OCADO GROUP PLC

Half year results for the 24 weeks ended 15 May 2016

28 June 2016

Financial and statutory highlights

	24 weeks ended 15 May 2016 £million	24 weeks ended 17 May 2015 £million	Change vs 2015
Gross sales[1] (Retail)	582.9	511.9	13.9%
Revenue[2]	584.2	507.7	15.1%
EBITDA[3]	40.4	38.2	5.7%
Profit before tax	8.5	7.2	
Cash and cash equivalents	52.7	70.4	
Statutory net (debt)	(136.2)	(105.0)	
External net (debt)/cash[4]	(14.6)	24.9	

Tim Steiner, Chief Executive Officer of Ocado, said:

"I am encouraged by the steady progress in our business, with volumes through our operations, including the throughput for Morrisons, growing by 30%. The market remains competitive with ongoing price deflation but our increasing scale and operational efficiencies meant that we still grew profits, albeit at a slower rate.

"We have been gaining share in the online grocery market and expect this to continue. The last few years have shown beyond doubt that British shoppers are choosing the benefits of grocery shopping online and we believe that the momentum of channel shift away from bricks and mortar stores will continue. The more opportunities customers have to try grocery shopping online, the more they will be attracted to Ocado's superior customer offer.

"Testing of our new proprietary fulfilment and software solutions in our third facility in Andover is progressing well and we expect to move out of our test phase in the autumn post the quieter summer period. This and other innovations in technology that benefit our customers not only strengthen the Ocado retail brand but also make the Ocado Smart Platform an even more attractive solution for retailers outside the UK looking to build their own online grocery offer. I remain confident about signing up partners to this platform.

"Sales growth continues at pace and the productivity of our operations is improving. We have the technology, the brand and the financial resources to build on our leading position and look forward to the future with confidence."

We have made good progress in the delivery of our strategic objectives to drive growth, maximise efficiency and utilise proprietary knowledge, supported by the following actions:

Constantly improving our proposition to customers

- Range at Ocado.com further broadened to 48,000 SKUs (1H 2015: 45,000 SKUs)
- Over 55% of orders now checked out using a mobile device
- Market leading service levels with on time delivery at 94.9% (1H 2015: 95.6%) and order accuracy at 99.1% (1H 2015: 99.3%)

Strengthening our brands

- Winner of 'Online Supermarket of the Year' award in The Grocer Gold Awards 2016
- Active customers[5] up 14.9% to 541,000 (1H 2015: 471,000), with new customer acquisitions up 11% year on year
- Average Ocado.com[6] basket value declined by 2.2% to £110.10 (1H 2015: £112.59), impacted by price deflation in the market
- Ocado own-label continued to grow with sales up by 11% and over five products in the average customer basket

Developing ever more capital and operationally efficient infrastructure solutions

- Order volumes grew by 17.8% to an average of 225,000 orders per week (1H 2015: 191,000), with the highest number of orders delivered in a week reaching 250,000
- Delivery efficiency improved to 175 DPV (1H 2015: 162 DPV), due to enhancements to routing system and improved customer density
- Mature CFC[7] operational productivity of 159 UPH (1H 2015: 153 UPH), with Dordon CFC reaching over 175 UPH by end of period
- Operational efficiencies were offset by basket size declines and cost inflation
- Good progress in preparing Andover CFC for operations and expected to go live after the quieter summer period

Enhancing end-to-end technology systems

- Further innovation and increased activity to protect our intellectual property with 123 patent applications (covering 46 innovations) filed by the end of the period
- Continued expansion of our technology team to over 850 with plans to increase this to around 1,000 by the end of calendar year

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

- Morrisons.com operations progressing well; and agreed in principle terms for Morrisons to expand its capacity for online business
- Continued discussions with many potential international retailers to adopt the Ocado Smart Platform solution continue

Results presentation

A results presentation will be held for investors and analysts at 9.30am today at the offices of Goldman Sachs, Peterborough Court, 133 Fleet Street, London EC4A 2BE. Presentation material will be available online at http://www.ocadogroup.com/investors/reports-and-presentations/2016.aspx.

Contacts

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

1. Gross sales includes VAT and marketing vouchers
2. Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and VAT. The recharge of costs to Morrisons and fees charged to Morrisons are also included in revenue
3. EBITDA is a non-GAAP measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items
4. External net (debt) cash is the statutory net debt less amounts owing to MHE JVCo of £121.6 million (1H 2015: £129.9 million)
5. Customers are classified as active if they have shopped on Ocado.com within the previous 12 weeks
6. Customers' total average basket including standalone Fetch and Sizzle orders declined by 3.3% to £108.03 (1H 2015: £111.68)
7. A CFC is considered mature if it has been open for 12 months by the start of the half year reporting period

Financial Calendar

Our financial reporting calendar for the remainder of the year will be a Q3 Trading Statement on 13 September 2016, a Q4 Trading Statement on 8 December 2016 and a Full Year Results Statement on 31 January 2017.

Cautionary statement

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

Chief Executive Officer’s review

Steady progress in a challenging market

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

We continued to deliver our strategic objectives, namely, to drive growth, maximise efficiency and utilise our knowledge, positioning ourselves to benefit from the continued channel shift to online grocery shopping. Our order volumes continued to grow strongly, with the highest number of orders delivered in a week exceeding 250,000 during the period and our active customer base increasing to 541,000.

Progress against our strategic objectives

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

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

Constantly improve the proposition to customers

In our retail business, we continued to focus on the key elements of our proposition to customers – our high quality service and user experience, an attractive and extensive selection of products to choose from and competitive prices.

We believe that consumers will increasingly seek to do their grocery shopping online if they consider it a better proposition to current store based experiences. Our focus has remained on improving the customer experience by enhancing the speed, convenience and ease of using our service, allowing customers to be able to shop anywhere, anytime, moving seamlessly across intuitive and easy to use interfaces. Ocado customers can begin an order on a desktop or mobile device, continue it or amend it seamlessly on a different device or format, and then checkout on any of these. Mobile continues to grow in importance for Ocado and the wider retail sector. In 1H 2016, over 55% of all orders were checked out using a mobile device, using our latest apps and browsers.

Order accuracy was very slightly weaker at 99.1% (1H 2015: 99.3%) as were orders delivered on time or early at 94.9% (1H 2015: 95.6%). Nonetheless, we believe our order accuracy and on time delivery performance continue to be market leading, both critical elements in providing a high quality and reliable service for our customers.

Customers can choose from over 48,000 SKUs (1H 2015: 45,000 SKUs) when shopping at Ocado.com. This includes everyday items, the Ocado and Waitrose own label products, our customers’ favourite brands, non-food items and many specialist and international product ranges. The areas of range growth include healthy snacking and our extensive range of organic food products. Many of the Ocado-listed ‘Super foods’ can be found in our ‘Eat well, Feel fantastic’ shop.

We currently have over 50 dedicated ‘shop in shops’, including the recently launched ‘Ciao Gusto’ – an authentic range of Italian products. We also continued to grow our range of vegetarian and vegan products, and have again been short-listed for the Veggie Awards 2016.

Despite price reductions and broader food price deflation in the market, nearly three quarters of our customers’ baskets were already cheaper at Ocado when checking for our Low Price Promise (“LPP”) basket matching scheme. The cost per order of LPP to Ocado in the form of vouchers used during the period has decreased slightly and remains low, reflecting our competitiveness in prices and sustained promotional activity.

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

Our General Merchandising revenues have continued to grow, with year-on-year growth of over 40%, despite current limited investment in technology in that area. Growth was driven by further development of the non-food range on Ocado.com and from our destination sites, Sizzle, our kitchen and dining store, and, particularly Fetch, our specialist pet store. Both complement our range at Ocado.com and reflect the convenience of shopping from a broader general merchandise product range alongside customers’ regular grocery shop.

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

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

Strengthen brands

We have continued to broaden the awareness, and to reinforce the strength and values of our Ocado, Fetch and Sizzle brands through our marketing and promotional activities. Our brands and strong customer proposition were once again recognised through several awards during the period, including winning 'Online Supermarket of the Year' at The Grocer Gold Awards for the second consecutive year and the Soil Association's 'Organic Online Retailer of the Year' award.

Our Ocado own-label reinforces brand recognition and strength and continues to grow with sales up 11% over the same period last year, with the average customer basket now containing between five to six own-label products. Growth of our Ocado own-label is constrained by our contractual obligations with Waitrose.

Our active customer base grew by 14.9% to 541,000 (1H 2015: 471,000), with a slower growth in new customer acquisition during the period and an increase in reactivation of lapsed customers with more focused marketing and voucher activity. New customer acquisitions were up 11% from 1H 2015, with marketing voucher spend in the period increasing to 1.3% of revenue (1H 2015: 1.2% of revenue) driven in part by using longer term voucher incentives based on multiple shops.

Customers' average Ocado.com basket value declined by 2.2% to £110.10 (1H 2015: £112.59), impacted by price deflation in the market due to a continued competitive environment.

Develop ever more capital and operationally efficient infrastructure solutions

Both our Hatfield Customer Fulfilment Centre ("CFC1") and our Dordon Customer Fulfilment Centre ("CFC2") continued to operate to a high level of accuracy and with improved efficiency. Using the units per labour hour efficiency measure ("UPH"), the average productivity for the period in our Mature CFC operations was 159 UPH (1H 2015: 153 UPH), where we consider a CFC to be mature if it has been open for 12 months by the start of the half year reporting period. By the end of the period, operational efficiency in the Dordon CFC reached over 175 UPH.

Our order volumes have grown to an average of 225,000 OPW (1H 2015: 191,000 OPW), a strong growth of 18% with the highest number of orders delivered in a week exceeding 250,000 during the period. This highlights not only our commercial growth, but also our strong operational capabilities. In addition, we plan to increase our share of capacity in CFC1 and CFC2 by around a total of 10,000 orders per week ("OPW").

We made good progress with our new CFCs in Andover, Hampshire ("CFC3") and Erith, South East London ("CFC4"). The testing of our new proprietary modular, scalable physical fulfilment solution and software systems in our Andover CFC is progressing well and we expect to go live at this site after the quieter summer period, and with a plan to scale to 65,000 OPW once at full capacity. At the Erith site, we have started our fit out works.

In order to optimise the build process and increase the potential eventual capacity above 200,000 OPW, we plan to be ready for operations in financial year 2018.

We continued improving our routing system during the period, which in combination with greater customer density has led to an increase in deliveries per van per week across all shifts ("DPV") to 175 (1H 2015: 162). Our distribution capacity in the existing geographic coverage was increased further through the addition of one new spoke in Crawley, West Sussex and post period end, Southampton spoke closed and its operations were transferred to the CFC3 site as part of our wider distribution plan. As a result of recent spoke openings and transfers, and following the opening of a new spoke in Peterborough due in 2H 2016, we will have sufficient spoke capacity to expect no further spoke openings for 12 months.

Enhance our end-to-end technology systems

Our proprietary IP, knowledge and technology are at the core of our business. They support our market leading proposition to customers and drive our operating efficiencies. We seek to continually improve the technology we use and believe that this innovation creates competitive advantages across our business. As at the end of the period, we had filed patent applications covering 46 separate innovations, bringing the cumulative total number of patent applications filed to 123, of which 52 have so far been published.

We continued to expand our technology team during the period, to over 850 developers and IT professionals, with plans to increase this to around 1,000 by the end of 2016. In addition to our UK, Polish and Bulgarian offices, we opened a further technology centre in Barcelona in 1H 2016.

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

Enable Morrisons' and future partners' online businesses

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

Our first commercialisation agreement, with Morrisons, resulted in the launch of Morrisons.com in January 2014. Using our existing CFC infrastructure and technology solutions, Morrisons.com has continued to progress well.

They have ramped up fast demonstrating the potential value of combining our platform with an existing grocery retailer's brand, customer awareness and merchandising skills. In light of the strong volume growth, we agreed in principle terms in February 2016 with Morrisons to expand their capacity to grow their online business. As part of this we will enable a store pick capability to complement CFC operations, suitable for catchments not serviced by a CFC. This store pick functionality will form part of, and add flexibility to, the Ocado Smart Platform.

We continue to be in multiple discussions with international grocery retailers to use Ocado Smart Platform. This packages our proprietary physical fulfilment solution (now built in CFC3) together with our end-to-end software and systems based technology, to offer partners a total solution for efficiently operating online grocery businesses.

We believe our commercial proposition to international grocery retailers is compelling and remain confident in our ability to sign multiple deals in the medium term.

People and CR initiatives

By the end of the period, we employed close to 11,000 people, a net addition of over 2,000 new employees year-on-year, to further support the growth of our retail businesses, our Morrisons.com platform business and the development of Ocado Smart Platform.

We will continue expanding our talent pool in the remainder of 2016, including the addition of around a further 150 software engineers and IT specialists in the UK and across Europe.

Our Code for Life programme, teaching children coding skills with our free resource "Rapid Router", now has more than 57,000 users and continues to be popular both here in the UK and overseas.

Our Donate Food with Ocado scheme continues to be popular with customers and allows us to match fund donations made with groceries, donating more than £100,000 worth of groceries to date. In November 2015 we began working with 'The Real Junk Food Project' and believe we are the first UK retailer to send customer-cancelled orders (including fresh food with long sell by dates) straight to a charity to use.

2016 Outlook

We reported gross retail sales growth of 13.9% for the period and expect to continue growing ahead of the online market.

We expect the market to remain competitive with continued impact on average baskets, and expect to open CFC3 and start depreciating the related capital work-in-progress and associated software in 2H 2016.

Capital expenditure in 2016 is expected to be approximately £150 million, encompassing expenditure for CFC3 and CFC4, and the increased costs of further developing our infrastructure and technology solutions. At the end of the period we had over £270m of cash and available undrawn credit facilities.

Chief Financial Officer's review

For the period, we continued to show robust trading performance in a challenging and competitive grocery market. At group level, we continued our sales growth driven by double digit growth in our retail business and benefits from our agreement with Morrisons.

Growth in retail sales was driven by further improvement in our proposition to customers and solid growth in the number of our active customers in the period. We continued to benefit from improved delivery efficiency and operational fulfilment and consequently retail distribution costs grew at a lower rate than revenues. This was offset by lower margins reflecting the competitive and deflationary pressures in the market. We maintained our investment in a number of strategic initiatives to sustain future growth of the Group.

	1H 2016 £m	1H 2015 £m	Variance
Revenue[1]	584.2	507.7	15.1%
Gross profit	199.4	170.8	16.7%
EBITDA	**40.4**	**38.2**	**5.7%**
Operating profit before share of result from joint venture and exceptional items	11.8	10.6	11.2%
Share of results from joint venture	1.0	1.2	
Profit before tax	**8.5**	**7.2**	**17.5%**

	1H 2016 £m	1H 2015 £m	Variance
EBITDA	**40.4**	**38.2**	**5.7%**
Less Morrisons MHE JVCo impact[2]	(6.5)	(6.3)	
Add back non-cash share based payments	2.7	3.5	
Underlying EBITDA	**36.6**	**35.4**	**3.3%**

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

Revenue

	1H 2016 £m	1H 2015 £m	Variance
Retail	540.1	475.3	13.6%
Morrisons recharges	35.2	23.8	47.3%
Morrisons fees	8.9	8.6	3.5%
Total revenue	**584.2**	**507.7**	**15.1%**

Group revenue increased 15.1% year-on-year to £584.2 million. Revenue from retail activities was £540.1 million, an increase of 13.6%. The Morrisons agreement contributed £44.1 million to revenue, up from £32.4 million in 1H 2015. This comprised annual fees for services, technology support, research and development, management fees and a recharge of relevant operational variable and fixed costs.

Retail revenue growth was driven by growing demand with total average orders per week of 225,000 up from 191,000 in 1H 2015, partially offset by a decline in the average order size to £108.03 (1H 2015: £111.68) including standalone orders for Fetch and Sizzle.

We continued to acquire new customers and increase our reactivation of lapsed customers with focused marketing and voucher activity. New customer acquisitions were up 11% from 1H 2015, with marketing voucher spend in the period increasing to 1.3% of revenue (1H 2015: 1.2% of revenue) driven in part by using longer term voucher incentives based on multiple shops. We sustained the significant growth of our General Merchandise offering in the period with revenue increasing by over 40% year-on-year.

Gross profit

	1H 2016 £m	1H 2015 £m	Variance
Retail	155.3	138.4	12.2%
Morrisons recharges	35.2	23.8	47.3%
Morrisons fees	8.9	8.6	3.5%
Total gross profit	**199.4**	**170.8**	**16.7%**

Gross profit rose to £199.4 million, up 16.7% year-on-year. Gross margin was 34.1% of revenue (1H 2015: 33.6%), ahead of 1H 2015 principally due to the contribution from Morrisons gross profit. The grocery market remained challenging due to continued margin pressure across the industry driven by increased price competition, deflationary pressure and changing customer behaviour, and as a result retail gross margin decreased by 0.3% to 28.8% (1H 2015: 29.1%). The increase in grocery product range has resulted in slightly higher average product wastage, which increased to 0.8% of retail revenue (1H 2015: 0.7%). We believe this still continues to be market leading. Gross profit from our arrangement with Morrisons was up by 47.3% year-on-year, driven by growth in scale of Morrisons.com.

Other income increased by 17.6% to £22.7 million (1H 2015: £19.3 million) with supplier income of £15.3 million equivalent to 2.8% of retail revenue (1H 2015: 2.8%). Other income also included £5.6 million (1H 2015: £5.1 million) arising from the leasing arrangements with Morrisons for MHE assets and £1.1 million (1H 2015: £1.1 million) of rental income relating to the lease of Dordon CFC. This income for the MHE assets is generated from charging MHE lease costs to Morrisons and is fully offset by the additional depreciation and lease interest costs that we incur for the share of the MHE assets jointly owned with Morrisons.

Operating profit

Operating profit before the share of result from joint venture and exceptional items ("adjusted operating profit") for the period was £11.8 million, compared with £10.6 million in 1H 2015.

Distribution costs and administrative expenses include costs for the Ocado and Morrisons fulfilment and delivery operations, as well as head office costs. The costs directly relating to the Morrisons operations are recharged and included in revenue. Total distribution costs and administrative expenses, including costs recharged to Morrisons, grew by 17.1% year-on-year. Excluding the Morrisons distribution costs and administrative expenses, costs grew by 12.3% and remain lower than the growth in the retail average orders per week of 17.8%.

	1H 2016 £m	1H 2015 £m	Variance
Distribution costs[1]	111.5	97.8	14.0%
Administrative expenses[1]	36.0	31.7	13.3%
Costs recharged to Morrisons[2]	35.2	23.6	49.1%
Depreciation and amortisation[3]	27.6	26.4	4.5%
Total distribution costs and administrative expense	**210.3**	**179.5**	**17.1%**

1. Excluding chargeable Morrisons costs, depreciation, and amortisation and impairment charges
2. Morrisons costs include both distribution and administrative costs
3. Included within depreciation and amortisation for 1H 2016 is a £0.1 million (1H 2015 £nil) impairment charge

At £111.5 million, distribution costs increased by 14.0% compared to 1H 2015, lower than the growth in the retail average orders per week. Mature CFC UPH efficiencies continued to improve year-on-year by 3.9% to 159. This improvement in mature CFC UPH was driven mainly by the Dordon CFC productivity, which regularly exceeded 175 UPH towards the end of the period. UPH in the Hatfield CFC also improved versus last year.

Deliveries per van per week have risen to 175 (2015: 162) as customer density improved and as we continue to make enhancements to our routing system. We increased our distribution capacity in our existing geographic coverage by the opening of one new spoke in the period in Crawley. We also benefited from the opening of two new spokes in the second half of last year (West Drayton and Milton Keynes) and expansion of the Bristol spoke.

As result of these new spoke openings at the end of last year and the additional costs from moving an inner London spoke at White City to Park Royal in 2015, spoke fixed costs as a percentage of sales increased in the period.

Total administrative expenses excluding depreciation, amortisation and costs recharged to Morrisons increased to £36.0 million, a 13.3% increase from 2015 and 6.2% as a percentage of revenue broadly in line with the prior year. During the period we benefited from lower non-cash share based charges due to a revaluation of the schemes at the end of the period and the lower than expected costs from the maturity of the 2013 long term incentive plan. Marketing costs excluding voucher spend remained flat at 0.8% as a percentage of retail revenue (1H 2015: 0.8%). Marketing spend excluding vouchers continued to be spent on targeted activities and this lower spend as a percentage of sales was in line with prior year but was offset by more vouchering to continue the strong drive of growth in new customers, up 11%.

	1H 2016 £m	1H 2015 £m	Variance
Central costs - other[1]	28.9	24.2	19.1%
Central costs – share based management incentives	2.7	3.5	(23.8)%
Marketing costs (excluding vouchers)	4.4	4.0	10.8%
Total administrative expenses	**36.0**	**31.7**	**13.3%**

1. Excluding chargeable Morrisons costs, depreciation and amortisation

Total depreciation and amortisation costs were £27.6 million (1H 2015: £26.4 million), an increase of 4.5% year-on-year. This increase is due to higher depreciation and amortisation arising from impact of depreciation on the phase 2 extension works at Dordon CFC and increased investment in new spokes and vehicles to support our continued order growth. The capital work-in-progress of Andover and its associated software will start to be depreciated following the opening of Andover, which is expected in 2H 2016.

Share of result from joint venture

MHE JVCo Limited ("MHE JVCo") was incorporated in 2013 on the completion of the Morrisons agreement, with Ocado owning a 50% equity interest in this entity. MHE JVCo holds Dordon CFC assets, which Ocado uses to service its and Morrisons' online business. The Group share of MHE JVCo profit after tax in the period amounted to £1.0 million (1H 2015: £1.2 million).

Net finance costs

Net finance costs were £4.3 million, versus £4.6 million in 1H 2015. Excluded from this amount are costs of £0.4 million (1H 2015: £nil) which have been capitalised in the period in relation to the £210 million Revolving Credit Facility ("RCF").

Profit before tax

Profit before tax for the period was £8.5 million (1H 2015: £7.2 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 £287.8 million (1H 2015: £285.3 million) of unutilised carried forward tax losses at the end of the period.

Earnings per share

Basic earnings per share were 1.45p (1H 2015: 1.23p) and diluted earnings per share were 1.40p (1H 2015: 1.17p).

Capital expenditure and cash flow

Capital expenditure for the period:

	1H 2016 £m	1H 2015 £m
Mature CFCs	1.5	1.6
New CFCs	17.1	19.0
Delivery	13.7	12.5
Technology	13.3	9.2
Fulfilment Development	5.8	7.1
Other	1.9	1.1
Total capital expenditure[1, 2] (excluding share of MHE JVCo)	**53.3**	**50.5**
Total capital expenditure[3] (including share of MHE JVCo)	**55.0**	**52.9**

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 2016 of £1.7 million and in 2015 of £2.4 million

Capital expenditure in the Hatfield CFC was £1.0 million of which £0.8 million relates to the installation of additional chill plant in the facility.

We incurred £14.3 million of costs in the period for the build and installation of our proprietary infrastructure at our Andover CFC, which has an expected capacity pf 65,000 OPW.

Our fourth CFC located in Erith, South East London, will be larger than our existing CFCs. In order to optimise the build phase of this site and increase the potential eventual capacity above 200,000 OPW, we plan to be ready for operations in financial year 2018. We have incurred £2.8 million of costs on this site in the period.

Investment in new vehicles, which are typically on five year financing contracts, was £8.9 million, higher than the prior year (1H 2015: £7.9 million). This was to support the business growth and the need to replace vehicles that have reached or exceeded their five year useful life. Delivery capital expenditure also included investments in new spokes of £1.8 million, which included costs for the completion of the Crawley spoke, which opened in April 2016, and costs for our new Peterborough spoke that will open in 2H 2016.

Ocado continued to develop its own proprietary software and incurred £10.0 million (1H 2015: £7.7 million) of internal development costs in the period on Technology, with a further £3.3 million (1H 2015: £1.5 million) spent on computer hardware and software. We expanded our technology total headcount to 850 staff at the end of the period (FY 2015 over 700 staff) as increased investments were made to support our strategic initiatives, including the major replatforming of Ocado's technology and migration of most of our systems to run on a public or private cloud. This will allow Ocado to achieve greater technical agility and enable the technology for any possible international expansion opportunities. In addition, we have invested internal technology resources as part of developing capital projects for Dordon CFC phase 2, next generation of fulfilment solutions and the further development of the Morrisons proposition.

Fulfilment development capital expenditure includes £5.8 million of investment in developing our next generation fulfilment solution, which will be used in our new CFCs and for Ocado Smart Platform partners.

In the period we incurred our share of the capital expenditure relating to MHE JVCo of £1.7 million (1H 2015: £2.4 million) to improve operational capacity and efficiency of the Dordon CFC and various minor improvement projects.

At 15 May 2016, capital commitments contracted, but not provided for by the Group, amounted to £18.6 million (29 November 2015: £22.3 million). We expect capital expenditure in 2016 full year to be approximately £150 million, with further investments in the next generation of fulfilment solutions, work on our new CFCs, additional new vehicles to replace vehicles coming to the end of their five year financing contracts and support business growth.

Net operating cash flow after finance costs increased to £48.8 million, up 18.7% from £41.1 million in 1H 2015 as detailed below:

	1H 2016 £m	1H 2015 £m
EBITDA	**40.4**	**38.2**
Working capital movement	9.9	1.3
Other non-cash items	1.1	3.7
Finance costs paid	(2.6)	(2.1)
Operating cash flow	**48.8**	**41.1**
Capital investment	(44.9)	(40.6)
Increase/(Decrease) in net debt/finance obligations	2.5	(9.2)
Proceeds from share issues net of transaction costs	0.5	2.8
Movement in cash and cash equivalents	**6.9**	**(5.9)**

Operating cash flow increased by £7.7 million during the year driven by an increase in EBITDA and a positive movement in working capital. The working capital inflow of £9.9 million is driven by an increase in trade payables and accruals of £15.8 million and a decrease in inventories, due to seasonality, of £1.5 million, offset by an increase in trade and other receivables of £7.4 million.

The Group continues to invest for future growth comprising investments in new CFCs, development of our next generation fulfilment solution and spend on new vehicles and spoke sites. We incurred £53.3 million of capital expenditure during the period. £44.9 million of capital expenditure was paid in cash during the period.

Net financing cash flows in the period were £3.0 million comprising £2.5 million of new net debt and financing obligations and £0.5 million of proceeds from the issue of new share capital following the exercise of employee share options.

Balance sheet

The Group had cash and cash equivalents of £52.7 million at the end of period versus £45.8 million at 29 November 2015.

Gross debt at the period end was £188.9 million (1H 2015: £175.4 million) and external gross debt, excluding obligations under finance leases owing to MHE JVCo Limited, was £67.3 million (1H 2015: £45.5 million). Net external debt at the period end was £14.6 million (1H 2015: net external cash £24.9 million).

Trade and Other Receivables includes £30.3 million (1H 2015: £26.1 million) of amounts due from suppliers in respect of commercial income. £16.1 million (1H 2015: £10.7 million) is within trade receivables, and £14.2 million (1H 2015: £15.4 million) within accrued income.

Included within property, plant and equipment is capital work-in-progress for land and buildings of £33.4 million (2015: £19.8 million) and capital work-in-progress for fixtures, fittings, plant and machinery of £85.9 million (2015: £37.1 million) which relates primarily to the costs associated with the Andover CFC and associated software.

Increasing financing flexibility

The Group has an existing unsecured RCF of £210 million with an expiry of 1 July 2019. The participating banks continued to be Barclays, HSBC, RBS and Santander. This facility gives us flexibility to exploit the increasing growth opportunities available to our business. We utilised £10 million of this facility at the period end.

Key performance indicators

The following table sets out a summary of selected unaudited operating information for 1H 2016 and 1H 2015:

	1H 2016	1H 2015	Variance
Average orders per week	225,000	191,000	17.8%
Average order size (£)[1]	108.03	111.68	(3.3)%
Overall CFC efficiency (units per hour)[2]	159	153	3.9%
Average deliveries per van per week (DPV/week)	175	162	8.3%
Average product wastage (% of retail revenue)[3]	0.8%	0.7%	
Items delivered exactly as ordered[4]	99.1%	99.3%	
Deliveries on time or early	94.9%	95.6%	

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

1. Average retail value of goods a customer receives (including VAT and delivery charge and including destination site orders) per order
2. Measured as units dispatched from the CFC per variable hour worked by 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
4. Percentage of all items delivered exactly as ordered, i.e. the percentage of items neither missing nor substituted

Consolidated income statement
for the 24 weeks ended 15 May 2016

	Notes	24 weeks ended 15 May 2016 £m	24 weeks ended 17 May 2015 £m	52 weeks ended 29 November 2015 £m
		(unaudited)	(unaudited)	(audited)
Revenue	5	584.2	507.7	1,107.6
Cost of sales		(384.8)	(336.9)	(732.5)
Gross profit		199.4	170.8	375.1
Other income		22.7	19.3	49.0
Distribution costs		(163.6)	(137.1)	(309.4)
Administrative expenses		(46.7)	(42.4)	(95.6)
Operating profit before share of result from joint venture		11.8	10.6	19.1
Share of result from joint venture		1.0	1.2	2.3
Operating profit		12.8	11.8	21.4
Finance income	6	0.1	0.1	0.2
Finance costs	6	(4.4)	(4.7)	(9.7)
Profit before tax		8.5	7.2	11.9
Taxation		0.1	-	(0.1)
Profit for the period		8.6	7.2	11.8
Earnings per share		Pence	Pence	Pence
Basic	9	1.45	1.23	2.01
Diluted	9	1.40	1.17	1.91

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

	24 weeks ended 15 May 2016 £m	24 weeks ended 17 May 2015 £m	52 weeks ended 29 November 2015 £m
	(unaudited)	(unaudited)	(audited)
Operating profit	12.8	11.8	21.4
Adjustments for:			
Depreciation of property, plant and equipment	21.7	20.4	45.1
Amortisation expense	5.8	6.0	13.2
Impairment of property, plant and equipment	-	-	1.0
Impairment of intangibles	0.1	-	0.8
EBITDA	40.4	38.2	81.5

Consolidated statement of comprehensive income
for the 24 weeks ended 15 May 2016

	24 weeks ended 15 May 2016	24 weeks ended 17 May 2015	52 weeks ended 29 November 2015
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Profit for the period	8.6	7.2	11.8
Other comprehensive income/(expense):			
Cash flow hedges			
- Gains/(losses) arising on hedging contracts	-	0.1	(0.7)
- (Gains)/losses transferred to property, plant and equipment	-	(0.1)	-
Translation of foreign subsidiary	(0.1)	0.1	-
Other comprehensive income/(expense) for the period, net of tax	(0.1)	0.1	(0.7)
Total comprehensive income for the period	8.5	7.3	11.1

Consolidated balance sheet
as at 15 May 2016

	Notes	15 May 2016 £m	17 May 2015 £m	29 November 2015 £m
		(unaudited)	(unaudited)	(audited)
Non-current assets				
Intangible assets		62.4	44.1	52.9
Property, plant and equipment		346.6	294.7	327.3
Deferred tax asset		10.1	9.5	10.0
Financial assets		2.9	0.4	2.9
Investment in Joint Venture		63.0	69.0	62.0
		485.0	417.7	455.1
Current assets				
Inventories		28.4	25.9	29.9
Trade and other receivables		68.3	62.5	60.8
Cash and cash equivalents		52.7	70.4	45.8
		149.4	158.8	136.5
Total assets		634.4	576.5	591.6
Current liabilities				
Trade and other payables		(180.1)	(160.2)	(164.4)
Borrowings	8	(11.4)	(3.6)	(1.6)
Obligations under finance leases	8	(34.6)	(32.9)	(26.5)
Derivative financial instruments		(0.1)	(0.1)	(0.7)
Provisions		(1.9)	(0.7)	(2.8)
		(228.1)	(197.5)	(196.0)
Net current liabilities		(78.7)	(38.7)	(59.5)
Non-current liabilities				
Borrowings	8	(6.8)	(0.8)	(7.7)
Obligations under finance leases	8	(136.1)	(138.1)	(137.0)
Provisions		(5.6)	(6.5)	(6.3)
Deferred tax liability		(2.6)	(1.9)	(2.7)
		(151.1)	(147.3)	(153.7)
Net assets		255.2	231.7	241.9
Equity				
Share capital		12.6	12.5	12.6
Share premium		256.2	257.9	258.7
Treasury shares reserve		(48.1)	(51.7)	(50.9)
Reverse acquisition reserve		(116.2)	(116.2)	(116.2)
Other reserves		0.2	(0.2)	(0.8)
Retained earnings		150.5	129.4	138.5
Total equity		255.2	231.7	241.9

Consolidated statement of cash flows
for the 24 weeks ended 15 May 2016

	Notes	24 weeks ended 15 May 2016	24 weeks ended 17 May 2015	52 weeks ended 29 November 2015
		£m	£m	£m
		(unaudited)	(unaudited)	(audited)
Cash flow from operating activities				
Profit before tax		8.5	7.2	11.9
Adjustments for:				
- Depreciation, amortisation and impairment losses		27.6	26.4	60.1
- Movement in provisions		(1.3)	1.6	3.2
- Share of profit in joint venture		(1.0)	(1.2)	(2.3)
- Share-based payments charge		3.4	3.3	7.8
- Net finance costs	6	4.3	4.6	9.5
Changes in working capital:				
- Movement in inventories		1.5	1.6	(2.3)
- Movement in trade and other receivables		(7.4)	(19.5)	(19.1)
- Movement in trade and other payables		15.8	19.2	23.7
Cash generated from operations		51.4	43.2	92.5
Interest paid		(2.6)	(2.1)	(9.7)
Net cash flows from operating activities		48.8	41.1	82.8
Cash flows from investing activities				
Purchase of property, plant and equipment		(30.3)	(29.1)	(70.7)
Purchase of intangible assets		(14.7)	(11.7)	(28.4)
Dividend received from joint venture		-	-	8.1
Interest received		0.1	0.2	0.2
Net cash flows from investing activities		(44.9)	(40.6)	(90.8)
Cash flows from financing activities				
Proceeds from the issue of ordinary share capital net of transactions costs		0.5	2.8	4.5
Proceeds from borrowings		10.0	-	8.2
Repayments of borrowings		(0.8)	(2.3)	(5.6)
Repayments of obligations under finance leases		(6.8)	(6.7)	(26.9)
Payment of financing fees		(0.2)	-	(2.5)
Settlement of cash flow hedges		0.3	(0.2)	(0.2)
Net cash flows from financing activities		3.0	(6.4)	(22.5)
Net increase/(decrease) in cash and cash equivalents		6.9	(5.9)	(30.5)
Cash and cash equivalents at the beginning of the period		45.8	76.3	76.3
Cash and cash equivalents at the end of the period		52.7	70.4	45.8

Consolidated statement of changes in equity
for the 24 weeks ended 15 May 2016

	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 29 November 2015 (audited)	12.6	258.7	(50.9)	(116.2)	(0.8)	138.5	241.9
Profit for the period	-	-	-	-	-	8.6	8.6
Other comprehensive income:							
Cash flow hedges							
- Gains arising on hedging contracts	-	-	-	-	0.8	-	0.8
Translation of foreign subsidiary	-	-	-	-	0.2	-	0.2
Total comprehensive income for the period	-	-	-	-	1.0	8.6	9.6
Transactions with owners:							
- Issue of ordinary shares	-	0.4	-	-	-	-	0.4
- Movement in treasury shares	-	(2.9)	2.8	-	-	-	(0.1)
- Share-based payments charge	-	-	-	-	-	3.4	3.4
Total transactions with owners	-	(2.5)	2.8	-	-	3.4	3.7
Balance at 15 May 2016 (unaudited)	12.6	256.2	(48.1)	(116.2)	0.2	150.5	255.2

	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 30 November 2014 (audited)	12.5	255.1	(51.8)	(116.2)	(0.3)	118.9	218.2
Profit for the period	-	-	-	-	-	7.2	7.2
Other comprehensive income:							
Cash flow hedges							
- Gains arising on forward commodity contracts	-	-	-	-	0.1	-	0.1
- Gains transferred to property, plant and equipment	-	-	-	-	(0.1)	-	(0.1)
Translation of foreign subsidiary	-	-	-	-	0.1	-	0.1
Total comprehensive income for the period	-	-	-	-	0.1	7.2	7.3
Transactions with owners:							
- Issue of ordinary shares	-	2.8	-	-	-	-	2.8
- Movement in treasury shares	-	-	0.1	-	-	-	0.1
- Share-based payments charge	-	-	-	-	-	3.3	3.3
Total transactions with owners	-	2.8	0.1	-	-	3.3	6.2
Balance at 17 May 2015	12.5	257.9	(51.7)	(116.2)	(0.2)	129.4	231.7

Notes to the consolidated interim financial information

1 General information

Ocado Group plc (hereafter "the Company") is incorporated and domiciled in England and Wales (registration number 07098618). The address of its registered office is Titan Court, 3 Bishops Square, Hatfield, Hertfordshire, AL10 9NE. The consolidated interim financial information (hereafter "financial information") comprises the results of the Company and its subsidiaries (hereafter "the Group").

The financial period represents the 24 weeks ended 15 May 2016 (prior period 24 weeks ended 17 May 2015; prior financial year 52 weeks ended 29 November 2015).

2 Basis of preparation

The financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union and the Disclosure Rules and Transparency Rules of the UK Financial Conduct Authority.

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 29 November 2015 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 auditors' 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 information is presented in sterling, rounded to the nearest hundred thousand unless otherwise stated. It has been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value.

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

3 Accounting policies

The accounting policies applied by the Group in these interim financial statements are substantially the same as those applied by the Group in its consolidated financial statements for the 52 weeks ended 29 November 2015. Whilst there have been a number of minor changes to standards which will become applicable for the financial year ending 27 November 2016, none have been assessed as having a significant impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the Annual Report and Accounts for the 52 weeks ended 29 November 2015.

4 Segmental reporting

The Group's principal activity is grocery retailing and the development of Intellectual Property ("IP") and technology used for the online retailing, logistics and distribution of grocery and consumer goods for our UK business and other partners. 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 and for which discrete information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, as required by IFRS 8. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors.

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

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

5 Gross sales

	24 weeks ended 15 May 2016 £m	24 weeks ended 17 May 2015 £m	52 weeks ended 29 November 2015 £m
	(unaudited)	(unaudited)	(audited)
Revenue	584.2	507.7	1,107.6
VAT	44.2	37.0	82.4
Marketing vouchers	7.4	6.1	14.4
Gross sales	635.8	550.8	1,204.4

6 Finance income and costs

	24 weeks ended 15 May 2016 £m	24 weeks ended 17 May 2015 £m	52 weeks ended 29 November 2015 £m
	(unaudited)	(unaudited)	(audited)
Interest on cash balances	0.1	0.1	0.2
Finance income	0.1	0.1	0.2
Borrowing costs			
- Obligations under finance leases	(4.2)	(4.2)	(8.8)
- Borrowings	(0.2)	(0.5)	(0.6)
Fair value movement on derivative financial instruments	-	-	(0.2)
Fair value movement on provisions	-	-	(0.1)
Finance costs	(4.4)	(4.7)	(9.7)
Net finance costs	(4.3)	(4.6)	(9.5)

7 Capital expenditure and commitments

During the period the Group acquired property, plant and equipment of £41.4 million (1H 2015: £40.0 million). During the period, the Group acquired intangible assets of £1.8 million (1H 2015: £1.7 million) and internal development costs capitalised were £13.4 million (1H 2015: £10.1 million).

In the period the Group disposed of property, plant and equipment with a net book value of £Nil (1H 2015: £Nil). During the period, the Group did not dispose of intangible assets (1H 2015: £Nil). At 15 May 2016, capital commitments contracted, but not provided for by the Group, amounted to £18.6 million (1H 2015: £35.3 million).

8 Borrowings and obligations under finance leases

	15 May 2016 £m	17 May 2015 £m	29 November 2015 £m
	(unaudited)	(unaudited)	(audited)
Current liabilities			
Borrowings	11.4	3.6	1.6
Obligations under finance leases	34.6	32.9	26.5
	46.0	36.5	28.1
Non-current liabilities			
Borrowings	6.8	0.8	7.7
Obligations under finance leases	136.1	138.1	137.0
	142.9	138.9	144.7
Total Group borrowings and finance leases	188.9	175.4	172.8

9 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares held pursuant to the Group's Joint Share Ownership Scheme which are accounted for as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive shares. The Company has three categories of potentially dilutive shares, namely share options, shares held pursuant to the Group's Joint Share Ownership Scheme and shares under the Group's staff incentive plans.

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

	24 weeks ended 15 May 2016	24 weeks ended 17 May 2015	52 weeks ended 29 November 2015
	million	million	million
	(unaudited)	(unaudited)	(audited)
Number of shares			
Issued shares at the beginning of the period	590.6	586.1	586.1
Weighted average effect of share options exercised in the period	0.8	0.4	2.2
Weighted average effect of treasury shares disposed of in the period	0.5	-	-
Weighted average number of shares at the end of the period for the purposes of basic earnings per share	591.9	586.5	588.3
Potentially dilutive share options and shares	26.9	31.1	31.1
Weighted average numbers of diluted ordinary shares	618.8	617.6	619.4
Earnings	£m	£m	£m
Profit for the period	8.6	7.2	11.8
	pence	pence	pence
Basic earnings per share	1.45	1.23	2.01
Diluted earnings per share	1.40	1.17	1.91

10 Related party transactions

Key management personnel

Only the Executive and Non-Executive Directors are deemed to be key management personnel. It is the Board which has responsibility for planning, directing and controlling the activities of the Group. Other related party transactions with key management personnel made during the period related to the purchase of professional services and amounted to £750 (1H 2015: £3,000). All transactions with Directors are on an arm's length basis and no period end balances have arisen as a result of these transactions.

At the end of the period, key management personnel did not owe the Group any amounts (1H 2015: £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 Group holds a 25% interest in Paneltex Limited whose registered office is at Paneltex House, Somerden Road, Hull, HU9 5PE. The Group's interest in Paneltex Limited has not been treated as an associated undertaking as Ocado does not have significant influence over Paneltex Limited.

The following direct transactions were carried out with Paneltex Limited:

	24 weeks ended 15 May 2016	24 weeks ended 17 May 2015	52 weeks ended 29 November 2015
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Purchase of goods			
- Plant and machinery	-	0.1	0.1
- Consumables	0.2	0.1	0.5
	0.2	0.2	0.6

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 £3.6 million (1H 2015: £3.8 million).

At period end, the Group owed £45,000 to Paneltex and is owed £6,000 from Paneltex (1H 2015: Group was owed £25,000 by Paneltex).

Joint Venture

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

	24 weeks ended 15 May 2016 £m	24 weeks ended 17 May 2015 £m	52 weeks ended 29 November 2015 £m
Sale and Leaseback Transaction			
Capital contributions made to MHE JVCo	-	-	-
Dividend received from MHE JVCo	-	-	8.1
Reimbursement of supplier invoices paid on behalf of MHE JVCo	3.5	2.3	6.1
Lease of assets from MHE JVCo	3.1	-	3.0
Capital element of finance lease instalments paid to MHE JVCo	-	1.0	14.3
Interest element of finance lease instalments accrued or paid to MHE JVCo	2.7	2.9	6.2

Included within trade and other receivables is a balance of £5.3 million owed by MHE JVCo (1H 2015: £4.3 million). Included within trade and other payables is a balance of £3.9 million owed to MHE JVCo (1H 2015: £5.3 million). Included within obligations under finance leases is a balance of £121.6 million owed to MHE JVCo (1H 2015: £129.8 million).

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

11 Analysis of net debt

(a) Net debt

	15 May 2016 £m	17 May 2015 £m	29 November 2015 £m
	(unaudited)	(unaudited)	(audited)
Current assets			
Cash and cash equivalents	52.7	70.4	45.8
	52.7	70.4	45.8
Current liabilities			
Borrowings	(11.4)	(3.6)	(1.6)
Obligations under finance leases	(34.6)	(32.9)	(26.5)
	(46.0)	(36.5)	(28.1)
Non-current liabilities			
Borrowings	(6.8)	(0.8)	(7.7)
Obligations under finance leases	(136.1)	(138.1)	(137.0)
	(142.9)	(138.9)	(144.7)
Total net debt	(136.2)	(105.0)	(127.0)

Net external debt at the period end was £14.6 million (1H 2015: net cash £24.9 million).

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

	24 weeks ended 15 May 2016 £m	24 weeks ended 17 May 2015 £m	52 weeks ended 29 November 2015 £m
	(unaudited)	(unaudited)	(audited)
Net increase/(decrease) in cash and cash equivalents	6.9	(5.9)	(30.5)
Net decrease/(increase) in debt and lease financing	(2.2)	9.0	24.3
Non-cash movements:			
- Assets acquired under finance lease	(13.9)	(8.7)	(21.4)
Movement in net debt in the period	(9.2)	(5.6)	(27.6)
Opening net debt	(127.0)	(99.4)	(99.4)
Closing net debt	(136.2)	(105.0)	(127.0)

12 Post balance sheet events

There were no events after the balance sheet date which require adjustment to or disclosure in the financial information.

Principal risks and uncertainties

The Group faces a number of risks and uncertainties that may have an adverse impact on the Group's operation, performance or future prospects. The Board has identified the following principal risks and uncertainties to the successful operation of the business. These risks, along with the events in the financial markets and their potential impacts on the wider economy, remain those most likely to affect the Group in the second half of the year.

- Failure to maintain competitive pricing position
- A risk of decline in high service levels
- Failure to develop retail proposition to appeal to broader customer base and sustain growth rates
- Failure to develop sufficient management and technology capability or bandwidth to deliver on all our strategic priorities
- Risk of not signing multiple OSP deals in the medium term
- A risk of delays in the implementation of new capacity for both Ocado and Morrisons
- Technological innovation supersedes our own and offers improved methods of food distribution to consumers
- Failure to protect our IP
- Failure to ensure that our technology can be freely operated without infringing a third party's IP
- A risk of a food or product safety incident
- A risk of changes in regulations impacting our retail business model or the viability of OSP deals
- Risk of major cyber-attack or data loss
- Business interruption
- A risk of unintentional infringement of competition legislation

More information on most of these principal risks and uncertainties together with an explanation of the Group's approach to risk management is set out in Ocado Group plc's Annual Report and Accounts for the 52 weeks ended 29 November 2015 on pages 38 to 41, a copy of which is available on the Group's corporate website, www.ocadogroup.com.

Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge, this condensed set of consolidated financial statements have been prepared in accordance with IAS 34 ('Interim Financial Reporting') as adopted by the European Union, and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure Rules and Transparency Rules.

The Directors of Ocado Group plc as at the date of this announcement are as follows:

Executive Directors
Tim Steiner, Chief Executive Officer;
Neill Abrams, Group General Counsel & Company Secretary;
Duncan Tatton-Brown, Chief Financial Officer;
Mark Richardson, Chief Operations Officer;
Non-Executive Directors
Lord Rose, Chairman;
Alex Mahon, Senior Independent Director;
Ruth Anderson;
Robert Gorrie;
Jörn Rausing;
Douglas McCallum; and
Andrew Harrison (appointed 1 March 2016).

Approved by the Board and signed on its behalf by

Duncan Tatton-Brown
Chief Financial Officer

Neill Abrams
Group General Counsel & Company Secretary

28 June 2016