Current Assets							
Intangible assets	3.1	79.7		79.7	112.4		112.4
Property, plant and equipment	3.2	397.3	3.0	400.3	453.7	14.5	468.2
Deferred tax asset		14.2		14.2	14.3		14.3
Costs to obtain contracts		-		-	-		-
Financial assets		2.6		2.6	3.0		3.0
Investment in joint ventures	5.2	57.1		57.1	51.0		51.0
		550.9	3.0	553.9	634.4	14.5	648.9
Current Assets							
Inventories		39.1		39.1	42.9		42.9
Trade and other receivables		59.4		59.4	66.8		66.8
Derivative financial instruments		0.3		0.3	0.4		0.4
Cash and cash equivalents		50.9		50.9	150.0		150.0
		149.7	-	149.7	260.1	-	260.1
Total Assets		700.6	3.0	703.6	894.5	14.5	909.0
Current Liabilities							
Trade and other payables		(205.6)	13.2	(192.4)	(228.6)	12.1	(216.5)
Contract liabilities	2.3	-	(5.9)	(5.9)	-	(4.7)	(4.7)
Borrowings	4.1	(52.9)		(52.9)	-		-
Obligations under finance leases	4.1	(29.8)		(29.8)	(27.2)		(27.2)
Derivative financial instruments		(0.2)		(0.2)	(0.1)		(0.1)
Provisions		(2.4)		(2.4)	(1.3)		(1.3)
		(290.9)	7.3	(283.6)	(257.2)	7.4	(249.8)

Net Current (Liabilities)/Assets		(141.2)	7.3	(133.9)	2.9	7.4	10.3
Non-Current Liabilities							
Contract liabilities	2.3	-	(24.1)	(24.1)	-	(45.0)	(45.0)
Borrowings	4.1	(6.1)		(6.1)	(243.3)		(243.3)
Obligations under finance leases	4.1	(127.0)		(127.0)	(107.5)		(107.5)
Provisions		(7.3)		(7.3)	(8.8)		(8.8)
Deferred tax liability		(6.9)		(6.9)	(7.0)		(7.0)
		(147.3)	(24.1)	(171.4)	(366.6)	(45.0)	(411.6)
Net Assets		262.4	(13.8)	248.6	270.7	(23.1)	247.6
Equity							
Share capital	4.5	12.6		12.6	12.6		12.6
Share premium	4.5	256.9		256.9	258.4		258.4
Treasury shares reserve	4.5	(48.0)		(48.0)	(48.0)		(48.0)
Reverse acquisition reserve	4.5	(116.2)		(116.2)	(116.2)		(116.2)
Other reserves	4.5	0.2		0.2	0.7		0.7
Retained earnings		156.9	(13.8)	143.1	163.2	(23.1)	140.1
Total Equity		262.4	(13.8)	248.6	270.7	(23.1)	247.6

The cumulative effect of the adoption of IFRS 15 has resulted in a decrease in net assets of £23.1 million as at 3 December 2017 (28 November 2016: £13.8 million) and a corresponding decrease in retained earnings. This reflects an important change in accounting policy as the Group moves from percentage of completion to a methodology that is focused on aligning revenue recognition to the delivery of their performance obligation, as described in note 2.1 in the consolidated financial statements. The new policy results in lower levels of revenue being recognised in the early stages of a contract but higher levels towards the end of a contract.

The decrease in trade and other payables relates to the reclassification and restatement of deferred income as non-current and current contract liabilities. Prior to adoption of IFRS 15 deferred income was classified within 'Trade and other payables'.

The increase in property, plant and equipment relates to contributions received from a customer towards the cost of an asset. These are within the scope of IFRS 15 and are therefore recognised as contract liabilities and released over the life of the contract but were previously offset against the cost of the asset.

Consolidated Statement of Cash Flows Restatement under IFRS 15

		As reported, 53 weeks ended 3 December 2017	Impact of IFRS 15	53 weeks ended 3 December 2017 Restated
	Notes	£m	£m	£m
Cash Flows from Operating Activities				
Profit/(loss) before tax		1.0	(9.3)	(8.3)
Adjustments for:				
- Depreciation, amortisation and impairment losses	3.1, 3.2	71.0		71.0
- Movement in provisions		0.4		0.4
- Share of profit in joint venture	5.2	(1.6)		(1.6)
- Share-based payments charge		5.3		5.3
- Net Finance costs	4.3	13.7		13.7
Changes in working capital:				
- Movement in inventories		(3.8)		(3.8)
- Movement in trade and other receivables		(10.2)		(10.2)
- Movement in trade and other payables		45.1	1.1	46.2
- Movement in contract liabilities		-	19.7	19.7
Cash Generated from Operations		120.9	11.5	132.4

Interest paid	(14.1)		(14.1)
Net Cash Flows from Operating Activities	106.8	11.5	118.3
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	(119.5)	(11.5)	(131.0)
Purchase of intangible assets	(49.9)		(49.9)
Dividend received from joint venture	7.6		7.6
Interest received	0.2		0.2
Net Cash Flows used in Investing Activities	(161.6)	(11.5)	(173.1)
Cash Flows from Financing activities			
Proceeds from the issue of ordinary share capital	1.5		1.5
Proceeds from borrowings	307.5		307.5
Repayment of borrowings	(110.0)		(110.0)
Repayments of obligations under finance leases	(36.5)		(36.5)
Payment of financing fees	(8.6)		(8.6)
Net Cash Flows from Financing Activities	153.9	-	153.9
Net Increase in Cash and Cash Equivalents	99.1	-	99.1
Cash and cash equivalents at the beginning of the period	50.9	-	50.9
Cash and Cash Equivalents at the end of the Period	150.0	-	150.0

As a result of the adoption of IFRS 15, certain reclassifications are required in relation to the cash flow movements between relevant balance sheet accounts. There has been no change in the net increase in cash and cash equivalents as a result of these reclassifications or the restatement of these balance sheet accounts.

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. 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"), 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.

During the period, the Group determined it has two reportable segments: Retail and Solutions. The Retail segment provides online grocery and general merchandise offerings to customers within the UK. The Solutions segment provides end-to-end online retail solutions to corporate customers within and outside of the UK. In order to reconcile segment revenues* to the Group revenue and profit, a third category entitled "Other" shows unallocated costs such as central business activities.

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

The accounting policies of the segments are the same as those for the Group as a whole. Any transactions between the business segments are subject to normal commercial terms and market conditions. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment revenue and EBITDA*	Retail £m	Solutions £m	Other £m	Total £m
2017 (restated) ®				
Segment revenue	1,346.1	108.4	-	1,454.5

Segment EBITDA*	81.0	(6.9)	2.6	76.7
2018				
Segment revenue	**1,475.8**	**123.0**	-	**1,598.8**
Segment EBITDA	82.5	(17.9)	(5.1)	59.5

® 2017 restatement was due to the adoption of IFRS 15 during the year. Refer to note 1.3 for further details

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

2.2 Gross Sales*

A reconciliation of revenue to gross sales* is as follows:

	52 weeks ended 2 December 2018	53 weeks ended 2 December 2017
	£m	£m
Revenue	**1,598.8**	1,454.5
VAT	**124.0**	113.1
Marketing vouchers	**25.5**	22.7
Gross sales*	**1,748.3**	1,590.3

2.3 Revenue from Contracts with Customers

Disaggregation of revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	52 weeks ended 2 December 2018	53 weeks ended 2 December 2017 Restated ®
Segment Revenue	**£m**	£m
Retail	**1,475.8**	1,346.1
Solutions	**123.0**	108.4
	1,598.8	1,454.5
Timing of revenue recognition		
At a point in time	**1475.8**	1,346.1
Over time	**123.0**	108.4
	1,598.8	1,454.5

® 2017 restatement was due to the adoption of IFRS 15 during the year. Refer to note 1.3 for further details

Contract balances

	2 December 2018	3 December 2017 Restated ®	28 November 2016 Restated ®
	£m	£m	£m
Trade receivables	**8.6**	8.6	6.0
Contract liabilities	**(115.2)**	(49.7)	(30.0)

Analysis of total contract liabilities:

	2 December 2018	3 December 2017 Restated ®	28 November 2016 Restated ®
	£m	£m	£m
Non-current	**(108.6)**	(45.0)	(24.1)
Current	**(6.6)**	(4.7)	(5.9)
	(115.2)	(49.7)	(30.0)

® 2016 and 2017 restatement was due to the adoption of IFRS 15 during the year. Refer to note 1.3 for further details

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

Significant changes in the contract liabilities balance during the period is as follows:

	2 December 2018 Contract liabilities £m	3 December 2017 Contract liabilities £m
At beginning of the period	**(49.7)**	(30.0)
Increase due to the cash received	**(70.2)**	(25.6)
Recognised as revenue	**4.7**	5.9
At the end of the period	**(115.2)**	(49.7)

Set out below is the amount of revenue recognised from:

	52 Weeks Ended 2 December 2018 £'000	53 Weeks Ended 3 December 2017 Restated ® £'000
Amount included in the contract liabilities at the beginning of the year	**4.7**	5.9

® 2016 and 2017 restatement was due to the adoption of IFRS 15 during the year. Refer to note 1.3 for further details

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	2 December 2018 £m	3 December 2017 £m
Within one year	**112**	123
More than one year	**833**	487
More than five years	**2,136**	1,713
Total transaction price	**3,081**	2,323

Total transaction price includes £1,736.3 million (2017: £1,827.2 million) in respect of potential revenues in relation to the recovery of costs that are expected to be incurred in existing Solutions contracts.

The amounts disclosed above in respect of unsatisfied and partially unsatisfied performance obligations do not include estimates of any amounts that will arise if the customer continues to receive services beyond our estimate of the contract term. In addition, they are reduced, during the contract term, so as to limit our estimate of future variable amounts to a conservative amount that is 'highly probable'. Please see the additional explanations in note 2.1 in the Annual Report and Accounts in respect of these key judgements. The figures disclosed do not include any incremental amounts in relation to CFCs and other solutions to which a customer is not yet committed. However, they do include any amounts that are payable by the customer irrespective of whether an option for future CFCs and other solutions is exercised (e.g. amounts that are equivalent to a non-refundable deposit).

Costs to obtain contracts

	£m
As at 4 December 2017	-
Additions	0.8
Impairment and derecognition	-
Utilised during the year	-
As at 2 December 2018	**0.8**

Management expects that the incremental costs of obtaining the contract i.e. sales bonus are recoverable. The Group has therefore capitalised them as costs to obtain contracts of £0.8 million as at 2 December 2018 (2017: £nil).

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

2.4 Exceptional Items*

	52 weeks ended 2 December 2018 £m	53 weeks ended 3 December 2017 £m
Head office relocation costs	-	0.2

Litigation costs	**0.1**	0.1
	0.1	0.3

Litigation costs

The Group has incurred litigation costs relating to the recovery of interchange fees for card transactions. The fees relating to this are material a recurring and have therefore been treated as exceptional.

Head office relocation costs

In the prior period, the Group relocated its head office. The move to the new premises was completed in stages to minimise the impact on the business and the Group incurred dual running costs as it transitioned to the new premises. Due to the one-off nature of the head office move, these costs were treated as exceptional.

2.5 Loss Per Share

Basic loss per share is calculated by dividing the loss 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 JSOS, which are accounted for as treasury shares.

Diluted loss 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 three classes of instruments that are potentially dilutive: share options, share interests held pursuant to the Group's Joint Share Ownership scheme and shares under the Group's staff incentive plans.

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 was anti-dilutive.

Basic loss and diluted loss per share have been calculated as follows:

	52 weeks ended 2 December 2018 Number of shares (m)	53 weeks ended 3 December 2017 Number of shares (m)
Issued shares at the beginning of the period, excluding treasury shares	**601.4**	598.8
Effect of share options exercised in the period	**20.7**	0.7
Effect of treasury shares disposed of in the period	**(5.0)**	-
Effect of treasury shares transferred to participants in the period	**(4.4)**	-
Effect of shares issued in the period	**42.7**	-
Weighted average number of shares at the end of the period	**655.4**	599.5

	£m	£m
Loss attributable to the owners of the Company	**(44.9)**	(8.3)

	pence	pence
Basic and diluted loss per share	**(6.87)**	(1.39)

Section 3 - Assets and liabilities

3.1 Intangible Assets

	Internally generated assets	Other intangible assets	Total intangible assets
	£m	£m	£m
Cost			
At 27 November 2016	117.6	22.3	139.9
Additions	-	5.6	5.6
Internal development costs capitalised	42.7	-	42.7
Disposals	-	-	-
At 3 December 2017	160.3	27.9	188.2
Additions	**-**	**6.8**	**6.8**
Internal development costs capitalised	**51.5**	**-**	**51.5**
Disposals	**(0.4)**	**-**	**(0.4)**
At 2 December 2018	**211.4**	**34.7**	**246.1**
Accumulated amortisation			
At 27 November 2016	(55.0)	(5.2)	(60.2)

Charge for the period	(13.6)	(1.8)	(15.4)
Impairment	(0.2)	-	(0.2)
Disposals	-	-	-
At 3 December 2017	(68.8)	(7.0)	(75.8)
Charge for the period	**(23.6)**	**(3.5)**	**(27.1)**
Impairment	**(0.4)**	-	**(0.4)**
Disposals	**0.4**	-	**0.4**
At 2 December 2018	**(92.4)**	**(10.5)**	**(102.9)**
Net book value			
At 3 December 2017	91.5	20.9	112.4
At 2 December 2018	**119.0**	**24.2**	**143.2**

3.1 Intangible Assets (continued)

Included within intangible assets is capital work-in-progress for internally generated assets of £10.9 million (2017: £15.1 million) and capital work-in-progress for other intangible assets of £2.9 million (2017: £1.7 million).

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

	52 weeks ended 2 December 2018 £m	53 weeks ended 3 December 2017 £m
Cost	**14.4**	14.4
Accumulated amortisation	**(13.8)**	(13.0)
Net book value	**0.6**	1.4

For the 52 weeks ended 2 December 2018, internal development costs capitalised represented approximately 88% (2017: 88%) of expenditure on intangible assets and 24% (2017: 27%) 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 27 December 2016 (restated)	110.7	472.7	64.3	647.7
Additions	19.8	77.1	14.6	111.5
Internal development costs capitalised	-	11.8	-	11.8
Disposals	-	(1.3)	(4.8)	(6.1)
At 3 December 2017 (restated)*	130.5	560.3	74.1	764.9
Additions	**5.8**	**119.8**	**13.7**	**139.3**
Internal development costs capitalised	-	**17.2**	-	**17.2**
Disposals	-	**(0.3)**	**(5.3)**	**(5.6)**
Transfer of non-current asset held for sale	**(5.8)**	-	-	**(5.8)**
At 2 December 2018	**130.5**	**697.0**	**82.5**	**910.0**
Accumulated depreciation				
At 27 November 2016	(22.3)	(199.5)	(25.6)	(247.4)
Charge for the period	(2.9)	(39.3)	(12.8)	(55.0)
Impairment	-	(0.4)	-	(0.4)
Disposals	-	1.3	4.8	6.1
At 3 December 2017	(25.2)	(237.9)	(33.6)	(296.7)
Charge for the period	**(4.2)**	**(45.2)**	**(13.9)**	**(63.3)**
Impairment	-	**(0.5)**	-	**(0.5)**

Disposals	**-**	**0.3**	**5.3**	**5.6**
Transfer of non-current asset held for sale	**1.6**	**-**	**-**	**1.6**
At 2 December 2018	**(27.8)**	**(283.3)**	**(42.2)**	**(353.3)**
Net book value				
At 3 December 2017	105.3	322.4	40.5	468.2
At 2 December 2018	**102.7**	**413.7**	**40.3**	**556.7**

* 2016 and 2017 restatement was due to the adoption of IFRS 15 during the year. Refer to note 1.3 for further details.

Included within property, plant and equipment is capital work-in-progress for land and buildings of £0.1 million (2017: £37.2 million) and capital work-in-progress for fixtures, fittings, plant and machinery of £45.8 million (2017: £61.6 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 3 December 2017				
Cost	31.9	211.1	61.5	304.5
Accumulated depreciation and impairment	(21.2)	(127.8)	(26.2)	(175.2)
Net book value	10.7	83.3	35.3	129.3
At 2 December 2018				
Cost	**32.4**	**211.1**	**69.8**	**313.3**
Accumulated depreciation and impairment	**(23.2)**	**(143.2)**	**(32.8)**	**(199.2)**
Net book value	**9.2**	**67.9**	**37.0**	**114.1**

3.3 Non-Current Asset Held for Sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

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

Non-current asset held for sale and discontinued operations

The non-current asset held for sale of £4.2 million represents the carrying value of a UK property that was previously used in the Group's distribution network that the Group is in the process of selling. Sale negotiations are well advanced and the sale is expected to complete within one year of the balance sheet date. The proceeds of disposal are expected to exceed the book value and accordingly no gain or loss was recognised on the classification of the property as held for sale.

Section 4 - Capital Structure and Financing Costs

4.1 Borrowings

	Less Than One Year £m	Between One Year and Two Years £m	Between Two Years and Five Years £m	Over Five Years £m	Total £m
As at 3 December 2017					
Senior Secured loans	-	-	-	243.3	243.3
Total borrowings	-	-	-	243.3	243.3
As at 2 December 2018					

Senior secured notes	-	-	-	**244.3**	**244.3**
Total borrowings	-	-	-	**244.3**	**244.3**

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

Principal Amount £m	Inception	Security Held	Current Interest Rate	Instalment Frequency	Final Payment Due	Carrying Amount as at 2 December 2018 £m	Carrying Amount as at 3 December 2017 £m
250.0	June 2017	Collateral	4%	Semi-annually	June 2024	**244.3**	243.3
						244.3	243.3
Disclosed as:							
Current						-	-
Non-current						**244.3**	243.3
						244.3	243.3

In the current year, the unsecured £100 million revolving facility expiring in 2022 has not been utilised. Senior secured notes were issued in June 2017 raising £250 million; this is shown net of transaction fees. The senior secured notes are secured by charges over the issued share capital of the subsidiary undertakings that acted as guarantors for the notes.

The Group regularly reviews its financing arrangements. The revolving facility and the senior secured notes contain typical restrictions concerning dividend payments and additional debt and leases.

4.2 Obligations Under Finance Leases

	2 December 2018 £m	3 December 2017 £m
Obligations under finance leases due:		
Within one year	**22.9**	27.2
Between one and two years	**26.7**	24.6
Between two and five years	**60.9**	65.3
After five years	**5.8**	17.6
Total obligations under finance leases	**116.3**	134.7

External obligations under finance leases are £41.8 million (2017: £40.6 million) excluding £74.5 million (2017: £94.1 million) payable to MHE JVCo, a joint venture company.

	2 December 2018 £m	3 December 2017 £m
Minimum lease payments due:		
Within one year	**35.8**	33.6
Between one and two years	**30.6**	29.3
Between two and five years	**65.7**	72.7
After five years	**12.9**	18.3
	145.0	153.9
Less: future finance charges	**(28.7)**	(19.2)
Present value of finance lease liabilities	**116.3**	134.7
Disclosed as:		
Current	**22.9**	27.2
Non-current	**93.4**	107.5

	116.3	134.7

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

4.3 Analysis of Net Cash/(Debt) *

Net Cash/(Debt) *

	2 December 2018 £m	3 December 2017 £m
Current Assets		
Cash and cash equivalents	**410.8**	150.0
Current Liabilities		
Obligations under finance leases	**(22.9)**	(27.2)
	(22.9)	(27.2)
Non-Current Liabilities		
Borrowings	**(244.3)**	(243.3)
Obligations under finance leases	**(93.4)**	(107.5)
	(337.7)	(350.8)
Total net cash/(debt) *	**50.2**	(228.0)

Net cash position is £124.7 million (2017: £133.9 million net debt*), excluding finance lease obligations of £74.5 million (2017: £94.1 million) payable to MHE JVCo, a joint venture company.

£3.7 million (2017: £4.1 million) of the Group's cash and cash equivalents are considered to be restricted and are not available to circulate wit Group on demand.

Reconciliation of Net Cash Flow to Movement in Net Cash/(Debt) *

	2 December 2018 £m	3 December 2017 £m
Net increase in cash and cash equivalents	**260.8**	99.1
Net decrease/ (increase) in debt and lease financing	**31.0**	(147.7)
Non-cash movements:		
- Assets acquired under finance lease	**(13.6)**	(14.5)
Movement in net cash/(debt) * in the period	**278.2**	(63.1)
Opening net debt*	**(228.0)**	(164.9)
Closing net cash/(debt) *	**50.2**	(228.0)

4.4 Finance Income and Costs

	52 weeks ended 2 December 2018 £m	53 weeks ended 3 December 2017 £m
Interest on cash balances	**2.2**	0.2
Finance Income	**2.2**	0.2
Borrowing costs		
- Obligations under finance leases	**(6.5)**	(8.2)
- Borrowings	**(8.2)**	(5.7)
Finance Costs	**(14.7)**	(13.9)
Net Finance Costs	**(12.5)**	(13.7)

4.5 Share Capital and Reserves

As at 2 December 2018, the number of ordinary shares available for issue under the Block Listing Facilities was 10,014,711 (2017: 12,083,504). These ordinary shares will only be issued and allotted when the shares under the relevant share incentive plan have vested or the share options under the Group's executive share ownership scheme and non-employee share options and Sharesave schemes have been exercised. They are therefore not included in the total number of ordinary shares outstanding below.

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

	Ordinary shares Number of shares (million)	Ordinary shares £m	Share premium £m
At 27 November 2016	629.2	12.6	256.9
Issues of ordinary shares	1.1	-	0.9
Allotted in respect of share option schemes	0.4	-	0.6
At 3 December 2017	630.7	12.6	258.4
Issues of ordinary shares	**65.0**	**1.3**	**322.1**
Allotted in respect of share option schemes	**2.6**	**0.1**	**6.2**
Reclassification between reserves	**-**	**-**	**0.3**
At 2 December 2018	**698.3**	**14.0**	**587.0**

Included in the total number of ordinary shares outstanding above are 6,438,706 (2017: 32,803,390) ordinary shares held by the Group's employee benefit trust. The ordinary shares held by the trustee of the Group's employee benefit trust pursuant to the JSOS 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 basic loss per share calculation in note 2.5 as basic loss per share is calculated using the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

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

	Treasury shares reserve £m	Reverse acquisition reserve £m	Fair value reserve £m
At 27 November 2016	(48.0)	(116.2)	0.2
Movement on derivative financial instruments	-	-	0.3
Translation of foreign subsidiary	-	-	0.2
At 3 December 2017	(48.0)	(116.2)	0.7
Movement on derivative financial instruments	**-**	**-**	**1.0**
Disposal of treasury shares	**11.7**	**-**	**-**
Transfer of treasury shares to participants	**27.8**	**-**	**-**
Reclassification between reserves	**(0.7)**	**-**	**-**
Translation of foreign subsidiary	**-**	**-**	**(0.3)**
At 2 December 2018	**(9.2)**	**(116.2)**	**1.4**

(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.

(b) Other Reserves

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.

The acquisition by the Company of the entire issued share capital in 2010 of Ocado Limited was accounted for as a reverse acquisition under IFRS 3 (revised). Consequently, the previously recognised book values and assets and liabilities have been retained and the consolidated financial information for the period to 2 December 2018 has been presented as if the Company had always been the parent company of the Group.

Section 5 - Other Notes

5.1 Capital Commitments

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

	2 December 2018	3 December 2017
	£m	£m
Land and buildings	**0.1**	2.7
Property, plant and equipment	**69.6**	42.3
Total capital expenditure committed at the end of the period	**69.7**	45.0

Of the total capital expenditure committed at the current period end, £0.1 million (2017: £37.2 million) relates to new CFCs, £35.3 million (2017: £2.2 million) to existing CFCs, £7.9 million (2017: £0.3 million) to fleet costs and £nil (2017: £0.2 million) relates to technology projects.

5.2 Related Party Transactions

Key Management Personnel

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

	2 December 2018	3 December 2017
	£m	£m
Salaries and other short-term employee benefits	**4.2**	3.1
Share-based payments	**6.1**	2.4
	10.3	5.5

The share-based payment charge in 2018 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 5 February 2019.

Other related party transactions with key management personnel made during the period related to the purchase of professional services and amounted to £5,250 (2017: £2,700). 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 (2017: £nil). 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. Further information on the Group's relationship with Paneltex Limited is provided on note 3.4 in the Annual Report and Accounts.

	52 weeks ended 2 December 2018	52 weeks ended 3 December 2017
	£m	£m
Purchase of goods		
- Plant and machinery	-	0.7
- Consumables	**0.6**	0.5
Sale of goods	-	0.2

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 £8.2 million (2017: £6.3 million). At period end, the Group owed Paneltex £37,000 (2017: Paneltex Limited owed the Group £15,000).

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 an interest:

	2 December 2018	3 December 2017
	£m	£m
Capital contributions made to MHE JVCo	-	-
Dividend received from MHE JVCo	-	7.6
(Settlement)/Reimbursement of supplier invoices paid on behalf of MHE JVCo	**(0.6)**	7.5
Lease of assets from MHE JVCo	-	1.3
Capital element of finance lease instalments paid to MHE JVCo	**2.8**	16.0
Capital element of finance lease instalments due to MHE JVCo	**12.9**	-
Interest element of finance lease instalments accrued or paid to MHE JVCo	**4.4**	5.2

During the year the Group incurred lease instalments (including interest) of £20.1 million (2017: £21.2 million) to MHE JVCo.

Of the £20.1 million, £9.5 million (2017: £10.1 million) was recovered directly from Morrisons in the form of Other Income and a further £nil (2017: £7.6million) was received from MHE JVCo by way of a dividend. Of the remaining £10.6 million, £2.8 million represents the capital element of the finance lease instalments paid to MHE JVCo, £5.6 million represents the capital element of the finance lease instalments due to MHE JVCo and £2.2 million of the interest incurred on finance lease owing to MHE JVCo.

Included within trade and other receivables is a balance of £3.9 million (2017: £1.7 million) owed by MHE JVCo. £0.6 million (2017: £0.7 million) of this relates to a finance lease accrual which is included within other receivables. £3.3 million (2017: £1.0 million) relates to capital recharges.

Included within trade and other payables is a balance of £25.1 million (2017: £1.9 million) owed to MHE JVCo.

Included within obligations under finance leases is a balance of £74.5 million (2017: £94.1 million) owed to MHE JVCo.

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

5.3 Post Balance Sheet Events

There have been no significant events, outside the ordinary course of business, affecting the Group since 2 December 2018.

Alternative Performance Measures

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

- 52 Week Comparative for the 2017 Financial Year;
- Gross Sales;
- Segment Revenue;
- Exceptional Items;
- Segment Administrative Costs and Distribution Costs;
- EBITDA;
- Segment EBITDA;
- External Gross Debt; and
- Net Debt.

A reconciliation from these non-GAAP measures to the nearest measure prepared in accordance with IFRS is presented below. The alternative performance measures used may not be directly comparable with similarly titled measures used by other companies.

52 Week Comparative for the 2017 Financial Year

As a predominately retail business, the business has a 53 week financial year every 5-6 years. The business have removed the final trading week of the 2017 financial year to aid comparability for the users. These comparable numbers are not highlighted throughout the report.

Gross Sales

Gross Sales is a measure of reported revenue before excluding value added tax and relevant vouchers and offers. Gross Sales is a common measure used by investors and analysts to evaluate the operating financial performance of companies within the retail sector.

A reconciliation from reported revenue to Gross Sales can be found in note 2.3 to the consolidated financial statements.

Segment Revenue/Revenue (Retail)/Revenue (Solutions)

Segment revenue is a measure of reported revenue for the Group's Retail and Solutions segments. A reconciliation of revenue for the segments to revenue for the Group can be found in note 2.2 to the consolidated financial statements.

Exceptional Items

The Group's Consolidated Income Statement separately identifies trading results before exceptional items. The Directors believe that presentation of the Group's results in this way is relevant to an understanding of the Group's financial performance. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and assists in providing a meaningful analysis of the trading results of the Group. This also facilitates comparison with prior periods to assess trends in financial performance more readily.

The Group applies judgement in identifying significant non-recurring items of income and expense that are recognised as exceptional to help provide an indication of the Group's underlying business. In determining whether an event or transaction is exceptional in nature, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

Examples of items that the Group considers exceptional include, but are not limited to, material costs related to the opening of a new warehouse, corporate reorganisations, material litigation, and any material costs, outside of the normal course of business as determined by management.

Exceptional items are disclosed in note 2.7 to the consolidated financial statements.

Segment Administrative Costs and Distribution Costs

Segment distribution and administrative costs are measures which seek to reflect the performance of the Group's segments in relation to the long-term sustainable growth of the Group. These measures exclude the impact of certain costs that are not allocated to a segment; depreciation, amortisation, impairment and other central costs. A reconciliation from reported distribution and administrative costs, the most directly comparable IFRS measures, to the segment distribution and administrative costs is set out below.

Segment Administrative Costs and Distribution Costs (continued)

	52 weeks ended 2 December 2018	52 weeks ended 3 December 2017
	£m	£m
Retail distribution and administrative costs	**401.8**	356.1
Solutions distribution and administrative costs	**140.9**	115.1
Unsegmented distribution and administrative costs	**109.7**	80.7
	652.4	551.9

	52 weeks ended 2 December 2018	52 weeks ended 3 December 2017
	£m	£m
Reported distribution costs	**485.4**	434.2
Reported administrative expenses	**167.0**	117.7

	652.4	551.9

EBITDA

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

The Group considers EBITDA to be a useful measure of its operating performance because it approximates the underlying operating cash flow by eliminating depreciation and amortisation. EBITDA is not a direct measure of liquidity, which is shown by the cash flow statement, and needs to be considered in the context of the Group's financial commitments.

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

Segment EBITDA/EBITDA (Retail)/EBITDA (Solutions)

The financial performance of the Group's segments is measured based on EBITDA, as reported internally.

A reconciliation of EBITDA for the segments to EBITDA for the Group can be found in note 2.2 to the consolidated financial statements.

External Gross Debt

External gross debt consists of loans and other borrowings (both current and non-current), less finance leases payable to joint venture interests of the Group.

External gross debt is a measure of the Group's indebtedness to third parties which are not considered a related party to the Group.

A reconciliation from external gross debt to gross debt can be found below.

	2018 **£m**	2017 £m
External gross debt	**286.1**	283.9
Finance leases relating to joint ventures	**74.5**	94.1
Gross debt	**360.6**	378.0

Net Cash/(Debt)

Net cash/(debt) consists of loans and other borrowings (both current and non-current), less cash and cash equivalents. Loans and other borrowings are measured as the net proceeds raised, adjusted to amortise any discount over the term of the debt.

Net cash/(debt) is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess the combined impact of the Group's cash position and its indebtedness. The use of the term "Net cash/(debt)" does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure.

Net cash/(debt) is considered to be an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate of loans and other borrowings (current and non-current) and cash and cash equivalents. A reconciliation from these measures to Net cash/(debt) can be found in note 4.4 in the consolidated financial statements.

Announcement information

Person responsible for arranging the release of this announcement:

Neill Abrams
Group General Counsel & Company Secretary
Ocado Group plc
Buildings One & Two Trident Place
Mosquito Way
Hatfield
Hertfordshire

AL10 9UL
Fax: +44 (0)1707 227997
email: company.secretary@ocado.com
Ocado Group plc LEI: 213800LO8F61YB8MBC74

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