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GROUP

OCADO INNOVATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52-WEEK PERIOD FROM 30 NOVEMBER 2020 TO 28 NOVEMBER 2021
COMPANY NUMBER: 08813912

Contents

Company Information

Directors	Neill Abrams Stephen Daintith Luke Jensen Mark Richardson Timothy Steiner
Company secretary	Robert Cooper
Company number	08813912
Registered office	Buildings One and Two Trident Place Mosquito Way Hatfield Hertfordshire AL10 9UL United Kingdom
Independent auditor	Deloitte LLP Statutory Auditor One New Street Square London EC4A 3HQ United Kingdom

Strategic Report

The Directors present their strategic report of Ocado Innovation Limited ("the Company") for the 52 week period ended 28 November 2021.

Principal activities

The Company's principal activities are to provide technology services ("the Services") through a license of the technology aspects of the online grocery fulfilment services, to the members of the Ocado Group ("the Group"). The Company owns the vast majority of the Ocado Group's intellectual property.

The Company has service agreements with each other member of the Ocado Group, which enables it to provide Central IT services to each member of the Ocado Group.

The Company conducts research and development activities to enhance the platform used by all partners.

Financial review of the business

In the 52 week period to 28 November 2021 the Company generated revenue of £38.5 million (2020: £21.2 million), representing income from other Ocado Group entities for the use of the Company's intellectual property.

Administrative expenses before exceptional items of £229.3 million (2020 restated[1]: £180.6 million) comprises mainly net cost recharges of £197.7 million (2020 restated[1]: £124.9 million) from other Ocado Group entities and total amortisation, depreciation and impairment of £87.1 million (2020: £64.0 million). Within the £87.1 million is an impairment charge of £0.4 million (2020: £3.3 million) of existing intangible assets, following the development of more advanced proprietary software and £0.9 million (2020: £1.4 million) impairment of property, plant and equipment.

Exceptional costs (refer to note 2.4) of £41.4 million (2020 restated[1]: £318.9 million) were recognised, which related to the litigation case and implementation of Software as a Service ("SaaS") accounting guidance. The prior period included goodwill impairment of £310.6 million.

Net finance costs (refer to note 4.1) of £13.5 million (2020: £11.4 million) were incurred on balances held with other Ocado Group entities. The Company made a net loss of £245.7 million in the period (2020 restated[1]: £506.3 million).

The Company has net liabilities of £629.8 million (2020 restated[1]: £385.0 million) as at the balance sheet date. Of the £456.7 million of total assets (2020 restated[1]: £379.4 million), £264.8 million (2020 restated: £225.3 million) relates to intangible assets, which comprises internally generated assets of £224.2 million (2020 restated[1]: £190.4 million) relating to software utilised by the Ocado Group, and other intangibles of £40.6 million (2020: £34.9 million). Of the £1,074.2 million current liabilities held (2020: £745.1 million), £1,049.8 million (2020: £730.0 million) are amounts due to other Ocado Group companies.

Key Performance Indicators (KPIs)

The Company assesses its performance using a variety of key performance measures, which are not defined under IFRS and are therefore termed "non-GAAP" measures. These measures provide additional useful information on the underlying trends, performance and position of the Company. The main key performance indicator is EBITDA, as this demonstrates underlying trading activity before a number of accounting adjustments. A review of EBITDA is presented below:

	Period ended 28 November 2021 £m	Period ended 29 November 2020 £m	Variance %
EBITDA	**(108.8)**	(100.7)	(8.0%)

EBITDA has fallen in the period primarily due a greater operating loss, which is the product of greater administrative expenses.

[1] See note 1.5 for details of the restatement.

Strategic Report (continued)

Principal risks and uncertainties

Ocado Innovation Limited provides technology services for grocery fulfilment and holds the majority of the IP for the Group, therefore the principal risks and uncertainties disclosed on page 87 to 93 of the Annual Report are applicable to the Company. Detailed below are the principal risks and uncertainties facing the Group.

Risks	Mitigation Action / Control
Talent and Capability Our business operations and growth plans could be at risk from a difficulty finding and retaining sufficient employees to support our growth, in filling key positions and critical roles, a loss of top performers, a potential shortfall of future leaders, and inability to embed diversity and inclusion.	• Developing and implementing strategic and tactical resourcing plans and monitoring the talent pipeline. • Deploying talent development programmes and surveying employee opinions. • Undertaking succession planning, periodically reviewing remuneration and incentives and proactively supporting diversity and inclusion.
Cybersecurity and Data We risk the loss of critical assets and sensitive information as a result of cyber attack, insider threat, or a data breach. This could result in business disruption, reputational damage, significant fines or the loss of confidential business information.	• Structuring IT systems to operate reliably and securely. • Testing by third party. • Overseeing an information security governance programme by the Information Security Committee • Monitoring security issues and responding to security incidents by a dedicated information security team. • No customer payment card data is held in Ocado Group's databases. • Overseeing the Group's privacy compliance programme by the Data Protection Officer. • Planning Cyber incident contingency.
Safety and Wellbeing Health, safety and wellbeing risks that can lead to the harm, injury, death or illness of a worker in a workplace or to a retail customer of our products.	• Overseeing a Health and Safety governance programme by the Safety Committee. • Monitoring and audit compliance by experienced technical experts against relevant safety regulations, policies and procedures in safety areas, including food, product, occupational health, fire and construction. • Preparing training, risk assessments and safe systems of work by qualified staff to raise awareness and knowledge. • Monitoring actively regulatory changes supported by external expertise and advice.
Legal and Regulatory Non-Compliance Ocado must comply with legislative and regulatory requirements both locally and internationally. Failure to comply could negatively impact our business model, our ability to conduct business and the viability of our Solutions deals, and also risks damage to our reputation, loss of stakeholder support and financial penalties.	• Monitoring of regulatory developments to ensure that changes are identified • Performing due diligence, territory research and seeking specialist advice for regulatory issues. • Implementing a compliance framework of policies and procedures and employee training.
Supply Chain Risks causing disrupting to our extended and complex supply chain. Impacting responsible and adversely affecting product availability, delivery, reliability and cost, resulting in delays to contractual commitments and loss of revenue.	• Reviewing the risk matrix by supply chain and procurement areas to manage key suppliers and components. • Taking an agile approach to manufactured products, including the ability to divert any product to sites with the most pressing requirements. • Undertaking supplier assessments due diligence and site audits during development process. • Monitoring supply chain demand against supply capacity constraints by the steering group.
Business Interruption and Catastrophic Events Major service disruption, customer confidence and increased costs arising from a failure at key locations caused by physical events, such as an IT outage or mechanics failure through malicious or accidental means.	• Structuring IT systems to operate reliably and securely • Providing dedicated engineering teams on site with daily maintenance programmes to support the continued operation of equipment. • Progressing and updating our disaster recovery and business continuity plans • Providing for a high level of protection for CFCs and equipment, combined with business interruption insurance to transfer residual risks.

Strategic report (continued)

Principal risks and uncertainties (continued)

Risks	Mitigation Action / Control
Product (OSP) Delivery and Service Implementation and service delivery do not provide the client with timely, consistently reliable performance at a level of quality to meet the needs of their end customers. This could led to increased costs, reduced revenues and penalties.	• Ongoing monitoring of the key performance indicators and regular review meetings with Operational management and the end customer. • Continuing initiatives to improve operational performance of the CFC and scaling of operations
Product (OSP) Proposition and Commercial Viability Our OSP offer, pricing and contractual terms do not provide adequate and sustainable returns for us and our shareholders and an attractive commercial proposition for our clients.	• Undertaking a full review of projected financial impact before signing any new partnerships. • *Monitoring periodically the financial model and delivery costs plus close relationship with our* partners. • Controlling the capital invested in our platform to carefully manage costs. • Reviewing regularly the rate of software development via platform steering meetings. • Scaling and reallocating our resources and capabilities to help meet Ocado Solutions project deadlines. • Ongoing programme of design improvements for the platform.
Intellectual Property Failure to protect Ocado Group's own IP or risk of infringing a third party's IP which could result in loss of use the Group's assets, financial damages or harm to the Company's reputation or relationship.	• Conducting Freedom to operate searches on relevant technologies and in selected jurisdictions. • Monitoring IP fittings and grants by a large number of competitor companies. • Continuing to develop and innovate and protecting the results through specialist patent attorneys dedicated to individual business areas. • Expanding the IP team thereby helping to protect the output of research and development work and training of all staff. • Protecting our IP from unauthorised use. • Obtaining specialist or legal advice, including to help ensure our ability to use our IP is not restricted by infringement claims. • Combining internal and external legal counsel.
Climate change – Transition and Physical Climate change and government actions to reduce such changes may increase our costs and/or disrupt our operations.	• Overseeing our ESG and Climate programmes by our ESG Committee.. • Reducing our climate change contributions through a roadmap of activities and achieving our emission targets. • Monitoring government developments and taking proactive steps to minimise the impact of our operations.
Geopolitical and Economic Uncertainty Our UK and International operatives are dependent on access to a range of people, resources, markets and suppliers. Economic and political disruption and uncertainty could disrupt our business model, preventing the delivery of new capacity or undermining our operations.	• Performing extensive risks assessments prior to entering new geographical markets or undertaking new ventures. • Scanning the horizon for emerging threats. • Maintaining financial reserves to cushion the operational impact for an extended period.

Strategic Report (continued)

Section 172 (1) Statement

This statement, which forms part of the Strategic Report, is intended to show how the Directors have approached and met their responsibilities under Section 172(1) of the Companies Act 2006 during the period under review. As required by s172(1) of the Companies Act 2006, a Director of a Company must act in a way he/she considers, in good faith, would most likely promote the long-term success of the Company for the benefit of its shareholders. In doing this, the Director must have regard, amongst other matters, to:

a) The likely consequences of any decision in the long term.
b) The interests of the Company's employees.
c) The need to foster the Company's business relationships with suppliers, customers and others.
d) The impact of the Company's operations on the community and the environment.
e) The desirability of the Company maintaining a reputation for high standards of business conduct.
f) The need to act fairly between members of the Company.

The Board considers its duty under Section 172(1) at each Board meeting. A reference to Section 172(1) and the duty to consider stakeholder interests is highlighted in each meeting. In taking decisions, the Directors carefully consider the balance of interests of the stakeholders who might be affected. These decisions are recorded in the board meeting minutes.

Effective engagement with our key stakeholders is critical to delivering our strategy and ensuring the long-term success of our business. As is usual practice for large companies, the Directors delegate day-to-day management of the Company to executives engaged in setting, approving and overseeing the execution of the business strategy and related policies of the Group.

In some cases the Board engages directly with stakeholders, but the size and spread of both the Group and stakeholders means that generally stakeholder engagement best takes place at an operational or Group level. The Directors consider that as well as being a more efficient and effective approach, this also helps achieve a greater positive impact than by working alone as an individual company, on environmental, social and other issues. How the Group engages with its stakeholders is described on pages 60 to 65 of the Ocado Group plc Annual Report 2021.

Purpose, strategy, value & culture
The Group's Directors are responsible for setting the strategic direction of the Group establishing the Company's purpose and values and taking a leading role in laying the foundations of the Group's culture. The Group's mission is to 'change the way the world shops, for good'.

During the period, the Group approved a new purpose, namely:
"To solve complex problems for the world's largest grocery retailers and businesses beyond grocery. We empower our people to drive change through learning and growth. Our technologies, knowledge and experience provide our client partners with sustainable and efficient solutions enabling competitive advantage, and profitable, scalable growth for them and our trusted suppliers. We achieve this responsibly with minimal impact on the environment and a positive influence on the communities we serve."

The Group recognises that a clearly established purpose and strategy, alongside strong values and a positive culture, is essential for the Group's performance and long-term sustainability and success. Our strategy sets the direction we are undertaking in order to pursue our purpose. The Board is confident that our purpose, and our strategy to achieve this, will serve the interests of our key stakeholders and drive long-term sustainable success for the Group. Our purpose and strategy are key considerations in the actions and decision-making of the Board and the oversight of the implementation of these into the operations of the business.

The principal activity of the Company is to provide technology services to the Group, as well as Central IT services to the Group. The Company does not have any employees, other than its Directors who are officers of the Company, but it is the parent of overseas entities in Poland, Spain, Bulgaria and Sweden which have employees. The Company has no direct partners, but it is a parent of overseas entities which has partners. In this context, the Company's key stakeholder groups include Partners and People. The views and impacts of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. As such, disclosure consistent with the Group Annual Report has been made in relation to partners and people.

The Company's key stakeholder groups are its People, Partners, Suppliers, and Environment, Society and Community. Below sets out the value of our stakeholders to the Company, outlines some of the key issues that we believe are material to each stakeholder group. Further, we outline how the organisation engages with these groups.

Strategic Report (continued)

Section 172 (1) Statement (continued)

People

Why we value them
Our people bring a diverse range of experience, expertise and perspectives that contribute to the value and culture of Ocado, and are essential for the delivery of our strategic objectives.

Material interest
- The Group caring about their wellbeing.
- Being offered flexibility and choice.
- Having opportunities for growth and development.
- An inclusive and diverse working environment.
- Fair reward and recognition.
- Having a voice and feeling heard.

How the Company engages
- Various methods are used to communicate to all employees, including Fuse, our company intranet system, which provides a range of useful information for employees and updates on the performance of the Company and other business matters, and Ocado Connections, the twice monthly People newsletter.
- This year there has been a strong focus on mental health and diversity and inclusion. To support employee mental health our Mind Yourself campaign launched this year and a newly created role, Global Head of Culture and Engagement, is focused on how to support our people. A new Diversity & Inclusion Manager role has also been created and diversity and inclusion events have been held across the year. We have in place five inclusion committees for LGBTQ+, gender, mental health, ethnic minorities and disability.
- Our employee engagement platform, Peakon, enables the Company to continuously gather employee feedback and take timelier, responsive and focused action.
- The Speak Up whistle-blowing hotline allows employees to confidentially raise any concerns or issues.
- Our employee representative body, Ocado Council, provides a voice to employees. This is now being transitioned into a new framework to better represent our growing business.
- The Designated Non-Executive Director attends Ocado Council meetings to answer questions and listen to employee feedback and then reports back to the full Board.
- CEO Tim Steiner provides regular live stream updates on the business, with other Executive Directors in attendance who also contribute, which also provides all employees the opportunity to submit questions to be answered during the update.
- All significant new policies are considered by the Board, notably the approval this year of the new Ocado Code of Conduct.
- Update reports at each Board meeting on people matters including culture, diversity, talent and engagement.
- Regular updates to the Board on health and safety matters

Partners

Why we value them
Building trusted partnerships throughout ongoing dialogue and shared learnings helps us to better understand the needs of our partners and to develop and improve our offering to continue to provide cutting-edge solutions.

Material interest
- Innovation.
- A flexible offering of potential options for fulfillment.
- Product development.
- Quality and financial performance.
- Supply chain management.
- Building a long-term relationship.

How the Group engages
- Direct engagement with Senior management, procurement managers and commodity managers, as well as broader engagement in operations across the business as relationships with our partners develop and the global CFCs are becoming operational.
- Corporate responsibility and ethics reporting.
- Setting KPIs and providing feedback during ongoing projects
- Bringing together representatives from all our global partners as part of the OSP Leadership Club to work collaboratively and discuss experiences of shared importance, building our understanding of partners' needs.
- Working with our partners on press releases and updates on projects undertaken.

Strategic Report (continued)

Section 172 (1) Statement (continued)

Suppliers

Why we value them
A strong supply chain is critical to our business as we rely on our suppliers to be able to meet the needs of our partners and ensure that we can meet our shared targets for growth and development across our network.

Material interest
- Building a long-term relationship.
- Success and growth of Ocado's business.
- Fair trade.
- Social, environment and ethical impacts.
- Equitable supply chain practices and anti-bribery and corruption policies in place.
- Ability to collaborate.
- Prompt and accurate payment.

How the Company engages
- Our on-boarding process provides two-way communication to build relationships with our suppliers, and through auditing across our supply chains we can ensure that high standards are maintained.
- We are currently developing a supplier on-boarding manual to help suppliers understand and meet Ocado's required standards.
- Corporate responsibility and ethics reporting.

Environment, Society and Community

Why we value them
Making a meaningful contribution to the wider society enables us to create stronger communities and have a positive environmental and social impact. Engagement with non-government organisations and community groups helps us to understand our impact on the wider society and the ways in which we can work together to make a valuable difference.

Material interest
- Environmental and social issues, including climate change, carbon emissions, food and road safety, human rights, waste management and recycling.
- Legal and regulatory compliance of the business.
- Responsible sourcing and procurement practices.
- Having a positive impact on the community.
- Environmental and socially responsible business practices and credentials.

How the Group engages
- Corporate Responsibility reporting on our website, including carbon, modern slavery, education and Code for Life, as well as the Ocado Foundation.
- Code for Life as a free education resource for children, students and teachers. Significant changes to Code for Life in the last 12 months, has given a complete refresh, with more metrics being reported, and a greater encouragement to independent learning for student, parents and teachers keen to learn.
- The Ocado Foundation, the home of Ocado Group's charity, employee and philanthropic activities.

Examples of how the directors have had regard to the matters set out in section 172(1)(a)-(f) when discharging their section 172 duties, and the effect of those decisions, include the consideration of the Group entering into an agreement as Note Guarantor in respect of the issuance of up to £500m unsecured fix rates notes to the Group parent in September 2021. The Company considered that the Notes Offering and entry into the Notes Offering documents were in the best interests of the Company and conductive to the attainment of its strategic objectives and most likely to promote the success of the Company for the benefit of its members as a whole.

The Company's ultimate parent company is Ocado Group plc, which, together with the Company and the direct and indirect subsidiaries of Ocado Group plc, forms "the Group".

Approved by the Board and signed on its behalf by:

DocuSigned by:

Stephen Daintith

Stephen Daintith, Director
Ocado Innovation Limited
16 November 2022

Directors' Report

The Directors present their report and the audited financial statements of Ocado Innovation Limited ("the Company") for the 52 week period ended 28 November 2021.

Ocado Group plc is committed to net zero carbon emission within its own operations by 2035 and within its value chain by 2040. The Group's Corporate Responsibility Report describes Ocado's strategy on energy efficiency and carbon emissions. The Corporate Responsibility Report can be found in the Group Annual Report and Accounts published on 11 February 2022, available on the Corporate Website - www.ocadogroup.com.

The interests of the Company's employees and the need to foster the Company's business relationships with suppliers, customer and others are included within the Strategic Report as permitted by s414C (11) of the Companies Act 2006.

Board of Directors

The following Directors served during the period:

Neill Abrams
Stephen Daintith (Appointed 22 March 2021)
Luke Jensen
Mark Richardson
Timothy Steiner

Employee information

Other than its Directors, who are officers of the Company, the Company does not have any employees and accordingly does not have any disclosures required to be made concerning employees. The interests of the Company's employees and the need to foster the Company's business relationships with suppliers, customers and others are included within the Strategic Report as permitted by s414C (11) of the Companies Act 2006.

Directors' interests

The Directors did not have beneficial interests in the shares of the Company at the end of the period. The Directors' beneficial interests in the shares of the ultimate parent company, Ocado Group plc, are disclosed in full in the annual report and financial statements of that company. Copies of those financial statements can be obtained from its registered office, which is Buildings One & Two, Trident Place, Mosquito Way, Hatfield, Hertfordshire, AL10 9UL, or alternatively from its corporate website www.ocadogroup.com.

Directors' insurance and indemnities

The Company's ultimate parent, Ocado Group plc, maintains directors' and officers' liability insurance cover for its Directors and officers as permitted under the Company's Articles and the Companies Act 2006. Such insurance policies cover the Directors and officers of Ocado Group plc and of each of its group undertakings, including the Company. These insurance policies were renewed during the period and remain in force. The Company also indemnifies the Directors and officers under an indemnity deed with each Director or officer which contains provisions that are permitted by the director liability provisions of the Companies Act 2006 and the Company's Articles. An indemnity deed is usually entered into by a director or officer, and the Company at the time of their appointment to the Board. Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the period and remain in force for the benefit of the Directors, and any officer, of the Company or of any associated company.

Going concern

The Company's financial statements have been prepared on the going concern basis as disclosed in note 1.4 to the financial statements. The Company made a loss of £245.7 million in the period and has net liabilities of £629.8 million at the balance sheet date. The Directors have received confirmation, through a legally binding letter of support, from Ocado Group plc stating that it will continue to support the Company for a period of not less than 12 months from the date of approval of these financial statements.

Results and dividends

The Company's results for the period are set out in the Income Statement on page 11. The Directors do not propose to pay a dividend for the period (2020: £nil).

Risk management

The Company's risk management policies are summarised in the principal risks and uncertainties section of the Strategic Report.

Directors' Report (continued)

Research and development

The Company has dedicated in-house software, logistics and engineering design and development teams with primary focus on IT and improvements to the customer interfaces, the CFCS and the automation equipment used in them. Costs relating to the development of computer software are capitalised if it is probable that the future economic benefits that are attributable to the asset will accrue to the entity and the costs can be measured reliably. The Company is carrying out a number of IT and engineering design and build projects with the intention of developing new and improved automation equipment and processes for its warehouses.

Future developments

Our innovations within the grocery and wider e-commerce space drive growth and create long-term shareholder value. We are confident in our ability to commercialise on this knowledge through our Solutions business. Our leaders group of international partners now stands at ten, upon signing Alcampo in Spain, Auchan Poland and Lotte Shopping in South Korea.

Political contributions

No donations were made by the Company to any political party, organisation or candidate during the period (2020: £nil).

Post-Balance Sheet events

Events occurring after the balance sheet date that affect the Company are disclosed in note 5.4 to the financial statements.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.
In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. See note 1.4 for more details.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the *Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.*

Directors' Report (continued)

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an annual general meeting.

Approved by the Board and signed in its behalf by:

DocuSigned by:

Stephen Daintith

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Stephen Daintith, Director
Ocado Innovation Limited

Company number: 08813912 (England and Wales)

16 November 2022

Independent Auditor's Report
to the members of Ocado Innovation Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Ocado Innovation Limited (the 'company'):
- give a true and fair view of the state of the company's affairs as of 28 November 2021 and of its profit for the period then ended from 30 November 2020 to 28 November 2021;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the income statement;
- the statement of comprehensive income;
- the statement of balance sheet;
- the statement of changes in equity;
- the related notes 1.1 to 5.5 to the financial statements

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report (Continued)

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

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

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

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

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we have identified a potential risk that management may exhibit bias in their judgements over the identification and timeliness of recognition of impairment. Given the nature and magnitude of capex expenditure within the entity, we identified the possibility of unrecorded impairment as a key audit matter. The significant sums being invested each period, the fast pace of development and the potential for new technology to supersede previously capitalised assets mean there is significant judgement in determining whether an impairment charge or acceleration of depreciation and amortisation may be required.

To address the risk that the value of capitalised project costs is overstated due to unrecorded impairments, our audit procedures included:

- obtaining a detailed understanding of management's impairment review control, including obtaining evidence of each step of the control activities;
- applying professional scepticism to the significant judgements made and conclusions drawn by management, including searching for indicators of bias for example in the criteria used for investigation and follow up;
- selecting a risk-focused sample of projects and:
    a) conducting detailed enquiries with project managers, outside of the finance function, to enhance our understanding of the plans, business rationale and economic benefits of those projects, and obtaining evidence of budget approvals and extensions;
    b) obtaining and inspecting evidence of budget approvals, expenditure against budget, and milestones achieved to search for contradictory evidence and indicators of impairment such as significant delays, over-spend or replacement of existing assets; and
    c) inspecting evidence of performance of the projects against customer expectations where relevant.

Independent Auditor's Report (Continued)

- analysing the capital work-in-progress balance, with a focus on aged items to assess whether these remained recoverable or should be impaired; and
- scrutinising the manual adjustments and reconciling items between the accounting records for intangible assets and property, plant and equipment,, the general ledger and the amounts disclosed in notes 3.1 and 3.2 to search for potential evidence of management manipulation or error.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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

Stephen Turner

Stephen Turner FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
16 November 2022

Income Statement
for the 52 week period ended 28 November 2021

	Notes	**52 weeks ended 28 November 2021 £m**	52 weeks ended 29 November 2020 (restated[1]) £m
Revenue	2.2	**38.5**	21.2
Gross profit		**38.5**	21.2
Other operating income		**5.2**	3.5
Distribution costs		**(10.3)**	(8.8)
Administrative expenses		**(229.3)**	(180.6)
Operating loss before exceptional items	2.3	**(195.9)**	(164.7)
Exceptional items	2.4	**(41.4)**	(318.9)
Operating loss		**(237.3)**	(483.6)
Finance income	4.1	**7.0**	2.6
Finance costs	4.1	**(20.5)**	(14.0)
Loss before tax	2.1	**(250.8)**	(495.0)
Tax	2.6	**5.1**	(11.3)
Loss for the period and total comprehensive expense		**(245.7)**	(506.3)

All amounts are derived from continuing operations.

There are no recognised gains or losses other than those recognised in the Income Statement.

The notes on pages 17 to 31 form part of these Financial Statements.

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

	Notes	**52 weeks ended 28 November 2021 £m**	52 weeks ended 29 November 2020 (restated[1]) £m
Operating loss		**(237.3)**	(483.6)
Adjustments for:			
Exceptional items	2.4	**41.4**	318.9
Depreciation of property, plant and equipment	3.2	**17.2**	10.8
Amortisation of intangible assets	3.1	**68.6**	48.5
Impairment of intangible assets	3.1	**0.4**	3.3
Impairment of property, plant and equipment	3.2	**0.9**	1.4
EBITDA		**(108.8)**	(100.7)

[1] See note 1.5 for details of the restatement.

Statement of Financial Position
as at 28 November 2021

	Notes	**28 November 2021 £m**	29 November 2020 (restated[1]) £m
Non-current assets			
Intangible assets	3.1	**264.8**	225.3
Property, plant and equipment	3.2	**139.5**	119.1
Deferred tax asset	2.6	**-**	1.9
Investment in subsidiaries	3.3	**2.9**	2.0
Other financial assets	3.4	**3.1**	-
Trade and other receivables	3.5	**25.6**	12.0
		435.9	360.3
Current assets			
Other financial assets	3.4	**-**	3.1
Trade and other receivables	3.5	**20.2**	13.1
Inventories		**0.1**	-
Cash and cash equivalents (excluding bank overdrafts)	3.6	**0.5**	2.9
		20.8	19.1
Total assets		**456.7**	379.4
Current liabilities			
Trade and other payables	3.7	**(1,072.1)**	(745.1)
Borrowings	3.6	**(2.1)**	-
		(1,074.2)	(745.1)
Net current liabilities		**(1,053.4)**	(726.0)
Non-current liabilities			
Deferred tax liability	2.6	**(12.3)**	(19.3)
		(12.3)	(19.3)
Net liabilities		**(629.8)**	(385.0)
Equity			
Share capital		**-**	-
Capital contribution		**2.1**	1.2
Retained earnings		**(631.9)**	(386.2)
Total shareholder's deficit		**(629.8)**	(385.0)

1 See note 1.5 for details of the restatement.

The notes on pages 17 to 31 form part of these Financial Statements.

These financial statements were authorised for issue by the Board of Directors and signed on its behalf by:

DocuSigned by:
Stephen Daintith
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Stephen Daintith
Director
Ocado Innovation Limited
Company Registration Number 08813912 (England and Wales)
16 November 2022

Statement of Changes in Equity
for the 52 week period ended 28 November 2021

	Share capital £m	Capital contribution £m	Retained earnings £m	Total equity £m
Balance at 1 December 2019	**-**	**0.5**	**120.1**	**120.6**
Loss for the period and total comprehensive expense (restated[1])	-	-	(506.3)	(506.3)
Transactions with owners: -Capital contribution from Parent	-	0.7	-	0.7
Balance at 29 November 2020 (restated[1])	**-**	**1.2**	**(386.2)**	**(385.0)**
Loss for the period and total comprehensive Expenses	-	-	(245.7)	(245.7)
Transactions with owners: -Capital contribution from Parent	-	0.9	-	0.9
Balance at 28 November 2021	**-**	**2.1**	**(631.9)**	**(629.8)**

[1] See note 1.5 for details of the restatement.

The notes on pages 17 to 31 form part of these Financial Statements.

Notes to the financial statements

Section 1 - Basis of preparation

1.1 General information

Ocado Innovation Limited (hereafter "the Company") is a private company limited by shares, incorporated in England and Wales under the Companies Act 2006 (company number: 08813912). The address of its registered office is Buildings One & Two, Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL. The financial period represents the 52 weeks ended 28 November 2021. The previous financial period represents the 52 weeks ended 29 November 2020. The principal activity of the Company is described in the Strategic Report.

1.2 Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

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

The Company has taken advantage of the exemption under Section 400 of the companies act to not prepare of consolidated financial statements, because it is included in the group accounts of Ocado Group plc. The group accounts of Ocado Group plc are available to the public and can be obtained as set out in note 5.5.

Exemptions

After considering the Application Guidance to FRS 100, the Company has taken advantage of the disclosure exemptions permitted under FRS 101 given that it is included in the consolidated financial statements of its ultimate parent, Ocado Group plc. The consolidated financial statements are prepared under International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) no 16 06/2002 as it applies in the European Union, including the interpretations issued by IFRS Interpretation Committee ("IFRIC"). The disclosure exemptions adopted, where applicable, are in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, certain disclosures in respect of revenue from contracts with customers and certain related party transactions.

Where relevant, equivalent disclosures have been given in the consolidated financial statements of Ocado Group plc that can be obtained from its registered office as detailed in note 5.5.

Adoption of new standards, amendments and interpretations

The Company adopted the International Financial Reporting Standards Interpretation Committee (IFRIC) Agenda Decision on Software as a Service. This resulted in a change in accounting policy to expense configuration and customisation costs and resulted in a restatement of the prior period in relation to amounts capitalised under the previous accounting policy. Refer to note 1.5 for details.

New standards, amendments and interpretations issued that are effective but not material to the Company

The Company has considered the following new standards, interpretations and amendments to published standards that are effective for the Company for the financial period beginning 30 November 2020, and concluded that they are either not relevant to the Company or that they would not have a significant effect on the Company's financial statements other than on disclosures:

	Effective date
Amendments to IFRS 3: Definition of a Business	1 January 2020
Amendments to IFRS 9, IAS 39, IFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
International Financial Reporting Standards Interpretation Committee (IFRIC) – Software as a Service	1 March 2021
Amendment to IFRS 16 "Leases" in relation to Covid-19 related rent concession beyond 30 June 2021	1 April 2021

Accounting policies

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

Notes to the financial statements (continued)

Section 1 – Basis of preparation (continued)

1.2 Basis of preparation (continued)

Accounting policies (continued)

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). Sterling is the Company's functional and presentation currency.

Foreign Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or finance costs. All other foreign exchange gains and losses are presented in the income statement within operating profit/loss.

1.3 Critical estimates, judgements and assumptions

The preparation of the Company financial statements requires the use of certain judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant accounting policies, key estimation uncertainties and significant judgements are provided below:

Key sources of estimation uncertainty
Property, plant and equipment
Property, plant and equipment excluding land are stated at cost less accumulated depreciation and any recognised impairment loss. An impairment review occurs whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. The accounting policy has been detailed in note 3.2.

Impairment of goodwill and other intangible assets
Goodwill and other impairment review requires future profits to be estimated and then extrapolated using long-term growth rates, and discounted at the pre-tax discount rate.

Significant judgements
Amortisation and depreciation charges
At the reporting date, intangible assets (excluding goodwill) and plant, property and equipment totalled £264.8 million (2020 (restated): £225.3 million). For the period, the amortisation charge and impairment charge totalled £70.0million (2020 (restated): £362.4 million). Management's judgement is required in assessing the useful lives of assets, which determines the level of the amortisation and depreciation charge recognised each period. A shorter assessed useful life of a specific asset would result in a higher amortisation or depreciation charge being recognised per period over a smaller number of periods.

1.4 Going concern basis

Accounting standards require that Directors satisfy themselves that it is reasonable for them to conclude on whether or not it is appropriate to prepare financial statements on the going concern basis. There has been no material uncertainty identified which would cast significant doubt upon the Company's ability to continue using the going concern basis of accounting for the 12 months following the approval of these financial statements.

This Company made a loss in the period of £245.7 million and has net liabilities of £629.8 million at the balance sheet date. The Directors have received confirmation, through a legally binding letter of support, from Ocado Group plc stating that it will continue to support the Company for a period of not less than 12 months from date of approval of these financial statements. After making appropriate enquiries and having considered the business activities as set out in the Strategic Report on page 2, the facts described above, the Covid-19 pandemic and the Company's principal risks and uncertainties, the Directors are satisfied that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

Notes to the financial statements (continued)

Section 1 – Basis of preparation (continued)

1.5 Restatement of prior period

The prior period comparatives have been restated to reflect the impact of the following:

1. During the period, the Company updated its policy on IAS 38 Intangible Assets following IFRIC interpretation on accounting for configuration or customisation costs in cloud computing or SaaS arrangement. As a result of the Company's change in accounting policy, following IFRIC's agenda decision in relation to SaaS arrangements, the prior period comparatives have been restated to derecognise previously capitalised SaaS related costs amounting to £8.3 million. This restatement has increased the Company's loss for the prior period by £8.3 million. The impact on the balance sheet is a decrease in non-current assets by £8.3 million.

2. During the period, the Company implemented a new Enterprise Resource Planning ("ERP") system, a business analytics solution used for analysis, reporting and collaboration. As part of the implementation process, the Company reviewed the categorisation of certain prior period costs and made the following reclassifications: £8.8 million increase to distribution costs with a corresponding £8.8 million decrease to administrative expenses. The impact on periods prior to FY2020 has been assessed and is not material. There is no impact on the Company's balance sheet.

3. Amounts due from group undertakings were previously presented as current assets as these amounts had no specific repayment terms attached and therefore it was assumed these balances were receivable on demand. However, there was no expectation that these amounts would be repaid within 12 months, being the entity's normal operating cycle, and therefore did not meet the criteria to be classified as current assets. The impact on the 29 November 2020 balance sheet is an increase in non-current assets of £12.0 million and an equivalent decrease in current assets. The restatement did not have any impact on the prior period loss.

The effect of the above restatements on the Company's Income Statement is as follows:

	52 weeks ended 29 November 2020 (previously reported) £m	Saas restatement £m	Reclassification £m	52 week ended 29 November 2020 (restated) £m
Revenue	**21.2**	-	-	**21.2**
Gross profit	**21.2**	-	-	**21.2**
Other operating income	3.5	-	-	3.5
Distribution costs	-	-	(8.8)	(8.8)
Administrative expenses	(189.4)	-	8.8	(180.6)
Operating loss before exceptional items	**(164.7)**	-	-	**(164.7)**
Exceptional items	(310.6)	(8.3)	-	(318.9)
Operating loss	**(475.3)**	**(8.3)**	-	**(483.6)**
Finance income	2.6	-	-	2.6
Finance costs	(14.0)	-	-	(14.0)
Loss before tax	**(486.7)**	**(8.3)**	-	**(495.0)**
Tax	(11.3)	-	-	(11.3)
Loss for the period and total comprehensive expense	**(498.0)**	**(8.3)**	-	**(506.3)**

Notes to the financial statements (continued)

Section 1 – Basis of preparation (continued)

1.5 Restatement of prior period

The effect of the above restatements on the Company's Balance Sheet is as follows:

Balance sheet	29 November 2020 (previously reported) £m	Restatement £m	29 November 2020 (restated) £m
Other intangible assets	233.6	(8.3)	225.3
Property, plant and equipment	119.1	-	119.1
Investments in subsidiary	2.0	-	2.0
Deferred tax assets	1.9	-	1.9
Trade and other receivables	-	12.0	12.0
Non-current assets	**356.6**	**3.7**	**360.3**
Other financial assets	3.1	-	3.1
Trade and other receivables	25.1	(12.0)	13.1
Cash and cash equivalents	2.9	-	2.9
Current assets	**31.1**	**(12.0)**	**19.1**
Total assets	**387.7**	**(8.3)**	**379.4**
Current liabilities	**(745.1)**	**-**	**(745.1)**
Net current liabilities	**(714.0)**	**(12.0)**	**(726.0)**
Non-current liabilities	**(19.3)**	**-**	**(19.3)**
Net liabilities	**(376.7)**	**(8.3)**	**(385.0)**
Equity			
Capital contribution	1.2	-	1.2
Retained earnings	(377.9)	(8.3)	(386.2)
Total equity	**(376.7)**	**(8.3)**	**(385.0)**

Section 2 – Results for the period

2.1 Loss before taxation

Administrative expenses

Administrative expenses consist of IT costs, employment costs of central functions, which include legal, finance, human resources, marketing and procurement, rent and other property-related costs for the head office, all fees for professional services and expenses relating to the Ocado Group's share schemes through recharges with other Ocado Group entities. The depreciation, amortisation and impairment associated with IT equipment, software, fixtures and fittings are also included.

2.2 Revenue

During the period, the Company generated revenue of £38.5 million (2020: £21.2 million). Revenue is generated wholly within the United Kingdom and from a single class of business, being the Company's principal activity of creating, developing and maintaining the intellectual property of the Ocado Group and recharging this to other Group companies.

Notes to the financial statements (continued)

Section 2 – Results for the period (continued)

2.3 Operating loss

	Notes	**52 weeks ended 28 November 2021 £m**	52 weeks ended 29 November 2020 (restated[1]) £m
Operating loss is stated after charging / (crediting) the following:			
SaaS costs	2.4	**12.9**	8.3
Amortisation expense	3.1	**68.6**	48.5
Impairment of intangibles, included in:			
- Administrative expenses	3.1	**0.4**	313.9
Depreciation of property, plant and equipment	3.2	**17.2**	10.8
Research and development costs		**-**	0.1
Impairment of property, plant and equipment included in			
- Administrative expenses	3.2	**0.9**	1.4

During the period, the Company obtained audit services from its auditor, Deloitte LLP, to the amount of £320,000 (2020: £152,500). These costs have been borne by Ocado Central Services Ltd and are not rechargeable. The Company's auditor has not provided any non-audit services in the current or prior periods.

2.4 Exceptional items

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 (restated[1]) £m
Impairment of goodwill	**-**	310.6
Litigation costs	**28.5**	-
Implementation of SaaS Accounting Guidance	**12.9**	8.3
	41.4	318.9

Litigation costs
Litigation costs principally relate to patent infringement litigation between the Group and AutoStore Technology AS ("AutoStore"). Further details are disclosed in note 5.2 of these financial statements. Prior year AutoStore litigation costs was paid by Ocado Central Services Limited and were not recharged to the Company.

Implementation of SaaS accounting guidance
During the 52 weeks ended 28 November 2021, the Company implemented various SaaS solutions across the business (the primary one being Oracle Cloud for our finance platform). Given the IFRIC agenda decision, we have chosen to update our accounting treatment and policy for IAS 38 Intangible Assets accordingly.

We have determined that £8.3 million of SaaS related costs (incurred and capitalised during the financial period) no longer meet the criteria for recognition as an asset under IAS 38. Accordingly, this amount has been expensed in full and has been disclosed as an exceptional item because it arises from the one off introduction of interpretations to accounting guidance, and is material in scale.

As a result, of the Group's change in accounting policy following the IFRIC's agenda decision in relation to SaaS arrangements, the prior period comparatives has been restated to derecognise previously capitalised SaaS-related costs amounting to £8.3 million. This amount has been expensed in full and disclosed as an exceptional item.

[1] See note 1.5 for details of the restatement.

Notes to the financial statements (continued)

Section 2 – Results for the period (continued)

2.5 Employee information

All staff, including directors, are employed by another Group company, with the Company recharged for its share of employment costs incurred by other Group companies.

2.6 Taxation

Accounting policies

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

Current taxation

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

Deferred taxation

Deferred tax is recognised using the balance sheet method on temporary differences arising between the tax base of assets and liabilities and their carrying amount in the financial statements. No deferred tax is recognised if the temporary difference arises from the initial recognition of goodwill, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Recognition, therefore, involves judgement regarding the prudent risk-adjusted forecasting of future taxable profits of the business and in applying an appropriate risk adjustment factor. The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. At the reporting date, Management has forecasted that the Company will generate future taxable profits against which existing tax losses can be relieved.

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

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Research and Development Expenditure Credit

The Company takes advantage of the incentives offered under the United Kingdom's Research and Development Expenditure Credit ("RDEC") regime to claim a credit for the Company's significant expenditure on qualifying research and development. As enacted in the Finance Act 2020, the credit due to the Company is equal to 13% (2020: 13.0%) of the Company's qualifying expenditure. The Company continues to utilise the additional benefits from the scheme in light of the Company's commitment to its innovative technology and software.

During the period the Company claimed a credit of £4.7 million, within other income, for the 52 weeks ended 28 November 2021 (2020: £4.7 million for the 52 weeks ended 29 November 2020).

Taxation - Income statement

	52 week ended 28 November 2021	52 week ended 29 November 2020 (restated[1])
	£m	£m
Current tax:		
UK Corporation Tax on loss for the period	-	-
Total current tax	-	-
Deferred tax:		
Changes in recoverable amounts of deferred tax assets	**(10.6)**	10.6
Effect of change in rate of United Kingdom Corporation Tax	**5.5**	0.7
Total deferred tax	**(5.1)**	11.3
Income tax (credit) / charge for the period	**(5.1)**	11.3

Notes to the financial statements (continued)

Section 2 – Results for the period (continued)

2.6 Taxation (continued)

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the Company as follows:

	52 week ended 28 November 2021 £m	52 week ended 29 November 2020 £m
Loss before tax	**(250.8)**	(295.07)
Effective tax charge at the UK tax rate of 19% (2020: 19%)	**(47.7)**	(92.5)
Effect of:		
Non-taxable items	**(21.0)**	54.5
Group relief surrendered	**17.4**	15.1
Temporary differences on which no deferred tax recognised	**50.5**	18.8
Remeasurement of deferred tax for changes in tax rates	**(5.5)**	
Losses arising in period on which no deferred tax is recognised	**-**	16.1
Research and development expenditure credits	**1.2**	(0.7)
Income tax (credit) /charge for the period	**(5.1)**	11.3

Taxation - Balance Sheet

Movement in the deferred tax asset is as follows:

	Tax losses carried forward £m
As at 1 December 2019	10.1
Effect of change in UK corporation tax rate	1.2
Recognised through the income statement	(9.4)
As at 29 November 2020	1.9
Effect of change in UK corporation tax rate	**-**
Recognised through the income statement	**(1.9)**
As at 28 November 2021	**-**

In the September 2022 Mini Budget it was announced that the increase to 25% would now not occur and the Corporation Tax Rate would instead be held at 19%. This rate had not been substantively enacted at the balance sheet date, and as a result the deferred tax balances as at 28 November 2021 continue to be measured at the full 25% rate noted above. The estimated impact of the reversal of the corporation tax rate increase would be to reduce the deferred tax liability recognised by £3.0m.

As at 28 November 2021 the Company had approximately £305.1 million of unutilised tax losses (2020: approximately £221.3 million) available for offset against future profits. A deferred tax asset of £nil (2020: £1.9 million) has been recognised in respect of of the losses. This is on the basis that their future economic benefit is uncertain given the unpredictability of future profit streams. All tax losses, both recognised and unrecognised, can be carried forward indefinitely.

Notes to the financial statements (continued)

Section 2 – Results for the period (continued)

2.6 Taxation (continued)

Movement in the deferred tax liability is as follows:

	Fixed asset temporary differences £m
As at 1 December 2019	(16.2)
Effect of change in UK corporation tax rate	(1.9)
Recognised through the income statement	(1.2)
As at 29 November 2020	(19.3)
Effect of change in UK corporation tax rate	**(5.5)**
Recognised through the income statement	**12.5**
As at 28 November 2021	**(12.3)**

For the period ended 28 November 2021, the Company has recognised a deferred tax liability of £12.3 million (2020: £19.3 million) in respect of intangible assets that management assessed as qualifying for research and development corporation tax relief. The timing of the tax deductions in respect of expenditure incurred on these assets differs to the amortisation profile of the assets, giving rise to the deferred tax liability. This liability will be unwound over the useful lives of the assets.

Section 3 – Operating assets and liabilities

3.1 Intangible assets

Intangible assets comprise of internally generated assets relating mainly to computer software and other intangible assets relating mainly to externally acquired computer software and assets. These are carried at cost less accumulated amortisation and any recognised impairment loss.

Other intangible assets are capitalised and amortised on a straight-line basis over their useful lives of three to seven years.

Costs relating to the development of computer software for internal use are capitalised once all the development phase recognition criteria of IAS 38 "Intangible Assets" are met. When the software is available for its intended use, the costs are amortised in equal annual amounts over the estimated useful life of the software.

Impairment of computer software or licences are charged to administrative expenses in the period in which they arise. Amortisation on internally generated assets and on other intangible assets is calculated on a straight-line basis from the date on which they are brought into use, charged to administrative expenses, and is calculated based on the useful lives indicated below:

Internally generated assets 3–5 years, or the lease term if shorter
Other intangible assets 3–7 years, or the lease term if shorter

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

Cost capitalisation

The cost of internally generated assets are capitalised as an intangible asset where it is determined by management's judgement that the ability to develop the assets is technically feasible, will be completed, and that the asset will generate economic benefit that outweighs its cost. This is in line with the recognition criteria as outlined in IAS 38 "Intangible Assets". Management determine whether the nature of the projects meet the recognition criteria to allow for the capitalisation of internal costs, which include the total cost of any external products or services and labour costs directly attributable to development. During the period management have considered whether costs in relation to the time spent on specific software projects can be capitalised. Time spent that was eligible for capitalisation included time which was intrinsic to the development of new assets to be used or monetised by the Company, the enhancement of existing warehouse and routing systems capabilities, or improvements to applications used by Ocado Group's customers. Other development costs that do not meet the above criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Research expenditure is recognised as an expense as incurred. These are costs that form part of the intent of gaining new knowledge, which management assess as not satisfying the capitalisation criteria per IAS 38 "Intangible Assets" as outlined above. Examples of research costs include, but are not limited to, the following: salaries and benefits of employees assessing and analysing future technologies and their likely viability, and professional fees such as marketing costs and the cost of third party consultancy.

Notes to the financial statements (continued)

Section 3 — Operating assets and liabilities (continued)

3.1 Intangible assets (continued)

Cost capitalisation (continued)

In certain circumstances, some assets are ready for use, but are not performing as intended by management. Development costs that relate to the enhancement or modifications of existing assets are capitalised until the asset is performing as intended by management. Management assess the capitalisation of these costs by consulting the guidance outlined in IAS 38 "Intangible Assets" and exercise judgement in determining the qualifying costs. When unsure if the enhancement or modification costs relate to the development of the asset or are maintenance expenditure in nature, management treat the expenditure as if it were incurred in the research phase only in line with IAS 38 guidance.

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

Estimation of useful life

The charge in respect of periodic amortisation is derived by estimating an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced amortisation charge in the income statement. The useful life is determined by management at the time the software is acquired and brought into use and is regularly reviewed for appropriateness. For computer software licences, the useful life represents management's view of the expected period over which the Company will receive benefits from the software. For unique software products developed and controlled by the Company, the life is based on historical experience with similar products as well as anticipation of future events which may impact their useful life, such as changes in technology.

	Goodwill £m	Internally generated assets £m	Other intangible assets £m	Total intangible assets £m
Cost				
At 1 December 2019	310.6	235.0	40.7	586.3
Additions	-	-	17.3	17.3
Internal development costs capitalised	-	87.6	-	87.6
Disposals*	-	(1.9)	(1.7)	(3.6)
Reversal of previously capitalised SaaS costs	-	(8.3)	-	(8.3)
Transferred from Group undertakings	-	9.0	0.5	9.5
At 29 November 2020 (restated)	**310.6**	**321.4**	**56.8**	**688.8**
Additions	-	1.7	16.4	18.1
Internal development costs capitalised	-	90.4	-	90.4
Disposals*	-	(71.5)	(9.7)	(81.2)
At 28 November 2021	**310.6**	**342.0**	**63.5**	**716.1**
Accumulated amortisation				
At 1 December 2019	-	(81.3)	(13.4)	(94.7)
Charge for the period	-	(40.3)	(8.2)	(48.5)
Impairment	(310.6)	(1.7)	(1.6)	(313.9)
Internal development costs capitalised	-	(0.6)	-	(0.6)
Disposals*	-	1.9	1.7	3.6
Transferred from Group undertakings	-	(9.0)	(0.4)	(9.4)
At 29 November 2020	**(310.6)**	**(131.0)**	**(21.9)**	**(463.5)**
Charge for the period	-	(57.9)	(10.7)	(68.6)
Impairment	-	(0.4)	-	(0.4)
Disposals*	-	71.5	9.7	81.2
At 28 November 2021	**(310.6)**	**(117.8)**	**(22.9)**	**(451.3)**
Net book value				
At 29 November 2020 (restated)	-	190.4	34.9	225.3
At 28 November 2021	**-**	**224.2**	**40.6**	**264.8**

Notes to the financial statements (continued)

Section 3 — Operating assets and liabilities (continued)

3.1 Intangible assets (continued)

* Prior to the migration to the new accounting system, a review of the fixed asset register was undertaken. Following the review, certain fully depreciated assets have been identified that are no longer in use, hence, the costs and the corresponding accumulated depreciation have been derecognised accordingly. There is no impact on the balance sheet as the NBV of these assets is nil.

During the prior period, the goodwill balance was reviewed and impaired, given that the company was loss making and was projecting future losses. The impairment charge was recognised in the income statement as an exceptional item.

For the period ended 28 November 2021, internal development costs capitalised by the Company represented approximately 83% (2020: 84%) of expenditure on intangible assets and 61% (2020: 60%) of total capital spend including property, plant and equipment.

Included within intangible assets is capital work-in-progress for internally generated intangible assets of £34.1 million (2020: £34.4 million) and £11.8 million (2020: £nil million) for other intangible assets.

3.2 Property, plant and equipment

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes the original purchase price of the asset and any costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at rates estimated to write off the cost of the relevant assets less their estimated residual values by equal annual amounts over their expected useful lives indicated below. Residual values and expected useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. Depreciation on other non-current assets is charged to both distribution costs and administrative expenses.

Land	Not depreciated
Fixtures and fittings	5-10 years
Plant and machinery	3-20 years

Capital work-in-progress is not depreciated until it is available for use.

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

Property, plant and equipment represents 31.0% (2020: 31.4% restated) of the total asset base of the Company in 2021. Therefore, the estimates and assumptions made to determine the carrying value of property, plant and equipment and related depreciation are important to the Company's financial position and performance.

Estimation of useful life

The useful lives of the Company's assets are determined by management at the time the asset is acquired and reviewed at least annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their useful life, such as changes in technology. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the income statement.

Impairment of non-financial assets

An annual impairment review is performed and assets which do not have indefinite useful lives are subject to an annual depreciation or amortisation charge. Assets that are subject to an annual amortisation or depreciation charge are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Given the Company's current operating structure the lowest level at which cash flows can reasonably be assessed is for the Company as a whole. The Company prepares detailed forward projections which are constantly updated and refined. Based on these projections the Board does not consider that any further impairment of assets is required, other than that recognised in the income statement.

Notes to the financial statements (continued)

Section 3 — Operating assets and liabilities (continued)

3.2 Property, plant and equipment (continued)

	Fixtures, fittings, plant and machinery £m
Cost	
At 29 November 2020	157.6
Additions	38.8
Disposals	(7.5)
At 28 November 2021	**188.9**
Accumulated depreciation and impairment	
At 29 November 2020	(38.5)
Charge for the period	(17.2)
Disposals	7.2
Impairment	(0.9)
At 28 November 2021	**(49.4)**
Net book value	
At 29 November 2020	119.1
At 28 November 2021	**139.5**

Included within property, plant and equipment is capital work-in-progress for fixtures, fittings, plant and machinery of £23.7 million (2020: £34.3 million).

3.3 *Investment in subsidiaries*

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

	28 November 2021 £m	29 November 2020 £m
Investment in subsidiaries	**2.9**	2.0

Employees (including Directors) of the Company's subsidiaries receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares ("equity-settled transactions") of the Company's parent, Ocado Group plc. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

In accordance with IFRS 2 "Share-based Payment", Ocado Group plc recharges its subsidiaries for amounts recognised as share-based payments relating to awards to its subsidiaries' employees. The Company recognises these recharges as capital contributions by its parent and when it is recharged again to the Company's relevant subsidiaries, as an increase in the investment in the relevant subsidiaries.

The movement of £0.9 million in the period is the impact of IFRS2 Share Based Payment transactions and the capital contribution from the Parent (see Statement of Changes in Equity).

Notes to the financial statements (continued)

Section 3 — Operating assets and liabilities (continued)

3.3 Investment in subsidiaries (continued)

The Company has investments in the following subsidiary undertakings. All subsidiaries are held directly by the Company.

Name	Country of incorporation	Principal activity	Share class	Proportion of share capital held
Ocado Polska Sp. z.o.o	Poland[1]	Technology	Ordinary	100%
Ocado Spain S.L.U.	Spain[2]	Technology	Ordinary	100%
Oxford US LLC	USA[3]	Non-trading company	Ordinary	100%
Ocado Bulgaria EOOD	Bulgaria[4]	Technology	Ordinary	100%
Ocado Sweden AB	Sweden[5]	Technology	Ordinary	100%

The registered offices of the above subsidiaries are:
[1] High5ive Building 4, Pawia 21-st, 31-154, Kraków, Poland
[2] Calle Badajoz 112, 08018, Barcelona, Spain
[3]1209 Orange Street, Wilmington, Delaware 19801, United States of America (USA)
[4] 7th Floor, 13 Henrik Ibsen Street, Lozenets District, Sofia 1407, Bulgaria
[5] Malarvarsbacken 8, 11733, Stockholm, Sweden

3.4 Other financial assets

Other financial assets comprise intercompany loans receivable from its subsidiaries, Ocado Spain SLU Espania and Ocado Bulgaria EOOD that were previously categorised as current assets as a result of the prevailing repayment terms at the prior period end. During the current period, the repayment dates that have been re-negotiated and amounts are now repayable between 2023 and 2024 and the loans are reported as non-current assets at the current period end.

3.5 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Other receivables are non-interest bearing and are recognised initially at fair value, and subsequently at amortised cost, reduced by appropriate allowances for estimated irrecoverable amounts.

	28 November 2021	29 November 2020 (restated[1])
	£m	£m
Trade receivables	**0.1**	-
Accrued income and other receivables	**12.4**	7.8
Prepayments	**7.7**	5.3
Amounts due from group subsidiaries	**25.6**	12.0
	45.8	25.1
Disclosed as:		
Current	**20.2**	13.1
Non-current	**25.6**	12.0
	45.8	25.1

1 See note 1.5 for details of the restatement.

No security has been granted over trade and other receivables. The ageing of trade and other receivables (excluding prepayments) are categorised as not past due. There are no provisions for impairment of trade and other receivables, and management has assessed the recoverability of these balances.

Amounts owed by group undertakings are unsecured, interest bearing after 180 days at Base Rate + 5.5%, have no fixed date of repayment and are repayable on demand.

Notes to the financial statements (continued)

Section 3 – Operating assets and liabilities *(continued)*

3.6 Cash and cash equivalents and borrowings

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks, short-term deposits with a maturity of three months or less at the balance sheet date and bank overdrafts. Bank overdrafts are repayable on demand and form an integral part of the Company's cash management. They are therefore classified as current liabilities.

	28 November 2021 £m	29 November 2020 £m
Cash and cash equivalents	**0.5**	2.9

Borrowings

	28 November 2021 £m	29 November 2020 £m
Bank overdrafts	**(2.1)**	-

The bank overdrafts are shown as borrowing in current liabilities in the balance sheet.

3.7 Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently at amortised cost, using the effective interest rate method. Amounts owed to group undertaking are unsecured, interest bearing after 180 days at Base Rate + 5.5%, have no fixed date of repayment and are repayable on demand.

	28 November 2021 £m	29 November 2020 £m
Trade payables	**-**	2.3
Accruals and deferred income	**22.3**	12.8
Amounts due to group subsidiaries	**1,049.7**	730.0
	1,072.0	745.1

Section 4 — Capital structure and financing costs

4.1 Finance income and costs

Interest income is accounted for on an accruals basis using the effective interest method. Finance costs comprise interest on balances due to group undertakings and are recognised in the period in which they fall due.

	52 weeks ended 28 November 2021 £m	52 weeks ended 29 November 2020 £m
Interest on balances due from group subsidiaries	**3.5**	2.6
Foreign exchange gain	**3.5**	-
Finance income	**7.0**	2.6
Interest on balances due to group subsidiaries	**(20.5)**	(14.0)
Finance costs	**(20.5)**	(14.0)
Net finance costs	**(13.5)**	(11.4)

Notes to the financial statements (continued)

Section 4 – Capital structure and financing costs (continued)

4.2 Share capital and reserves

The issued and fully paid up share capital is set out below:

	Ordinary Shares Number	Share Capital £m
At 29 November 2020 and 28 November 2021	1	-

The share is fully paid and carries no right to fixed income. The share has a nominal value of £1.

Section 5 – Other notes

5.1 Commitments

Capital commitments

Contracts placed for future capital expenditure but not provided for in the financial statements are property, plant and equipment technology-related projects and at period end amounted to £6.9 million (2020: £36.4 million).

5.2 Contingent liabilities

On 1 October 2020, AutoStore Technology AS ("AutoStore"), a Norwegian company then owned by the United States private equity firm Thomas H. Lee Partners, L.P., filed patent infringement claims against the Group in the High Court in England, the United States International Trade Commission, and the United States District Court for the Eastern District of Virginia. The Group initially learned of the filing of these claims through the media. Once the position had been examined we notified the market that we did not believe Ocado had infringed any valid patent rights of AutoStore.

Later that month AutoStore applied to the United Kingdom Intellectual Property Office claiming ownership of several of the Group's patents relating to elements of the OSP system. The UK IPO declined to hear the entitlement application, with the consent of both parties, and AutoStore subsequently filed the same claim in the High Court. No directions hearing has yet taken place in respect of that claim, and we do not expect it to come to trial before 2023.

The Group's initial analysis on patent infringement still holds true. We are confident in the merits of our defences and in the integrity of our existing portfolio of IP, together with the disciplined approach taken to building our capabilities over the last 20 years. We have taken appropriate action to defend against these claims and to protect our own intellectual property rights.

The Group has subsequently brought two separate proceedings against AutoStore in the United States: the first a patent infringement claim; the second an antitrust claim. In the antitrust claim, the Group has alleged, based on the evidence available, that four of the five AutoStore patents on which AutoStore has based its case were procured fraudulently from the United States Patent and Trademark Office.

The Group filed Opposition proceedings in the EPO against all six of the AutoStore patents asserted against us in the UK Proceedings. Three of the six patents have thus far been revoked by the EPO, two have been maintained (one only on condition that narrowing amendments were made) and the final patent will not be considered until the end of 2022. On 21 January 2021, proceedings by AutoStore and another party to declare invalid Ocado's European patent for its Single Space Bot (part of the OSP system) was rejected by the European Patent Office, and the patent was declared to be novel, inventive and valid. A further attempt by AutoStore to invalidate an Ocado patent on the communications element of the OSP system failed in June 2021, and our patent was maintained as granted.

On 13 December 2021, the judgement of the Chief Administrative Law Judge in the International Trade Commission was delivered in favour of Ocado. He held that three of the four AutoStore patents asserted against Ocado were invalid, and the fourth patent was not infringed. A fifth patent was abandoned by AutoStore on the eve of the hearing. The judge's findings have been appealed to the full ITC. Ocado continues to have confidence in the merits of its position and the correctness of the judge's findings. Separately, Ocado actively continues to pursue its claims against AutoStore for infringement of Ocado's patents in both the United States and Europe.

AutoStore's UK High Court infringement claim was based on 6 patents asserted against Ocado, covering three different inventions (patent families). On 14 January 2022, 15 months after starting the claim and 2 months before the trial, AutoStore abandoned their infringement claim in relation to two of their three patent families (three of the six patents). Ocado's counterclaim for declarations of invalidity in relation to all six patents however remains in the case. In addition we will be seeking to recover our wasted costs in relation to the abandoned part of their claim, which are expected to be several million pounds.

AutoStore applied in late January to add two more patents to their claim, one being a further member of the last remaining patent family in the case and the other being an unrelated patent. These two patents will be heard in a much later trial, which we expect will not take place until some time in 2023.

Notes to the financial statements (continued)

5.2 Contingent liabilities (continued)

Ocado filed claims against three AutoStore companies in District Courts in Germany, alleging infringement by them of Ocado Utility Model intellectual property rights (a form of IP that exists in Germany but not in the UK). AutoStore then filed an application to declare the Utility Models invalid. The German system is bifurcated in that the question of validity of IP rights is adjudicated separately, in a different forum, from the question of infringement of those rights. Our infringement claims have been stayed pending the determination of the validity hearings.

Legal and other costs have been incurred to defend against AutoStore's claims and to file the Group's claims.

Given the ongoing nature of this litigation and its multiple forums, the outcome is uncertain and the financial impact is not currently quantifiable, and so the Group has not recognised a contingent asset nor a contingent liability.

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Legal and other costs have been incurred to defend against AutoStore's claims and to file the Group's claims.

Given the ongoing nature of this litigation and its multiple forums, the outcome is uncertain and the financial impact is not currently quantifiable, and so the Group has not recognised a contingent asset nor a contingent liability.

5.3 Related party transactions

The Company has taken advantage of the exemption permitted by FRS 101.8(k) not to disclose related party transactions with entities that are wholly owned by Ocado Group plc. There were no transactions in the period with related parties that are not wholly owned by Ocado Group plc.

5.4 Post-Balance-Sheet events

There are no post balance sheet events to report.

5.5 Ultimate parent undertaking and controlling party

The Company's ultimate parent undertaking and controlling party is Ocado Group plc, a company incorporated in England and Wales. Ocado Group plc is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements as at 28 November 2021.

The consolidated financial statements of Ocado Group plc can be obtained from Buildings One & Two, Trident Place, Mosquito Way, Hatfield, Hertfordshire, AL10 9UL, or from its corporate website, www.ocadogroup.com.

The Company's immediate parent undertaking and controlling party is Ocado Group plc.