

## 4.6 Share capital and reserves

### Accounting policy

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

#### 4.6.1 Share capital and reserves

	27 November 2011		28 November 2010	
	Number of shares	£'000	Number of shares	£'000
<b>Authorised</b>				
Ordinary shares of 2 pence each	600,000,000	12,000	600,000,000	12,000
<b>Allotted and fully paid</b>				
Ordinary shares of 2 pence each	558,362,139	11,167	553,428,201	11,068

Included in the total number of ordinary shares outstanding above are 36,305,099 (2010: 32,476,700) shares held by the Group's employee benefit trust (see Note 4.6.1(a)).

As at 27 November 2011, the number of ordinary shares available for issue under the Block Listing Facility were 4,352,024 (2010: 5,276,413). These ordinary shares will only become allotted when share options under the Group's ESOS and non-employee share options have been exercised, and are therefore not included in the total number of ordinary shares outstanding above.

## Notes to the consolidated financial statements continued

### 4.6.1 Share capital and reserves continued

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

	Notes	Ordinary shares Number of shares	Convertible preference shares Number of shares	Ordinary shares £'000	Convertible preference shares £'000	Share premium £'000
<b>At 29 November 2009</b>		1,525,757	2,474,749	15	25	310,836
Allotted in respect of executive share ownership scheme of Ocado Limited	4.7.1(a)	6,635	—	—	—	731
Allotted in respect of joint share ownership scheme of Ocado Limited	4.7.1(b)	324,767	—	3	—	48,712
Cancellation of Ocado Limited ordinary and convertible preference shares	4.6.1(b)	(1,857,159)	(2,474,749)	(18)	(25)	—
Issue of ordinary and convertible preference shares by Ocado Group plc	4.6.1(b)	185,715,900	247,474,900	204,287	272,222	—
Ocado Group plc capital reduction	4.6.1(b)	—	—	(200,573)	(267,273)	—
Reverse acquisition of Ocado Limited by Ocado Group plc	4.6.1(c)	—	—	—	—	(360,279)
Issue of ordinary shares by Ocado Group plc on IPO		118,968,225	—	2,379	—	211,763
Issue of ordinary shares to the Chairman on IPO		55,555	—	1	—	99
Share issue costs		—	—	—	—	(6,881)
Conversion of preference shares to ordinary shares on IPO		247,474,900	(247,474,900)	4,949	(4,949)	—
Allotted in respect of the executive share ownership scheme of Ocado Group plc	4.7.1(a)	1,032,921	—	21	—	978
Allotted in respect of non-employee share options issued by Ocado Group plc	4.7.1(c)	180,700	—	4	—	135
<b>At 28 November 2010</b>		553,428,201	—	11,068	—	206,094
Allotted in respect of executive share ownership scheme	4.7.1(a)	935,137	—	19	—	940
Allotted in respect of joint share ownership scheme	4.7.1(b)	3,990,799	—	80	—	6,704
Allotted in respect of sharesave scheme	4.7.1(d)	602	—	—	—	1
Allotted in respect of non-employee share options	4.7.1(c)	7,400	—	—	—	7
Disposal of treasury shares		—	—	—	—	37
<b>At 27 November 2011</b>		<b>558,362,139</b>	<b>—</b>	<b>11,167</b>	<b>—</b>	<b>213,783</b>

The ordinary shares held by the trustee of the Group's employee benefit trust pursuant to the joint share ownership scheme are treated as treasury shares in the Group's consolidated balance sheet in accordance with IAS 32 "Financial instruments: Presentation". These ordinary shares have voting rights but these have been waived by the trustee. The number of allotted, called up and fully paid shares at the end of each period differs from that used in the loss per share calculation in Note 2.3 as loss per share is calculated using the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

#### 4.6.1 Share capital and reserves continued

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

On 9 February 2010 the Company acquired the entire share capital of Ocado Limited. As a result of this transaction, the shareholders in Ocado Limited received shares in the Company in direct proportion to their original shareholdings in Ocado Limited. Shareholders were issued 100 shares in the Company for every one share in Ocado Limited. The shares in the Company have a nominal value of 2 pence each.

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

Also in the prior period, costs relating directly to the new issue of shares to the amount of £6.9 million were deducted from the share premium account. Attributable IPO costs were allocated between the share premium account and profit and loss account in proportion to the number of primary and secondary shares traded on Admission. Other costs attributable to the Listing were expensed.

In the prior period, costs expensed in the amount of £3.5 million in relation to the IPO related primarily to legal and professional fees.

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

	Notes	Treasury shares reserve £'000	Reverse acquisition reserve £'000	Other Reserves	
				Fair value reserve £'000	Foreign currency translation reserve £'000
<b>At 29 November 2009</b>		—	—	—	—
Allotted in respect of joint share ownership scheme of Ocado Limited	4.7.1(b)	(47,741)	—	—	—
Issue of ordinary and convertible preference shares by Ocado Group plc	4.6.1(b)	—	(476,509)	—	—
Reverse acquisition of Ocado Limited by Ocado Group plc	4.6.1(c)	—	360,279	—	—
Fair value movement on derivative financial instrument	4.6.1(d)	—	—	726	—
<b>At 28 November 2010</b>		(47,741)	(116,230)	726	—
Allotted in respect of joint share ownership scheme	4.7.1(b)	(6,308)	—	—	—
Disposal of treasury shares		244	—	—	—
Fair value movement on derivative financial instrument	4.6.1(d)	—	—	(716)	—
Translation of foreign subsidiary		—	—	—	(1)
<b>At 27 November 2011</b>		<b>(53,805)</b>	<b>(116,230)</b>	<b>10</b>	<b>(1)</b>

## Notes to the consolidated financial statements continued

### 4.6.1 Share capital and reserves continued

#### (a) Treasury shares reserve

This reserve arose in the prior period when Ocado Limited (prior to the Group's restructuring) issued equity share capital under the JSOS, which is held in trust by the trustee of the Group's employee benefit trust. During the current period, the Company issued a further 3,990,799 ordinary shares to the Group's employee benefit trust pursuant to a new phase of the Group's JSOS. The consideration paid is deducted from total shareholders' equity and classified as treasury shares on consolidation. Treasury shares cease to be accounted for as such when they are sold or the interest is transferred in full to the participant pursuant to the terms of the JSOS. See Note 4.7.1 (b) for more information on the JSOS.

#### (b) Scheme of Arrangement and Capital Reduction

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

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

#### (c) Reverse acquisition reserve

The acquisition by the Company of the entire issued share capital of Ocado Limited has been accounted for as a reverse acquisition under IFRS 3 (revised). Consequently, the previously recognised book values and assets and liabilities have been retained and the consolidated financial information for both the current and prior periods have been presented as if the Company had always been the parent company of the Group.

#### (d) Other reserves

Other reserves consist of the foreign currency translation reserve and the fair value reserve.

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

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

### 4.7 Share-based payments

#### Accounting policies

##### Employee benefits

Employees (including Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for rights over shares ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured with reference to the fair value at the date on which they are granted. Fair value is measured using the Black-Scholes Option Pricing Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. In valuing equity-settled transactions, no account is taken of any performance conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the years in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

At each reporting date, the cumulative expense recognised for equity-settled transactions reflects the extent to which the vesting period has expired and the number of awards, that in the opinion of the Directors, will ultimately vest. Directors' estimates are based on the best available information at that date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The Group has exposure in respect of cash-settled share-based payment transactions and share-based payment transactions with cash alternatives as defined by IFRS 2 "Share-based Payment" only in respect of bad leaver provisions in the Group's JSOS.