Ocado Retail Limited

Annual Report and Financial Statements for the 52 weeks ended 27 November 2022

COMPANY NUMBER 03875000

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Strategic Report

Chief Executive Review

I am delighted to be presenting the Annual Report and Financial Statements for Ocado Retail Limited's (Ocado Retail) third financial year as a 50:50 joint venture between Ocado Group and Marks & Spencer Group (M&S).

I took on the role as Chief Executive in September 2022, having spent more than 10 years at Ocado Group in customer, commercial and technology roles, most recently as Chief Product Officer for Ocado Technology. Before the launch of Ocado Retail as a joint venture with M&S, I was also Head of Ocado Zoom, taking the proposition from concept to launch.

The market and our performance

Underlying progress in 2022 was encouraging, reflected in strong customer growth and efficiencies achieved in our newest sites. We significantly grew our active customer base to 940,000 customers, +13% from 832,000 the year before, reflecting continued demand for online grocery in the UK.

The online channel's share of the total grocery market has stabilised at materially higher levels following the pandemic - it is now 10-11% versus c.6% pre-COVID - and is expected to grow next year, according to IGD. Our market share of the online grocery channel increased to 12.3% in 2022 from 11.7% in 2021 (Nielsen) and we continue to hold a leading position on NPS in the market.

We faced a number of challenges over the year, however, as the volume headwind of customers reverting to smaller basket shops and encountering more opportunities to do top-up shops offline following the pandemic, was further exacerbated by the cost of living crisis and battles against inflation. We took a number of actions to support our customers and worked closely with our suppliers to deliver cost savings, which we reinvested in price.

Despite this, the challenging consumer environment drove customers to increasingly manage their total cash grocery spend during the year, which resulted in further pressure on basket size, trading down into cheaper categories, and reduced frequency. In addition to this, the business has been navigating increased marketing costs, an inflationary cost environment that has driven up energy costs significantly, and investment in additional capacity that we have not yet filled.

These near-term pressures drove an overall decline in revenue and brought Adjusted EBITDA to a loss of £4.0 million (FY21: £151.0 million profit). See financial review section for definition of Adjusted EBITDA.

Our strategy for growth

"We enter 2023 with our **biggest ever customer base** and a UK market where over three quarters of households have now tried online shopping."

We are confident of a return to profitability and have big ambitions for growth. From a capacity perspective, in the last two years, we have opened four new CFCs (Bristol, Andover, Purfleet and Bicester). We have also expanded the reach of Zoom, our leading immediacy offering. We are now operating four Zoom sites, including in Leeds which opened at the end of November, enabling us to be there for more missions for our customers. As for demand, we enter 2023 with our biggest ever customer base, and a UK market where over three quarters of households have now tried online shopping. We see huge potential to convert those who have now trialled online shopping elsewhere to become Ocado Retail customers and in the longer term, we will look more closely at breaking down the barriers to shopping more online for offline-leaning shoppers.

This will be made possible by our unique operating model, which is geared to be more efficient than traditional grocers in every element of online fulfilment, and enables us to have a unique proposition on range, service, experience and value. We will leverage the increasing levels of automation in our warehouses over the next few years to unlock additional value and will lean into our partnerships with M&S and Ocado Group, bringing together the best of both to deliver sustainable long term value.

Our priorities for FY23 and beyond

"We will focus on our Perfect Execution programme: offering unbeatable choice and convenience perfectly delivered, and **reassuringly good value."**

The year ahead will set us up to deliver strong sales and profit growth over the mid-term. We will focus on our Perfect Execution programme: offering unbeatable choice and convenience, perfectly delivered, and reassuringly good value to our customers against the background of the cost of living crisis in the UK.

Key initiatives that we are driving include:

- Investing in great value for our customers, including better prices and promotions, and the Ocado Price Promise
- Providing all the products that customers love with unbeatable choice and service, improved availability and deliveries back to the kitchen table
- Capitalising on the opportunity to leverage the M&S relationship with regards to customer growth and our customer proposition
- Driving efficiencies across our operating model, returning cost ratios as a percentage of revenue towards pre-pandemic levels across the business, including operations, marketing and central costs

While the current market environment is challenging for everyone, I am very excited for the future for Ocado Retail. Building on 20+ years of amazing service and innovation, we are confident of continuing to raise the bar in online grocery and working with our partners to deliver the very best experience for our growing customer base in line with our ambitious sustainability strategy.

Of course, none of this would be possible without fantastic colleagues who love what they do, applying our online disruptor mindset to challenges and opportunities, collaborating with our shareholders and partnering strategically with our suppliers. Thank you to everyone for your drive and passion.

Hannah Gibson, CEO

Highlights from 2022

We're the world's largest dedicated online supermarket, and we're committed to bringing more of what matters to our customers: unbeatable range, fair value and effortless convenience. Our ambition is to become the UK's most sustainable grocer.

£2,203.0 million
in revenue (2021: £2,283.3 million)

12.3%
share of online grocery market (2021: 11.7%) Nielsen (A)

£(4.0) million
adjusted EBITDA (2021: £151.0 million) (A)

1.5%
share of the UK grocery market (2021: 1.5%*) NIQ Total Till (A)

377,000
ocado.com orders per week (2021: 357,000) (A)

~50,000
average products ranged (2021: ~50,000) (A)

940,000
active customer base (2021: 832,000, 2019: 795,000) (A)

0.9%
net food waste as % of sales (2021: 0.6%) (A)

46 items
basket size (2021: 52, 2019: 46) (A)

£118
average basket value for ocado.com (2021: £129, 2019: £106) (A)

£2.55
average selling price (2021: £2.44, 2019: £2.30) (A)

(A) Alternative performance measures

* Metric restated in 2021 to 1.5% from 1.8% due to change in data source - data now sourced from NIQ Total Till

Financial Review

Retail revenue declined by 3.5% period-on-period driven by an 11.5% decline in items per basket, despite growth in order volumes (ocado.com orders per week up 5.6%) and average selling price (up 4.5%).

Adjusted EBITDA (EBITDA not including the impact of exceptional items) decreased by £155.0 million to £(4.0) million (FY21: £151.0 million). The decline is driven by lower sales, lower gross margin due to lower volumes, supplier cost inflation pressure and product mix, investment in marketing to drive customer acquisition and the impact of inflation on utilities, fuel and labour costs. The loss is offset by a £19.0 million benefit from the release of a provision relating to the long-term management incentive plan.

We have continued to grow our active customer base, which ended the period at 940,000 (FY21: 832,000) with our share of the online grocery market growing to 12.3% (Nielsen, FY21: 11.7%). Order volumes at ocado.com have grown by 5.6% in the period to an average of 377,000 orders per week (FY21: 357,000), with the increase in the active customer base partly offset by reducing frequency due to the unwinding of pandemic shopping behaviours, accelerated by the onset of the current cost-of-living crisis. The revenue decline has been driven by smaller shopping baskets as customers manage their overall spend on groceries. Shopping baskets returned to pre-pandemic levels, reducing by 11.5% to an average during the period of 46 items per basket (FY21: 52, FY19: 46).

We opened the Bicester CFC, which will add capacity of around 30,000 orders per week at maturity, and will bring total capacity for Ocado Retail to over 600,000 orders per week. Our Bristol, Andover and Purfleet CFCs which opened in FY21 have all continued to ramp during the period.

We have continued to invest in our immediacy proposition, Zoom, launching three new sites in FY22. We now have four sites live: Acton, Canning Town, Leyton and Leeds and these sites will have circa £20m annual sales capacity at maturity.

	Period ended 27 November 2022 £ million	Period ended 28 November 2021 £ million	% Change
Revenue	**2,203.0**	**2,283.3**	**(3.5)%**
Gross profit and other Income [1]	739.7	820.5	(9.8)%
Distribution costs [2]	(596.4)	(569.9)	4.7%
Marketing costs [3]	(57.6)	(40.3)	42.9%
Other administrative costs [2]	(89.7)	(59.3)	51.3%
Adjusted EBITDA[4]	**(4.0)**	**151.0**	**(102.6)%**

[1] Other Income includes Transitional Services Agreement income relating to the sale of Fetch in addition to supplier funding income, [2] Distribution and administrative costs exclude depreciation, amortisation and impairment and include other miscellaneous costs, [3] Marketing costs exclude the costs of vouchers given to customers, these are included in the cost of sales, [4] Adjusted EBITDA does not include the impact of exceptional items.

Revenue

Retail revenue declined by 3.5% period-on-period in a challenging trading environment, with inflationary pressures leading customers to reduce basket size to manage spend.

Average basket value for ocado.com was 8.5% lower at £118 (FY21: £129), with customers ordering fewer items per shop than in the prior period. This resulted in a decline in items per basket of 11.5% to 46 (FY21: 52), which is now back in line with pre-pandemic levels (FY19: 46). We remain committed to offering customers fair value, including investment in price and expanding our value-for-money own label proposition. The business was impacted by the high cost inflation being experienced by food suppliers and others in the grocery supply chain, some of which was passed onto customers and reflected in an increase in average selling price for ocado.com of 4.5% in the period, up from £2.44 to £2.55 per item. The decline in revenue was also driven by a period-on-period growth in use of customer discount vouchers (the costs of which are a reduction to revenue) to drive customer retention and acquisition (ocado.com FY22: 0.9% of revenue, FY21: 0.1% revenue). In FY21 there was a lower than usual amount of vouchering given the increased demand for grocery deliveries from COVID. FY19 voucher spend for ocado.com was 1.7% of revenue.

While there was a 3.5% decline in period-over-period revenue, there has been a steadily improving trend: revenue declined by 7.8% in the first half of the period and was followed by growth of 1.4% in the second half of the period as volumes started to trend towards a more normal basket size, we improved customer acquisition and through price inflation.

The total grocery market grew by 5.3% period-on-period, we continue to hold our share at 1.7% of the total market. Customer acquisition has remained strong in the period as we invested in market activity to drive long term growth. Active ocado.com customer numbers increased period-over-period by 13% to 940,000 leading to a 5.6% increase in average orders per week, up from 357,000 to 377,000 orders per week.

Gross profit and other income

Gross profit including other income declined by 9.8% to £739.7 million (FY21: £820.5 million) with gross profit margin declining from 32.2% to 29.8%. This was driven by lower volumes, the element of supplier cost inflation that could not be passed on to consumers, increased promotion costs and adverse product mix.

Distribution costs (excluding depreciation, amortisation and impairment) primarily consist of fulfilment and delivery operation costs which are provided to Ocado Retail by the UK Logistics operation of Ocado Group.

	Period ended 27 November 2022 £ million	Period ended 28 November 2021 £ million	% Change
CFC costs	214.0	264.7	(19.2)%
Trunking and delivery	261.5	179.2	45.9%
Other operating costs	120.9	126.0	(4.0)%
Total distribution costs*	**596.4**	**569.9**	**4.6%**

* Distribution and administrative excluding depreciation, amortisation and impairment and include other miscellaneous costs

Distribution costs have increased by 4.6% from £569.9 million to £596.4 million, which is lower than the growth in average orders per week in the period of 5.2%.

Increased costs have resulted from cost inefficiencies related to newer sites (Purfleet and Bicester) as they ramp to full capacity and the inflationary pressures across utility, fuel and labour costs that we have experienced during the period.

Productivity improvements partly offset the inflationary pressures, with units picked per hour (UPH) in mature sites (Hatfield, Dordon, Erith and Bristol) improving by 2.9% to an average 175 UPH. Our five OSP CFCs (all sites except Hatfield and Dordon) achieved an average UPH of 184, with the newer sites of Andover, Bristol and Purfleet all exceeding 200 UPH.

Even though we have seen an increase in the number of average orders per week (up 5.2%) and an improvement in operating efficiency, evidenced by higher deliveries per van shift (which is the average number of deliveries achieved per driver shift), this is offset by smaller average baskets.

OSP capacity fees and capital recharges from Ocado Group to Ocado Retail have also increased significantly due to the recent increase in fulfilment capacity, including the CFC in Bicester (which went live during FY22), and the CFCs in Bristol, Andover and Purfleet (which all went live in FY21) and the impact of cost price inflation increases.

Marketing costs increased by 42.9% to £57.6 million (FY21: £40.3 million). Marketing activities were focussed on driving increased awareness of the value proposition that Ocado Retail offers. We continued to invest in above-the-line marketing, particularly with the 'There's an Ocado just for you' brand campaign. Marketing spend increased as a percentage of revenue in the period to 2.6% (FY21: 1.8%) and contributed to a 13% increase in the number of active customers to 940,000 (FY21: 832,000).

Other administrative costs increased to £89.7 million from £59.3 million, with an increase in people and property costs. Total labour costs increased, driven by an increase in headcount and wage inflation. Property costs increases were primarily due to the write-off of certain costs related to the pausing of the north-west and south-east CFCs announced previously. These increases are offset by the £19.0 million provision release relating to the long-term management incentive plan, see note 3.10 for further details.

Exceptional Items

	Period ended 27 November 2022 £ million	Period ended 28 November 2021 £ million
Andover CFC net income	22.9	9.0
Erith CFC income / (charge)	3.5	(6.8)
Loss on disposal of Speciality Stores Limited ("Fetch")	(1.4)	(9.6)
Transformation of IT systems	(4.0)	(4.6)
Resizing	(1.0)	-
Total exceptional credit / (charge)	20.0	(12.0)

Andover CFC

In February 2019 a fire destroyed the Andover CFC, including the building, machinery and all inventory held on site. The losses were insured and claims have been formally accepted by the insurers. Insurance reimbursements of £24.2 million in the period (2021: £13.1 million) for business interruption losses have been received. Total income recognised to date, including prior periods, is £74.9 million (2021: £50.7 million), and total associated costs of £2.9 million with £1.3 million of this recognised in 2022 (2021: £1.6 million).

Erith CFC

In July 2021, a small fire in the Erith CFC resulted in the temporary closure of the site for a few days, and a restriction on available capacity for the rest of the period due to temporary additional safety measures. An independent report issued in October 2021 concluded that the initial cause of the fire was a highly unusual and unlikely collision of three bots on the grid. The 400 Series bot has now been modified and upgraded to remove the risk of this type of incident recurring.

In 2022 insurance reimbursements amounting to £3.5 million (2021: £Nil) were received to cover the losses arising from the fire. The impact of stock write-offs and other incremental costs of £6.8 million were recognised in 2021, no further costs were incurred in 2022.

Loss on disposal of Speciality Stores Limited ("Fetch")

On 31 January 2021, Ocado Retail completed the sale of the entire share capital of Speciality Stores Limited, its wholly-owned pets business trading as Fetch, to Paws Holdings Limited ("Paws Holdings") resulting in a loss on disposal of £9.6 million in 2021. During the period, a provision of £1.4m was made against the deferred consideration based on the likelihood of receipt.

Transformation of IT systems

In 2021, Ocado Retail initiated its IT Roadmap programme, which focuses on delivering IT systems and services that will enable Ocado Retail to meet its obligation to transition away from Ocado Group IT services, tools and support.

The IT Roadmap programme costs that meet assets recognition criteria will be recognised as intangible assets and implementation costs that do not meet assets recognition will be expensed as exceptional items. £4.0 million of costs were recognised as exceptional expenditure in 2022 (2021: £4.6 million) in respect of one-off development and introduction of Ocado Retail IT systems linked to its obligation to transition away from Ocado Group IT services tools and support. This is considered an exceptional cost due to its nature and its materiality. An additional £6.0m million of IT assets arising from this project have been capitalised in 2022 (2021: £5.1 million). Additional costs are anticipated to be incurred in both 2023 and 2024.

Resizing

In order to ensure the Company was in the right shape to deliver on our strategic priorities and could be resilient in the current economic environment, the Board supported a change programme to drive operational efficiencies and ensure organisational structures were future proofed. £1.0 million of costs were recognised as exceptional costs in 2022 (2021: £Nil) in relation to this.

Balance sheet

Ocado Retail had **cash and cash equivalents** totalling £24.2 million (2021: £132.2 million) at the end of the period. This included the drawdown of £60.0 million Shareholder Loan, £30.0 million provided respectively from each shareholder and utilisation of £10.0 million of the available £30.0 million Revolving Credit Facility.

We believe that the period-end cash and cash equivalents and available facilities provide sufficient liquidity to support investment in capital expenditure to meet existing financial commitments, and deliver future growth in the short to medium term. As we implement our growth plans, we expect further funding will be required to deliver additional CFC investments.

Lease liabilities increased to £379.6 million (2021: £373.5 million) driven by recognition of new leases in the period.

Key performance indicators

The following table sets out a summary of selected operating information, including our alternative performance measures, for the financial periods 2022 and 2021.

	Period ended 27 November 2022	Period ended 28 November 2021	Variance %
Revenue (£ million)	2,203.0	2,283.3	(3.5)%
Gross Profit (£ million)	657.5	735.5	(10.6)%
Adjusted EBITDA[1] (£ million)	(4.0)	151.0	(102.6)%
(Loss) / Profit Before Tax (£ million)	(68.9)	88.1[*]	(178.2)%
Average orders per week[2]	384,000	364,000	5.2%
Active customer base[3]	940,000	832,000	13.0%
Average basket value[4] (£)	118	129	(8.5)%

Source: the information in the table above is derived from information extracted from internal financial and operating reporting systems and is unaudited with the exception of revenue, gross profit and profit before tax, which has been extracted from the audited financial statements.

[1] EBITDA adjusted to exclude exceptional items. [2] Average orders per week includes all orders for ocado.com and Zoom. [3] Customers are classified as active if they have shopped on ocado.com within the last 12 weeks of the financial period. [4] Average retail value of goods a customer receives (including VAT and delivery charge and including standalone orders) per order on ocado.com. This is after cancelled orders are deducted.

[*] Restated to more accurately reflect the treatment of the lease of Erith CFC, see note 1.3 for further information.

Principal risks and uncertainties

How we manage our risks

The risks and uncertainties that we face as a business continuously evolve. Our approach to risk management enhances the quality of our decision making to support our strategic objectives and protect the interests of our stakeholders.

The Board is responsible for the review and approval of the risk management framework and for the identification of the key strategic and emerging risks and mitigating actions. The Audit Committee, under delegated authority from the Board, is responsible for the review of the effectiveness of this risk management framework.

The risk management framework provides for a full annual risk review and a half-yearly review of all risk registers.

Our risk management process is designed to ensure the identified risks are understood and managed in line with the agreed risk appetite. The risk appetite is reviewed by the Board as part of its annual strategy review. Risks are measured and reported against set criteria, which considers both the likelihood of occurrence and potential impact to the Company, with clear ownership.

Each functional area is responsible for the ongoing communication and feedback of their existing and emerging risks with mitigation plans which are approved by their respective leadership teams. This combines both top-down and bottom-up perspectives to provide a consolidated view of the Company’s risks.

There is proactive consideration, utilising both internal and external sources, of emerging risks where the full extent and implications may not be fully understood. These continue to be monitored as part of the risk management process.

Principal risks

Set out below are the Company’s ten principal risks and uncertainties. In 2022, we have applied reassessment to the eleven principal risks which remained at the close of 2021 and as a result we no longer considered ‘M&S as a supplier partner’ as a principal risk in 2022 due to full supply from M&S being well established.

There was a small change to the wording of the risk ‘Macro economics’ to ‘Geopolitical and economic uncertainty’ to more clearly reflect the potential risks from world events, such as those in Ukraine.

The remaining principal risks remained applicable throughout 2022.

These risks and uncertainties do not comprise all of the risks associated with the Company and are not set out in any order of priority. Additional risks and uncertainties currently not known to the Directors and/or which the Directors believe to be less material may also have a material adverse effect on the Company's business, financial condition or future prospects.

We continue to challenge our risk landscape to identify emerging risks using both internal and external sources. An emerging risk was identified in 2022 in relation to Climate Change, which will continue to be monitored.

Geopolitical and economic uncertainty

What is the risk	Movement from PY	How we manage the risk
The Company is exposed to potential negative changes in the global economic and geopolitical environment, including any ongoing challenges as a result of the events in Ukraine and the COVID-19 pandemic and wider global economic uncertainty.	↑	• Continuous monitoring of the economic environment and regulatory changes to assess the potential impacts.

Third party management and service level decline

What is the risk	Movement from PY	How we manage the risk
Reliance on Ocado Group to provide key services (CFCs and service delivery) and support functions and impact on customer service levels.	↓	• Agreed service level agreements and performance indicators in place within contracts monitored on a weekly basis and overseen by the monthly Steering Committee. • Continuing initiatives to improve resilience and operational performance of legacy CFCs and ramping of operations at new CFCs. • Ocado Group internal audits performed, which are reviewed and action plans implemented with Ocado Group.

Business interruption (continuity)

What is the risk	Movement from PY	How we manage the risk
Major service disruption, loss of customer confidence and increased costs arising from a failure of key business systems caused by physical events, such as fire, or technical events, such as an IT outage or mechanical failure through malicious or accidental events.	↓	● Rolling internal audit programme provides assurance over Ocado Group business interruption procedures for CFCs and service delivery. ● Disaster recovery testing and business continuity plans continue to be progressed and updated. ● Business interruption insurance to transfer residual risks.

Corporate compliance

What is the risk	Movement from PY	How we manage the risk
Ocado Retail must comply with legislative and regulatory requirements including Groceries Supply Code of Practice (GSCOP), data protection and anti-bribery. Failure to comply could negatively impact our business model and risks damage to our reputation, loss of stakeholder support and financial penalties.	↓	● Policies and procedures in place including human rights, modern slavery, data protection, anti-bribery and corruption, health & safety, food safety, cyber, and data security. ● Mandatory induction and annual training for colleagues on key, relevant regulations. ● Monitoring of regulatory developments to ensure that changes are identified as well as ongoing engagement with regulatory bodies such as Groceries Code Adjudicator (GCA) and Information Commissioner's Office (ICO). ● Seeking specialist advice for regulatory issues as needed.

Information security

What is the risk	Movement from PY	How we manage the risk
Cyber-attack or data breach resulting in business disruption, reputational damage, significant fines or the loss of customer, employee or confidential business information.	↓	● Provision of services by Ocado Group for a number of key functions. Systems regularly tested by third parties. ● No customer payment card data is held in Ocado Retail's databases. ● Data Protection Officer. ● In-sourcing of Information Security function. ● Regular mandatory employee training.

Health and safety

What is the risk	Movement from PY	How we manage the risk
Risks could arise from food safety, product safety or a health & safety incident.	↑	• Experienced legal, food and product technology professionals, and health and safety experts monitor compliance against policies and procedures. • Supplier approval and certification processes. • Food and product safety policies and quality management with operational procedures. • Risk assessments and safe systems of work prepared by qualified staff to raise awareness and knowledge.

Treasury and funding

What is the risk	Movement from PY	How we manage the risk
An inability to support the capital expenditure programme due to incorrect forecasting or insufficient facilities.	↑	• Regular cash flow monitoring and forecasting. • Ability to obtain additional funding.

Retail proposition

What is the risk	Movement from PY	How we manage the risk
The risk of failing to maintain a retail proposition that appeals to a broad customer base.	↑	• Refinement and monitoring of value perception. • Continued development of Ocado own-label range. • Close supplier relationships on product range. • Continuation of investment and optimisation of the marketing channels to acquire new customers. • Continued improvement of Webshop.

Shareholder relationship

What is the risk	Movement from PY	How we manage the risk
Breakdown in relationship between Ocado Group and M&S or with Ocado Retail which is critical to enable the Company to meet its strategic objectives. Two lower level sub risks have been removed in the year resulting in an average increase in risk.	↑	• Five-year plan and strategy agreed annually by the shareholders. • Monthly Board meetings and regular contact between Board members of the three parties.

Ocado Smart Platform (OSP) implementation

What is the risk	Movement from PY	How we manage the risk
Ocado Smart Platform is the Ocado Group end-to-end solution for operating online in the grocery market. The migration to the OSP platform will better serve our customers and our colleagues. Projects of this nature have inherent risks which could result in loss of capacity, reduced customer experience, or an increase in cost of delivery.	↔	• Requirements clearly presented and tracked against the OSP roadmap. • Dedicated programme team, including both Ocado Retail and Ocado Technology. • Ongoing monitoring and review at monthly Steering Committee • Transition process is closely monitored with regular updates, including reporting progress to the Ocado Retail Board.

Our Commitment to the Environment

Task Force for Climate-Related Financial Disclosure ("TCFD")

We recognise the existing and growing threats that climate change poses to our business and supply chains. Managing our climate-related risks, and capitalising on opportunities, will ensure we remain resilient in the future, continue to meet consumer expectations, and achieve our goal of reaching net zero emissions by 2040. As we address our climate-related risks, we aim to help our stakeholders make informed, long-term decisions through transparent and accurate reporting and disclosures.

We therefore welcome the recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD), and are working on integrating climate change into our governance structures and risk management process.

We have conducted a TCFD gap and peer analysis to help define a roadmap for a fully aligned TCFD disclosure in 2024. We have initiated the identification of material climate-related risks across our business and supply chains, and will be assessing these further through a climate scenario analysis, considering 1.5 degrees Celsius and 4 degrees Celsius warming scenarios.

Streamlined Energy and Carbon Reporting

Ocado Retail is reporting against the Streamlined Energy and Carbon Reporting (SECR) framework for the reporting period from 29th November 2021 to 27th November 2022. Ocado Retail is reporting as a 'large' unquoted company and all the minimum requirements have been addressed and are presented here.

The methodology used is the WBCSD/WRI Greenhouse Gas Protocol: a Corporate Accounting Standard (Revised Edition) in conjunction with the UK Government's environmental reporting guidelines, which includes SECR guidance. An operational control approach has been taken. We have used the UK Government greenhouse gas conversion factors for company reporting 2022. Scope 2 emissions from purchased electricity are reported using a location-based approach, with emissions also calculated using a market-based approach.

Ocado Retail total energy consumption for 2022 is 2,368,441 kWh (2021: 1,697,458 kWh). This includes the company's share of electricity and natural gas usage for the Apollo Court head office and customer hub based in Sunderland, and transport fuels for business travel in employee-owned cars and hire cars. It should be noted that since July 2021 Ocado Retail has been accounting for 100% of consumption at Apollo Court building, against 72% previously due to the building being shared with Ocado Group. We do not have operational control for our distribution services, and the energy and associated emissions for these operations are reported by Ocado Group.

For 2022, the total carbon emissions associated with our reported energy use are 454.6 tonnes CO_2e (2021: 343.4 tonnes CO_2e). The breakdown by emission scope is show below:

Carbon Emissions (Tonnes of CO_2e)	52 weeks ended 27 November 2022	52 weeks ended 28 November 2021
Scope 1 emissions	146.6	116.7
Scope 2 (location-based) emissions	284.2	215.2
Scope 3 emissions – business travel where responsible for fuel	23.8	11.5
Scope 1, 2 (location-based) and 3 emissions	454.6	343.4

For 2022, our emissions intensity, measured as the total scope 1, 2 and 3 emissions relative to the total number of orders fulfilled is 2.2 tonnes CO_2e per 100,000 orders fulfilled (2021: 1.8 tonnes CO_2e per 100,000 orders fulfilled).

Ocado Retail's purchased electricity is from 100% renewable sources. The total greenhouse emissions (Scope 1, 2 and 3) calculated using a market-based approach for scope 2 for 2022 are 170.3 tonnes CO_2 (2021: 128.2 tonnes CO_2).

Ocado Retail is not reporting any energy efficiency actions this period because of sufficient actions taken by the landlord before the Company occupied the building. It is the Company's intention to compile and report on actions in future years.

Future reporting

We have reported on our scope 1 and 2 carbon emissions above.

We are working to set ambitious emissions reduction targets aligned with the Science Based Targets initiative (SBTi) framework for all emissions including scope 3 from our value chain, both upstream and downstream. This will include an interim and long term target supporting our ambition to be net zero by 2040.

We will aim to work collaboratively with partners, the wider industry and our suppliers in the process to report on, reduce and tackle scope 3 emissions in the future.

Section 172(1) Statement

The Board believes that, individually and together, they have acted in a way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in section 172 of the Companies Act 2006.

The principles underpinning section 172 are not only considered at Board level, they are embedded throughout Ocado Retail, as shown below. Building positive relationships through strong engagement, collaboration and dialogue with stakeholders to deliver long-term sustainable success continues to be a key area of focus for the Board, and all decisions take into account the impact on stakeholders. The following summarises how the directors had regard to the respective elements of Section 172 in their fulfilment of their duties in the period ended 27 November 2022.

The need to act fairly as between members of the Company	
Our approach	**Examples of how we have had regard to this factor during the period**
Ocado Retail is led by an effective and committed Board with a range of knowledge and experience, who embrace a culture of openness and transparency at Board meetings. Both shareholders have equal representation on the Board which, together with the Company's shareholders' agreement and articles of association, enable the dissemination of core information and ensure an ongoing dialogue with its shareholders on key business issues.	All Board decisions were made with representation from both Shareholders. All related party transactions were conducted in accordance with the relevant governing documents. Representatives of both shareholders make up the Audit Committee which helps to provide oversight of the key principal risks affecting the Company, and likewise the Remuneration Committee supporting the Company on the performance and remuneration of the executive directors and leadership team. The Company holds an annual Strategy Day, for the Board and key members of each Shareholder and the Company. This allows all representatives to review the Company strategy and priorities, how these fit in with the wider context of the retail industry, as well as how they align with each shareholder's goals and priorities. A key priority driven by Hannah Gibson on her arrival is to strengthen collaboration with our Shareholders on an operational level, which will ultimately lead to an increased level of understanding, dialogue and success in future opportunities, for the benefit of all.

The likely consequence of any decision in the long term	
Our approach	**Examples of how we have had regard to this factor during the period**
The Company is committed to driving positive change with accelerated growth. All Board decisions are made for the long-term benefit of the Company's stakeholders, as well as contributing to wider society. The Company's key stakeholders are its customers, employees, suppliers, shareholders, communities, the environment and its regulators. The views and the impact of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. The Company's mission is to change the way people shop for their groceries every week by offering an incredible combination of unbeatable range, effortless convenience, unsurpassed service and fair value. This mission, coupled with the new strategic priorities and performance framework, are key considerations in the actions and decision-making of the Board, and its oversight of the implementation of these into the operations of the Company. The risk management process is designed to improve the likelihood of delivering the business objectives, protect the interests of key stakeholders, enhance the quality of decision-making, and assist in the safeguarding of assets, including people, finances, property and reputation. The process is supported by a risk methodology which enables the Company to clearly identify, prioritise and monitor our risks through a set of enhanced risk identification, categorisation and prioritisation mechanisms.	The Board is responsible for setting the strategic direction of the Company in both the long and short term. The Board was presented with the Company's rolling five year plan (2023-2027) in the financial period as well as the annual budget, and it monitors performance against these metrics on an ongoing basis, along with receiving reports from CEO and CFO each month. The Board regularly considers the allocation of capital in order to support the strategy of the Company, with capital requests over an agreed limit requiring the Board's approval. The board also approves all external financing of the Company. Over this period the Board has reviewed and considered a number of relevant matters, such as the the appointment of our new CEO in September 2022, the opening of a further CFC at Bicester, the opening of three new Zoom sites, the trial launch of Ocado Smart Platform with a small group of customers, product transformation, expanding the Own Brand range, the ongoing IT migration from Ocado Group, the launch of Beet (the expansion of our monetisation business) and various strategic marketing campaigns. They were all examined with the longer term success of the Company and all of its stakeholders at the forefront. The appointment of Hannah Gibson in September 2022 established key priorities for the short to medium term backed by the Board, which will feed into the long term success of the company. Such priorities included a reset of strategy, accelerated growth and a path back to profitability, along with strengthening collaboration with Shareholders. The Audit Committee, delegated to by the Board, is responsible for the review and approval of the risk management framework that identifies the Company's key strategic and emerging risks. The Audit Committee is also responsible for the review of the effectiveness of risk management, the systems of internal control, and the monitoring of the quality of financial statements and consideration of any findings reported by the auditor, Deloitte LLP, in relation to the control environment and its financial reporting procedures . This year, a real focus of the Audit Committee was on growing and monitoring the compliance function within the Company, which includes GSCOP, Data Protection, Technical Compliance, Health & Safety, Information Security and Business Continuity. With this in mind, the first test simulation of a cyber security attack was carried out this year, and further processes were put in place following key learnings.

<table>
<tr><th colspan="2">The interests of the Company's employees</th></tr>
<tr><th>Our approach</th><th>Examples of how we have had regard to this factor during the period</th></tr>
<tr><td>It is of the utmost importance to the Board that our colleagues have a diverse range of experiences, expertise and perspectives. Colleague successes are celebrated against our three core values; always be curious, bring your best self and challenge what's possible; these are deemed to be the recipe for Ocado Retail's success.

As the Company's People Plan has evolved, three pillars have been established that shape the work of our People Team and provide Colleagues with a clearer focus for our activity that supports them:
● Building the unique capabilities required for our business
● Driving personal growth
● Boosting engagement and wellbeing

All of these are underpinned with a continuous focus on colleague experience.

Open and ongoing dialogue and questioning is proactively encouraged between colleagues and senior management or the Board, with specific channels of communication open for transparency throughout the business. Colleagues are regularly updated on decisions made following their feedback through regular internal communications from the CEO and leadership team.</td><td>Our people strategy, which was previously adopted by the Board and includes the Company's approach on engagement, learning and development and inclusion and diversity, continues to be monitored and reported on via the Remuneration Committee.

A new Head of People was recruited in November 2021, reporting into our General Counsel and Chief People Officer. A key focus has been building out the People function to uplift our capability with respect to rewards, learning and business partnering, in line with both our People Plan and the interests and needs of our colleagues.

Colleagues continue to receive updates on the Company's performance and strategy through bi-weekly huddles and 6-monthly face-to-face "town halls". As well as presentations on business performance, initiatives and strategy, colleagues are encouraged to ask any questions to the senior management (including the executive board members). In the huddles colleagues are also encouraged to nominate other colleagues in recognition of good work and support. Both these opportunities also provide a platform to shine a light on the great work our colleagues do.

Upon Hannah Gibson joining the Company, she conducted a series of informal discussions with colleagues across the organisation, in order to get a better understanding of any issues or concerns, and to provide employees with the opportunity to suggest wider initiatives that they would like to see within the Company.

A focus on ensuring good physical and mental health of colleagues continues, embedding many of the initiatives launched in this period, including the introduction of a Menopause policy and guidance, Strava challenge led by the CEO, Mental Health awareness week and the introduction of Aviva Digicare+.

The Board takes career development seriously, with the regular reporting on People data to the board and the development of opportunities for secondments between the Company and its shareholders. The Company has seen a significant uplift in its learning and development capability this period. The introduction of Walnut, the new learning management platform, was launched along with an extensive Line Manager Development Program, functional training for our Commercial and Customer teams, and coaching support for colleagues.</td></tr>
</table>

The interests of the Company's employees (continued)	
Our approach	**Examples of how we have had regard to this factor during the period**
The Company is an equal opportunities employer and makes every effort to ensure all potential and existing Colleagues, along with suppliers and customers, are treated fairly and equally. The Board encourages colleague networks, which continue to underpin the Company strategy, offering colleague support while also acting as strategic business advisors to ensure we are creating an environment where diverse talent can thrive. Alongside our colleague networks, the Board continues to listen and elevate diverse voices through the utilisation of colleague engagement surveys to improve representation across the business.	Inclusion is another area of the Board's interest. The Board oversees the Company's Gender Pay Gap reporting and Ethnicity and Diversity reporting. There have also been a number of initiatives this period, such as expanding and strengthening the Women's Network, LGBTQ+ History Month and the celebration of Black History Month. Staff engagement continues to be one of the Company's key priorities, during the period the Company conducted periodic employee surveys to provide an informed picture of how colleagues feel about the business which is reported to the Board. Just over 90% (90% in 2021) of colleagues took part in this period's employee surveys. Survey results are played back both at a Company level and also at a more local team level, driving action plans to focus on key engagement issues the survey (Grapevine) identifies. Furthermore, our Customer Hub, which we in-sourced last year, was named 'Contact Centre of the Year' at the UK National Contact Centre Awards. In order to ensure the Company was in the right shape to deliver on our strategic priorities and could be resilient in the current economic environment, the Board supported a change programme in the Company to drive operational efficiencies and ensure organisational structures were future proofed.

<table>
<tr><th colspan="2">The impact of the Company's operations on the community and the environment</th></tr>
<tr><th>Our approach</th><th>Examples of how we have had regard to this factor during the period</th></tr>
<tr><td>The Company is committed to meeting the needs of customers without compromising quality of life for future generations. We aim to achieve this by focusing on five core pillars: climate action, sourcing with integrity, healthy and sustainable diets, food surplus and communities and responsible packaging.

We are committed to work with fellow retailers, suppliers, the UK Government and other stakeholders to accelerate the retail industry's progress towards Net Zero. We are a founding member of the British Retail Consortium's Climate Action Roadmap and have signed up to the headline commitment to be Net Zero across Scopes 1, 2 & 3 by 2040.

Further information in relation to carbon and energy usage can be found in the Director's report.</td><td>To support our ambition to be Net Zero by 2040, we are currently working to set ambitious emission reduction targets aligned with the Science Based Target Initiatives (SBTi) framework. We have taken the important steps to calculate our emissions footprint in line with the GHG Protocol. We have identified our operational boundary approach, calculated our scope 1, 2 and 3 emissions against a 2022 baseline, and initiated a detailed carbon reduction strategy. We continue to work closely with Ocado Group to decarbonise our fleet by 2035 as part of the strategy.

Sourcing the quality products our customers want with fairness and integrity is vital to us. Our position in the retail industry gives us a unique opportunity to ensure the impact on people, the environment and the welfare of animals is positive and sustainable in the long-term.

We are on a journey to make healthy sustainable eating easier for our customers, whatever their dietary requirements, by inspiring and helping them make healthier choices.

The Board is committed to ensuring that no food goes to landfill and all edible food is redistributed. Net food waste accounts for 0.9% (2021: 0.6%) of sales for Ocado Retail in the UK. Our food surplus is redistributed to local charities, staff canteens, staff sales and the Company Shop. The small percentage of inedible food that cannot be redistributed is sent to anaerobic digestion and diverted from landfill. Our aspiration is to achieve industry-leading levels of food waste. Over the coming year, we will continue to reduce our operating food waste by optimising forecasts, ordering and promotions. Additionally, we are updating our food waste reporting in line with the Food Loss and Waste protocol and continue to work with Ocado Group and OSP to improve process efficiency and maximise our redistribution.

The Company continues to support a network of food partners and social enterprises working towards ending food poverty in the UK through grocery donations of groceries, financial contributions and provision of operational assets including vans. During the period the Company made charitable donations amounting to £1.9 million (2021: £1.6 million). Additional cash donations to environmental causes of £0.4 million (2021: £Nil) were made in addition to charitable stock donations valued at £11.4 million (2021: £8.4 million). This was part funded (£2.8 million, 2021: £3.7 million) by customers through our You Give We Give initiative.

Notably, in 2022 the donations helped fund a number of projects with our key charity partners: the Felix Project and the Community Shop.</td></tr>
</table>

The impact of the Company's operations on the community and the environment (continued)	
Our approach	**Examples of how we have had regard to this factor during the period**
	We have supported the Felix Project's Enfield depot refurbishment, purchased five electric vans with charge points, and most recently invested in their Poplar kitchen. Our donations have helped them redistribute more food to the communities they support by expanding their network and capacity to produce more meals by over 40%. Additionally, over the course of the year Ocado Retail funded the launch of a new Community Shop in Leicester and was the 2022 retail sponsor for the Community Shop's Christmas meal campaign. The Leicester store is the fourth store Ocado has funded, increasing their reach to support the 10% most deprived communities. For the Christmas meal campaign, Ocado Retail supplied all the products to provide 1,400 meals across the network of community stores. Our colleagues also play a key role supporting charitable causes and communities. Last year, ~95 colleagues took part in our 'donate a day' initiative whereby they have an extra day of annual leave to spend time volunteering with one of our charity partners and local community groups. We also support our colleague fundraising through fund matching. Ocado Retail will match individual fundraising for a charity of their choice up to £500, every year and team fundraising (two or more Ocado Retail employees) up to £1,000. **About our key Charity partners** The Felix Project is the largest food surplus redistribution charity in the UK, they rescue high-quality surplus food at risk of being wasted and get it to Londoners experiencing food poverty through a network of more than 1,000 charities, primary schools and holiday programmes. The Community Shop is a Queen's Award-winning social enterprise owned and operated by Company Shop Group. Community Shop provides eligible members of the local community with access to surplus high-quality, low-cost food and household products, alongside personal development support that builds confidence, gives people purpose and nurtures stronger communities. Embedding circularity to reduce our environmental impact is a key focus for our packaging strategy. Since 2021, we have reviewed the packaging of our Ocado Own Range lines to eliminate 16 tonnes of paper and board, 116 tonnes of plastic and use 75 tonnes less virgin plastic, with another 53 tonnes now recyclable. We have also eliminated 24 million units of unnecessary packaging components. Great examples of circularity and innovative online formats were launched last year, including new steak packaging with 50% less plastic. We are an industry award winner with our recyclable sandwich platter that's made from 100% post consumer recycled PET.

The need to foster the Company's business relationships with suppliers, customers and others	
Our approach	**Examples of how we have had regard to this factor during the period**
We pride ourselves on being a progressive retailer, so it's important to us that every Ocado Retail supplier (established and prospective) feels equally supported and fairly treated by us. Our suppliers are essential for us to provide a full range of quality products that allow us to offer customers an excellent range and service. The Company maintains a supplier application website to aid the retail listing process. Our unique model means that we are able to onboard the smallest of suppliers and grow with their business. We have clear modern slavery policies incorporated within the Company's Responsible Sourcing Code of Practice and actively engage with suppliers to prevent modern slavery and human trafficking in our business operations and supply chains. We respond to the Groceries Code Adjudicator's annual supplier survey by creating action plans to address any highlighted areas of improvement. Collaborative engagement with suppliers is key to ensure relationships are conducted fairly and lawfully, in line with the requirements of the GSCOP. Customers are vital for the long term success of the Company and are at the heart of everything that we do. Customer feedback data is now shared throughout the Company to make it a stronger element of our business performance by enabling the Board and colleagues to better understand and meet customer needs.	Various communication channels are open with suppliers for constant dialogue, including through a dedicated supplier website, supplier surveys and attendance at supplier conferences. Supplier forums are also held on specific issues, for example regarding packaging with Own Range suppliers. With the support of the Board and senior management, the dedicated GSCOP Code Compliance Office (CCO) works very closely with the buying team to ensure compliance, professionalism and responsiveness between our teams and suppliers. The CCO reports into the Compliance Committee quarterly (which feeds up to the Audit Committee), and is also invited to report directly into the Audit Committee. Regular update reports are provided to the Audit Committee, as delegated by the Board, in relation to GSCOP and compliance. For further information, please view our GSCOP Annual Statement at https://ocadoretail.com. The Company has processes in place to prevent and eradicate modern slavery in its supply chain. Details are available in the Company's 2022 Modern Slavery Statement, which was overseen by the Board and is available on the Company's website. This period, the Company' Ethical Sourcing Guidance and Requirements were made public and shared with its supply base in April 2022. There is a continued focus to ensure we map high-risk suppliers back to source. In addition, within this period's Statement, each KPI has been given a deadline, a measure and a status. The Company continually engages with its customers in a number of ways in order to receive feedback on the service, including through emails, social media activities and advertising. The Customer Hub is open seven days a week to assist customers with any queries. The Board considered a number of marketing and cost-saving campaigns in order to provide customers with the best shopping experience and, most importantly, value, such as deals on Smart Pass subscriptions, including a free trial period, vouchering on first shops, and the introduction of Everyday Savers. In addition, the Board has also considered cost price reductions from suppliers being reflected in the retail price, under the backdrop of a cost of living crisis. Regular update reports are provided to the Board including trading figures, customer behaviour and new and ongoing initiatives, which inform key decisions. This period the Company launched Voice of the Customer, a platform which collects all customer feedback data in one place. This is shared from Board level right down to employee level to keep customers at the heart of decisions. The Board and senior management have further focused this period in expanding Ocado's Own Range to provide additional value to customers, continually increasing the range and improving service by ensuring better stock availability and reducing substitutions.

<table>
<tr><th colspan="2">The desirability of maintaining a reputation for high standards of business conduct</th></tr>
<tr><th>Our approach</th><th>Examples of how we have had regard to this factor during the period</th></tr>
<tr><td>Our values and leadership behaviours are a vital part of our culture, helping us ensure that through our conduct we do the right thing for the business and our stakeholders.

The Board leads by example to promote this culture, by maintaining high standards of ethics and integrity, and ensures that the necessary policies and procedures are put in place.

We are committed to maintaining the highest standards of ethical conduct and integrity in our business practices and we have in place compliance policies and processes to ensure these standards are embedded across the business.

Communications from the leadership team emphasise both the importance of these commitments and compliance with requirements. These are reinforced with both targeted training and communications to ensure colleagues are reminded of their obligations.</td><td>The Board has approved the Company's policies on Modern Slavery, Responsible Sourcing Code of Practice, Human Rights, Whistleblowing and Anti-Bribery, and this period approved a new Trade Sanctions and Export Controls Policy.

● The Responsible sourcing Code of Practice stipulates that goods must be produced lawfully, through fair and honest dealing, in decent working conditions, and without exploitation.
● Our Human Rights Policy includes provisions forbidding any use of forced, bonded or involuntary prison labour.
● Our Whistleblowing Policy is designed to enable our colleagues to raise legitimate concerns in relation to any illegal or unethical conduct in the workplace, without fear of disciplinary action.
● Our Anti-Bribery Policy sets out our responsibilities, and of those working for us, in observing and upholding our position on bribery, corruption and money-laundering issues.
● Our new Trade Sanctions and Export Controls Policy ensures we are not trading with individuals and entities subject to sanction regimes or involved in the movement of goods subject to export controls.

This period the Board has approved the introduction of the Ocado Retail Code of Conduct for all employees, implementing a compliance framework of policies and procedures and employee training. The Code of Conduct summarises and provides links to all Company policies within one document, outlining the expectations the Company has for colleagues with regards to their individual behaviours and meeting the obligations of all applicable laws, regulations and internal policies that govern Ocado Retail and our relationships with key stakeholders, including colleagues, customers and suppliers.

The approval of a Compliance Training programme has also been a key focus. This ensures that employees commit to annual training on core modules such as Data Protection, Competition Law, GSCOP, Anti-bribery and Anti-Money Laundering, Cyber Security and Human Rights & Modern Slavery, and sit alongside an extensive new joiner training programme.

The management of Health & Safety is now fully controlled by the Company, after the termination of services from Ocado Group. A Health and Safety Committee has been set up, which reports up to the Board via the Compliance Committee and Audit Committee, and is attended by a representative of each department. In addition new platforms have been introduced to monitor Health and Safety for easier reporting.

This period we became partners of Unseen, a whistleblowing helpline that offers support to victims of human trafficking or abuse and liaises with relevant authorities. We also continue to partner with Stronger Together, a multi-stakeholder business-led initiative aiming to reduce modern slavery, we're additionally members of the Food Network for Ethical Trade, focused on bringing about positive change in working conditions in global food supply</td></tr>
</table>

	chains, and the British Retail Consortium, and sit on both their Responsible Sourcing Group and Ethical Labour Working Group.

Groceries Supply Code of Practice (the Code) Summary of Annual Compliance Report 2021 - 2022

We recognise the crucial role that our suppliers play in meeting our customer's expectations at Ocado Retail. We're committed to engaging collaboratively with our suppliers to ensure our relationships are conducted fairly and lawfully, in line with the requirements of the Code. This summary of our Annual Compliance Report is for the period of 29th November 2021 to 27th November 2022.

Background

During the last financial year, we continued to develop our proposition by opening one new Customer Fulfilment Centre (CFC), launching technical terms of trade to our own brand suppliers, reviewing our approach to quality complaints and introducing new operational ways of working. Throughout these processes, the various teams engaged with the CCO to understand the Code requirements in order to define the approach to take when dealing with our suppliers to ensure we work in a collaborative and transparent way.

We developed a Supplier Charter to be used internally by our supplier-facing teams that defines our commitment to suppliers and promotes how we approach our relationships.

Ocado Retail has met all reporting requirements through timely submission of the Annual Compliance Report for 2021 to the CMA and submission of the Progress Update Reports to the GCA (Groceries Code Adjudicator) during 2022. The CCO has provided ad-hoc updates to the GCA when requests have been received for further information and has supported the GCA throughout the year. During the course of the year we have:

- maintained our approach to strong governance with each of our supplier-facing teams
- undertaken annual refresher training for 912 colleagues from Ocado Retail and Ocado Group
- held in-depth training sessions for 145 colleagues in supplier-facing roles
- developed and delivered tiered negotiation training for 66 colleagues in the Buying Team
- held ongoing CCO Listening Sessions for suppliers to share feedback or obtain advice.

Supplier Survey

The results of the Groceries Code Adjudicator's annual Supplier Survey highlighted that the majority of our suppliers, 91%, rated Ocado Retail positively for overall compliance with the Code. We were pleased that we improved on our performance from the previous year, achieving ninth position, which is particularly encouraging during a year of challenging market conditions that has seen unprecedented levels of cost price increases, disruptions to supply chains and dealing with the implications of COVID-19 across our teams.

We are grateful to our suppliers for taking the time to provide feedback, which we reviewed in detail with each of the teams responsible. Each team developed an action plan that focused on process changes, training and awareness to address the areas of opportunity identified by suppliers.

Supplier Disputes

Our teams work closely with suppliers to resolve issues, the vast majority of which are resolved at the first point of contact. During the financial year we did not receive any formal disputes and dealt with two escalations informally as follows:

- Two complaints were received and resolved by the CCO (level two)

The two complaints were considered to be within the scope of the Code and were resolved in conjunction with each supplier concerned. Alongside the resolution, we also identified additional steps that we have built into our approach in order to avoid any recurrence.

Key Contacts

We encourage all of our suppliers to raise any queries or feedback directly with their named contact within the Buying Team or with the Trading Manager for their category. Alternatively, any payment or invoicing issues can be directed to payables@ocadoretail.com.

If any of our suppliers wish to raise queries outside of the Buying Team or would like to have a conversation in confidence, they can contact our Code Compliance Officer (CCO), Robert Skelton, by email at gscop@ocadoretail.com.

Contact details for the Groceries Code Adjudicator (GCA) along with more information about GSCOP can be found at: https://www.gov.uk/government/organisations/groceries-code-adjudicator.

Approved by the Board and signed on its behalf by:

Hannah Gibson, Director, 19 May 2023

Directors' Report

The Directors present their Annual Report and Financial Statements of Ocado Retail Limited (the "Company") for the 52 week period ended 27 November 2022. This report must be read in conjunction with the Strategic Report on pages 3 to 29.

Board of Directors

The Directors and Officers of the Company who were in office during the period and up to the date of signing the Annual Report and Financial Statements were:

Hannah Gibson (appointed 20 September 2022)
Tim Steiner
Lawrence Hene
Stuart Machin
Stephen Daintith (appointed 17 November 2022)
Adam Dobbs (appointed 17 November 2022)
Jeremy Townsend (appointed 26 January 2023)
Melanie Smith (resigned 19 July 2022)
Niall McBride (resigned 19 January 2023)
Stephen Rowe (resigned 25 May 2022)
Duncan Tatton-Brown (resigned 31 October 2022)
Eoin Tonge (resigned 18 November 2022)
Jonathan Wiseman (Company Secretary)

Political donations and expenditure

No political donations or expenditure was made by the Company to any political party, organisation or candidate during the period (2021: £Nil).

Charitable donations

During the period the Company made charitable donations amounting to £1.9 million (2021: £1.6 million). Additional cash donations to environmental causes of £0.4 million (2021: £Nil) were made in addition to charitable stock donations valued at £11.4 million (2021: £8.4 million). This was part funded (£2.8 million, 2021: £3.7 million) by customers through our You Give We Give initiative.

Research and development

No research and development is undertaken by the Company.

Streamlined Energy and Carbon Reporting

Ocado Retail's Streamlined Energy and Carbon Reporting disclosures can be seen in the Strategic Report on pages 18 to 19.

Risk management

The Company's risk management policies for managing financial risk to the extent that is material to assessing the financial performance or position of the Company are summarised in the principal risks and uncertainties section of the Strategic Report on pages 13 to 19.

Equal opportunities

Ocado Retail is committed to ensuring a collaborative, diverse and thriving culture that celebrates difference, brings people together and creates a sense of belonging.

We are committed to providing a workplace where our colleagues can bring their authentic best self to work every day. By authentic self, we mean a representation of each individual, where they are comfortable at work and being who they truly are as a person.

We believe that no one should face prejudice and discrimination for simply being who they are. Our Equal Opportunities Policy aims to ensure that our workplace is free from discrimination, harassment and bullying. We want it to be a place where everyone feels valued and respected. This means we do not tolerate discrimination, harassment, bullying or victimisation by, or of, colleagues, third party contractors, suppliers or customers, on the grounds of gender identity and expression.

We are proud members of Inclusive Companies, which provides our colleagues with a wide range of tools and resources that connect to best practice and training to support our internal awareness and education campaigns. For the first time, we will take part in the Inclusive Companies' Employee Engagement Survey, which we can use as a key instrument in further developing our equality and diversity strategy.

The Company has an ongoing commitment to continue to recruit and develop a diverse workforce and a culture that celebrates all employees.

Applications for employment by all individuals, including those with a disability, are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of all employees should, as far as possible, be identical.

Stakeholder and employee engagement

Details of how the Directors have engaged with its employees, suppliers, customers and other stakeholders and the principal decisions made can be found within the Strategic Report on pages 3 to 29.

Financial instruments

Details are included in notes 3.6, 3.7, 3.8, and 3.9 of the Financial Statements.

Results and dividends

The Company's statutory results for the period are set out in the Statement of Comprehensive Income on page 40. The Directors do not propose to pay a dividend for the period (2021: £Nil).

Events occurring after the reporting period

Details of events occurring after the reporting period are included in note 5.4 of the Financial Statements.

Future developments of the company

The likely future developments of the Company can be found on pages 3 to 5.

Branches

There are no branches of the Company.

Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Company's accounts.

In assessing going concern and determining whether there are material uncertainties, the Directors take into account the Company's business activities, cash flows, solvency and liquidity positions, borrowing facilities including Shareholder loans and support confirmations from Shareholders, together with factors that are likely to affect its future development and position and the Company's principal risks and likely effectiveness of any mitigating actions (see more information on pages 13 to 19).

The Company monitors rolling forecasts of liquidity requirements based on a range of precautionary scenarios to ensure it has sufficient cash to meet operational needs, while maintaining sufficient headroom on its committed borrowing facilities at all times, so that the Company does not contribute to breaching borrowing limits or covenants (where applicable) on any of its borrowing facilities.

Further details regarding the adoption of the going concern basis and accounting policy can be found in note 1 to the accounts.

Directors' interests

The Directors did not have beneficial interests in the shares of the Company at the end of the period.

Directors' insurance and indemnities

Ocado Group 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 under an indemnity deed with each Director 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, 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 of the Company or of any associated company.

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 they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Deloitte LLP have expressed their willingness to continue in office as auditor and are deemed to be reappointed.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed in its behalf by

Hannah Gibson, Director, 19 May 2023

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). 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 results 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
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business

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 to 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor’s report to the members of Ocado Retail Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Ocado Retail Limited (the ‘company’):

- give a true and fair view of the state of the company’s affairs as at 27 November 2022 and of its loss for the period then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 “Reduced Disclosure Framework”
- have been prepared in accordance with the requirements of the Companies Act 2006

We have audited the financial statements which comprise:

- the statement of comprehensive income
- the balance sheet
- the statement of changes in equity
- the related notes 1 to 5.5

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.

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, internal audit about their own identification and assessment of the risks of irregularities, including those that are specific to the company’s business sector.

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 the UK Companies Act, tax legislation and
- do not have a direct effect on the financial statements, but with which compliance with may be fundamental to the company’s ability to operate or to avoid a material penalty. These included Groceries Supply Code of Practice (GSCOP), food safety regulations, health and safety regulations, data protection regulations and anti-bribery laws

We discussed among the audit engagement team, including with relevant internal specialists such as tax and IT specialists, 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 identified the greatest potential for fraud through the possible manipulation of commercial income and thus have pinpointed our significant risk to the accuracy and occurrence of promotion and rebate income, and our specific procedures to address it are described below:

- Independently requesting a sample of supplier confirmations to validate the amounts recorded throughout the period and on the balance sheet at period end. Where responses were not received, we performed alternative procedures, including inspecting management’s correspondence with the supplier, recalculating the amount of commercial income from the arrangement, and assessing the volume and value of credit notes raised post-period end
- testing a sample of amounts transferred from accounts receivables to accounts payable during the netting process to ensure Ocado Retail have obtained the rights to settlement
- assessing the recoverability of a sample of unsettled balances included on the balance sheet for valuation and allocation.

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 identified risks 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, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC.

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
- 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
- the financial statements are not in agreement with the accounting records and returns
- certain disclosures of directors' remuneration specified by law are not made
- 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.

Heather Bygrave.

Heather Bygrave FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
Date: 19 May 2023

Statement of Comprehensive Income

For the 52 week period ending 27 November 2022

	Notes	52 weeks ended 27 November 2022 £ million	52 weeks ended 28 November 2021 Restated * £ million
Revenue	2.2	**2,203.0**	**2,283.3**
Cost of sales		(1,545.5)	(1,547.8)
Gross profit		**657.5**	**735.5**
Other income		82.2	85.0
Distribution costs		(646.9)	(571.9)
Administrative expenses		(158.0)	(138.2)
Operating (loss) / profit before exceptional items		**(65.2)**	**110.4**
Exceptional items income / (charge)	2.6	20.0	(12.0)
Operating (loss) / profit		**(45.2)**	**98.4**
Finance income	4.2	0.2	0.1
Finance costs	4.2	(23.9)	(10.4)
(Loss) / profit before taxation	2.3	**(68.9)**	**88.1**
Taxation	2.5	15.5	(17.4)
(Loss) / profit for the period and total comprehensive (expense) / income		**(53.4)**	**70.7**

* Restated to more accurately reflect the treatment of the lease of Erith CFC, see note 1.3 for further information.

All amounts are derived from continuing operations. There are no recognised gains or losses other than those recognised in the Statement of Comprehensive Income.

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

	Notes	52 weeks ended 27 November 2022 £ million	52 weeks ended 28 November 2021 Restated £ million
Operating (loss) / profit		(45.2)	98.4
Adjustments for:			
Exceptional (income)/costs	2.6	(20.0)	12.0
Amortisation of intangible assets	3.2	1.3	-
Depreciation of property, plant and equipment	3.3	10.0	3.1
Depreciation of right-of-use assets	3.4	49.9	37.5
Adjusted EBITDA		**(4.0)**	**151.0**

Balance Sheet as at 27 November 2022

	Notes	27 November 2022 £ million	28 November 2021 Restated* £ million
Intangible assets	3.2	15.1	5.6
Property, plant and equipment	3.3	234.4	127.4
Deferred consideration		-	0.7
Deferred tax asset	2.5	1.5	-
Right-of-use assets	3.4	365.0	369.3
Non-current assets		**616.0**	**503.0**
Inventories	3.5	89.1	81.6
Trade and other receivables	3.6	134.1	132.5
Cash and cash equivalents	3.7	24.2	132.2
Current assets		**247.4**	**346.3**
Total assets		**863.4**	**849.3**
Trade and other payables	3.8	(225.7)	(216.1)
Lease liabilities	3.9	(40.2)	(31.3)
Borrowings	4.1	(10.0)	-
Current liabilities		**(275.9)**	**(247.4)**
Net current (liabilities) / assets		**(28.5)**	**98.9**
Lease liabilities	3.9	(339.4)	(342.2)
Borrowings	4.1	(60.0)	-
Provisions	3.10	(16.5)	(34.7)
Non-current liabilities		**(415.9)**	**(376.9)**
Total liabilities		**(691.8)**	**(624.3)**
Net assets		**171.6**	**225.0**
Share capital	4.3	-	-
Share premium	4.3	360.3	360.3
Other reserves	4.3	9.2	9.2
Accumulated Losses		(197.9)	(144.5)
Shareholder's funds		**171.6**	**225.0**

* Restated to more accurately reflect the treatment of the lease of Erith CFC, see note 1.3 for further information.

The financial statements on pages 40 to 74 were authorised for issue by the Board of Directors and signed on its behalf by:

Hannah Gibson Director, Ocado Retail Limited, Company Registration Number 03875000 (England and Wales) 19 May 2023

Statement of Changes in Equity

For the 52 weeks ended 27 November 2022

	Share capital £ million	Share premium £ million	Other reserves £ million	Accumulated Losses £ million	Total equity £ million
Balance at 29 November 2020 (restated*)	**-**	**360.3**	**9.2**	**(215.2)**	**154.3**
Profit for the period and total comprehensive income (restated*)	-	-	-	70.7	70.7
Balance at 28 November 2021 (restated*)	**-**	**360.3**	**9.2**	**(144.5)**	**225.0**
Loss for the period and total comprehensive expense	-	-	-	(53.4)	(53.4)
Balance at 27 November 2022	**-**	**360.3**	**9.2**	**(197.9)**	**171.6**

* Restated to more accurately reflect the treatment of the lease of Erith CFC, see note 1.3 for further information.

Notes to the Financial Statements

Section 1: Basis of preparation

General information

Ocado Retail Limited (hereafter "the Company" or "Ocado Retail") is a private company limited by shares, and incorporated in the United Kingdom and registered in England and Wales (Company Registration Number 03875000). The address of its registered office is Apollo Court, 2 Bishop Square, Hatfield Business Park, Hatfield, Hertfordshire, AL10 9NE.

The financial period represents the 52 weeks ended 27 November 2022. The prior financial period represents the 52 weeks ended 28 November 2021.

The principal activity of the Company is a UK-based online grocery retailer through the ocado.com website and the provision of the same-day online grocery service through Ocado Zoom. Further information on the nature of the company's operations and its principal activities are set out in the Strategic Report on pages 3 to 29.

The Company is a 50:50 joint venture between Marks and Spencer Holdings Limited and Ocado Holdings Limited. Under IFRS 10 Consolidated Financial Statements, it has been concluded that the Company's controlling party continues to be Ocado Holdings Limited, a company incorporated in the United Kingdom.

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 contain information about Ocado Retail as an individual company and do not contain consolidated financial information about its group. Ocado Group plc is the largest and smallest group of undertakings to consolidate these financial statements as of 27 November 2022. Note 5.5 gives details of the Company's ultimate controlling party and from where the consolidated financial statements prepared in accordance with IFRS may be obtained. The Company had adopted the exemption under section 400 of the Companies Act 2006, whereby it is not required to prepare consolidated financial statements as the Company is included in publicly available consolidated financial statements for a larger group drawn up to the same date.

The financial statements are presented in sterling, rounded to the nearest hundred thousand 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.

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 Ocado Group plc. The consolidated financial statements are prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom, including the interpretations issued by IFRS Interpretation Committee. The disclosure exemptions adopted, where applicable, are in relation to financial instruments, capital management, fair value measurements, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and 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, which is Buildings One & Two, Trident Place, Mosquito Way, Hatfield, Hertfordshire, AL10 9UL, or alternatively from its corporate website www.ocadogroup.com.

New Standards, Amendments and Interpretations Adopted by 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 29 November 2021, and concluded that they are either not relevant to the Company or that they would not have a significant impact on the Company's financial statements:

New standards, amendments and interpretations issued
IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39: Interest Rate Benchmark Reform, Phase 2
IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9
IFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021

New standards, amendments and interpretations not yet effective

The following new standards, interpretations and amendments to published standards and interpretations have been issued but are not effective for the period beginning 29 November 2021, and have not been adopted early.

Standard	Description	Effective date
IAS 16	Property, Plant & Equipment - Proceeds before Intended Use	1 January 2022
IAS 37	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture	1 January 2022
IFRS 3	Reference to the Conceptual Framework	1 January 2022
IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023
IAS 1	Disclosure of Accounting Policies (amendments)	1 January 2023
IAS 8	Disclosure of Accounting Estimates (amendments)	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

These standards, interpretations and amendments to published standards and interpretations are not expected to have a material effect on the Company's financial statements. The impact of all other IFRS Standards not yet adopted is not expected to be material.

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.

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.

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 Statement of Comprehensive Income, 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 Statement of Comprehensive Income within finance income or finance costs. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within operating profit.

1.1 Basis of preparation

Critical estimates, judgements and assumptions

The preparation of the Company's 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.

Key sources of estimation uncertainties

Supplier Income

At the period end, the Company is required to estimate supplier income due from annual agreements for volume rebates, which span across the period-end date. Confirmation of some amounts due is often only received three to six months after the period end. See note 2.1 for more details.

Goods Received not Invoiced

At the period end the Company is required to estimate goods received not invoiced based on the stock purchases and invoices received. Confirmation of the majority of amounts is received by six months post period end, however some amounts can be confirmed over twelve months after the period ends, therefore estimation is applied in relation to cost price increases.

Inventory

The Company assesses the recoverability of inventories by applying assumptions around the future saleability and estimated selling prices of items.

Critical accounting judgements

Useful lives and residual values of property, plant and equipment and intangibles

Management's judgement is required in assessing the useful lives of assets, which determines the level of the amortisation and depreciation charge recognised in 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. See note 3.3 for more details.

Determining the lease term

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. See note 3.4 for more details.

Other estimates, assumptions and judgements are applied by the Company, including those relating to identifying exceptional items (management assess if incidents/ transactions are non-recurring and have material impact to the Company and therefore come under the definition of exceptional items). These estimates, assumptions and judgements are also evaluated on an ongoing basis, but are not deemed significant.

1.2 Going concern basis

Accounting standards require that directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare financial statements on a 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 a minimum of 12 months following the approval of these financial statements.

In assessing going concern and determining whether there are material uncertainties, the Directors take into account the Company's business activities, cash flows, solvency, liquidity and net current liability positions, borrowing facilities, including Shareholder loans and support confirmations from Shareholders, together with factors that are likely to affect its future development and position, and the Company's principal risks and likely effectiveness of any mitigating actions (see more information on pages 13 to 19).

The Company monitors rolling forecasts of liquidity requirements based on a range of precautionary scenarios to ensure it has sufficient cash to meet operational needs, while maintaining sufficient headroom on its committed borrowing facilities at all times, so that the Company does not contribute to breaching borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The going concern assessment is based on the budget and forecasts up to May 2024 and the strategic plan adjusted for latest capital expenditure plans. The Directors concluded that going concern would be maintained under the base case scenario, with sufficient headroom.

Downside stress testing was undertaken to determine the sensitivity to going concern. The test reflected reduced revenues across the assessment period, assuming a slowdown in growth as a result of alteration to customer behaviour as a result of cost pressures on customers spend. Capital expenditure was based on latest project manager estimates. Further mitigating actions could be applied during the assessment period through the delay of capital expenditure, which would further increase the cash position, and the drawdown of additional facilities and/or extension to the Shareholder Loan.

After making appropriate enquiries and having considered the business activities as set out in the Strategic Report on pages 3 to 29, the facts described above, the Company's principal risks and uncertainties, the Directors are satisfied that the Company has adequate resources to continue in operational existence for a minimum of twelve months from the date of approval of the financial statements. Accordingly, the financial statements have been prepared on the going concern basis.

1.3 Restatement of prior period results

During the period, the Company reviewed the previous judgement applied to a lease entered into in 2019 for the Erith CFC. As a result of the fire in 2019 which destroyed the Andover CFC, additional capacity was sought utilising further space at the Erith CFC. A lease was recognised within the Ocado Group with Ocado Retail as the lessee. The lease term was initially accounted for in 2019 to mirror the 20 year head lease held by Ocado Group. In 2022 the additional capacity term ended in accordance with the amendment made to the lease agreement in 2019 and the lease was derecognised. It was determined that, based on the available information when the amendment was made, the lease term should only have been accounted for this shortened period, as opposed to the remainder of the lease, and therefore an adjustment to the prior period results has been made.

The effect of the above restatement on the statement of comprehensive income is as follows:

	52 weeks ended 28 November 2021 (as previously reported) £ million	Profit increase £ million	52 weeks ended 28 November 2021 (restated) £ million
Revenue	**2,283.3**	**-**	**2,283.3**
Cost of sales	(1,547.8)	-	(1,547.8)
Gross profit	**735.5**	**-**	**735.5**
Other income	85.0	-	85.0
Distribution costs	(569.9)	(2.0)	(571.9)
Administrative expenses	(138.2)	-	(138.2)
Operating profit before exceptional items	**112.4**	**(2.0)**	**110.4**
Exceptional items income	(12.0)	-	(12.0)
Operating profit	**100.4**	**(2.0)**	**98.4**
Finance income	0.1	-	0.1
Finance costs	(14.8)	4.4	(10.4)
Profit before taxation	**85.7**	**2.4**	**88.1**
Taxation	(17.0)	(0.4)	(17.4)
Profit for the period and total comprehensive income	**68.7**	**2.0**	**70.7**

The effect of the above restatement on the Balance Sheet is as follows:

	28 November 2021 (as previously reported) £ million	Restatement £ million	28 November 2021 restated £ million
Intangible assets	5.6	-	5.6
Property, plant and equipment	127.4	-	127.4
Deferred consideration	0.7	-	0.7
Right-of-use assets	434.6	(65.3)	369.3
Non-current assets	**568.3**	**(65.3)**	**503.0**
Inventories	81.6	-	81.6
Trade and other receivables	132.9	(0.4)	132.5
Cash and cash equivalents	132.2	-	132.2
Current assets	**346.7**	**(0.4)**	**346.3**
Total assets	**915.0**	**(65.7)**	**849.3**
Trade and other payables	(216.1)	-	(216.1)
Lease liabilities	(30.8)	(0.5)	(31.3)
Current liabilities	**(246.9)**	**(0.5)**	**(247.4)**
Net current assets/(liabilities)	**99.8**	**(0.9)**	**98.9**
Lease liabilities	(412.9)	70.7	(342.2)
Provisions	(36.0)	1.3	(34.7)
Non-current liabilities	**(448.9)**	**72.0**	**(376.9)**
Total liabilities	**(695.8)**	**71.5**	**(624.3)**
Net assets	**219.2**	**5.8**	**225.0**
Share capital	-	-	-
Share premium	360.3	-	360.3
Other reserves	9.2	-	9.2
Accumulated losses	(150.3)	5.8	(144.5)
Shareholder's funds	**219.2**	**5.8**	**225.0**

Section 2: Results for the period

2.1 Profit before taxation

Accounting policies

Revenue

The Company follows the principles of IFRS 15 "Revenue from Contracts with Customers", in determining appropriate revenue recognition policies. Revenue represents the transaction price that the Company expects to be entitled to in return for delivering the goods or services to its customers. The value recognised in any period is based on the judgement of when the customer is able to benefit from the goods or services and an assessment of the progress made towards completely satisfying each obligation.

Identification of the Performance Obligations

In a typical contract there is one performance obligation, which is to deliver goods ordered online to the customer at the scheduled time and to the agreed address. "Ocado Smart Pass", the Company's discounted pre-pay membership scheme, is a separate contract with a customer and has a separate single performance obligation, which is to provide delivery services for an agreed period of time. The Company is able to apply the practical expedient to apply the standard to a portfolio of contracts, rather than individual contracts, as the characteristics of each sale are similar. The effect on the financial statements of applying this practical expedient would not materially differ from applying the standard to individual contracts.

Determining the Transaction Price

Customers pay in full at point of sale. The transaction price is based on the aggregation of all order values shown net of any material adjustment for expected returns or expected future redemption of marketing vouchers in accordance with IFRS 15 guidance on variable consideration. Standard delivery charges and carrier bag receipts are included in the transaction price. Smart Pass transaction price is as per the contracted value of the membership for the agreed period of delivery services.

Allocation of Transaction Price to the Performance Obligations

Each contract has a single performance obligation and so all the transaction price is assigned to that single obligation. At the end of each reporting period, management will review and adjust for elements of variable consideration, such as expected refunds or expected voucher redemptions.

Revenue Recognition

Revenue from online grocery orders is recognised at a point in time when the customer obtains control of the goods, which for deliveries performed by the Company occurs when the goods are delivered to and have been accepted at the customer's home. For goods which are delivered by third party couriers, revenue is recognised when the items have been transferred to the third party for onward delivery to the customer. These are shown net of returns, relevant marketing vouchers/offers and value-added taxes. Relevant vouchers/offers include money-off coupons, conditional spend vouchers and offers, such as buy three for the price of two. Revenue from Ocado Smart Pass is recognised over the duration of the membership on a time elapsed, straight-line basis.

Cost of sales

Cost of sales represents the cost of groceries and other products the Company sells, which are driven by the volume of sales of specific products or product groups, adjustments to inventory and charges for transportation of goods from a supplier to a CFC.

The Company also has agreements with suppliers whereby promotional allowances and volume-related rebates are received in connection with the promotion or purchase of goods for resale from those suppliers. At the period-end the Company is required to estimate supplier income due from annual agreements for volume rebates, which span across the period-end date. The allowances and rebates are included within cost of sales.

Other income

Other income comprises the fair value of consideration received or receivable for advertising services provided by the Company to suppliers and other third parties on ocado.com and Zoom. Income for advertising services is recognised over the particular time period for which the service is provided on an accruals basis. An adjustment is made at the period end to accrue the amount of income in relation to campaigns that may span the period end.

Uncollected commercial income as at balance sheet date is classified within trade and other receivables. Where commercial income has been earned, but not yet invoiced at the balance sheet date, the amount is recorded in accrued income.

Distribution costs

Distribution costs are charged to the Company by an Ocado Group entity. Distribution costs consist of all the costs incurred, excluding product costs, to the point of sale, which is the customer's home or the third party courier.

This includes the payroll-related expenses for the picking, dispatch and delivery of products sold to the point of sale, the cost of making those deliveries, including fuel, tolls, maintenance of vehicles, the operating costs of the properties required for the picking, dispatch and onward delivery operations and all associated depreciation, amortisation and impairment charges, and payment processing charges.

Administrative expenses

Administrative expenses consist of all advertising and marketing expenditure, employment costs, which include board, legal, finance, people team, marketing and procurement, and other property-related costs for the head office, all fees for professional services and the depreciation, amortisation and impairment associated with IT equipment, software, fixtures and fittings.

Exceptional Items

Exceptional items, as disclosed on the face of the Statement of Comprehensive Income, are items that are considered to be significant due to their size/nature, not in the normal course of business or are consistent with items that were treated as exceptional in the prior periods or that may span multiple financial periods. They have been classified separately in order to draw them to the attention of the readers of the financial statements, and facilitate comparison with prior periods to assess trends in the financial performance more readily.

2.2 Revenue

Revenue is generated wholly within the United Kingdom and from a single class of business, being the Company's principal activity of grocery retailing. The Company is not reliant on any major customer for 10% or more of its revenue.

2.3 (Loss) / Profit before taxation

	Note	52 weeks ended 27 November 2022 £ million	52 weeks ended 28 November 2021 £ million
(Loss) / profit before taxation is stated after (charging)/crediting the following:			
Cost of inventories recognised as an expense		(1,532.5)	(1,539.3)
Depreciation and amortisation		(61.2)	(36.6)
Exceptional Items income/(charge)	2.6	20.0	(12.0)
Impairment of receivables		(1.1)	(1.1)
Employment costs	2.4	(22.5)	(39.8)

During the period, the Company obtained the following services from its auditor:

	52 weeks ended 27 November 2022 £ '000	52 weeks ended 28 November 2021 £ '000
Audit of the Company's financial statements	522.0	441.9
Non-audit services	-	-
Total	**522.0**	**441.9**

2.4 Employee information

During the period the average monthly number of employees was 916 (2021: 645), being head office and Customer Hub staff. The annual change in headcount isn't directly comparable due to the addition of Customer Hub staff part way through 2021.

Other staff including warehouse, service delivery and other functions (including directors in the prior period), were employed by an Ocado Group entity and the Company was recharged for its share of their employment costs.

	52 weeks ended 27 November 2022 £ million	52 weeks ended 28 November 2021 £ million
Employment costs	35.9	30.4
Value Creation Plan - see note 3.10	(19.0)	5.0
Social security costs	4.1	3.5
Other pension costs	1.5	0.9
Total	**22.5**	**39.8**

	52 weeks ended 27 November 2022 £ '000	52 weeks ended 28 November 2021 £ '000
Directors' remuneration is disclosed as follows:		
Remuneration for qualifying services	2,831.3	1,551.2
Company pension contributions to defined contribution schemes	-	-

Total remuneration is split: qualifying services £2,093.3k (2021: £1,551.2k), compensation for loss of office £238.1k (2021: £nil), sums paid to a charity, for which they are a trustee, of in respect of directors' services £500k (2021: £nil).

Remuneration of the highest paid director of £1,791.5k (2021: £839.4k) is split: qualifying services £1,053.4k (2021: £839.4k), compensation for loss of office £238.1k (2021: £nil) and sums paid to a charity, for which they are a trustee, of in respect of directors' services £500k (2021: £nil). Defined contribution pension payments of £nil (2021:£nil) were made on behalf of three (2021: two) executive directors.

2.5 Taxation

Accounting policies

The tax charge for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, 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 liability 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 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 balance sheet 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 that asset to be recovered. Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to offset current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

A deferred tax asset has been recognised on current year trading losses which are being carried forward. Current forecasts indicate that the losses will be utilised over approximately the next six years.

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

Taxation – Statement of Comprehensive Income

	52 weeks ended 27 November 2022 £ million	52 weeks ended 28 November 2021 £ million
Recognised in the Statement of Comprehensive Income		
UK corporation tax on (loss) / profit	(9.1)	11.2
Adjustments in respect of prior periods	(2.7)	(0.1)
Total current corporation tax (credit)/charge	**(11.8)**	**11.1**
Deferred tax		
Origination and reversal of temporary differences	(7.0)	5.5
Effect of change in UK Corporation Tax rate	-	0.6
Adjustments in respect of prior periods	3.3	0.2
Total deferred tax	**(3.7)**	**6.3**
Income tax (credit)/charge	**(15.5)**	**17.4**

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 profits of the Company as follows:

	52 weeks ended 27 November 2022 £ million	52 weeks ended 28 November 2021 £ million
(Loss) / profit before tax	**(68.9)**	**88.1**
Effective tax charge at the UK tax rate of 19% (2021: 19%)	(13.1)	16.7
Effect of:		
Non-deductible items	(3.0)	-
Effect of change in UK Corporation Tax rate	-	0.6
Adjustments in respect of prior period	0.6	0.1
Income tax (credit) / charge	**(15.5)**	**17.4**

Taxation – Balance Sheet

Movement in the deferred tax asset is as follows:

	Tax losses £ million	Accelerated capital allowances £ million	Share based payments £ million	Other short-term timing differences £ million	Total £ million
As at 29 November 2020	**-**	**0.5**	**2.7**	**0.9**	**4.1**
Recognised through Statement of Comprehensive Income	-	(6.9)	1.0	0.2	(5.7)
Effect of change in UK corporation tax rate	-	(2.1)	1.1	0.4	(0.6)
As at 28 November 2021	**-**	**(8.5)**	**4.8**	**1.5**	**(2.2)**
Recognised through Statement of Comprehensive Income	17.9	(9.3)	(4.8)	(0.1)	3.7
As at 27 November 2022	**17.9**	**(17.8)**	**-**	**1.4**	**1.5**

Finance Bill 2021 announced that the main rate of Corporation Tax would increase to 25% from April 2023. This increase was reversed in the Mini budget in September 2022 but subsequently reinstated in the October 2022 Autumn Statement. 25% has therefore been applied, where applicable, to the Company's deferred tax balance as at the balance sheet date.

2.6 Exceptional items

	52 weeks ended 27 November 2022 £ million	52 weeks ended 28 November 2021 £ million
Andover CFC net income	22.9	9.0
Erith CFC income / (cost)	3.5	(6.8)
Loss on disposal of Speciality Stores Limited	(1.4)	(9.6)
Transformation of IT systems	(4.0)	(4.6)
Resizing	(1.0)	-
Total exceptional income / (cost)	**20.0**	**(12.0)**

Andover CFC

In February 2019 a fire destroyed the Andover CFC, including the building, machinery and all inventory held on site. The exceptional income of £22.9 million (FY21: £9.0 million) relates to the Business Interruption claim in relation to this fire.

Erith CFC

In July 2021, a small fire in the Erith CFC resulted in the temporary closure of the site for a few days and a restriction on available capacity for the remainder of the period. In 2022 insurance reimbursements were received of £3.5 million (2021: £Nil) to cover the losses arising from the fire. The impact of stock write-offs and other incremental costs of £6.8 million were recognised in 2021, no further costs were incurred in 2022.

Loss on disposal of Speciality Stores Limited

On 31 January 2021, Ocado Retail completed the sale of the entire share capital of Speciality Stores Limited, its wholly-owned pets' business trading as Fetch, to Paws Holdings Limited ("Paws Holdings"), resulting in a loss on disposal of £9.6 million. During the period, a provision of £1.4 million was made against the deferred consideration based on the likelihood of receipt.

Transformation of IT systems

In 2021, Ocado Retail initiated its IT Roadmap programme, which focuses on delivering IT systems and services that will enable Ocado Retail to meet its obligation to transition away from Ocado Group IT services, tools and support.

The IT Roadmap programme costs that meet assets recognition criteria will be recognised as intangible assets and implementation costs that do not meet assets recognition will be expensed as exceptional items.

£4.0 million of costs were recognised as exceptional expenditure in 2022 (2021: £4.6 million) in respect of one-off development and the introduction of Ocado Retail IT systems linked to its obligation to transition away from Ocado Group IT services tools and support. This was considered an exceptional cost due to its nature and its materiality. An additional £6.0m million of IT assets arising from this project have been capitalised in 2022 (2021: £5.1 million).

Resizing

In order to ensure the Company was in the right shape to deliver on our strategic priorities and could be resilient in the current economic environment, the Board supported a change programme to drive operational efficiencies and ensure organisational structures were future proofed. £1.0 million of costs were recognised as exceptional costs in 2022 (2021: £Nil) in relation to this.

Section 3: Assets and liabilities

3.1 Accounting policies

Inventories

Inventories comprise goods held for resale and other consumable goods. Inventories are valued at the lower of cost and net realisable value as provided in IAS 2 "Inventories". Cost is determined on a First In and First out basis. Goods held for resale and consumables are valued using the historical cost basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. It also takes into account slow-moving, obsolete and defective inventory and estimation over the recoverability of these goods. Costs include all direct expenditure and other appropriate attributable costs incurred in bringing inventories to their present location and condition. There has been no security granted over inventory unless stated otherwise.

Trade and other receivables

Trade receivables are non-interest bearing and are on commercial terms. 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.

Provision for impairment of trade receivables

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Any provision made against an impaired receivable is recognised in the Statement of Comprehensive Income within administrative expenses.

The outcome of an impaired receivable depends on future events, which are by their nature uncertain. In assessing the likely outcome, management bases its assessment on historical experience and other factors that are believed to be reasonable in the circumstances.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and short-term deposits with a maturity of three months or less at the date of acquisition. Cash at bank and in hand and short-term deposits are shown under current assets on the Balance Sheet. The carrying amount of these assets approximates to their fair value. They are therefore included as a component of cash and cash equivalents.

Financial liabilities and equity instrument

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that gives a residual interest in the assets of the Company after deducting all of its liabilities.

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.

Borrowings

Interest-bearing loans and bank overdrafts are initially recorded at fair value, net of transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period to redemption using the effective interest method, or capitalised as part of the cost of qualifying assets.

3.2 Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the relevant conditions of IAS 38 have been demonstrated.

Other intangible assets which are currently under development largely relate to IT assets recognised following the introduction of Ocado Retail IT systems linked to its obligation to transition away from Ocado Group IT services tools and support. These assets all remain in development as at the balance sheet date.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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. The useful life is determined by management at the time the asset is acquired and brought into use and is reviewed for appropriateness regularly.

For computer software licences (excluding SaaS arrangements), 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 Ocado Retail, useful life is based on historical experience with similar products within Ocado Group as well as anticipation of future events which may affect their useful life, such as changes in technology.

Internally generated assets	3 - 15 years, or the lease term if shorter
Other intangible assets	3 - 15 years, or the lease term if shorter

Amortisation is recognised as expenses in the Statement of Comprehensive Income on a straight-line basis over the life of the asset.

	Internally Generated Assets £ million	Assets Under Development £ million	Other Intangible Assets £ million	Total Intangible Assets £ million
Cost				
At 28 November 2021	0.5	5.3	-	5.8
Transfer	5.3	(5.3)	-	-
Additions	6.0	3.9	-	9.9
Reclassification	0.1	-	0.8	0.9
At 27 November 2022	**11.9**	**3.9**	**0.8**	**16.6**
Accumulated amortisation				
At 28 November 2021	(0.2)	-	-	(0.2)
Amortisation	(0.9)	-	(0.4)	(1.3)
At 27 November 2022	**(1.1)**	**-**	**(0.4)**	**(1.5)**
Net book value				
At 28 November 2021	0.3	5.3	-	5.6
At 27 November 2022	**10.8**	**3.9**	**0.4**	**15.1**

Impairment of Non-Financial Assets (Including Tangible Assets)

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

The recoverable amount is the higher of fair value, less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and, to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in the Statement of Comprehensive Income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in the Statement of Comprehensive Income to the extent that it eliminates the impairment loss which has been recognised for the asset in prior periods. Any increase in excess of this amount is treated as a revaluation increase.

3.3 Property, Plant and Equipment

Accounting Policies

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

An item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the asset will flow to the entity, and the cost of the asset can be measured reliably.

In determining the cost of property, plant and equipment, certain costs that relate to the intangible element of an asset are separately disclosed within intangible assets (see note 3.2.) Management exercises judgement in reviewing each material addition of an asset and considers whether the intangible asset element can be used for other property, plant and equipment additions in the current or future periods.

Depreciation on items of property, plant and equipment is calculated on a straight-line basis from the date on which the item is brought into use, is charged to distribution costs and administrative expenses and is calculated based on the useful lives indicated below:

Freehold buildings and leasehold properties	30 years, or the lease term if shorter
Fixtures and fittings	5 – 10 years, or the lease term if shorter
Plant and machinery	3 – 20 years, or the lease term if shorter
Motor vehicles	2 – 7 years, or the lease term if shorter
Land	Held at cost and not depreciated

Assets in the course of construction are carried at cost less any recognised impairment loss. Cost includes professional fees and other directly attributable costs. Depreciation of these assets commences when the assets are ready for their intended use, on the same basis as other property assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

Estimation of Useful Life

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. Residual values and expected useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

The charge in respect of periodic depreciation 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 depreciation charge in the Statement of Comprehensive Income.

The useful lives of the Company's assets are determined by management at the time the asset is acquired and reviewed at least once a period for appropriateness.

Management also assesses the useful lives based on historical experience with similar assets as well as anticipation of future events which may affect their useful lives, such as changes in technology. A review of useful lives took place in the current period and no changes in useful lives was required.

	Land and Buildings £ million	Fixtures, Fittings, Plant and Machinery £ million	Total £ million
Cost			
At 28 November 2021	51.5	79.5	131.0
Additions	106.4	17.9	124.3
Disposals	(3.6)	(2.8)	(6.4)
Reclassification	1.7	(2.6)	(0.9)
At 27 November 2022	**156.0**	**92.0**	**248.0**
Accumulated depreciation			
At 28 November 2021	(0.7)	(2.9)	(3.6)
Charge for the period	(3.0)	(7.0)	(10.0)
At 27 November 2022	**(3.7)**	**(9.9)**	**(13.6)**
Net book value			
At 28 November 2021	50.8	76.6	127.4
At 27 November 2022	**152.3**	**82.1**	**234.4**

Included within property, plant and equipment is work-in-progress for land and buildings of £63.3 million (2021: £47.9 million) and fixtures, fittings, plant and machinery of £14.4 million (2021: £6.8 million).

3.4 Right-of-use assets

Right-of-use assets are measured at cost, which is made up of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the asset at the end of the lease, less any lease incentives received.

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use assets for impairment when such indicators exist.

The right-of-use assets are included in a separate line within non-current assets on the Balance Sheet.

	Land and buildings £ million	Fixtures, fittings, plant and machinery £ million	Motor vehicles £ million	Total £ million
Cost				
At 28 November 2021*	293.2	78.8	80.9	452.9
Additions	30.8	-	16.8	47.6
Disposals	(17.1)	-	(0.3)	(17.4)
At 27 November 2022	**306.9**	**78.8**	**97.4**	**483.1**
Accumulated depreciation				
At 28 November 2021*	(36.1)	(14.4)	(33.1)	(83.6)
Charge for the period	(22.2)	(11.0)	(16.7)	(49.9)
Disposals	15.2	0.0	0.2	15.4
At 27 November 2022	**(43.1)**	**(25.4)**	**(49.6)**	**(118.1)**
Net book value				
At 28 November 2021*	257.1	64.4	47.8	369.3
At 27 November 2022	**263.8**	**53.4**	**47.8**	**365.0**

* Restated per note 1.3

All right-of-use assets would be classified as short-term leases (less than 50 years).

3.5 Inventories

	27 November 2022 £ million	28 November 2021 £ million
Goods for resale	89.1	81.6

3.6 Trade and other receivables

	27 November 2022 £ million	28 November 2021 £ million
Trade receivables	68.5	67.9
Less: provision for impairment of trade receivables	(2.8)	(0.9)
Net trade receivables	**65.7**	**67.0**
Other receivables	34.2	26.2
Prepayments	2.8	1.8
Amounts due from group undertakings	2.5	11.6
Accrued income	28.9	25.9
Total trade and other receivables	**134.1**	**132.5**

Included in trade receivables is £52.5 million (2021: £50.9 million) due from suppliers in relation to commercial and media income. Within accrued income is £12.5 million (2021: £9.0 million) to be invoiced to suppliers in relation to supplier-funded promotional activity and £6.2 million (2021: £10.8 million) to be invoiced to suppliers in relation to volume-related rebate amounts.

The Company has elected to apply the IFRS 9 "Financial Instruments" simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risks and ageing. The expected loss rates are based on the Company's historical credit losses, adjusted for reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade and other receivables at the period-end comprise mainly monies due from suppliers, which are considered of a good credit quality, as well as VAT receivable. The Company provides for doubtful receivables in respect of monies due from suppliers.

Amounts due from group undertakings are unsecured, interest free and are repayable on demand. Amounts are expected to be recovered within 12 months.

3.7 Cash and cash equivalents

	27 November 2022 £ million	28 November 2021 £ million
Cash at bank and in hand	24.2	132.2

3.8 Trade and other payables

	27 November 2022 £ million	28 November 2021 £ million
Trade payables	112.8	94.1
Accruals	84.5	79.5
Amounts due to group undertakings	21.7	35.8
Other taxation and social security	1.1	0.8
Deferred income	5.6	5.9
Total trade and other payables	**225.7**	**216.1**

Deferred income represents the value of delivery income received under the Ocado Smart Pass scheme. Amounts due to group undertakings are unsecured, interest free and are repayable on demand.

3.9 Lease liabilities

The Company leases a number of properties, items of equipment and motor vehicles. The leases have varying terms, escalation clauses and renewal rights. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the Balance Sheet as a right-of-use asset and a lease liability.

The Company considers whether any new contract entered into is, or contains, a lease. At the lease commencement date, the Company recognises a right-of-use asset and a lease liability on the Balance Sheet.

The Company measures the lease liability at the present value of the lease payments that have not been paid at that date, discounted using the interest rate implicit in the lease (if that rate is readily available) or the Company's incremental borrowing rate. Subsequent to initial measurement, the liability is reduced for payments made and increased for interest charged. If required, it is re-measured to reflect any modification, with a corresponding adjustment reflected in the right-of-use asset.

The Company has elected to account for short-term leases and leases of low-value assets using practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as expenses in the Statement of Comprehensive Income on a straight-line basis over the lease term.

Lease liabilities

Assets funded through lease liabilities are capitalised either as property, plant and equipment, or intangible assets, as appropriate, and are depreciated or amortised over their estimated useful lives or the lease term, whichever is shorter. The amount capitalised is the lower of the fair value of the asset and the present value of the minimum lease payments during the lease term, measured at the inception of the lease. The resulting lease obligations are included in liabilities, net of attributable transaction costs. Finance costs on lease liabilities are charged directly to the Statement of Comprehensive Income on the effective interest rate basis.

Lease incentives

Lease incentives primarily include upfront cash payments or rent-free periods. Lease incentives are included in the initial measurement of the right-of-use asset and lease liability.

	27 November 2022 £ million	28 November 2021* £ million
Lease liabilities due:		
Within one year	40.2	31.3
Between one and two years	36.9	32.3
Between two and five years	83.9	88.4
Over five years	218.6	221.5
Total lease liabilities	**379.6**	**373.5**
Minimum lease payments due:		
Within one year	60.7	51.6
Between one and two years	55.1	51.3
Between two and five years	129.4	136.4
Over five years	331.4	342.4
	576.6	581.7
Less: future finance charges	(197.0)	(208.2)
Present value of lease liabilities	**379.6**	**373.5**
Current	40.2	31.3
Non-current	339.4	342.2

* Restated per note 1.3

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

The expenses relating to payments not included in the measurement of the lease liability are £Nil (2021: £Nil).

3.10 Provisions

Dilapidations

Provisions for dilapidations are made in respect of properties where there are obligations to return these properties to the condition and state they were in when the Company obtained the right to use them. These are recognised on a property by property basis and are based on the Company's best estimate of the likely committed cash outflow. Where relevant, these estimated outflows are discounted to net present value.

Ocado Retail Value Creation Plan (VCP)

In 2020 the VCP was established for the senior leadership team of the Company. The VCP was to be settled in cash and included a market-based performance condition relating to the value of the Company. As such, it was accounted for as cash-settled in accordance with IFRS 2 "Share-based Payment".

In the period, the full amount previously provided for of £19.0 million was released following the cancellation of the scheme (2021: £5.0m additional provision).

	Dilapidations £ million	VCP £ million	Deferred tax liability** £ million	Total provisions £ million
As at 28 November 2021*	13.5	19.0	2.2	34.7
Additions	1.2	-	-	1.2
(Release) / charge to the Statement of Comprehensive Income	1.8	(19.0)	(2.2)	(19.4)
As at 27 November 2022	**16.5**	**-**	**-**	**16.5**

* Restated per note 1.3, ** See note 2.5

Section 4 — Capital structure and financing costs

4.1 Borrowings

	52 weeks ended 27 November 2022 £ million	52 weeks ended 28 November 2021 £ million
Shareholder loans	60.0	-
Revolving credit facility	10.0	-
Borrowings	**70.0**	**-**

Disclosed as:		
Current	10.0	-
Non-current (over five years)	60.0	-
Borrowings	**70.0**	**-**

Revolving credit facility

Ocado Retail entered into an three-year Revolving Credit Facility (RCF) of £30 million in December 2019. As at the period end, the RCF was due to mature on 19 December 2022, see post balance sheet events for details of renewal. As at 27 November 2022 £10.0 million of the facility was drawn down (2021: £Nil).

Interest is payable on the amounts drawn down at a margin of 0.90% per annum, plus the applicable reference rate.

Shareholder Loan

On 5 August 2019, Ocado Retail entered into a Shareholder Loan Facility of £60 million, £30 million respectively from each shareholder.

The Shareholder Loan is due to mature in August 2039 and incurs interest at SONIA + 4% per annum. As of 27 November 2022, the loan was fully drawn (2021: £nil).

4.2 Finance income and costs

	52 weeks ended 27 November 2022 £ million	52 weeks ended 28 November 2021 Restated £ million
Interest income on cash balances	0.2	0.1
Finance income	**0.2**	**0.1**
Interest on lease liabilities	(23.9)	(10.3)
Other finance costs	-	(0.1)
Finance costs	**(23.9)**	**(10.4)**
Net finance costs	**(23.7)**	**(10.3)**

4.3 Share capital and reserves

Accounting policy

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

Share capital and reserves

The issued, authorised and fully paid up share capital and share premium accounts are set out below:

	Ordinary shares Number	Share Capital £ million	Share premium £ million
At 28 November 2021 and 27 November 2022	**100**	**-**	**360.3**

All shares are fully paid, have equal voting rights and carry no right to fixed income. Each of the shares has a nominal value of £0.01. The movements in reserves other than share premium are set out below:

Share premium account consists of proceeds received in excess of the nominal value of shares issued, net of any transaction costs.

Other reserves

	Capital contributions reserve £ million	Fair value reserve £ million	Total other reserves £ million
At 28 November 2021 and 27 November 2022	**9.0**	**0.2**	**9.2**

Other reserves consist of the capital contributions reserve and the fair value reserve.

Section 5: Other notes

5.1 Commitments

Capital commitments

There are no contracts placed for future capital expenditure, but not provided for in the financial statements at period end (2021: £Nil).

5.2 Contingent liabilities

The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business, all of which the Company expects will be either covered by its insurances or will not be material in the context of the Company's financial position.

5.3 Related party transactions

Included within amounts due to group undertakings and amounts due from group undertakings are balances with companies in the Ocado Group, which the Company's controlling party, Ocado Holdings Limited, is a member and also Marks and Spencer plc.

Company	Included within trade payables £ million	Included within Borrowings £ million	Included within amounts due to group undertakings £ million	Included within amounts due from group undertakings £ million
Ocado Operating Limited	-	-	(21.7)	2.1
Ocado Holdings Limited	-	(30.0)	-	-
Ocado Central Services Limited	-		-	0.4
Marks and Spencer Holdings Limited	(0.1)	(30.0)	-	-

During the period the Company paid net recharges of £936.5 million (2021: £573.4 million) to Ocado Operating Limited for goods and services provided, including the Ocado Smart Platform fee.

During the period the Company paid £38.0 million (2021: £37.3 million) to Marks and Spencer plc for goods provided.

During the period the Company paid net recharges of £0.1 million (2021: £Nil) to Ocado Innovation Limited for goods and services provided.

During the period the Company paid net recharges of £1.3 million (2021: £Nil) to Ocado Central Services for goods and services provided.

Provisions for doubtful debts of £Nil (2021: £Nil) related to the amount of outstanding balances at period end. £Nil expense (2021: £Nil) was recognised during the period in respect of bad or doubtful debts due from related parties.

5.4 Post balance sheet events

Facilities

The Company has entered into an extension of the £30.0 million RCF for a further year, with a revised maturity date of 19 December 2023 .

Interest is payable on the amounts drawn down at a margin of 2.25% per annum plus the applicable reference rate. The company is subject to certain financial covenants under this facility.

Hatfield CFC

On 25 April 2023 Ocado Group announced that Ocado Retail proposed network changes that include ceasing current operations at Hatfield CFC, the oldest site in the Ocado network.

Under these proposals, there are no expected changes to the volume of orders fulfilled. Customer orders which are currently fulfilled in Hatfield, c.20% of Ocado.com's 400k orders per week, would be moved to the Company's high-productivity, next-generation facilities around the UK. This will include the nearby Luton CFC which is scheduled to open later this year to take advantage of the continued channel shift to online.

There are currently around 2,300 Ocado Group employees based in Hatfield, and Ocado has now commenced a consultation process with colleagues on these proposals.

At the current time due to a number of uncertainties we cannot estimate with reasonable certainty the impact on the financial statements. It is expected that the financial statement areas impacted will be exceptional items, ROU assets, fixed assets and lease liabilities.

5.5 Ultimate controlling party

In August 2019, Marks and Spencer Holdings Limited acquired a 50% stake in Ocado Retail to form a new 50:50 joint venture with Marks and Spencer Holdings Limited and Ocado Holdings Limited. The Shareholders have concluded that Ocado Holdings Limited still controls Ocado Retail, since it holds 50.0% of the voting rights of the Company and an agreement signed by the shareholders grants the Ocado Group determinative rights, after agreed dispute-resolution procedures, in relation to the approval of the Company's business plan and budget and the appointment and removal of the Company's Chief Executive Officer who is responsible for directing the relevant activities of the business. The Company's controlling party is Ocado Holdings Limited, a company incorporated in the United Kingdom. Ocado Group plc is the largest and smallest group of undertakings to consolidate these financial statements as of 27 November 2022. The consolidated financial statements of Ocado Group plc can be obtained from Buildings One & Two, Trident Place, Mosquito Way, Hatfield, Hertfordshire, AL10 9UL, United Kingdom, or from its corporate website, www.ocadogroup.com.

Company Information

Directors	Hannah Gibson (appointed 20 September 2022) Tim Steiner Lawrence Hene Stuart Machin Stephen Daintith (appointed 17 November 2022) Adam Dobbs (appointed 17 November 2022) Jeremy Townsend (appointed 26 January 2023) Melanie Smith (resigned 19 July 2022) Niall McBride (resigned 19 January 2023) Stephen Rowe (resigned 25 May 2022) Duncan Tatton-Brown (resigned 31 October 2022) Eoin Tonge (resigned 18 November 2022)
Company Secretary	Jonathan Wiseman
Company number	03875000
Registered office	Apollo Court 2 Bishop Square Hatfield Business Park Hatfield Hertfordshire United Kingdom AL10 9NE
Statutory auditor	Deloitte LLP London United Kingdom